CST GROUP LIMITED
中譽集團有限公司

2019
ANNUAL REPORT

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 985)

CONTENTS

2	CHAIRMAN'S STATEMENT
4	PROJECT OVERVIEW
17	BIOGRAPHICAL DETAILS OF DIRECTORS
20	MANAGEMENT DISCUSSION AND ANALYSIS
28	DIRECTORS' REPORT
35	CORPORATE GOVERNANCE REPORT
47	INDEPENDENT AUDITOR'S REPORT
53	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
55	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
57	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
58	CONSOLIDATED STATEMENT OF CASH FLOWS
60	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
142	FINANCIAL SUMMARY
143	PARTICULARS OF PROPERTIES HELD BY THE GROUP
144	CORPORATE INFORMATION

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of CST Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I hereby report to our shareholders the results of the Group for the year ended 31 March 2019 (the "Year").

I hereby report that the Group recorded an increase in net loss for the Financial Year 2019. During the year ended 31 March 2019, the Group recorded a revenue of approximately US$66,710,000, an increase of approximately 105.79% compared to 2018 revenue of US$32,417,000. The increase in net loss was due to several factors, including the fact that the coal mining operation is still at ramping up stage and hence the overall operation costs are comparably high; the change of fair value of financial assets; and the reduction in the gain arising from the reversal of provision for an onerous contract regarding committed power supply expenses.

During the Year, the Group continued to develop its exploration, development and mining of mineral resources, investment in financial instruments, property investment and money lending businesses, all of which saw stable development. The Group also optimized its business structure to expand its mineral portfolio.

In terms of mining, since the completion of the acquisition of coal mine located in Canada ("CST Coal Mine") in July 2018, the management of CST Canada Coal Limited ("CST Coal"), a subsidiary of the Company, has been working diligently for the resumption of production at the CST Coal Mine. CST Coal has signed a contract with the Canadian National Railway Company for the transportation of its clean hard coking coal from the CST Coal Mine to Westshore Terminals for seaborne markets. With management's rich experience and expertise in conducting mining and investment in natural resources, the Group believes that The CST Coal Mine will provide a valuable opportunity to generate returns in the near future.

Besides, as oxide copper reserves in the Lady Annie mine site, Mount Isa district of north-western Queensland, Australia, are mostly depleted, the Group has been downscaling mining operations and intended to dispose the Australian copper mine business and sought to identify other high-quality investment opportunities across the globe to complement the Group's mining business. The Group believes that the disposal will enable the Group to realise cash thereby improving liquidity and working capital condition of the Group. The Group will further explore more business opportunities to facilitate long-term development and create value for our shareholders.

The Group also engaged in money lending. Money lending contributed stable cash flows and revenue growth to the Group. In the future, the Group will continue to adhere to a prudent and stable strategy to maintain a balance between business growth and risk management.

In terms of property investment, the Group's property investment in Scotland, Hong Kong and Mainland China are providing the Group with stable and recurrent rental income during the Year.

During the Year, market fluctuations due to the US-China trade war impacted the Group's investments in financial instruments, and this line of business subsequently experienced setback compared to last year. The change of fair value of securities investments caused loss. The overall securities market in Hong Kong was fluctuating due to the US-China trade war, global economic and political instability, and the Group adopted a prudent and stable strategy to adapt to subsequent market changes and rigorously monitored market risks.

Looking forward, the Group will diversify its investments to tap into new business opportunities, look for suitable investment opportunities to grow its existing business portfolio, and engage in new businesses with the potential to expand the Group's scale and total revenue while improving shareholder value.

On behalf of the Board, I would like to express my gratitude to our shareholders and business partners for their longstanding trust and continued support. I would also like to thank our staff for their long-term and unremitting efforts. I look forward to announcing more developments and achievements in the years to come.

Chiu Tao,
Chairman

27 June 2019

PROJECT OVERVIEW

THE LADY ANNIE OPERATIONS

PROJECT DESCRIPTION AND LOCATION

CST Minerals Lady Annie Pty Limited ("Lady Annie Operations" or "Lady Annie") comprises a copper mine and processing facility in North West Queensland, Australia. The mine is situated approximately 120km north-west of Mount Isa, the regional mining centre.

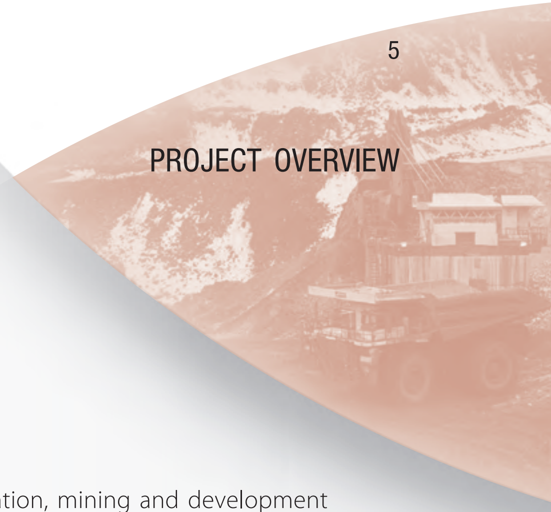
Lady Annie Operations is owned 100% by CST Group Limited (the "CST"). The mining operation consists of a number of open-pit deposits currently with suspension of mining activity and a heap leach facility. The existing leach pads are being managed to extract the maximum amount of residual copper from previously leached ore, and previously mined low-grade stockpiles are being machine stacked onto the heap leach pad. The resulting solution then undergoes solvent extraction and electrowinning in the adjacent processing plant to produce London Metal Exchange Grade A equivalent copper cathode.

CST Group holds approximately 1,670 km^2 exploration tenements in northwest Queensland, Australia and among those tenements there are 15 exploration permits being held by Lady Annie and 21 exploration permits are under CST Minerals Exploration Pty Ltd ("CSTEXP"), both companies are 100% owned by CST.

1. OPERATING RESULTS

The table below provides certain key operation information for Lady Annie Operations for the year ended 31 March 2019 (the "Year") and 31 March 2018 respectively.

Key operational information		2019	2018
Mined	Total material (tonnes)	–	–
	Ore (tonnes)	–	–
	Ore grade (copper %)	–	–
	Contained copper (tonnes)	–	–
Stacked	Ore (tonnes)	–	–
	Ore grade (copper %)	–	–
	Contained copper (tonnes)	–	–
Production	Copper cathode (tonnes)	**2,406**	1,882
Sales	Copper cathode (tonnes)	**2,296**	1,950
	Average price (US$/tonne)	**6,385**	6,424
	Revenue (US$'000)	**14,660**	12,527



The table below provides the expenditure of Lady Annie Operations on exploration, mining and development activities for the Year:

	US$'000
Administration	–
Camp expense	–
Consultancy and contractor expense	15
Staff cost	–
Tenement and mining leases fee	64
Others	87
Total	166

2. OPERATIONS UPDATE

Mining and ore crushing remain suspended for the reporting period and will only be entered back into when deemed economically viable. Stacking of low-grade stockpiled material from the Flying Horse and Lady Annie stockpile areas has taken place. A study was completed, and a small test leach pad was established which clearly indicated good economics around a successful low-grade dump leach being constructed and implemented.

Small scale leaching from existing heap leach pads continues and a rest rinse irrigation program has commenced to liberate the last of the copper metal from the ore.

Lady Annie Operations has produced 2,406 tonnes of copper cathode during the reporting period.

3. EXPLORATION

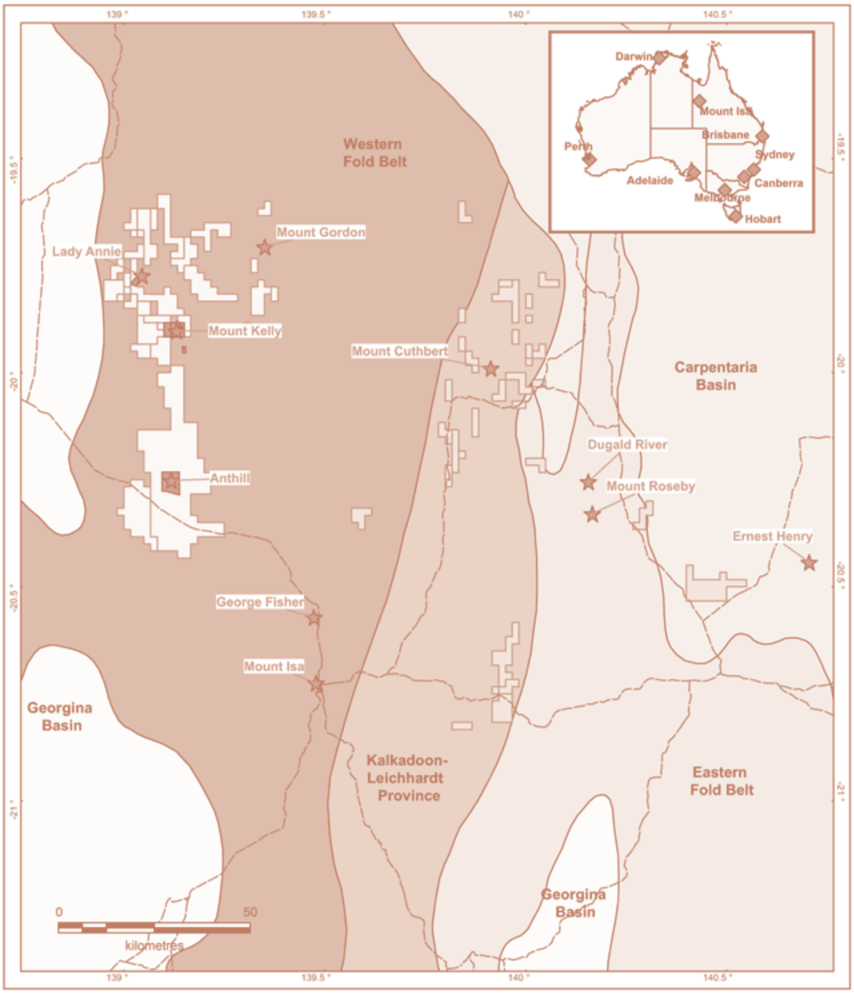
3.1 COMPETENT PERSON STATEMENT

The following information that relates to exploration results is based on information compiled by Mrs Lisa Orr ("Mrs Orr") MSc (Hons) Geology, who is a member of the Australasian Institute of Mining and Metallurgy. Mrs Orr is a contract employee of Lady Annie Operations and has sufficient experience which is relevant to the style of mineralisation under consideration to qualify as a competent person, as defined in the "Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code 2012 Edition). Mrs Orr consents to the inclusion in this section of the matters based on her information in the form and context in which it appears.

3.2 OVERVIEW OF EXPLORATION ACTIVITIES

Activity for the reporting period mainly focused on maintaining the integrity of the license portfolios held by Lady Annie and CSTEXP, both wholly-owned subsidiaries of CST. Lady Annie Operations holds the Lady Annie mining and processing operations, mining leases ("ML") and exploration permit for minerals ("EPM(s)") about the Lady Annie and Mount Kelly and Anthill ML's within the Western Fold Belt of the Mount Isa Inlier. CSTEXP holds exploration licenses in the eastern half of the Mount Isa Inlier. As at the 31 March 2019, Lady Annie held a total of 15 granted EPMs and CSTEXP held a total of 21 granted EPMs. No drilling carried out during the Year.

PROJECT OVERVIEW



Lady Annie ML

Lady Annie EPMs

Figure 1: CSTEXP EPMs with major deposits – Mount Isa Inlier.

3.3 EPM TRANSFER

Two exploration licenses EPM11919 and EPM25165 held by CSTEXP were sold to Mt Dockerell Mining Pty Ltd in October 2018 and CSTEXP retains 1.5% net smelter return royalty on each tenement.

3.4 APPLICATION FOR SURRENDER 8 EPMS

During the reporting period, Lady Annie relinquished 1 EPM and CSTEXP relinquished 7 EPMs that where considered to have had limited exploration potential due to the not satisfactory results from work completed, deep cover and/or the limited remaining size of the EPM area. A summary of the status for EPM relinquished is as follows:

Table 1: Status of Lady Annie License Surrenders 1 April 2018 to 31 March 2019

EPM	EPM Holder	Submitted	Approved	Expired	Comments
17312	CSTEXP	22 Apr 2018	6 July 2018	Yes	Surrender complete
17493	CSTEXP	22 Apr 2018	6 July 2018	Yes	Surrender complete
17495	CSTEXP	22 Apr 2018	5 July 2018	Yes	Awaiting landholder sign off rehabilitation report prior to EA surrender finalized
17497	CSTEXP	22 Apr 2018	5 July 2018	Yes	Surrender complete
17498	CSTEXP	22 Apr 2018	6 July 2018	Yes	Surrender complete
17531	CSTEXP	22 Apr 2018	5 July 2018	Yes	Surrender complete
18816	Lady Annie	16 Sept 2018	Partial EA Relinquishment (EA covers two EPMs – one EPM is still current)	Yes	Surrender complete
19820	CSTEXP	30 Oct 2018	13 Dec 2018	Yes	Surrender complete

PROJECT OVERVIEW

4. MINERAL RESOURCES AND RESERVES

Table 2: Lady Annie Mineral Resources by Deposit at 0.30% Cu cut off at end of December 2018

	Material	Measured				Indicated				Inferred				Total			
Deposit	Type	Mt	Cu%	Ca%*	Mg%*	Mt	Cu%	Ca%*	Mg%*	Mt	Cu%	Ca%*	Mg%*	Mt	Cu%	Ca%*	Mg%*
Anthill	Oxide	2.70	0.77	0.3	0.2	6.1	0.71	0.3	0.3	0.1	0.37	0.3	0.3	8.9	0.73	0.3	0.3
	Transition	0.30	0.90	5.8	3.3	1.8	0.76	5.6	3.2	0.3	0.47	5.5	3.3	2.4	0.74	5.6	3.2
	Sulphide	0.02	0.70	5.9	3.4	0.8	0.61	5.5	3.1	1.7	0.54	6.5	3.9	2.5	0.57	6.2	3.7
	Total**	**3.00**	**0.79**	**0.8**	**0.5**	**8.7**	**0.71**	**1.9**	**1.2**	**2.1**	**0.52**	**6.0**	**3.6**	**13.8**	**0.7**	**2.3**	**1.4**
Flying Horse	Oxide	0.82	0.51	0.7	0.6	0.62	0.44	0.6	0.6	0.01	0.34	0.1	0.1	1.45	0.48	0.6	0.6
	Transition	0.87	0.64	4.9	2.7	1.42	0.61	4.3	2.5	0.06	0.56	2.7	1.5	2.35	0.62	4.5	2.6
	Sulphide	0.95	1.16	5.1	2.9	5.75	0.85	5.9	3.4	4.01	0.77	5.2	3.1	10.71	0.85	5.5	3.2
	Total**	**2.64**	**0.79**	**3.6**	**2.1**	**7.79**	**0.77**	**5.2**	**3.0**	**4.08**	**0.77**	**5.1**	**3.1**	**14.51**	**0.77**	**4.9**	**2.9**
Lady Annie	Oxide	0.51	0.56	1.0	0.6	1.35	0.44	0.5	0.5	0.03	0.4	0.4	0.7	1.89	0.47	0.6	0.5
	Transition	1.94	0.68	8.0	4.7	3.33	0.83	8.1	4.9	0.12	0.57	9.2	5.8	5.39	0.77	8.1	4.8
	Sulphide	0.55	0.91	8.3	4.9	3.84	0.89	9.7	5.9	0.49	0.58	10.4	6.5	4.88	0.86	9.6	5.9
	Total**	**3.00**	**0.70**	**6.9**	**4.0**	**8.52**	**0.8**	**7.6**	**4.6**	**0.64**	**0.57**	**9.7**	**6.1**	**12.16**	**0.76**	**7.5**	**4.6**
Lady Brenda	Oxide	0.66	0.49	1.1	0.7	3.2	0.43	1.1	0.8	0.16	0.35	2.2	1.4	4.02	0.44	1.2	0.8
	Transition	0.35	0.59	8.9	5.2	3.09	0.53	8.8	5.2	0.65	0.46	7.4	4.6	4.09	0.52	8.6	5.1
	Sulphide	0.02	0.42	2.6	1.3	0.45	0.56	10.4	6.2	0.37	0.45	7.1	4.2	0.84	0.51	8.7	5.2
	Total**	**1.03**	**0.52**	**4.0**	**2.3**	**6.74**	**0.48**	**5.2**	**3.2**	**1.18**	**0.44**	**6.6**	**4.0**	**8.95**	**0.48**	**5.3**	**3.2**
Lady Colleen	Oxide	–	–	–	–	0.1	0.63	1.0	0.4	0.1	0.52	0.7	0.3	0.2	0.58	0.9	0.4
	Transition	0.10	0.93	5.7	3.2	1.3	0.84	4.5	2.5	0.7	0.55	2.2	1.2	2.1	0.75	3.8	2.1
	Sulphide	0.10	1.08	0.7	0.4	1.9	1.14	6.1	3.3	3.6	0.75	3.5	2.0	5.6	0.89	4.4	2.4
	Total**	**0.10**	**1.00**	**3.3**	**1.9**	**3.3**	**1.01**	**5.3**	**2.9**	**4.4**	**0.72**	**3.2**	**1.8**	**7.9**	**0.84**	**4.1**	**2.3**
Mount Clarke	Oxide	0.15	0.46	0.4	0.6	0.35	0.43	0.2	0.5	0.02	0.48	0.3	0.8	0.52	0.44	0.3	0.5
	Transition	0.41	0.55	1.5	1.0	0.16	0.47	2.2	1.3	0.003	0.46	6.4	2.8	0.57	0.53	1.7	1.1
	Sulphide	0.36	0.61	1.2	0.8	0.69	0.57	1.9	1.2	0.5	0.55	2.4	1.4	1.55	0.57	1.9	1.2
	Total**	**0.92**	**0.56**	**1.2**	**0.8**	**1.2**	**0.52**	**1.5**	**1.0**	**0.52**	**0.55**	**2.4**	**1.4**	**2.64**	**0.54**	**1.6**	**1.0**
McLeod Hill	Oxide	–	–	–	–	–	–	–	–	0.48	0.35	–	–	0.5	0.35	–	–
	Transition	–	–	–	–	–	–	–	–	0.55	0.57	–	–	0.6	0.57	–	–
	Sulphide	–	–	–	–	–	–	–	–	0.39	0.56	–	–	0.4	0.56	–	–
	Total**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.42**	**0.49**	**–**	**–**	**1.4**	**0.49**	**–**	**–**
Swagman	Oxide	0.14	0.67	–	–	0.03	0.62	–	–	0.02	0.53	–	–	0.2	0.65	–	–
	Transition	–	–	–	–	0.07	0.6	–	–	0.04	0.45	–	–	0.1	0.55	–	–
	Sulphide	–	–	–	–	–	–	–	–	0.03	0.45	–	–	0.0	0.45	–	–
	Total**	**0.14**	**0.67**	**–**	**–**	**0.10**	**0.61**	**–**	**–**	**0.09**	**0.47**	**–**	**–**	**0.3**	**0.6**	**–**	**–**
Total	Oxide	4.98	0.66	0.5	0.4	11.75	0.58	0.6	0.5	0.92	0.38	0.5	0.4	17.65	0.59	0.5	0.4
	Transition	3.97	0.67	6.5	3.8	11.17	0.70	6.8	4.0	2.42	0.52	3.8	2.3	17.56	0.67	6.4	3.7
	Sulphide	2.00	0.98	5.0	2.9	13.43	0.86	6.9	4.1	11.09	0.69	4.8	2.9	26.52	0.8	5.9	3.5
	Total**	**10.95**	**0.72**	**3.5**	**2.1**	**36.35**	**0.72**	**4.8**	**2.9**	**14.43**	**0.64**	**4.4**	**2.6**	**61.73**	**0.7**	**4.5**	**2.7**

Notes: *Due to the sparseness of Ca and Mg assays the Ca and Mg estimates are indicative only.
**Totals may not add up due to rounding.

