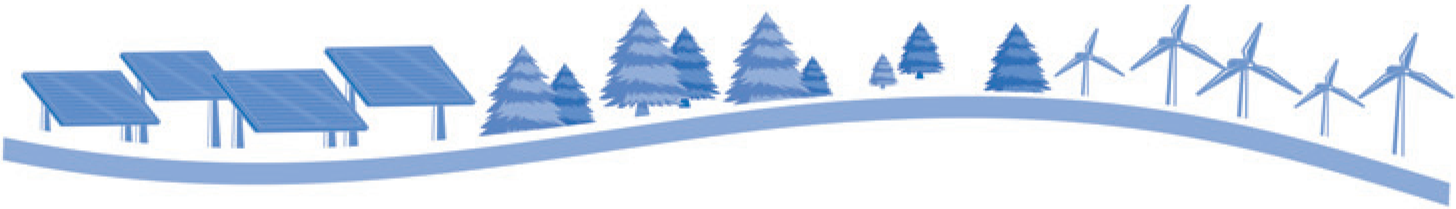
金山能源集團有限公司

KING STONE ENERGY GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00663)

2022
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

CAPITAL EXPENDITURE

The capital expenditure for development and mining production activities was approximately HK$Nil (2021: HK$0.2 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. The Group is in the process of renewing the mining permit.

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)	–
Actual output in 2022 (million tons)	(0.01)	–
	(0.07)	–
As at 31 December 2022		
Probable ore reserves (million tons)	0.62	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 2022 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)
Actual output in 2022	(91.21)	(4.29)	(1.09)
	(1,883.58)	(73.32)	(23.11)
As at 31 December 2022			
Proved reserves	11,174.65	272.35	123.52
Probable reserves	7,844.69	207.66	89.97
Possible reserves	7,836.56	207.44	89.87
	26,855.90	687.45	303.36

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 2022 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.

The ore production at the West Mine during the year has been affected by the following reasons: (1) due to Chinese new year holidays and the holding of National People's Congress and the Chinese People's Political Consultative Conference, the production at the West Mine has been temporarily suspended for a couple of months as requested by the local government; and (2) allocation of manpower for ore mining and processing and respective logistics still being affected by COVID-19 pandemic prevention measures imposed during the year. The production has been resumed in third quarter this 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. Fu'an Leixin has submitted the two-year licensing extension application to the Department of Natural Resources of Fujian and the mining permit for the West Mine has retained its current status for two years up to 9 December 2022. Fu'an Leixin has submitted the documents for extension of the mining permit for the West Mine during the year and is preparing the documents as requested by the relevant government officers of Ningde City, Fujian Province, the PRC (the "Ningde Government") in November 2022.

East Mine

Based on the Technical Report, the probable ore reserves of the East Mine as at 31 May 2018 was approximately 6,069,000 tonnes with an average silver grade of 122.1 gram per tonne. The 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 in renewal of the license was mainly attributable to the Project (as defined and detailed below) close to the West Mine and East Mine. Nevertheless, Zherong Leixin is still applying for such license renewal and communicating with the relevant government bodies from time to time. In the third quarter of 2020, Zherong Leixin has received further request from the Department of Natural Resources of Fujian for provision of documents and has applied for a five year extension for the renewal of the exploration license. The Group has also been in discussion with the Ningde Government the impact of potential exploration and mining activities at the East Mine on the Project and renewal of such exploration license as detailed below during the year.

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 bodies, 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. Based on the preliminary information provided by the Ningde Government, the highest elevation of the planned reservoir is 185 meters(m) 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 185m above sea level is limited; and (ii) there are no ore below 185m above sea level based on the latest feasibility study. The Group has been in discussions with the Ningde Government in relation to the impact of the Project on the West Mine and the East Mine from time to time. To the best knowledge of the Group, (1) the Project has been modified from water conservancy project to flood control project; (2) the highest elevation of the planned reservoir has been changed to 175m above sea level; (3) the Project is still being reviewed and finalized by certain relevant government authorities in Fujian and Zhejiang Provinces.

In May 2022, the Group had a meeting with personnel responsible for the Project and government officers of Department of Natural Resources of Ningde city to discuss the impact on the Project on the West Mine and the East Mine and works to be carried out to renew licenses of the West Mine and the East Mine including but not limited to commissioning geologist reports, reserve reports and other necessary reports for both the West Mine and the East Mine based on the latest proposal of the Project. In July 2022, the boundaries between the Project site and the West/East Mine were provided by the office responsible for the Project. As at date of this report, Fu'an Leixin and Zherong Leixin are still preparing the documents for renewal of the licenses per request by relevant government bodies.

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 PRC

The Group commenced its photovoltaic power business 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 4.157 mW. Currently Chengde Shuntian is entitled to receive 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). Chengde Shuntian has sold electricity to a power generation company, which is a subsidiary of a state-owned enterprise, during the year.

Hong Kong

To pursue the photovoltaic power business in Hong Kong, the Group has completed acquisitions of 100% of the issued share capital in SinoPower Solar Investment Co. Limited ("SPSI") in June 2021. The Group has also set up two non-wholly owned subsidiaries, namely King Stone Solar Farm Limited and Solar Farm Investment Limited, with other solar energy projects developers in Hong Kong during the year.

Currently, the Group receives monthly feed-in tariff ("FiT") from CLP Power Hong Kong Limited at rates ranging from HK$3 to HK$5 per kWh (HK$2.5 to HK$4 per kWh for projects approved and completed after 27 April 2022) for the solar photovoltaic systems operated in Hong Kong by the Group. In particular, the FiT scheme 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, the Group will distribute the share of FiT income to the relevant landlord/incorporated owners according to the terms of the respective profit-sharing agreements.

In 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 calculated at HK$18.0 per watt multiplied by the Kilo Watts ("kW") capacity with the maximum consideration of HK$75,000,000. As at date of this report, projects of an aggregate power generation capacity of approximately 3,000 kW has been completed and sold to EPI.

As at date of this report, the Group has developed various rooftop solar energy projects with an on-grid power generation capacity of approximately 4,600 kW (including projects completed and sold to EPI) in Hong Kong. The Group is still in the process of negotiation with other potential landlords/incorporated owners for the installation of solar photovoltaic systems to increase the Group's market share in the solar energy market in Hong Kong.

(3) Tourism business

The Group 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 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 1,752 acres at East Texas, the USA (the "Mining Area"). Due to the fluctuations 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%.

As at 31 December 2022, the total outstanding lease and factoring receivables (including management fee receivables) before impairment were approximately HK$177.3 million (2021: HK$202.5 million). As at 31 December 2022, the receivables balance before impairment of the Group's five largest customers of asset financing segment of approximately HK$171.5 million (2021: HK$197.2 million) accounted for 96.7% (2021: 97.4%) 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$106.3 million (2021: HK$115.5 million) accounted for 60.0% (2021: 57.1%) of the total lease and factoring receivables before impairment.

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.

The Group has recovered certain lease and factoring receivables, resulting in the recognition of reversal of impairment loss of approximately HK$7.9 million during the year (2021: HK$49.3 million). The Group is in the process of assessing the credit standing and negotiating for updated repayment schedules with the existing customers. Further actions will be taken, including but not limited to sending legal letters demanding repayment, to collect the outstanding receivables.

(6) Commodities trading

During the year, the Group was engaged in the trading of various commodities through its subsidiary namely King Stone Group Trading Company Limited and several subsidiaries of the Company in the PRC. The Group continues to explore more trading opportunities for different commodities to expand the commodities trading business.

FINANCIAL REVIEW

Revenue and cost of sales

The Group recorded a total revenue of approximately HK$147.7 million for the year (2021: HK$86.0 million), representing an increase of 71.8% compared with last year. The increase in revenue was mainly due to increase in revenue generated from 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$0.1 million (2021: HK$12.8 million). The respective cost of sales was approximately HK$0.6 million (2021: HK$5.9 million) mainly comprising of raw materials consumed, direct labour and other production cost.

For the photovoltaic power generation business, (i) Chengde Shuntian produced and sold approximately 5,100 mW of electricity and recorded revenue from photovoltaic power generation of approximately HK$4.1 million (2021: HK$3.8 million) in the PRC during the year. The related cost of sales was approximately HK$1.4 million (2021: HK$2.2 million); (ii) SPSI and other two subsidiaries produced and sold approximately 640,000 kWh 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$1.8 million (2021: HK$0.6 million) in Hong Kong. The related cost of sales was approximately HK$1.1 million (2021: HK$0.5 million); (iii) SPSI also sold solar energy projects to EPI and generated revenue of approximately HK$10.7 million (2021: HK$23.9 million) during the year. The related cost of sales was approximately HK$9.4 million (2021: HK$21.4 million); (iv) King Stone Green Energy Technology Company Limited ("KSGE"), which is responsible for providing operation & maintenance ("O&M") services for solar energy projects to EPI, recorded revenue and cost of sales of approximately HK$1.1 million (2021: HK$0.1 million) and HK$0.1 million (2021: HK$0.1 million) respectively during the year. As agreed with EPI during the year, KSGE agreed to waive the O&M services fee payable by EPI effective from 1 October 2022 until further agreement by both parties.

For the tourism business, the Group recorded income of approximately HK$3.3 million (2021: HK$7.3 million) from provision of tourism agency, tickets booking services and convergence media business during the year. Such income has been net-off against the respective cost of approximately HK$3.3 million (2021: HK$6.8 million) pursuant to the relevant accounting standard (2021: revenue of HK$0.5 million).

For the oil and gas E&P in the USA, the Group, net to its ownership interests, has produced approximately 1,088 Bbl of oil, approximately 91 million cubic feet of natural gas, and approximately 4,287 Bbl of natural gas liquids (2021: approximately 1096 Bbl of oil, approximately 78 million cubic feet of natural gas, and approximately 3,733 Bbl of natural gas liquids). The revenue was approximately HK$5.3 million during the year (2021: HK$2.9 million). Cost of sales for oil and gas E&P was approximately HK$3.0 million during the year (2021: HK$2.1 million) which primarily consisted of depreciation and amortisation, related labour cost for the production, taxes, supplies, utilities and other incidental expenses.

The Group also recorded revenue of approximately HK$0.4 million (2021: HK$8.0 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 (2021: nil).

The Group also recorded revenue from trading of various commodities of approximately HK$124.2 million (2021: HK$33.5 million) and respective cost of sales of approximately HK$121.4 million (2021: HK$30.3 million).

Other income and gains, net

Other income and gains, net was approximately HK$3.0 million during the year (2021: HK$18.9 million). It mainly represented consultancy fee income of approximately HK$1.3 million (2021: nil). In 2021, it mainly represented foreign exchange gains, net of HK$7.2 million and gain on disposal of an associate, namely Hainan Shengeng Ocean Development Co. Ltd, of HK$4.6 million.

Selling and administrative expenses

Selling and administrative expenses were approximately HK$53.9 million during the year as compared to approximately HK$37.8 million for the corresponding period of last year. Administrative expenses mainly comprised staff cost for administrative and finance functions including legal and professional fee incurred for operation, depreciation and other incidental administrative expenses.

Reversal of/impairment losses under expected credit loss model, net

It comprised of: (i) impairment of lease, factoring and trade receivables of approximately HK$37.6 million (2021: HK$4.6 million); and (ii) impairment of deposits and other receivables of approximately HK$10.2 million (2021: HK$47.7 million); (iii) reversal of impairment of lease and factoring receivables and deposit and other receivables of HK$101.5 million (2021: HK$49.6 million).

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 2022, the probability of default applied was 0.05% to 100% (2021: 0.05% to 100%) and the loss given default rate was estimated to be ranged from 61.70% to 83.26% (2021: 57.65% to 64.87%). 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.

Reversal of finance cost

It represented one-off reversal of penalty of approximately HK$264.2 million (2021: nil) in respect of a loan (the "Loan") with the principal amount of RMB20 million (approximately HK$22.6 million) which was included in "Other loans" in the consolidated statement of financial position of the Company as at 31 December 2022.

During the year, the Group has engaged a PRC legal advisor to conduct an internal review and to issue a legal report (the "PRC Legal Report") on its outstanding and overdue liabilities and legal proceedings, among which, one of the outstanding and overdue liabilities within the scope of the PRC Legal Report comprises of the Loan which is subject to an overdue penalty of 0.5% per day on the loan principal as stated in the agreement of the Loan. Part of the accrual of penalty of the Loan pursuant to the terms of the agreement of the Loan made in prior years should not be enforceable in the PRC courts as the overdue penalty rate has exceeded the legal interest limit pursuant to the applicable PRC laws and regulations. In this connection, an one-off write back on the accrual of penalty of approximately HK$264.2 million made in prior years recognised in the consolidated statement of profit and loss of the Company during the year. Details of the above have been disclosed in the announcement of the Company dated 30 December 2022.

Other expenses, net

The breakdown of other expenses, net was as follows:

	2022 **HK$'000**	2021 HK$'000
Impairment losses recognised in respect of intangible assets	**–**	20,998
Impairment losses recognised in respect of property, plant and equipment	**–**	1,187
Written-off of factoring receivables	**845**	–
Written-off of other receivables	**495**	–
Loss from changes in fair value of financial assets at FVTPL	**2,300**	–
Loss on deemed disposal of an associate	**–**	3,191
Foreign exchange losses, net	**13,309**	–
Others	**191**	87
	17,140	25,463

The Directors had estimated the recoverable amount 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.

In this connection, the Company had assessed the recoverable amount of the cash-generating unit ("CGU") and the management had derived the recoverable amount of the Silver Mining Assets from the FV of this CGU. In assessing the recoverable amount of the CGU, the future cash flows of the silver mining business which covers the periods to utilise the remaining reserves of the mines, 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 business. Parameters used in the projected cash flows included but were not limited to selling prices and sales volumes of silver, 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 the CGU, 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 CGU 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 CGU and firm specific risk factors. The pre-tax discount rates was 16% (2021: 14%) were used in assessing the FV of the CGU of the Silver Mining Assets, which was arrived at by weighted average cost of equity and cost of debt after tax of the CGU.

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

Based on the FV assessment of the CGU of the Silver Mining Assets, the Directors are of the opinion that no impairment loss of the Silver Mining Assets (2021: HK$22.2 million) was resulted during the year.

Finance costs, net

Finance costs, net were approximately HK$51.2 million (2021: HK$51.6 million), which mainly represented interest and other borrowing costs and penalties on overdue loans raised for the silver mining business (including the Loan) of approximately HK$50.3 million (2021: HK$48.8 million) during the year.

Share of losses of associates

There was no share of losses of associates during the year. In 2021, 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.

Income tax

Income tax was approximately HK$1.9 million (2021: HK$1.0 million) during the year. It mainly represented deferred income tax arising from photovoltaic business in Hong Kong of approximately HK$1.5 million (2021: HK$0.6 million) during the year. No provision for profit tax in the USA and Singapore has been made during the current and prior years.

Profit/loss for the year attributable to shareholders of the Company

Profit for the year attributable to shareholders of the Company was approximately HK$108.4 million (2021: loss of HK$42.9 million). The turnaround for the year was mainly due to the recognition of one-off reversal of finance cost of approximately HK$264.2 million 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 "Rights 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 Rights 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 the Group, 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$98.31 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 31 December 2022, approximately HK$37.40 million and HK$18.31 million were utilised for development of the photovoltaic power generation and general working capital of the Company as intended respectively. Net proceeds of approximately HK$42.60 million were not yet utilised. As disclosed in the prospectus of the Company dated 26 January 2022, the proceeds for the business development of the photovoltaic power generation sector from the Rights Issue and the Placing was expected to be fully utilised by the end of 2022. Due to the Company's evaluation of the recent market condition and having considered the progress of the development and acquisition of solar photovoltaic system projects as affected by COVID-19 during the year, the Company has taken a more conservative approach when developing new solar photovoltaic system projects and seeking investment opportunities in the renewable energy sector and expects that the outstanding net proceeds shall be fully utilised on or before 31 December 2023, subject to the progress of the projects and the then market condition.

Save as disclosed above, 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, the Rights Issue and the Placing during the year. As at 31 December 2022, the current ratio of the Group, measured as total current assets to total current liabilities, was 1.68:1 (2021: 0.72:1). As at 31 December 2022, the cash and cash equivalents of the Group were approximately HK$79.8 million (2021: HK$85.0 million).

As at 31 December 2022, there was outstanding interest-bearing bank loans of principal of approximately HK$7.2 million (2021: HK$4.0 million) which was denominated in Hong Kong dollars. Bank loans of approximately HK$5.6 million (2021: HK$4.0 million) and approximately HK$1.6 million (2021: nil) were subject to fixed interest rate of 7% per annum and Hong Kong Interbank Offered Rate plus 3% per annum respectively and were due on 31 December 2024 and 30 December 2026 respectively. The bank loans were secured by (i) several solar energy projects of the Group with an aggregate net carrying amount of approximately HK$10 million; (ii) 100% equity interest in a wholly owned 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 bank loans as at 31 December 2022(2021: HK$0.5 million).

As at 31 December 2022, there were other loans of approximately HK$110.9 million (2021: HK$362.2 million) comprising loan principal and commission payable of approximately HK$61.9 million (2021: HK$81.7 million), overdue interest/penalty of approximately HK$49 million (2021: HK$280.3 million) and no non-overdue interest (2021: HK$0.2 million). All other loans were denominated in Renminbi. Other loans with principal of approximately HK$22.6 million (2021: HK$24.5 million) and HK$6.2 million (2021: HK$6.7 million) were interest-free and with fixed interest rate of 15% per annum, respectively. Other loans of approximately HK$22.6 million and HK$6.2 million were subject to 4 times the one-year loan prime rate (LPR) of the PRC and 1% on the overdue balance, respectively. As at 31 December 2022, other loans of approximately HK$110.9 million (2021: HK$345.5 million) 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 condensed consolidated statement of financial position of the Group as at 31 December 2022) as detailed below:

(i) Pursuant to the judgment of the second instance in respect of a claim for outstanding loan with principal amount of RMB9.5 million (equivalent to approximately HK$10.8 million) issued in August 2017, the Group was held liable to pay a sum of approximately RMB10.4 million (equivalent to approximately HK$11.9 million) to the creditor with costs incurred for this litigation. In January 2018, the court issued the execution order to freeze the assets of the Group of approximately RMB10.5 million (equivalent to approximately HK$12 million). The 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$6.2 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 2022. 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 continuing operational business transactions mainly in Renminbi, Hong Kong dollars and United States dollars. The Group did not arrange any forward currency contracts for hedging purposes.

Gearing Ratio

The gearing ratio of the Group, measured as total debt (which included trade payables, other payables and accruals, lease liabilities, other loans and bank loan) as a percentage to the total equity attributable to shareholders of the Company, was 0.40 as at 31 December 2022 (2021: 1.96).

Material Acquisitions and Disposals

(i) Acquisition of 21% equity interest in South Ray Investment Limited

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, 30 December 2021 and 30 June 2022) (the "MOU") in respect of the proposed acquisition of 51% of issued share capital of South Ray Investment Limited ("South Ray") which indirectly owns a mining right of the mine in Ongniud Bannar, Chifeng City, Inner Mongolia, the PRC. The mining permit is valid from February 2015 up to February 2024 and covers an area of 7.151 square kilometers. Earnest money of RMB85.5 million (equivalent to approximately HK$96.5 million) have been paid by the Group pursuant to the MOU.

