金山能源集團有限公司
KING STONE ENERGY GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00663)

2021 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Zhuliang *(Chairman)*
Mr. Zong Hao *(Chief Executive Officer)*
Ms. He Qing

Independent Non-Executive Directors

Mr. Chiu Sui Keung
Mr. Lee Ping
Mr. Lee Kwok Wan

AUDIT COMMITTEE

Mr. Chiu Sui Keung *(Chairman)*
Mr. Lee Ping
Mr. Lee Kwok Wan

REMUNERATION COMMITTEE

Mr. Chiu Sui Keung *(Chairman)*
Ms. He Qing
Mr. Lee Kwok Wan

NOMINATION COMMITTEE

Mr. Xu Zhuliang *(Chairman)*
Mr. Chiu Sui Keung
Mr. Lee Kwok Wan

AUTHORISED REPRESENTATIVES

Mr. Zong Hao
Mr. Lee Tao Wai

COMPANY SECRETARY

Mr. Lee Tao Wai

AUDITOR

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LEGAL ADVISER

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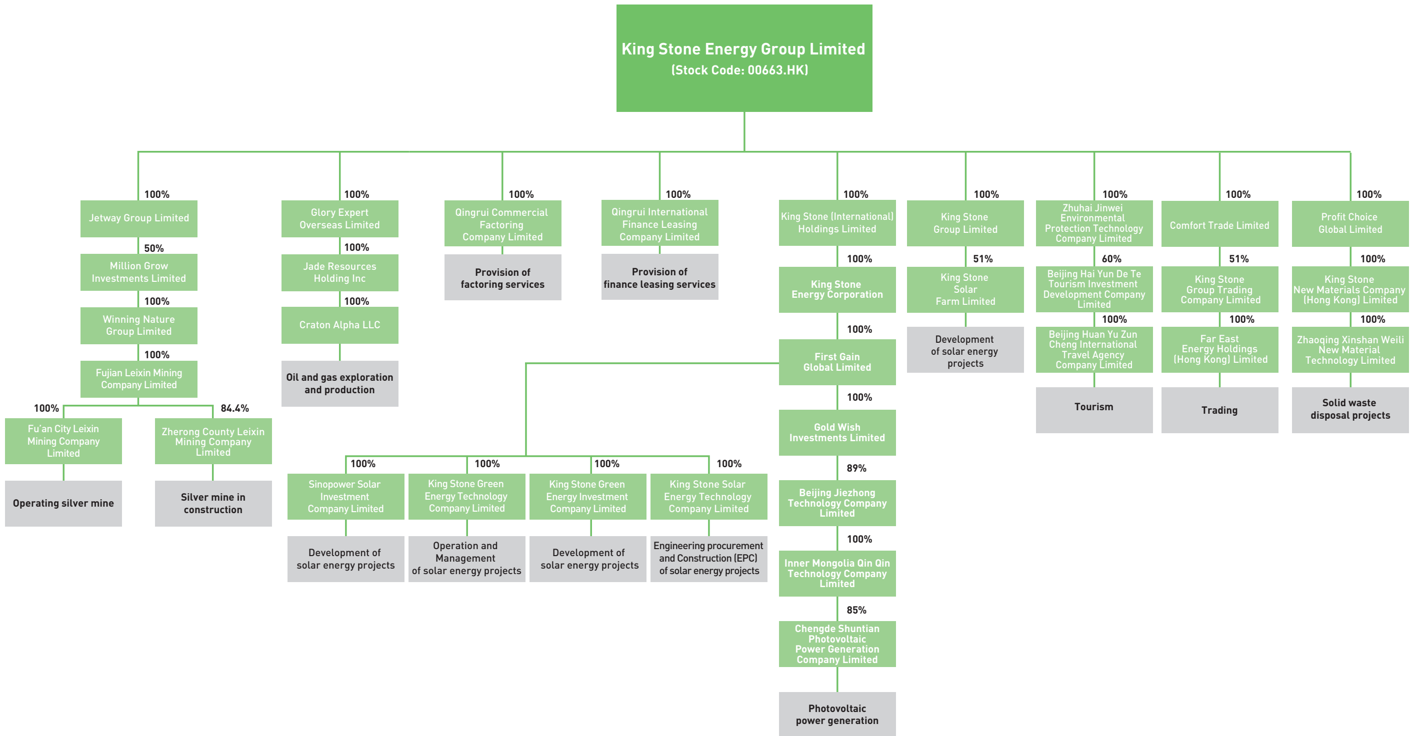
COMPANY WEBSITE

http://www.663hk.com

STOCK CODE

00663

GROUP STRUCTURE



CAPITAL EXPENDITURE

The capital expenditure for development and mining production activities was approximately HK$0.2 million (2020: HK$1.2 million) during the year.

FUJIAN LEIXIN SILVER MINES

Fu'an Silver Mine (the West Mine)

Name	Fu'an City Leixin Mining Company Limited
Location	Fu'an City, Fujian
Licensed area	2.1 km^2
Mining rights validity	2010-2020#
Designed capacity	198,000 tons per annum

#: The mining permit has retained its status for two years up to 9 December 2022.

Zherong Silver Mine (the East Mine)

Name	Zherong County Leixin Mining Company Limited
Location	Zherong County, Fujian
Licensed area	4.97 km^2
Exploration rights validity	2017-2018*
Designed capacity	660,000 tons per annum

*: The Group is in the process of renewing the exploration permit.

	The West Mine	The East Mine
As at 31 May 2018		
Probable ore reserves (million tons)	0.69	6.07
Ore grade (g/t Ag)	210.4	122.1
Actual output in 2018 and 2019 (million tons)	–	–
Actual output in 2020 (million tons)	(0.04)	–
Actual output in 2021 (million tons)	(0.02)	–
	(0.06)	–
As at 31 December 2021		
Probable ore reserves (million tons)	0.63	6.07

Note: The above information are extracted from technical report issued by SRK Consulting China Limited dated 31 May 2018 after deduction of actual output up to 31 December 2021 based on Leixin's record.

CRATON OIL AND GAS FIELDS

	Natural gas (million cubic feet)	Natural gas liquid (NGL) (thousand bbl)	Oil (thousand bbl)
As at 1 January 2015			
Proved reserves	16,986.89	449.67	191.68
Probable reserves	19,621.22	519.40	225.02
Possible reserves	31,342.41	829.67	359.45
	67,950.52	1,798.74	776.15
Adjustments based on acreage held			
Proved reserves	(3,928.66)	(104.00)	(45.05)
Probable reserves	(11,776.53)	(311.74)	(135.05)
Possible reserves	(23,505.85)	(622.23)	(269.58)
	(39,211.04)	(1,037.97)	(449.68)
Proved reserves	13,058.23	345.67	146.63
Probable reserves	7,844.69	207.66	89.97
Possible reserves	7,836.56	207.44	89.87
	28,739.48	760.77	326.47
Actual output in 2015	(688.36)	(23.62)	(8.52)
Actual output in 2016	(389.71)	(14.08)	(4.49)
Actual output in 2017	(246.31)	(10.41)	(2.72)
Actual output in 2018	(186.17)	(7.93)	(2.00)
Actual output in 2019	(115.00)	(4.71)	(1.57)
Actual output in 2020	(88.41)	(4.55)	(1.62)
Actual output in 2021	(78.41)	(3.73)	(1.10)
	(1,792.37)	(69.03)	(22.02)
As at 31 December 2021			
Proved reserves	11,265.86	276.64	124.61
Probable reserves	7,844.69	207.66	89.97
Possible reserves	7,836.56	207.44	89.87
	26,947.11	691.74	304.45

Note: The above information are extracted from the reserve report issued by Cawley Gillespie & Associates Inc. on 3 March 2015 after adjustments based on acreage held and deduction of actual output up to 31 December 2021 based on Craton's record.

BUSINESS REVIEW

King Stone Energy Group Limited (the "Company", together with its subsidiaries, the "Group") is principally engaged in (1) the mining and sale of silver minerals in the People's Republic of China (the "PRC"); (2) the generation of electricity through photovoltaic power in the PRC and Hong Kong; (3) the provision of tourism agency services in the PRC; (4) the extraction, production and sale of natural gas and oil in the United States of America ("USA"); (5) the provision of asset financing and factoring services in the PRC; and (6) the trading of various commodities during the year.

(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.

All the prerequisites for the full resumption of production at the West Mine has been in place since the fourth quarter of 2020. The ore production at the West Mine was approximately 17,432 tonnes during the year.

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 current 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 current status for two years up to 9 December 2022. Fu'an Leixin is preparing the documents for extension of the mining permit for the West Mine.

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 exploration license, which is a pre-requisite for obtaining the mining 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 and is still being reviewed. 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. Based on the latest communications with the relevant government officers of the government of Ningde City, Fujian Province, the PRC (the "Ningde Government") up to date of this report, the renewal of the exploration license, as affected by the implementation of the Project which is still being reviewed by certain relevant government authorities, is still being reviewed as at date of this report. The Group is also in discussion with the Ningde de Government whether the potential exploration and mining activities at the East Mine will have impact on the Project.

The preparation work for exploration on the mining area at the East Mine including construction of electricity and water network, cleaning of mine tunnel, repairs of certain mining facilities and road at the East Mine, etc 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 including a summary report of exploration work on the East Mine for past few years for submission to the relevant government authority. The Group intends to carry out infrastructure construction at the East Mine once the mining license is obtained.

Based on 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 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 a 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 would 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. To the best knowledge of the Group, the Project is still being reviewed by certain relevant government authorities in Fujian and Zhejiang Provinces.

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

(2) 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 ("mW") 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 4.085 mW. 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. 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. On 22 June 2021, First Gain Global Limited, an indirect wholly-owned subsidiary of the Company as purchaser, has completed an acquisition of 100% of the issued share capital in SinoPower Solar Investment Co. Limited ("SPSI") from SinoPower Holding (Hong Kong) Co. Limited as vendor, which is an independent third party of the Company, for an aggregate cash consideration of HK$8,000,000.

SPSI is an integrated project developer and investor of distribution type of solar energy projects in Hong Kong. Currently, SPSI has developed various rooftop solar energy projects with an on-grid power generation capacity of approximately 2,700 Kilo Watts ("kW") and has a pipeline of solar energy projects with power generation capacity of approximately 20 mW. It has also worked with numerous property owners and land owners in Hong Kong for renewable energy investment projects, and is recognised as one of the leading solar energy market players in Hong Kong.

Currently, SPSI receives monthly feed-in tariff ("FiT") at a standard rate of HK$4 per kWh for the solar photovoltaic system's capacity from 10kW to 200kW operated by SPSI. In particular, the FiT scheme implemented by the Government of Hong Kong to promote the distribution of renewable energies has been adopted for the entire lifetime of the solar photovoltaic system project or until end of 2033, whichever is earlier. After collecting FiT Income, SPSI will distribute the share of FiT income to the relevant landlord/incorporated owners according to the terms of the respective profit-sharing agreements.

On 30 August 2021, SPSI (as vendor), an indirect wholly-owned subsidiary of EPI (Holdings) Limited ("EPI", a company listed on the Main Board of the Stock Exchange with stock code: 689) (as purchaser) and the Company (as guarantor of SPSI) entered into an agreement in relation to the disposal of certain existing and ongoing projects of an aggregate power generation capacity of approximately 4,133 kW calculated at HK$18.0 per watt multiplied by the kW capacity with the maximum consideration of HK$75,000,000 (or such other amount as may be agreed by SPSI and the purchaser in writing). SPSI will be responsible for the provision of the operation and maintenance ("O&M") services for the projects transferred at the agreed monthly fee of HK$0.9 per kWh multiplied by actual unit of energy generated shared by the purchaser for the solar energy projects. Further details of the above transactions are set out in the announcements of the Company dated 30 August 2021 and 14 September 2021.

The Group believes that it will earn profits from engineering, procurement and construction ("EPC") of solar energy projects and monthly income from O&M for projects transferred to the purchaser under the above transactions. Subsequent to the above disposal, the Group will continue to operate and develop the remaining solar photovoltaic systems and pipelines projects of SPSI. Part of the proceeds to be received will also be re-invested in other solar photovoltaic projects in Hong Kong.

In January 2022, King Stone Group Limited, a wholly subsidiary of the Company, has set up a non-wholly owned subsidiary with Solar Farm (Asia) Limited, another solar energy projects developer in Hong Kong. SPSI is still in the process of negotiation with other potential landlords/incorporated owners for the installation of solar photovoltaic systems to increase SPSI's market share in the solar energy market in Hong Kong.

(3) Tourism business

To diversify the business portfolio of the Group, the Group strategically acquired 60% equity interest of Beijing Hai Yun De Te Tourism Investment Development Company Limited ("Beijing Hai Yun"), which is principally engaged in local tourism business in the PRC, in October 2019. In September 2020, Beijing Hai Yun has acquired 100% equity interest in Beijing Huan Yu Zun Cheng International Travel Agency Company Limited, which is a tourist agency company in the PRC holding an international tourist agency license. The tourism business, which mainly represented income from the provision of MICE Travel and hotels and tickets booking services in the PRC, was still affected by COVID-19 pandemic during the year.

(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").

Business model

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.

The target customers are mainly state-owned enterprises, listed companies, companies with AA credit rating, and sizeable and reputable private enterprises which are independent third parties. The Group currently sources its customers by referrals from parties of which the Group has business relationship or business connection.

Major terms of lease and factoring receivables

The Group sets the loan terms in conjunction with the credit risk of the borrower as assessed pursuant to the procedures above. The loan tenure is typically fixed at three years while the security required differ based on the level of risk (e.g. the level of collateral (in the form of receivables or for finance leases, the leased assets) or provision of guarantor(s)). The interest rate is typically agreed at a floating rate based on the three-year lending rate as promulgated by the People's Bank of China plus a margin of 20%.

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. Demand letters were issued against this customer requesting repayment in April 2021 and January 2022.

On 8 October 2016, Qingrui Factoring entered into two factoring agreements (as supplemented on 8 October 2019, 8 October 2020 and 8 October 2021) 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. The expiry date of the factoring agreements has been extended from 8 October 2019 to 7 October 2022. A demand letter was also issued against this customer requesting repayment in December 2021.

On 1 April 2021, Qingrui Factoring entered into a factoring arrangement with a customer in principal sum of RMB1.5 million (equivalent to approximately HK$1.8 million) for a term of half year with expiry date of 9 October 2021. On 25 June 2021, Qingrui Factoring entered into the factoring arrangement with the same customer in principal sum of RMB2.5 million (equivalent to approximately HK$3 million) for a term of nine months with expiry date of 24 March 2022.

On 1 November 2021, Qingrui International Finance Leasing Company Limited, also one of the Asset Financing Subsidiaries, entered into a finance leasing agreement with another customer in principal amount of RMB1.2 million (equivalent to approximately HK$1.4 million) for a term of 3 years with expiry date of 1 November 2024.

As at 31 December 2021, the total outstanding lease and factoring receivables (including management fee receivables) before impairment were approximately HK$202.5 million (2020: HK$272.5 million). As at 31 December 2021, the receivables balance before impairment of the Group's five largest customers of asset financing segment of approximately HK$197.2 million (2020: HK$253.1 million) accounted for 97.4% (2020: 92.9%) of the total lease and factoring receivables before impairment and the receivable balance before impairment of the Group's largest customer of asset financing segment of approximately HK$115.5 million (2020: HK$111.5 million) accounted for 57.1% (2020: 40.9%) of the total lease and factoring receivables before impairment.

The Group has fully recovered certain lease and factoring receivables, resulting in the recognition of reversal of impairment loss of approximately HK$49.3 million during the year. The Group is in the process of assessing the credit standing and negotiating for updated repayment schedules with other existing customers. Further actions will be taken, including but not limited to sending legal letters demanding repayment, to collect the outstanding receivables.

Internal control systems

Finance leasing

The credit and internal control measures for finance leasing mainly consist of the below stages, namely (1) initial project review; (2) on-site investigation; (3) project analysis and review; and (4) on-going lease management.

Our credit risk assessment for our finance leasing services consists of an initial project review with project officer(s) assigned to review and verify the documents, such as corporate documents and audit reports, provided by the customer applying for finance leasing.

On-site investigations will be conducted by project officers at the offices of the customer and guarantor (if any). During the investigations, the project officers shall inspect their operation, conduct interviews with the relevant personnel and obtain an understanding of the customer's operation, financials, usage of loan proceeds and the pledged collateral (its purchase cost and its net value).

The project analysis consists of analysing the customer's and the guarantor's good standing, their willingness and ability of repayment and their ability to perform their obligations under contract. On analysing the borrower's ability of repayment, their financial statements and cash flow will be taken into account, including but not limited to the borrower's solvency (financial leverage ratio), profitability (profit ratio), operating capacity (efficiency ratio), asset quality, capital structure and forecast of its development. The potential economic impact on the finance leasing project and the guarantor are also taken into account. The information of the project and will then be submitted to the risk department for its further review, evaluation and approval.

The finance leases will be inspected regularly, at least once every quarter, depending on the amount, lease period, counter guarantee measures employed and risk level of the lease etc. Projects with higher risk shall be monitored closely with more frequent inspections if required. The inspection shall cover the business operation, financial situation, the status of any counter guarantee measures and changes in the loan amount. Any issue will be immediately reported to the general manager and appropriate measures will be taken. For all finance leasing projects, the customer will be informed 30 days prior to the expiry of the finance lease. If the customer fails to perform its obligations, the guarantor will be required to repay on its behalf. Any proposals for recovery of the outstanding payments will be prepared by the risk department and approved by the general manager.

Business factoring

Business factoring mainly consists of the following stages: (1) preliminary review; (2)due diligence; (3) risk control; and (4) loan management.

Our credit risk assessment for our business factoring services begins from due diligence procedures conducted on the borrower, which includes but not limited to, the verification result of the information provided, credit score, the rights of the pledged collateral and collateral loan ratio, and if guarantor is involved, the guarantor's repayment ability and its authorisation.

Once the due diligence is completed, the risk department shall further examine the consistency of the borrower's information, the background of the borrower and its associates, status of the collateral pledged (such as its assessed value compared to the industry benchmark, rate of mortgage and its liquidity) and the borrower's regulatory compliance.

Our credit risk assessment is an ongoing process that extends after a loan is granted. The officer shall conduct a post-loan interview with the borrower to ascertain if there are any abnormal changes after the issuance. The officer shall also conduct irregular inspections (inspection frequency determined on a case by case basis) on its day to day business operations, debt situation, business operations and any irregularities on the security of the assets shall be alerted in the case of any potential risks on the security of the assets and reported to the general manager.

In the event of a material change in business and changes in the ownership structure of the borrower without prior consent of the Company or the value of the pledged collateral has been adversely affected, the Company will implement measures, such as inserting deadline for remedying the breach, recall in whole or in part of the loan in advance, dispose of the collateral (if applicable) and other relevant measures.

Actions on delinquent loans

The Group closely monitors the payment status of its loans. When a loan becomes delinquent, we typically attempt to negotiate in good faith and provide a short grace period for making payment before exercising other remedies, including calling the loan in advance, exercising rights over the collateral, seeking repayment from the guarantor and taking legal action to recover the same from the borrower and/or guarantor.

Depending on the situation, we will negotiate with the customer to agree on a viable repayable schedule before taking further legal action, starting with issuing legal letters. The exact proposal for recovery of delinquent loans is handled by the risk department and approved by the general manager.

(6) Commodities trading

During the year, the Group was engaged in the trading of various commodities including iron ore, copper, wood etc mainly through its subsidiary namely King Stone Group Trading Company Limited. The Group continues to explore more trading opportunities for different commodities to expand the commodities trading business.

The Group is operating business of trading of liquefied natural gas ("LNG") in the PRC through Shaanxi Beitu Logistics Co., Ltd ("Shaanxi Beitu") which currently holds a Hazardous Chemical Products Operating Permit which is required under the relevant laws and regulations for Shaanxi Beitu to operate its existing business and it is valid for a period of 3 years up to 8 July 2022. The trading of LNG business was affected as the local government would like to develop tourism industry in the region where Shaanxi Beitu is located during the year. Shaanxi Beitu is in progress of relocation to other region in which LNG enterprises are centralised around Xi'an city, the PRC.