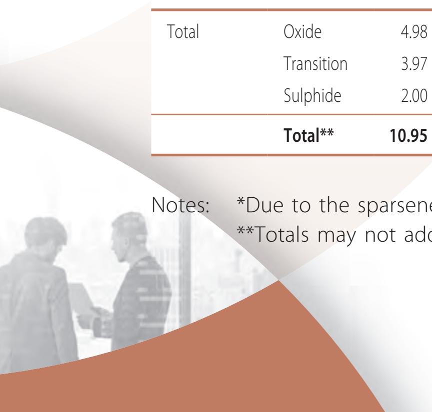


Table 3: Lady Annie Ore Reserves by Deposit at end of December 2018, including surface stockpiles

	Material	Proven			Probable			Total		
Deposit	**Type**	**kt**	**Cu%**	**Ca%***	**kt**	**Cu%**	**Ca%***	**kt**	**Cu%**	**Ca%***
Lady Annie	Oxide	7	0.66	0.5	13	0.85	0.6	21	0.78	0.5
	Transition	92	0.72	8.7	67	1.16	8.1	159	0.9	8.5
	Sub-total	**99**	**0.71**	**8.1**	**80**	**1.11**	**6.8**	**179**	**0.89**	**7.5**
Lady Brenda	Oxide	341	0.55	0.7	65	0.76	5.1	407	0.59	1.4
	Transition	65	0.76	5.1	145	0.78	5.9	210	0.77	5.6
	Sub-total	**407**	**0.59**	**1.4**	**210**	**0.77**	**5.6**	**617**	**0.65**	**2.9**
Mount Kelly	Oxide	237	0.66	0.3	79	0.5	0.4	315	0.62	0.3
	Transition	365	0.76	4	167	0.92	0.6	533	0.81	2.9
	Sub-total	**602**	**0.72**	**2.5**	**246**	**0.78**	**0.5**	**848**	**0.74**	**1.9**
ROM Stockpiles	Oxide	50	1.11	0.3	–	–	–	50	1.11	0.3
	Transition	30	1.70	6.0	–	–	–	30	1.70	6.0
	Total**	**80**	**1.36**	**2.7**	**–**	**–**	**–**	**80**	**1.36**	**2.7**
Total	Oxide	635	0.63	0.5	157	0.64	2.4	793	0.64	0.9
	Transition	552	0.81	5.0	379	0.91	4.0	932	0.85	4.6
	Total**	**1,187**	**0.72**	**2.63**	**536**	**0.83**	**3.5**	**1,725**	**0.75**	**2.9**

Notes: *Due to the sparseness of Ca assays the Ca estimates are indicative only.
**Totals may not add up due to rounding.

For further details on resources and reserves, a copy of the report "Mineral Resource and Ore Reserve Statement — April 2019" is posted on the website of the Company.

PROJECT OVERVIEW

CST COAL MINE

CST via its indirect non-wholly owned subsidiary CST Canada Coal Limited ("CST Coal") completed on 18 July 2018 (Alberta, Canada time) the acquisition of the mining assets of Grande Cache Coal LP. CST has a 88% interest in CST Coal.

1. OVERVIEW

The mining assets of CST Coal are located in West Central Alberta, Canada approximately 400 kilometres west of the City of Edmonton, the capital of the Province of Alberta in Canada. The mine site is approximately 20 kilometres north of the town of Grande Cache in the Municipal District of Greenview. It is accessed via Highway 40, a two-lane, paved provincial highway which connects the town of Grande Cache to the major, east-west provincial Highway 16. It is also serviced by a branch line of the Canadian National Railway ("CN"), which connects to the main east-west line of CN, allowing access to the major coal export terminals in British Columbia and the Great Lakes.

In Alberta, coal tenure is held through coal leases granted by the province. Surface and underground mining rights are also granted by the province first through a mine permit, then by a mine license for each individual mining area. CST Coal currently has approximately 29,968 hectares (ha) under coal lease.

2. OPERATIONS

Surface mining at No. 8 mine commenced in late August 2018 with half of the surface mining fleet and 2 crews. Recruitment and training of operators for the third and fourth crew are ongoing as at 31 March 2019 under a very competitive labour market environment. Rebuild of the haul trucks and other supporting equipment is undergoing as a major capital expenditure for 2019 so as to ramp up the mining operation. In the period from 18 July 2018 to 31 March 2019 a total of over 3.80 million bcm of waste was hauled to waste dumps and 361,251 tonnes of raw coal was hauled to the Run-of-Mine (ROM).

After testing and repairing the processing plant started in early September 2018 with one crew. In late January 2019, a second crew was added. A total of 348,939 tonnes of raw coal was fed into the plant and yielded 261,171 tonnes of clean hard coking coal (75% yield). A total of 250,378 tonnes of the clean hard coking coal ("HCC") was railed to the port in British Columbia, Canada for export sales.

The first sale of HCC occurred in December 2018 and a total of 145,272 tonnes were sold for the period from 18 July 2018 to 31 March 2019. As at 31 March 2019, CST Coal had 10,770 tonnes of HCC in transit to the port and had a stockpile of 94,336 tonnes at the port. Approximately 90,000 tonnes of HCC were sold subsequent to the period end in early April 2019. All sales have been to customers based in Asia.

For the period ended 31 March 2019, CST Coal recorded 3 loss time injuries and it has implemented safety policies and reviewing work procedure to improve safety.

CST Coal complied with all environmental and regulatory requirement during the period. During the period from 18 July 2018 to 31 March 2019, CST Coal did not have any exploration activities and did not incur any exploration expenditure as it dedicated its efforts to starting its operations. Exploration activities is planned to resume in the next financial year.

CST Coal is committed to maintaining a good relationship with the indigenous and community within its coal leases and in particular with those living in the town of Grande Cache and surrounding areas. There are regular meetings and updates with the indigenous groups the Aseniwuche Winewak Nation of Canada ("AWN") and the Métis Nation of Alberta ("MWA") who has members living in the area of Grande Cache Town.

CST Coal would like to extend our thanks to the indigenous groups AWN and MWA as well as the town of Grande Cache for their support of the restart and ramp-up of mining operations. We also would like to express our thanks to CN and the Westshore Terminals who have provided excellent logistic services during this challenging mine restart period.

3. PRODUCTION STATISTICS FOR THE PERIOD ENDED 31 MARCH 2019

		18 July 2018 to 31 March 2019
Mined	Waste mined (BCM)	3,815,000
	Raw coal to ROM (tonnes)	361,251
	Strip ratio (%)	10.6
Production	Breaker feed (tonnes)	348,939
	Breaker loss (tonnes)	(16,774)
	Bypass (tonnes)	34,876
	Plant feed (tonnes)	295,422
	Processed coal production (clean tonnes)	**261,171**
Sales	**Coal sold production (clean tonnes)**	**145,272**
Stockpile	**Clean coal at load out and port (tonnes)**	**115,899**

4. MINERAL RESOURCES AND RESERVES

4.1 COMPETENT PERSON

The information in this report that relates to Coal Resources or Coal Reserves is based on information reviewed or compiled by Brian Klappstein, a Competent Person who is a Member of a "Recognized Professional Organization" (RPO) included in a list that is posted on the Australian Securities Exchange website from time to time (Alberta Professional Engineers and Geoscientists Association).

Brian Klappstein has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Brian Klappstein consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Brian Klappstein, is a full-time employee of CST Coal. Brian Klappstein holds no securities, directly or indirectly related to CST Coal.

4.2 COAL RESERVES

4.2.1 Statement of Updated Coal Resources

Table 4 — Summary of Coal Resources, Measured, Indicated and Inferred, 31 March 2019

	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Raw Ash (% db)	Raw FSI
Surface Mining Area(2)						
No. 2 Area	61.4	23.2	6.3	90.9	26.6	5.0
No. 8 Area	34.7	7.4	0.7	42.8	23.2	5.0
No. 9 Area	38.2	70.6	27.5	136.3	21.9	5.0
No. 12 South B2 Area	2.6	1.0	0.5	4.1	14.4	3.1
No. 12 North Area	39.1	15.6	2.2	56.9	16.8	3.5
No. 16 Area	56.0	20.2	15.9	92.1	14.1	3.6
Total Surface Areas	**232.0**	**138.0**	**53.1**	**423.6**	**20.6**	**4.1**
Underground Area(4)						
No. 12 South B2 Area	2.7	5.2	—	7.9	13.9	3.0
No. 12 South A Area	25.3	39.5	3.3	68.1	14.9	3.0
No. 9 Area	108.2	33.6	20.1	161.9	21.7	5.0
Total Underground Area	**136.3**	**78.3**	**23.4**	**238.0**	**19.4**	**4.5**
Grand Total	**368.3**	**216.3**	**76.5**	**661.6**	**20.2**	**4.1**

Notes:

(1) Quality of all resources classified as Low Volatile Bituminous (ASTM).

(2) Surface mining resources are based on a 20:1 strip ratio cut-off and a 45-pit wall angle.

(3) No.12 South B2 surface resources are those remaining after the open pit reserves have been mined out.

(4) Underground resource estimated by CST Coal staff. Minimum depth of cover approximately 50m. Maximum underground extraction angle 30°; 20m buffer from faulting, 50m buffer from high walls.

(5) Coal resources are inclusive of the coal reserves.

(6) The updated resource estimates are effective 31 March 2019, and have been prepared and/or reviewed by Brian Klappstein, Professional Geologist, Alberta Association of Engineers and Geoscientists, and Competent Person.

(7) Rounding as required by reporting guidelines may result in apparent summation differences.

4.2.2 Surface Coal Reserves

No. 8 mine costs and productivity have been generated using a first principles model. All other surface reserve calculations are based on unit costs and productivity assigned based on historical data, converted into Canadian dollar ("CAD").

Pit designs are based on optimized cut-off strip ratio's that reflect the haul distance to the process plant, the geotechnical limitations of highwall and footwall design by resource areas. Capital area by area is calculated based on road development, tree clearing, coversoil stripping, powerline construction, water management infrastructure requirements unique to each surface mining resource area.

In general, loading unit productivity and hourly equipment costs are fixed with haul cycle times the most variable component is the floating component of surface mining. Haul cycle time estimates are done by pit by bench.

Overheads based on historically achieved annual basis costs.

4.2.3 Underground Coal Reserves

Underground reserve definition starts out with detailed mine layouts, the primary considerations for design being pillar size based on overburden depth in conjunction with coal seam thickness and maximum dip and cross-pitch along roadways.

The cost model for underground reserves is based on empirically derived unit costs and productivity for machine groups engaged in either road development or depillar operations. Roof support costs are based on designs which input roof strength estimates based on geotechnical analysis.

Overheads, including ventilation, costs are based on historically achieved costs on an annual basis.

4.2.4 Run of Mine Basis

Run-of-mine (ROM) reserve estimates are based on dilution and loss formulas generated from back analysis of previous surface and underground mining operation in-situ tonnages and ROM production streams. In-pit trench sampling, continuous ROM sampling and reconstruction of actual in-seam volumes mined in financial year 2019 are consistent with ROM modelling parameters used in this year and the 2017 Coal Resource and Coal Reserve Statement.

PROJECT OVERVIEW

4.2.5 Statement of Run-of-mine Coal Reserves

Table 5 — Summary of ROM Coal Reserves 31 March 2019

	Coal Reserves			Coal Quality		
	Proven (Mt)	Probable (Mt)	Total (Mt)	ROM Ash (db)	ROM FSI	ROM VM (db)
Surface Mining Area[2]						
No. 2 Area	12.1	1.1	13.2	27.1	5.9	16.8
No. 8 Area	11.7	0.1	11.8	20.6	4.7	17.2
Total Surface Areas	**23.8**	**1.2**	**25.0**	**24.0**	**5.3**	**17.0**
Underground Area[4]						
No. 12 South B2 Area	2.3	1.1	3.5	22.1	3.5	15.3
No. 12 South A Area	4.8	9.9	14.7	22.3	3.8	14.9
Total Underground Area	**7.2**	**11.0**	**18.2**	**22.3**	**3.7**	**14.9**
Grand Total	**31.0**	**12.2**	**43.2**	**23.3**	**4.6**	**16.1**

Notes:

(1) The mineral tenure of the coal reserves is 100% held by CST Coal.

(2) Quality of all reserves classified as Low-Volatile Bituminous (ASTM).

(3) Average ROM coal quality for reserves is a weighted average of multiple seams and pits, and hence FSI average not necessarily equal to reporting increments for the FSI metric.

(4) Underground ROM estimates include mining recoveries ranging from 44% to 62%, which are inherent to multi-seam room-and-pillar operations.

(5) Both underground and surface mineable estimates include allowance for loss and dilution and are supported by empirical formulas derived from previous mining experience.

(6) The surface reserve estimates do not include thermal coal consistent with previous CST Coal property technical reports.

(7) The surface reserve estimates are effective 31 March 2019, and have been prepared or reviewed by Brian Klappstein, Professional Geologist, Alberta Association of Engineers and Geoscientists, and Competent Person.

(8) The underground reserve estimates are effective 31 March 2019, and have been reviewed by Brian Klappstein, Professional Geologist, Alberta Association of Engineers and Geoscientists, and Competent Person.

(9) Rounding as required by reporting guidelines may result in apparent summation differences.

4.2.6 Marketable Basis

Different grades metallurgical coal have historically been sold from the CST Coal property, including PCI or pulverized coal injection, but the great majority of sales have been a relatively low ash, low sulphur, high coke yield, relatively low coking pressure, low volatile hard coking coal.

The marketable reserve is based on cash flow analysis which assumes the selling price for the CST Coal product is between 9% and 15% below the benchmark price for premium sea-borne low-volatile hard coking coal sold in the Pacific Rim. The difference between the actual selling price realized in financial year 2019 for spot basis coal sales and the selling price in CAD used in the cash flow analysis presented in the 2017 coal resource and coal reserve statement was not judged materially affect the 2017 valuation.

The marketable reserve does not include the near surface coal which has been oxidized by groundwater flux, which is generally between 5 metres and 10 metres below the top of bedrock.

4.2.7 Statement of Updated Marketable Coal Reserves, 31 March 2019

Table 6 — Summary of Marketable Coal Reserves 31 March 2019

	Coal Reserves			Coal Quality		
	Proven (Mt)	Probable (Mt)	Total (Mt)	ROM Ash (db)	ROM FSI	ROM VM (db)
Surface Mining Area[2]						
No. 2 Area	8.2	0.7	9.0	8.5	8.6	19.3
No. 8 Area	8.3	0.1	8.4	8.5	7.0	18.8
Total Surface Areas	**16.6**	**0.8**	**17.4**	**8.5**	**7.9**	**19.1**
Underground Area[4]						
No. 12 South B2 Area	1.9	0.9	2.8	8.5	5.1	17.1
No. 12 South A Area	3.5	7.1	10.6	8.5	4.8	16.6
Total Underground Area	**5.4**	**8.0**	**13.4**	**8.5**	**4.9**	**16.7**
Grand Total	**21.9**	**8.8**	**30.8**	**8.5**	**6.6**	**18.1**

Notes:

(1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM).