On 21 December 2022, the Company, Liyanda Limited (the "Vendor") and Mr. Li Sheng (as the guarantor, being the beneficial owner of the Vendor) entered into an agreement in respect of the acquisition of 21% equity interest in South Ray at the consideration of RMB70 million (equivalent to approximately HK$79.0 million) which shall be settled by part of the earnest money paid. The acquisition was completed on 9 January 2023 and South Ray has became as an associate of the Company upon completion of the acquisition.

The remaining earnest money of RMB15.5 million (equivalent to approximately HK$17.5 million) will be repaid to the Group by the end of 2023. 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, 30 December 2021, 30 June 2022, 29 August 2022 and 30 December 2022.

(ii) Set up of joint venture companies in Inner Mongolia, the PRC

On 4 April 2022, Zhuhai Jinwei Environmental Protection Technology Co., Ltd, a wholly-owned subsidiary of the Company, entered into an agreement with Yipai Hydrogen Energy Technology (Shanghai) Co., Ltd for establishment of a joint venture company (the "JV Company I") for the purpose of engaging in, amongst other things, (i) the research and development of hydrogen fuel cell and key components; (ii) the research and development, manufacturing and sales of hydrogen fuel cell heavy trucks; (iii) the operation of hydrogen fuel cell heavy trucks; and (iv) the operation of hydrogen refueling station in Ordos City, Inner Mongolia, the PRC. Both parties will each contribute RMB50 million (equivalent to HK$60 million) to the JV Company I for 50% equity interest in the JV Company I. The JV Company I was established in May 2022. Details of the above were disclosed in announcement of the Company dated 4 April 2022.

On 21 September 2022, King Stone New Materials (Hong Kong) Company Limited ("KS New Materials"), a wholly-owned subsidiary of the Company, entered into the agreement with Hohhot Huizeheng Asset Management Company Limited ("Hohhot Huizeheng") for establishment of a joint venture company (the "JV Company II") in Hohhot, Inner Mongolia, the PRC, which will principally engage in the (i) development of hydrogen energy and energy storage projects and introduction and promotion of related technology and products; (ii) low carbon and carbon reduction technology and product development; and (iii) research and development of key technologies and sales and manufacturing of parts of new energy vehicles in Inner Mongolia, the PRC. The JV Company II, which shall have a registered capital of USD10 million (approximately HK$78 million), shall be owned as to 70% by King Stone New Materials and 30% by Hohhot Huizeheng. The JV Company II was not yet established at date of this report. Details of the above were disclosed in the announcement of the Company dated 21 September 2022.

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

Significant investment

The Group had no significant investment of carrying value of 5% or more of the total assets as at 31 December 2022 (2021: nil).

Capital Commitment, Charge on Group Assets and Contingent Liabilities

As at 31 December 2022, the Group had contracted capital commitments not provided for in the consolidated financial statements of RMB1.5 million (equivalent to approximately HK$1.7 million) (2021: 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, approximately HK$26.5 million (2021: HK$4.9 million) in respect of purchase of photovoltaic projects and approximately HK$1.4 million (2021: HK$1.4 million) for acquisition of an entity.

As at 31 December 2022, time deposits which are restricted for use of approximately HK$0.4 million (2021: HK$0.4 million) were placed in a bank for conducting mining businesses as required by relevant government authorities. Save as disclosed above and certain assets of the Group pledged for bank loans as stated in section headed "Liquidity and Financial Review", the Group had no other assets pledged as at 31 December 2022 (2021: nil).

As at 31 December 2022, there was no material contingent liability of the Group (2021: nil).

Human Resources and Share Option Scheme

As at 31 December 2022, the Group had 67 (2021: 54) employees. The total staff costs (including directors' remuneration) for the year were approximately HK$25.0 million (2021: HK$22.6 million). The Group's remuneration policy is primarily based on the individual performance and experience of employees including directors, prevailing industry practice and market rates. In addition to the basic salaries, the Group provides staff benefits including medical insurance and contributions to the provident fund. Discretionary bonuses are also available to the Group's employees depending upon the overall performance of the Group. The Group also provides appropriate training programmes for employees' better personal development and growth. Pursuant to the Company's share option scheme, the Company may offer to any eligible participants including employees of the Group options to subscribe for shares in the Company. No share option was granted nor exercised during the year. There were no outstanding share options as at 31 December 2022 and 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 is still actively seeking more opportunities in renewable energy sector in Hong Kong, the PRC and Japan.

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 53, 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 53, 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 54, 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 21 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 56, has over 17 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), which is 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 62, 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 22 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 59, graduated with a Master in Finance in 1989 from Macquarie University and has more than 31 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 multinational 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 44, 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 17 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.

Mr. Ip Wing Wai, aged 44, is the vice president of the Company. He is responsible for merger and acquisitions of the Group. Mr. Ip is a member of The Hong Kong Institute of Certified Public Accountants since July 2004. Mr. Ip has over 22 years' experiences in asset management, financial management and compliance management. Prior to joining the Company, Mr Ip worked in an international accounting firm and took part in various IPO and M&A projects at several listed companies in Hong Kong. He also has overseas investment and management experiences in relation to energy and securities business in China, Japan and the United States. Mr. Ip is currently the independent non-executive director and chairman of audit committee of Deewin Tianxia Co., Ltd (stock code: 2418), which is listed on the Stock Exchange. Mr. Ip holds a Bachelor's Degree in Business Administration in Accounting from The Hong Kong University of Science and Technology in Hong Kong.

The Board is pleased to present this Corporate Governance Report in the Company's annual report during the year ended 31 December 2022.

CORPORATE GOVERNANCE CULTURE AND VALUE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

The Board nourishes the Company's culture and strives to promote the desired culture at the Company, and ensures it aligns with the Company's purpose, values and strategy. The Board has the responsibility for managing the Company, which includes formulating a corporate strategy and a long term business model, directing and supervising the Company's affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE CODE

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders. The Corporate Governance Committee of the Board is responsible for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board.

During the year ended 31 December 2022, the Company has applied the principles in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The corporate governance principles of the Company put an emphasis on an effective Board with a high level of integrity, sound internal controls, and a high degree of transparency and accountability, which enhances corporate value for shareholders and protects the long-term sustainability of the Group and thereby achieving sustainable business growth and generating values over the longer term and the strategy for delivering the Group's objective.

To the best of the knowledge of the Board, the Company complied with the applicable code provisions set out in the CG Code during the year ended 31 December 2022.

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 21 to 22 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.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision C.1.4 of the CG Code on continuous professional development, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director receives comprehensive, formal and tailored induction at time around the first occasion of their appointment, so as to ensure that their appropriate understanding of the group structure, the Board and the Board committee meetings procedures, business, management and operations of the Group, etc. and that they are fully aware of their responsibilities and obligations under the Listing Rules and applicable regulatory requirements.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuous professional development programmes received by each of the Directors during the year are summarised as follows:

Name of Directors	Type of trainings
Mr. Xu Zhuliang	B
Mr. Zong Hao	B
Ms. He Qing	B
Mr. Chiu Sui Keung	A & B
Mr. Lee Ping	B
Mr. Lee Kwok Wan	B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

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)	6/6	N/A	1/1	N/A	1/1
Mr. Zong Hao	3/6	N/A	N/A	N/A	1/1
Ms. He Qing	6/6	1/1	N/A	N/A	1/1
Independent non-executive Directors:					
Mr. Chiu Sui Keung	6/6	1/1	1/1	3/3	1/1
Mr. Lee Ping	5/6	N/A	N/A	3/3	1/1
Mr. Lee Kwok Wan	6/6	1/1	1/1	3/3	1/1

* Being the annual general meeting held on 6 June 2022

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2022 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 CG 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.

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 CG 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.

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.

BOARD INDEPENDENCE EVALUATION

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which ensures independent views and inputs are available to the Board and allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

BOARD DIVERSITY

The Company has adopted a board diversity policy ("Board Diversity Policy") which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximize the Board's effectiveness. The Company sees diversity as a wide concept and believe that a diversity of perspectives can be achieved through consideration of a number of factors, including skills, regional and industry experience, background, gender and other qualities etc. In forming its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time. The decision of the appointment will be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

The Board currently consists of five male members and one female members, with three executive Director and three independent non-executive Directors, of ages ranging from 53 to 62. Furthermore, the Directors have a balanced mix of knowledge, skills and experience, including business management, financial management, marketing, brand management, audit, finance and investment. The Directors obtained degrees in various fields, including business management, accounting and economics. The Board consists of three independent non-executive Directors, representing over one-third of the Board members, who have different industry backgrounds.

Taking into account the Group's existing business model and specific needs as well as the different background of the Directors, the Directors consider that the composition of the Board satisfies the Board Diversity Policy and has a balanced mix of skill set, experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. The Nomination Committee and the Board will review the Board Diversity Policy annually to ensure its continued effectiveness. During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Board Diversity Policy and the results were satisfactory.

Gender Diversity

As opposed to a single-gender board, the Board currently has one female members out of six Directors and as such gender diversity has been achieved in respect of the Board. While the Board recognises that gender diversity at the Board level can be further enhanced, the Company will continue to apply the principles of employment with reference to the Board Diversity Policy. The Company has also taken and continues to take steps to promote diversity at all levels of its workforce.

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 CG 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 of the CG 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 CG 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 2021 and interim results for the six months ended 30 June 2022 and reviewed the Company's compliance with the CG 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 CG 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 12 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 and also to maintain gender diversity on the Board. 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. 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 2022, 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 2022.

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, Asian Alliance (HK) CPA Limited, is as follows:

	HK$'000
Audit services	2,000
Non-audit services – agreed-upon procedures on interim report	420
	2,420

The statement of the auditor of the Company regarding its reporting responsibilities is set out in the Independent Auditor's Report on pages 42 to 49.

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 2022. 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 2022, 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.

COMPANY SECRETARY

During the year ended 31 December 2022, 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 by written requisition to the Company 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 to 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. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. 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.

OTHER RELATED MATTERS

The Company has adopted the following policies to align with the changes to the CG Code which took effect on 1 January 2022:

(1) Anti-corruption policy

The Board has updated the anti-corruption policy ("Updated Anti-Corruption Policy") which sets out the principles and guidelines for the Company to promote and support anti-corruption laws and regulations. The Updated Anti-Corruption Policy sets out the basic standard of conduct which applies to all directors and employees of the Company at all levels (collectively known as "employees") and external parties doing business with the Company and those acting in an agency or fiduciary capacity on behalf of the Company (e.g. agents, consultants and contractors) ("Other Stakeholders"). It also provides guidance to all employees on, among other matters, acceptance of advantage and handling of conflict of interest when dealing with the Company's business. The Company also encourages and expects Other Stakeholders to abide by the principles of the Updated Anti-Corruption Policy. Since 1 January 2022, the Updated AntiCorruption Policy has become effective.

(2) Whistleblowing policy

The Board has updated the whistleblowing policy ("Updated Whistleblowing Policy") which sets out, among other matters, the reporting and investigation procedures for the employees of the Group and Other Stakeholders to raise concerns, in confidence and anonymity, about possible improprieties in matters related to the Group. Since 1 January 2022, the Updated Whistleblowing Policy has become effective. During the year ended 31 December 2022, the Group has complied with the relevant laws and regulations regarding anti-corruption and money-laundering and has received no complaints and was involved in no legal case regarding corrupted practices brought against the Group or its employees.

(3) Shareholders' communication policy

The Board has updated the shareholders' communication policy ("Updated Shareholders Communication Policy") since 1 January 2022. With the objective of ensuring that the Shareholders and potential investors are provided with timely access to information about the Company, the Company has established several channels to communicate with the Shareholders and solicit and understand the views of Shareholders such as, communications such as annual reports, interim reports and circulars that are issued in printed form and other announcements and corporate information that are made available on the website of the Stock Exchange and the Company's website; the general meetings which provide a forum for shareholders to make comments and exchange views with the Directors, the auditors and the senior management who will attend the general meetings; and accepting enquiries addressed to the Board or the Company from its investors, stakeholders and general public, by post to the Company's principal place of business in Hong Kong..

The Company reviewed the implementation and effectiveness of the Updated Shareholders Communication Policy and was satisfied that the policy's requirements was complied with and considered the policy to be effective for the year ended 31 December 2022 after reviewing the Shareholder and investor communication activities conducted in the reporting period.

CONSTITUTIONAL DOCUMENTS

The Board has proposed that the Company to amend the existing Articles of Association by adopting a new set of Articles of Association to (i) bring the existing Articles of Association in line with the amendments made to the Listing Rules; (ii) allow the Company the flexibility to hold general meetings as hybrid meetings where Shareholders may participate by means of electronic facilities in addition to physical attendance; (iii) update and modernize the Articles of Association to reflect the statutory changes following the commencement of Companies Ordinance (Cap. 622 of the Laws of Hong Kong) since March 2014; (iv) and incorporate certain housekeeping changes, which shall be approved by way of special resolution in the upcoming annual general meeting.

Details of the proposed amendments are set out in the circular of the Company dated 28 April 2023 to the Shareholders.

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 (collectively referred to as the "Group") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group were principally involved in (i) the mining and sale of silver in the mainland 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 the PRC; and (vi) the trading of various commodities in Hong Kong and the PRC. Details of the principal activities of the principal subsidiaries of the Company are set out in Note 44 to the consolidated financial statements.

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 5 to 20.

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 46 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 2022.

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 profit for the year ended 31 December 2022 and the Group's financial position at that date are set out in the financial statements on pages 50 to 181.

The directors do not recommend the payment of any dividend for the year ended 31 December 2022. 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 182. 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 2022.

Details of the Company's share capital are set out in note 36 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 2022, 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 77.6% of the total sales for the year and sales to the largest customer accounted for 42.5% of the total sales. Purchases from the Group's five largest suppliers accounted for 78.6% of the total purchases for the year. The largest supplier accounted for 30.5% 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. Ms. He Qing and Mr. Lee Kwok Wan will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 21 to 22 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 28 to 29 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 2022, 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 6 June 2022 and remains valid for a period of 10 years from 6 June 2022. 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 29 April 2022 and note 37 to the financial statements. No share options were granted to any persons during the years ended 31 December 2021 and 2022. There were no outstanding share options as at 31 December 2021 and 2022.

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 2022, 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)	30.11%
Jade Bird Energy Fund II, L.P. (note 1)	Interest in controlled corporation	357,531,800 (L)	30.11%
Goldsino Investments Limited (note 2)	Beneficial owner	262,225,000 (L)	22.09%
Team Collection Limited (note 2)	Interest in controlled corporation	262,225,000 (L)	22.09%
Ms. Xu Mengran (note 2)	Interest in controlled corporation	262,225,000 (L)	22.09%

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 Team Collection Limited which is wholly owned by Ms. Xu Mengran.

Save as disclosed above, as at 31 December 2022, 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 Thursday, 15 June 2023, the register of members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023, 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 17/F., Far East Finance Centre 16 Harcourt Road Hong Kong not later than 4:30 p.m. on Friday, 9 June 2023 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 51 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

On 28 November 2022, Ernst & Young resigned as the auditor of the Company and on 30 November 2022, Asian Alliance (HK) CPA Limited was appointed as the new auditor of the Company. Save as aforesaid, there has been no change in auditors of the Company in the three years preceding the date of this annual report. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Asian Alliance (HK) CPA Limited as the independent auditor of the Company.

ON BEHALF OF THE BOARD

Xu Zhuliang
Chairman

Hong Kong
31 March 2023

To the members of King Stone Energy Group Limited
金山能源集團有限公司
(incorporated in the 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 50 to 181, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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.

KEY AUDIT MATTERS (Continued)

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") which is owned by one of the Group's subsidiaries and considered as one cash generating unit ("CGU") ("Silver Mining CGU"). As disclosed in Notes 16, 17 and 19 to the consolidated financial statements, as at 31 December 2022, the carrying amounts of property, plant and equipment, right-of-use-asset and intangible assets in respect of Silver Mining CGU of the Group ("Silver Mining Assets") were approximately HK$3,953,000, HK$Nil and approximately HK$54,456,000, respectively. No impairment was recognised during the year ended 31 December 2022. During the year ended 31 December 2022, the management of the Group concluded that there was impairment indicator appeared in the Silver Mining CGU and conducted impairment assessment on Silver Mining Assets. The Group engaged an independent professional valuer to carry out an impairment assessment by estimating the recoverable amount of the Silver Mining CGU, with reference to value in use calculation which required significant judgement on assumptions and input adopted in the underlying cash flows.	 Our procedures in relation to the impairment assessment on Silver Mining Assets included the following: • understanding key controls over the valuations of the Group's Silver Mining CGU on which the related estimated recoverable amounts are based; • with the assistance of our independent professional valuer, assessing the methodology applied by management in its impairment assessments with reference to the requirements of the prevailing accounting standards; • evaluating the experience, competence, objectivity and independence of the independent professional valuer engaged by the management to perform the valuation of the recoverable amount of the Silver Mining CGU; • evaluating the experience, competence, objectivity and independence of the independent professional valuer engaged by us;

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of silver mining assets (continued)	
Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the average selling price used for the cash flow projection, the budgeted sales, gross margins and the discount rate in order to derive the recoverable amount. We considered impairment assessment of Silver Mining Assets as a key audit matter because of its significance to the consolidated financial statements and the significant estimates and judgements involved in the impairment assessment.	Our procedures in relation to the impairment assessment on Silver Mining Assets included the following: (continued) • challenging the Group's key assumptions and estimates used to determine the recoverable amounts of the Silver Mining CGU, including those relating to future sales, future operating costs, future capital expenditure and the discount rates applied. This included obtaining the independent valuation report from the independent professional valuer engaged by management, and involving our independent professional valuer to compare these key assumptions and estimates with external benchmarks (including future commodity prices and discount rates for similar companies in the same industry) and to consider the key assumptions and estimates based on their knowledge of the Group and the industry in which it operates; • comparing the key assumptions and estimates included in the cash flow forecasts prepared in the prior year with the current year's performance of the Silver Mining CGU to assess the reliability of management's cash flow forecasts and making enquiries of management as to the reasons for any significant variances identified; • performing sensitivity analyses of the key assumptions and estimates adopted in the cash flow forecasts and assessing the impact of changes in the key assumptions and estimates and whether there were any indicators of management bias; and • assessing the disclosures in the consolidated financial statements in respect of management's impairment assessments with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of lease, factoring, trade receivables, deposits and other receivables	
As disclosed in Notes 25 and 27 to the consolidated financial statements, as at 31 December 2022, the Group's gross lease, factoring and trade receivables, and deposits and other receivables amounted to approximately HK$229,140,000 and HK$102,474,000, respectively, and allowance for credit losses of approximately HK$136,137,000 and HK$25,442,000, respectively, were included in the Group's consolidated statement of financial position. The impairment losses, net of reversal, on lease, factoring and trade receivables amounted to approximately HK$29,423,000 and reversal of impairment losses, net of impairment losses, on deposits and other receivables amounted to approximately HK$83,084,000 included in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022. The allowance for credit losses on lease, factoring, trade receivables, deposits and other receivables represents the management's best estimates at the end of the reporting period of expected credit losses under Hong Kong Financial Reporting Standard 9: Financial Instruments' Expected Credit Loss (the "**ECL**") Model. As disclosed in Note 46(c) to the consolidated financial statements, the ECL in relation on lease, factoring and trade receivables, are assessed individually for the debtors with significant balances/or collectively using a provision matrix with appropriate groupings. As disclosed in Note 46(c) to the consolidated financial statements, the ECL in relation on deposits and other receivables are using general approach.	Our audit procedures in relation to management's assessment on allowance for credit losses of lease, factoring, trade receivables, deposits and other receivables included: • understanding key controls on how the management estimates the ECL allowance on lease, factoring, trade receivables, deposits and other receivables; • evaluating the experience, competence, objectivity and independence of the independent professional valuer engaged by the management, and the scope of the valuer's work; • assessing the reasonableness and appropriateness of the Group's methodology of ECL model, including the model design and calculation and model inputs in compliance with HKFRS 9; • testing the integrity of information used by the management to develop the provision matrix, including lease, factoring and trade receivables aging analysis as at 31 December 2022, on a sample basis, by comparing individual items in the analysis with the relevant sale invoices and other supporting documents;

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of lease, factoring, trade receivables, deposits and other receivables (continued)	
The management assessed the ECL based on historical observed default rates and adjusted by forward-looking information that is reasonable and supportable available without undue costs or effort. We considered impairment assessment of lease, factoring, trade receivables, deposits and other receivables as a key audit matter because of its significance to the consolidated financial statements and the significant estimates and judgement involved in determining the ECL allowance on lease, factoring, trade receivables, deposits and other receivables.	Our audit procedures in relation to management's assessment on allowance for credit losses of lease, factoring, trade receivables, deposits and other receivables included: (continued) • challenging management's basis and judgement in determining credit loss allowance on lease, factoring and trade receivables as at 31 December 2022, including their identification of significant balances and credit-impaired receivables, the reasonableness of the management's grouping of the remaining debtors into different categories in the provision matrix and the basis of estimated loss rates applied in each category in the provision matrix with reference to historical default rates and forward-looking information; • reviewing the reasonableness of the management's estimation of deposits and other receivables in expected timing of collection and the credit quality of individual debtors, including the background of the debtors and their credit worthiness and collection history; • reviewing the repayment history and settlements received subsequent to the reporting period from the debtors; and • evaluating the disclosures regarding the impairment assessment of lease, factoring, trade receivables, deposits and other receivables in Note 46(c) to the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2022.

OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVENANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors 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 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 either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible 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 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. 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.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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.

We communicate with those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

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

From the matters communicated with those charged with governance, 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.

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

8/F., Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	6	**147,735**	85,978
Cost of sales		**(136,954)**	(62,463)
Gross profit		**10,781**	23,515
Other income and gains, net	7	**2,984**	18,893
Selling and distribution expenses		**(654)**	(3)
Administrative expenses		**(53,215)**	(37,845)
Reversal of impairment losses/(impairment losses) under expected credit loss model, net	9	**53,661**	(2,684)
Reversal of finance cost	32	**264,166**	–
Other expenses, net	10	**(17,140)**	(25,463)
Share of losses of associates		**–**	(323)
Finance costs	8	**(51,186)**	(51,634)
PROFIT/(LOSS) BEFORE TAX	11	**209,397**	(75,544)
Income tax expense	14	**(1,892)**	(991)
PROFIT/(LOSS) FOR THE YEAR		**207,505**	(76,535)
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**8,237**	(5,555)
Release of cumulative exchange fluctuation reserves upon disposal and deemed disposal of associates		**–**	2,402
		8,237	(3,153)
Items that will not be reclassified to profit or loss:			
Fair value gain of equity investments at fair value through other comprehensive income		**–**	2,294
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF INCOME TAX		**8,237**	(859)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**215,742**	(77,394)

	Note	2022 HK$'000	2021 HK$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**108,445**	(42,860)
Non-controlling interests		**99,060**	(33,675)
		207,505	(76,535)
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**106,267**	(38,054)
Non-controlling interests		**109,475**	(39,340)
		215,742	(77,394)
EARNINGS/(LOSS) PER SHARE	15		(Restated)
Basic		**9.5 cents**	(4.8) cents
Diluted		**N/A**	(4.8) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**77,638**	38,293
Right-of-use assets	17	**6,448**	6,931
Goodwill	18	**21,389**	21,389
Other intangible assets	19	**55,163**	59,874
Investment in an associate	21	**–**	–
Equity investments at fair value through other comprehensive income	22	**81**	81
Lease, factoring and trade receivables	25	**505**	1,057
Prepayments, deposits and other receivables	27	**79,541**	41,349
		240,765	168,974
CURRENT ASSETS			
Contract assets	23	**–**	11,566
Inventories	24	**11,348**	11,374
Lease, factoring and trade receivables	25	**92,498**	103,518
Loan receivables	26	**–**	–
Prepayments, deposits and other receivables	27	**105,217**	92,333
Financial assets at fair value through profit or loss	28	**11,687**	–
Restricted bank balance	29	**361**	360
Cash and cash equivalents	29	**79,764**	84,967
		300,875	304,118
CURRENT LIABILITIES			
Trade payables	30	**15,567**	7,291
Other payables and accruals	31	**27,086**	32,702
Bank and other loans	32	**118,134**	366,235
Lease liabilities	34	**2,281**	1,817
Income tax payables		**15,788**	16,877
		178,856	424,922
NET CURRENT ASSETS/(LIABILITIES)		**122,019**	(120,804)
TOTAL ASSETS LESS CURRENT LIABILITIES		**362,784**	48,170

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Other payables	31	**960**	916
Lease liabilities	34	**4,312**	5,301
Deferred tax liabilities	35	**2,070**	559
		7,342	6,776
NET ASSETS		**355,442**	41,394
EQUITY			
Share capital	36	**2,875,800**	2,777,494
Reserves		**(2,459,848)**	(2,565,917)
Equity attributable to owners of the Company		**415,952**	211,577
Non-controlling interests	44	**(60,510)**	(170,183)
TOTAL EQUITY		**355,442**	41,394

The consolidated financial statements on pages 50 to 181 were approved and authorised for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

Zong Hao
Director

Xu Zhuliang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Attributable to owners of the Company						
	Share capital HK$'000	Equity investment revaluation reserve HK$'000 (Note (a))	Exchange fluctuation reserve HK$'000 (Note (a))	Accumulated losses HK$'000 (Note (a))	Subtotal HK$'000	Non-controlling interests HK$'000	Total 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/(expense) for the year:							
Exchange differences arising on translation of foreign operations	–	–	110	–	110	(5,665)	(5,555)
Release of cumulative 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 (Note (b))	–	2,294	–	–	2,294	–	2,294
	–	2,294	2,512	–	4,806	(5,665)	(859)
Total comprehensive income/(expense) 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 36(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 (Note (b))	–	(646)	–	646	–	–	–
At 31 December 2021	2,777,494	38	(23,104)	(2,542,851)	211,577	(170,183)	41,394

	Attributable to owners of the Company								
	Share capital HK$'000	Equity investment revaluation reserve HK$'000 (Note (a))	Other reserve HK$'000 (Note (a))	Statutory reserve HK$'000 (Notes (a) & (c))	Exchange fluctuation reserve HK$'000 (Note (a))	Accumulated losses HK$'000 (Note (a))	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	2,777,494	38	–	–	(23,104)	(2,542,851)	211,577	(170,183)	41,394
Profit for the year	–	–	–	–	–	108,445	108,445	99,060	207,505
Other comprehensive (expense)/ income for the year: Exchange differences arising on translation of foreign operations	–	–	–	–	(2,178)	–	(2,178)	10,415	8,237
Total comprehensive income/ (expense) for the year	–	–	–	–	(2,178)	108,445	106,267	109,475	215,742
Transfer to statutory reserve	–	–	–	224	–	(224)	–	–	–
Issue of shares in respect of rights issue (Note 36(c))	94,710	–	–	–	–	–	94,710	–	94,710
Transaction costs attributable to rights issue	(542)	–	–	–	–	–	(542)	–	(542)
Placing of new shares (Note 36(c))	4,228	–	–	–	–	–	4,228	–	4,228
Transaction costs attributable to placing of new shares	(90)	–	–	–	–	–	(90)	–	(90)
Acquisition of interest in a subsidiary without change of control (Note 39)	–	–	(198)	–	–	–	(198)	198	–
At 31 December 2022	2,875,800	38	(198)	224	(25,282)	(2,434,630)	415,952	(60,510)	355,442

Notes:

(a) These reserve accounts comprise the consolidated negative reserves of approximately HK$2,459,848,000 (2021: HK$2,565,917,000) in the consolidated statement of financial position as at 31 December 2022.

(b) The listed equity investment in Huayi Tencent Entertainment Company Limited 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 ended 31 December 2021 amounted to HK$2,294,000. 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.

(c) In accordance with the relevant PRC Laws and regulations, the PRC subsidiaries are required to appropriate 10% of their profit after taxation reported in their financial statements prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC to the statutory reserve. The appropriation to statutory reserve may cease if the balance of the statutory reserve has reached 50% of the registered capital of the relevant PRC subsidiaries.

The statutory reserve can be utilsied to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalization issue. However, when converting the statutory reserve of the PRC subsidiaries into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant PRC subsidiaries.

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Profit/(loss) before tax	**209,397**	(75,544)
Adjustments for:		
Bank interest income	**(128)**	(103)
Fair value gain of the derivative components of convertible notes	**–**	(2,149)
Loss from changes in fair value of financial assets at fair value through profit or loss	**2,300**	–
Gain on disposal of property, plant and equipment	**–**	(1,314)
Gain on disposal of right-of-use assets	**(186)**	(17)
Gain on disposal of an associate	**–**	(4,619)
Loss on deemed disposal of an associate	**–**	3,191
Finance costs	**51,186**	51,634
Depreciation of property, plant and equipment	**3,375**	2,454
Depreciation of right-of-use assets	**2,216**	2,021
Amortisation of other intangible assets	**–**	39
Impairment losses recognised in respect of property, plant and equipment	**–**	1,187
Impairment losses recognised in respect of intangible assets	**–**	20,998
(Reversal of impairment losses)/impairment losses under expected credit loss model, net	**(53,661)**	2,684
Written-off of factoring receivables	**845**	–
Written-off of other receivables	**495**	–
Share of losses of associates	**–**	323
Reversal of finance cost	**(264,166)**	–
Operating cash flows before movements in working capital	**(48,327)**	785
Decrease/(increase) in inventories	**26**	(642)
(Increase)/decrease in lease, factoring and trade receivables	**(14,674)**	68,017
Increase in contract assets	**–**	(2,141)
Decrease/(increase) in prepayments, deposits and other receivables	**26,425**	(77,228)
Increase in trade payables	**8,324**	1,717
Decrease in other payables and accruals	**(2,567)**	(6,421)
Cash used in operations	**(30,793)**	(15,913)
Interest paid	**(716)**	(331)
Income tax paid	**(212)**	(164)
NET CASH USED IN OPERATING ACTIVITIES	**(31,721)**	(16,408)

	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES		
Interest received	**128**	103
Purchases of property, plant and equipment	**(44,617)**	(7,166)
Proceeds from disposal of property, plant and equipment	**–**	6,500
Additions to other intangible assets	**–**	(206)
Acquisition of a subsidiary	**–**	(804)
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
Purchase of financial assets at fair value through profit or loss	**(13,979)**	–
NET CASH (USED)/FROM INVESTING ACTIVITIES	**(58,468)**	24,902
FINANCING ACTIVITIES		
New bank loans	**3,219**	4,001
New other loans	**–**	22,407
Repayment of other loans	**(15,540)**	(6,300)
Repayment of lease liabilities	**(2,922)**	(2,215)
Proceeds from issue of shares in respect of rights issue	**94,710**	–
Transaction costs attributable to rights issue	**(542)**	–
Proceeds from issue of shares in respect of placing of new shares	**4,228**	–
Transaction costs attributable to issue of shares in respect of placing of new shares	**(90)**	–
Interest paid	**–**	(2,033)
NET CASH FROM FINANCING ACTIVITIES	**83,063**	15,860
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(7,126)**	24,354
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**84,967**	59,373
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**1,923**	1,240
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**79,764**	84,967

1. GENERAL INFORMATION

King Stone Energy Group Limited (the "Company") is a public limited liability company incorporated in Hong Kong and its shares 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 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 the PRC; and (vi) the trading of various commodities in Hong Kong and the PRC.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

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

Except as described below, the application of amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to HKFRS 3 *Reference to the Conceptual Framework* (Continued)

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

Impacts on application of Amendments to HKAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

Impacts on application of Amendments to HKFRSs *Annual Improvements to HKFRSs 2018-2020*

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 *Financial Instruments*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

HKFRS 16 *Leases*

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current liabilities with Covenants (2022)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition to Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (Continued)

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 Non-current Liabilities with Covenants (2022) ('the 2022 Amendments')

The 2022 Amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, *Classification of Liabilities as Current or Non-current* ("**the 2020 Amendment**") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". 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.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* (Continued)

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to approximately HK$6,448,000 and approximately HK$6,593,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance (the "CO"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Going concern assessment

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if fact and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates

An associate is an entity over which the Group has 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investments in associates (Continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investments in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Changes in the Group's interests in associates

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Acquisition of additional interests in associates

When the Group increases its ownership interest in an associate but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates. Any excess of share of carrying amount of net assets attributable to the additional interests in associates acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date the operation and maintenance service contracts in which the Group bills a fixed amount for each kWh of electricity generated, the Group recognises revenue in the amount to which the Group has the right to invoice.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a `when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a lease receivable and factoring receivables equal to the transfer proceeds within the scope of HKFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Foreign currencies (Continued)

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and gains, net".

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Employee benefits (Continued)

Short-term and other long-term employee benefits (Continued)

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Other than the plant and machinery used in silver mines and oil and gas fields, depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. Plant and machinery used in silver mines and oil and gas fields are depreciated using the units-of-production method based on the actual production volume over the total estimated proven and probable mineral reserves of the silver mines and oil and gas fields, respectively. The estimated useful lives, residual values, probable mineral reserves and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Capitalised stripping cost

The process of removing overburden and other mine waste materials to access mineral deposits is referred to as stripping. Stripping costs (waste removal costs) are incurred during the development and production phases at open-pit mining and they are accounted for separately for each component of an ore body unless the stripping activity provides improved access to the whole of the ore body. A component is a specific section within an ore body that is made more accessible by the stripping activity. The identification of components is dependent on the mine plan. Judgement is required to identify and define these components and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and production stripping activity. These are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity assets.

Development stripping costs are capitalised as a stripping activity asset, in construction in progress and forming part of the cost of constructing the mine, when:

- It is probable that future economic benefits associated with the asset will flow to the entity; and
- The costs can be measured reliably.

Capitalisation of development stripping costs ceases and these costs are transferred to mine properties in property, plant and equipment when the ore body or component of ore body is ready for its intended use.

Production stripping can give rise to two benefits being the extraction of ore in the current period and improved access to the ore body or component of ore body in future periods. To the extent that the benefit is the extraction of ore, the stripping costs are recognised as an inventory cost. To the extent the benefit is improved access to the ore body or component of ore body in future periods, the stripping costs are capitalised as mine properties in property, plant and equipment, if the following criteria are met:

- It is probable that the future economic benefit (improved access to ore) will flow to the Group;
- The ore body or component of the ore body for which access has been improved can be identified; and
- The costs relating to the stripping activity can be measured reliably.

Production stripping costs are allocated between the inventory produced and the mine properties capitalised using a life-of-component waste to ore strip ratio. When the current strip ratio is greater than the life-of-component ratio, a portion of the stripping costs is capitalised to the existing mine properties.

The development and production stripping assets are depreciated using the units of production method based on the proven and probable mineral reserves of the relevant ore body or component of ore body.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets other than goodwill

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.

Exploration and evaluation assets which became demonstrable and reached the development phase are transferred to mining rights and property, plant and equipment. Exploration and evaluation assets are assessed for impairment annually and before reclassification.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for lease, factoring and trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the equity investment revaluation reserve, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in equity investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gains, net" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item.

Dividends from financial assets at FVTPL are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gains, net" line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including lease, factoring and trade receivables, deposits and other receivables, loan receivables, restricted bank balance and bank balances, and other item (contract asset)) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for lease, factoring and trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes-off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on lease, factoring and trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain lease, factoring and trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of lease, factoring and trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the equity investment valuation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and accruals, bank and, other loans and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible notes contain debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Control over Million Grow Investments Limited ("Million Grow") and its subsidiaries (collectively, the "Million Grow Group")

As disclosed in note 44, Million Grow is a subsidiary of the Group although the Group has only 50% ownership interest and voting rights.

The Directors assessed whether the Group has control over Million Grow Group based on whether the Group has the practical ability to direct the relevant activities of Million Grow Group unilaterally. In making the judgement, the Directors considered the Group can appoint a majority portion of directors in the board of Million Grow Group such that the Group has the power to control the business activities of Million Grow Group, including activities which most affect the returns. After assessment, the Directors concluded that the Group has sufficiently dominate voting interest to direct the relevant activities of Million Grow Group and therefore the Group has control over Million Grow Group.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of 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. Management will increase the depreciation charges where useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of property, plant and equipment, right-of-use assets and other intangible asset

Property, plant and equipment, right-of-use assets and other intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2022, the carrying amounts of right-of-use assets, property, plant and equipment, and other intangible assets subject to impairment assessment were approximately HK$764,000, HK$43,778,000 and HK$54,456,000 (2021: HK$2,145,000, HK$37,874,000 and HK$59,874,000) respectively, net of accumulated impairment losses of HK$Nil, approximately HK$90,268,000 and approximately HK$554,536,000 (2021: HK$Nil, approximately HK$98,081,000 and approximately HK$602,533,000). Details of the impairment assessment of right-of-use assets, property, plant and equipment, and other intangible assets are disclosed in Note 20.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating-unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As at 31 December 2022, the carrying amount of goodwill is HK$21,389,000 (2021: approximately HK$21,389,000) (net of accumulated impairment loss of approximately HK$2,496,000 (2021: approximately HK$2,496,000)). Details of the recoverable amount calculation are disclosed in Note 18.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provision of ECL for lease, factoring and trade receivables

Lease, factoring and trade receivables with significant balances and credit-impaired are assessed for ECL individually.

The Group uses practical expedient in estimating ECL on lease, factoring and trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's lease, factoring and trade receivables are disclosed in Note 46(c).

Provision of ECL for deposits and other receivables

The Group calculates the ECL for the deposits and other receivables by grouping the counterparties with similar nature under general approach. The provision rates are based on internal credit ratings and taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Groups' deposits and other receivables are disclosed in Note 46(c).