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. 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.

FINANCIAL REVIEW

Revenue and cost of sales

The Group recorded total revenue of approximately HK$86.0 million (2020: HK$51.3 million) during the year, representing an increase of 67.7% compared with last year. The increase in revenue was mainly due to increase in revenue in photovoltaic power generation business upon acquisition of 100% equity interests in SPSI in June 2021 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$12.8 million (2020: HK$14.5 million). The respective cost of sales was approximately HK$5.9 million (2020: HK$12.1 million) mainly comprising of raw materials consumed, direct labour and other production cost. Gross margin was 53.8% during the year (2020: 16.5%).

For the photovoltaic power generation business, (i) Chengde Shuntian produced and sold approximately 4,700 mW of electricity and recorded revenue from photovoltaic power generation of approximately HK$3.8 million (2020: HK$6.4 million) in the PRC during the year. The related cost of sales was approximately HK$2.2 million (2020: HK$1.4 million) and gross margin was 40.9% (2020: 77.3%); (ii) SPSI (which has been acquired by the Group in late June 2021) produced and sold approximately 220,000kWh of electricity and recorded revenue from photovoltaic power generation in Hong Kong (after sharing of FiT income to the landlords incorporated owners) of approximately HK$0.6 million (2020: nil) in Hong Kong from July 2021 to December 2021. The related cost of sales was approximately HK$0.5 million (2020: nil) and gross margin was 29.7% (2020: nil); (iii) SPSI also sold solar energy projects to EPI and generated revenue of approximately HK$23.9 million during the year. The related cost of sales was approximately HK$21.4 million (2020: nil) and gross margin was 10.5%; (iv) King Stone Green Energy Technology Company Limited, which is responsible for O&M for solar energy projects of the Group, recorded revenue and cost of sales of approximately HK$0.2 million (2020: nil) and HK$0.1 million (2020: nil) respectively during the year. The gross margin was 40.0%.

For the tourism business, the Group recorded revenue of approximately HK$0.5 million (2020: HK$1.5 million) from provision of tourism agency, tickets booking services and convergence media business during the year. No respective cost of sales (2020: HK$0.6 million) and gross margin was 100% (2020: 61%) during the year.

For the oil and gas E&P in the USA, the Group, net to its ownership interests, has produced approximately 1,096 Bbl of oil, approximately 78 million cubic feet of natural gas, and approximately 3,733 Bbl of natural gas liquids (2020: approximately 1,622 Bbl of oil, approximately 88 million cubic feet of natural gas, and approximately 4,546 Bbl of natural gas liquids). The revenue was approximately HK$2.9 million during the year (2020: HK$1.7 million). Cost of sales for oil and gas E&P was approximately HK$2.1 million during the year (2020: HK$2.8 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 profit margin of 24.1% (2020: gross loss margin of 71.1%) during the year.

The Group also recorded revenue of approximately HK$8.0 million (2020: HK$7.0 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 (2020: nil).

The Group also recorded revenue from trading of various commodities of approximately HK$33.5 million (2020: HK$20.2 million) and respective cost of sales of approximately HK$30.3 million (2020: HK$19.7 million). The gross margin was 9.6% (2020: 2.3%) during the year.

Other income and gains, net

Other income and gains, net was approximately HK$18.9 million during the year (2020: HK$20.7 million). It mainly represented foreign exchange gains, net of HK$7.2 million (2020: HK$11.2 million) and gain on disposal of an associate, namely Hainan Shengeng Ocean Development Co. Ltd ("Hainan Shengeng"), of HK$4.6 million (2020: nil).

Selling and distribution expenses and administrative expenses

Selling and distribution expenses of approximately HK$3,000 were recognised during the year (2020: HK$0.03 million). Administrative expenses were approximately HK$37.8 million (2020: HK$38.3 million) during the year, mainly comprising staff cost for administrative functions, legal and professional fees incurred for operation, depreciation and other administrative expenses.

Impairment losses of financial assets, net

The impairment of financial assets, net comprises of: (i) impairment of lease, factoring and trade receivables of approximately HK$4.6 million (2020: HK$147.8 million); and (ii) impairment of deposits and other receivables of approximately HK$47.7 million (2020: HK$59.7 million); (iii) reversal of impairment of lease and factoring receivables and a deposit of HK$49.6 million (2020: nil).

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses ("ECL") pursuant to HKFRS 9 Financial Instruments. The probabilities of default are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. At 31 December 2021, the probability of default applied was 0.05% to 100% (2020: 0% to 100%) and the loss given default rate was estimated to be ranged from 57.65% to 64.87% (2020: 0% to 62.52%). Impairment loss were mainly attributable to the fact that the debtors have been default in settlement of interest payments for a prolonged period. These receivables were considered credit-impaired given worsening credit environment and credit risks for customers in the period of COVID-19.

Other expenses, net

The breakdown of other expenses, net was as follows:

	2021 **HK$'000**	2020 HK$'000
Impairment of items of property, plant and equipment	**1,187**	2,932
Impairment of other intangible assets	**20,998**	23,485
Loss on deemed disposal of an associate	**3,191**	–
Others	**87**	1,199
Total	**25,463**	27,616

The Directors 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 from 9% to 10% (2020: 10%) were used in assessing the FV of the CGUs of the Silver Mining Assets and from 11% to 12% (2020: 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 are of the opinion that an impairment loss of the Silver Mining Assets totaling HK$22.2 million (2020: HK$24.7 million) was resulted during the year, in which HK$1.2 million (2020: HK$1.3 million) was allocated to property, plant and equipment and HK$21.0 million (2020: HK$23.3 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 are of the opinion that no impairment loss of the Oil & Gas Assets (2020: HK$1.8 million) was resulted during the year. In 2020, HK$1.6 million and HK$0.2 million were allocated to property, plant and equipment and intangible assets of the Group's oil and gas segment, respectively based on their relative carrying amounts amongst the Oil & Gas Assets.

Finance costs, net

Finance costs, net were approximately HK$51.6 million (2020: HK$45.9 million), which mainly represented interest and other borrowing costs and penalties on overdue loans raised for the silver mining business of approximately HK$48.8 million (2020: HK$42.9 million) during the year.

Share of losses of associates

During the year, the Group shared the losses of One Asia Securities Limited, an associate which is principally engaged in securities trading in Japan, of approximately HK$0.3 million (2020: nil). In 2020, it represented share of loss of Hainan Shengeng of approximately HK$15.1 million.

Income tax

Income tax was approximately HK$1.0 million (2020: HK$0.9 million) during the year. It mainly represented deferred income tax arising from photovoltaic business in Hong Kong of approximately HK$0.6 million (2020: nil) during the year. In 2020, it mainly represented income tax arising from asset financing business of approximately HK$0.9 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$42.9 million (2020: HK$268.9 million). The decrease in loss for the year was mainly due to the decrease in impairment loss and increase in reversal of impairment loss of financial assets during the year.

Fund raising exercises

On 16 November 2021, the Company has proposed the following:

(i) the share consolidation involving consolidation of every ten (10) existing shares into one (1) consolidated share ("Share Consolidation");

(ii) change in the board lot size for trading from 1,000 existing shares to 10,000 consolidated shares conditional upon the Share Consolidation becoming effective;

(iii) conditional upon the Share Consolidation becoming effective, the rights issue (the "Right Issue"), which is on a non-underwritten basis, on the basis of one (1) rights share for every two (2) consolidated shares at the subscription price of HK$0.25 per rights share, to raise up to approximately HK$98.94 million before expenses by way of issuing up to 395,752,778 rights shares.

On 16 November 2021, the Company also entered into the placing agreement (the "Placing Agreement") with an independent placing agent in relation to placing, on a best effort basis, for the placing shares (i.e., right shares not taken up in the Right Issue)(the "Placing"). Under the terms of the Placing Agreement, if all the rights shares are already fully taken up in the Rights Issue, the Placing will not proceed.

The estimated net proceeds from the Rights Issue and the Placing after deducting the estimated expenses in relation to the Rights Issue of up to approximately HK$97.74 million, of which (i) approximately HK$80 million is intended for the business development of the photovoltaic power generation sector to develop and secure more solar photovoltaic system projects of SPSI, and other investment opportunities in renewable energy sector in Hong Kong, the PRC and Japan if such opportunities arise; and (ii) the remaining amount for general working capital of the Company.

The Share Consolidation and change in board lot size has been effective from 30 December 2021. The Rights Issue and the Placing completed on 2 March 2022 as follows:

(a) 378,841,666 rights shares were subscribed under the Rights Issue; and

(b) 16,911,112 placing shares were allotted and issued to one independent placee under the Placing.

Therefore, the total number of shares taken by shareholders under the Rights Issue and the shares placed under the Placing represents the total number of 395,752,778 rights shares available for subscription under the Rights Issue raising gross proceeds of approximately HK$98.94 million and net proceeds of approximately HK$97.74 million. Details of the above were disclosed in announcements of the Company dated 16 November 2021, 2 December 2021, 28 December 2021, 31 December 2021, 27 January 2022, 21 February 2022 and 3 March 2022, circular of the Company dated 8 December 2021 and prospectus of the Company dated 26 January 2022. As at date of this report, the proceeds were not yet utilised.

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 during the year. As at 31 December 2021, the current ratio of the Group, measured as total current assets to total current liabilities, was 0.72:1 (2020: 0.64:1). As at 31 December 2021, the cash and cash equivalents of the Group were approximately HK$83.0 million (2020: HK$57.4 million).

As at 31 December 2021, there was outstanding interest-bearing bank loan of principal of approximately HK$4 million (2020: nil) which was denominated in Hong Kong dollars. The bank loan was subject to fixed interest rate of 7% per annum and was due on 31 December 2024. The bank loan was secured by (i) several solar energy projects of the Group with an aggregate net carrying amount of approximately HK$5.3 million; (ii) 100% equity interest in a wholly subsidiary of the Company; (iii) corporate guarantee by the Company; and (iv) personal guarantee by a director of the Company. A time deposit of HK$0.5 million was also maintained for the above bank loan as at 31 December 2021.

The convertible notes in the aggregate principal amount of HK$50 million with the conversion price of HK$0.80 (adjusted upon Share Consolidation effective from 30 December 2021) each were issued on 7 August 2020 and all convertible notes have been converted into a total of 625,000,000 new ordinary shares of the Company during the year. There were no outstanding convertible notes as at 31 December 2021 (2020: HK$50 million).

As at 31 December 2021, there were other loans of approximately HK$362.2 million (2020: HK$286.6 million) comprising loan principal and commission payable of approximately HK$81.7 million (2020: HK$57.9 million), overdue interest/penalty of approximately HK$280.3 million (2020: HK$228.7 million) and non-overdue interest of approximately HK$0.2 million (2020: nil). Other loans of approximately HK$345.5 million, HK$12.2 million and HK$4.5 million were denominated in Renminbi, Hong Kong dollars and Japanese Yen respectively. Other loans with principal of approximately HK$24.5 million (2020: HK$23.8 million) and HK$6.7 million (2020: HK$6.5 million) were interest-free and with fixed interest rate of 15% per annum, respectively. Other loans of approximately HK$345.5 million were subject to an overdue penalty of 0.5% per day on loan principal and 1% on the overdue balance, respectively. Other loans of approximately HK$4.5 million were with fixed interest rate of 12% per annum and were due on 20 July 2022. Other loans of HK$12 million, which were repaid in January 2022, were with fixed interest rate of 8% per annum and were due on 31 March 2022. As at 31 December 2021, other loans of approximately HK$345.5 million (2020: all) 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 2021) 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$11.7 million) issued in August 2017, the Group was held liable to pay a sum of approximately RMB10.4 million (equivalent to approximately HK$12.7 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$12.9 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 report.

(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$6.7 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 report.

Adequate accrued interest and penalties have been provided by the Group as at 31 December 2021. 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, US dollars and Japanese Yen. 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 1.96 as at 31 December 2021 (2020: 1.89).

MATERIAL ACQUISITIONS AND DISPOSALS

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, 22 December 2020, 25 June 2021 and 30 December 2021) 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 2022. Earnest money of RMB85.5 million was paid and no formal agreement in respect of proposed acquisition was made up to date of this report. 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, 22 December 2020, 25 June 2021 and 30 December 2021.

(ii) Disposal of Hainan Shengeng

On 31 December 2020, Zhuhai Jinwei Environmental Protection Technology Co., Ltd (a wholly owned subsidiary of the Company), 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 has been received in March 2021 and the disposal was completed during the year.

Save for the above and completion of acquisition of 100% equity interests in SPSI as mentioned before, 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 2021 (2020: nil).

CAPITAL COMMITMENTS, CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2021, 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) (2020: HK$1.8 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 and HK$4.9 million (2020: nil) in respect of purchase of solar photovoltaic projects.

As at 31 December 2021, time deposits of approximately HK$2.4 million (2020: HK$2.2 million) were pledged for conducting silver mining businesses as required by relevant government authorities. Save as disclosed above and certain assets of the Group pledged for a bank loan as stated in section headed "Liquidity and Financial Review", the Group had no other pledge of assets as at 31 December 2021.

As at 31 December 2021, the Group did not have any material contingent liabilities (2020: nil).

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2021, the Group had 54 (2020: 62) employees. The total staff costs (including directors' remuneration) for the year were approximately HK$22.6 million (2020: HK$22.3 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 its employees' to enhance their 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 2021.

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 against the fluctuating market conditions in the pandemic 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.

The Group has completed the acquisition of SPSI, which is principally engaged in development of solar energy projects, for the first step of entering the new energy market of Hong Kong in June 2021. 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 has been in negotiation 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 PRC. 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.

On 11 March 2022, the Company entered into a strategic cooperation agreement with Enerstar Corporation ("Enerstar"), which is a high-tech research institute principally engaged in the research and development and production of hydrogen fuel cell membrane electrodes, stacks, modules and systems, and testing equipment, in relation to forming a strategic alliance to develop the foundation of the hydrogen energy industry chain in Ordos City, Inner Mongolia, the PRC and by taking advantage of the high-yield and low-cost advantages of Inner Mongolia's industrial by-product hydrogen and photovoltaic green hydrogen, build a hydrogen supply and hydrogenation chain through the jointly established or self-established stations, open up the lifeline of fuel cell vehicles, and promote the integrated development of hydrogen production, storage, transportation and application. The parties will cooperate in four key areas namely (i) hydrogen fuel cell system manufacturing; (ii) hydrogen fuel cell vehicle sales; (iii) hydrogen refueling station; and (iv) hydrogen fuel cell heavy truck operation. The Company and Enerstar will establish a joint venture entity to build and develop a full-end hydrogen energy industry chain in Ordos City, mainly engaged in the technology research and development, product development, manufacturing and sale of hydrogen fuel cells and main components (membrane electrodes) and hydrogen fuel cell semi-trailer trucks, financial leasing services and operation of hydrogen fuel cell heavy trucks, and construction and development of hydrogen refueling stations.

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.

EXECUTIVE DIRECTORS

Mr. Xu Zhuliang, aged 52, obtained a diploma from Taiyuan University of Technology in 1991. Mr. Xu holds the Safety Qualification Certificate issued by the State Administration of Work Safety. Since 2009, Mr. Xu has been the Assistant to President and Vice President of Beida Jade Bird Group, and is primarily responsible for the management of the company's coal mine and chemical projects. During the period from 2006 to 2008, Mr. Xu was the manager of Shanxi Tianchengdayang Energy Chemical Industry Co. Ltd., a company specialized in the development, production and processing of energy chemical products. Prior to that, Mr. Xu was the manager of Shanxi Glamour Science & Technology Co. Ltd. During the period from 2002 to 2006, he was responsible for the research and development, investment, construction and operation of the coal mine and chemical projects of that company. He was appointed as the executive director of the Company on 12 March 2013 and became the chairman of the Company on 1 March 2020. He is also the chairman of the nomination committee of the Company.

Mr. Zong Hao, aged 52, obtained a degree of the Master of Laws from Buffalo Law School, the State University of New York in 1997. Mr. Zong has been an independent director of Suzhou Electrical Apparatus Science Academy Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300215) from 2009 to 2015 and is currently an independent non-executive director of Sincere Watch (Hong Kong) Limited, a company listed on the Stock Exchange (stock code: 444) since December 2016. Mr. Zong was the chief representative of Cherry Lane Music Publishing Company Inc. Beijing office from 2003 to 2010. He was also the executive vice president of Quintana China and Taggart China LLC from 2007 to January 2013. He was appointed as the executive director and chief executive officer of the Company on 1 February 2013.

Ms. He Qing, aged 53, graduated from China University of International Business and Economics with a Bachelor Degree in Chinese. From May 1993 to October 1994, Ms. He was the chief financial officer of Beijing Zhongzhilu Business Conference Service Company Limited. From October 1994 to October 2009, she was the chief financial officer of Beijing Foreign Enterprise Air Service Co., Ltd.. Since October 2009, Ms. He has been the vice president of Beijing Beida Jade Bird Co., Ltd., responsible for investment management. She has over 20 years of experience in finance and corporate management. She was appointed as the executive director of the Company on 18 April 2017 and is a member of the remuneration committee of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Sui Keung, aged 55, has over 16 years' experience in the strategic management in various listed companies, financial industry and accounting field. He has possessed extensive experience in corporate finance including initial public offerings, takeovers, mergers and acquisitions, fund raising and corporate advisory. Mr. Chiu graduated with a Bachelor's Degree in Commerce from the University of Melbourne, Australia and has obtained a Master's Degree in Applied Finance from Macquarie University in Sydney, Australia. He has also obtained a Diploma in Practices in Chinese Laws and Regulations Affecting Foreign Businesses jointly organized by Southwest University of Political Science and Law, the PRC and the Hong Kong Management Association. He is currently the executive director and chief executive officer of Elife Holdings Limited (stock code: 223) and was the non-executive director of China New Energy Power Group Limited (stock code: 1041) during the period from September 2008 to July 2009, both of the companies are listed on the Stock Exchange. He was appointed as the independent non-executive director of the Company on 18 January 2010. Mr. Chiu is the chairman of the audit committee and the remuneration committee of the Company and a member of the nomination committee of the Company.

Mr. Lee Ping, aged 61, holds a Bachelor's Degree in Mathematics and Computer Science from State University of New York at Buffalo, a Master's Degree in Computer Science and a Doctor of Philosophy in Mathematics from Cornell University. He has over 21 years' experience in energy and petroleum industry. Currently, Mr. Lee is the President and General Manager of BG Group China, a world leader in natural gas industry. He has responsibility in managing BG Group's overall portfolio in relation with China, domestic and international. Prior to joining BG Group, Mr. Lee served as President of Schlumberger China, the world largest oilfield services company, responsible for oilfield operations, technology development, engineering and manufacturing, global sourcing, and developing and implementing long term growth strategy. He also spent ten years in Schlumberger-Doll Research and Austin Research as senior and principal research scientist, and is a holder of over twenty scientific publications and two patents. He was appointed as the independent non-executive director of the Company on 8 April 2013 and is a member of the audit committee of the Company.

Mr. Lee Kwok Wan, aged 58, graduated with a Master in Finance in 1989 from Macquarie University and has more than 30 years of experience in merger and acquisitions, manufacturing, banking, and investment management. He also has an in-depth knowledge and experience of a wide array of business sectors having worked as both the vice president in Beijing and consultant in Hong Kong of Elion Resources group, after being acted as the director of China-Ukraine Fund and Association, senior vice president of private equity in charge of operations of Jin Dou Development Fund under the platform of China Investment Corporation (CIC) in Kazakhstan, and held a series of management positions with multi-national companies and OCBC Baking Group of Singapore in Singapore, Malaysia, Abu Dhabi of United Arab Emirates, Germany, Hong Kong, Kazakhstan and China. Currently, he is the general manager of Heritage Resources Limited which serves as a private equity fund service provider platform. He was appointed as the independent non-executive director of the Company on 8 November 2019 and is a member of the audit committee, nomination committee and remuneration committee of the Company.