(2) Total coal will be marketed as hard coking coal.

(3) Reserves are 100% held by CST Coal.

(4) Marketable coal yield of 69% is based on the historic average plant yield from No. 7 and No. 12 South B2 mines.

PROJECT OVERVIEW

(5) Plant yield for the surface mineable coal varies in relation to the ROM ash content:

Plant Yield = (ROM Ash% - Plant Reject Ash%)/(Clean Coal Ash% - Plant Reject Ash%), where Plant Reject Ash = 55% to 63% depending on mine area and seam and Clean Coal Ash = 8.5%.

(6) Marketable (Clean) coal reserves are a subset of and not additive to Run-of-Mine reserves.

(7) The surface reserve estimates do not include thermal coal consistent with previous CST Coal property technical reports.

(8) The surface reserve estimates are effective 31 March 2019, and have been prepared or reviewed by Brian Klappstein, Professional Geologist, Alberta Association of Engineers and Geoscientists, and Competent Person.

(9) The underground reserve estimates are effective 31 March 2019, and have been prepared or reviewed by Brian Klappstein, P. Geo., Alberta Association of Engineers and Geoscientists, and Competent Person.

(10) Rounding as required by reporting guidelines may result in apparent summation differences.

For details on resources and reserves, a copy of the report "Coal Resource and Coal Reserve Statement for Fiscal Year Ending March 31, 2019" is posted on the website of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Chiu Tao, aged 63
was appointed as the Chairman and an executive director of CST Group Limited (the "Company") on 10 March 2009 and 7 November 2008, respectively.

Mr. Chiu is an experienced executive and merchant. He has extensive experience in the metal business, trading, investment planning, business acquisitions and development, and corporate management.

Mr. Chiu was the chairman and acting chief executive officer and an executive director of G-Resources Group Limited ("G-Resources"), the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Hui Richard Rui (with former English name Xu Rui Hui), aged 51
was appointed as an executive director of the Company on 17 August 2004 and as General Manager of the Company on 11 October 2006. He graduated from University of Technology, Sydney in Australia with a Bachelor's degree in Mechanical Engineering.

Mr. Hui has more than 10 years' experience in management positions with companies in Australia, Hong Kong and the People's Republic of China ("China"). He is a member of The Australasian Institute of Mining and Metallurgy.

Mr. Hui was an executive director of G-Resources and China Strategic Holdings Limited ("China Strategic"). The shares of the two companies are listed on the main board of the Stock Exchange.

Lee Ming Tung, aged 57
was appointed as an executive director of the Company on 28 September 2007. He is also the Chief Financial Officer of the Company. He holds a Bachelor of Science degree in Accounting from Brigham Young University in the U.S.A., a Master of Accountancy degree from Virginia Polytechnic Institute and State University in the U.S.A., a Master of Financial Engineering degree from City University of Hong Kong and a Postgraduate Diploma in Corporate Administration from The Hong Kong Polytechnic University.

Mr. Lee is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, a fellow member of The Taxation Institute of Hong Kong, a Certified Tax Adviser of Hong Kong, a Certified Management Accountant of Australia and a member of Institute of Public Accountant of Australia. He has over 20 years' experience in the field of accounting and finance.

Mr. Lee is currently an independent non-executive director of HangKan Group Limited, the shares of which are listed on the GEM board of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS

Kwan Kam Hung, Jimmy, aged 57
was appointed as an executive director of the Company on 11 November 2002.

Mr. Kwan has over 15 years of experience in the fields of finance, accounting and corporate management.

Tsui Ching Hung, aged 66
was appointed as an executive director of the Company on 2 May 2007. He holds a Master of Science degree in Polymer Science and a Master of Business Administration degree from the University of Aston and University of Warwick in the United Kingdom, respectively.

Mr. Tsui has over 10 years of experience in senior management positions with several multinational corporations in Hong Kong.

Mr. Tsui was an independent non-executive director of China Smarter Energy Group Holdings Limited. The shares of which are listed on the main board of the Stock Exchange.

Wah Wang Kei, Jackie, aged 52
was appointed as an executive director of the Company on 29 December 2016. He is also an in-house legal counsel of the Company. He graduated from The University of Hong Kong in 1990 and was qualified as a solicitor in 1992. Mr. Wah was a partner of a Hong Kong law firm until 1997. Mr. Wah is currently an independent non-executive director of Symphony Holdings Limited. He was an executive director of G-Resources. The shares of the two companies are listed on the main board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yu Pan, aged 64
was appointed as an independent non-executive director of the Company on 28 September 2004.

Mr. Yu has over 20 years of experience in management positions of multinational trading companies in Hong Kong and China.

Ma Yin Fan, aged 55
was appointed as an independent non-executive director of the Company on 31 December 2012. She obtained a Bachelor's degree with honours in Accountancy at Middlesex University in the United Kingdom. She also holds a Master's degree in Business Administration and a Master in Professional Accounting degree from Heriot-Watt University in the United Kingdom and The Hong Kong Polytechnic University, respectively.

Ms. Ma is a Certified Public Accountant (Practising) in Hong Kong and has been working in auditing, accounting and taxation areas for more than 20 years. She is the principal of Messrs. Ma Yin Fan & Company CPAs. She is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in the England and Wales, The Taxation Institute of Hong Kong, Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a Certified Tax Adviser in Hong Kong.

Ms. Ma is currently an independent non-executive director of China Strategic and Youth Champ Financial Group Holdings Limited (formerly known as "Grand Investment International Ltd"). She was an independent non-executive director of G-Resources. The shares of all the aforementioned companies are listed on the main board of the Stock Exchange.

Leung Hoi Ying, aged 68
was appointed as an independent non-executive director of the Company on 29 January 2016. Mr. Leung graduated from the Guangdong Foreign Trade School in China.

Mr. Leung has over 30 years of experience in international trade and business development. He is currently an independent non-executive director of China Strategic. He was an independent non-executive director of G-Resources. The shares of the two companies are listed on the main board of the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND RESULTS

The revenue of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019 (the "Year") was approximately US$66.71 million. This was an increase of approximately 105.79% compared to last year. The majority of this increase in revenue is mainly attributable to the Group's coal mine in Canada, which was acquired in July 2018 and resumed production in September 2018. Revenue from this coal mine for the Year was US$24.15 million. Operating revenue generated by Lady Annie Operations rose from approximately US$12.53 million to approximately US$14.66 million, representing an increase of approximately 16.99% over the Year.

Compared with the previous year, there was an approximately US$12.75 million increase in gross profit, representing an increase of approximately 59.52%. Dividends from securities trades and interest income from financial assets, interest income from money lending and rental income represented approximately 23.04%, 14.27% and 4.50% respectively of total revenue for the Year.

Revenue derived from property investments is very stable. Compared with last year, revenue from property investment slightly increased by approximately 0.70%. Rental income provided a steady cash flow to the Group over the Year, and this is expected to continue in the next financial year. Dividends from securities trades and interest income on financial assets increased by approximately 36.60% year-on-year. The increase was driven by both dividend income from listed securities investments and interest income from investments in debt securities. However, the financial market fluctuated significantly during the Year, and the Group recorded a loss on fair value changes of financial assets at fair value through profit or loss of approximately US$33.12 million, while there was a gain on fair value changes of financial assets through profit or loss of approximately US$16.30 million in last year.

Information concerning the Group's 9 largest financial assets as of 31 March 2019 is detailed below:

Stock Code	Name of Stock/ Note/Fund	Principal Business	Number of Share/Note/ Fund Held	% of Shareholding held by the Group 31.03.2019	Investment Cost USD'000	Market Value 31.03.2019 USD'000	% to the Group's Net Assets 31.03.2019	Realised Gain on change in fair value for the year ended 31.03.2019 USD'000	Unrealised Gain/(Loss) on change in fair value for the year ended 31.03.2019 USD'000
Equity securities listed in Hong Kong									
708	Evergrande Health Industry Group Limited	"Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing in the People's Republic of China ("PRC"), as well as the investment in high technology new energy vehicle manufacture	42,180,000	0.49%	61,304.59	62,512.92	9.30%	—	1,175.30*
1231	Newton Resources Ltd	Trading business and mining, processing and the sale of iron concentrates and gabbro-diabase and stone products	186,498,000	4.66%	20,503.23	21,519.00	3.20%	—	4,303.80*
1031	Kingston Financial Group Limited	Provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services, futures brokerage and asset management services; providing gaming and hospitality services in Macau	75,296,000	0.55%	8,125.74	17,182.93	2.56%	—	(16,700.27)*

Stock Code	Name of Stock/ Note/Fund	Principal Business	Number of Share/Note/ Fund Held	% of Shareholding held by the Group 31.03.2019	Investment Cost USD'000	Market Value 31.03.2019 USD'000	% to the Group's Net Assets 31.03.2019	Realised Gain on change in fair value for the year ended 31.03.2019 USD'000	Unrealised Gain/(Loss) on change in fair value for the year ended 31.03.2019 USD'000
Equity securities listed in Hong Kong (Con't)									
1387	Renhe Commercial Holdings Company Limited	Operation of agriculture wholesale markets in the PRC	453,932,429	0.79%	18,000.20	15,713.05	2.34%	—	6,331.12*
Financial assets other than equity securities listed in Hong Kong									
	9.5% China Evergrande Senior Note	Properties (including development, investment, management, construction and other property related service), hotel and fast consuming industry in PRC	50,000,000		50,000.00	49,750.00	7.40%	—	(1,995.00)*
	8.75% China Evergrande Senior Note	Properties (including development, investment, management, construction and other property related service), hotel and fast consuming industry in PRC	50,000,000		49,987.25	47,687.50	7.09%	—	(2,377.50)*
	Nexus Asian Hybrid Credit Fund S8	Multi-strategy credit oriented hedge fund which seeks to capture attractive risk adjusted return through investing in credit or credit related opportunities within the Asia-Pacific region	31,838.3771		32,033.49	33,342.38	4.96%	—	1,308.89
	Nexus Emerging Opportunities Fund Alpha SP	Fund with no specific investment objective and restriction on the investment of assets	25,475.7916		30,282.96	33,912.93	5.04%	—	(22,006.48)*
	11% Scenery Journey Senior Note	An indirectly wholly owned subsidiary of China Evergrande Group which principal businesses include properties (including development, investment, management, construction and other property related service), hotel and fast consuming industry in PRC	20,000,000		20,000.00	21,075.00	3.13%	—	1,075.00
Total					**290,237.46**	**302,695.71**	**45.02%**	**—**	**(28,885.14)**

* Investment cost of these securities represented the initial acquisition costs for the respective costs of the respective securities. Some of the financial assets were acquired by the Group in prior years. Financial assets acquired in prior years were subject to fair value adjustments. Unrealised gain/(loss) on changes in fair value were recognised at the end of the respective years. Unrealised gain/(loss) on changes in fair value of these financial assets for the year ended 31 March 2019 excluded the amounts recognized in prior years.

Of the approximately US$33.12 million loss on fair value changes of financial assets at fair value through profit or loss, the unrealised loss and realised gain were approximately US$35.15 million and approximately US$2.03 million respectively. The Group's overall investment portfolio recorded a net loss of approximately US$33.12 million for the Year, compared to a loss of approximately US$7.26 million for the previous year. Global economic and political instability, especially the unpredictable diplomatic and trade policy of the United States of America, and the uncertain development of the US-China trade war will continue to shake investor confidence and dampen market expectations as conditions remain volatile in the year to come. The Group is thus seeking opportunities to diversify its revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest income from the money lending business increased by approximately US$3.87 million compared to the previous year, representing an increase of approximately 68.49%, as the Group has become more active in this business area to generate higher profits. During the Year, approximately US$9.53 million in interest income was generated by the money lending business. The interest income from the money lending business was approximately US$5.65 million in the previous year.

The acquisition of Canada coal mine had contributed significant increase of revenue in the Group's mining business; however, it had also increased the costs and expenses of the Group as a whole. The administrative expenses of the Group increased from approximately US$26.25 million in previous year to approximately US$46.77 million for this Year, representing an increase of approximately 78.14%, which is mostly attributable to the expenses related to the acquisition of Canada coal mine and expenses incurred after resumption of operation of the Canada coal mine. Additionally, the Group assumed bank borrowings in the amount of approximately US$409.41 million as a result of acquiring the Canada coal mine (please refer to below section headed "Net Asset Value" for bank borrowings details). Thus, financial cost increased from approximately US$0.42 million of last year to approximately US$11.96 million for the Year.

Due to minimal oxide copper reserves, copper production remained low during the Year. The Group had an impairment loss of approximately US$0.17 million with respect to exploration and evaluation assets. In the previous year, the impairment loss with respect to exploration and evaluation assets was approximately US$0.38 million, with a write down carry value of inventories of approximately US$5.91 million. After making cost adjustments to account for power supply expenses during the Year, a reversal of provision for an onerous contract regarding committed power supply expenses was recorded in the amount of approximately US$5.42 million. Reversal of provision for an onerous contract provided in the previous year was approximately US$13.19 million. For the Year, the Group recorded an exchange loss of approximately US$20.16 million arising from current accounts between subsidiaries of the Group for the Financial Year 2019, as compared with an exchange gain of approximately US$1.09 million in the Financial Year 2018. Due to a decrease in the fair value of the joint venture's investment relative to its value at the end the Year, an overall loss was recorded. The Group shared an approximate US$0.13 million loss from the joint venture. In the previous year, the shared gain of the joint venture was approximately US$2.98 million. Overall, the Group recorded an after tax loss of approximately US$73.28 million for the Year. After-tax loss in the previous year was approximately US$11.27 million.

NET ASSET VALUE

As of 31 March 2019, the Group held bank balances and cash totaling approximately US$124.16 million, excluding approximately US$54.58 million held in pledged bank deposits. The pledged deposits are mostly intended to cover rehabilitation costs for operating the mining business in both Australia and Canada (as mandated by the government of Queensland, Australia and Alberta, Canada), and as a guarantee to the electric power supplier for the Lady Annie mine site. The total value of the financial assets at fair value through profit and loss were approximately US$416.81 million. During the Year, a bank granted a one year HK$150.00 million revolving loan with an interest rate of 1.00% over HIBOR/LIBOR to a subsidiary of the Company. The Company provided a guarantee to the bank for this facility, but the facility was not utilized during the Year. Since 2017, an indirect non-wholly owned subsidiary was granted a loan of GBP10.41 million secured by Scottish property owned by such subsidiary with a fixed interest rate of 3.73 per annum for four years, for refinancing the Scottish property. As of 31 March 2019, the outstanding balance of this bank loan was GBP9.06 million, equivalent to US$11.89 million. During the Year, the Group through its subsidiary CST Canada Coal Limited ("CST Coal") acquired mining assets of Grande Cache Coal LP ("GCC") in Canada. Due to the acquisition, the Group assumed bank borrowings from China Minsheng Banking Corp., Ltd. amounting to approximately

US$409.41 million. The bank borrowings carry an interest rate of 1.20% over 3 months LIBOR and repayable in 5 years. The borrowings are secured by (i) a fixed and floating charge over all present and future assets and undertaking of CST Coal; (ii) charges over all shares in CST-Grande Cache Cayman Limited, which is an indirect beneficiary holding company of CST Coal; and (iii) corporate guarantees from each of the shareholders of each member of CST Coal project group which includes four subsidiaries of the Company. The four subsidiaries are Gold Grace Limited which is a sole shareholder of CST Coal, Excel Fame Limited which is a sole shareholder of Gold Grace Limited, CST-Grande Cache Cayman Limited which is a sole shareholder of Excel Fame Limited and Sonicfield Global Limited which is a majority shareholder of CST-Grande Cache Cayman Limited. As at 31 March 2019, the Group had certain equipment under finance lease in the amount of approximately US$14.81 million and the average lease terms is three years. Interest rate under finance lease is fixed at respective contract dates at 7% per annum. Based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio was 64.86%. The net asset value of the Group amounted to approximately US$672.42 million.

HUMAN RESOURCES

As of 31 March 2019, the Group had 252 staff (including Company directors). Staff costs (excluding directors' emoluments) were approximately US$13.20 million for the Year. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong, and provided other staff benefits, such as medical benefits.

FOREIGN EXCHANGE RISK

The Group conducts most of its business in US dollars, Australian dollars, Renminbi, Hong Kong dollars, British Pounds and Canadian dollars. Foreign currency exposure to US dollars is minimal, as the Hong Kong dollar is pegged to the US dollar. Exposure to the Renminbi is also minimal, as business conducted in Renminbi represents a marginal proportion of the Group's total business in terms of revenue. Foreign currency exposure to the British Pound is very limited as the rental income generated from the Scottish property will be used to repay the loan facility granted by a local Scottish bank to refinance the property in Scotland. The Group's primary source of foreign exchange risk is derived from the Australian dollar and Canadian dollar. However, as the Group's mining operations in Australia are scaling down, the foreign exchange risk posed by the Australian dollar is decreasing. With respect to newly acquired Canadian coal mines, there is not any hedging policy for the Canadian dollar. Management will continue to monitor the Group's foreign exchange risk and will consider hedging its exchange rate exposure should the need arise.

LADY ANNIE OPERATIONS

The Lady Annie Operations, in Mount Isa district of north-western Queensland, Australia is principally comprised of the Lady Annie mining area, the Mount Kelly mining area and the Mount Kelly processing plant and tenements. The Mount Isa Inlier hosts several known copper-oxide and sulphide resources, and several notable copper and lead-zinc silver mines.