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 2022 was approximately HK$55,163,000 (2021: approximately HK$59,874,000) (Note 19).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (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 2022 was approximately HK$15,788,000 (2021: approximately HK$16,877,000).

Deferred tax assets

As at 31 December 2022, deferred tax assets amounting to approximately HK$Nil (2021: approximately HK$310,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK$759,657,000 (2021: HK$662,991,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the COVID-19 pandemic/commodity markets may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

5. OPERATING SEGMENTS

Information reported to the management, being the chief operating decision maker (the "CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under HKFRS 8 *Operating segments* are 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 the PRC; and

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

5. OPERATING SEGMENTS (Continued)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Silver mining		Oil and gas		Asset financing		Tourism		Photovoltaic		Trading		Total	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Segment revenue- Sales to external customers (Note 6)	136	12,813	5,275	2,811	419	7,950	-	545	17,750	28,374	124,155	33,485	147,735	85,978
Segment results	212,130	(65,939)	1,182	(286)	(39,867)	40,352	(1,689)	(790)	1,814	3,080	(3,462)	(1,802)	170,108	(25,385)
Reconciliation:														
Share of losses of associates													-	(323)
Foreign exchange gains/ (losses), net													(13,309)	7,166
Impairment losses under expected credit loss model, net of reversal													85,166	(45,382)
Corporate and other unallocated, net													(32,568)	(11,620)
Profit (loss) before tax													209,397	(75,544)
Income tax expense													(1,892)	(991)
Profit (loss) for the year													207,505	(76,535)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.2. Segment results represent the profit earned by/loss from each segment without allocation of share of losses of associates, foreign exchange gain (losses), net, central administration costs, directors' emoluments, certain other income and gains, net, written-off of other receivables, certain reversal of impairment losses (impairment losses) under expected credit loss model, net of reversal, gain on disposal of an associate, loss on deemed disposal of an associate, fair value gain of the derivative of convertible notes, loss from changes in fair value of financial assets at FVTPL, certain finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

5. OPERATING SEGMENTS (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Silver mining		Oil and gas		Asset financing		Tourism		Photovoltaic		Trading		Total	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Segment assets	72,134	76,506	7,937	8,560	49,500	76,243	1,303	1,792	114,046	84,009	81,807	744	326,727	247,854
Reconciliation:														
Equity investments at FVTOCI													81	81
Restricted bank balance													361	360
Cash and cash equivalents													79,764	84,967
Corporate and other unallocated assets													134,707	139,830
Total assets													541,640	473,092
Segment liabilities	116,561	351,853	3,183	2,698	5,273	5,637	1,061	706	22,667	22,659	13,749	212	162,494	383,765
Reconciliation:														
Income tax payables													15,788	16,877
Corporate and other unallocated liabilities													7,916	31,056
Total liabilities													186,198	431,698

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in an associate, equity investments at FVTOCI, certain prepayments, deposits and other receivables, financial assets at FVTPL, restricted bank balance and cash and cash equivalents; and

- all liabilities are allocated to operating segments other than certain other payables and accruals, certain lease liabilities and income tax payables.

5. OPERATING SEGMENTS (Continued)

(c) Other segment information

	Silver mining		Oil and gas		Asset financing		Tourism		Photovoltaic		Trading		Unallocated		Total	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Share of losses of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	323	-	323
Depreciation of property, plant and equipment	(80)	(1)	(1,098)	(960)	(3)	(14)	-	(25)	(1,865)	(1,338)	(4)	-	(325)	(116)	(3,375)	(2,454)
Depreciation of right-of-use assets	-	(10)	-	-	-	-	-	-	(313)	(120)	(85)	(74)	(1,818)	(1,817)	(2,216)	(2,021)
Amortisation of other intangible assets	-	-	-	(39)	-	-	-	-	-	-	-	-	-	-	-	(39)
Impairment losses recognised in respect of property, plant and equipment	-	(1,187)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,187)
Impairment losses recognised in respect of other intangible assets	-	(20,998)	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,998)
Reversal of impairment loss (impairment loss) under expected credit loss model, net	241	(249)	-	-	(29,477)	43,333	(614)	(386)	(76)	-	(1,579)	-	85,166	(45,382)	53,661	(2,684)
Gain on disposal of property, plant and equipment	-	2	-	-	-	-	-	-	-	1,312	-	-	-	-	-	1,314
Gain on disposal of right-of-use assets	-	1	-	-	-	-	-	-	186	16	-	-	-	-	186	17
Gain on disposal of an associate	-	-	-	-	-	-	-	-	-	-	-	-	-	4,619	-	4,619
Loss on deemed disposal of an associate	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,191)	-	(3,191)

5. OPERATING SEGMENTS (Continued)

(c) Other segment information (Continued)

	Silver mining		Oil and gas		Asset financing		Tourism		Photovoltaic		Trading		Unallocated		Total	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Written-off of factoring receivables	-	-	-	-	(845)	-	-	-	-	-	-	-	-	-	(845)	-
Written-off of other receivables	-	-	-	-	-	-	-	-	-	-	-	-	(495)	-	(495)	-
Fair value gain of the derivative of convertible notes	-	-	-	-	-	-	-	-	-	-	-	-	-	2,149	-	2,149
Loss from changes in fair value of financial assets at FVTPL	-	-	-	-	-	-	-	-	-	-	-	-	(2,300)	-	(2,300)	-
Reversal of finance cost	264,166	-	-	-	-	-	-	-	-	-	-	-	-	-	264,166	-
Foreign exchange difference	-	-	-	-	-	-	-	-	-	-	-	-	(13,309)	7,166	(13,309)	7,166
Finance costs	(49,980)	(49,388)	-	-	-	-	-	-	(448)	(641)	(295)	-	(463)	(1,605)	(51,186)	(51,634)
Other income, net	14	36	-	-	430	1,421	274	41	190	2	389	1,705	1,501	423	2,798	3,628
Addition to non-current assets-goodwill	-	-	-	-	-	-	-	-	-	846	-	-	-	-	-	846
Capital expenditure*	-	206	-	-	-	-	-	-	41,893	7,919	18	170	6,593	5,250	48,504	13,545

* 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.

5. OPERATING SEGMENTS (Continued)

(d) Geographical information

(a) Revenue from external customers

The Group's operations are located in Hong Kong, the PRC and USA.

Information about the Group's revenue from external customers is presented based on the location of customers.

	2022 HK$'000	2021 HK$'000
The PRC	**36,046**	25,072
Hong Kong	**106,414**	58,095
USA	**5,275**	2,811
	147,735	85,978

(b) Non-current assets

Information about the Group's non-current assets (excluded deferred tax assets and financial instruments) is presented based on the geographical locations of the assets.

	2022 HK$'000	2021 HK$'000
The PRC	**112,484**	106,280
Hong Kong	**41,092**	12,061
USA	**7,062**	8,146
	160,638	126,487

5. OPERATING SEGMENTS (Continued)

(e) 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:

	2022 HK$'000	2021 HK$'000
Customer A from the photovoltaic segment	**N/A***	24,124
Customer B from the silver mining segment	**N/A***	12,813
Customer C from the trading segment	**17,960**	N/A*
Customer D from the trading segment	**62,792**	33,485

* The corresponding revenue did not contribute over 10% of the Group's total revenue of the Group.

6. REVENUE

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

	2022 HK$'000	2021 HK$'000
Sale of goods	**129,566**	49,109
Sale of electricity and related tariff adjustment*	**5,938**	4,411
Design and installation service income	**10,716**	23,856
Operation and maintenance service income	**1,096**	107
Interest income of asset financing service	**415**	6,762
Management fee income of asset financing service	**4**	1,188
Commission income	**–**	545
	147,735	85,978

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

6. REVENUE (Continued)

(a) Disaggregated revenue information

Year ended 31 December 2022

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
Type of goods or services:							
Revenue from contracts with customers:							
– Sale of goods	136	5,275	–	–	–	124,155	129,566
– Sale of electricity with tariff adjustment	–	–	–	–	5,938	–	5,938
– Provision of design and installation services	–	–	–	–	10,716	–	10,716
– Provision of operation and maintenance services	–	–	–	–	1,096	–	1,096
Total revenue from contracts with customers	136	5,275	–	–	17,750	124,155	147,316
Revenue from another source:							
– Provision of asset financing services	–	–	419	–	–	–	419
Total revenue	136	5,275	419	–	17,750	124,155	147,735
Geographical markets:							
The PRC	136	–	–	–	4,075	31,416	35,627
Hong Kong	–	–	–	–	13,675	92,739	106,414
USA	–	5,275	–	–	–	–	5,275
Total revenue from contracts with customers	136	5,275	–	–	17,750	124,155	147,316
Revenue from another source:							
– The PRC	–	–	419	–	–	–	419
Total revenue	136	5,275	419	–	17,750	124,155	147,735
Timing of revenue recognition:							
At a point in time	136	5,275	–	–	16,654	124,155	146,220
Over time	–	–	–	–	1,096	–	1,096
Total revenue from contracts with customers	136	5,275	–	–	17,750	124,155	147,316
Revenue from another source:							
– Provision of asset financing services	–	–	419	–	–	–	419
Total revenue	136	5,275	419	–	17,750	124,155	147,735

6. REVENUE (Continued)

(a) Disaggregated revenue information (Continued)

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
Type 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
Geographical markets:							
The PRC	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:							
– The PRC	–	–	7,950	–	–	–	7,950
Total revenue	12,813	2,811	7,950	545	28,374	33,485	85,978
Timing of revenue recognition:							
At a point in time	12,813	2,811	–	545	28,267	33,485	77,921
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

6. REVENUE (Continued)

(b) Performance obligations

The performance obligation for the sale of goods and electricity is satisfied at a point in time 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 Group design and install solar power system (the "Solar Power System Projects"). The payment is generally due within 45 days from the date of grid connection.

The performance obligation for the provision operation and maintenance services is satisfied over time as services are rendered and payment is generally due within 3 days from the date of billing. The Group provide the operation and maintenance services for those completed Solar Power System Projects.

The performance obligation for provision of tourism agency services is satisfied at a point in time when the referral services have been rendered. The payment is generally due within 30 to 60 days from the date of services rendered.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 of approximately HK$13,957,000 (2021: approximately (HK$29,100,000) 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.

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.

7. OTHER INCOME AND GAINS, NET

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

	Notes	2022 HK$'000	2021 HK$'000
Other income, net			
Bank interest income		128	103
Trading (loss) income, net		(341)	1,845
Subsidy income	a	300	107
Management fee income		540	645
Consultancy fee income		1,266	–
Others		905	928
		2,798	3,628
Gains, net			
Gain on disposal of property, plant and equipment		–	1,314
Gain on disposal of right-of-use assets		186	17
Gain on disposal of an associate	b	–	4,619
Fair value gain of the derivative components of convertible notes		–	2,149
Foreign exchange gain, net		–	7,166
		186	15,265
Other income and gains, net		2,984	18,893

Notes:

(a) During the year ended 31 December 2022, the Group recognised government grants of approximately HK$300,000 (2021: HK$107,000) in respect of COVID-19-reated subsidies related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region. There are no conditions attached to the receipt of the government grants and they are non-recurring in nature.

(b) 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 Ocean Development Co. Ltd* (海南深耕海洋發展有限公司) 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 approximately HK$4,619,000.

* *For identification purpose only*

8. FINANCE COSTS

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

	2022 **HK$'000**	2021 HK$'000
Interest on bank loans	**280**	331
Interest on other loans	**290**	908
Interest and other borrowing costs on overdue other loans	**4,503**	4,648
Penalties on overdue other loans	**45,772**	44,117
Interest on lease liabilities	**341**	241
Interest on convertible notes	**–**	634
Imputed Interest on convertible notes	**–**	755
	51,186	51,634

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2022 **HK$'000**	2021 HK$'000
Reversal of impairment losses (impairment losses) recognised on:		
Lease and factoring receivables	**(29,423)**	44,702
Deposits and other receivables	**83,084**	(47,386)
	53,661	(2,684)

Details of impairment assessment are set out in Note 46(c).

10. OTHER EXPENSES, NET

	2022 HK$'000	2021 HK$'000
Impairment losses recognised in respect of other intangible assets	**–**	20,998
Impairment losses recognised in respect of property, plant and equipment	**–**	1,187
Written-off of factoring receivables	**845**	–
Written-off of other receivables	**495**	–
Loss from changes in fair value of financial assets at FVTPL	**2,300**	–
Loss on deemed disposal of an associate	**–**	3,191
Foreign exchange losses, net	**13,309**	–
Others	**191**	87
	17,140	25,463

11. PROFIT/(LOSS) BEFORE TAX

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

	2022 HK$'000	2021 HK$'000
Cost of inventories sold	**123,934**	38,661
Cost of services provided	**9,744**	21,347
Depreciation of property, plant and equipment*	**3,375**	2,454
Depreciation of right-of-use assets*	**2,216**	2,021
Amortisation of other intangible assets*	**–**	39
Auditor's remuneration:		
– audit services	**2,159**	2,500
– non-audit services	**420**	628
Employee benefit expense (including directors' remuneration (Note 12)):		
Wages, salaries and other benefits	**23,771**	21,391
Pension scheme contributions (defined contribution schemes)	**1,275**	1,184
	25,046	22,575

* Depreciation of property, plant and equipment, right-of-use assets and amortisation of other intangible assets of approximately HK$2,963,000 (2021: approximately HK$2,296,000), approximately HK$313,000 (2021: approximately HK$120,000) and HK$Nil (2021: approximately HK$39,000) are included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income, respectively.

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the years, disclosed pursuant to the applicable Listing Rules and the CO, is as follows:

For the year ended 31 December 2022

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension Scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Zong Hao (Chief executive)	2,100	–	18	2,118
Xu Zhuliang (Chairman)	1,800	–	18	1,818
He Qing	1,200	–	–	1,200
	5,100	–	36	5,136
Independent non-executive directors:				
Chiu Sui Keung	180	–	–	180
Lee Ping	180	–	–	180
Lee Kwok Wan	180	–	9	189
	540	–	9	549
Total	5,640	–	45	5,685

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

For the year ended 31 December 2021

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension Scheme contributions HK$'000	Total remuneration HK$'000
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

Notes:

(a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(b) The independent non-executive directors' emoluments shown above were for their services as the Directors.

(c) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2022 and 31 December 2021.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three (2021: three) directors, details of whose remuneration are set out in Note 12 to the consolidated financial statements above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and benefits in kind	**2,386**	2,266
Pension scheme contributions	**38**	36
	2,424	2,302

The remuneration of the two highest paid employees who are not the Directors for the years ended 31 December 2022 and 2021 each fell within the band of HK$1,000,001 to HK$1,500,000.

14. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current tax:		
Hong Kong	**122**	–
The PRC	**197**	428
Overseas	**7**	4
	326	432
Under-provision in prior years		
The PRC	**55**	–
Deferred tax (Note 35)	**1,511**	559
	1,892	991

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

14. INCOME TAX EXPENSE (Continued)

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.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense for the years can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Hong Kong		The PRC		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Year ended 31 December 2022								
Profit before tax	10,137		163,013		36,247		209,397	
Tax credit at the statutory tax rates	1,672	16.5	40,753	25.0	6,216	17.1	48,641	23.2
Income not subject to tax	(8,283)	(81.7)	(71,857)	(44.1)	(7,434)	(20.5)	(87,574)	(41.8)
Expenses not deductible for tax	3,690	36.4	14,343	8.8	1,013	2.8	19,046	9.1
Tax losses not recognised	4,554	45.0	16,958	10.4	212	0.6	21,724	10.4
Under-provision in respect of prior years, net	-	-	55	0.0	-	-	55	0.0
Tax expense at the Group's effective tax rates	1,633	16.2	252	0.1	7	0.0	1,892	0.9
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	(0.01)	991	(1.3)

15. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the shareholders of the Company is based on the following data:

	2022 **HK$'000**	2021 HK$'000
Earnings/(loss) for the year attributable to shareholders of the Company for the purpose of basic and diluted earnings/(loss) per share	**108,445**	(42,860)

Number of shares	**2022** **'000**	2021 '000 (restated)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**1,140,184**	888,209

The weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share have been adjusted for the effect of rights issue on 2 March 2022.

No adjustments has been made to the basic earnings per share amount presented for the year ended 31 December 2022 in respect of a dilution as the Group had no dilutive potential ordinary shares in issue during the year ended 31 December 2022.

For the year ended 31 December 2021, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would result in a decrease in loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	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
COST							
At 1 January 2021	3,223	300	196,911	1,424	1,501	38,725	242,084
Additions	–	–	4,500	35	–	2,631	7,166
Acquired on acquisition of a subsidiary (Note 38)	–	–	5,115	–	–	1,351	6,466
Disposal	–	–	(5,306)	(204)	–	–	(5,510)
Transfer	–	–	1,351	–	–	(1,351)	–
Exchange adjustments	104	–	3,613	34	52	1,248	5,051
At 31 December 2021	3,327	300	206,184	1,289	1,553	42,604	255,257
Additions	–	128	11,939	450	–	32,100	44,617
Transfer	–	–	7,985	–	–	(7,985)	–
Exchange adjustments	(265)	(4)	(7,680)	(83)	(62)	(3,202)	(11,296)
At 31 December 2022	**3,062**	**424**	**218,428**	**1,656**	**1,491**	**63,517**	**288,578**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2021	2,934	188	169,959	1,175	1,500	33,342	209,098
Provided for the year	30	113	2,252	45	14	–	2,454
Acquired on acquisition of a subsidiary (Note 38)	–	–	227	–	–	–	227
Disposal	–	–	(131)	(193)	–	–	(324)
Impairment loss recognised in profit or loss	43	–	46	20	31	1,047	1,187
Exchange adjustments	94	(1)	3,039	(13)	(27)	1,230	4,322
At 31 December 2021	3,101	300	175,392	1,034	1,518	35,619	216,964
Provided for the year	31	18	3,261	51	14	–	3,375
Exchange adjustments	(248)	(1)	(6,197)	(67)	(61)	(2,825)	(9,399)
At 31 December 2022	**2,884**	**317**	**172,456**	**1,018**	**1,471**	**32,794**	**210,940**
CARRYING VALUES							
At 31 December 2022	**178**	**107**	**45,972**	**638**	**20**	**30,723**	**77,638**
At 31 December 2021	226	–	30,792	255	35	6,985	38,293

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

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

	2022 HK$'000	2021 HK$'000
Silver mining segment	**3,953**	3,346
Oil and gas segment	**6,355**	7,439
Asset financing segment	**182**	203
Tourism segment	**–**	–
Photovoltaic segment	**63,662**	26,059
Trading segment	**360**	8
Unallocated amounts attributable to corporate and others	**3,126**	1,238
Total	**77,638**	38,293

(b) As at 31 December 2022, certain of the Group's plant and machinery with carrying amount of approximately HK$10,048,000 (2021: approximately HK$5,267,000) were pledged to secure the bank loans granted to the Group (Note 32(a)).

(c) 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.