SENIOR MANAGEMENT

Mr. Lee Tao Wai, aged 43, is the company secretary and one of the authorised representatives of the Company. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants and has over 16 years of experience in auditing, accounting and corporate field. Prior to joining the Company in April 2010, Mr. Lee worked in an international accounting firm and a listed company in Hong Kong as senior executive. Mr. Lee holds a Bachelor Degree in Business Administration in Professional Accountancy from The Chinese University of Hong Kong, a Master Degree in Investment Management from The Hong Kong University of Science and Technology and a Master Degree in International Economic Law from The Chinese University of Hong Kong.

INTRODUCTION

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 which adopted practices that meet the requirement of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (now known as the Corporate Governance Code taking effect from 1 January 2022 onwards) during the year, except for provision A.4.1 of the Code (being the past version affective up to 31 December 2021 which shall remain applicable to the Company in respect of the year under review) (the "Code") as explained below in this report.

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 as its own code for dealing in securities of the Company by the directors of the Company (the "Directors"). Having made specific enquiry of all Directors, all the Directors confirm that they have complied with the required standard as set out in the Model Code regarding director's securities transactions during the year.

BOARD OF DIRECTORS

The Board of Directors (the "Board") is principally accountable to the consolidated financial statements and is responsible for the leadership and control of the Group including overseeing the Group's businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the management.

The Board have a balance of skills and experience appropriate to the requirements of the business of the Company. The Board currently comprises six members, including three executive Directors, namely Mr. Xu Zhuliang, Mr. Zong Hao and Ms. He Qing, and three independent non-executive Directors, namely Mr. Chiu Sui Keung, Mr. Lee Ping and Mr. Lee Kwok Wan. The balanced composition of executive and independent non-executive members upholds the effective exercise of independent judgement.

The biographical details of the Directors are set out on pages 23 to 24 of this report.

The Board meets regularly throughout the year to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board has delegated certain authorities to the management for the day-to-day management of the Group's operation.

The Board members have no financial, business, family or other material/relevant relationship among themselves.

The Board is also responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance; reviewing and monitoring the training and continuous professional development of directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements; etc. It is also the practice of the Group to engage and consult financial advisors and legal advisors in conducting its various transactions and in its daily operations in order to ensure compliance with legal and regulatory requirements. The Group has also adopted the policy that all business transactions conducted by the Group must strictly comply with relevant laws and regulations. The Board reviews and monitors whether such policy and practices have been followed by the management and employees of the Group from time to time.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The attendance of each Director at the Board meetings, certain committee meetings and general meeting during the year is as follows:

	Attended/Eligible to attend				
	Board meeting	Remuneration Committee meeting	Nomination Committee meeting	Audit Committee meeting	General meeting*
Executive Directors:					
Mr. Xu Zhuliang (Chairman)	9/9	N/A	1/1	N/A	2/2
Mr. Zong Hao	7/9	N/A	N/A	N/A	1/2
Ms. He Qing	6/9	1/1	N/A	N/A	2/2
Independent non-executive Directors:					
Mr. Chiu Sui Keung	6/9	1/1	1/1	2/2	2/2
Mr. Lee Ping	5/9	N/A	N/A	2/2	1/2
Mr. Lee Kwok Wan	5/9	1/1	1/1	2/2	1/2

* Being the annual general meeting held on 28 June 2021 and the extraordinary general meeting held on 28 December 2021

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2021 is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000	1
HK$1,000,001 and above	–

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Xu Zhuliang was the chairman while Mr. Zong Hao is the chief executive officer.

TERM OF NON-EXECUTIVE DIRECTORS

Under provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, and subject to re-election in accordance with the articles of association of the Company (the "Articles of Association"). None of the existing independent non-executive Directors is appointed for specific terms, however, all of them are subject to retirement by rotation in accordance with the Articles of Association.

According to the Articles of Association, one–third of the Directors shall retire from office by rotation at the annual general meeting of the Company and every Director shall be subject to retirement by rotation at least once every three years. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In order to ensure the independence of the policymaking process of the Board and protect the interest of its shareholders, the Company appoints three qualified independent non-executive Directors, as such, the Company complies with Rule 3.10A of the Listing Rules of having at least one-third of the Board being represented by independent non-executive Directors. One of the independent non-executive Directors has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2).

According to the provisions of the Corporate Governance Code, a service term of over nine years is one of the key factors in determining the independence of an independent non-executive director. Mr. Chiu Sui Keung ("Mr. Chiu") and Mr. Lee Ping ("Mr. Lee") have served as independent non-executive Directors for over nine years. During their years of service with the Company, Mr. Chiu and Mr. Lee have contributed by providing independent viewpoints and advice to the Company in relation to its businesses, operations, future development and strategy. The Board considers that Mr. Chiu and Mr. Lee have the character, integrity, ability and experience to continue to fulfill his role as required effectively. The Company believes that Mr. Chiu and Mr. Lee can independently express opinions on matters of the Company and there is no evidence that their over nine years of service with the Company would have any impact on their independence and therefore their independence is confirmed. According to the code provision B.2.3 of the Corporate Governance Code, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Lee will soon retire on rotation, and being eligible, offers himself for re-election at the forthcoming annual general meeting. According to the provisions of Corporate Governance Code B.2.3, re-appointment of Mr. Lee by separate resolution of the Shareholders at the said meeting will be recommended by the Company.

The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with written terms of reference which are in line with the code provisions set out in the Code. The Audit Committee meets at least twice a year for, among other matters, reviewing the reporting of annual and interim results and other information to the shareholders, the effectiveness and objectivity of the audit process, the risk management and internal control systems of the Company and the Company's policy and practices on corporate governance. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Company may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors. The terms of reference of the Audit Committee are disclosed on the websites of the Company and the Stock Exchange. As at the date of this report, the Audit Committee consisted of Mr. Chiu Sui Keung as chairman, Mr. Lee Ping and Mr. Lee Kwok Wan as members. All of them are independent non-executive Directors.

The Audit Committee is also responsible for performing the functions set out in the provision D.3.1 of the Code. The Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct and compliance manual (if any) applicable to employees and Directors, the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

During the year, the Audit Committee held two meetings and reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group, discussed auditing, internal control, risk management and financial reporting matters including the annual results for the year ended 31 December 2020 and interim results for the six months ended 30 June 2021 and reviewed the Company's compliance with the Code.

REMUNERATION COMMITTEE

The remuneration committee ("Remuneration Committee") of the Group was established in September 2005 with written terms of reference in line with the Code. As at the date of this report, the Remuneration Committee comprised two independent non-executive Directors, Mr. Chiu Sui Keung (Chairman) and Mr. Lee Kwok Wan, and one executive Director, Ms. He Qing. The responsibilities of the Remuneration Committee include, among other matters, considering and recommending to the Board the Group's remuneration policy and structure and reviewing and determining the remuneration packages of the individual executive Directors and senior management. The Directors were remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. The terms of reference of the Remuneration Committee are disclosed on the websites of the Company and the Stock Exchange. Details of remunerations of the Directors for the year are disclosed in note 9 to the financial statements.

The Remuneration Committee held one meeting to review the existing remuneration policy and structure of the Company during the year.

NOMINATION COMMITTEE

The nomination committee ("Nomination Committee") was established in March 2012 with written terms of reference to (i) review and recommend the structure, size, composition and skills mix of the Board at least annually; (ii) identify and nominate candidates to fill casual vacancies of Directors for the Board's approval; (iii) assess the independence of independent non-executive Directors; (iv) regularly review the time required from a Director to perform his responsibilities; (v) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive. As at the date of this report, the Nomination Committee comprised one executive Director, Mr. Xu Zhuliang (Chairman), and two independent non-executive Directors, Mr. Chiu Sui Keung and Mr. Lee Kwok Wan. According to the board diversity policy, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The responsibilities and authority for selection and appointment of Directors is delegated to the Nomination Committee but the ultimate responsibility for selection and appointment of Directors of the Company rests with the entire Board. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. The terms of reference of the Nomination Committee are disclosed on the websites of the Company and the Stock Exchange. The Nomination Committee will also consider recommendations for candidates made by Shareholders of the Company. Regular reviews will be conducted by the Nomination Committee on the structure, size and composition of the Board and where appropriate, the Nomination Committee will make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

The Nomination Committee held one meeting to review the board composition during the year.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Directors acknowledge that they are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that period. In preparing the financial statements for the year ended 31 December 2021, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern for the year ended 31 December 2021.

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

Auditor's Responsibilities and Remuneration

An analysis of remuneration for the year in respect of services provided by the auditor of the Company, Ernst & Young, is as follows:

	HK$'000
Audit services	2,500
Non-audit services – agreed-upon procedures on interim report	628
	3,128

The statement of the auditor of the Company regarding its reporting responsibilities is set out in the Independent Auditor's Report on pages 41 to 47.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems of the Company and its subsidiaries and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavors to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures.

During the year, the Company has adopted and reviewed the effectiveness of the Group's internal control and risk management procedures which include the policies, procedures, monitoring and communication activities and standard of behaviour established for safeguarding the interests of the shareholders of the Company. The risk management and internal control systems of the Company aim to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of the systems are to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage, rather than eliminate, the risks of failure when business objectives are being sought.

The processes used to identify, evaluate and manage significant risks by the Group are summarized as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and

- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and

- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness during the year.

The Company has engaged APAC Compliance Consultancy and Internal Control Services Limited as its risk management and internal control review adviser ("the Adviser") to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2021. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and management of the Company. The Board and Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser will be properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

The Company has a policy to assess the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and to decide whether the relevant information is considered as inside information that needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

Based on its assessment which covers all material controls including financial, operational and compliance controls and risk management functions, the Board believes that for the year ended 31 December 2021, the Company's internal control and risk management systems are effective and adequate. The Board is satisfied that there are adequate resources of staff with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

DIRECTORS' TRAINING

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

During the year, the Directors including Mr. Zong Hao, Mr. Xu Zhuliang, Ms. He Qing, Mr. Chiu Sui Keung, Mr. Lee Ping and Mr. Lee Kwok Wan, were provided with regular updates on the Group's business and operations and have complied with the code provision A.6.5 of the Code on continuous professional development by participating in appropriate trainings and seminars. An in house briefing was organised for Directors during the year to update the Directors on the Listing Rules.

COMPANY SECRETARY

During the year ended 31 December 2021, Mr. Lee Tao Wai, the Company Secretary, has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Lee are set out in the section headed "Biographical details of Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

The Board endeavours to maintain an on-going dialogue with shareholders. The Company encourages the shareholders to attend the general meetings and the Chairmen of the Board and the board committees should attend the annual general meeting to answer questions.

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Secretaries Limited. For other enquiries, shareholders may send written enquiries to the Company, for the attention of company secretary, by email to king.stone@663hk.com, fax to (852) 2530 5663, mail to 17/F, V Heun Building, 138 Queen's Road Central, Central, Hong Kong or by submitting enquiry form at www.663hk.com.

The shareholders representing at least 5% of the total voting rights at general meeting may requisition to convene an extraordinary general meeting. The requisitionists must submit their requisition in writing, in which it must state the objects of the meeting, and be duly signed by the requisitionists, mailed and deposited at 17/F, V Heun Building, 138 Queen's Road Central, Central, Hong Kong (attention of company secretary); and may consist of several documents in like form, each signed by one or more requisitionists. The requisition will be verified with the Company's share registrar and upon its confirmation that the requisition is proper and in order, the company secretary will arrange the Board to convene an extraordinary general meeting by serving sufficient notice in accordance with the statutory requirements to all registered shareholders.

If within 21 days from the date of the deposit of the requisition the Directors do not convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date. A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors in accordance to the Articles of Association of the Company and the Listing Rules. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a meeting shall be reimbursed to the requisitionists by the Company.

The following shareholders namely: (a) any members representing not less than 2.5% of the total voting rights of the Company; or (b) not less than 50 members entitling to vote at annual general meeting are entitled to submit a requisition in writing requesting the Company: (a) to give to members of the Company entitled to receive notice of the next annual general meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting; and/or (b) to circulate to members entitled to have notice of any general meeting sent to them with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition must be deposited at the registered office of the Company at 17/F, V Heun Building, 138 Queen's Road Central, Central, Hong Kong for the attention of the Company Secretary not less than 6 weeks before an annual general meeting in the case of a requisition requiring notice of a resolution or if later, the time at which notice is given of that meeting.

The procedures for proposing a person for election as a Director are made available at the Company's website (www.663hk.com).

DIVIDEND POLICY

Dividends may be declared from time to time by the Company to its shareholders. The Company does not have any pre-determined dividend pay-out ratio. The declaration and payment of dividends shall be determined at the sole discretion of the Board after taking into account, among others, the general financial condition of the Group, the capital and debt level of the Group, the future cash requirements and availability for business operations, business strategies and future development needs, the general market conditions and any other factors that the Board deems appropriate.

The payment of dividends by the Company is also subject to any restrictions under the Hong Kong Companies Ordinance and any other applicable laws, rule and regulations and the articles of association of the Company.

INVESTOR RELATIONS

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public, the Company maintains a website (www.663hk.com) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and shareholders circulars are being made available.

There was no change in the Company's constitutional documents during the year ended 31 December 2021.

The directors (the "Directors") of King Stone Energy Group Limited (the "Company") present their report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 1 to the consolidated financial statements. Except for commencement of solar energy business in Hong Kong during the year, there were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Details of business review, financial performance and future development of the Group's business are set out in the "Management Discussion and Analysis" from pages 6 to 22.

Principal Risks and Uncertainties

There are various risks and uncertainties including business risks, operational risks and financial risks that may have different levels of impact on the Group's financial performance, operations, business as well as future prospects.

For risks and uncertainties relating to the business and operation, the business and results of operations are susceptible to volatility in commodity prices including silver and oil and gas prices and economic cyclicality. In addition, as some of the existing mining projects are located in the PRC, the Group's business, financial condition, results of operations and prospects are greatly affected by political, economic and legal developments and changes to government policies in the PRC. If any stricter regulations regarding the Group's operation or the mining industry are enacted in the future, business and operation of the Group may also be significantly impacted and there are uncertainties to renew the mining and exploration permits or obtain relevant approvals from the government. There are also uncertainties to acquire new mining projects.

Details of the financial risks are set out in note 41 to the consolidated financial statements.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates.

The Group's operations are subject to a variety of the PRC and USA environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. The government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental laws and regulations, which could have a material adverse effect on financial condition and results of operations and could incur additional costs.

The Group was in compliance with all relevant laws and regulations regarding environmental protection in all material respects and was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the year. The Group is also committed to allocate operating and financial resources to ensure environment protection compliance as required by applicable laws and regulations.

Compliance with the Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations. The Group's operations are mainly carried out in the PRC, USA and Hong Kong while the shares of the Company are listed on The Hong Kong Stock Exchange Limited (the "Stock Exchange"). Hence, the Group shall comply with relevant laws and regulations in the PRC, USA and Hong Kong and the respective places of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and other relevant regulations.

The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2021.

Relationship with Employees, Customers and Suppliers and other Stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. During the year, save for certain legal proceedings in respect of other loans during the year as disclosed in section headed "Liquidity and Financial Review" under "Management Discussion and Analysis", there were no material and significant dispute between the Group and its key stakeholders that have a significant impact on the Group.

The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2021 and the Group's financial position at that date are set out in the financial statements on pages 48 to 139.

The directors do not recommend the payment of any dividend for the year ended 31 December 2021. No arrangement under which a shareholder has waived or agreed to waive any dividends was made by the Company.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 140. This summary does not form part of the audited financial statements.

SHARE CAPITAL

There was no movement in the Company's share capital during the year ended 31 December 2021.

Details of the Company's share capital are set out in note 31 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

At 31 December 2021, the Company had no retained profits, calculated in accordance with the provisions of Part 6 of the Hong Kong Companies Ordinance, available for distribution. However, the Company's share capital included an amount of HK$1,724,472,000, which was previously included in the Company's share premium account and transferred to share capital upon the new Hong Kong Companies Ordinance becoming effective in 2014, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 90.7% of the total sales for the year and sales to the largest customer accounted for 38.9% of the total sales. Purchases from the Group's five largest suppliers accounted for 98.4% of the total purchases for the year. The largest supplier accounted for 48.0% of the total purchases for the year.

None of the Directors or any of their respective close associates (within the meaning of the Listing Rules) or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Xu Zhuliang (Chairman)
Mr. Zong Hao
Ms. He Qing

Independent non-executive Directors:

Mr. Chiu Sui Keung
Mr. Lee Ping
Mr. Lee Kwok Wan

In accordance with the Company's articles of association, (i) Directors appointed during the year shall hold office until the forthcoming annual general meeting and eligible for re-election and (ii) at each annual general meeting, one-third of the Directors shall retire from office by rotation. Mr. Xu Zhuliang and Mr. Lee Ping will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In view that Mr. Lee Ping has been an independent non-executive Director for more than nine years, his re-election and further appointment as an independent non-executive Director shall be subject to a separate resolution to be considered and approved by the Shareholders at the forthcoming annual general meeting pursuant to code provision B.2.3 of the Corporate Governance Code.

The Company has received annual confirmations of independence from each of the independent non-executive Directors holding office during the year, and as at the date of this report, Messrs. Chiu Sui Keung, Lee Ping and Lee Kwok Wan, are still considered to be independent of the Company.

A full list of the names of the directors of the Group's subsidiaries can be found in the Company's website at www.663hk.com.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 23 to 24 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The remuneration of the Directors are determined by the remuneration committee of the Company with reference to the Directors' duties, responsibilities and performance and the results of the Group. Further details of the Company's remuneration committee are set out in the corporate governance report on pages 25 to 33 of the annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director or his associate has any interest in a business which competes or is likely to compete directly or indirectly with that of the Group during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has maintained appropriate Directors' liability insurance coverage for the Directors during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, none of the Directors and the chief executive of the Company had or was deemed to have any interests in the long or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which (i) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests in the long or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") which was effective from 30 May 2012 and remains valid for a period of 10 years from 30 May 2012. The Scheme is operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in the circular of the Company dated 26 April 2012 and note 32 to the financial statements. No share options were granted to any persons during the years ended 31 December 2020 and 2021. There were no outstanding share options as at 31 December 2020 and 2021.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business in which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party and in which a Director of the Company or an entity connected with a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PERSON WHO HAVE AN INTEREST IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2021, the following persons (not being Directors or chief executive of the Company of which interests were disclosed above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity	Total interests in shares/underlying shares	Approximate percentage of the Company's share capital
Belton Light Limited (note 1)	Beneficial owner	357,531,800 (L)	45.17%
Jade Bird Energy Fund II, L.P. (note 1)	Interest in controlled corporation	357,531,800 (L)	45.17%
Goldsino Investments Limited (note 2)	Beneficial owner	108,150,000 (L)	13.66%
Sky Lucky Limited (note 2)	Interest in controlled corporation	108,150,000 (L)	13.66%
Zhao Xu (note 2)	Interest in controlled corporation	108,150,000 (L)	13.66%

Remarks: (L) : Long position

Notes:

1. Belton Light Limited is wholly-owned by Jade Bird Energy Fund II, L.P.

2. Goldsino Investments Limited is wholly-owned by Sky Lucky Limited which is wholly owned by Mr. Zhao Xu.

Save as disclosed above, as at 31 December 2021, the Directors and the chief executive of the Company were not aware of any other person who had, or was deemed to have, interests and/or short positions in the shares or underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the annual general meeting of the Company to be held on Monday, 6 June 2022, the register of members of the Company will be closed from Tuesday, 31 May 2022 to Monday, 6 June 2022, 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 Monday, 30 May 2022 in order to attend and vote at the annual general meeting.

EVENTS AFTER THE REPORTING PERIOD

Detail of the events after the reporting period are set out in note 42 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total share capital was held by the public as at the date of this report.