MANAGEMENT DISCUSSION AND ANALYSIS

A summary of the financial results for the Australian Group over the Year is detailed below:

	2019 **US$'000**	2018 US$'000
Revenue	**14,660**	12,527
Cost of sales	**(16,384)**	(11,000)
Gross (loss) profit	**(1,724)**	1,527
Other income, expenses, gains and losses	**4,694**	16,370
Distribution and selling expenses	**—**	(7)
Administrative and overhead expenses	**(6,468)**	(6,682)
Finance costs*	**—**	(37)
Loss on inventories written down to net realisable value	**—**	(5,905)
Impairment losses on exploration and evaluation assets	**(166)**	(379)
(Loss) Profit before taxation	**(3,664)**	4,887

* Inter-company financial charges of the Australian Group were not included

NON-HKFRS FINANCIAL MEASURE

The term "C1 operating cost" is a non-HKFRS performance measure included in this "Management Discussion and Analysis". This cost was calculated on a per-pound of copper basis. The C1 operating cost does not have any standardized meaning prescribed by HKFRS and therefore may not be comparable to similar measures presented by other issuers. The C1 operating cost is a common performance measure in the copper industry and is prepared and presented herein on a basis consistent with industry standard definitions. C1 operating costs include all mining and processing costs, mine site overheads and realisation costs through to refined metal.

The table below reconciles Lady Annie Operations' C1 operating costs to the statement of comprehensive income provided in the financial statements of Lady Annie Operations for the financial year indicated.

	2019 **US$'000**	2018 US$'000
Cash costs as reported in the income statement:		
Direct and indirect mining cost	**20,617**	18,712
Adjustment for change in inventory	**(1,727)**	(5,471)
Total operating costs	**18,890**	13,241
Copper sold (tonnes)	**2,296**	1,950
Copper sold (in thousand pounds)	**5,060**	4,299
C1 operating cost per pound of copper	**US$3.73/lb**	US$3.08/lb

The Company believes that in addition to conventional measures prepared in accordance with HKFRS, certain investors will use the above tool and related information to evaluate the Company. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with HKFRS.

CST COAL MINE

The acquisition of the mining assets of the GCC was completed on 18 July 2018 (Alberta, Canada time). The mining assets include The Grande Cache Coal mines located in West Central Alberta, approximately 400 kilometers west of the City of Edmonton, the capital of Alberta Province in Canada. The mine site is approximately 20 kilometers north of the town of Grande Cache in the Municipal District of Greenview. It is accessed via Highway 40, a two-lane, paved provincial highway which connects the town of Grande Cache to the major, east-west provincial Highway 16. It is also serviced by a branch line of the Canadian National Railway ("CN"), which connects to the main east-west line of CN, allowing access to the major coal export terminals in British Columbia and the Great Lakes.

In Alberta, coal tenure is held through coal leases granted by the province. Surface and underground mining rights are also granted by the province first through a mine permit, then by a mine license for each individual mining area. CST coal mine currently has approximately 29,968 hectares (ha) under coal lease.

A summary of the financial results for the CST Canada Coal during the Year is detailed below:

	2019 CAD'000
Revenue	32,286
Cost of sales	(21,609)
Gross profit	10,677
Other income, expenses, gains and losses	(7,700)
Distribution and selling expenses	(6,907)
General and administrative expenses	(16,482)
Finance costs*	(15,363)
Loss before taxation	(35,775)

* Inter-company financial charges were not included.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS

1. The Company entered into the restructuring implementation agreement dated 22 December 2017 and asset purchase agreement dated 22 December 2017 to facilitate the implementation of the proposed restructuring of indebtedness of GCC and the acquisition of the assets pursuant to the receivership order dated 24 January 2017 and 3 February 2017 (the "Acquisition"). Details of the proposed restructuring of the indebtedness and the Acquisition were disclosed in the Company's announcements dated 5 January 2018, 9 January 2018 and 26 January 2018, as well as in the circular dated 8 March 2018.

   The aforesaid restructuring implementation agreement, assets purchase agreement and transactions contemplated thereunder (the "Transactions") were approved by shareholders of the Company (the "Shareholders") in the extraordinary general meeting held on 28 March 2018 (the "2018 EGM"). Details of the poll results of the 2018 EGM were disclosed in the Company's announcement dated 28 March 2018.

   The Transaction was completed on 18 July 2018. Details of the completion of the Transaction were disclosed in the Company's announcement dated 19 July 2018.

2. As at 14 March 2019, Top Gallery Investment Limited, an indirect wholly-owned subsidiary of the Company (the "Seller"), Kombi Mining Pty Ltd (the "Purchaser 1") and Bentley Resources Pte Ltd (the "Purchaser 2") (together the "Purchasers"), CST Minerals Australia Pty Ltd, an indirect wholly owned subsidiary of the Company (the "Target Company"), CST Minerals Exploration Pty Ltd and CST Minerals Lady Annie Pty Limited (both of the companies are wholly-owned subsidiaries of the Target Company, together with the Target Company refer to as the ("Target Group")) had entered into a share sale agreement (the "Agreement"). According to the Agreement, (i) the Seller has agreed to sell and the Purchaser 1 has agreed to purchase 100 ordinary shares of the Target Company, representing the entire issued share capital of the Target Company, at the amount of AUD1.00 (approximately HK$5.54); (ii) the Seller has agreed to sell and the Purchaser 2 has agreed to purchase the loan provided by the Seller to the Target Company in an aggregated principal and interest outstanding of approximately AUD262.55 million (approximately HK$1.45 billion) at the consideration of approximately AUD22.66 million (approximately HK$125.51 million), subject to adjustment; and (iii) each member of the Target Group has agreed to jointly and severally guarantee to the Seller regarding the Purchaser 2's prompt and complete observance and performance of certain obligations of the Purchaser 2 under the Agreement (collectively the "Disposal"). As the Disposal constitutes a major transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited, approval from Shareholders is required. Details of the Disposal were disclosed in the Company's announcements dated 14 March 2019, 30 April 2019 and 17 May 2019, as well as in the circular dated 24 May 2019.

   The Disposal was approved by Shareholders in the extraordinary general meeting (the "2019 EGM") held on 17 June 2019. The Disposal is pending completion. Details of the poll results of the 2019 EGM were disclosed in the Company's announcement dated 17 June 2019.

OUTLOOK

The global economy experienced slowdown in 2018. Despite new uncertainties in both political and economic policies, the Group remains cautiously optimistic about current business prospects. Going forward, the Group will continue to optimize its business portfolio, diversify its resource allocations, and explore potential market opportunities to create greater value for the Shareholders.

For the Group's mining business, the Group plans to further broaden and diversify its portfolio. Since oxide copper ore reserves in the Lady Annie mine site are mostly depleted, it is the belief of the Group that the Disposal of the Lady Annie Operations will enable the Group to realise cash thereby improving liquidity and working capital condition of the Group. The Group will further explore more business opportunities to facilitate long-term development and create value for the Shareholders.

With regards to coking coal, the market has picked up in recent years and the demand for high-quality, hard coking coal has gradually grown. The development of emerging markets is expected to further boost demand and improve the price outlook for high-quality hard coking coal in the future. Since the completion of the acquisition of coal mine in Canada ("CST Coal Mine") in July 2018, the Group has been working diligently to resume production at the CST Coal Mine in Canada and began to resume sales of coking coal in December 2018. The Group believes that as CST Coal Mine increases its productivity, its costs will gradually decrease and profits will increase. CST Coal Mine is a good opportunity for the Group and will provide returns to the Group in the near future.

Demand for the money lending business in Hong Kong is expected to remain robust and generate stable revenue for the Group. The Group will continue to adhere to a prudent and stable strategy to maintain a balance between business growth and risk management.

The Group will actively seek diversified investments to increase the value of its financial instruments business, given the relative instability of the global economy and the US-China trade war. The Group will boldly face both opportunities and uncertainties in the investment environment, prudently adapt to unexpected market changes, monitor market risks, and explore new growth drivers. The Group is optimistic about the prospects of its property investments. The Group's properties in Scotland, Hong Kong and Mainland China are expected to continue to generate stable rental income for the Group and all have the potential to appreciate in value.

Going forward, the Group will continue to develop its major businesses to increase scale and revenue as well as improve the Group's financial performance. Moreover, the Group will further explore more business opportunities to facilitate long-term development and create value for the Shareholders.

DIRECTORS' REPORT

The board of directors (the "Board") has pleasure in presenting its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2019 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group currently consists of (i) exploration, development and mining of mineral resources, (ii) investment in financial instruments; (iii) property investment; (iv) money lending and (v) e-logistics platform. The particulars of the Company's principal subsidiaries are set out in note 43 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2019 is set out on pages 20 to 27.

RESULTS AND DIVIDEND

Results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 53 to 54 of this annual report.

The Board does not recommend the payment of a dividend during the Year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

RESERVES

Details of movements during the Year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 57 of this annual report.

SHARE CAPITAL

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

DIRECTORS

The directors of the Company (the "Director(s)") during the Year and up to the date of this annual report are:

Executive Directors:	**Independent Non-executive Directors:**
Mr. Chiu Tao *(Chairman)*	Mr. Yu Pan
Mr. Hui Richard Rui *(General Manager)*	Ms. Tong So Yuet (resigned on 29 March 2019)
Mr. Lee Ming Tung *(Chief Financial Officer)*	Ms. Ma Yin Fan
Mr. Kwan Kam Hung, Jimmy	Mr. Leung Hoi Ying
Mr. Yeung Kwok Yu (resigned on 25 June 2019)	
Mr. Tsui Ching Hung	
Mr. Chen Weixing (retired on 21 September 2018)	
Mr. Wah Wang Kei, Jackie	

In accordance with Article 99 of the Articles of Association, Mr. Lee Ming Tung, Ms. Ma Yin Fan and Mr. Leung Hoi Ying will retire at the forthcoming annual general meeting (the "AGM") and, being eligible, offer themselves for re-election.

CHANGES IN INFORMATION OF DIRECTORS

Save as disclosed in the interim report of the Company for the six months ended 30 September 2018, the changes in information of Directors during the Year and thereafter are as follows:

On 29 March 2019, Ms. Ma Yin Fan was appointed as the chairlady of audit committee of the Company ("Audit Committee").

On 29 March 2019, Mr. Leung Hoi Ying was appointed as the member of Audit Committee.

DIRECTORS' SERVICE CONTRACTS

During the Year up to the date of this annual report, none of the Directors being proposed for re-election at the AGM 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.

SHARE OPTION SCHEME

The Group has not adopted any share option scheme during the Year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2019, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares, convertible notes or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were disclosed as follows:

LONG POSITIONS IN SHARES/UNDERLYING SHARES OF THE COMPANY

	Number of *shares/underlying shares			
Name of Director	Personal interests	Share options	Total	Approximate % of the issued share capital of the Company
Chiu Tao	3,900,000,000	–	3,900,000,000	10.08%

Note:

* Ordinary shares unless otherwise specified

Save as disclosed above, as at 31 March 2019, none of the Directors or the chief executives of the Company or their respective associates had any interests and short positions in the shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations (within the meaning of Part VX of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF PERSONS OTHER THAN DIRECTORS AND CHIEF EXECUTIVES

As at 31 March 2019, so far as known to the Directors or the chief executives of the Company, the following persons are the shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Capacity	Number of shares/ underlying shares	Approximate % of the issued share capital
Wong Howard ("Mr. Wong")	Beneficial owner	5,186,920,000 (Note 1)	13.40%
Cheung Chung Kiu ("Mr. Cheung")	Beneficial owner/Interest of a controlled corporation	2,125,861,856 (Note 2)	5.49%
Lo Ki Yan Karen ("Ms. Lo")	Beneficial owner/Interest of a controlled corporation	2,036,793,817 (Note 3)	5.26%

Note 1:

According to the individual substantial shareholder notice filed by Mr. Wong on 13 November 2015, these securities represent relevant interests in respect of 5,186,920,000 shares held by Mr. Wong as the beneficial owner.

Note 2:

According to the individual substantial shareholder notice filed by Mr. Cheung on 14 July 2017, these securities represent relevant interests in respect of:

(a) 1,950,840,000 shares held by Bondic International Holdings Limited, directly and solely owned by Mr. Cheung; and

(b) 175,021,856 shares held by Bookman Properties Limited, directly wholly-owned by Ferrex Holdings Limited, which is directly wholly-owned by Yugang International (B.V.I.) Limited ("Yugang BVI"). Yugang BVI is directly wholly-owned by Yugang International Limited. Yugang International Limited is directly owned by Chongqing Industrial Limited as to 34.33% of the entire issued share capital. Chongqing Industrial Limited is directly and solely owned by Mr. Cheung.

As such, Mr. Cheung is deemed to be interested in the shares held by Bondic International Holdings Limited and Bookman Properties Limited.

Note 3:

According to the individual substantial shareholder notice filed by Ms. Lo on 24 January 2019, these securities represent relevant interests in respect of:

(a) 1,861,771,961 shares held by Ms. Lo as the beneficial owner; and

(b) 175,021,856 shares held by Bookman Properties Limited, directly wholly-owned by Ferrex Holdings Limited. which is directly wholly-owned by Yugang BVI. Yugang BVI is directly wholly-owned by Yugang International Limited. Yugang International Limited is directly owned by Future Capital Group Limited as to 44.06% of the entire issued share capital. Future Capital Group Limited is directly and solely owned by Ms. Lo.

As such, Ms. Lo. is deemed to be interested in the shares held by Bookman Properties Limited.

DIRECTORS' REPORT

Save as disclosed above, as at 31 March 2019, the Company has not been notified by any person (other than the Directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors under the Articles of Association of the Company is currently in force and was in force throughout the Year. The Company has also purchased and maintained directors' liability insurance throughout the Year, which provides appropriate cover for the Directors.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries, was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year up to the date of this annual report, none of the Directors, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as of the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the five largest customers accounted for approximately 58% of the Group's turnover, and the largest customer included therein amounted to approximately 22%. Purchases from the five largest suppliers accounted for approximately 72% of the total purchase for the Year, and purchase from the largest supplier included therein amounted to approximately 24%.

At no time during the Year, none of the Directors, their associates or the shareholders of the Company, which to the knowledge of the Directors owned more than 5% of the Company's issued share capital, had any interests in the major customers and suppliers.

EMOLUMENT POLICY

The remuneration policy of the employees of the Group is based on their merit, qualifications and competence.

The emoluments of the Directors are decided by the Board, having regard to the Company's operating results, the prevailing market condition and individual performance.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

PRINCIPAL RISK FACTORS

MARKET MINERAL PRICE AND RESERVE

Fluctuation of market mineral price will affect the performance of mining business, cash flow and revenue of the Group. Low market mineral price has a negative impact on the business prospect, revenue and profit of mining business, which will lead to impair assets and/or downsize the production as well as the operation scale of the mining business. In addition to market mineral price, mineral reserve is another factor that will affect the cash flow and revenue generating from the mining business. The Group has been operating its copper mining business for over seven years and most of the oxide copper reserves have been used up. Thus, the existing copper reserve is very limited and could have been used up for not more than a year. Although the mining license for Anthill project has been granted in October 2017, the Group, in view of Anthill's amount of reserves and mining costs, will thoroughly consider all relevant factors, as well as the market conditions before adopting further actions. Meanwhile, appropriate measures such as maintaining minimal operation size, further outsourcing operational activities or suspending production temporarily will be considered to apply.

CREDIT RISK

The Group uses an internal credit assessment process to assess the degree of credibility of potential borrower and define credit limits to be granted to borrowers. The Group may suffer loss on loans receivable if repayment of principal and/or interest is not paid on due date and the realizable value of collaterals is less than the principal of the loans receivable and/or interest receivable.

FINANCIAL MARKET RISK

The movement of financial market may cause a fall in the value of principal financial investments. In view of the increasing instability of the global financial markets, this may impact the fair value of financial investments and add unpredictability to the Group's overall financial performance.

EXCHANGE RISK

The financial results of the Group are presented in United States dollars ("USD"), but the Company and its various subsidiaries may receive revenue, incur expenses and make investments in other currencies. Any currency fluctuations on translation of the accounts of the Company and those subsidiaries and also the repatriation of earnings and equity investments may have impact on the Group's business. The appreciation and depreciation in USD against other foreign currencies may materially affect the Group's business, financial condition, and results of operation.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES

The Group encourages environmental protection and adopts measures to promote environmental awareness of its employees. The Group implements green office practices by encouraging employees to make use of scanning copies, double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances.

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

COMPLIANCE WITH REGULATIONS

The Group is not aware of any instances of material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Listing Rules, and other applicable local laws and regulations in various jurisdictions during the year ended 31 March 2019 and up to the date of this annual report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 March 2019 there were no material and significant disputes between the Group and its employees, customers and suppliers.

CORPORATE GOVERNANCE

The information set out in pages 35 to 46 and information incorporated by reference, if any, constitutes the Corporate Governance Report of the Company.

AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu who will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chiu Tao
Chairman
Hong Kong, 27 June 2019

CORPORATE GOVERNANCE PRACTICES

The Company recognised the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve sound standards of corporate governance, and has during the year ended 31 March 2019 (the "Year") complied with the code provisions of the Corporate Governance Code (the "Code") and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Any deviation from the Code will be explained in this report.

