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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00663)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "Board") of directors (the "Directors") of King Stone Energy Group Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2022 with comparative figures for the corresponding year in 2021 as follows:

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	*4*	**147,735**	85,978
Cost of sales		**(136,954)**	(62,463)
Gross profit		**10,781**	23,515
Other income and gains, net	*5*	**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		**53,661**	(2,684)
Reversal of finance cost		**264,166**	–
Other expenses, net	*7*	**(17,140)**	(25,463)
Share of losses of associates		**–**	(323)
Finance costs	*6*	**(51,186)**	(51,634)
PROFIT/(LOSS) BEFORE TAX	*8*	**209,397**	(75,544)

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Income tax expense	*9*	**(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)
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	*10*		(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		**77,638**	38,293
Right-of-use assets		**6,448**	6,931
Goodwill		**21,389**	21,389
Other intangible assets		**55,163**	59,874
Investment in an associate		**–**	–
Equity investments at fair value through other comprehensive income		**81**	81
Lease, factoring and trade receivables	*11*	**505**	1,057
Prepayments, deposits and other receivables		**79,541**	41,349
		240,765	168,974
CURRENT ASSETS			
Contract assets		**–**	11,566
Inventories		**11,348**	11,374
Lease, factoring and trade receivables	*11*	**92,498**	103,518
Loan receivables		**–**	–
Prepayments, deposits and other receivables		**105,217**	92,333
Financial assets at fair value through profit or loss		**11,687**	–
Restricted bank balance		**361**	360
Cash and cash equivalents		**79,764**	84,967
		300,875	304,118
CURRENT LIABILITIES			
Trade payables	*12*	**15,567**	7,291
Other payables and accruals		**27,086**	32,702
Bank and other loans		**118,134**	366,235
Lease liabilities		**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

	Note	**2022**	2021
	Note	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Other payables		**960**	916
Lease liabilities		**4,312**	5,301
Deferred tax liabilities		**2,070**	559
		7,342	6,776
NET ASSETS		**355,442**	41,394
EQUITY			
Share capital	*13*	**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		**(60,510)**	(170,183)
TOTAL EQUITY		**355,442**	41,394

NOTES:

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.

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

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.

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.

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

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

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.

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 in the consolidated financial statements, 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.

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.

4. REVENUE

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

	2022	2021
	HK$'000	*HK$'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.

4. **REVENUE** *(Continued)*

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**

4. REVENUE *(Continued)*

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

5. 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*

6. FINANCE COSTS

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

	2022	2021
	HK$'000	*HK$'000*
Interest on a bank loan	**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

7. OTHER EXPENSES, NET

	2022	2021
	HK$'000	*HK$'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

8. PROFIT/(LOSS) BEFORE TAX

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

	2022	2021
	HK$'000	*HK$'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):		
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.

9. INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'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	**1,511**	559
	1,892	991

9. INCOME TAX EXPENSE *(Continued)*

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.

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.

10. 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	2021
	HK$'000	*HK$'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)

	2022	2021
	'000	*'000*
Number of shares		(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 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.

11. LEASE, FACTORING AND TRADE RECEIVABLES

	Notes	2022 HK$'000	2021 HK$'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	*(e)*	**(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

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.

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

11. LEASE, FACTORING AND TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(b) The Group's factoring receivables arose from factoring services provided by the Group in its ordinary course of business. These factoring receivables bear interest at floating rates of the three-year lending rate promulgated by the People's Bank of China plus margin of up to 20% or at a fixed rate of 12% per annum, and are due for repayment between 2021 and 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	2021
	HK$'000	*HK$'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

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

11. LEASE, FACTORING AND TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(d) The Group's trading terms with its customers from the silver, oil and gas, photovoltaic power 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	2021
	HK$'000	*HK$'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

12. TRADE PAYABLES

	2022	2021
	HK$'000	*HK$'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.

12. TRADE PAYABLES *(Continued)*

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

	2022	2021
	HK$'000	*HK$'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.

13. 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

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.

13. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(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.

14. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 announcement, 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 announcement, projects of an aggregate power generation capacity of approximately 3,000 kW has been completed and sold to EPI.

As at date of this announcement, 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	2021
	HK$'000	*HK$'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 announcement.

(ii) Pursuant to the judgment of the second instance in respect of a claim for outstanding loan with principal amount of RMB5.5 million (equivalent to approximately HK$6.2 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 announcement.

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 announcement. 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.

DIVIDEND

The Board has resolved not to declare any dividend for the year ended 31 December 2022 (2021: nil).

PURCHASE, REDEMPTION OR SALE OF SECURITIES

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

CORPORATE GOVERNANCE CODE

The Company has complied with the provisions of its Code on Corporate Governance Practices (the "Code") which adopted practices that meet the requirements as set out in Appendix 14 to the Listing Rules during the year.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting procedure, risk management and internal controls systems of the Company. The Audit Committee comprises three independent non-executive directors, namely Mr. Chiu Sui Keung, Mr. Lee Ping and Mr. Lee Kwok Wan. The Audit Committee has reviewed the annual results for the year ended 31 December 2022.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's Auditor, Asian Alliance (HK) CPA Limited ("Asian Alliance"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Asian Alliance in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (https://663hk.com). The Company's 2022 annual report containing all the information as required by the Listing Rules will be published on the aforementioned websites and despatched to the shareholders of the Company in due course.

On behalf of the Board
King Stone Energy Group Limited
Xu Zhuliang
Chairman

Hong Kong, 31 March 2023

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