AUDITOR

The Company's auditor, Ernst & Young will retire at the forthcoming annual general meeting and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Xu Zhuliang
Chairman

Hong Kong
31 March 2022

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
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To the members of King Stone Energy Group Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of King Stone Energy Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 139, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

EY 安永

KEY AUDIT MATTERS (Continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of silver mining assets	
The Group's silver mining segment operates two silver mines in Fujian Province, the People's Republic of China (the "PRC"). As at 31 December 2021, the carrying amount of the associated property, plant and equipment, right-of-use assets and intangible assets of the silver mining segment (collectively, the "silver mining assets"), net of accumulated depreciation/amortisation and impairment losses, amounted to approximately HK$64 million in aggregate. In accordance with Hong Kong Accounting Standard ("HKAS") 36 *Impairment of Assets* issued by the HKICPA, where an indication of impairment on these assets exists, the Group will estimate the recoverable amounts of the relevant assets, which are the higher of the value in use and the fair value less costs of disposal. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. Since the Group's silver mining segment have been loss-making for some time, the Group considered that impairment indications existed for the silver mining assets. In this regard, the recoverable amounts of these assets were estimated by the Group using the discounted cash flow method for the purpose of the impairment assessment.	In respect of the estimation of each of the recoverable amounts of the silver mining assets prepared by the independent professional valuer and the Group, we evaluated the calculation of the recoverable amount estimation and other assumptions (i.e., the forward prices of silver, growth rate, etc.) and involved our valuation specialists to assist us in evaluating the discount rate used. In addition, we discussed with management of the Company and, where applicable, the independent professional valuer engaged by the Group about the parameters and assumptions used in the cash flow forecast estimation and obtained corroborative evidence to evaluate their reasonableness. As part of our audit procedures, we considered the competence, capabilities and objectivity of the independent professional valuer engaged by the Group for the valuation of the silver mining assets. Finally, we assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

EY 安永

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of silver mining assets (continued) The recoverable amounts of the silver mining assets were estimated by an independent professional valuer using the fair value less costs of disposal approach. The estimation of the recoverable amounts was based on, inter alia, future cash flows of the cash-generating unit, which can be subjective in nature and involved various management assumptions regarding the production plan, sales volume and selling price estimation. Further details of the determination of recoverable amounts of the silver mining assets and the key assumptions used are disclosed in note 17(a) to the consolidated financial statements. Given the complexity and judgmental nature of the impairment test, we considered this a key audit matter. Related disclosures are included in notes 2.4, 3 and 17(a) to the consolidated financial statements.	

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability assessment of lease, factoring, trade and other receivables	
At 31 December 2021, the Group had gross carrying amounts before any impairment losses of lease, factoring and trade receivables of approximately HK$222 million; deposits paid as earnest money for proposed acquisition of entities of approximately HK$106 million and other receivables of approximately HK$123 million. The total net carrying amount of these receivables represented 48% of the total assets of the Group as at 31 December 2021. Significant management judgements and estimates were involved in determining the amount of expected credit losses of these receivables as at the end of the reporting period for impairment assessment. Given the materiality of these receivables and judgemental nature of the recoverability assessment, we considered this a key audit matter. Related disclosures are included in notes 2.4, 3, 22 and 24 to the consolidated financial statements.	As part of our audit procedures, we (i) obtained an understanding of management judgements involved in assessing the creditability of debtors; (ii) obtained direct external confirmations from the debtors; (iii) reviewed the timeliness of subsequent repayments from the debtors after the end of the reporting period; (iv) assessed the appropriateness of the expected credit loss provisioning methodology used by the Group; (v) assessed the estimates used to determine the expected credit losses; and/or (vi) reviewed the repayment history of the debtors. Finally, we assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

EY 安永

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHENG Man.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	5	85,978	51,268
Cost of sales		(62,463)	(36,711)
Gross profit		23,515	14,557
Other income and gains, net	6	18,893	20,722
Selling and distribution expenses		(3)	(25)
Administrative expenses		(37,845)	(38,288)
Impairment losses of financial assets, net	8	(2,684)	(207,562)
Other expenses, net		(25,463)	(27,616)
Finance costs, net	7	(51,634)	(45,935)
Share of losses of associates	18(b)	(323)	(15,053)
LOSS BEFORE TAX	8	(75,544)	(299,200)
Income tax	11	(991)	(897)
LOSS FOR THE YEAR		(76,535)	(300,097)
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		(5,555)	(6,172)
Share of movements in the exchange fluctuation reserves of associates	18(b)	–	1,158
Release of exchange fluctuation reserves upon disposal and deemed disposal of associates		2,402	–
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(3,153)	(5,014)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods – Fair value gain of equity investments at fair value through other comprehensive income, net of income tax of nil		2,294	855
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		(859)	(4,159)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(77,394)	(304,256)

	Note	2021 HK$'000	2020 HK$'000
Loss for the year attributable to:			
Shareholders of the Company		**(42,860)**	(268,935)
Non-controlling interests		**(33,675)**	(31,162)
		(76,535)	(300,097)
Total comprehensive loss for the year attributable to:			
Shareholders of the Company		**(38,054)**	(265,655)
Non-controlling interests		**(39,340)**	(38,601)
		(77,394)	(304,256)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12		(Restated)
Basic and diluted		**(HK5.5 cents)**	(HK37.0 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**38,293**	32,986
Right-of-use assets	14(a)	**6,931**	3,719
Goodwill	15	**21,389**	20,543
Other intangible assets	16	**59,874**	78,201
Investments in associates	18	**–**	18,633
Equity investments at fair value through other comprehensive income	19	**81**	1,962
Lease, factoring and trade receivables	22	**1,057**	18,762
Prepayments, deposits and other receivables	24	**41,349**	41,452
Total non-current assets		**168,974**	216,258
CURRENT ASSETS			
Contract assets	20	**11,566**	9,095
Inventories	21	**11,374**	10,732
Lease, factoring and trade receivables	22	**103,518**	105,825
Loan receivables	23	**–**	–
Prepayments, deposits and other receivables	24	**92,333**	64,203
Restricted cash	25	**2,351**	2,269
Cash and cash equivalents	25	**82,976**	57,382
Total current assets		**304,118**	249,506
CURRENT LIABILITIES			
Trade payables	26	**7,291**	1,149
Other payables and accruals	27	**32,702**	35,583
Other loans	28	**362,234**	286,627
Liability component of convertible notes	29	**–**	49,328
Derivative components of convertible notes	29	**–**	2,458
Lease liabilities	14(b)	**1,817**	1,543
Income tax payables		**16,877**	16,134
Total current liabilities		**420,921**	392,822
NET CURRENT LIABILITIES		**(116,803)**	(143,316)
TOTAL ASSETS LESS CURRENT LIABILITIES		**52,171**	72,942

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Other payables	27	**916**	827
Bank loan	28	**4,001**	–
Lease liabilities	14(b)	**5,301**	2,320
Deferred tax liabilities	30	**559**	–
Total non-current liabilities		**10,777**	3,147
Net assets		**41,394**	69,795
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	31	**2,777,494**	2,728,501
Reserves	33	**(2,565,917)**	(2,527,863)
		211,577	200,638
Non-controlling interests		**(170,183)**	(130,843)
Total equity		**41,394**	69,795

Zong Hao
Director

Xu Zhuliang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to shareholders of the Company						
	Share capital HK$'000	Equity investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	2,728,501	(1,610)	(25,616)	(2,500,637)	200,638	(130,843)	69,795
Loss for the year	–	–	–	(42,860)	(42,860)	(33,675)	(76,535)
Other comprehensive income/(loss) for the year:							
Exchange differences on translation of foreign operations	–	–	110	–	110	(5,665)	(5,555)
Release of exchange fluctuation reserves upon disposal and deemed disposal of associates	–	–	2,402	–	2,402	–	2,402
Fair value gain of equity investments at fair value through other comprehensive income	–	2,294	–	–	2,294	–	2,294
Total comprehensive income/(loss) for the year	–	2,294	2,512	(42,860)	(38,054)	(39,340)	(77,394)
Issue of new shares upon conversion of convertible notes (note 31(a))	48,993	–	–	–	48,993	–	48,993
Transfer of equity investment revaluation reserve upon disposal of equity investments at fair value through other comprehensive income	–	(646)	–	646	–	–	–
At 31 December 2021	2,777,494	38*	(23,104)*	(2,542,851)*	211,577	(170,183)	41,394

	Attributable to shareholders of the Company						
	Share capital HK$'000	Equity investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	2,703,301	(2,465)	(28,041)	(2,231,702)	441,093	(93,748)	347,345
Loss for the year	–	–	–	(268,935)	(268,935)	(31,162)	(300,097)
Other comprehensive income/(loss) for the year:							
Exchange differences on translation of foreign operations	–	–	1,267	–	1,267	(7,439)	(6,172)
Share of movement in the exchange fluctuation reserve of an associate	–	–	1,158	–	1,158	–	1,158
Fair value gain of equity investments at fair value through other comprehensive income	–	855	–	–	855	–	855
Total comprehensive income/(loss) for the year	–	855	2,425	(268,935)	(265,655)	(38,601)	(304,256)
Issue of new ordinary shares for acquisition of subsidiaries (note 35)	25,200	–	–	–	25,200	1,506	26,706
At 31 December 2020	2,728,501	(1,610)*	(25,616)*	(2,500,637)*	200,638	(130,843)	69,795

* These reserve accounts comprise the consolidated negative reserves of HK$2,565,917,000 (2020: HK$2,527,863,000) in the consolidated statement of financial position as at 31 December 2021.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(75,544)	(299,200)
Adjustments for:			
Bank interest income	6	(103)	(39)
Fair value gain of the derivative components of convertible notes	6	(2,149)	(995)
Write-back of an other loan	6	–	(5,621)
Write-back of an other payable	6	–	(636)
Gain on disposal of items of property, plant and equipment	6	(1,314)	(4)
Gain on disposal of right-of-use assets	6	(17)	(202)
Gain on disposal of an associate	6	(4,619)	–
Loss on deemed disposal of an associate	8	3,191	–
Finance costs	7	51,634	45,935
Depreciation of property, plant and equipment	8	2,454	2,201
Depreciation of right-of-use assets	8	2,021	2,185
Amortisation of other intangible assets	8	39	53
Impairment of items of property, plant and equipment	8	1,187	2,932
Impairment of other intangible assets	8	20,998	23,485
Impairment losses of financial assets, net		2,684	207,562
Share of losses of associates		323	15,053
		785	(7,291)
Increase in inventories		(642)	(10,281)
Decrease/(increase) in lease, factoring and trade receivables		68,017	(18,911)
Increase in contract assets		(2,141)	(4,147)
Increase in prepayments, deposits and other receivables		(77,228)	(63,372)
Increase in trade payables		1,717	332
Decrease in other payables and accruals		(6,421)	(926)
Cash used in operations		(15,913)	(104,596)
Interest paid		(572)	(231)
Income tax paid		(164)	(1,513)
Net cash flows used in operating activities		(16,649)	(106,340)

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**103**	39
Purchases of items of property, plant and equipment	13	**(7,166)**	(929)
Proceeds from disposal of items of property, plant and equipment		**6,500**	–
Additions to other intangible assets	16	**(206)**	(174)
Acquisition of a subsidiary	35	**(804)**	803
Additional investment in an associate		**(3,641)**	–
Proceeds from the disposal of an associate		**25,741**	–
Proceeds from disposal of equity investment designated at fair value through other comprehensive income		**4,375**	–
Deposit paid for acquisition of entities		**–**	(1,445)
Net cash flows from/(used in) investing activities		**24,902**	(1,706)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loan		**4,001**	–
New other loans		**22,407**	–
Repayment of other loans		**(6,300)**	(22,726)
Principal portion of lease payments		**(1,974)**	(2,021)
Proceeds from issue of convertible notes	29	**–**	50,000
Interest paid		**(2,033)**	–
Net cash flows from financing activities		**16,101**	25,253
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**24,354**	(82,793)
Cash and cash equivalents at beginning of year		**57,382**	139,478
Effect of foreign exchange rate changes, net		**1,240**	697
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	**82,976**	57,382

1. CORPORATE AND GROUP INFORMATION

King Stone Energy Group Limited (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 provision of tourism agency services in the PRC; (v) the operation of photovoltaic power businesses in Hong Kong and Mainland China; and (vi) the trading of various commodities in Hong Kong and Mainland China.

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.

Information about principal subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	**Place of incorporation/ registration and place of operations**	**Nominal value of issued ordinary share capital/registered capital**	**Percentage of equity attributable to the Company**	**Principal activities**
Million Grow Investments Limited ("Million Grow")	British Virgin Islands	US$57,404	50[@]	Investment holding
福建磊鑫礦業有限公司("Fujian Leixin")[*△]	PRC/Mainland China	RMB59,600,000	50[@]	Investment holding
福安市磊鑫礦業有限公司("Fu'an Leixin")[*△]	PRC/Mainland China	RMB10,000,000	50[@]	Mining and sale of silver
柘榮縣磊鑫礦業有限公司("Tuorong Leixin")[*△]	PRC/Mainland China	RMB20,500,000	42[@]	Silver mine exploration
Craton Alpha LLC	USA	US$10,000,000	100	Extraction, production and sale of oil and gas
北京青瑞融資租賃有限公司[&#]	PRC/Mainland China	US$10,000,000	100	Provision of finance leasing service
青瑞國際融資租賃有限公司[&#]	PRC/Mainland China	RMB40,000,000	100	Provision of finance leasing service

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company	Principal activities
青瑞商業保理有限公司[&#]	PRC/Mainland China	RMB167,000,000	100	Provision of factoring service
King Stone Energy (Singapore) Co. Pte. Ltd.[#]	Singapore	SG$1	100	Trading of commodities
King Stone Group Trading Company Limited[#]	Hong Kong	HK$100	100	Trading of commodities
重慶金鳥信維供應鏈管理有限公司 ("Chongqing Jinniao")*	PRC/Mainland China	RMB1,000,000	51	Trading of commodities
北京海雲得特旅遊投資發展有限公司 ("Haiyundete Tourism")*	PRC/Mainland China	RMB500,000	60	Provision of tourism services
北京寰宇尊程國際旅遊有限公司 ("Beijing Huanyu")*	PRC/Mainland China	RMB2,000,000	60	Provision of tourism services
承德順天光伏發電有限公司("Chengde Shuntian")*	PRC/Mainland China	RMB10,000,000	76	Operation of photovoltaic power business
SinoPower Solar Investment Company Limited [α]	Hong Kong	HK$100,000	100	Operation of photovoltaic power business

\# Directly held by the Company

* Registered as limited liability companies under PRC law

& Registered as wholly-foreign-owned enterprises under PRC law

@ Million Grow is accounted for as a subsidiary because the Group has contractual rights to appoint a majority of directors to control the board of directors of Million Grow, which has the power to direct the relevant activities of Million Grow that mostly affect returns. Accordingly, Million Grow's subsidiaries, namely Fujian Leixin, Fu'an Leixin and Tuorong Leixin, are also accounted for as subsidiaries of the Group.

△ Subsidiaries of Million Grow

α Acquired during the year (note 35)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION AND PREPARATION

Basis of presentation

At 31 December 2021, the Group had net current liabilities of HK$116.8 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 2022 in settlement of other loans of HK$31.3 million borrowed by a subsidiary of the Company (the "Subsidiary"), together with related accrued interests and overdue penalties of HK$314.2 million, which are included in the Group's other loans under current liabilities (note 28(b)(i)), is not expected to take place;

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

- gross proceeds of HK$98.9 million were raised from the rights issue and placing of new shares of the Company subsequent to the reporting period, as further detailed in note 42 to the financial statements; and

- the Group complied with all debt covenants of bank and other loans (other than those borrowed by the Subsidiary).

The directors believe that, taking into account the above factors, the Group will have sufficient working capital to continue as a going concern which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business.

Basis of preparation

These 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 equity investments and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. 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).

2.1 BASIS OF PRESENTATION AND PREPARATION (Continued)

Basis of preparation (Continued)

Basis of consolidation (Continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* beyond 30 June 2021 (early adopted)

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts2,*[5]
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 *Insurance Contracts* was amended to extend the temporary exemption that permits insurers to apply HKAS 39 *Financial Instruments: Recognition and Measurement* rather than HKFRS 9 (2014) *Financial Instruments* for annual periods beginning before 1 January 2023

6 The HKICPA amends HKFRS 17 in February 2022 to permit a classification overlay for financial assets presents in comparative periods or initial application of HKFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

(a) Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 *Business Combinations* an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies* if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21, respectively, instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

(b) Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 *Consolidated Financial Statements* and in HKAS 28 (2011) *Investments in Associates and Joint Ventures* in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

(c) Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(d) Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

(e) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(f) Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(g) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements

(h) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

(i) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 *Leases*, and HKAS 41 *Agriculture*. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or of a holding company of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its equity investments and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of plant and machinery used in silver mines and oil and gas fields is calculated on the unit-of-production basis whereby the annual depreciation amount is determined based on the actual production volume over the total estimated proven and probable reserves of the silver mines and oil and gas fields, respectively.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation of other property, plant and equipment is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and five years
Plant and machinery other than those used in silver mines and oil and gas fields	6.7% to 33%
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets of the Group are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

An intangible asset is derecognised on disposal or no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Mineral interests

Mineral interests are stated at cost less accumulated amortisation and any impairment losses. Amortisation of mineral interests is calculated by the unit-of-production method based on the actual production volume over the total estimated proven and probable reserves of the relevant mineral interests.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Exploration and evaluation assets

Exploration and evaluation assets include an exploration permit of a silver mine and capitalised lease payments to various landlords and brokers under mineral interest leasing arrangements for the exploration of oil and gas. The exploration and evaluation assets are stated at cost and subject to test for impairment annually.

Patents

Purchased patents are stated at cost less accumulated amortisation and any impairment losses. Amortisation of patents is calculated on the straight-line basis over their estimated useful lives of 20 years.

Leases where the Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on the straight-line basis over the following depreciation periods, which are the shorter of the lease terms and the estimated useful lives of the asset:

Leasehold land	20 years
Buildings	Over the lease term
Motor vehicle	5 years

If ownership of the leased asset is transferred to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group right-of-use assets are separately presented on the face of the consolidated statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases where the Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease or, where that rate cannot be readily determined, the Group uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are separately presented on the face of the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on the straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost or fair value through other comprehensive income and fair value through profit or loss, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset (debt instrument) to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets (debt instruments) with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets (debt instruments) classified and measured at amortised cost are held within a business model with the objective to hold financial assets (debt instruments) in order to collect contractual cash flows, while financial assets (debt instruments) classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets (debt instruments) which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments at fair value through other comprehensive income are not subject to impairment assessment.

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are commodity purchase contracts that meet the definition of a derivative as defined by HKFRS 9 and are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss, as further detailed in the policy set out for "Derivative financial instruments" below.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment (Continued)

(a) General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1- Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2- Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3- Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment (Continued)

(b) Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost, or as financial liabilities at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

(b) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include conversion options embedded in convertible notes and commodity purchase contracts that meet the definition of a derivative as defined by HKFRS 9. They are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss, as further detailed in the policy set out for "Derivative financial instruments" below.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Commodity contracts

The Group has a practice of selling a commodity within a short period after purchase and generated profit or incurred loss from these transactions. Since these contracts are not entered into for the purpose of the receipt or delivery of the commodity in accordance with the Group's expected purchase, sale or usage requirements and, accordingly, these contracts are accounted for as derivative financial instruments. Any gains or losses from the trading and the fair value movements of these contracts are recognised as other income in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments (Continued)

Convertible notes that contain derivative components

If the conversion option of convertible notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the conversion option and other derivative components of the convertible notes are measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative components is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative components is recognised immediately in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Revenue from the sale of goods and electricity is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the asset.

(b) Tariff adjustment, which represents subsidies received and receivable from the government authorities in respect of the Group's photovoltaic power plant operations, is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the electricity, and when the Group assessed that it has complied with all conditions to qualify to be registered into the Renewable Energy Tariff Subsidy Catalogues (the "Subsidy Catalogues").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(c) Commission income is recognised at the point in time upon the completion of the related sale of goods and provision of services.

(d) Design and installation service income is recognised at the point in time when control of the photovoltaic power plant is transferred to customer (i.e., upon signing the Deed of Assignment).