BOARD OF DIRECTORS

As at the date of this annual report, The board of directors (the "Board") of the Company comprises 6 executive directors and 3 independent non-executive directors (the "INEDs") (collectively the "Directors") as follows:

Executive Directors:
Mr. Chiu Tao *(Chairman)*
Mr. Hui Richard Rui *(General Manager)*
Mr. Lee Ming Tung *(Chief Financial Officer)*
Mr. Kwan Kam Hung, Jimmy
Mr. Tsui Ching Hung
Mr. Wah Wang Kei, Jackie

Independent Non-executive Directors:
Mr. Yu Pan
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

The Directors are considered to posses a balance of skill and experience appropriate for the requirements of the business of the Company; details related to the Directors are shown on pages 17 to 19 in the section of "Biographical Details of Directors".

Save as disclosed in the headings of the "Directors' Report" and the "Biographical Details of Directors" of this annual report, none of the Directors had any financial, business, family or other material/relevant relationship with any other Director.

Each of our INEDs has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considers all of the INEDs to be independent.

The Board is responsible for the overall operations of the Company. It provides leadership and oversees the Group's strategic decisions, business development and performance, as well as its business affairs. Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders.

There are four major committees under the Board, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the investment and management committee (the "IMC"). The responsibilities and the composition of these committees are described below. Matters which the Board considers suitable for delegation are contained in the terms of reference of the committees. The committees' terms of reference may be amended from time to time as necessary, subject to the approval by the Board.

The Board met regularly throughout the Year to discuss overall strategy as well as the operation and financial performance of the Group. The Directors are kept informed on a timely basis of major changes that may affect the Group's business, including relevant rules and regulations. The Directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Company has renewed its directors and officers liability insurance purchased for Directors together with senior management, in compliance with the Code Provision A.1.8 under the Code that the Company should arrange appropriate insurance cover in respect of potential legal actions against its Directors.

BOARD COMMITTEES

AUDIT COMMITTEE

As at the date of this annual report, the Audit Committee composed 3 INEDs, namely:

Audit Committee Members
Ms. Ma Yin Fan *(Chairlady)*
Mr. Yu Pan
Mr. Leung Hoi Ying

Ms. Ma Yin Fan possess an appropriate professional accounting qualification, while Mr. Yu Pan and Mr. Leung Hoi Ying possesses extensive management experience in the commercial sector. The terms of reference of the Audit Committee have been reviewed and revised with reference to the Code of which, among other things, include reviewing the financial statements of the Company. Any findings together with recommendations of the Audit Committee are submitted to the Board for consideration.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if considered necessary.

The Audit Committee held two meetings during the Year and reviewed reports from external auditors regarding their audit on annual financial statements and review on interim financial results.

REMUNERATION COMMITTEE

As at the date of this annual report, the Remuneration Committee comprised 2 INEDs, namely:

Remuneration Committee Members
Mr. Yu Pan *(Chairman)*
Ms. Ma Yin Fan

The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommendations to the Board on the annual remuneration policy, and determination of the remuneration of the executive Directors and members of senior management. The overriding objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team, which is essential to the success of the Group.

During the Year, the Remuneration Committee held a meeting to discuss remuneration matters of the Directors.

NOMINATION COMMITTEE

As at the date of this annual report, the Nomination Committee comprised the Chairman of the Company and 2 INEDs, namely:

Nomination Committee Members
Mr. Chiu Tao *(Chairman)*
Mr. Yu Pan
Ms. Ma Yin Fan

The Nomination Committee is responsible for identifying suitable qualified individuals to the Board and making recommendations for the Board's consideration.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy on 29 August 2013 (the "Board Diversity Policy") and delegated the Nomination Committee to review and assess the Board composition and its effectiveness on an annual basis, and to review and monitor the implementation of the Board Diversity Policy.

The Board Diversity Policy is set out below:

1. *Vision*

The Company sees diversity at Board level as an important element in maintaining a high standard of corporate governance. The Company is committed to a diverse Board, so directors from diverse backgrounds could present the Company effectively to various constituencies, and to bring different and inspiring perspectives into the boardroom.

2. *Policy Statement*

(i) The Company aspires to maintain an appropriate range and a balance of skills, experience and background on the Board. In determining the optimum composition of the Board, differences in the skills, regional and industry experience, background, ethnicity, gender and other qualities of directors shall be considered. All Board appointments are made on merits, in the context of the skills and experience the Board as a whole requires to be effective, with due regard for the benefits of diversity on the Board.

(ii) The Nomination Committee will review and assess Board composition and its effectiveness on an annual basis. When there is vacancy on the Board, the Nomination Committee will recommend suitable candidate(s) for appointment to the Board on merits, based on the Terms of Reference of the Nomination Committee, with due regard to the Company's own circumstances.

3. *Measurable Objectives*

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age and length of service) will be disclosed in the corporate governance report annually.

4. *Monitoring and Reporting*

(i) The Nomination Committee will report annually in the corporate governance report in the annual report, on the composition of the Board (including gender, age and length of service, education background, working experience), and monitor the implementation of the Board Diversity Policy.

(ii) The Nomination Committee will monitor the implementation of Board Diversity Policy by conducting review of the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to Board Diversity Policy when making recommendation on any Board appointments.

5. *Review of the Board Diversity Policy*

The Nomination Committee will review the Board Diversity Policy (and its results) annually to ensure the Board Diversity Policy remains relevant and useful over time.

The Nomination Committee has reviewed the existing board structure which is complies with the Board Diversity Policy.

INVESTMENT AND MANAGEMENT COMMITTEE

The Board has delegated management of daily operations and investment matters of the Group to the IMC. The IMC comprises 3 members of the Board, namely:

IMC Members
Mr. Chiu Tao *(Chairman)*
Mr. Hui Richard Rui
Mr. Lee Ming Tung

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for determining policy related to corporate governance for the Group and performing the corporate governance duties as below:

- To develop and review the Group's policies and practices on corporate governance and make recommendations;
- To review and monitor the training and continuous professional development of the Directors and the senior management;
- To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;
- To develop, review and monitor the code of conduct applicable to the employees and the Directors; and
- To review the Group's compliance with the Code and disclosure requirements in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

ATTENDANCES OF MEETINGS

The attendance record of each Director at the respective meetings during the year ended 31 March 2019 is set out below:

	Meeting(s) Attended/Held				
Name of Director	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2018 Annual General Meeting**
Executive Directors:					
Mr. Chiu Tao	4/4	–	–	1/1	0/1
Mr. Hui Richard Rui	4/4	–	–	–	1/1
Mr. Lee Ming Tung	4/4	–	–	–	1/1
Mr. Kwan Kam Hung, Jimmy	4/4	–	–	–	1/1
Mr. Yeung Kwok Yu (resigned on 25 June 2019)	3/4	–	–	–	0/1
Mr. Tsui Ching Hung	3/4	–	–	–	1/1
Mr. Chen Weixing (retired on 21 September 2018)	0/1	–	–	–	0/1
Mr. Wah Wang Kei, Jackie	4/4	–	–	–	1/1
Independent Non-executive Directors:					
Mr. Yu Pan	4/4	2/2	1/1	1/1	1/1
Ms. Tong So Yuet (resigned on 29 March 2019)	3/4	2/2	–	–	1/1
Ms. Ma Yin Fan	3/4	2/2	1/1	1/1	1/1
Mr. Leung Hoi Ying	3/4	–	–	–	1/1

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Year, the Company has complied with code provisions of the Code contained in Appendix 14 of the Rules Governing the Listing Rules except for the following deviations:

(i) under code provision A.2.1 of the Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company did not name any officer with the title of "Chief Executive Officer". Mr. Hui Richard Rui is the general manager of the Group (the "General Manager") and assumed the duty of "Chief Executive Officer" who is responsible for managing and smoothing the business operations of the Group while Mr. Chiu Tao, the Chairman remains to be responsible for leading the Board in the overall strategic development of the Group. The Board believes that there is an effective and sufficient segregation of duties between the Chairman and the General Manager.

(ii) according to code provision E.1.2 of the Code, Mr. Chiu Tao, the Chairman of the Board, should have attended the annual general meeting of the Company held on 21 September 2018 ("2018 AGM"). However, Mr. Chiu Tao was unable to attend the 2018 AGM due to another business commitment. Mr. Hui Richard Rui, executive director and General Manager of the Company, who took the chair of the 2018 AGM, together with other members of the Board who attended the 2018 AGM were of sufficient calibre and knowledge for answering questions at the 2018 AGM.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. In response to specific enquiry, all the directors of the Company confirmed that they have complied with the required standards as set out in the Model Code throughout the Year.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All INEDs have signed the letters of appointment with the Company for a term of two years but they continue to be subject to retirement and re-election as governed by the Articles of Association of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

In order to ensure the Directors' contribution to the Board remains informed and relevant and to develop and refresh their knowledge and skills, the Company has regularly provided training information, encouraged and funded suitable trainings/seminars for the Directors to participate in continuous professional development. The Company also updates the Directors on the latest developments regarding the Listing Rules and applicable regulatory requirements from time to time to enhance their awareness of good corporate governance practices and to ensure compliance.

During the Year, all Directors have participated in continuous professional development by attending training courses and/or referring materials on the topics related to the Group's business, corporate governance and regulations:

Name of Director	Participated in continuous professional development (Note)
Executive Directors:	
Mr. Chiu Tao	√
Mr. Hui Richard Rui	√
Mr. Lee Ming Tung	√
Mr. Kwan Kam Hung, Jimmy	√
Mr. Tsui Ching Hung	√
Mr. Wah Wang Kei, Jackie	√
Independent Non-executive Directors:	
Mr. Yu Pan	√
Ms. Ma Yin Fan	√
Mr. Leung Hoi Ying	√

Note: Attended expert briefings/seminars/conferences relevant to the business or directors' duties or read regulatory update.

COMPANY SECRETARY

Mr. Chow Kim Hang ("Mr. Chow"), has been appointed as the Company Secretary of the Company since 2006. Mr. Chow is a Partner of Ma Tang & Co., Solicitors, a corporate and commercial law firm in Hong Kong. He is a practicing solicitor in Hong Kong and a member of The Law Society of Hong Kong. His primary contact person at the Company is Mr. Lee Ming Tung, the Executive Director.

During the Year, Mr. Chow has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

AUDITOR'S REMUNERATION AND PROFESSIONAL SERVICE FEES

For the Year, the Group engaged Deloitte Touche Tohmatsu, external auditor of the Company, to perform audit service.

During the Year, the fees for non-audit services in relation to taxation services and other professional and advisory services provided by the external auditors were approximately US$0.26 million. The fees for audit related services provided by the external auditors were approximately US$0.62 million.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Group, and ensuring that appropriate accounting policies are selected and applied consistently and that financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standard. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing financial statements.

The statement of the external auditor of the Company with regard to their reporting responsibilities on the Company's financial statements for the Year is set out in the "Independent Auditor's Report" of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining a sound and effective internal control and risk management systems and ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. Such systems are in place and designed to manage rather than eliminate the risks of failure to achieve business objectives and provide reasonable assurance against the risk of material misstatement or loss in order to safeguard the interests of the shareholders and the assets of the Group against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information in accordance with relevant accounting standards and regulatory reporting requirements, and ensuring compliance with the relevant laws and regulations.

The Group, during the Year has engaged a professional firm as an independent advisor to timely perform internal control review and risk management assessment to aid the Group in ensuring the internal controls and risk management systems are functioning adequately.

PROCESS AND MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL

The goal of the Group is to identify and manage the risks which are inherent in the Group's business and its operating markets so that the risks can be reduced, mitigated, transferred or avoided.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

The Board oversees the Group's overall risk management and internal control process through the Audit Committee which forms an important part of the corporate governance regime of the Group. The Audit Committee assists the Board in monitoring the risk exposures, the design and operating effectiveness of the relevant risk management and internal control systems. The Audit Committee oversees the following procedures for and on behalf of the Board:

(i) Periodic assessment of key operational risks and control measures aimed at mitigating, reducing or transferring such risks; the strengths and weaknesses of the overall internal control system, and action programs to address the control weaknesses or improve the assessment process;

(ii) Regularly review the business processes and operational reports, including the action plan to address the identified weaknesses in control, and the latest status and monitor results in the implementation of the recommendations; and

(iii) The external auditors regularly report on the control issues identified in the course of their work and meet with the Audit Committee to discuss the scope and results of the review.

The Audit Committee will then report to the Board after properly reviewing the effectiveness of the Group's risk management and internal control systems. The Board considers the works and findings and recommendations of the Audit Committee in forming its own view on the effectiveness of such systems and makes proper responses.

The management of the Group, including heads of departments and business units, is responsible for the following procedures:

(i) Designs, implements and monitors the systems and ensures the systems are executive effectively;

(ii) Identifies, evaluates and manages the risk that may potentially impact the major processes of the operations and achievement of business objectives, plan or targets;

(iii) Provides confirmation to the Board on the effectiveness of the systems;

(iv) Identifies risks and takes measures to mitigate risks in day-to-day operations; and

(v) Gives prompt responses and conducts follow-up actions on risk management and internal control matters.

The Group does not maintain its own internal audit team due to cost saving reason. However, the independent advisor engaged by the Group would assist the Audit Committee to review the effectiveness of the Group's risk management and internal control systems and the external auditor of the Group would also assess the adequacy and effectiveness of certain key risk management and internal controls of the Group as part of their statutory audit process. The Group would review the need for an internal audit function on an annual basis.

The Group's risk management and integrated internal control framework are closely intertwined, and major control measures are tested to assess performance. A "top-down" approach is complemented by the "bottom-up" aspects, which require the head of the operating unit to participate in the identification of operational risks to determine the Group's major risks.

REVIEW OF EFFECTIVENESS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board has overseen the Group's risk management and internal control systems on an ongoing basis to ensure that a review of the effectiveness of the Group's risk management and internal control systems has been conducted at least once a year.

The Directors acknowledge their responsibility for reviewing the effectiveness of the Group's internal control and risk management systems. The Board has reviewed through the work of its Audit Committee and the internal control review report and the findings performed by independent advisor and was satisfied to the effectiveness of the Group's internal control and risk management systems for the year ended 31 March 2019.

INSIDE INFORMATION

With regard to the internal controls and procedures for the handling and dissemination of inside information, the Group is in compliance with under the Part XIVA and relevant parts of the Securities and Future Ordinances and Listing Rules. To be certain that all the staff members in the Group are aware of the inside information handling, the Group's disclosure policy sets out guidance and procedures to ensure that the inside information of the Group is disseminated to the public completely, accurately and timely. Besides, the Board is responsible to approve the dissemination of the information. The Group also has reasonable measures and procedures regarding keeping the sensitive information confidential and ensuring the confidentiality terms are in place in the significant agreements. Other procedures including sending backout period and securities dealing restrictions notification to the relevant Directors and employees timely, disseminating information to specified persons on a need-to-know basis have also been implemented by the Group against possible mishandling of inside information within the Group.

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS

The Board recognises the importance of effective communications with all shareholders. The Company's annual general meeting (the "AGM") is a valuable forum for the Board to communicate directly with Shareholders. During the Year, the members of the Audit Committee, Remuneration Committee and Nomination Committee together with the external auditors also attended the AGM to answer shareholders' questions.

Pursuant to the Articles of Association of the Company, an extraordinary general meeting shall also be convened on the written requisition of any two or more members holding at the date of the deposit of the requisition in aggregate not less than 25% of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the purposes of the meeting and must be signed by the requisitionists and deposited to our office at Rooms 4503–05, 45/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. If the Directors do not within 21 days from the date of the deposit of such requisition proceed duly to convene an extraordinary general meeting, the requisitionists themselves may convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene such a meeting shall be reimbursed to them by the Company.

Shareholders shall make a written requisition to the Board by mail to Rooms 4503–05, 45/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, specifying their shareholding information, their contact details and the proposals they intend to put forward at the general meetings regarding any specified transaction/business, together with supporting documents.

Shareholders may send enquiries and concerns to the Board by mail to Rooms 4503–05, 45/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong or by email at info@cstgrouphk.com. Such communications relating to matters within the Board's direct responsibilities shall be forwarded to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints shall be forwarded to the relevant senior management of the Company.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the Shareholders to allow Shareholders to share the Company's profits and for the Company to retain adequate reserves for future growth.

The Company intends to create long term value for the Shareholders through maintaining a balance between dividend distribution, preserving adequate liquidity and reserve to meet its working capital requirements and capturing future growth opportunities. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Company's financial results, the general financial condition of the Company, the Company's current and future operations, the level of the Company's debts to equity ratio, return on equity and the relevant financial covenants, liquidity position and capital requirement of the Company and any other factors that the Board deem appropriate. Any dividend declared by the Company shall be conducted in accordance with the Cayman Islands Companies Law, the Memorandum and Articles of the Company and other applicable laws and regulations, and shall not affect the normal operation of the Company and its subsidiaries.

The Board will review the Dividend Policy, as appropriate, which will include an assessment of the effectiveness of the Dividend Policy and approve any amendments thereto if necessary.

INVESTOR RELATIONS

A consolidated version of the Memorandum and Articles of Association of the Company has been posted on the websites of the Company and the Stock Exchange respectively. There have been no changes in the Company's constitutional documents during the Year.