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on straight-line basis at the following rates per annum:

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%

17. RIGHT-OF-USE ASSETS

	Office premises HK$'000	Building roofs HK$'000	Total HK$'000
As at 31 December 2022			
Carrying amounts	3,134	3,314	6,448
As at 31 December 2021			
Carrying amounts	4,786	2,145	6,931
For the year ended 31 December 2022			
Depreciation charges	1,904	312	2,216
For the year ended 31 December 2021			
Depreciation charges	1,901	120	2,021

	2022 HK$'000	2021 HK$'000
Expense relating to short-term leases	**721**	745
Total cash outflow for leases	**3,643**	2,960
Additions to right-of-use assets	**3,887**	6,173
Disposal of right-of-use assets	**1,970**	1,936

17. RIGHT-OF-USE ASSETS (Continued)

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:

	2022 HK$'000	2021 HK$'000
Photovoltaic segment	3,314	2,145
Trading segment	88	188
Unallocated amounts attributable to corporate and others	3,046	4,598
Total	6,448	6,931

For both years, the Group lease various office premises and building roofs used in its operations. Leases of office premises and building roofs generally have a lease terms between 2 to 3 years and 5 to 11 years respectively (2021: 1 to 3 years and 25 years respectively). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for the office premises. As at 31 December 2022 and 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

In addition, lease liabilities of approximately HK$6,593,000 (2021: HK$7,118,000) are recognised with related right-of-use assets of approximately HK$6,448,000 (2021: HK$6,931,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

18. GOODWILL

	2022 HK$'000	2021 HK$'000
COST		
At 1 January	23,885	23,039
Arising on acquisition of a subsidiary (Note 38)	–	846
At 31 December	23,885	23,885
ACCUMULATED IMPAIRMENT		
At 1 January and 31 December	2,496	2,496
CARRYING VALUES	21,389	21,389

18. GOODWILL (Continued)

For the purpose of impairment testing, goodwill has been allocated to two cash generating units ("CGUs") which are allocated to the photovoltaic power business. The two CGUs comprising a subsidiary, SinoPower Solar Investment Company Limited ("SinoPower") and another subsidiary, Beijing Jiezhong Technology Company Limited ("Beijing Jiezhong").

	2022 HK$'000	2021 HK$'000
Photovoltaic segment		
– SinoPower	**846**	846
– Beijing Jiezhong	**20,543**	20,543
Total	**21,389**	21,389

Impairment testing of goodwill

SinoPower

As at 31 December 2022, the Group performed an impairment review for a CGU of SinoPower ("SinoPower CGU"), with reference to a valuation carried out by APAC Asset Valuation and Consulting Limited ("APAC"), an independent qualified professional valuer not connected to the Group. The recoverable amount of the SinoPower CGU has been determined based on a value in use calculation (the "Value-In-Use A"), which uses a cash flow projection based on financial forecast approved by management covering a period until 2033 (end of a Feed-in Tariff ("FiT") Scheme) (2021: until 2033). The pre-tax discount rate applied to cash flow projection is 19.5% (2021: 19.8%), which reflects specific risks of SinoPower CGU, and is determined by reference to the discount rates for similar industry.

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 the FiT Scheme. Also, the basis of the budgeted gross margins of SinoPower is the gross margin of 24.1% to 54.1% (2021: 15.5% to 45.4%) achieved in the year immediately before the budget year, having adjusted for the expected market development.

As at 31 December 2022 and 31 December 2021, based on the result of the assessment, management of the Group determined that the recoverable amount of the SinoPower CGU is higher than its carrying amount. Accordingly, no impairment loss has been recognised. As the recoverable amount is significant above the carrying amount of SinoPower CGU, management believes that any reasonably possible change in any of these assumptions would not result in impairment.

18. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Beijing Jiezhong

As at 31 December 2022, the Group performed an impairment review for a CGU of Beijing Jiezhong ("Beijing Jiezhong CGU"), with reference to a valuation carried out by APAC. The recoverable amount of the Beijing Jiezhong CGU has been determined based on a value in use calculation (the "Value-In-Use B"), which uses a cash flow projection based on financial forecast approved by management covering a period of 5-year (2021: 5-year). The pre-tax discount rate applied to cash flow projection is 9.5% (2021: 9.5%), which reflects specific risks of Beijing Jiezhong CGU, and in determined by reference to the discount rates for similar industries, and cash flow beyond the 5-year (2021: 5-year) period is extrapolated using a steady 2.0% (2021: 2.0%) per annum grown rate. The growth rate used does not exceed the long-term average growth rate for the business in which the Beijing Jiezhong CGU operates.

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. Also, the basis of the budgeted gross margins of Beijing Jiezhong is the net profit margin of 47.0% to 54.8% (2021: 49.5% to 57.1%) achieved in the year immediately before the budget year, having adjusted for the expected market development.

As at 31 December 2022 and 31 December 2021, based on the result of the assessment, management of the Group determined that the recoverable amount of the Beijing Jiezhong CGU is higher than its carrying amount. Accordingly, no impairment loss has been recognised. As the recoverable amount is significant above the carrying amount of Beijing Jiezhong CGU, management believes that any reasonably possible change in any of these assumptions would not result in impairment.

19. OTHER INTANGIBLE ASSETS

	Mineral interests		Exploration and evaluation assets		Patents		Others		Total	
	2022 HK$'000 (Note a)	2021 HK$'000 (Note a)	**2022 HK$'000 (Note b)**	2021 HK$'000 (Note b)	**2022 HK$'000 (Note c)**	2021 HK$'000 (Note c)	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
COST										
At 1 January	**221,628**	214,833	**471,205**	456,568	**61,094**	61,094	**45**	45	**753,972**	732,540
Additions	**–**	–	**–**	206	**–**	–	**–**	–	**–**	206
Exchange adjustments	**(17,259)**	6,795	**(36,657)**	14,431	**–**	–	**–**	–	**(53,916)**	21,226
At 31 December	**204,369**	221,628	**434,548**	471,205	**61,094**	61,094	**45**	45	**700,056**	753,972
ACCUMULATED AMORTISATION AMORTISATION AND IMPAIRMENT										
At 1 January	**221,628**	214,794	**411,332**	378,406	**61,094**	61,094	**45**	45	**694,099**	654,339
Charge for the year	**–**	39	**–**	–	**–**	–	**–**	–	**–**	39
Impairment loss recognised in the year (Note 10)	**–**	–	**–**	20,998	**–**	–	**–**	–	**–**	20,998
Exchange adjustments	**(17,259)**	6,795	**(31,947)**	11,927	**–**	–	**–**	–	**(49,206)**	18,722
At 31 December	**204,369**	221,628	**379,385**	411,331	**61,094**	61,094	**45**	45	**644,893**	694,098
CARRYING VALUES	**–**	–	**55,163**	59,874	**–**	–	**–**	–	**55,163**	59,874

Except for exploration and evaluation assets, the above intangible assets have finite useful lives. Mineral interest, patents and others are amortised over the useful economic life as follows:

Mineral interests	Unit-of-production method based on the actual production volume over the total estimated proven and probable reserves of the relevant mineral interests
Patents	20 years
Others	5 years

Exploration and evaluation assets are stated at cost and subject to test for impairment annually.

19. OTHER INTANGIBLE ASSETS (Continued)

Notes:

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

	Note	2022 HK$'000	2021 HK$'000
Silver mining segment	(i)	**–**	–
Oil and gas segment		**–**	–
		–	–

(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. During the year ended 31 December 2022, the Group has submitted the renewal application.

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

	Note	2022 HK$'000	2021 HK$'000
Silver mining segment	(i)	**54,456**	59,167
Oil and gas segment		**707**	707
		55,163	59,874

Note:

(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 no impairment (2021: additional impairment of approximately RMB17,430,000 (equivalent to approximately HK$20,998,000)) is necessary to be recognised in profit or loss for the year.

(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.

20. IMPAIRMENT ASSESSMENT

(a) Silver mining business

As at 31 December 2022 and 31 December 2021, silver mining segment continue to underperform, the management of the Group concluded there was an indication of impairment and conducted impairment assessment on recoverable amounts of non-current assets attributable to these segments.

The Directors 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, an independent professional valuer, to assess the FV of the CGU of the silver mining segment and management had derived the FV of the Silver Mining Assets from the FV of the relevant CGU. In assessing the FV of the CGU, 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 CGU in silver mining segment:

	Valuation technique		**Significant unobservable inputs**	**Range or weighted average** 2022	2021
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)	**RMB5.25**	RMB4.78
		(ii)	Growth rates applied to the silver selling price in valuation	**For 2024, 2025 and 2026 are 4.09%, 3.75% and -8.41%**	For 2023, 2024 and 2025 are 2.73%, 4.57% and 0.31%
		(iii)	Expected inflation rate in the PRC (per annum)	**2%**	2%
		(iv)	Forecast gross margin# (per gram)	**RMB1.0**	RMB1.0
		(v)	Pre-tax discount rate	**16%**	14%

20. IMPAIRMENT ASSESSMENT (Continued)

(a) Silver mining business (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 key assumptions which were used in assessing the FV of the CGU 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 2027 and ending in 2035 (2021: commenced in 2026 and ending in 2034).

Based on the FV assessment of the CGU of the silver mining segment which is determined to be approximately HK$59,789,000 (2021: HK$62,513,000), the Directors are of the opinion that no impairment loss of the Silver Mining Assets (2021: impairment loss of approximately HK$22,185,000) was resulted during the year, of which HK$Nil (2021: HK$1,187,000) and HK$Nil (2021: HK$20,998,000) were allocated to property, plant and equipment and other intangible assets of the Group's silver mining segment, respectively, based on their relative carrying amounts amongst the Silver Mining Assets. The above impairment provisions aggregating HK$Nil (2021: HK$22,185,000) were recognised as "Other expenses, net" in profit or loss during the year.

(b) Oil and Gas Assets

As at 31 December 2021, 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 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 pre-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 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).

20. IMPAIRMENT ASSESSMENT (Continued)

(b) Oil and Gas Assets (Continued)

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
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
		(ii)	Growth rate applied to the oil and gas selling price in the cash flow projections after 2020	(8%) to 3%
		(iii)	Expected inflation rate in the USA (per annum)	3%
		(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
		(v)	Pre-tax discount rate	12%

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

20. IMPAIRMENT ASSESSMENT (Continued)

(b) Oil and Gas Assets (Continued)

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.

As at 31 December 2021, based on the VIU assessment of the CGUs of the oil and gas segment which was determined to be HK$9,368,000 the Directors are of the opinion that no additional impairment loss of the Oil and Gas Assets is necessary to be recognised. As the recoverable amount is significantly above the carrying amount of Oil and Gas Assets, management believes that any reasonably possible change in any of these assumptions would not result in impairment.

21. INVESTMENT IN AN ASSOCIATE

	2022 **HK$'000**	2021 HK$'000
Cost of investment in an associate	**10,128**	10,128
Share of post-acquisition losses and other comprehensive expense	**(6,000)**	(6,000)
	4,128	4,128
Less: Accumulated impairment	**(4,128)**	(4,128)
	–	–

21. INVESTMENT IN AN ASSOCIATE (Continued)

Details of each of the Group's associate at the end of the reporting period is as follows:

Name of entity	Place of incorporation/ Principal place of operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2022	2021	**2022**	2021	
TI Systems Limited ("TI Systems")	Hong Kong	**41.7%**	41.7%	**41.7%**	41.7%	Development of an e-payment system

Summarised financial information of associate

Summarised financial information in respect of the Group's associate is set out below.

The summarised financial information below represents amounts shown in TI Systems's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

	TI Systems	
	2022 HK$'000	2021 HK$'000
Current assets	**–**	–
Non-current assets	**–**	–
Current liabilities	**–**	–
Non-current liabilities	**–**	–

	TI Systems	
	2022 HK$'000	2021 HK$'000
Revenue	**–**	–
Loss for the year	**–**	–
Other comprehensive expense for the year	**–**	–
Total comprehensive expense for the year	**–**	–
Dividends received by the Group	**–**	–

21. INVESTMENT IN AN ASSOCIATE (Continued)

Summarised financial information of associate (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in TI Systems recognised in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Net assets of TI Systems	–	–
	–	–
Proportion of the Group's ownership interest in TI Systems	41.7%	41.7%
Carrying amount of the Group's interest in TI Systems	–	–

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2022 HK$'000	2021 HK$'000
Unlisted equity investments, at fair value:			
Beijing Qingrui Juxin Investment Fund Management Co., Limited*(北京青瑞聚信投資基金管理有限公司)("北京青瑞")	(a) & (b)	–	–
One Asia Securities Company Limited ("OAS")	(a) & (c)	81	81
		81	81

Notes:

(a) 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 2022 and 2021.

(b) The investment represents a 10% holding of the ordinary shares of 北京青瑞.

(c) During the year ended 31 December 2021, 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 approximately HK$3,191,000 recognised by the Group in profit or loss. 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.

* *For identification purpose only*

23. CONTRACT ASSETS

	2022 HK$'000	2021 HK$'000
Current		
Sales of electricity renewable energy	–	11,566

As at 1 January 2021, contract assets amounted to approximately HK$9,095,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivable when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The contract assets relate to the Group's right to consideration for central government renewable energy subsidies for the Group's photovoltaic business in the PRC. In December 2016, the national development and reform commission (the "National Development and Reform Commission") promulgated the "Notice of the National Development and Reform Commission on Adjusting the Benchmark On-grid Tariff of Photovoltaic Onshore Wind Power" (Fa Gai Jia Ge* (發改價格) 2016 No. 2729) (the "2016 Measures"). Pursuant to the new government policy stipulated in the 2016 Measures, the PRC government has simplified the application and approval procedures for registration of electricity tariff subsidies for non-hydro renewable energy power generation projects to be included in the list of renewable energy power generation subsidy projects (the "List"). The state grid corporation will regularly announce the List according to the project type, grid connection time and technical level of photovoltaic power station projects. When the grid-connected photovoltaic power plants meet the conditions stipulated in the notice of the National Development and Reform Commission on adjusting the benchmark on-grid electricity price of photovoltaic power generation and completes the application on the platform, such grid-connected photovoltaic power station projects have the right to be included in the List.

The electricity price subsidy is recognised as revenue and shall be charged to grid companies in the PRC in accordance with the relevant power purchase agreement.

On 18 February 2022, the photovoltaic power plants operated by the Group have been approved to be registered in the List, and the contract assets are eligible to be transferred to trade receivables account.

Contract assets are reclassified to trade receivables at the point the respective on-grid solar power plant projects are enlisted on the List.

Details of impairment assessment are set out in Note 46(c).

* *For identification purpose only*

24. INVENTORIES

	2022	2021
	HK$'000	HK$'000
Raw materials	**1,886**	463
Work in progress – Solar photovoltaic systems	**6,203**	10,911
Trading goods	**3,259**	–
	11,348	11,374

25. LEASE, FACTORING AND TRADE RECEIVABLES

	Notes	**2022**	2021
		HK$'000	HK$'000
Gross lease receivables	(a)	**1,377**	1,794
Less: Unearned interest income		**(217)**	(301)
Net lease receivables	(a)	**1,160**	1,493
Factoring receivables	(b)	**173,419**	197,533
Management fee receivables of asset financing services	(c)	**2,716**	3,443
Trade receivables	(d)	**51,845**	19,054
		229,140	221,523
Less: Allowance for credit losses		**(136,137)**	(116,948)
Total lease, factoring and trade receivables		**93,003**	104,575
Portion classified as current assets		**(92,498)**	(103,518)
Non-current portion		**505**	1,057

25. LEASE, FACTORING AND TRADE RECEIVABLES (Continued)

Notes:

(a) The lease receivables as at 31 December 2022 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$59,000 (2021: HK$114,000) was recognised in profit or loss in respect of the lease receivable.

As at 31 December 2022, the undiscounted lease payments receivable by the Group in future periods in respect of the finance lease and its present values are as follows:

	2022 HK$'000	2021 HK$'000
Lease receivables comprise:		
Within one year	**826**	598
After one year but within two years	**551**	598
After two years but within three years	**–**	598
Gross investment in the lease	**1,377**	1,794
Less: unearned finance income	**(217)**	(301)
Present value of minimum lease payment receivables	**1,160**	1,493
Portion classified as current assets	**(655)**	(436)
Non-current portion	**505**	1,057

(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 2025. 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$356,000 (2021: HK$6,648,000) in total was recognised in profit or loss in respect of these factoring receivables.

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

	2022 HK$'000	2021 HK$'000
Billed:		
Within one month	**29**	245
One to two months	**1,823**	245
Two to three months	**8,943**	245
Over three months	**25,922**	52,266
	36,717	53,001
Unbilled	**3,829**	29,689
	40,546	82,690

25. LEASE, FACTORING AND TRADE RECEIVABLES (Continued)

Notes: (Continued)

(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$4,000 (2021: HK$1,188,000) in total was recognised in profit or loss during the year.

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

	2022 HK$'000	2021 HK$'000
Within one month	–	31
One to two months	–	31
Two to three months	–	31
Over three months	508	1,551
	508	1,644

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

As at 1 January 2021, trade receivables from contract with customers amounted to approximately HK$9,494,000.

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:

	2022 HK$'000	2021 HK$'000
Billed:		
Within one month	37,518	14,501
One to two months	163	22
Two to three months	146	25
Over three months	12,994	13
	50,821	14,561
Unbilled	–	4,239
	50,821	18,800

Details of impairment assessment are set out in Note 46(c).

As at 31 December 2022, included in the Group's lease, factoring and trade receivables balance are debtors with aggregate carrying amount of HK$40,392,000 (2021: HK$54,667,000) which are past due as at the reporting date. Out of the past due balances, HK$16,884,000 (2021: HK$4,527,000) has been past due 90 days or more and is not considered as in default by considered the ongoing business relationship, repayment history and expected future settlement.

26. LOAN RECEIVABLES

	Notes	2022 HK$'000	2021 HK$'000
Gross amount		**–**	32,339
Less: Allowance for credit losses		**–**	(32,339)
		–	–

Note:

As at 31 December 2021, 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 amount have been written-off during the year ended 31 December 2022.

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

Details of impairment assessment are disclosed in Note 46(c).

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2022 HK$'000	2021 HK$'000
Prepayments	(a) & (b)	**28,409**	5,076
Deposits for acquisition	(c)	**80,411**	106,307
Other receivables	(d)	**55,689**	77,080
Other trading receivables	(e)	**5,607**	45,644
Others	(c),(f)-(h)	**40,084**	12,919
		210,200	247,026
Less: allowance for credit losses		**(25,442)**	(113,344)
Total prepayments, deposits and other receivables		**184,758**	133,682
Portion classified as current assets		**(105,217)**	(92,333)
Non-current portion		**79,541**	41,349

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(a) During the year ended 31 December 2022, the Group entered into a contract with a supplier for purchasing commodities and prepaid amounting to approximately RMB15,390,000 (equivalent to approximately HK$17,361,000). The supplier has delivered the trading goods amounting to approximately RMB2,362,000 (equivalent to approximately HK$2,665,000) to the Group during the year ended 31 December 2022. Due to the Covid-19 pandemic, the delivery time for the commodities has been delayed, a supplementary agreement has been signed with the supplier, and agreed that the commodities for the remaining trading goods amounting to approximately RMB13,028,000 (equivalent to approximately HK$14,696,000) will be delivered to the Group before 30 October 2023.