(e) The operation and maintenance service income is recognised over the scheduled period on the straight-line basis.

Revenue from other sources

(a) Interest income and management fee income of asset financing service are recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(b) Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits – Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Subsidiaries and associates of the Group established in Mainland China, Japan and Singapore contribute on a monthly basis to defined contribution schemes organised by relevant governments in the PRC, Japan and Singapore. These governments undertake to assume the retirement benefits payable to all existing and future retired employees under these plans and the Group has no further obligations for respective post-retirement benefits beyond the contributions made. The contributions to the schemes are charged to profit or loss as and when incurred. The Group's employer contributions vest fully once made.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds, and are expensed in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Impairment of non-current assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or disposal; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. Further details of parameters and assumptions used in the impairment assessment of the Group's non-current assets (including property, plant and equipment, right-of-use assets and other intangible assets) are set out in note 17 to the financial statements.

Consolidation of an entity in which the Group holds less than a majority of voting rights

The Group considers that it controls Million Grow even though it owns only 50% of the voting rights. This assessment is based on the fact that the Group can appoint a majority portion of directors in the board of Million Grow such that the Group has the power to control the business activities of Million Grow, including the relevant activities which most affect the returns.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits in the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. The net carrying amount of property, plant and equipment carried in the consolidated statement of financial position as at 31 December 2021 was HK$38,293,000 (2020: HK$32,986,000) (note 13).

Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing this information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals, taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimation for accounting purposes and is reflected on a prospective basis in both depreciation and amortisation rates calculated on a unit-of-production basis. Changes in the estimate of mine reserves are also taken into account in the impairment assessment of mineral interests and exploration and evaluation assets.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Exploration and evaluation expenditures

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sales, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available. The net carrying amount of the exploration and evaluation assets carried in the consolidated statement of financial position as at 31 December 2021 was HK$59,874,000 (2020: HK$78,162,000) (note 16).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2021 was HK$21,389,000 (2020: 20,543,000), and further details of which are set out in note 15 to the financial statements.

Provision for ECLs on lease, factoring, trade and other receivables

The Group recognises an allowance for ECLs for lease, factoring, trade and other receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The allowance for ECLs is determined by the Group based on the average of historical incurred credit loss experience in the past years and, where material, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group's historical credit loss experience and forecast of economic conditions may not be representative of debtor's actual default in the future and significant management estimates are required in the estimates. When the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of these receivables and the amount of ECLs provided or reversed in the periods in which such estimates have been changed. The information about the ECLs on the Group's lease, factoring, trade and other receivables are disclosed in notes 22 and 24 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Current tax

The Group is subject to income taxes in a number of jurisdictions in which the Group has operations. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made.

The carrying amount of current income tax payables carried as liabilities in the consolidated statement of financial position as at 31 December 2021 was HK$16,877,000 (2020: HK$16,134,000).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six 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 "Tourism" segment engages in the provision of tourism agency services in the PRC;

(e) the "Photovoltaic" segment engages in the operation of photovoltaic power businesses in Hong Kong and Mainland China; and

(f) the "Trading" segment engages in the trading of commodities including LNG, medical supplies and electronic parts, etc. in Hong Kong and Mainland China.

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 profit/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.

Segment assets exclude investments in associates, equity investments at fair value through other comprehensive income, restricted cash, cash and cash equivalents and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude corporate and other unallocated liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (Continued)

	Silver mining		Oil and gas		Asset financing		Tourism		Photovoltaic		Trading		Total	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Segment revenue- Sales to external customers (note 5)	12,813	14,460	2,811	1,659	7,950	6,971	545	1,513	28,374	6,416	33,485	20,249	85,978	51,268
Segment results	(65,939)	(67,698)	(286)	(4,243)	44,300	(157,881)	(749)	319	3,080	4,734	(1,802)	(6)	(21,396)	(224,775)
Reconciliation:														
Share of losses of associates													(323)	(15,053)
Foreign exchange gains, net													7,166	11,176
Impairment losses of financial assets, net													(45,382)	(49,074)
Corporate and other unallocated expenses, net													(15,609)	(21,474)
Loss before tax													(75,544)	(299,200)
Income tax													(991)	(897)
Loss for the year													(76,535)	(300,097)
Segment assets	76,506	93,730	8,560	9,412	76,243	106,750	1,792	212	84,009	51,450	744	34,993	247,854	296,547
Reconciliation:														
Investments in associates													-	18,633
Equity investments at fair value through other comprehensive income													81	1,962
Restricted cash													2,351	2,269
Cash and cash equivalents													82,976	57,382
Corporate and other unallocated assets													139,830	88,971
Total assets													473,092	465,764
Segment liabilities	351,853	291,870	2,698	3,085	5,637	7,275	706	523	22,659	19,398	212	175	383,765	322,326
Reconciliation:														
Liability component of convertible notes													-	49,328
Derivative components of convertible notes													-	2,458
Income tax payables													16,877	16,134
Corporate and other unallocated liabilities													31,056	5,723
Total liabilities													431,698	395,969

4. OPERATING SEGMENT INFORMATION (Continued)

	Silver mining		Oil and gas		Asset financing		Tourism		Photovoltaic		Trading		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Other segment information:														
Share of losses of associates:														
Unallocated assets													**323**	15,053
Depreciation of property, plant and equipment:														
Segment assets	**1**	8	**960**	1,080	**14**	25	**25**	41	**1,338**	893	**–**	2	**2,338**	2,049
Unallocated assets													**116**	152
													2,454	2,201
Depreciation of right-of-use assets:														
Segment assets	**10**	123	**–**	–	**–**	–	**–**	–	**120**	87	**74**	28	**204**	238
Unallocated assets													**1,817**	1,947
													2,021	2,185
Amortisation of other intangible assets	**–**	–	**39**	53	**–**	–	**–**	–	**–**	–	**–**	–	**39**	53
Impairment of property, plant and equipment	**1,187**	1,347	**–**	1,585	**–**	–	**–**	–	**–**	–	**–**	–	**1,187**	2,932
Impairment of other intangible assets	**20,998**	23,310	**–**	175	**–**	–	**–**	–	**–**	–	**–**	–	**20,998**	23,485

4. OPERATING SEGMENT INFORMATION (Continued)

	Silver mining		Oil and gas		Asset financing		Tourism		Photovoltaic		Trading		Total	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Other segment information: (continued)														
Impairment losses/(reversal of impairment losses) of financial assets, net:														
Segment assets	249	–	–	–	(43,333)	158,488	386	–	–	–	–	–	(42,698)	158,488
Unallocated assets													45,382	49,074
													2,684	207,562
Gain on disposal of property, plant and equipment	2	–	–	4	–	–	–	–	1,312	–	–	–	1,314	4
Gain on disposal of right-of-use assets:														
Segment assets	1	2	–	–	–	–	–	–	16	–	–	–	17	2
Unallocated assets													–	200
													17	202
Gain on disposal of an associate:														
Unallocated assets													4,619	–
Loss on deemed disposal of an associate:														
Unallocated assets													3,191	–
Capital expenditure*													13,545	1,268

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and other intangible assets, excluding assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2021 HK$'000	2020 HK$'000
Mainland China	**25,072**	29,395
Hong Kong	**58,095**	20,214
USA	**2,811**	1,659
	85,978	51,268

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

(b) Non-current assets

	2021 HK$'000	2020 HK$'000
Mainland China	**106,280**	124,855
Hong Kong	**12,062**	1,498
USA	**8,145**	9,096
	126,487	135,449

The non-current asset information disclosed above is based on the locations of the assets and excludes financial instruments.

Information about major customers

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

	2021 HK$'000	2020 HK$'000
Customer A from the photovoltaic segment	**N/A***	6,416
Customer B from the photovoltaic segment	**23,962**	N/A*
Customer C from the silver mining segment	**N/A***	7,806
Customer D from the silver mining segment	**12,813**	N/A*
Customer E from the trading segment	**N/A***	20,214
Customer F from the trading segment	**33,485**	N/A*

* The corresponding revenue of these customers is not disclosed as they individually 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:

	2021 HK$'000	2020 HK$'000
Sales of goods	49,109	36,333
Sales of electricity with tariff adjustment*	4,411	6,416
Design and installation service income	23,856	–
Operation and maintenance service income	107	–
Interest income of asset financing service	6,762	5,380
Management fee income of asset financing service	1,188	1,591
Commission income	545	1,548
	85,978	51,268

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

(a) Disaggregated revenue information

Year ended 31 December 2021

Segments	Silver mining HK$'000	Oil and gas HK$'000	Asset financing HK$'000	Tourism HK$'000	Photovoltaic HK$'000	Trading HK$'000	Total HK$'000
Types of goods or services:							
Revenue from contracts with customers:							
– Sale of goods	12,813	2,811	–	–	–	33,485	49,109
– Sale of electricity with tariff adjustment	–	–	–	–	4,411	–	4,411
– Provision of design and installation services	–	–	–	–	23,856	–	23,856
– Provision of operation and maintenance services	–	–	–	–	107	–	107
– Provision of tourism agency services	–	–	–	545	–	–	545
Total revenue from contracts with customers	12,813	2,811	–	545	28,374	33,485	78,028
Revenue from another source:							
– Provision of asset financing services	–	–	7,950	–	–	–	7,950
Total revenue	12,813	2,811	7,950	545	28,374	33,485	85,978

5. REVENUE (Continued)

(a) Disaggregated revenue information (Continued)

Year ended 31 December 2021 (Continued)

Segments	**Silver mining** HK$'000	**Oil and gas** HK$'000	**Asset financing** HK$'000	**Tourism** HK$'000	**Photovoltaic** HK$'000	**Trading** HK$'000	**Total** HK$'000
Geographical markets:							
Mainland China	12,813	–	–	545	3,764	–	17,122
Hong Kong	–	–	–	–	24,610	33,485	58,095
USA	–	2,811	–	–	–	–	2,811
Total revenue from contracts with customers	12,813	2,811	–	545	28,374	33,485	78,028
Revenue from another source:							
– Provision of asset financing services	–	–	7,950	–	–	–	7,950
Total revenue	12,813	2,811	7,950	545	28,374	33,485	85,978
Timing of revenue recognition:							
Goods transferred at a point in time	12,813	2,811	–	–	4,411	33,485	53,520
Services transferred at a point in time	–	–	–	545	23,856	–	24,401
Services transferred over time	–	–	–	–	107	–	107
Total revenue from contracts with customers	12,813	2,811	–	545	28,374	33,485	78,028
Revenue from another source:							
– Provision of asset financing services	–	–	7,950	–	–	–	7,950
Total revenue	12,813	2,811	7,950	545	28,374	33,485	85,978

5. REVENUE (Continued)

(a) Disaggregated revenue information (Continued)

Year ended 31 December 2020

Segments	**Silver mining** HK$'000	**Oil and gas** HK$'000	**Asset financing** HK$'000	**Tourism** HK$'000	**Photovoltaic** HK$'000	**Trading** HK$'000	**Total** HK$'000
Types of goods or services:							
Revenue from contracts with customers:							
– Sale of goods	14,460	1,659	–	–	–	20,214	36,333
– Sale of electricity with tariff adjustment	–	–	–	–	6,416	–	6,416
– Provision of LNG sourcing services	–	–	–	–	–	35	35
– Provision of tourism agency services	–	–	–	1,513	–	–	1,513
Total revenue from contracts with customers	14,460	1,659	–	1,513	6,416	20,249	44,297
Revenue from another source:							
– Provision of asset financing services	–	–	6,971	–	–	–	6,971
Total revenue	14,460	1,659	6,971	1,513	6,416	20,249	51,268
Geographical markets:							
Mainland China	14,460	–	–	1,513	6,416	35	22,424
Hong Kong	–	–	–	–	–	20,214	20,214
USA	–	1,659	–	–	–	–	1,659
Total revenue from contracts with customers	14,460	1,659	–	1,513	6,416	20,249	44,297
Revenue from another source:							
– Provision of asset financing services	–	–	6,971	–	–	–	6,971
Total revenue	14,460	1,659	6,971	1,513	6,416	20,249	51,268

5. REVENUE (Continued)

(a) Disaggregated revenue information (Continued)

Year ended 31 December 2020 (Continued)

Segments	Silver mining HK$'000	Oil and gas HK$'000	Asset financing HK$'000	Tourism HK$'000	Photovoltaic HK$'000	Trading HK$'000	Total HK$'000
Timing of revenue recognition:							
Goods transferred at a point in time	14,460	1,659	–	–	6,416	20,214	42,749
Services transferred at a point in time	–	–	–	1,513	–	35	1,548
Total revenue from contracts with customers	14,460	1,659	–	1,513	6,416	20,249	44,297
Revenue from another source:							
– Provision of asset financing services	–	–	6,971	–	–	–	6,971
Total revenue	14,460	1,659	6,971	1,513	6,416	20,249	51,268

No revenue recognised during the year ended 31 December 2021 related to performance obligations satisfied in previous periods (2020: Nil) and was included in the contract liabilities at the beginning of the reporting period (2020: HK$1,605,000).

(b) Performance obligations

The performance obligation for the sale of goods and electricity is satisfied upon delivery of the goods and the electricity and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

The performance obligation for the provision of design and installation services is satisfied at a point in time when the customer has obtained control of the solar photovoltaic system.

The performance obligation for operation and maintenance is satisfied over time as services are rendered and payment is generally due within 3 days from the date of billing.

The performance obligation for provision of tourism agency services is satisfied at a point in time when the referral services have been rendered, since only by that time the Group has a present right to the payment from the customer.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 of HK$29.1 million relate to the provision of design and installation services and the amounts are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE (Continued)

(b) Performance obligations (Continued)

The Group has applied the practical expedient in HKFRS 15 to its revenue from the provision of operation and maintenance services for not disclosing the remaining performance obligations under the Group's existing contracts as the Group recognises revenue from the satisfaction of the performance obligation in the amount to which the Group has a right to consideration from a customer that corresponds directly with the value to the customer of the entity's performance completed to date. In addition, for all other contracts in which the performance obligations are expected to be recognised as revenue with an original expected duration of one year or less, the transaction price allocated to these unsatisfied contracts is not disclosed as permitted under HKFRS 15.

6. OTHER INCOME AND GAINS, NET

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

	Notes	2021 HK$'000	2020 HK$'000
Other income, net			
Bank interest income		103	39
Trading income, net*		1,845	2
Subsidy income		107	853
Write-back of an other loan#		–	5,621
Write-back of an other payable		–	636
Management fee income		645	512
Others		928	682
		3,628	8,345
Gains, net			
Gain on disposal of items of property, plant and equipment		1,314	4
Gain on disposal of right-of-use assets		17	202
Gain on disposal of an associate	18(a)	4,619	–
Fair value gain of the derivative components of convertible notes	29	2,149	995
Foreign exchange gains, net		7,166	11,176
		15,265	12,377
Other income and gains, net		18,893	20,722

* During the year ended 31 December 2021, the Group entered into contracts to buy and sell commodities with total purchase and sales amounts of HK$9,412,502,000 (2020: HK$26,708,000) and HK$9,414,347,000 (2020: HK$26,710,000), respectively, and the associated net trading income amounted to HK$1,845,000 (2020: HK$2,000).

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 ended 31 December 2020 in other income and gains, net and finance costs, net, respectively.

7. FINANCE COSTS, NET

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

	Notes	2021 HK$'000	2020 HK$'000
Interest on a bank loan		**331**	–
Interest and other borrowing costs on overdue other loans		**4,648**	4,350
Penalties on overdue other loans		**44,117**	43,298
Interest on other loans		**908**	–
Interest on lease liabilities	14(b)	**241**	231
Interest on convertible notes	29	**634**	1,400
Imputed interest on convertible notes	29	**755**	1,381
Reversal of accrued interest and penalty on an other loan pursuant to the outcome of a court judgement	6	**–**	(4,725)
		51,634	45,935

8. LOSS BEFORE TAX

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

	Notes	2021 HK$'000	2020 HK$'000
Cost of inventories sold		**38,661**	34,688
Cost of services provided		**21,467**	–
Depreciation of property, plant and equipment*	13	**2,454**	2,201
Depreciation of right-of-use assets	14(a)	**2,021**	2,185
Amortisation of other intangible assets*	16	**39**	53
Auditor's remuneration		**2,500**	2,250
Lease payments not included in the measurement of lease liabilities		**745**	1,060
Employee benefit expense (including directors' remuneration – note 9):			
Wages, salaries and other benefits		**21,391**	21,706
Pension scheme contributions (defined contribution schemes)[@]		**1,184**	583
		22,575	22,289
Impairment of property, plant and equipment[#]	13	**1,187**	2,932
Impairment of other intangible assets[#]	16	**20,998**	23,485
Impairment losses/(reversal of impairment losses) of financial assets, net:			
Lease and factoring receivables	22(e)	**(44,702)**	147,832
Deposits and other receivables	24(d)	**47,386**	59,730
		2,684	207,562
Loss on deemed disposal of an associate[#]	18(a)	**3,191**	–

8. LOSS BEFORE TAX (Continued)

* Depreciation of property, plant and equipment and amortisation of other intangible assets of HK$2,296,000 (2020: HK$1,970,000) and HK$39,000 (2020: HK$53,000) are included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income, respectively.

@ There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance, and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 **HK$'000**	2020 HK$'000
Fees	**5,640**	6,275
Other emoluments:		
Salaries, allowances and benefits in kind	**199**	243
Pension scheme contributions	**36**	31
	235	274
Total	**5,875**	6,549

9. DIRECTORS' REMUNERATION (Continued)

An analysis of the directors' remuneration, on a named basis, is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2021				
Executive directors:				
Zong Hao (Chief executive)	2,100	199	18	2,317
Xu Zhuliang (Chairman)	1,800	–	18	1,818
He Qing	1,200	–	–	1,200
	5,100	199	36	5,335
Independent non-executive directors:				
Chiu Sui Keung	180	–	–	180
Lee Ping	180	–	–	180
Lee Kwok Wan	180	–	–	180
	540	–	–	540
Total	5,640	199	36	5,875

9. DIRECTORS' REMUNERATION (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2020				
Executive directors:				
Zong Hao (Chief executive)	2,100	–	–	2,100
Xu Zhuliang (Chairman)	1,800	243	18	2,061
Gloria Chang Wong*	200	–	–	200
Benjamin Clark Danielson@	375	–	–	375
He Qing	1,200	–	–	1,200
	5,675	243	18	5,936
Independent non-executive directors:				
Chiu Sui Keung	180	–	–	180
Liu Shengming*	30	–	–	30
Lee Ping	180	–	–	180
Lu Binghui*	30	–	–	30
Lee Kwok Wan	180	–	13	193
	600	–	13	613
Total	6,275	243	31	6,549

* Resigned on 1 March 2020
@ Resigned on 1 April 2020

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2020: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the two (2020: two) non-director, highest paid employees for the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**2,266**	2,106
Pension scheme contributions	**36**	18
	2,302	2,124

The remuneration of the two non-director, highest paid employees for the years ended 31 December 2021 and 2020 each fell within the band of HK$1,000,001 to HK$1,500,000.