Deloitte. 德勤

TO THE SHAREHOLDERS OF CST GROUP LIMITED
中譽集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CST Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 53 to 141, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 March 2019, 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 ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of 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 judgment, 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
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the subjective judgements and estimates made by the management in determining the fair values. As disclosed in notes 4 and 15 to the consolidated financial statements, the Group's investment property portfolio comprises commercial and residential properties located in Hong Kong, the People's Republic of China (the "PRC") and the United Kingdom (the "UK"), which are stated at fair value of US$52,402,000 as at 31 March 2019 with loss on change in fair value recognised of US$230,000 in the consolidated statement of profit or loss for the year then ended. In estimating the fair value of these investment properties, the Group engaged independent professional valuers to carry out the valuation. In determining the fair value of the Group's investment property in the UK, the valuer has adopted income approach which involves certain estimates, including appropriate market rent and capitalisation rates of the investment property. In determining the fair value of the Group's investment properties in Hong Kong and the PRC, the valuer has adopted direct comparison approach which mainly involves certain significant inputs including market prices of comparable properties and adjusting factors such as floor and direction of the properties.	Our procedures in relation to management's valuation of investment properties included: • Evaluating the competence, capabilities, and objectivity of the valuers; • Understanding the key assumptions applied to the valuation based on available market data; • For the income approach, evaluating the reasonableness of key data inputs underpinning the valuation, such as comparing market rents estimated by the valuer against recent lease renewals and evaluating whether capitalisation rates adopted are comparable to the market; and • For the direct comparison approach, assessing the reasonableness of the key inputs used by the valuer in the valuation model by comparing to relevant market information on market unit prices adopted in other similar properties in neighbourhood.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value of investment in investment funds classified as financial assets at fair value through profit or loss and categorised as Level 3 under the fair value hierarchy	
We identified the measurement of fair value of investment in investment funds classified as financial assets at fair value through profit or loss and categorised as Level 3 under the fair value hierarchy ("FV Level 3") as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, and significant judgements and estimates made by management for the fair value measurement of the financial assets at fair value through profit or loss. As at 31 March 2019, the investment funds classified as financial assets at fair value through profit or loss and categorised as FV Level 3 was US$137,433,000 as set out in note 19 to the consolidated financial statements. The details of the valuation technique and unobservable inputs of FV Level 3 investment funds are set out in notes 19 and 35 to the consolidated financial statements.	Our procedures in relation to fair value of investment in investment funds classified as financial assets at fair value through profit or loss and categorised as FV Level 3 included: • Obtaining and understanding of the entity's process regarding the determination of fair value of the investment funds classified as financial assets at fair value through profit or loss and categorised as FV Level 3; • Assessing the qualification and experience of the independent valuer performing the valuation; • Agreeing the investments held by the Group to the confirmations received independently from the issuers; • Evaluating the appropriateness of the methodologies, judgements and estimates used in determining the fair value of the investments, with the assistance of our internal valuation specialist; and • Reviewing the financial statement disclosures made in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company 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 GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of 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 our agreed terms of engagement, 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 judgment 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.

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

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, related safeguards.

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.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 June, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	2019 US$'000	2018 US$'000
Revenue	5		
Sales		**38,811**	12,527
Interest income		**19,562**	13,700
Dividend income		**5,338**	3,208
Rental income		**3,003**	2,982
Cost of sales		**(32,548)**	(11,000)
Gross profit		**34,166**	21,417
Other income, expenses, gains and losses	6	**(14,301)**	20,007
Distribution and selling expenses		**(5,166)**	(7)
Administrative expenses		**(46,766)**	(26,251)
Impairment loss recognised in respect of exploration and evaluation assets	14	**(166)**	(379)
Impairment loss recognised on goodwill	16	**—**	(19,907)
Loss on inventories written down to net realisable value		**—**	(5,905)
Impairment loss recognised on available-for-sale investments	19	**—**	(23,561)
(Loss) gain on fair value changes of financial assets at fair value through profit or loss	19	**(33,118)**	16,303
(Loss) gain on fair value changes of investment properties	15	**(230)**	4,999
Gain on disposal of a subsidiary	37	**1,026**	—
Reversal of expected credit losses on financial assets, net of impairment loss		**3,497**	—
Share of result of a joint venture	18	**(130)**	2,978
Share of result of an associate	17	**318**	(21)
Finance costs	8	**(11,961)**	(416)
Loss before taxation	9	**(72,831)**	(10,743)
Taxation	10	**(453)**	(524)
Loss for the year		**(73,284)**	(11,267)
Loss for the year attributable to:			
Owners of the Company		**(69,698)**	(12,719)
Non-controlling interests		**(3,586)**	1,452
		(73,284)	(11,267)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTE	2019 US$'000	2018 US$'000
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		9,269	4,448
Loss arising from fair value changes of an available-for-sale investment		—	(22,957)
Reclassification adjustment upon impairment on an available-for-sale investment		—	21,715
		9,269	3,206
Total comprehensive expense for the year		(64,015)	(8,061)
Total comprehensive expense attributable to:			
Owners of the Company		(59,908)	(10,609)
Non-controlling interests		(4,107)	2,548
		(64,015)	(8,061)
Loss per share			
Basic and diluted	12	US(0.18) cents	US(0.03) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 US$'000	2018 US$'000
Non-current assets			
Property, plant and equipment	13	**480,744**	28,997
Exploration and evaluation assets	14	**33,675**	—
Investment properties	15	**52,402**	55,174
Goodwill	16	**—**	—
Interests in associates	17	**7,024**	6,706
Interests in a joint venture	18	**4,922**	5,052
Financial assets at fair value through profit or loss	19	**61,721**	—
Club membership		**2,437**	—
Available-for-sale investments	19	**—**	63,204
Pledged bank deposits	23	**54,581**	38,244
Deposit of acquisition of property, plant and equipment	24	**—**	17,597
		697,506	214,974
Current assets			
Inventories	20	**24,488**	3,159
Trade and other receivables	21	**9,751**	6,115
Loan receivables	22	**28,274**	192,449
Amount due from a joint venture	18	**4,042**	4,042
Financial assets at fair value through profit or loss	19	**355,084**	287,804
Derivative financial instruments		**29**	66
Bank balances and cash	23	**124,159**	93,581
		545,827	587,216
Current liabilities			
Trade and other payables and accruals	25	**29,420**	6,369
Provision for an onerous contract	29	**1,368**	1,453
Tax payable		**5,994**	5,691
Bank borrowings — amount due within one year	26	**1,182**	1,275
Guarantee liability	30	**40,100**	—
		78,064	14,788
Net current assets		**467,763**	572,428
Total assets less current liabilities		**1,165,269**	787,402

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 US$'000	2018 US$'000
Non-current liabilities			
Bank borrowings — amount due after one year	26	420,126	12,836
Obligations under finance lease	27	14,806	—
Provision for mine rehabilitation cost	28	53,816	23,862
Provision for an onerous contract	29	4,106	10,159
		492,854	46,857
		672,415	740,545
Capital and reserves			
Share capital	31	496,132	496,132
Reserves		173,289	237,312
Equity attributable to owners of the Company		669,421	733,444
Non-controlling interests		2,994	7,101
		672,415	740,545

The consolidated financial statements on pages 53 to 141 were approved and authorised for issue by the Board of Directors on 27 June 2019 and are signed on its behalf by:

CHIU TAO
DIRECTOR

HUI RICHARD RUI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company									
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000 (note a)	Other capital reserve US$'000 (note b)	Investment revaluation reserve US$'000	Exchange reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
At 1 April 2017	496,132	507,573	987	128,275	1,242	(7,949)	(382,207)	744,053	11,262	755,315
(Loss) profit for the year	—	—	—	—	—	—	(12,719)	(12,719)	1,452	(11,267)
Other comprehensive (expense) income	—	—	—	—	(1,242)	3,352	—	2,110	1,096	3,206
Total comprehensive (expense) income for the year	—	—	—	—	(1,242)	3,352	(12,719)	(10,609)	2,548	(8,061)
Capital reduction (note c)	—	—	—	—	—	—	—	—	(6,709)	(6,709)
At 31 March 2018	496,132	507,573	987	128,275	—	(4,597)	(394,926)	733,444	7,101	740,545
Adjustment (note 2.2)	—	—	—	—	—	—	(4,115)	(4,115)	—	(4,115)
At 1 April 2018 (restated)	496,132	507,573	987	128,275	—	(4,597)	(399,041)	729,329	7,101	736,430
Loss for the year	—	—	—	—	—	—	(69,698)	(69,698)	(3,586)	(73,284)
Other comprehensive income (expense)	—	—	—	—	—	9,790	—	9,790	(521)	9,269
Total comprehensive income (expense) for the year	—	—	—	—	—	9,790	(69,698)	(59,908)	(4,107)	(64,015)
At 31 March 2019	496,132	507,573	987	128,275	—	5,193	(468,739)	669,421	2,994	672,415

Notes:

(a) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange, in connection with the Group reorganisation completed in January 1994.

(b) The other capital reserve of the Group represents the balance of the credit arising from the cancellation of paid up capital in previous years.

(c) The capital reduction represents the balance being distributed to non-controlling interests by a partially-owned subsidiary incorporated in British Virgin Islands ("BVI").

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 US$'000	2018 US$'000
OPERATING ACTIVITIES		
Loss before taxation	(72,831)	(10,743)
Adjustments for:		
Bank interest income	(1,951)	(2,826)
Reversal of expected credit losses on financial assets, net of impairment loss	(3,497)	—
Finance costs	11,961	416
Depreciation on property, plant and equipment	14,029	1,798
Impairment loss recognised on goodwill	—	19,907
Impairment loss recognised on available-for-sale investments	—	23,561
Impairment loss recognised in respect of exploration and evaluation assets	166	379
Loss on inventories written down to net realisable value	—	5,905
Loss (gain) on disposal of property, plant and equipment	86	(105)
Reversal of provision for an onerous contract	(5,418)	(13,193)
Share of result of a joint venture	130	(2,978)
Share of result of an associate	(318)	21
Loss (gain) on fair value changes of investment properties	230	(4,999)
Loss (gain) on fair value changes of derivative financial instruments	33	(62)
Loss (gain) on fair value changes of financial assets at fair value through profit or loss	33,118	(16,303)
Operating cash flows before movements in working capital	(24,262)	778
Increase in inventories	(15,753)	(2,057)
(Increase) decrease in trade and other receivables	(1,791)	25,061
Decrease (increase) in loan receivables	163,557	(187,295)
Increase in financial assets at fair value through profit or loss	(96,260)	—
Decrease in held for trading investments	—	25,952
Increase (decrease) in trade and other payables and accruals	24,619	(2,649)
Increase in provision on rehabilitation cost	1,844	—
Decrease in amount due to a non-controlling interest	—	(256)
Net cash from (used in) operations	51,954	(140,466)
Interest received	1,951	2,826
NET CASH FROM (USED IN) OPERATING ACTIVITIES	53,905	(137,640)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	NOTES	2019 US$'000	2018 US$'000
INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit or loss	19	(14,261)	—
Purchase of available-for-sale investments	19	—	(31,370)
Additions to exploration and evaluation assets		(166)	(370)
Purchase of property, plant and equipment	13	(16,960)	(27,041)
Proceeds on disposal of property, plant and equipment		—	297
Decrease in pledged bank deposits		6,823	6,783
Acquisition of interests in an associate		—	(6,727)
Net cash outflow arising from acquisition of mining business	33	(6,169)	—
Net cash outflow arising from acquisition of assets through acquisition of subsidiaries	32	(33,145)	—
Proceeds on disposal of financial assets at fair value through profit or loss		27,314	—
Proceeds from return of capital of financial assets at fair value through profit or loss		15,000	—
Deposit paid for acquisition of property, plant and equipment		—	(17,597)
NET CASH USED IN INVESTING ACTIVITIES		(21,564)	(76,025)
FINANCING ACTIVITIES			
New bank borrowing raised		—	14,659
Repayment of borrowing		(1,176)	(637)
Interest paid		(1,161)	(257)
Cash outflow arising from capital reduction		—	(6,709)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(2,337)	7,056
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		30,004	(206,609)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		574	243
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		93,581	299,947
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		124,159	93,581
Represented by:			
Bank balances and cash		124,159	93,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

CST Group Limited ("the Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company with its subsidiaries engaged in (i) exploration, development and mining of mineral resources, (ii) investment in financial instruments, (iii) property investment, (iv) money lending and (v) e-logistics platform. The principal activities of each of its principal subsidiaries are set out in note 43.

The consolidated financial statements are presented in United States dollars ("US$"), which is different from the Company's functional currency of Hong Kong dollars ("HK$"). The management adopted US$ as presentation currency as the management controls and monitors the performance and financial position of the Group based on US$. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

2.1 HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of copper cathodes and coal

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The revenue of the Group from sales of copper cathodes and coal is recognised at a point of time. The adoption of HKFRS 15 has had no material impact on the Group's financial performance and positions for the current year or at 1 April 2018.

2.2 HKFRS 9 "FINANCIAL INSTRUMENTS"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

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

2.2 HKFRS 9 "FINANCIAL INSTRUMENTS" (Continued)

Summary of effects arising from initial application of HKFRS 9

From available-for-sale ("AFS") investments to financial assets at fair value through profit or loss ("FVTPL")

At the date of initial application of HKFRS 9, the Group's investments in investment funds, unlisted equity securities and equity securities listed in Hong Kong with fair value of US$60,767,000 were reclassified from AFS investments to financial assets at FVTPL.

Impairment under ECL model

The Group applied the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Loss allowances for other financial assets at amortised cost, comprising mainly other receivables, loan receivables, amount due from a joint venture, pledged bank deposits and bank balances are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowance of US$4,115,000 has been recognised against accumulated losses. The additional loss allowance is charged against the loan receivables.

The table below illustrates the adjustments recognised for each of the line items affected, including the classification and measurement (including impairment) of financial assets at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

	AFS investments US$'000	Loan receivables US$'000	Financial assets at FVTPL US$'000	Club membership US$'000 (note)	Accumulated losses US$'000
Closing balance at 31 March 2018 — HKAS 39 (audited)	63,204	192,449	287,804	—	(394,926)
Effect arising from initial application of HKFRS 9:					
Reclassification	(63,204)	—	60,767	2,437	—
Remeasurement					
Impairment under ECL model	—	(4,115)	—	—	(4,115)
Opening balance at 1 April 2018 (restated)	—	188,334	348,571	2,437	(399,041)

Note: Club membership of US$2,437,000 is separately presented as an asset on the consolidated statement of financial position upon the reclassification of AFS investments.

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2018 as disclosed above.

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

2.2 HKFRS 9 "FINANCIAL INSTRUMENTS" (Continued)

HK(IFRIC)-Int 22 "Foreign Currency Transactions and Advance Consideration"

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Group is required to determine the date of transaction for each payment or receipt of advance consideration.

On initial application, the Group applied the interpretation prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the current year, i.e. 1 April 2018.

For foreign currency denominated advance considerations paid by the Group in relation to acquisition of property, plant and equipment amounting to US$17,597,000, the Group recorded these advances by applying the spot exchange rate on initial recognition between the functional currency of the relevant group entity and the foreign currency. Accordingly, the application of this interpretation has had no significant impact on the amounts reported and disclosures set out in these consolidated financial statements.

NEW AND AMENDMENTS TO HKFRSs AND AN INTERPRETATION IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company 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.

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

NEW AND AMENDMENTS TO HKFRSs AND AN INTERPRETATION IN ISSUE BUT NOT YET EFFECTIVE (Continued)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as operating cash flows by the Group. Upfront prepaid lease payments will continue to be presented an investing or operating cash flows in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 will result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of US$1,221,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

NEW AND AMENDMENTS TO HKFRSs AND AN INTERPRETATION IN ISSUE BUT NOT YET EFFECTIVE (Continued)

HKFRS 16 "Leases" (Continued)

In addition, the Group currently considers refundable rental deposits paid of US$309,000 and refundable rental deposits received of US$131,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements will result in changes in measurement, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) — Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and has recognised the cumulative effect of initial application to opening accumulated losses without restating comparative information.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Amendments to HKFRS 3 "Definition of a Business"

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 April 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values 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.

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 within the scope of HKAS 17 "Leases", 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 and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is 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.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 facts 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 expense 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, expense 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 entity therein, which represent ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

BUSINESS COMBINATIONS

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS (Continued)

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); and

- 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.

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. Other types of non-controlling interests are measured at their fair value.

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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets and liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACQUISITION OF A SUBSIDIARY NOT CONSTITUTING A BUSINESS

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 the financial assets and 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.

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 longer 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 of the unit 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method.

Under the equity method, an investment in an associate or a joint venture 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 or joint venture. Changes in net assets of the associates or the joint venture 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 or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, 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 or a joint venture 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 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (UPON APPLICATION OF HKFRS 15 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2)

Under HKFRS 15, 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 and 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.

Revenue from sales of goods is recognised when the performance obligation is fulfilled upon the controls of goods has been transferred, being copper cathodes and coal passes the vessel's rail at the port of shipment.

REVENUE RECOGNITION (PRIOR TO 1 APRIL 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income from financial assets (including financial assets measured at FVTPL and loan receivables) is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are recognised at cost less any impairment loss.

Exploration and evaluation assets represent costs of acquiring exploration and mining rights and the expenditures in the search for mineral resources on an area of interest basis. Costs incurred before the Group has obtained the legal right to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- facts and circumstances suggest that the carrying amount exceeds the recoverable amount; or
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; or
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each area of interest or at the cash generating unit level. To the extent that capitalised expenditure is not expected to be recovered, it is charged to profit or loss.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrated, any previously recognised exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining properties (included in property, plant and equipment).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, other than properties, plant and equipment under construction, capital work in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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.

Mine property and development assets

Mine property and development assets include costs of exploration and evaluation, cost to acquire mineral rights, subsequent costs to develop the mine to the production phase, costs which are necessarily incurred during commissioning of the plant, net of proceeds from the sale of test production and construction cost of the mining site infrastructure, incurred in relation to areas of interest in which commercial production of minerals has commenced.