(b) During the year ended 31 December 2022, the Group entered into the construction contract for excavation works. The prepayment amount stipulated in the contract was based on the actual engineering quantity. Due to the strict government control and the impact of Covid-19 pandemic, the projects of silver mining shut down frequently during the year ended 31 December 2022, which resulting in significant losses for the construction team. The Group have prepaid approximately RMB8,002,000 (equivalent to approximately HK$9,027,000) to the construction team in order to maintain a good cooperative relationship with the construction team.

(c) On 4 December 2017, the Company and Liyanda Limited (the "Vendor"), an independent third party, entered into a memorandum of understanding, in which the Company would like to purchase and the Vendor would like to sell the entire issued share capital of South Ray Investment Limited ("South Ray") (Collectively referred to as the "Potential Acquisition"). A deposit of RMB85,500,000 (equivalent to approximately HK$104,800,000) (the "Potential Acquisition Deposit") has been paid by the Company regarding the Potential Acquisition, which will be refundable, together with interest at 3.0% per annum if a formal agreement could not be entered into on or before 31 March 2018 (the "Exclusivity Period"). The Potential Acquisition Deposit is secured by the entire issued share capital of a direct wholly-owned subsidiary of South Ray and 80% issued share capital of an indirectly owned subsidiary of South Ray.

As at 31 December 2021, the Exclusivity Period has been further extended to 30 June 2022. However, in view of the uncertainty as to the ultimate materialisation of the acquisition and the financial position of the Vendor, expected credit losses of approximately HK$64,085,000 (equivalent to approximately RMB52,186,000) has been provided in accordance with HKFRS 9 *Financial Instruments*. Details of the impairment assessment are disclosed in Note 46(c).

On 21 December 2022, the Company and the Vendor entered into a shares purchase agreement, pursuant to which the Company has agreed to purchase and the Vendor has agreed to sell 21% of the entire issued share capital of South Bay at a consideration of RMB70,000,000 (equivalent to approximately HK$78,967,000) (collectively referred to as the "Acquisition"). The consideration shall be settled by RMB70,000,000 of the Potential Acquisition Deposit (the "Acquisition Deposit"). As a result, expected credit losses in respect of the Acquisition Deposit of approximately RMB42,725,000 (equivalent to approximately HK$49,842,000) has been reversed during the year ended 31 December 2022.

Due to the outbreak of the Covid-19 pandemic and the various preventive measures implemented by the PRC government, the operation and exploration of the mine owned by South Ray was significantly affected, the management of the Group concluded that there was indication of impairment and conducted impairment assessment on the Acquisition Deposit based on HKAS 36 *Impairment of Assets*.

The recoverable amount of the Acquisition Deposit has been determined based on FV of the CGU of the Potential Acquisition. The FV was determined, by reference to the valuation carried out by Valtech Valuation Advisory Limited ("Valtech"), an independent qualified professional valuer, based on the future pre-tax cash flows of the of the CGU of the Potential Acquisition which cover periods up to the production end date of the respective mines which 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.

As at 31 December 2022, based on the result of the assessment, the recoverable amount of the Acquisition Deposit is amounted to approximately RMB108,469,000 (equivalent to approximately HK$122,364,000) and the management of the Group determined that the recoverable amount of the Acquisition Deposit is higher than its carrying amount. No impairment loss has been provided in respect of the Acquisition Deposit.

On 21 December 2022, the Company and the Vendor entered into a settlement agreement regarding the remaining balance of the Potential Acquisition Deposit of approximately HK$17,486,000 (equivalent to RMB15,500,000) (the "Remaining Balance"), pursuant to which the Remaining Balance is repayable on or before 31 December 2023. The Remaining Balance is non-interest bearing and unsecured. As at 31 December 2022, expected credit losses of approximately RMB9,368,000 (equivalent to approximately HK$10,568,000) (2021: expected credit losses of approximately RMB9,461,000 (equivalent to approximately HK$11,618,000)) has been provided. Such Remaining Balance are presented under "deposits for acquisition" in 2021 and reclassified to "others" during the year ended 31 December 2022. Details of the impairment assessment are disclosed in Note 46(c).

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(d) The amount represented deposits paid to suppliers. As at 31 December 2022, allowance for credit losses of approximately HK$7,139,000 (2021: HK$20,715,000) has been recognised against these other receivables based on the ECL assessment performed.

(e) During the year ended 31 December 2022, the Group has entered into several commodity trading contracts with a carrying amount of approximately HK$5,607,000 (2021: HK$45,644,000) and trading terms of 30 days to 6 months (2021: 30 days to 6 months). As at 31 December 2022, allowance for credit losses of approximately HK$155,000 (2021: approximately HK$23,736,000) has been recognised.

(f) Included in others of approximately HK$1,158,000 (2021: HK$Nil) represent the amount of operation and maintenance services of the Solar Power System Projects to be refund by the supplier during the year ended 31 December 2022.

(g) Included in others of approximately HK$2,502,000 (2021: approximately HK$1,791,000) represent the deposits in relation to the solar photovoltaic systems paid to CLP Power Hong Kong Limited.

(h) Included in others of approximately HK$1,540,000 (2021: HK$Nil) represent the refundable deposit in relation to the Solar Power System Projects paid to the suppliers.

28. FINANCIAL ASSETS AT FVTPL

	2022 **HK$'000**	2021 HK$'000
Held for trading:		
– Equity securities listed in Hong Kong	**365**	–
– Equity securities listed in Japan	**11,138**	–
– Listed commodities dealings in PRC	**184**	–
	11,687	–

29. RESTRICTED BANK BALANCE AND CASH AND CASH EQUIVALENTS

	2022 **HK$'000**	2021 HK$'000
Cash and bank balances	**80,125**	85,327
Less: Restricted bank balance (note)	**(361)**	(360)
Cash and cash equivalents	**79,764**	84,967

Note:

The restricted bank balance 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. The amount carrys interest at market rates 0.25% (2021: 0.25%) per annum.

Cash and cash equivalents include demand deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates which range from 0.0001% to 0.75% (2021: from 0.25% to 0.38%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than the group entities' functional currencies:

	2022 **HK$'000**	2021 HK$'000
RMB	**17,680**	6,526
United States Dollar ("USD")	**6,856**	16,388

Included in the restricted bank balance and bank balances are the following amounts which are subject to foreign exchange control regulations and not freely transferable:

	HK$'000	HK$'000
Amounts denominated in RMB	**43,813**	48,190

Details of impairment assessment of restricted bank balance and bank balances are set out in Note 46(c).

30. TRADE PAYABLES

	2022 **HK$'000**	2021 HK$'000
Trade payables	**2,679**	7,291
Trade payables under supplier finance arrangements (Note)	**12,888**	–
	15,567	7,291

Note: These related to trade payables in which the Group has issued bills to the relevant suppliers for future settlement trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.

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

	2022 **HK$'000**	2021 HK$'000
Less than six months	**14,672**	6,966
Six months to one year	**626**	32
Over one year	**269**	293
	15,567	7,291

The trade payables are non-interest-bearing and with average credit period of 60 days.

31. OTHER PAYABLES AND ACCRUALS

	2022 **HK$'000**	2021 HK$'000
Accruals	**3,277**	4,570
Contract liabilities (Note)	**6,978**	9,279
Value-added tax and other tax payables	**1,011**	1,450
Other payables	**16,780**	18,319
	28,046	33,618
Portion classified as current liabilities	**(27,086)**	(32,702)
Non-current portion	**960**	916

31. OTHER PAYABLES AND ACCRUALS (Continued)

Note:

Details of contract liabilities are as follows:

	2022 **HK$'000**	2021 HK$'000
Current:		
Advances from customers for design and installation services	**6,978**	9,279

As at 1 January 2021, the Group has no contract liabilities.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Photovoltaic – design and installation services HK$'000
For the year ended 31 December 2022	
Revenue recognised that was included in the contract liability balance at the beginning of the year	**2,301**

	HK$'000
For the year ended 31 December 2021	
Revenue recognised that was included in the contract liability balance at the beginning of the year	–

The decrease in contract liabilities in 2022 was mainly due to the completion of one of the large projects during the year ended 31 December 2022. 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.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

For the design and installation services of Photovoltaic segment, when the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract. The Group typically receives a 30% deposit on acceptance of the design and installation service and 20% deposit while receive the approval letter from the electricity company.

32. BANK AND OTHER LOANS

	Notes	2022 HK$'000	2021 HK$'000
Bank loans, secured	(a)	**7,220**	4,001
Other loans, unsecured	(b)	**110,914**	362,234
		118,134	366,235
The carrying amounts of other loans that are overdue (shown under current liabilities)		**110,914**	346,171
The carrying amount of other loans which are repayable within one year		**–**	16,063
The carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:*			
– After one year but within two years		**5,652**	–
– After two years but within five years		**1,568**	4,001
		7,220	4,001
Total borrowings		**118,134**	366,235
Less: Amounts due within one year shown under current liabilities		**(118,134)**	(366,235)
Amounts shown under non-current liabilities		**–**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

(a) The bank loans of the Group as at 31 December 2022 comprised the followings:

(i) As at 31 December 2022, long-term bank loans of approximately HK$4,001,000 (2021: approximately 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 approximately HK$4,817,000 (2021: approximately HK$5,267,000); (ii) 100% equity interest in a wholly-owned subsidiary of the Company; (iii) a corporate guarantee provided by the Company; and (iv) a personal guarantee provided by a director of the Company.

(ii) As at 31 December 2022, long-term bank loans of approximately HK$1,651,000 (2021: HK$Nil), which bears interest at 7% per annum, is repayable on 31 December 2024 and secured by (i) one solar photovoltaic system of the Group with an aggregate net carrying amount of approximately HK$2,710,000 (2021: HK$Nil); (ii) 100% equity interest in a wholly-owned subsidiary of the Company; (iii) a corporate guarantee provided by the Company; and (iv) a personal guarantee provided by a director of the Company.

(iii) As at 31 December 2022, long-term bank loans of HK$1,568,000 (2021: HK$Nil), which bears interest at Hong Kong Interbank Offered Rate + 3% per annum, is repayable on 30 December 2026 and secured by (i) two solar photovoltaic system of the Group with an aggregate net carrying amount of approximately HK$2,521,000 (2021: HK$Nil); (ii) 100% equity interest in a wholly-owned subsidiary of the Company; (iii) a corporate guarantee provided by the Company; and (iv) a personal guarantee provided by a director of the Company.

32. BANK AND OTHER LOANS (Continued)

Notes: (Continued)

(a) (Continued)

In respect of these bank loans with carrying amount of approximately HK$7,220,000 as at 31 December 2022 (2021: approximately HK$4,001,000), the Group is required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

– at all times in respect of a solar power project, does not exceed the ratio of 60% of the aggregate of principal amount of the relevant loan to the lower of (i) the capital expenditure incurred in relation to each solar power projects as notified by the Company and approved by the bank; and (ii) the latest equipment valuation of the solar power project.

The Group has complied with these covenants throughout the reporting period.

(b) The other loans of the Group as at 31 December 2022 and 31 December 2021 comprised the followings:

(i) an other loan from a former shareholder of a subsidiary of the Company of RMB20,000,000 (equivalent to approximately HK$22,562,000 (2021: RMB20,000,000 (equivalent to approximately HK$24,515,000)), 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 (the "Loan I"); and another loan of the Subsidiary of RMB5,500,000 (equivalent to approximately HK$6,205,000 (2021: RMB5,500,000 (equivalent to approximately HK$6,742,000)), 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 (the "Loan II").

The above other loans had been overdue for repayment since 1 January 2016.

During the year ended 31 December 2022, the Group has commenced a debt restructuring process for certain outstanding and overdue liabilities that are material to the Group. As part of the preliminary work carried out for such restructuring process, an indirect non-wholly owned subsidiary of the Company in the PRC, which bears material outstanding and overdue liabilities to the Group, has engaged a PRC legal advisor to conduct an internal review and to issue a legal report (the "PRC Legal Report") on its outstanding and overdue liabilities and legal proceedings, including the Loan I and Loan II.

Based on the PRC Legal Report issued on 30 December 2022, the penalty agreed for the Loan I is subject to the limit imposed by the applicable laws and regulations:

(i) Article 30 of the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (Fa Shi 2015 No. 18) stipulates that if the lender and the borrower agreed upon the overdue interest rate and have also agreed on liquidated damages or other fees, the lender can choose to claim overdue interest, liquidated damages or other fees, or can also claim altogether, but the court will not support the part that exceeds the annual interest rate of 24% in total;

(ii) Article 29 of the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (Fa Shi 2020 No. 17) (the "Second Amendment") stipulates that if the lender and the borrower agreed upon the overdue interest rate and have also agreed on liquidated damages or other fees, the lender can choose to claim overdue interest, liquidated damages or other fees, or can also claim altogether, but the court will not support the part that exceeds 4 times the one-year loan prime rate (LPR) after executing the loan contract.

32. BANK AND OTHER LOANS (Continued)

Notes: (Continued)

(a) (Continued)

The Company has also engaged another PRC legal advisor to review the PRC Legal Report and the second PRC legal advisor has also agreed with the findings of the PRC Legal Report.

Having reviewed the PRC Legal Report which has also been agreed by the second PRC legal advisor, the Board noted that part of the accrual of penalty of the Loan I pursuant to the terms of the agreement of the Loan I made in prior years should not be enforceable in the PRC courts as the overdue penalty rate has exceeded the enforceable interest limit (the "Enforceable Interest Limit") pursuant to the applicable PRC laws and regulations. In this connection, on 30 December 2022 the Board concluded that the Group will only pay the overdue penalty limited to the Enforceable Interest Limit and the overdue penalty payable of approximately HK$264,166,000 (equivalent to approximately RMB226,869,000) have been reversed during the year ended 31 December 2022.

Details of the restructuring process were set out in the announcements of the Company dated 30 December 2022.

(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. The loan have been fully settled during the year ended 31 December 2022; and

(iii) an other loan of JPY 60,000,000 (equivalent to 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. The loan have been fully settled during the year ended 31 December 2022.

33. CONVERTIBLE NOTES

Convertible notes with a total principal amount of HK$50,000,000 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

33. CONVERTIBLE NOTES (Continued)

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 3.2 to the consolidated 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.

	Convertible notes A HK$'000	**Convertible notes B** HK$'000	**Total** HK$'000
Principal amount outstanding			
At 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 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 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 ended 31 December 2021, 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.

34. LEASES LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	**2,281**	1,817
Within a period of more than one year but not exceeding two years	**1,639**	1,860
Within a period of more than two years but not exceeding five years	**978**	1,454
Within a period of more than five years	**1,695**	1,987
	6,593	7,118
Less: Amount due for settlement with 12 months shown under current liabilities	**(2,281)**	(1,817)
Amount due for settlement after 12 months shown under non-current liabilities	**4,312**	5,301

The weighted average incremental borrowing rates applied to lease liabilities range from 3.3% to 8.6% (2021: from 4.1% to 6.2%.)

35. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	**–**	310
Deferred tax liabilities	**(2,070)**	(869)
	(2,070)	(559)

35. DEFERRED TAX LIABILITIES (Continued)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	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 2021	–	–	–
Deferred tax (charged) credited to profit or loss during the year (Note 14)	(869)	310	(559)
At 31 December 2021 and 1 January 2022	(869)	310	(559)
Deferred tax charged to profit or loss during the year (Note 14)	(1,201)	(310)	(1,511)
At 31 December 2022	(2,070)	–	(2,070)

At the end of the reporting period, the Group has unused tax losses of approximately HK$759,657,000 (2021: approximately HK$662,991,000 available for offset against future profits.

35. DEFERRED TAX LIABILITIES (Continued)

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 PRC. A lower withholding tax rate may be applied if there is tax treaty between PRC 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 PRC.

At 31 December 2022, 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 PRC (2021: Nil). In the opinion of the Directors, 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 PRC for which deferred tax liabilities have not been recognised totaled approximately HK$7,984,000 (2021: HK$6,256,000) as at 31 December 2022.

36. SHARE CAPITAL

	Notes	**Number of shares in issue**	**Share capital** HK$'000
Issued and fully paid:			
At 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
Issue of ordinary shares in respect of rights issue	(c)	378,841,666	94,710
Transaction costs attributable to rights issue		–	(542)
Placing of new shares	(c)	16,911,112	4,228
Transaction costs attributable to placing		–	(90)
At 31 December 2022		**1,187,258,334**	**2,875,800**

36. SHARE CAPITAL (Continued)

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.

(c) As disclosed in the prospectus of the Company dated 26 January 2022 and the circular of the Company dated 8 December 2021,

(i) the Company proposed a rights issue on the basis of one rights share for every two existing shares held by shareholders of the Company on 25 January 2022 as record date at a subscription price of HK$0.25 per rights share (the "Rights Issue");

(ii) the Company entered into a placing agreement (the "Placing Agreement") with DT Securities & Futures Co. Limited (the "Placing Agent"), pursuant to the Placing Agreement, the Placing Agent conditionally agreed to act as the Placing Agent for the Company to procure, on a best effort basis, independent placees to subscribe for the placing shares (i.e. the untaken shares during the Rights Issue and the excluded shareholder(s) unsold rights shares) (the "Placing Share(s)") at the placing price of HK$0.25 per Placing Share on the terms and subject to the conditions set out in the Placing Agreement (the "Placing").

The Rights Issue and the Placing was completed on 2 March 2022, 378,841,666 ordinary shares were issued under the Rights Issue and 16,911,112 ordinary shares were issued under the Placing.

The net proceeds from the Rights Issue and the Placing are approximately HK$98,306,000. The Company has applied and will apply the net proceeds of the Rights Issue and the Placing in the following manner: (i) approximately HK$80,000,000 for the business development of the photovoltaic power generation sector to develop and secure more solar photovoltaic system projects of the Group 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.

Details of the Rights Issues and the Placing were set out in the announcements of the Company dated 16 November 2021, 2 December 2021, 26 January 2022, 27 January 2022, 21 February 2022, 3 March 2022 and the prospectus of the Company dated 26 January 2022 and the circular of the Company dated 8 December 2021.

All the shares which were issued during the years ended 31 December 2022 and 31 December 2021 rank pari passu with the then existing shares in all respects.

37. SHARE OPTION SCHEME

2012 Share Option Scheme

The Company operated a share option scheme (the "Scheme") which was effective from 30 May 2012 with 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$5,000,000, 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.

2022 Share Option Scheme

In light of the Scheme was due to expire on 30 May 2022, the Board had proposed to adopt a new share option scheme ("2022 Share Option Scheme"), which was passed via ordinary resolutions at the annual general meeting held on 6 June 2022. The 2022 Share Option Scheme is effective from 6 June 2022 and remains valid for a period of 10 years from 6 June 2022 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 2022 Share Option Scheme is 118,725,833, representing 10% of the number of ordinary shares of the Company in issue as at 31 December 2022. The maximum number of shares issuable under share options to each eligible participant in the 2022 Share Option 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.