11. INCOME TAX

An analysis of the Group's income tax is as follows:

	2021 HK$'000	2020 HK$'000
Current – Hong Kong	**–**	–
Current – Mainland China	**428**	890
Current – Overseas	**4**	7
Deferred (note 30)	**559**	–
	991	897

Notes:

(a) No provision for Hong Kong profits tax has been made for the year ended 31 December 2021 as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

11. INCOME TAX (Continued)

Notes: (continued)

(b) A reconciliation of the tax credit applicable to loss before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable tax rates (i.e., the statutory tax rates) to the effective tax rates are as follows:

	Hong Kong		**Mainland China**		**Overseas**		**Total**	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Year ended 31 December 2021								
Loss before tax	(19,280)		(16,906)		(39,358)		(75,544)	
Tax credit at the statutory tax rates	(3,181)	16.5	(4,227)	25.0	(6,735)	17.1	(14,143)	18.7
Loss attributable to an associate	53	(0.3)	–	–	–	–	53	(0.1)
Income not subject to tax	(3,619)	18.8	(12,260)	72.5	(805)	2.0	(16,684)	22.1
Expenses not deductible for tax	7,064	(36.6)	5,262	(31.1)	7,444	(18.9)	19,770	(26.1)
Tax losses not recognised	242	(1.3)	11,653	(68.9)	100	(0.3)	11,995	(15.9)
Tax expense at the Group's effective tax rates	559	(2.9)	428	(2.5)	4	(0.1)	991	(1.3)
Year ended 31 December 2020								
Loss before tax	(68,959)		(229,333)		(908)		(299,200)	
Tax credit at the statutory tax rates	(11,378)	16.5	(57,333)	25.0	(246)	27.1	(68,957)	23.0
Loss attributable to an associate	–	–	3,763	(1.6)	–	–	3,763	(1.3)
Income not subject to tax	(3,782)	5.5	(2,604)	1.1	(688)	75.8	(7,074)	2.4
Expenses not deductible for tax	15,002	(21.8)	42,945	(18.7)	432	(47.6)	58,379	(19.5)
Tax losses not recognised	158	(0.2)	14,119	(6.2)	509	(56.1)	14,786	(4.9)
Tax expense at the Group's effective tax rates	–	–	890	(0.4)	7	(0.8)	897	(0.3)

12. 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$42,860,000 (2020: HK$268,935,000), and the weighted average number of ordinary shares of 780,362,861 (2020: 726,780,899, as restated – note 43) in issue during the year, as adjusted to reflect the effect of a share consolidation of the Company's ordinary shares during the year (note 31(b)).

No adjustment has been made to the basic loss per share amounts presented for each of the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021; and, in respect of the year ended 31 December 2020, the impact of the convertible notes outstanding during that year had an anti-dilutive effect on the basic loss per share amount presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000 (note (b))	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2021								
At 1 January 2021:								
Cost		3,223	300	196,911	1,424	1,501	38,725	242,084
Accumulated depreciation and impairment		(2,934)	(188)	(169,959)	(1,175)	(1,500)	(33,342)	(209,098)
Net carrying amount		289	112	26,952	249	1	5,383	32,986
Net carrying amount:								
At 1 January 2021		289	112	26,952	249	1	5,383	32,986
Acquisition of a subsidiary	35	–	–	4,888	–	–	1,351	6,239
Additions		–	–	4,500	35	–	2,631	7,166
Depreciation provided during the year		(30)	(113)	(2,252)	(45)	(14)	–	(2,454)
Impairment provided during the year	17	(43)	–	(46)	(20)	(31)	(1,047)	(1,187)
Disposals		–	–	(5,175)	(11)	–	–	(5,186)
Transfers		–	–	1,351	–	–	(1,351)	–
Exchange realignment		10	1	574	47	79	18	729
At 31 December 2021		226	–	30,792	255	35	6,985	38,293
At 31 December 2021:								
Cost		3,327	300	206,184	1,289	1,553	42,604	255,257
Accumulated depreciation and impairment		(3,101)	(300)	(175,392)	(1,034)	(1,518)	(35,619)	(216,964)
Net carrying amount		226	–	30,792	255	35	6,985	38,293

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Notes	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2020								
At 1 January 2020:								
Cost		3,036	300	171,836	1,378	3,778	35,621	215,949
Accumulated depreciation and impairment		(2,689)	(38)	(160,420)	(1,078)	(3,379)	(30,268)	(197,872)
Net carrying amount		347	262	11,416	300	399	5,353	18,077
Net carrying amount:								
At 1 January 2020		347	262	11,416	300	399	5,353	18,077
Acquisition of subsidiaries	35	–	–	18,554	7	46	–	18,607
Additions		–	–	68	–	–	861	929
Depreciation provided during the year		(35)	(150)	(1,926)	(78)	(12)	–	(2,201)
Impairment provided during the year	17	(43)	–	(1,629)	(20)	(32)	(1,208)	(2,932)
Disposals		–	–	(371)	(1)	(401)	–	(773)
Exchange realignment		20	–	839	41	1	378	1,279
At 31 December 2020		289	112	26,951	249	1	5,384	32,986
At 31 December 2020:								
Cost		3,223	300	196,911	1,424	1,501	38,725	242,084
Accumulated depreciation and impairment		(2,934)	(188)	(169,960)	(1,175)	(1,500)	(33,341)	(209,098)
Net carrying amount		289	112	26,951	249	1	5,384	32,986

Notes:

(a) An analysis of the net carrying amounts of the Group's property, plant and equipment by operating segment as at the end of the reporting period is as follows:

	2021 HK$'000	2020 HK$'000
Silver mining segment	4,379	5,476
Oil and gas segment	7,439	8,355
Asset financing segment	203	209
Tourism segment	–	35
Photovoltaic segment	26,059	18,797
Trading segment	8	1
Unallocated amounts attributable to corporate and others	205	113
Total	38,293	32,986

(b) At 31 December 2021, certain of the Group's plant and machinery with a then total net carrying amount of HK$5,660,000 (2020: Nil) were pledged to secure a general banking facility granted to the Group (note 28(a)).

14. LEASES

The Group has lease arrangements as a lessee for various office premises and building roof used in its operations. Leases of office premises generally have lease terms between 1 and 3 years while leases of building roof have lease terms of 13 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises HK$'000	**Building roof** HK$'000	**Motor vehicle** HK$'000	**Total** HK$'000
At 1 January 2020	3,435	–	500	3,935
Acquisition of subsidiaries (note 35)	–	2,139	–	2,139
Additions	165	–	–	165
Depreciation provided during the year	(1,998)	(87)	(100)	(2,185)
Early termination of leases	(71)	–	(400)	(471)
Exchange realignment	10	126	–	136
At 31 December 2020 and 1 January 2021	1,541	2,178	–	3,719
Acquisition of a subsidiary (note 35)	–	925	–	925
Additions	5,202	971	–	6,173
Depreciation provided during the year	(1,901)	(120)	–	(2,021)
Disposals	(59)	(1,877)	–	(1,936)
Exchange realignment	3	68	–	71
At 31 December 2021	4,786	2,145	–	6,931

Note: An analysis of the net carrying amounts of the Group's right-of-use assets by operating segment as at the end of the reporting period is as follows:

	2021 **HK$'000**	2020 HK$'000
Silver mining segment	**–**	69
Photovoltaic segment	**2,145**	2,178
Trading segment	**188**	87
Unallocated amounts attributable to corporate and others	**4,598**	1,385
Total	**6,931**	3,719

14. LEASES (Continued)

(b) Lease liabilities

The carrying amount of the Group's lease liabilities and the movements during the year are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**3,863**	3,456
New leases	**6,173**	165
Acquisition of subsidiaries (note 35)	**936**	2,196
Accretion of interest recognised during the year	**241**	231
Payments	**(2,215)**	(2,252)
Disposals	**(1,953)**	(73)
Exchange realignment	**73**	140
At 31 December	**7,118**	3,863
Portion classified as current liabilities	**(1,817)**	(1,543)
Non-current portion	**5,301**	2,320

The maturity analysis of lease liabilities is disclosed in note 41(d) to the financial statements.

(c) Other lease information

The amounts recognised in profit or loss in relation to leases are as follows:

	2021 HK$'000	2020 HK$'000
Gain on disposal of right-of-use assets	**(17)**	(202)
Interest on lease liabilities	**241**	231
Depreciation of right-of-use assets	**2,021**	2,185
Expense relating to short-term leases (included in administrative expenses)	**745**	1,060
Total amount recognised in profit or loss	**2,990**	3,274

The total cash outflow for leases is disclosed in note 36(c) to the financial statements.

15. GOODWILL

	2021 HK$'000	2020 HK$'000
At 1 January:		
Cost	**23,039**	2,496
Accumulated impairment	**(2,496)**	(2,496)
Net carrying amount	**20,543**	–
Net carrying amount:		
At 1 January	**20,543**	–
Acquisition of subsidiaries (note 35)	**846**	20,543
At 31 December	**21,389**	20,543
At 31 December:		
Cost	**23,885**	23,039
Accumulated impairment	**(2,496)**	(2,496)
Net carrying amount	**21,389**	20,543

Notes:

(a) The addition of goodwill during the year arose from the acquisition of SinoPower Solar Investment Company Limited ("SinoPower") (2020: Beijing Jiezhong Technology Company Limited ("Beijing Jiezhong")), as further detailed in note 35 to the financial statements.

(b) Impairment testing of goodwill

The carrying amount of the goodwill as at 31 December 2021 and 2020 are allocated to the photovoltaic power businesses in the PRC and Hong Kong for impairment testing.

The recoverable amount of each-cash generating unit has been determined by reference to a business valuation performed by an independent professionally qualified valuer, using cash flow projections which are based on financial forecasts approved by management.

For Beijing Jiezhong, the financial forecasts covered a period of 5 years, the discount rate applied to the cash flow projections was 9.5% (2020: 10.5%) and cash flows beyond the 5 year period were extrapolated perpetually using a growth rate of 2% (2020: 3%).

For SinoPower, the financial forecasts covered a period until 2033 (end of the FIT Scheme) and the discount rate applied to the cash flow projections was 19.5%.

Key assumptions used in estimations of the recoverable amounts
The following describes each key assumption adopted by management in the preparation of the cash flow projections for the purpose of impairment testing of goodwill:

(i) Budgeted revenue

The budgeted revenue of Beijing Jiezhong is based on the projected electricity sales volume and the latest applicable electricity selling prices and tariff charges as issued by the National Development and Reform Commission of the PRC.

15. GOODWILL (Continued)

Notes: (continued)

(b) Impairment testing of goodwill (Continued)

Key assumptions used in estimations of the recoverable amounts (Continued)

(i) Budgeted revenue (Continued)

The budgeted revenue of SinoPower is based on the projected electricity sales volume of the Group's projects and the tariff charges agreed with a Hong Kong based electricity company under a Feed-in Tariff (FiT) Scheme.

(ii) Budgeted gross margin

The basis used for Beijing Jiezhong and SinoPower to determine the value assigned to the budgeted gross margin is the gross margin of 40.9% (2020: 77.3%) and 29.7% (2020: N/A), respectively, achieved in the year immediately before the budget year, having adjusted for the expected market development.

(iii) Discount rate

The pre-tax discount rate reflects specific risks of the cash-generating unit, and is determined by reference to the discount rates for similar industries.

(iv) Business environment

There will be no major changes in the existing political, legal and economic conditions in Mainland China and Hong Kong.

Based on the results of the impairment testing of goodwill, in the opinion of the directors of the Company, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2021 (2020: Nil).

16. OTHER INTANGIBLE ASSETS

	Mineral interests		Exploration and evaluation assets		Patents		Others		Total	
	2021 HK$'000 (note (a))	2020 HK$'000 (note (a))	**2021 HK$'000 (note (b))**	2020 HK$'000 (note (b))	**2021 HK$'000 (note (c))**	2020 HK$'000 (note (c))	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
At 1 January:										
Cost	**214,833**	202,867	**456,568**	430,576	**61,094**	61,094	**45**	45	**732,540**	694,582
Accumulated amortisation and impairment	**(214,794)**	(202,403)	**(378,406)**	(335,121)	**(61,094)**	(61,094)	**(45)**	(45)	**(654,339)**	(598,663)
Net carrying amount	**39**	464	**78,162**	95,455	**–**	–	**–**	–	**78,201**	95,919
Net carrying amount:										
At 1 January	**39**	464	**78,162**	95,455	**–**	–	**–**	–	**78,201**	95,919
Additions	**–**	–	**206**	174	**–**	–	**–**	–	**206**	174
Amortisation provided during the year	**(39)**	(53)	**–**	–	**–**	–	**–**	–	**(39)**	(53)
Impairment provided during the year (note 17)	**–**	(175)	**(20,998)**	(23,310)	**–**	–	**–**	–	**(20,998)**	(23,485)
Exchange realignment	**–**	(197)	**2,504**	5,843	**–**	–	**–**	–	**2,504**	5,646
At 31 December	**–**	39	**59,874**	78,162	**–**	–	**–**	–	**59,874**	78,201
At 31 December:										
Cost	**221,628**	214,833	**471,205**	456,568	**61,094**	61,094	**45**	45	**753,972**	732,540
Accumulated amortisation and impairment	**(221,628)**	(214,794)	**(411,331)**	(378,406)	**(61,094)**	(61,094)	**(45)**	(45)	**(694,098)**	(654,339)
Net carrying amount	**–**	39	**59,874**	78,162	**–**	–	**–**	–	**59,874**	78,201

Notes:

(a) An analysis of the net carrying amount of mineral interests by operating segment as at the end of the reporting period is as follows:

	Notes	**2021 HK$'000**	2020 HK$'000
Silver mining segment	(i)	**–**	–
Oil and gas segment	(ii)	**–**	39
		–	39

16. OTHER INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(a) (Continued)

(i) The amount represents a mining permit of a silver mine (the "West Mine") located in Yingshan, Fu'an City, Fujian Province, the PRC. The mining permit is valid from September 2010 up to December 2022 for a mine covering an area of 2.1442 square kilometres with an annual production capacity of 100,000 tons. Having considered the suspension of the silver mining production, the mining permit was fully impaired in prior years.

(ii) The amount represents capitalised lease payments to various landlords and brokers of oil fields in Texas, the USA under mineral interest leasing arrangements for the production of oil and gas products. These capitalised lease payments were fully amortised during the year.

(b) An analysis of the net carrying amount of exploration and evaluation assets by operating segment as at the end of the reporting period is as follows:

	Notes	2021 HK$'000	2020 HK$'000
Silver mining segment	(i)	**59,167**	77,460
Oil and gas segment	(ii)	**707**	702
		59,874	78,162

Notes:

(i) The amount represents an exploration permit of a silver mine (the "East Mine") covering an area of 4.97 square kilometres in Tuorong County, Yingshan, Fujian Province, the PRC. The exploration permit was valid from October 2012 to April 2018 (as extended). At the date of approval of these financial statements, the Group was applying for a further extension of the expiry date of the exploration permit and, in the opinion of the directors, they are not aware of any legal impediments in obtaining the relevant approval for the application, based on legal advice and previous experiences of similar applications in the past. Having considered the suspension of exploration activities of this silver mine by the Group due to lack of working capital, the Group performs an impairment test on the exploration permit which concluded that an additional impairment loss of HK$20,998,000 (2020: HK$23,310,000) is necessary to be recognised in profit or loss for the year.

(ii) The amount represented capitalised lease payments to various landlords and brokers of oil fields in Texas, the USA under mineral interest leasing arrangements for the exploration of oil and gas.

(c) Purchased patents of the Group were patents of a heavy oil extraction technology (the "HydroFlame Technology") that burns a fuel directly inside a rotating stream of water heavy oil recovery application. The HydroFlame Technology had not yet been commercialised. The patents were acquired in 2013 and were fully impaired in prior years as, in the opinion of the directors, there was uncertainty in the successful commercialisation of the technology.

17. IMPAIRMENT TESTING OF NON-CURRENT ASSETS

The Group's silver mining segment and oil and gas segment have been loss-making for some time which, amongst others, constitutes an indication of impairment of non-current assets attributable to these segments, including property, plant and equipment, right-of-use assets (fully impaired in prior years) and other intangible assets. Accordingly, the Group carried out an impairment testing of these assets as at 31 December 2021 in accordance with HKAS 36 *Impairment of Assets*, which is summarised as follows:

(a) Silver Mining Assets

The directors of the Company had estimated the recoverable amounts (which is the fair value less costs of disposal ("FV")) of the non-current assets of the silver mining segment (the "Silver Mining Assets") for the purpose of impairment testing.

In this connection, the Company engaged APAC Assets Valuation and Consulting Limited, an independent professional valuer, to assess the FV of the cash-generating units ("CGUs") of the silver mining segment and management had derived the FV of the Silver Mining Assets from the FV of the relevant CGUs. In assessing the FV of each of the CGUs, the future pre-tax cash flows of the silver mining segment which cover periods up to the production end date of the respective mines are discounted to the related present values using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to such business. Parameters used in the projected cash flows included, but were not limited to, selling prices and sales volumes of silver, production costs and other expenses, capital expenditure, the production plan and the discount rate, which reflected the current conditions of the market and estimated trend in the future. The fair value measurement used significant unobservable inputs (level 3 of the fair value hierarchy).

Below is a summary of the valuation technique used and the key inputs used in assessing the FV of the CGUs in silver mining segment:

	Valuation technique	Significant unobservable inputs		Range or weighted average	
				2021	2020
Property, plant and equipment and other intangible assets	Discounted cash flow method	(i)	Silver selling price at 31 December used as the projection basis for future years (per gram)	**RMB4.48**	RMB5.52
		(ii)	Growth rates applied to the silver selling price in valuation	**For 2023, 2024 and 2025 are 2.73%, 4.57% and 0.31%**	For 2022, 2023 and 2024 are 3.33%, 1.67% and 0.83%
		(iii)	Expected inflation rate in the PRC (per annum)	**2%**	3%
		(iv)	Forecast gross margin# (per gram)	**RMB1.0**	RMB2.0
		(v)	Pre-tax discount rate*	**11%**	10%

17. IMPAIRMENT TESTING OF NON-CURRENT ASSETS (Continued)

(a) Silver Mining Assets (Continued)

It represented sales net of tax and levies minus production costs and before depreciation and amortisation, being the weighted average gross margin for both the East and West mines.

* The pre-tax discount rate was evaluated under the Capital Assets Pricing Model (the "CAPM"); and 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 CGUs was expected to be affected by firm specific risk factors that are independent of the general market. The rates were arrived at the weighted average of the cost of equity and the cost of debt before tax of the respective CGUs.

The key assumptions which were used in assessing the FV of the CGUs of the silver mining segment included but not limited to the following:

(i) In respect of the revenue from the silver mining segment, the budgeted revenue is based on (a) the total reserve ore grade and volume of ore metal as assessed and estimated by management with reference to an independent technical report prepared based on the JORC Code standard; (b) the total projected annual productions as assessed and estimated by management; and (c) the projected market prices of silver made with reference to the silver price quoted from a silver exchange.

(ii) The budgeted operating cost for the first forecast year of production is based on the information included in the technical report prepared under the JORC Code standard.

(iii) Production for the East Mine is forecasted to be commenced in 2026 and ending in 2034 (2020: commenced in 2025 and ending in 2033).

Based on the FV assessment of the CGUs of the silver mining segment which is determined to be HK$62,513,000 (2020: HK$82,936,000), the directors of the Company are of the opinion that an impairment loss of the Silver Mining Assets totalling HK$22,185,000 (2020: HK$24,657,000) was resulted during the year, of which HK$1,187,000 (2020: HK$1,347,000) and HK$20,998,000 (2020: HK$23,310,000) were allocated to property, plant and equipment and other intangible assets of the Group's silver mining segment, respectively, based on their relative carrying amounts amongst the Silver Mining Assets. The above impairment provisions aggregating HK$22,185,000 (2020: HK$24,657,000) were recognised as "Other expenses, net" in profit or loss during the year.

17. IMPAIRMENT TESTING OF NON-CURRENT ASSETS (Continued)

(b) Oil and Gas Assets

In view of the indications of impairment arising from the decrease in the forecast gas price and the current level of production in oil and gas in recent years, the directors of the Company had estimated the recoverable amounts (which is the value in use ("VIU")) of the non-current assets of the Group's oil and gas segment (the "Oil and Gas Assets") for impairment testing purposes.

In this connection, the Company had assessed the VIU of the CGUs of the oil and gas segment and derived the VIU of the Oil and Gas Assets from the VIU of the relevant CGUs. In assessing the VIU of each of the CGUs, the future cash flows of the relevant oil and gas segment, which cover the periods to utilise the remaining reserves of the developed wells of oil and gas fields, are discounted to the related present values using a pretax 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 oil and gas, production costs and other expenses, capital expenditure, the production plan and the discount rate, which reflected the current conditions of the market and estimated trend in the future. The fair value measurement used significant unobservable inputs (level 3 of the fair value hierarchy).