When further development expenditure is incurred in respect of an area of interest in production, such expenditure is capitalised as part of the cost of that mining property only if future economic benefits are probable. Otherwise such expenditure is classified as part of the cost of production and expensed in profit or loss.

Stripping cost

The costs from waste removal activity ("stripping cost") incurred in the development phase of a surface mine are capitalised as part of the mining properties and are subsequently amortised over the life of the mine on a unit of production basis.

To the extent that stripping costs incurred in the production phase of a surface mine ("production stripping costs") provide improved access to ore, such costs are recognised as a non-current asset ("stripping activity asset") when certain criteria are met. The costs of normal ongoing operational stripping activities are accounted as inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of mining properties and classified as tangible assets according to the nature of the mining properties of which it forms part.

The stripping activity asset is then depreciated on a unit of production basis over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is classified as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Capital work in progress and properties, plant and equipment under construction

Capital work in progress represents the work in progress of construction of mine structures and mining site infrastructures and processing facilities. Capital work in progress is classified to mine property and development assets when work in progress is completed and ready for intended use.

Properties, plant and equipment under construction represents a vessel under construction. It is classified to vessel when the construction is completed and ready for intended use.

Depreciation

Property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the specific asset concerned, or the estimated remaining life of the associated mine, field or lease, if shorter. Depreciation commences when the asset is available for use.

Mine property and development assets are depreciated using the unit of production method (the "UOP") based on the actual production volume over the estimated total recoverable copper and coal contained in proven and probable ore reserves at the related mine.

The production level intended by management is considered to be reached when operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and there are indicators that these operating results will be sustained. Other factors include one or more of the following:

- A significant utilisation rate of plant capacity has been achieved; and

- A pre-determined, reasonable period of time of stable operation has passed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation (Continued)

Management reviews the estimated total recoverable copper and coal contained in proven and probable ore reserves at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable copper and coal contained in proven and probable ore reserves are accounted for prospectively.

Capital work in progress and properties, plant and equipment under construction are not depreciated until they are substantially complete and available for their intended use.

Other property, plant and equipment items are depreciated on a straight-line basis over their estimated useful life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

INVENTORIES

Inventories are stated at the lower of weighted average production cost or net realisable value. Copper in process inventory consists of copper contained in mineral ores, the ore on leach pads and in-circuit material within processing operations. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. 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 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.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

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.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

A financial asset is classified as 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 fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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.

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 "(loss) gain on fair value changes of financial assets at FVTPL" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 including trade and other receivables, loan receivables, amount due from a joint venture, pledged bank deposits and bank balances and financial guarantee contracts. 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, 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. Assessment 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 trade receivables without significant financing component. The ECL on trade receivables are assessed individually for debtors.

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, 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (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.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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.

(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 adjusted by 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.

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.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL (Continued)

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is presented as a separate line items as "(loss) gain on fair value changes of financial assets at FVTPL".

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, amount due from a joint venture, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS financial assets and traded in an active market are measured at fair value at the end of each reporting period. AFS unlisted securities investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted instruments are measured at cost less any identified impairment losses at the end of the reporting period. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Changes in the fair value of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity

Classification as debt of 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 Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

(i) the amount of loss allowance determined in accordance with HKFRS 9 (since 1 April 2018)/HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (before application of HKFRS 9 on 1 April 2018); and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Derecognition

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.

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.

Financial liabilities are derecognised 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.

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 taxation 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 interests in associates and a joint venture 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

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 investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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.

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 at 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 at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations including foreign operations are translated into the presentation currency of the Group (i.e. US$) using exchange rate prevailing at the end of each reporting period. Income and expense 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 prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

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 and accumulated in equity (the exchange reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

RETIREMENT BENEFIT COSTS

Payments to the Mandatory Provident Fund Scheme and state-sponsored pension scheme are recognised as expense when employees have rendered service entitling them to the contributions.

DEFINED CONTRIBUTION PLANS

Contributions to Compulsory Superannuation Guarantee Contribution plans and Registered Retirement Savings Plan are expensed when employees have rendered service entitling them to the contributions.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT ON TANGIBLE ASSETS OTHER THAN GOODWILL (SEE THE ACCOUNTING POLICY IN RESPECT OF GOODWILL ABOVE)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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 tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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. 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. 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and 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.

Provisions are measured at 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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Provision for mine rehabilitation cost

Provision for mine rehabilitation cost is required when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured based on the area of land disturbed by the mine as a whole in accordance with the relevant rules and regulations at the end of the reporting period, and using the cash flows estimated to settle the present obligation. Its carrying amount is the present value of those cash flows (where the effect is material). The payments for the mine rehabilitation cost is required by the local authority upon the closure of the respective mine project.

Mine rehabilitation cost is provided in the period in which the obligation is identified and is capitalised to the costs of mining properties. The cost is charged to profit or loss through depreciation of assets, which are depreciated using the unit of production method based on the actual production volume over the total estimated proved and probable reserves of the mines.

BORROWING COSTS

Borrowing costs other than those directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are recognised in profit or loss in the period in which they are incurred.

CLUB MEMBERSHIP

Club membership are measured at cost less any impairment losses.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 ongoing 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 JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following is the critical judgments, apart from those involving estimations (see below), that the management has 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.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Joint control over Mission Right Limited ("Mission right")

In April 2014, the Group formed Mission Right with another party and has 50% of ownership interest. Mission Right has become a joint venture of the Group following the transaction. Details are set out in note 18.

The directors of the Company assessed whether or not the Group has control over Mission Right based on whether the Group has the practical ability to direct the relevant activities of Mission Right unilaterally. In making their judgement, the directors of the Company considered the Group does not have control over Mission Right because under the relevant shareholders' agreement, decisions on operating and financing activities of Mission Right require unanimous consent from all joint venture partners. After assessment, the directors of the Company concluded that neither the Group nor the other joint venture partner has the ability to control Mission Right unilaterally and therefore Mission Right is considered as jointly controlled by the Group and the joint venture partner.

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

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.

Valuation of investment properties

Fair value of investment properties was determined based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income. As at 31 March 2019, investment properties are at fair value of US$52,402,000 (2018: US$55,174,000).

Estimated net realisable value of inventories

Inventories are reviewed for their net realisable value at the end of each reporting period, and the Group will make allowance for inventories with net realisable values lower than their carrying amounts. No excess of carrying value over net realisable value of inventories as at 31 March 2019 was noted (2018: US$5,905,000). The management estimates the net realisable value based primarily on the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The carrying amount of inventories after allowance for write-down of the Group as at 31 March 2019 is US$24,488,000 (2018: US$3,159,000).

Provision for mine rehabilitation cost

A provision for future rehabilitation cost requires estimates and assumptions to be made around the relevant regulatory framework, the magnitude of the possible disturbance and the timing, extent and costs of the required closure and rehabilitation activities. To the extent that the actual future costs differ from these estimates, adjustments will be recorded and the consolidated statement of profit or loss and other comprehensive income could be impacted. The provisions, including the estimates and assumptions contained therein, are reviewed regularly by management. As at 31 March 2019, provision for mine rehabilitation cost is at carrying amount of US$53,816,000 (2018: US$23,862,000).

Provision for an onerous contract

Management estimates the provision for an onerous contract being the present obligation of the unavoidable costs less the economic benefits expected to be received under the non-cancellable power supply contract. The expected economic benefits are estimated based on estimated future usage and power supply rates by reference to market statistics and information while unavoidable costs are estimated based on power supply payments that the Group is obliged to make under the contracts.

Management conducted an assessment of the power supply contract and the estimates and assumptions contained therein are reviewed regularly. As at 31 March 2019, provision for an onerous contract is at carrying amount of US$5,474,000 (2018: US$11,612,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Fair value of measurement and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 and Level 2 inputs are not available, the fair value measurement is determined by (i) the general partners using valuation techniques or (ii) the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fluctuation in the fair value of the assets and liabilities is reported and analysed periodically.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties and certain types of financial instruments. The detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are set out in notes 15 and 35(c).

5. REVENUE/SEGMENT INFORMATION

REVENUE

Revenue represents revenue arising on sale of copper cathodes and coal, property rental income, dividend income and interest income. An analysis of the Group's revenue for the year is as follows:

	2019 US$'000	2018 US$'000
Sale of copper cathodes	14,660	12,527
Sale of coal	24,151	—
Revenue from contracts with customers	38,811	12,527
Residential rental income	596	583
Office rental income	2,407	2,399
Dividend income from trading securities	5,338	3,208
Interest income from financial assets at FVTPL	10,037	8,047
Interest income from money lending business	9,525	5,653
Total revenue	66,714	32,417
Disaggregation of revenue from contracts with customers		
Sales of copper cathodes	14,660	12,527
Sales of coal	24,151	—
	38,811	12,527
Timing of revenue recognition		
A point in time	38,811	12,527

5. REVENUE/SEGMENT INFORMATION (Continued)

SALE OF COPPER CATHODES AND COAL (RECOGNISED AT A POINT IN TIME)

The Group sells copper cathodes and coal directly to customers. The revenue is recognised when the performance obligation is fulfilled upon the control of goods has been transferred, being copper cathodes and coal passes the vessel's rail at the port of shipment. The payment from customers will be made to the Group within 30 days from the date of lading.

SEGMENT INFORMATION

Information provided to the chief operating decision maker ("CODM"), representing the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of business. This is also the basis upon which the Group is arranged and organised.

Specifically, the Group's operating and reportable segments under HKFRS 8 were organised into five main operating divisions — (i) mining business, (ii) investment in financial instruments, (iii) property investment, (iv) money lending and (v) e-logistics platform.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Under HKFRS 8, segment information is based on internal management reporting information that is regularly reviewed by the executive directors, being CODM of the Group. The measurement policies of the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements. The CODM assess segment profit or loss using a measure of operating profit whereby certain items are not included in arriving at the segment results of the operating segments (other income, expenses, gains and losses (except for reversal of provision for an onerous contract and provision for rehabilitation cost), central administration costs, finance costs, share of result of a joint venture and share of result of an associate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

5. REVENUE/SEGMENT INFORMATION (Continued)

SEGMENT REVENUE AND RESULTS

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

	Segment revenue		Segment results	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Mining business	**38,811**	12,527	**(14,352)**	3,365
Investments in financial instruments	**15,375**	11,255	**(22,719)**	3,298
Property investment	**3,003**	2,982	**2,236**	7,073
Money lending	**9,525**	5,653	**9,444**	5,471
E-logistics platform	**—**	—	**(11)**	(20,070)
	66,714	32,417	**(25,402)**	(863)
Other income, expenses, gains and losses (except for reversal of provision for an onerous contract and provision for rehabilitation cost)			**(17,875)**	5,176
Central administration costs			**(17,781)**	(17,597)
Finance costs			**(11,961)**	(416)
Share of result of a joint venture			**(130)**	2,978
Share of result of an associate			**318**	(21)
Loss before taxation			**(72,831)**	(10,743)

All of the segment revenue reported above is generated from external customers.

5. REVENUE/SEGMENT INFORMATION (Continued)

SEGMENT ASSETS AND LIABILITIES

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

	2019 US$'000	2018 US$'000
Segment assets:		
— Mining business	597,869	53,278
— Investments in financial instruments	425,306	355,190
— Property investment	54,454	55,240
— Money lending	31,957	192,449
— E-logistics platform	13	114
Total segment assets	1,109,599	656,271
Unallocated assets:		
— Bank balances and cash	81,983	83,099
— Property, plant and equipment	28,516	27,989
— Others	23,235	34,831
	133,734	145,919
Consolidated total assets	1,243,333	802,190
Segment liabilities:		
— Mining business	552,848	41,645
— Investments in financial instruments	—	—
— Property investment	13,257	15,461
— Money lending	985	11
— E-logistics platform	2,253	2,422
Total segment liabilities	569,343	59,539
Unallocated liabilities:		
— Other payables and accrual	1,575	2,106
Consolidated total liabilities	570,918	61,645

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable and operating segments other than certain bank balances and cash, certain property, plant and equipment, certain other receivables, interests in associates and interests in a joint venture. All liabilities are allocated to operating segments other than certain other payables and accrual.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

5. REVENUE/SEGMENT INFORMATION (Continued)

OTHER SEGMENT INFORMATION

2019

	Mining business US$'000	Investments in financial instruments US$'000	Property investment US$'000	Money lending US$'000	E-logistics platform US$'000	Unallocated US$'000	Total US$'000
Amounts included in the measure of segment results or segment assets:							
Loss on fair value changes of investment properties	—	—	(230)	—	—	—	(230)
Additions to non-current assets (note)	502,727	—	—	—	—	2,616	505,343
Depreciation on property, plant and equipment	(11,708)	—	—	—	—	(2,089)	(13,797)
Loss on fair value changes of financial assets at FVTPL	—	(33,118)	—	—	—	—	(33,118)
Impairment loss on exploration and evaluation assets recognised in profit or loss	(166)	—	—	—	—	—	(166)
Reversal of provision for an onerous contract	5,418	—	—	—	—	—	5,418

2018

	Mining business US$'000	Investments in financial instruments US$'000	Property investment US$'000	Money lending US$'000	E-logistics platform US$'000	Unallocated US$'000	Total US$'000
Amounts included in the measure of segment results or segment assets:							
Gain on fair value changes of investment properties	—	—	4,999	—	—	—	4,999
Additions to non-current assets (note)	586	—	—	—	—	26,834	27,420
Depreciation on property, plant and equipment	(646)	—	—	—	(47)	(644)	(1,337)
Gain on fair value changes of financial assets at FVTPL	—	16,303	—	—	—	—	16,303
Impairment loss recognised on goodwill	—	—	—	—	(19,907)	—	(19,907)
Impairment loss recognised on available-for-sale investments	—	(23,561)	—	—	—	—	(23,561)
Impairment loss on exploration and evaluation assets recognised in profit or loss	(379)	—	—	—	—	—	(379)
Loss on inventories written down to net realisable value	(5,905)	—	—	—	—	—	(5,905)
Reversal of provision for an onerous contract	13,193	—	—	—	—	—	13,193

Note: Additions to non-current assets comprise property, plant and equipment and exploration and evaluation assets.

5. REVENUE/SEGMENT INFORMATION (Continued)

GEOGRAPHICAL INFORMATION

A geographical analysis of the Group's revenue from external customers is presented based on the geographical market where listed securities are traded for investments in financial instruments segment, geographical location where the goods are sold for mining business segment, geographical location of the properties for property investment segment; while information about the carrying amount of non-current assets, excluding financial instruments, club membership and pledged bank deposits, is presented based on the geographical location of the assets, as follows:

	Revenue from external customers		Carrying amounts of non-current assets	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
The People's Republic of China (the "PRC"), other than Hong Kong	**250**	237	**6,335**	6,910
Hong Kong	**14,490**	9,371	**61,847**	77,652
Australia	**14,660**	12,527	**378**	914
Canada	**24,151**	—	**485,525**	—
The United Kingdom (the "UK")	**2,157**	2,190	**24,682**	28,050
Singapore	**10,037**	8,047	**—**	—
Others	**969**	45	**—**	—
	66,714	32,417	**578,767**	113,526

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from mining business in Australia and Canada from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March	
	2019	2018
	US$'000	US$'000
Customer A[1]	**14,660**	12,527
Customer B[2]	**12,220**	—

1 Revenue from sales of copper cathodes

2 Revenue from sales of coal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	2019 US$'000	2018 US$'000
Bank interest income	1,951	2,826
Net foreign exchange (loss) gain	(20,163)	1,093
Reversal of provision for an onerous contract	5,418	13,193
Provision for rehabilitation cost	(1,844)	—
Fair value (loss) gain on derivative financial instruments	(33)	62
Others	370	2,833
	(14,301)	20,007

7. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(A) DIRECTORS

The emoluments paid or payable to each of the eleven (2018: twelve) directors were as follows:

	2019				
Name	Fees US$'000	Basic salaries allowances and benefits-in-kind US$'000	Performance related bonus US$'000	Contributions to retirement benefit scheme US$'000	Total US$'000
Executive Directors (note i)					
Chiu Tao (Chairman) (note ii)	—	5,551	3,205	2	8,758
Chen Weixing (note iii)	—	—	—	—	—
Hui Richard Rui (note iv)	—	494	128	2	624
Kwan Kam Hung, Jimmy	—	203	256	2	461
Lee Ming Tung	—	175	67	2	244
Tsui Ching Hung	—	196	38	—	234
Wah Wang Kei, Jackie	—	418	256	2	676
Yeung Kwok Yu	—	218	25	—	243
Independent Non-executive Directors (note vi)					
Leung Hoi Ying	19	—	—	—	19
Ma Yin Fan	26	—	—	—	26
Tong So Yuet (note v)	26	—	—	—	26
Yu Pan	15	—	—	—	15
	86	7,255	3,975	10	11,326

7. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(A) DIRECTORS (Continued)

	2018				
Name	Fees US$'000	Basic salaries allowances and benefits-in-kind US$'000	Performance related bonus US$'000	Contributions to retirement benefit scheme US$'000	Total US$'000
Executive Directors (note i)					
Chiu Tao (Chairman) (note ii)	—	5,404	3,205	2	8,611
Chen Weixing	—	—	—	—	—
Hui Richard Rui (note iv)	—	280	—	2	282
Kwan Kam Hung, Jimmy	—	175	186	2	363
Lee Ming Tung	—	168	64	2	234
Tsui Ching Hung	—	190	38	2	230
Wah Wang Kei, Jackie	—	129	128	2	259
Yeung Kwok Yu	—	218	25	—	243
Independent Non-executive Directors (note vi)					
Leung Hoi Ying	19	—	—	—	19
Ma Yin Fan	26	—	—	—	26
Tong So Yuet	26	—	—	—	26
Yu Pan	15	—	—	—	15
	86	6,564	3,646	12	10,308

Notes:

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

(ii) Mr. Chiu Tao is the Chairman of the Company and his emoluments disclosed above include those for services rendered by him.