37. SHARE OPTION SCHEME (Continued)

2022 Share Option Scheme (Continued)

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$5,000,000, 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 2022 Share Option Scheme at any time during a period not exceeding ten 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 share option scheme during the years ended 31 December 2022 and 2021, and no share options were outstanding as at 31 December 2022 and 2021.

38. ACQUISITION OF A SUBSIDIARY

On 31 May 2021, First Gain and the Vendor, entered into sales and purchase agreement pursuant to which the Vendor conditionally agreed to sell and First Gain conditionally agreed to purchase an aggregate of 100% equity interest in SinoPower at the consideration of HK$8,000,000, consists of the repayment of outstanding payable to the Vendor and SinoPower's supplier owed by SinoPower of approximately HK$7,195,000. The consideration of approximately HK$805,000 was settled in cash. Through the acquisition, it will allow the Group to have better control of the new energy market of Hong Kong and its business strategy of gradually diversifying into an integrated new energy company with a focus on eco-friendly energy.

SinoPower is principally engaged in the operation of photovoltaic power business in Hong Kong. On 22 June 2021, the acquisition was completed. The acquisition has been accounted for as acquisition of business using the acquisition method.

38. ACQUISITION OF A SUBSIDIARY (Continued)

	2021 HK$'000
Cash	805
Settlement of trade payables and other payables and accruals on behalf of SinoPower	7,195
	8,000

Acquisition-related costs amounting to approximately HK$50,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2021, with the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

	Note	2021 HK$'000
Assets acquired and liabilities recognised at the date of acquisition:		
Property, plant and equipment		6,239
Right-of-use assets		925
Prepayments, deposits and other receivables		969
Cash and cash equivalents		1
Trade payables		(4,425)
Lease liabilities		(936)
Other payables and accruals		(2,814)
Total identifiable net liabilities at fair value		(41)
Settlement of trade payables and other payables and accruals on behalf of SinoPower		7,195
Goodwill on acquisition	18	846
Consideration		8,000

Goodwill arose on the acquisition of SinoPower because the acquisition included the solar energy projects in Hong Kong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of SinoPower	2021 HK$'000
Cash consideration paid	805
Less: Cash and cash equivalents acquired	(1)
	804

38. ACQUISITION OF A SUBSIDIARY (Continued)

Impact of acquisition on the results of the Group

Included in the loss of the Group for the year ended 31 December 2021, additional business generated by SinoPower contributable profit of approximately HK$2,827,000. Revenue for the year ended 31 December 2021 includes approximately HK$24,503,000 generated from SinoPower.

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 approximately HK$86,287,000 and approximately 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.

In determining the "pro-forma" revenue and loss of the Group had SinoPower been acquired at the beginning of the current year, the Directors calculated depreciation of property, play and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

39. ACQUISITION OF INTEREST IN A SUBSIDIARY WITHOUT CHANGE OF CONTROL

On 4 November 2022, the Group further acquired 49% registered capital of Chongqing Jinniao Xinwei Supply Chain Management Co., Ltd.* （重慶金鳥信維供應鏈管理有限公司） ("Chongqing Jinniao Xinwei"), a subsidiary of the Group, from Kairui (Shenzhen) Investment Enterprise (Limited Partnership)* (楷睿（深圳）投資企業（有限合夥）), the non-controlling shareholder of Chongqing Jinniao Xinwei, at Nil consideration.

This resulted in an increase in the Group's equity interest in Chongqing Jinniao Xinwei from 51% to 100%. Approximately RMB169,000 (equivalent to approximately HK$198,000) representing the amounts of the interest acquired of Chongqing Jinniao Xinwei was recognised in other reserve.

A schedule of the effect of acquisition of interest in a subsidiary without change of control is as follow:

	2022 HK$'000
Carrying amount of non-controlling interests acquired	(198)

40. MAJOR NON-CASH TRASNASCTIONS

During the year, the Group entered into new lease agreements for the use of leased properties for 2 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of HK$303,000 (2021: HK$6,173,000) respectively.

During the year, the Group entered into new lease agreements for the use of building roofs for 5 to 11 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of HK$3,584,000 (2021: HK$Nil) respectively.

* *For identification purpose only*

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans HK$'000	**Other loans** HK$'000	**Convertible notes** HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
At 1 January 2021	–	286,627	49,328	3,863	339,818
Changes from financing cash flows:					
New borrowing raised	4,001	22,407	–	–	26,408
Repayment of other loans	–	(6,300)	–	–	(6,300)
Repayment of lease liabilities	–	–	–	(2,215)	(2,215)
Interest paid	–	–	(2,033)	–	(2,033)
Interest paid classified as operating cash flows	(331)	–	–	–	(331)
	3,670	16,107	(2,033)	(2,215)	15,529
Non-cash changes					
Conversion of convertible notes into ordinary shares during the year	–	–	(48,684)	–	(48,684)
Acquisition of subsidiaries	–	–	–	936	936
New leases	–	–	–	6,173	6,173
Finance costs	331	49,673	1,389	241	51,634
Disposals	–	–	–	(1,953)	(1,953)
Exchange adjustment	–	9,827	–	73	9,900
	331	59,500	(47,295)	5,470	18,006
At 31 December 2021	4,001	362,234	–	7,118	373,353
Changes from financing cash flows:					
New borrowing raised	3,219	–	–	–	3,219
Repayment of lease liabilities	–	–	–	(2,922)	(2,922)
Interest paid classified as operating cash flows	(256)	(460)	–	–	(716)
Repayment of other loans	–	(15,540)	–	–	(15,540)
	2,963	(16,000)	–	(2,922)	(15,959)
Non-cash changes					
New leases	–	–	–	3,887	3,887
Reversal of overprovision of finance cost	–	(264,166)	–	–	(264,166)
Finance costs	280	50,565	–	341	51,186
Disposals	–	–	–	(2,156)	(2,156)
Accruals	(24)	–	–	–	(24)
Exchange adjustment	–	(21,719)	–	325	(21,394)
	256	(235,320)	–	2,397	(232,667)
At 31 December 2022	7,220	110,914	–	6,593	124,727

42. CAPITAL COMMITMENTS

	2022 HK$'000	2021 HK$'000
Capital expenditures in respect of the acquisition of the followings contracted for but not provided in the consolidated financial statements:		
Plant and machinery	26,457	4,903
Equity interest of entity (Note a)	1,692	1,839
Acquisition of an entity (Note b)	1,445	1,445
	29,594	8,187

Notes:

(a) At 31 December 2022, the Group had a capital commitment of HK$1,692,000 (2021: HK$1,839,000) in respect of the acquisition of a 30% equity interest in Inner Mongolia Liaoyuan Coal Co., Ltd* (內蒙古燎原煤有限公司) ("Inner Mongolia"), an entity established in the PRC, which is contracted, but not provided for. Pursuant to the relevant disposal agreements in connection with the disposal of Magic Field International Limited ("Magic Field") to Jumbo Talent Group Limited ("Jumbo Talent"), an independent third party, (the "Disposal Agreement") which was completed on 26 June 2015:

(i) the disposed Magic Field and its subsidiaries (collectively, the "Magic Field Group") would undergo an equity interest restructuring (the "Equity Interest Restructuring") pursuant to which Jumbo Talent and Ordos Hengtai Coal Co., Limited* (鄂爾多斯市恒泰煤炭有限責任公司) ("Ordos Hengtai") would complete the transfer of the 30% equity interest in Inner Mongolia to the Group at a consideration of RMB1.5 million and charge the coal mining right owned by Inner Mongolia to the Group within 10 years after the completion of the Disposal Dgreements (the "Deadline");

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

(iii) if Jumbo Talent and Ordos Hengtai cannot complete the Equity Interest Restructuring and the charge of Inner Mongolia's coal mining rights by the Deadline, Jumbo Talent or Ordos Hengtai would pay a sum of RMB100 million to the Company within 2 business days after the Deadline.

(b) At 31 December 2022, the Group had a capital commitment of HK$1,445,000 (2021: HK$1,445,000) in respect of the acquisition of 34% equity interest in China Enterprise Financial Holdings Company Limited ("China Enterprise"), an entity established in HK, which is contracted, but not provided for. Pursuant to the relevant sales and purchase agreement, the cosideration is HK$2,890,000 plus 34% of the net asset values of China Enterprise as at 31 May 2020.

43. RELATED PARTY DISCLOSURES

(a) Other than disclosed 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

The remuneration of the Directors and other members of key management during the years were:

	2022 HK$'000	2021 HK$'000
Short-term employee benefits	8,026	7,906
Post-employment benefits	83	72
	8,109	7,978

The remuneration of the Directors and other members of key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

44.1 General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place of incorporation/ Principal place of operation	Paid-up share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			2022		2021		2022		2021		
			Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	
Million Grow Investments Limited ("Million Grow") (Note (c))	British Virgin Islands ("BVI")/BVI	Ordinary share of US$57,404	–	50	–	50	–	50	–	50	Investment holding
Fujian Leixin Mining Company Limited* 福建磊鑫礦業有限公司 ("Fujian Leixin") (Notes (a) and (d))	PRC/PRC	Paid up capital of RMB59,600,000	–	50	–	50	–	50	–	50	Investment holding
Fu'an City Leixin Mining Company Limited* 福安市磊鑫礦業有限公司 ("Fu'an Leixin") (Notes (a) and (d))	PRC/PRC	Paid up capital of RMB10,000,000	–	50	–	50	–	50	–	50	Mining and sale of silver
Zherong County Leixin Mining Company Limited* 柘榮縣磊鑫礦業有限公司 ("Tuorong Leixin") (Notes (a) and (d))	PRC/PRC	Paid up capital of RMB20,500,000	–	42	–	42	–	42	–	42	Silver mine exploration
Craton Alpha LLC	USA/USA	Ordinary share of US$10,000,000	–	100	–	100	–	100	–	100	Extraction, production and sale of oil and gas
Beijing Qingrui Financial Leasing Company Limited* 北京青瑞融資租賃有限公司 (Note (b))	PRC/PRC	Paid up capital of US$2,000,000 and unpaid registered capital of US$8,000,000	100	–	100	–	100	–	100	–	Provision of finance leasing service
Qingrui International Finance Leasing Company Limited* 青瑞國際融資租賃有限公司 (Note (b))	PRC/PRC	Paid up capital of RMB60,000,000 and unpaid registered capital of RMB140,000,000	100	–	100	–	100	–	100	–	Provision of finance leasing service
Qingrui Commercial Factoring Company Limited* 青瑞商業保理有限公司 (Note (b))	PRC/PRC	Paid up capital of RMB167,000,000 and unpaid registered capital of RMB33,000,000	100	–	100	–	100	–	100	–	Provision of factoring service

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

44.1 General information of subsidiaries (Continued)

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below: (continued)

Name of subsidiaries	Place of incorporation/ Principal place of operation	Paid-up share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			2022		2021		2022		2021		
			Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	
King Stone Energy (Singapore) Co. Pte. Ltd.	Singapore/ Singapore	Ordinary share of SG$1	100	–	100	–	100	–	100	–	Trading of commodities
King Stone Group Trading Company Limited	HK/HK	Ordinary share of HK$100	100	–	100	–	100	–	100	–	Trading of commodities
Chongqing Golden Bird Xinwei Supply Chain Management Company Limited* 重慶金鳥信維供應鏈管理有限公司 ("Chongqing Jinniao"). (Notes (a) & (f))	PRC/PRC	Paid up capital of RMB1,000,000 and unpaid registered capital of RMB49,000,000	–	100	–	51	–	100	–	51	Trading of commodities
Beijing Hai Yun De Te Tourism Investment Development Company Limited* 北京海雲得特旅遊投資發展有限公司 ("Haiyundete Tourism") (Note (a))	PRC/PRC	Paid up capital of RMB500,000 and unpaid registered capital of RMB500,000	–	60	–	60	–	60	–	60	Provision of tourism services
Beijing Huan Yu Zun Cheng International Travel Agency Company Limited* 北京寰宇尊程國際旅遊有限公司 ("Beijing Huanyu") (Note (a))	PRC/PRC	Paid up capital of RMB2,000,000 and unpaid registered capital of RMB48,000,000	–	60	–	60	–	100	–	100	Provision of tourism services
Chengde Shuntian Photovoltaic Power Generation Company Limited* 承德順天光伏發電有限公司 ("Chengde Shuntian") (Note (a))	PRC/PRC	Unpaid registered capital of RMB10,000,000	–	76	–	76	–	85	–	85	Operation of photovoltaic power business

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

44.1 General information of subsidiaries (Continued)

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below: (continued)

Name of subsidiaries	Place of incorporation/ Principal place of operation	Paid-up share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			2022		2021		2022		2021		
			Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	
SinoPower Solar Investment Company Limited (Note (e))	HK/HK	Ordinary share of HK$100,000	-	100	-	100	-	100	-	100	Operation of photovoltaic power business
Hunan Chente Agricultural Development Company Limited* 湖南晨特農業發展有限公司 ("Hunan Chente") (Notes (a) and (g))	PRC/PRC	Paid up capital of RMB755,000 and unpaid registered capital of RMB1,245,000	-	51	-	-	-	51	-	-	Trading of fruits
King Stone Solar Energy Technology Company Limited (Note (g))	HK/HK	Ordinary share of HK$100	-	51	-	51	-	51	-	51	Operation of photovoltaic power business
Billion Smart Energy Co. Limited (Note (h))	HK/HK	Ordinary share of HK$10,000	-	100	-	-	-	100	-	-	Operation of photovoltaic power business
Solar Farm Investment Limited (Note i)	HK/HK	Ordinary share of HK$100	-	85	-	-	-	85	-	-	Operation of photovoltaic power business
King Stone Solar Farm Limited (Note (g))	HK/HK	Ordinary share of HK$100	-	51	-	51	-	51	-	51	Operation of photovoltaic power business

* *For identification purpose only*

* *For identification purpose only*

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

44.1 General information of subsidiaries (Continued)

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below: (continued)

Notes:

(a) Registered as limited liability companies under PRC law

(b) Registered as wholly-foreign-owned enterprises under PRC law

(c) 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.

(d) Subsidiaries of Million Grow

(e) Acquired during the year ended 31 December 2021. Details are disclosed in Note 38.

(f) Acquisition of interest in a subsidiary without change of control during the year ended 31 December 2022. Details are disclosed in Note 39.

(g) Incorporated during the year ended 31 December 2021.

(h) Acquired during the year ended 31 December 2022.

(i) Incorporated during the year ended 31 December 2022.

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.

None of the subsidiaries had issued any debt securities at the end of the year.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

44.1 General information of subsidiaries (Continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the BVI, the PRC and Hong Kong. The principal activities of these subsidiaries are summarised as follows:

		Principal place of business	
Number of subsidiaries	**Principal activities**	**2022**	2021
Investment holding	BVI	**7**	7
	Hong Kong	**4**	4
	Japan	**1**	1
	Singapore	**1**	1
	PRC	**5**	5
		18	18
Operation of photovoltaic power business	Hong Kong	**2**	2
Inactive	BVI	**4**	3
	Hong Kong	**2**	2
	PRC	**6**	3
		12	8

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

44.2 Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows the details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Place and incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Total comprehensive income (expense) allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Million Grow	BVI and PRC	**50%**	50%	**99,858**	(33,636)	**110,525**	(39,385)	**(60,958)**	(171,483)
Individually immaterial subsidiaries with non-controlling interests				**(798)**	(39)	**(1,050)**	45	**448**	1,300
				99,060	(33,675)	**109,475**	(39,340)	**(60,510)**	(170,183)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Million Grow Group

	2022 HK$'000	2021 HK$'000
Current assets	**95,790**	70,908
Non-current assets	**58,407**	63,546
Current liabilities	**(271,201)**	(471,925)
Equity attributable to owners of the Company	**(56,046)**	(165,988)
Non-controlling interest of Million Grow Group	**(60,958)**	(171,483)

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

44.2 Details of non-wholly-owned subsidiaries that have material non-controlling interests (Continued)

Million Grow Group (Continued)

	2022 HK$'000	2021 HK$'000
Revenue	**136**	12,813
Other income and gains	**264,180**	39
Expenses	**(64,519)**	(78,738)
Profit/(loss) for the year	**199,797**	(65,886)
Profit/(loss) attributable to owners of the Company	**99,939**	(32,250)
Profit/(loss) attributable to non-controlling interests of Million Grow Group	**99,858**	(33,636)
Profit/(loss) for the year	**199,797**	(65,886)
Other comprehensive income/(expense) attributable to owners of the Company	**10,004**	(3,475)
Other comprehensive income/(expense) attributable to non-controlling interests of Million Grow Group	**10,667**	(5,749)
Other comprehensive income/(expense) for the year	**20,671**	(9,224)
Total comprehensive income/(expense) attributable to owners of the Company	**109,943**	(35,725)
Total comprehensive income/(expense) attributable to non-controlling interests of Million Grow Group	**110,525**	(39,385)
Total comprehensive income/(expense) for the year	**220,468**	(75,110)
Dividends paid to non-controlling interest of Million Grow Group	**–**	–
Net cash (outflow)/inflow from operating activities	**(13,554)**	4,817
Net cash (outflow)/inflow from investing activities	**(183)**	10
Net cash outflow from financing activities	**(1,998)**	(1,967)
Net cash (outflow)/inflow	**(15,735)**	2,860

45. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

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 loans, other loans and lease liabilities. The gearing ratios as at the end of the reporting periods were as follows:

	2022 **HK$'000**	2021 HK$'000
Trade payables	**15,567**	7,291
Other payables and accruals	**28,046**	33,618
Bank loans	**7,220**	4,001
Other loans	**110,914**	362,234
Lease liabilities	**6,593**	7,118
Total debts	**168,340**	414,262
Total equity attributable to owners of the Company	**415,952**	211,577
Gearing ratio	**40%**	196%

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
FVTPL		
Mandatorily measured at FVTPL		
– Held-for-trading	**11,687**	–
Equity investments at FVTOCI	**81**	81
Loan and receivables (including cash and cash equivalents):		
– Lease, factoring and trade receivables	**93,003**	104,575
– Contract assets	**–**	11,566
– Loan receivables	**–**	–
– Deposits and other receivables	**77,032**	128,606
– Restricted bank balance	**361**	360
– Cash and cash equivalents	**79,764**	84,967
	250,160	330,074
	261,928	330,155
Financial liabilities		
At amortised cost:		
– Trade payables	**15,567**	7,291
– Other payables and accruals	**20,057**	22,889
– Bank loans	**7,220**	4,001
– Other loans	**110,914**	362,234
– Lease liabilities	**6,593**	7,118
	160,351	403,533

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity investments at FVTOCI, lease, factoring and trade receivables, loan receivables, deposits and other receivables, restricted bank balance, cash and cash equivalents, trade payables, other payables and accruals, bank loans, other loans and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

46. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease receivables bank loans, other loans and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate factoring receivables, restricted bank balance, bank balances and bank loans. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on the three-year lending rate promulgated by the People's Bank of China arising from the Group's RMB factoring receivables and Hong Kong Interbank Offered Rate arising from the Group's Hong Kong dollar denominated bank loans. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Total interest income from financial assets that are measured at amortised cost:

	2022 **HK$'000**	2021 HK$'000
Financial assets at amortised cost	**543**	6,865

Interest expense on financial liabilities not measured at FVTPL:

	2022 **HK$'000**	2021 HK$'000
Financial liabilities at amortised cost	**51,186**	51,634

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The 100 basis point (2021: 100 basis points) increase or decrease in factoring receivables, a 100 basis points (2021: 100 basic points) increase or decrease in variable-rate bank balances and a 100 basis point (2021: 100 basis points) increase or decrease in variable-rate bank loans are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 100 basis points higher (lower) and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would have been increased (decreased) by approximately HK$30,000 (2021: post-tax loss decreased (increased) by HK$1,481,000).

46. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of reporting period, that are denominated in currencies other than the functional currency of the relevant group entities, are as follows:

	Liabilities		Assets	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
USD	**–**	–	**12,471**	16,388
RMB	**–**	–	**17,680**	6,526

The Group currently does not have any policy to hedge its exposure to currency risk.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) change in HK$ against the respective foreign currencies 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rates. A positive number below indicates an increase (decrease) in post-tax profit (2021: decrease (increase) in post-tax loss) where HK$ weaken against the respective foreign currencies. For a 5% (2021: 5%) strengthening of HK$ against the relevant currency, there would be an equal and opposite impact on the post-tax profit (loss) and the balances below would be negative.

	USD impact		RMB impact	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Increase (decrease) in post-tax profit (2021: decrease (increase) in post-tax loss)	**624/(624)**	819/(819)	**884/(884)**	326/(326)

46. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL and FVTOCI. For equity securities measured at FVTPL quoted in The Stock Exchange of Hong Kong Limited, the management of the Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group also invested in certain unquoted equity securities for investees operating in investment industry sector for long term strategic purposes which had been designated as FVTOCI. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments had been 10% (2021: 10%) higher/lower, the post-tax profit for the year ended 31 December 2022 would increase/decrease by HK$910,000 (2021: Nil) as a result of the changes in fair value of investments at FVTPL.

(c) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposure are primarily attributable to lease, factoring and trade receivables, loan receivables, deposits and other receivables, restricted bank balance and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment are summarised as below:

Lease, factoring and trade receivables

Credit sales are made to selected customers with good credit history. The Group reviews the credit terms of lease, factoring and trade receivables from time to time and allows credit terms to well-established customers 30 to 90 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by management. In this regard, the Directors consider that the Group's credit risk is reduced.

At 31 December 2022, lease, factoring and trade receivables from the largest customers and five largest customers amounting to approximately HK$37,225,000 (2021: HK$Nil) and approximately HK$37,225,000 (2021: approximately HK$18,699,000) respectively, representing approximately 16% (2021: 0%) and 16% (2021: approximately 8%) of the total gross lease, factoring and trade receivables, respectively.

46. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk and impairment assessment (Continued)

Lease, factoring and trade receivables (Continued)

At 31 December 2022, the Group's concentration of credit risk by geographical location is in the PRC as 83% (2021: 100%) of total gross lease, factoring and trade receivables are arisen in the PRC.

In addition, the Group performs impairment assessment under ECL model on lease, factoring and trade receivables with significant balances and credit-impaired individually and/or collectively. Except for items that are subject to individual evaluation, which are assessed for individually, the remaining lease, factoring and trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to the Group's internal credit ratings. Impairment loss on lease, factoring and trade receivable approximately HK$29,423,000 (2021: reversal of impairment loss of approximately HK$44,702,000) is recognised based on the provision matrix during the year. Details of the quantitative disclosures are set out below in this note.

Contract assets

For contract assets, the Group performs impairment assessment under ECL model on contract assets with significant balances individually. Credit risk on contract assets is limited because the counterparties is PRC government with high credit ratings assigned by international credit agencies. Based on the average loss rates, the ECL on contract assets is considered to be insignificant and therefore no loss allowance was recognised.

Loan receivables

The Directors estimates the loss rates of loan receivables based on past due status of the debtors.

Restricted bank balance/bank balances

Credit risk on restricted bank balance and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12 ECL on bank balances is considered to be insignificant and therefore no loss allowance was recognised.

Deposits and other receivables

For deposits and other receivables, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised based on significant increases in the likelihood or risk of a default occurring since initial recognition. The Directors make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

Reversal of impairment loss, net of impairment loss, of approximately HK$83,084,000 (2021: impairment loss, net of reversal, of approximately HK$47,386,000,000) is recognised during the year.

46. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Lease, factoring and trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL- not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL- not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL- not credit-impaired	Lifetime ECL- not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL- credit-impaired	Lifetime ECL- credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

46. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2022	**Notes**	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount**	
					HK$'000	**HK$'000**
Financial assets at amortised costs						
Lease, factoring and trade receivables	25	N/A	(Note 2)	12m ECL	**60,323**	
				Lifetime ECL (credit-impaired)	**168,817**	**229,140**
Deposits and other receivables	27	N/A	(Note 1)	12m ECL	**68,806**	
				Lifetime ECL (credit-impaired)	**33,668**	**102,474**
Restricted bank balance	29	A1	N/A	12m ECL		**361**
Bank balances	29	AAA-Baa3	N/A	12m ECL		**79,651**

2021	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					HK$'000	HK$'000
Financial assets at amortised costs						
Contract assets	23	N/A	N/A	12m ECL		11,566
Lease, factoring and trade receivables	25	N/A	(Note 2)	12m ECL	24,335	
				Lifetime ECL (credit-impaired)	197,188	221,523
Loan receivables	26	N/A	(Note 2)	Lifetime ECL (credit-impaired)		32,339
Deposits and other receivables	27	N/A	(Note 1)	12m ECL	62,198	
				Lifetime ECL (credit-impaired)	179,752	241,950
Restricted bank balance	29	A1	N/A	12m ECL		360
Bank balances	29	AAA-Baa3	N/A	12m ECL		84,882

46. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk and impairment assessment (Continued)

Notes:

1) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	**Not past due/No fixed repayment terms** HK$'000	**Total** HK$'000
2022			
Deposits and other receivables	**33,668**	**68,806**	**102,474**
2021			
Deposits and other receivables	179,752	62,198	241,950

2) For lease, factoring and trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines ECL on lease, factoring and trade receivables on a collective basis, grouped by shared credit risk characteristics.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for lease, factoring and trade receivables which are assessed on a collective basis within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of HK$168,817,000 as at 31 December 2022 (2021: HK$197,188,000) were assessed individually.

For the year ended 31 December 2022

Internal credit rating	**Gross amount**	**Average loss rate HK$'000**	**Net carrying amount HK$'000**
Lease receivables			
– Stage 1	**1,160**	**2.8%**	**1,128**
Factoring and management receivables			
– Stage 1	**7,318**	**2.8%**	**7,117**
Trade receivables			
– Stage 1	**51,845**	**2.0%**	**50,821**

46. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk and impairment assessment (Continued)

Notes:

2) (Continued)

For the year ended 31 December 2021

Internal credit rating	Gross amount	Average loss rate HK$'000	Net carrying amount HK$'000
Lease receivables			
– Stage 1	1,493	3.5%	1,441
Factoring and management receivables			
– Stage 1	3,788	2.4%	3,699
Trade receivables			
– Stage 1	19,054	1.3%	18,800

Note:

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

46. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk and impairment assessment (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The following tables shows the movement in lifetime ECL that has been recognised for lease, factoring and trade receivables under simplified approach:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2021	265	157,092	157,357
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses reversed	(166)	(49,153)	(49,319)
New financial assets originated or purchased	88	4,529	4,617
Exchange adjustments	207	4,086	4,293
As at 31 December 2021	**394**	**116,554**	**116,948**
Changes due to financial instruments recognised as at 1 January 2022:			
– Impairment losses recognised	**–**	**36,419**	**36,419**
– Impairment losses reversed	**(257)**	**(7,918)**	**(8,175)**
New financial assets originated or purchased	**1,179**	**–**	**1,179**
Exchange adjustments	**(59)**	**(10,175)**	**(10,234)**
As at 31 December 2022	**1,257**	**134,880**	**136,137**

46. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk and impairment assessment (Continued)

Changes in the loss allowance for lease, factoring and trade receivables are mainly due to:

	2022 Increase (decrease)	
	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired) HK$'000**
New lease, factoring and trade receivables	**1,179**	**–**
Settlement of lease, factoring and trade receivables	**(257)**	**(7,705)**
Further impairment made for credit-impaired lease, factoring and trade receivables	**–**	**36,419**

	2021 Increase (decrease)	
	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000
New lease, factoring and trade receivables	88	4,529
Settlement of lease, factoring and trade receivables	(166)	(49,153)

Following tables shows the reconciliation of loss allowance that has been recognised for loan receivables:

	Lifetime ECL (credit-impaired) HK$'000	**Total HK$'000**
At 1 January 2021	**32,326**	**32,326**
Changes due to financial instruments recognised as at 1 January 2021:		
Exchange adjustments	**13**	**13**
At 31 December 2021	**32,339**	**32,339**
Changes due to financial instruments recognised as at 1 January 2022:		
Written-off	**(32,342)**	**(32,342)**
Exchange adjustments	**3**	**3**
At 31 December 2022	**–**	**–**

46. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk and impairment assessment (Continued)

Following tables shows the reconciliation of loss allowance that has been recognised for deposits and other receivables:

	12m ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2021	1,932	59,952	61,884
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses recognised	1,100	46,211	47,311
– Impairment losses reversed	(9)	(293)	(302)
New financial assets originated or purchased	377	–	377
Exchange adjustments	139	3,935	4,074
At 31 December 2021	**3,539**	**109,805**	**113,344**
Changes due to financial instruments recognised as at 1 January 2022:			
– Transfer to credit-impaired	**(1,646)**	**1,646**	**–**
– Impairment losses recognised	**7**	**8,663**	**8,670**
– Impairment losses reversed	**(1,093)**	**(92,243)**	**(93,336)**
New financial assets originated or purchased	**1,582**	**–**	**1,582**
Exchange adjustments	**(694)**	**(4,124)**	**(4,818)**
At 31 December 2022	**1,695**	**23,747**	**25,442**

Changes in the loss allowance for deposits and other receivables are mainly due to:

	2022 Increase (decrease)	
	12m ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired) HK$'000**
Significant decrease in credit risk of a deposit paid for acquisition	**–**	**(49,841)**
Settlement in full of deposits and other receivables	**(884)**	**(42,245)**
Debtors defaulted	**–**	**8,663**
New deposits and other receivables	**1,582**	**–**

46. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk and impairment assessment (Continued)

	2021 Increase (decrease)	
	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000
Settlement in full of deposits and other receivables	(9)	(293)
Debtors defaulted	–	46,211
New deposits and other receivables	377	–

(d) Liquidity risk

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the and of the reporting period.

Liquidity tables	**Weighted average interest rate** %	**Within one year or on demand** HK$'000	**One to five years** HK$'000	**Over five years** HK$'000	**Total undiscounted cash flaws** HK$'000	**Carrying amounts** HK$'000
2022						
Trade payables	**N/A**	**15,567**	**–**	**–**	**15,567**	**15,567**
Other payables and accruals	**N/A**	**19,097**	**–**	**960**	**20,057**	**20,057**
Bank loans						
– fixed rates	**7.0**	**5,652**	**–**	**–**	**5,652**	**5,652**
– variable rates	**8.7**	**1,568**	**–**	**–**	**1,568**	**1,568**
Other loans	**6.39-15.0**	**110,914**	**–**	**–**	**110,914**	**110,914**
Lease liabilities	**3.3-8.6**	**2,623**	**3,386**	**2,160**	**8,169**	**6,593**
		155,421	**3,386**	**3,120**	**161,927**	**160,351**
2021						
Trade payables	N/A	7,291	–	–	7,291	7,291
Other payables and accruals	N/A	21,973	–	916	22,889	22,889
Bank loan						
– fixed rates	7.0	4,001	–	–	4,001	4,001
Other loans	6.39-182.5	362,758	–	–	362,758	362,235
Lease liabilities	4.1-6.2	2,122	3,960	3,135	9,217	7,118
		398,145	3,960	4,051	406,156	403,462

46. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk (Continued)

Bank loans with a repayment on demand clause are included in the "within one year or on demand" time band in the above maturity analysis. As at 31 December 2022, the aggregate carrying amount of these bank loans amounted to approximately HK$7,220,000 (2021: approximately HK$4,001,000). Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their overriding rights to demand immediate repayment. The management believes that such bank loans will be repaid 2 to 4 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis – bank loans with a repayment on demand clause based on scheduled repayments				
	Within one year or on demand HK$'000	**One to five years HK$'000**	**Over five years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
2022					
Bank loan					
– Fixed rates	**396**	**6,050**	**–**	**6,446**	**5,652**
– Variable rates	**324**	**1,790**	**–**	**2,114**	**1,568**
	720	**7,840**	**–**	**8,560**	**7,220**
2021					
Bank loan					
– Fixed rates	280	4,562	–	4,842	4,001

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(e) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Directors are responsible to determine the appropriate valuation technique and inputs for fair value measurement.

46. FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurements of financial instruments (Continued)

In estimating the fair value, the Group uses market-observable data to the extent it is available. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets that are not measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technical(s) and inputs used).

Fair value hierarchy

	Level 1		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Financial assets at FVTPL				
– Listed equity securities at FVTPL	**11,503**	–	**11,503**	–
– Securities and commodities dealing at FVTPL	**184**	–	**184**	–
	11,687	–	**11,687**	–

	Fair value as at 31 December 2022	Fair value hierarchy	Valuation technique(s) and key inputs
Financial assets			
Listed equity securities at FVTPL	HK$11,503,000 (2021: HK$Nil)	Level 1	Quoted closing prices in an active market
Securities and commodities dealings at FVTPL	HK$184,000 (2021: HK$Nil)	Level 1	Quoted closing prices in an active market

There were no transfers between levels of fair value hierarchy during the years ended 31 December 2022 and 2021.

(ii) Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The Directors considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**46**	26
Right-of-use assets	**2,749**	4,320
Investments in subsidiaries	**121,947**	121,947
Prepayments, deposits and other receivables	**79,541**	33,335
	204,283	159,628
CURRENT ASSETS		
Prepayments, deposits and other receivables	**4,116**	2,776
Amounts due from subsidiaries	**133,304**	25,349
Financial assets at FVTPL	**365**	–
Cash and cash equivalents	**695**	4,222
	138,480	32,347
CURRENT LIABILITIES		
Other payables and accruals	**1,357**	2,695
Amounts due to subsidiaries	**17,146**	17,159
Lease liability	**1,587**	1,522
Other loan	**–**	12,232
	20,090	33,608
NET CURRENT ASSETS (LIABILITIES)	**118,390**	(1,261)
TOTAL ASSETS LESS CURRENT LIABILITIES	**322,673**	158,367
NON-CURRENT LIABILITY		
Lease liability	**1,233**	2,820
NET ASSETS	**321,440**	155,547
EQUITY		
Share capital	**2,875,800**	2,777,494
Reserves (note)	**(2,554,360)**	(2,621,947)
TOTAL EQUITY	**321,440**	155,547

The financial statements on pages 50 to 181 were approved and authorised for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

Zong Hao	**Xu Zhuliang**
Director	*Director*

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves:

	Equity investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 FVTOCI	2,256	–	2,256
Total comprehensive income (expense) for the year	2,256	(33,949)	(31,693)
Transfer of equity investment revaluation reserve upon the disposal of equity investments at FVTOCI	(646)	646	–
At 31 December 2021	–	(2,621,947)	(2,621,947)
Profit for the year	–	67,587	67,587
At 31 December 2022	**–**	**(2,554,360)**	**(2,554,360)**

48. COMPARATIVE FIGURES

During the year ended 31 December 2022, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prio year to achieve comparability with the current year's presentation. As a result, the following line items regarding comparative figures have been amended and adjusted, together with the related notes to conform to the current year's presentations:

	Previous reported HK$'000	Reclassification HK$'000	As restated HK$'000
Consolidated Statement of Financial Position			
Restricted bank balance	2,351	(1,991)	360
Cash and cash equivalents	82,976	1,991	84,967
Bank and other loans – current	362,234	4,001	366,235
Bank and other loans – non-current	4,001	(4,001)	–

49. PLEDGE OF ASSETS

The Group's bank loans had been secured by certain of the Group's assets and the carrying amounts of the respective assets are as follows:

	Note	2022 HK$'000	2021 HK$'000
Plant and equipment	16	**10,048**	5,267

50. RETIREMENT BENEFITS SCHEME

The Group operates a MPF scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5.0% of relevant payroll costs capped at HK$1,500 (2021: HK$1,500) per month to MPF scheme, in which the contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC and USA are members of the state-managed retirement benefits scheme operated by the government of PRC and USA. The subsidiaries in the PRC and USA are required to contribute a certain percentage of the payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total expense recognised in profit or loss of approximately HK$1,275,000 (2021: HK$1,184,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2022, contributions of approximately HK$283,000 (2021: HK$68,000) due in respect of the year ended 31 December 2022 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

51. EVENTS AFTER THE REPORTING PERIOD

On 21 December 2022, the Company, Liyanda Limited (the "Vendor") and Mr. Li Sheng (as the guarantor, being the beneficial owner of the Vendor) entered into a share purchase agreement in respect of the acquisition of 21% of the entire issued share capital of South Ray Investment Limited at a consideration of RMB70,000,000 (equivalent to approximately HK$78,967,000) which shall be settled by part of the deposit paid in prior year. The acquisition was completed on 9 January 2023 and South Ray Investment Limited has become an associate of the Company upon completion of the acquisition.

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				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**147,735**	85,978	51,268	18,067	23,553
PROFIT/(LOSS) BEFORE TAX	**209,397**	(75,544)	(299,200)	(146,278)	(227,419)
INCOME TAX (EXPENSE)/CREDIT	**(1,892)**	(991)	(897)	1,388	18,259
PROFIT/(LOSS) FOR THE YEAR	**207,505**	(76,535)	(300,097)	(144,890)	(209,160)
Attributable to:					
Shareholders of the Company	**108,445**	(42,860)	(268,935)	(88,404)	(143,308)
Non-controlling interests	**99,060**	(33,675)	(31,162)	(56,486)	(65,852)
	207,505	(76,535)	(300,097)	(144,890)	(209,160)

ASSETS, LIABILITIES AND EQUITY

	At 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**541,640**	473,092	465,764	641,487	754,650
TOTAL LIABILITIES	**(186,198)**	(431,698)	(395,969)	(294,142)	(262,664)
NET ASSETS	**355,442**	41,394	69,795	347,345	491,986
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**415,952**	211,577	200,638	441,093	531,596
NON-CONTROLLING INTERESTS	**(60,510)**	(170,183)	(130,843)	(93,748)	(39,610)
TOTAL EQUITY	**355,442**	41,394	69,795	347,345	491,986