Below is a summary of the valuation technique used and the key inputs used in assessing the VIU of the CGUs in Oil and Gas segment:

	Valuation technique	Significant unobservable inputs		Range or weighted average 2021	2020
Property, plant and equipment and other intangible assets	Discounted cash flow method	(i)	Forecast selling price for the first year subsequent to the year end	**Oil:US$70,61/BBL Gas:US$3.57/MCF Natural gas liquid: US$24.43/BBL**	Oil: US$46.35/BBL Gas: US$2.52/MCF Natural gas liquid: US$16.18/BBL
		(ii)	Growth rate applied to the oil and gas selling price in the cash flow projections after 2020	**(8%) to 3%**	(4%) to 3%
		(iii)	Expected inflation rate in the USA (per annum)		
		(iv)	Forecast gross margin (per gram)#	**Oil: US$18.80 to US$37.60/BBL Gas: US$0.76 to US$1.57/ MCF Natural gas liquid: US$3.75 to US$7.77/BBL**	Oil: US$21.00 to US$21.57/BBL Gas: US$1.00 to US$1.03/ MCF Natural gas liquid: US$7.33 to US$7.52/BBL
		(v)	Pre-tax discount rate*	**11% to 12%**	11% to 12%

17. IMPAIRMENT TESTING OF NON-CURRENT ASSETS (Continued)

(b) Oil and Gas Assets

\# It represented sales net of tax and levies minus production costs and before depreciation and amortisation.

* The pre-tax discount rate was evaluated under the CAPM; and 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 CGUs was expected to be affected by firm specific risk factors that are independent of the general market. The rates were arrived at the weighted average of the cost of equity and the cost of debt before tax of the respective CGUs.

The key assumptions which were used in assessing the VIU of the CGUs of the oil and gas segment included but not limited to the following:

(i) In respect of the revenue from the Oil and Gas Assets, the budgeted revenue is based on (a) the total projected annual productions as assessed and estimated by management; and (b) the projected market prices of oil, gas and natural gas liquid from 2022 to 2040 with reference to certain published forecast prices considered appropriate by management.

(ii) The budgeted operating expense for the first forecast year of production is projected based on the historical expenses and output volume as assessed by management.

Based on the VIU assessment of the CGUs of the oil and gas segment which was determined to be HK$10,244,000 (2020: HK$9,096,000), the directors of the Company are of the opinion that no additional impairment loss of the Oil and Gas Assets is necessary to be recognised during the year (2020: HK$1,760,000). In prior year, additional impairment losses of HK$1,585,000 and HK$175,000 were allocated to property, plant and equipment and other intangible assets of the Group's oil and gas segment, respectively and these impairment provisions aggregating HK$1,760,000 were recognised as "Other expenses, net" in profit or loss for the prior year.

18. INVESTMENTS IN ASSOCIATES

	Notes	2021 HK$'000	2020 HK$'000
Share of net assets		–	18,633
Goodwill on acquisition	(c)	4,128	9,770
		4,128	28,403
Provision for impairment	(d)	(4,128)	(9,770)
		–	18,633

18. INVESTMENTS IN ASSOCIATES (Continued)

Notes:

(a) Particulars of the Group's associates are as follows:

Company name	Particulars of issued share held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
TI Systems Limited	Ordinary share	Hong Kong	41.7% (2020: 41.7%)	Development of an e-payment system
海南深耕海洋發展有限公司("Hainan Shengeng")	Ordinary share	PRC/ Mainland China	-* (2020: 19.5%)	Development of deep sea fish farming
One Asia Securities Company Limited ("OAS")	Ordinary share	Japan	0.18%@ (2020: 26.4%)	Securities trading

* On 31 December 2020, the Group entered into a share transfer agreement with an independent third party for the disposal of the Group's entire 19.5% equity interest in Hainan Shengeng for a cash consideration of RMB21 million. The disposal transaction was completed on 20 June 2021 and resulted in a gain on disposal of an associate of HK$4,619,000 (note 6).

@ During the year, the Group's equity interest in OAS was diluted from 35.76% to 0.18% upon the placing of 90,750,000 new shares by OAS to a new investor which is independent of the Group, which resulted in a loss on deemed disposal of an associate of HK$3,191,000 recognised by the Group in profit or loss during the year ended 31 December 2021. The Group lost significant influence over OAS after the placing of new shares by OAS and hence the investment was reclassified to an equity investment stated at fair value through other comprehensive income.

(b) Associates' summarised financial information disclosure

Hainan Shengeng was considered a material associate of the Group and was accounted for using the equity method in the consolidated financial statements in prior year.

The following table illustrates the summarised financial information in respect of Hainan Shengeng, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2021 HK$'000	2020 HK$'000
Current assets	–	43,069
Current liabilities	–	(69)
Net assets	–	43,000
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	–	43.3%
Carrying amount of the investment	–	18,633
Loss for the year	–	(34,738)
Other comprehensive loss for the year	–	(2,672)
Total comprehensive loss for the year	–	(37,410)
Share of loss for the year	–	(15,053)
Share of other comprehensive income/(loss) for the year	–	1,158

18. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 HK$'000	2020 HK$'000
Share of loss for the year of the associates	**(323)**	–

(c) The movements of the amount of the goodwill included in investments in associates during the year are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**9,770**	9,770
Deemed disposal of an associate	**(5,642)**	–
At 31 December	**4,128**	9,770

(d) The movement in provision for impairment of investments in associates is as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**9,770**	9,770
Deemed disposal of an associate	**(5,642)**	–
At 31 December	**4,128**	9,770

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2021 HK$'000	2020 HK$'000
Listed equity investment, at fair value:			
Huayi Tencent Entertainment Company Limited	(a)	**–**	1,962
Unlisted equity investments, at fair value:			
北京青瑞聚信投資基金管理有限公司	(b)	**–**	–
OAS	(b)	**81**	–
		81	1,962

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes:

(a) This listed equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature. The gross gain in respect of the Group's listed equity investment recognised as other comprehensive income during the year amounted to HK$2,294,000 (2020: HK$855,000). This listed equity investment was disposed of on 19 February 2021 with a gain on disposal of HK$646,000 recognised as other comprehensive income during the year ended 31 December 2021.

(b) These unlisted equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers them to be strategic in nature. In the opinion of the directors, the fair value of these unlisted equity investments were not material to the Group as at 31 December 2021 and 2020.

20. CONTRACT ASSETS

	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Unbilled revenue	**11,566**	9,095	–

The Group's contract assets represented central government renewable energy subsidies for the Group's photovoltaic business in Mainland China that are to be billed and settled upon registering into the Subsidy Catalogues. Despite that the Group has obtained the approval for the registration into the Subsidy Catalogues from a relevant government authority in July 2021, the registration has not been completed as at 31 December 2021. In the opinion of the directors, the registration procedures of the Subsidy Catalogues for the Group's photovoltaic business in Mainland China are administrative in nature and the Group will comply with the related procedures stipulated by the current government policy in Mainland China and all other attaching conditions, if any.

The increase in contract assets in 2021 was due to the increase in additional subsidies entitled by the Group during the year; and the increase in contract assets in 2020 was due to the acquisition of Beijing Jiezhong during that year.

21. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**463**	491
Work in progress – Solar photovoltaic systems	**10,911**	–
Trading goods	**–**	10,241
	11,374	10,732

22. LEASE, FACTORING AND TRADE RECEIVABLES

	Notes	2021 HK$'000	2020 HK$'000
Gross lease receivables	(a)	**1,794**	17,449
Less: Unearned interest income		**(301)**	(104)
Net lease receivables	(a)	**1,493**	17,345
Factoring receivables	(b)	**197,533**	253,514
Management fee receivables of asset financing services	(c)	**3,443**	1,591
Trade receivables	(d)	**19,054**	9,494
		221,523	281,944
Impairment	(e)	**(116,948)**	(157,357)
Total lease, factoring and trade receivables		**104,575**	124,587
Portion classified as current assets		**(103,518)**	(105,825)
Non-current portion		**1,057**	18,762

Notes:

(a) The lease receivable as at 31 December 2021 related to a finance lease arrangement of certain plant and equipment provided by the Group in its ordinary course of business to a lessee. The lease receivable bears interest at 12% per annum and is repayable in 3 years. During the year, interest income of HK$114,000 (2020: HK$517,000) was recognised in profit or loss in respect of the lease receivable.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods in respect of the finance lease and its present values are as follows:

	2021 HK$'000	2020 HK$'000
Amounts receivable:		
Within one year	**598**	17,449
After one year but within two years	**598**	–
After two years but within three years	**598**	–
Total minimum lease receivables	**1,794**	17,449
Future interest income	**(301)**	(104)
Total net lease receivables	**1,493**	17,345
Portion classified as current assets	**(436)**	(17,345)
Non-current portion	**1,057**	–

22. LEASE, FACTORING AND TRADE RECEIVABLES (Continued)

Notes: (Continued)

(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% or at a fixed rate of 12% per annum, and are due for repayment between 2021 and 2023. 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$6,648,000 (2020: HK$4,863,000) 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 2021 and 2020, based on the invoice date and net of provisions, is as follows:

	2021 HK$'000	2020 HK$'000
Billed:		
Within one month	245	666
One to two months	245	–
Two to three months	245	544
Over three months	52,266	1,801
	53,001	3,011
Unbilled	29,689	100,634
	82,690	103,645

(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$1,188,000 (2020: HK$1,591,000) in total was recognised in profit or loss during the year.

An ageing analysis of the management fee receivables as at 31 December 2021 and 2020, based on the invoice date and net of provisions, is as follows:

	2021 HK$'000	2020 HK$'000
Within one month	31	154
One to two months	31	–
Two to three months	31	156
Over three months	1,551	415
	1,644	725

22. LEASE, FACTORING AND TRADE RECEIVABLES (Continued)

Notes: (Continued)

(d) The Group's trading terms with its customers from the silver, oil and gas, photovoltaic power businesses 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:

	2021 HK$'000	2020 HK$'000
Billed:		
Within one month	14,501	8,658
One to two months	22	–
Two to three months	25	–
Over three months	13	–
	14,561	8,658
Unbilled	4,239	836
	18,800	9,494

(e) The movement in the loss allowance for impairment of lease, factoring and trade receivables are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	157,357	1,149
Impairment provided during the year	4,617	147,832
Reversal of impairment recognised during the year	(49,319)	–
Exchange realignment	4,293	8,376
At 31 December	116,948	157,357

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. At 31 December 2021, the probability of default applied ranged from 0.2% to 100% (2020: 0% to 100%) and the loss given default rate was estimated to be ranged from 57.7% to 62.3% (2020: 0% to 62.5%).

23. LOAN RECEIVABLES

	Notes	2021 HK$'000	2020 HK$'000
Gross amount	(a)	**32,339**	32,326
Less: Impairment	(b)	**(32,339)**	(32,326)
	–	**–**	

Notes:

(a) The balance mainly included a loan receivable of HK$30,000,000 advanced to an independent third party, which was unsecured, bore interest at the rate of 10% per annum and had been overdue since 2012.

The Group does not hold any collateral or other credit enhancements over its loan receivable balances.

(b) The movements in the provision for impairment of loan receivables are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**32,326**	32,337
Exchange realignment	**13**	(11)
At 31 December	**32,339**	32,326

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2021 HK$'000	2020 HK$'000
Prepayments		**8,161**	56,493
Deposits for acquisition of entities	(a)	**106,307**	102,974
Other receivables	(b)	**77,080**	–
Other trading receivables	(c)	**45,644**	–
Others		**9,834**	8,072
		247,026	167,539
Impairment	(d)	**(113,344)**	(61,884)
Total prepayments, deposits and other receivables		**133,682**	105,655
Portion classified as current assets		**(92,333)**	(64,203)
Non-current portion		**41,349**	41,452

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(a) The balance mainly represented deposits of HK$104.8 million paid for a potential acquisition of an entity in prior years, which will be refunded, together with interest of 3.0% per annum, if the acquisition is not proceeded. These deposits are secured by the entire issued share capital of a wholly-owned subsidiary and 80% issued share capital of an indirectly-owned subsidiary of the target company. At 31 December 2021, in view of the uncertainty as to the ultimate materialisation of the acquisition and the financial position of the payees, impairment losses of HK$64.1 million (2020: HK$61.9 million) has been made.

(b) Other receivables represented payments made to suppliers of commodities traded by the Group. At 31 December 2021, impairment of HK$24.5 million has been recognised against these other receivables based on the ECL assessment performed.

(c) During the year, the Group has entered into several commodity trading contracts with a total contract sum of HK$54.5 million and trading terms of 30 days to 6 months. At 31 December 2021, certain of these other trading receivables are overdue and impairment of HK$20.0 million has been made.

(d) The movement in the loss allowance for impairment of prepayments, deposits and other receivables are as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 January	**61,884**	2,249
Impairment provided during the year	**47,688**	59,730
Reversal of impairment recognised during the year	**(302)**	–
Exchange realignment	**4,074**	(95)
At 31 December	**113,344**	61,884

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. At 31 December 2021, the probability of default applied ranged from 3.7% to 100% (2020: 7.5% to 100%) and the loss given default rate was estimated to be approximately 62.2% (2020: 61.9%).

25. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	2021 **HK$'000**	2020 HK$'000
Cash and bank balances	**85,327**	59,651
Less: Restricted cash (note (c))	**(2,351)**	(2,269)
Cash and cash equivalents	**82,976**	57,382

25. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

Notes:

(a) At 31 December 2021, the cash and bank balances of the Group denominated in RMB and kept or deposited in banks in Mainland China amounted to HK$48,190,000 (2020: HK$42,120,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

(c) The restricted cash is pledged for the work safety of mining workers and the rehabilitation and restoration of the mining sites, which are required by the PRC local government and cannot be used for daily operations.

26. 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:

	2021 **HK$'000**	2020 HK$'000
Less than six months	**6,966**	780
Six months to one year	**32**	31
Over one year	**293**	338
	7,291	1,149

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

27. OTHER PAYABLES AND ACCRUALS

	2021 **HK$'000**	2020 HK$'000
Accruals	**4,570**	6,723
Contract liabilities (note)	**10,308**	1,004
Value-added tax and other tax payables	**1,450**	558
Other payables	**17,290**	28,125
	33,618	36,410
Portion classified as current liabilities	**(32,702)**	(35,583)
Non-current portion	**916**	827

27. OTHER PAYABLES AND ACCRUALS (Continued)

Note: Contract liabilities as at 31 December 2021 mainly represented deposits received in advance from customers for the design and installation services to be provided (2020: deposits received in advance from customers for the sale of silver). Details of contract liabilities are as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Advances from customers for design and installation services	**9,279**	–	–
Customers' deposits for sale of goods	**1,029**	1,004	2,978
	10,308	1,004	2,978

The increase in contract liabilities in 2021 was mainly due to additional advances received from customers of the Group's photovoltaic business in Hong Kong, which was a business acquired by the Group in 2021.

28. BANK AND OTHER LOANS

	Notes	**2021 HK$'000**	2020 HK$'000
Bank loan	(a)	**4,001**	–
Other loans	(b)	**362,234**	286,627
		366,235	286,627
Portion classified as current liabilities		**(362,234)**	(286,627)
Non-current portion		**4,001**	–

Notes:

(a) The balance represented a long-term bank loan of HK$4,001,000, which bears interest at 7% per annum, is repayable on 31 December 2024 and secured by (i) two solar photovoltaic systems of the Group with an aggregate net carrying amount of HK$5,660,000 as at 31 December 2021; (ii) 100% equity interest in a wholly subsidiary of the Company; (iii) a corporate guarantee provided by the Company; and (iv) a personal guarantee provided by a director of the Company.

(b) The other loans of the Group as at 31 December 2021 comprised the following:

(i) an other loan from a former shareholder of the Subsidiary of RMB20,000,000 (approximately HK$24,515,000 (2020: HK$23,749,000)), which was unsecured, interest-free, repayable on 1 January 2016, and subject to an overdue penalty of 0.5% per day on the loan principal; and an other loan of the Subsidiary of RMB5,500,000 (approximately HK$6,742,000 (2020: HK$6,531,000)), which was unsecured, bore interest at 15% per annum, was repayable on 1 January 2016, and was subject to an overdue penalty of 1% on the overdue balance.

28. BANK AND OTHER LOANS (Continued)

Notes: (Continued)

(a) (Continued)

(i) (Continued)

The above other loans had been overdue for repayment as at 31 December 2021. Accumulated interest expenses and overdue penalty charges of HK$314,223,000 (2020: HK$256,347,000) in total have been recognised and included in the carrying amount of other loans on the face of the consolidated statement of financial position.

In prior years, several lenders have filed legal claims against the subsidiary of the Group for recovery of the abovementioned overdue loans, together with the accrued interest and overdue penalties. The Group failed to defend in two cases. In the opinion of the directors, adequate interest and penalties have been provided in the financial statements.

(ii) an other loan of HK$12,000,000, which is unsecured, bears interest at 8% per annum, is repayable on 31 March 2022 and subject to an overdue penalty of 0.01% per day on the total outstanding balance; and

(iii) an other loan of JPY60,000,000 (approximately HK$4,063,000), which bears interest at 12% per annum, is repayable on 20 July 2022 and subject to an overdue penalty of 17.52% per annum on the total outstanding balance.

In respect of the non-overdue loans as at 31 December 2021, accumulated interest expenses of HK$691,000 (2020: Nil) in total have been recognised and included in the carrying amount of other loans on the face of the consolidated statement of financial position.

29. CONVERTIBLE NOTES

Convertible notes with a total principal amount of HK$50 million were issued to two individual third parties on 7 August 2020 pursuant to subscription agreements dated 15 July 2020 entered into between the Group and the two subscribers. Further details of the convertible notes are set out in the Company's announcement dated 15 July 2020.

Summary information of the Group's convertible notes is set out as follows:

	Convertible notes A	**Convertible notes B**
Issuance date	7 August 2020	7 August 2020
Maturity date	7 August 2021	7 August 2021
Original principal amount (HK$'000)	30,000	20,000
Coupon rate	7%	7%
Conversion price per ordinary share of the Company (HK$)	0.08	0.08

For accounting purpose, the convertible notes are bifurcated into (i) a liability component and (ii) derivative components, as further described in the accounting policy for "Convertible notes that contain derivative components" set out in note 2.4 to the financial statements. The following tables summarise the movements in the principal amounts, the liability and derivative components of the Group's convertible notes during the year.

29. CONVERTIBLE NOTES (Continued)

	Convertible notes A HK$'000	Convertible notes B HK$'000	Total HK$'000
Principal amount outstanding			
At 1 January 2020	–	–	–
Issuance of convertible notes during the year	30,000	20,000	50,000
At 30 December 2020 and 1 January 2021	30,000	20,000	50,000
Conversion of convertible notes into ordinary shares during the year	(30,000)	(20,000)	(50,000)
At 31 December 2021	–	–	–
Liability component			
At 1 January 2020	–	–	–
Issuance of convertible notes during the year	27,928	18,619	46,547
Interest expense	840	560	1,400
Imputed interest expense	829	552	1,381
At 30 December 2020 and 1 January 2021	29,597	19,731	49,328
Interest expense	380	254	634
Imputed interest expense	453	302	755
Interest paid	(1,220)	(813)	(2,033)
Conversion of convertible notes into ordinary shares during the year	(29,210)	(19,474)	(48,684)
At 31 December 2021	–	–	–
Derivative components			
At 1 January 2020	–	–	–
Issuance of convertible notes during the year	2,072	1,381	3,453
Fair value gain	(597)	(398)	(995)
At 30 December 2020 and 1 January 2021	1,475	983	2,458
Fair value gain	(1,289)	(860)	(2,149)
Conversion of convertible notes into ordinary shares during the year	(186)	(123)	(309)
At 31 December 2021	–	–	–

During the year, noteholders exercised their conversion rights with an aggregate principal amount of HK$50,000,000 and 625,000,000 new ordinary shares of the Company were allotted and issued accordingly.

30. DEFERRED TAX LIABILITIES

The components of deferred tax assets and liabilities and their movements during the year are as follows:

	Attributable to		
	Depreciation allowances in excess of related depreciation HK$'000	**Tax losses HK$'000**	**Net deferred tax assets/ (liabilities) HK$'000**
At 1 January 2020, 31 December 2020 and 1 January 2021	–	–	–
Deferred tax charged/(credited) to profit or loss during the year (note 11)	(869)	310	(559)
At 31 December 2021	(869)	310	(559)

Notes:

(a) Deferred tax assets have not been recognised in respect of the following temporary differences:

	2021 HK$'000	2020 HK$'000
Unutilised tax losses	**662,991**	640,947
Provision for impairment losses	**156,115**	147,093
Other deductible temporary differences	**707**	703
	819,813	788,743

Deferred tax assets have not been recognised in respect of the above tax losses and deductible temporary differences as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these tax losses and deductible temporary differences can be utilised

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. A lower withholding tax rate may be applied if there is tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China.

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2020: Nil). In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$6,256,000 (2020: HK$3,584,000) as at 31 December 2021.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

Shares

	2021 HK$'000	2020 HK$'000
Issued and fully paid:		
791,505,556 (2020: 7,290,055,568) ordinary shares	**2,777,494**	2,728,501

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of shares in issue**	**Share capital** HK$'000
At 1 January 2020		7,010,055,568	2,703,301
Issue of new ordinary shares for acquisition of subsidiaries	35(b)	280,000,000	25,200
At 31 December 2020 and 1 January 2021		7,290,055,568	2,728,501
Issue of new ordinary shares upon conversion of convertible notes	(a)	625,000,000	48,993
Share consolidation	(b)	(7,123,550,012)	–
At 31 December 2021		791,505,556	2,777,494

Notes:

(a) On 11 February 2021, 26 February 2021 and 17 June 2021, the convertible noteholders exercised the conversion rights of all its interest in the convertible notes with an aggregate principal amount of HK$50,000,000 and accordingly, 625,000,000 new ordinary shares of the Company were allotted and issued at the conversion price of HK$0.08 per share. The then aggregate carrying amount of the liability and derivative components of the relevant convertible notes as at the respective dates of conversion of HK$48,993,000 in total was transferred to the Company's share capital account.

(b) Pursuant to an ordinary resolution of the shareholders passed at an extraordinary general meeting on 28 December 2021, every ten issued shares of the Company were consolidated into one consolidated share and the number of consolidated shares was rounded down to the nearest whole number by disregarding each and every fractional consolidated share which would otherwise arise. The share consolidation became effective on 30 December 2021.

Share options

Details of the Company's share option scheme are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which is effective from 30 May 2012 and remains valid for a period of 10 years from 30 May 2012 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The maximum number of ordinary shares of the Company issuable under share options to be granted under the Scheme is 701,005,556, representing 10% of the number of ordinary shares of the Company in issue as at 31 December 2021. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the ordinary shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's ordinary shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Share options granted may be exercised under the Scheme at any time during a period not exceeding five years after the date when the options are granted and expiring on the last date of this period.

The exercise price of share options is determined by the directors, but shall not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average of the Stock Exchange closing prices of the Company's shares for the five trading days immediately preceding the date of the offer of the share options. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share option was granted under the Scheme during the years ended 31 December 2021 and 2020, and no share options were outstanding as at 31 December 2021 and 2020.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

For the years ended 31 December 2021 and 2020, Million Grow and its subsidiaries (collectively, the "Million Grow Group") were considered subsidiaries that had material non-controlling interests, details of which are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interests	**50%**	50%

	2021 **HK$'000**	2020 HK$'000
Loss for the year allocated to non-controlling interests	**(33,636)**	(32,190)
Accumulated negative balances of non-controlling interests at the reporting date	**(171,483)**	(132,098)

The following tables illustrate the summarised financial information of the Million Grow Group as at the end of and during the reporting period:

	2021 **HK$'000**	2020 HK$'000
Revenue	**12,813**	14,459
Other income and gains	**39**	5,680
Total expenses	**(78,738)**	(70,078)
Loss for the year	**(65,886)**	(62,017)
Total comprehensive loss for the year	**(75,110)**	(75,632)
Current assets	**70,908**	62,730
Non-current assets	**63,546**	83,442
Current liabilities	**(471,925)**	(408,154)
Net cash flows from/(used in) operating activities	**4,817**	(5,456)
Net cash flows from investing activities	**10**	9
Net cash flows from/(used in) financing activities	**(1,967)**	5,515
Net increase in cash and cash equivalents	**2,860**	68

* The amounts disclosed above are before any inter-company eliminations.

35. BUSINESS COMBINATIONS

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the years ended 31 December 2021 and 2020 as at the date of acquisition were as follows:

	Notes	**2021 HK$'000 (note (a))**	2020 HK$'000 (note (b))
Net assets acquired:			
Property, plant and equipment	13	**6,239**	18,607
Right-of-use assets	14(a)	**925**	2,139
Contract assets		**–**	4,464
Trade receivables		**–**	300
Prepayments, deposits and other receivables		**969**	97
Cash and cash equivalents		**1**	803
Trade payables		**(4,425)**	–
Lease liabilities	14(b)	**(936)**	(2,196)
Other payables and accruals		**(2,814)**	(18,051)
Total identifiable net assets/(liabilities) at fair value		**(41)**	6,163
Non-controlling interests		**–**	(1,506)
		(41)	4,657
Goodwill on acquisition	15	**846**	20,543
		805	25,200
Satisfied by:			
Cash		**805**	–
Issue of 280,000,000 new ordinary shares of the Company	31	**–**	25,200
		805	25,200

35. BUSINESS COMBINATIONS (Continued)

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	2021 HK$'000	2020 HK$'000
Cash and cash equivalents acquired	1	803
Cash consideration	(805)	–
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of the subsidiaries	(804)	803

The transaction costs incurred by the Group for the acquisition had been expensed and included in administrative expenses in profit or loss for the years ended 31 December 2021 and 2020.

Notes:

(a) On 22 June 2021, the Group acquired 100% equity interest in SinoPower from an independent third party at a cash consideration of HK$805,000. SinoPower is principally engaged in the operation of photovoltaic power business in Hong Kong.

Since the acquisition, SinoPower contributed revenue of HK$24,503,000 and a profit of HK$2,827,000 to the Group for the year ended 31 December 2021.

Had the above acquisition been affected at the beginning of the year ended 31 December 2021, the Group's revenue and loss for the year ended 31 December 2021 would have been HK$86,287,000 and HK$76,602,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the current year, nor is it intended to be a projection of future results.

(b) On 20 January 2020, the Group acquired 89% equity interest in Beijing Jiezhong from an independent third party at a total consideration of HK$25,200,000, which is the acquisition date fair value of 280,000,000 shares issued by the Company as the consideration for the acquisition. Beijing Jiezhong holds a 75.7% indirect interest in Chengde Shuntian which is principally engaged in the photovoltaic power business in Mainland China.

Since the acquisition, Beijing Jiezhong contributed revenue of HK$6,418,000 and a profit of HK$4,378,000 to the Group for the year ended 31 December 2020.

Had the above business combination taken place at the beginning of the year ended 31 December 2020, the Group's revenue and loss for the year would have been HK$51,710,000 and HK$299,770,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the prior year, nor is it intended to be a projection of future results.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$6,173,000 (2020: HK$165,000) each in respect of lease arrangements for office premises and building roofs.

(b) Changes in liabilities arising from financing activities

	Notes	**Bank loan HK$'000**	**Other loans HK$'000**	**Convertible notes HK$'000**	**Lease liabilities HK$'000**
At 1 January 2020		–	255,688	–	3,456
Changes from financing cash flows		–	(22,726)	50,000	(2,021)
Write-back of an other loan	6	–	5,621	–	–
Derivative components of convertible notes		–	–	(3,453)	–
Acquisition of subsidiaries	35	–	–	–	2,196
Interest paid classified as operating cash flows		–	–	–	(231)
New leases		–	–	–	165
Finance costs	7	–	42,923	2,781	231
Early termination of leases		–	–	–	(73)
Exchange realignment		–	5,121	–	140
At 31 December 2020 and 1 January 2021		–	286,627	49,328	3,863
Changes from financing cash flows		4,001	16,107	(2,033)	(1,974)
Conversion of convertible notes into ordinary shares during the year		–	–	(48,684)	–
Acquisition of subsidiaries	35	–	–	–	936
Interest paid classified as operating cash flows		(331)	–	–	(241)
New leases		–	–	–	6,173
Finance costs	7	331	49,673	1,389	241
Disposals		–	–	–	(1,954)
Exchange realignment		–	9,827	–	74
At 31 December 2021		4,001	362,234	–	7,118

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2021 HK$'000	2020 HK$'000
Within operating activities	**986**	1,291
Within financing activities	**1,974**	2,021
	2,960	3,312

37. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Plant and machinery	4,903	–
Acquisition of an entity (note)	1,839	1,781
	6,742	1,781

Note: At 31 December 2021, the Group had a capital commitment of HK$1,839,000 (2020: HK$1,781,000) in respect of the acquisition of a 30% equity interest in an entity established in the PRC (the "Entity"), which is contracted, but not provided for. Pursuant to the relevant disposal agreements in connection with the disposal of a subsidiary of the Group to an independent third party (the "Purchaser") which was completed on 26 June 2015:

(i) the disposed subsidiary and its subsidiaries (collectively, the "Disposed Group") would undergo an equity interest restructuring (the "Equity Interest Restructuring") pursuant to which the Purchaser and another third party (the "Third Party") would complete the transfer of the 30% equity interest in the Entity to the Group at a consideration of RMB1.5 million and charge the coal mining right owned by the Entity to the Group within 10 years after the completion of the disposal agreements (the "Deadline");

(ii) after the Equity Interest Restructuring, the Third Party would repurchase the Group's 30% equity interest in the Entity at a consideration of HK$110 million (RMB100 million) by the Deadline; and

(iii) if the Purchaser and the Third Party cannot complete the Equity Interest Restructuring and the charge of the Entity's coal mining rights by the Deadline, the Purchaser or the Third Party would pay a sum of RMB100 million to the Company within 2 business days after the Deadline.

38. RELATED PARTY DISCLOSURES

(a) Other than the balances and transactions detailed elsewhere in these financial statements, the Group did not have other significant related party balances as at the end of the reporting period and related party transactions during the reporting period.

(b) Compensation of key management personnel of the Group

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	7,906	8,381
Post-employment benefits	72	49
Total compensation paid to key management personnel	7,978	8,430

Further details of directors' emoluments are included in note 9 to the financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

Other than equity investments being designated as financial assets at fair value through other comprehensive income and derivative financial instruments being classified as financial liabilities at fair value through profit or loss, all other financial assets and liabilities of the Group as at 31 December 2021 and 2020 are classified as financial assets and liabilities at amortised cost, respectively.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values of material financial instruments:

(a) The fair values of financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments.

(b) The fair value of listed equity investments are based on their quoted market prices.

(c) The fair values of the non-current portion of lease and factoring receivables have been calculated by discounting the expected future cash flows using a rate currently available for instruments with similar terms, credit risk and remaining maturities.

(d) The fair values of the derivative components of convertible notes are measured using valuation techniques with valuation model incorporating various market observable inputs including the spot stock price of the Company.

Since the carrying amounts of the Group's financial instruments approximate to their fair values, no separate disclosure of the fair values of the Group's financial instruments is made in the financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank balances, other receivables and payables, and interest-bearing borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group has significant lease and factoring receivables which bear interest at floating rates and hence the Group is exposed to cash flow interest rate risk. For other interest-free loans and receivables, the Group is exposed to fair value interest rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis of cash flow interest rate risk below has been determined assuming that the change in interest rates had occurred at the end of the respective reporting periods and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at these dates. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

If interest rates had been 100 basis points higher (lower) and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2021 would have been decreased (increased) by approximately HK$1,246,000 (2020: HK$1,658,000).

(b) Foreign currency risk

The Group's businesses are mainly carried out by subsidiaries and associates located in Mainland China, Singapore and Japan, and majority of its transactions are conducted in RMB, Singapore dollars ("SG$") and JPY. The Group also has transactional currency exposures in SG$ and RMB arising from trading income of operating units in currencies other than the units' functional currencies. Approximately 54% (2020: 50%) of the Group's trading income was denominated in currencies other than the functional currencies.

The net assets of the Group's investments in subsidiaries and associates established in Mainland China, Singapore and Japan are exposed to foreign currency translational risk. The Group has not hedged its transactional and translational currency risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB/HK$, SG$/HK$ and JPY/HK$ exchange rates, with all other variables held constant, of the Group's loss before tax and of the Group's equity resulting from the translation of the Group's foreign operations:

	Increase (decrease) in RMB/SG$/JPY rate	**Increase/(decrease) in loss before tax**		**Increase/(decrease) in equity**	
		2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
If HK$ weakens against RMB	5	**(2,665)**	(11,655)	**(110,331)**	(79,526)
If HK$ strengthens against RMB	(5)	**2,665**	11,655	**110,331**	79,526
If HK$ weakens against SG$	5	**(1,924)**	138	**1,410**	1,497
If HK$ strengthens against SG$	(5)	**1,924**	(138)	**(1,410)**	(1,497)
If HK$ weakens against JPY	5	**(27)**	1	**(177)**	541
If HK$ strengthens against JPY	(5)	**27**	(1)	**177**	(541)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
At 31 December 2021					
Lease, factoring and trade receivables					
– Normal*	–	–	–	19,054	19,054
– Doubtful*	4,752	–	197,717	–	202,469
Loan receivables – Doubtful*	–	–	32,339	–	32,339
Financial assets included in prepayments, deposits and other receivables					
– Normal*	64,578	–	–	–	64,578
– Doubtful*	–	–	182,448	–	182,448
Restricted cash – Not yet past due	2,351	–	–	–	2,351
Cash and cash equivalents					
– Not yet past due	82,976	–	–	–	82,976
	154,657	–	412,504	19,054	586,215
At 31 December 2020					
Lease, factoring and trade receivables					
– Normal*	–	–	–	9,495	9,495
– Doubtful*	–	–	272,449	–	272,449
Loan receivables – Doubtful*	–	–	32,326	–	32,326
Financial assets included in prepayments, deposits and other receivables					
– Normal*	9,517	–	–	–	9,517
– Doubtful*	–	–	101,529	–	101,529
Restricted cash – Not yet past due	2,269	–	–	–	2,269
Cash and cash equivalents					
– Not yet past due	57,382	–	–	–	57,382
	69,168	–	406,304	9,495	484,967

* The credit quality of the financial assets included in lease, factoring and trade receivables, loan receivables and prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The maturity profile of the Group's financial liabilities, as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within one year or on demand HK$'000	One to five years HK$'000	Over five years HK$'000	Total HK$'000
At 31 December 2021				
Trade payables	**7,291**	**–**	**–**	**7,291**
Other payables and accruals	**32,702**	**916**	**–**	**33,618**
Bank loan	**280**	**4,562**	**–**	**4,842**
Other loans	**362,737**	**–**	**–**	**362,737**
Lease liabilities	**2,122**	**3,960**	**3,135**	**9,217**
	405,132	**9,438**	**3,135**	**417,705**
At 31 December 2020				
Trade payables	1,149	–	–	1,149
Other payables and accruals	35,582	827	–	36,409
Other loans	286,627	–	–	286,627
Lease liabilities	1,699	815	3,108	5,622
Convertible notes	53,500	–	–	53,500
	378,557	1,642	3,108	383,307

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may issue new shares to increase capital. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2021.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Capital management (Continued)

The Group monitors capital using the gearing ratio, which is total debts divided by the total equity attributable to shareholders of the Company. Total debts include trade payables, other payables and accruals, bank loan, other loans and lease liabilities. The gearing ratios as at the end of the reporting periods were as follows:

	2021 **HK$'000**	2020 HK$'000
Trade payables	**7,291**	1,149
Other payables and accruals	**33,618**	36,410
Bank loan	**4,001**	–
Other loans	**362,234**	286,627
Lease liabilities	**7,118**	3,863
Liability component of convertible notes	**–**	49,328
Derivative components of convertible notes	**–**	2,458
Total debts	**414,262**	379,835
Total equity attributable to shareholders of the Company	**211,577**	200,638
Gearing ratio	**196%**	189%

42. EVENTS AFTER REPORTING PERIOD

On 2 March 2022, the Company completed the rights issue on the basis of one rights share for every two existing shares and placing of new shares at the subscription price of HK$0.25 per share, which resulted in the issue of 378,841,666 rights shares and 16,911,112 placing shares. The Group raised funds of approximately HK$98.94 million in total before issuance expenses from the rights issue and placing of new shares.

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

43. COMPARATIVE AMOUNTS

As further explained in note 31(b) to the financial statements, the Company carried out a share consolidation during the year, therefore certain comparative amounts in respect of the loss per share amount for the prior year has been restated on the assumption that the share consolidation have been effective at the beginning of the prior year.

In addition, LNG and Trading segments have been combined and certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	26	113
Right-of-use assets	4,320	1,385
Investments in subsidiaries	121,947	135,565
Due from subsidiaries	–	106
Equity investments at fair value through other comprehensive income	–	1,962
Prepayments, deposits and other receivables	33,335	33,669
Total non-current assets	159,628	172,800
CURRENT ASSETS		
Prepayments, deposits and other receivables	2,776	5,785
Due from subsidiaries	53,496	62,384
Cash and bank balances	4,222	2,029
Total current assets	60,494	70,198
CURRENT LIABILITIES		
Other payables and accruals	2,695	3,736
Due to subsidiaries	45,306	47,808
Lease liability	1,522	1,421
Other loan	12,232	–
Liability component of convertible notes	–	49,328
Derivative component of convertible notes	–	2,458
Total current liabilities	61,755	104,751
NET CURRENT LIABILITIES	(1,261)	(34,553)
TOTAL ASSETS LESS CURRENT LIABILITIES	158,367	138,247
NON-CURRENT LIABILITY		
Lease liability	2,820	–
Net assets	155,547	138,247
EQUITY		
Share capital	2,777,494	2,728,501
Reserves (note)	(2,621,947)	(2,590,254)
Total equity	155,547	138,247

Zong Hao
Director

Xu Zhuliang
Director

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: A summary of the Company's reserves is as follows:

	Equity investment revaluation reserve HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2020	(2,465)	(2,390,531)	(2,392,996)
Loss for the year	–	(198,113)	(198,113)
Other comprehensive income for the year:			
Fair value gain of equity investments at fair value through other comprehensive income	855	–	855
Total comprehensive income/(loss) for the year	855	(198,113)	(197,258)
At 31 December 2020 and 1 January 2021	(1,610)	(2,588,644)	(2,590,254)
Loss for the year	–	(33,949)	(33,949)
Other comprehensive income for the year:			
Fair value gain of equity investments at fair value through other comprehensive income	2,256	–	2,256
Total comprehensive income/(loss) for the year	2,256	(33,949)	(31,693)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	(646)	646	–
At 31 December 2021	–	(2,621,947)	(2,621,947)

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below:

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**85,978**	51,268	18,067	23,553	18,752
LOSS BEFORE TAX	**(75,544)**	(299,200)	(146,278)	(227,419)	(112,180)
INCOME TAX	**(991)**	(897)	1,388	18,259	5,873
LOSS FOR THE YEAR	**(76,535)**	(300,097)	(144,890)	(209,160)	(106,307)
Attributable to:					
Shareholders of the Company	**(42,860)**	(268,935)	(88,404)	(143,308)	(60,230)
Non-controlling interests	**(33,675)**	(31,162)	(56,486)	(65,852)	(46,077)
	(76,535)	(300,097)	(144,890)	(209,160)	(106,307)

ASSETS, LIABILITIES AND EQUITY

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**473,092**	465,764	641,487	754,650	951,062
TOTAL LIABILITIES	**(431,698)**	(395,969)	(294,142)	(262,664)	(239,758)
Net assets	**41,394**	69,795	347,345	491,986	711,304
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	**211,577**	200,638	441,093	531,596	686,702
NON-CONTROLLING INTERESTS	**(170,183)**	(130,843)	(93,748)	(39,610)	24,602
Total equity	**41,394**	69,795	347,345	491,986	711,304