(iii) Retired as an executive director of the Company on 21 September 2018.

(iv) Mr. Hui Richard Rui is the General Manager of the Company, whose role is equivalent to a chief executive.

(v) Resigned as an independent non-executive director of the Company with effect from 29 March 2019.

(vi) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(vii) The performance related bonus payable to executive directors is determined based on the performance of the individual directors. No directors waived any emoluments in both years.

(viii) There is no compensation for the loss of office as a director of the Group for both years.

(ix) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

7. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(B) INFORMATION REGARDING EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included four directors (2018: four directors), details of whose remuneration are set out in above. Details of the remuneration for the year of the remaining one (2018: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2019 US$'000	2018 US$'000
Salaries, allowances and benefits-in-kind	731	391
Retirement benefits	2	23
	733	414

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follows:

	2019 No. of employee	2018 No. of employee
HK$3,000,001 to HK$3,500,000 (equivalent to US$384,615 to US$448,718)	—	1
HK$5,500,001 to HK$6,000,000 (equivalent to US$705,128 to US$769,231)	1	—

During the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to the directors and the chief executives of the Company or the five highest paid individuals of the Group (including directors, the chief executives and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

8. FINANCE COSTS

	2019 US$'000	2018 US$'000
Effective interest expense on provision for mine rehabilitation cost	—	53
Interest expense on finance lease	798	—
Interest expense on bank borrowings	11,163	363
	11,961	416

9. LOSS BEFORE TAXATION

	2019 US$'000	2018 US$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration (note 7(a))	11,326	10,308
Contributions to retirement benefit scheme to employees	330	113
Other staff costs	12,874	3,212
Total staff costs	24,530	13,633
Less: amount capitalised in		
Exploration and evaluation assets	—	(328)
Cost of producing the inventories	(6,501)	—
Total staff costs included in administrative expenses	18,029	13,305
Auditor's remuneration	624	432
Depreciation on property, plant and equipment	14,029	1,798
Cost of inventories recognised as an expense	32,548	16,905
Minimum lease payments paid under operating leases in respect of rented premises	723	643
Loss on disposal of property, plant and equipment	86	—
and after crediting:		
Gain on disposal of property, plant and equipment	—	105
Gross rental income less direct operating expenses of US$416,000 (2018: US$354,000) from investment properties that generated rental income during the year	2,587	2,628

10. TAXATION

	2019 US$'000	2018 US$'000
Current tax:		
Charge for the year		
PRC	25	21
Hong Kong	81	—
Australian withholding tax	217	237
UK	126	266
Underprovision in prior year		
Hong Kong	4	—
Taxation for the year	453	524

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

10. TAXATION (Continued)

Accordingly, starting from the current year, the Hong Kong profits tax 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 of one of the Group entities operating in Hong Kong.

Under the applicable corporate tax law in Australia, the tax rate is 30% of the estimated assessable profits.

Under the applicable corporate tax law in the UK, the tax rate is 19% of the estimated assessable profits.

Under the applicable corporate tax law in Alberta, Canada, the tax rate is 27% of the estimated assessable profits.

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%.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 US$'000	2018 US$'000
Loss before taxation	(72,831)	(10,743)
Taxation at the respective domestic income tax rates (note)	(15,757)	(2,740)
Tax effect of share of result of a joint venture	21	(491)
Tax effect of share of result of an associate	(53)	3
Tax effect of expenses not deductible for tax purpose	9,180	10,608
Tax effect of income/gain not taxable for tax purpose	(4,563)	(7,645)
Tax effect of tax expenses/losses not recognised	13,564	4,971
Tax effect of utilisation of tax losses previously not recognised	(2,163)	(4,419)
Australian withholding tax	217	237
Underprovision of tax in prior year	28	—
Tax effect of two-tiered profits tax regime	(21)	—
Taxation for the year	453	524

Note: The domestic tax rate in Hong Kong of 16.5% (2018: 16.5%), PRC of 25% (2018: 25%), UK of 19% (2018: 19%), Alberta, Canada of 27% (2018: nil) and Australia of 30% (2018: 30%), which are jurisdictions where the operations of the Group are substantially used.

At 31 March 2019, the Group had unused tax losses of US$669,984,000 (2018: US$615,943,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams in both 2019 and 2018. The losses may be carried forward indefinitely.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2019 **US$'000**	2018 US$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(69,698)**	(12,719)

	Number of share	
	2019 **'000**	2018 '000
Number of ordinary shares for the purposes of basic and diluted loss per share	**38,698,309**	38,698,309

Both basic and diluted loss per share were the same in 2019 and 2018 as there were no potential ordinary shares in issue for both 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

13. PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress	Mine property and development assets	Plant and equipment	Leasehold land and buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Vessel	Software	Aircraft	Properties, plant and equipment under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST												
At 1 April 2017	2,722	205,024	26,392	6,499	405	1,896	1,304	3,860	169	—	—	248,271
Exchange adjustments	—	467	79	13	—	—	3	—	18	—	—	580
Additions	—	207	—	—	10	19	71	74	—	19,300	7,360	27,041
Disposals/write-off	—	—	(28)	—	—	(41)	(246)	(48)	—	—	—	(363)
At 31 March 2018	2,722	205,698	26,443	6,512	415	1,874	1,132	3,886	187	19,300	7,360	275,529
Exchange adjustments	3	(16,946)	(2,482)	(23)	—	—	(860)	—	(15)	—	—	(20,323)
Additions	6,781	5,266	1,535	—	4	7	96	70	761	—	2,440	16,960
Disposals/write-off	—	—	—	—	—	(58)	(108)	—	(172)	—	—	(338)
Acquired on acquisition of mining business (note 33)	—	339,887	41,088	1,912	—	—	71,249	—	—	—	—	454,136
At 31 March 2019	9,506	533,905	66,584	8,401	419	1,823	71,509	3,956	761	19,300	9,800	725,964
DEPRECIATION AND IMPAIRMENT												
At 1 April 2017	2,722	205,024	25,172	5,109	365	1,779	932	3,644	43	—	—	244,790
Exchange adjustments	—	467	79	13	—	—	3	—	14	—	—	576
Provided for the year	—	207	371	34	15	56	93	31	47	483	—	1,337
Eliminated on disposals/ write-off	—	—	(13)	—	—	(39)	(74)	(45)	—	—	—	(171)
At 31 March 2018	2,722	205,698	25,609	5,156	380	1,796	954	3,630	104	483	—	246,532
Exchange adjustments	—	(12,888)	(1,960)	—	—	—	(1)	—	(8)	—	—	(14,857)
Provided for the year	—	4,686	1,059	71	15	36	5,887	33	80	1,930	—	13,797
Eliminated on disposals/ write-off	—	—	—	—	—	(58)	(108)	—	(86)	—	—	(252)
At 31 March 2019	2,722	197,496	24,708	5,227	395	1,774	6,732	3,663	90	2,413	—	245,220
CARRYING VALUES												
At 31 March 2019	6,784	336,409	41,876	3,174	24	49	64,777	293	671	16,887	9,800	480,744
At 31 March 2018	—	—	834	1,356	35	78	178	256	83	18,817	7,360	28,997

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The property, plant and equipment, except for capital work in progress, mine property and development assets and properties, plant and equipment under construction, are depreciated on a straight-line basis after taking into account their estimated residual value, at the following rates per annum:

Plant and equipment	20%–33%, or over the life of the mines whichever is shorter
Leasehold land and buildings	2%
Leasehold improvements	20%–33%, or over the terms of the leases whichever is shorter
Furniture and equipment	10%–25%
Motor vehicles	25%
Vessel	10%–25%
Software	25%
Aircraft	10%

Depreciation expense of property, plant and equipment of US$6,000 and US$11,511,000 (2018: US$9,000 and US$570,000) incurred during the year ended 31 March 2019 were capitalised as part of exploration and evaluation assets and inventories, respectively. US$11,365,000 (2018: US$1,041,000) of these capitalised costs was charged to profit or loss as cost of goods sold during the year.

14. EXPLORATION AND EVALUATION ASSETS

	US$'000
COST	
At 1 April 2017	—
Additions	379
Impairment loss recognised in profit or loss	(379)
At 31 March 2018	—
Additions	**166**
Additions through acquisition of business (note 33)	**34,081**
Exchange adjustment	**(406)**
Impairment loss recognised in profit or loss	**(166)**
At 31 March 2019	**33,675**

During the year, the management conducted a review on the recoverable amount of cash-generating unit for the mining of copper on the Group's exploration and evaluation assets and determined that impairment loss of US$166,000 has been recognised (2018: US$379,000). The recoverable amounts of the relevant assets have been determined on the basis of the value in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

15. INVESTMENT PROPERTIES

	2019 US$'000	2018 US$'000
FAIR VALUE		
At the beginning of the year	55,174	46,962
(Loss) gain on fair value changes recognised in profit or loss	(230)	4,999
Exchange adjustment	(2,542)	3,213
At the end of the year	52,402	55,174

The fair value of the Group's investment properties as at 31 March 2019 and 2018 has been arrived at on the basis of a valuation carried out on those dates by independent qualified professional valuers not connected with the Group.

The fair value was determined based on the income approach and direct comparison approach. For the income approach, the value of the completed investment properties is derived from capitalising the rental income derived from the existing tenancies with due provision for any reversionary income potential. For the direct comparison approach, the fair value is arrived at by reference to unit market values of comparable properties and the adjusting factors such as floor and direction.

In determining the fair value of the relevant properties, the management and the person in charge of financial matters of the Group would determine the appropriate valuation techniques and inputs for fair value measurements.

The Group engages independent valuers to perform its valuations. The person in charge works closely with the independent valuers to establish the appropriate valuation techniques and inputs to the model. The person in charge of financial matters reports the management's findings, if any, to the board of directors every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The properties were rented out under operating leases and categorised at Level 3 (2018: Level 3) under the fair value hierarchy.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

	Fair value as at 31 March	
	2019 US$'000	2018 US$'000
Residential units located in Hong Kong	21,385	20,308
Commercial units located in the PRC	6,335	6,816
Commercial units located in the UK	24,682	28,050
	52,402	55,174

15. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of these investment properties as at 31 March 2019 and 31 March 2018 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 3) based on the degree to which the inputs to the fair value measurements is observable.

	Valuation technique (s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 1 — Properties in Quarry Bay, Hong Kong	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property	Price per square foot, using market direct comparable and taking into account of the adjusting factors such as floor and direction of the property, of HK$9,776 per square foot (2018: HK$9,276 per square foot)	A slight increase in the price per square foot will increase slightly the fair value.	If the market price to the valuation model is 5% higher/lower while all the other variables were held constant, the carrying value of the investment properties would increase/decrease by US$363,000 (equivalent to HK$2,835,000) (2018: US$345,000 (equivalent to HK$2,690,000)).
Property 2 — Properties in Quarry Bay, Hong Kong	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property	Price per square foot, using market direct comparable and taking into account of the adjusting factors such as floor and direction of the property, of HK$10,223 per square foot (2018: HK$9,712 per square foot)	A slight increase in the price per square foot will increase slightly the fair value.	If the market price to the valuation model is 5% higher/lower while all the other variables were held constant, the carrying value of the investment properties would increase/decrease by US$706,000 (equivalent to HK$5,505,000) (2018: US$671,000 (equivalent to HK$5,230,000)).
Property 3 — Properties in Changning District, Shanghai City, the PRC	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property	Price per square metre, using market direct comparable and taking into account of the adjusting factors such as floor and direction of the property, of RMB21,775 per square metre (2018: RMB21,775 per square metre)	A slight increase in the price per square metre will increase slightly the fair value.	If the market price to the valuation model is 5% higher/lower while all the other variables were held constant, the carrying value of the investment properties would increase/decrease by US$103,000 (equivalent to RMB700,000) (2018: US$111,000 (equivalent to RMB700,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

15. INVESTMENT PROPERTIES (Continued)

	Valuation technique (s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 4 — Properties in Luohu District, Shenzhen, the PRC	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property	Price per square metre, using market direct comparable and taking into account of the adjusting factors such as floor and direction of the property, of RMB18,363 per square metre (2018: RMB18,363 per square metre)	A slight increase in the price per square metre will increase slightly the fair value.	If the market price to the valuation model is 5% higher/lower while all the other variables were held constant, the carrying value of the investment properties would increase/decrease by US$214,000 (equivalent to RMB1,450,000) (2018: US$230,000 (equivalent to RMB1,450,000)).
Property 5 — Property in Edinburgh, the UK	Income capitalisation method based on market rent and capitalisation rate of similar properties	Market rent per square foot of GBP14.5 (2018: GBP14.5)	The higher the market rent, the higher the fair value.	If the market rent to the valuation model is 5% higher/lower while all the other variables were held constant, the carrying value of the investment properties would increase/decrease by US$1,270,000 (equivalent to GBP967,000) (2018: US$1,429,000 (equivalent to GBP1,009,000)).
		Capitalisation rate of 7.30% (2018: 7.00%)	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 0.5% higher/lower while all the other variables were held constant, the carrying value of the investment property would decrease/increase by US$1,628,000/US$1,868,000 (equivalent to GBP1,240,000/GBP1,423,000) (2018: US$1,905,000/US$2,199,000 (equivalent to GBP1,345,000/GBP1,552,000)), respectively.

There was no transfer into or out of Level 3 during the year.

16. GOODWILL

	US$'000
COST	
At 1 April 2017	80,348
Exchange adjustments	8,509
At 31 March 2018	88,857
Exchange adjustments	(6,282)
At 31 March 2019	**82,575**
IMPAIRMENT	
At 1 April 2017	61,331
Exchange adjustments	7,619
Impairment loss recognised in the year	19,907
At 31 March 2018	88,857
Exchange adjustments	(6,282)
At 31 March 2019	**82,575**
CARRYING VALUES	
At 31 March 2018 and 2019	—

For the impairment testing, goodwill is allocated to the Group's CGU identified according to business segment which is the e-logistics platform.

The carrying amount of the CGU was determined to be higher than its recoverable amount. An impairment loss of US$19,907,000 was recognised for the year ended 31 March 2018. During the year ended 31 March 2018, the impairment loss was allocated fully to the goodwill and is presented as a separate financial statement line item in the consolidated statement of profit or loss and other comprehensive income.

17. INTERESTS IN ASSOCIATES

	2019 **US$'000**	2018 US$'000
Cost of unlisted investment in associates	**16,727**	16,727
Share of post-acquisition loss and other comprehensive expense	**(967)**	(1,285)
Impairment loss recognised on interests in an associate	**(8,207)**	(8,207)
Exchange adjustment	**(529)**	(529)
	7,024	6,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

17. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's associates at the end of the reporting period are as follow:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2019	2018	2019	2018	
Kuaichi Group Holding Limited ("Kuaichi Group")	Cayman Islands	PRC	20%	20%	20%	20%	E-logistics business
Liberty Capital Limited ("Liberty") (formerly known as Best Future Investments Limited) (note)	BVI	HK	33.5%	33.5%	33.5%	33.5%	Trading of securities

Note: On 17 January 2018, Violet Fame Limited, a wholly-owned subsidiary of the Company and Tai United Holdings Limited, entered into a sales and purchase agreement in respect of the acquisition of 33.5% equity interest in Best Future Investments Limited at an aggregate consideration of US$6,727,000 and it is principally engaged in securities investment business in Hong Kong.

All of these associates are accounted for using the equity method in these consolidated financial statements.

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

LIBERTY

	2019 US$'000	2018 US$'000
Current assets	25,129	31,149
Non-current assets	24,695	877
Current liabilities	30,191	13,343
Non-current liabilities	—	—

	2019 US$'000	2018 US$'000
Revenue	707	1,060
Profits (loss) for the year/period	950	(62)
Other comprehensive income (expense) for the year/period	—	—
Total comprehensive income (expense) for the year/period	950	(62)

17. INTERESTS IN ASSOCIATES (Continued)

LIBERTY (Continued)

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

	2019 US$'000	2018 US$'000
Net assets of Liberty	19,633	18,683
Proportion of the Group's ownership interest in Liberty	33.5%	33.5%
	6,577	6,259
Goodwill	447	447
Carrying amount of the Group's interest in Liberty	7,024	6,706

KUAICHI GROUP

	2019 US$'000	2018 US$'000
The unrecognised share of loss of Kuaichi Group for the year	423	491

	2019 US$'000	2018 US$'000
Cumulative unrecognised share of loss of Kuaichi Group	914	491

18. INTERESTS IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE

Details of the Group's investment in a joint venture as follows:

	2019 US$'000	2018 US$'000
Cost of investment in joint venture	—	—
Share of post-acquisition profits and other comprehensive income	4,922	5,052
	4,922	5,052
Share of result of a joint venture	(130)	2,978
Amount due from a joint venture	4,042	4,042

18. INTERESTS IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE (Continued)

The interest in a joint venture represents a 50% equity interest in Mission Right, an equity joint venture established in the Hong Kong in April 2014. The Group is able to exercise joint control over Mission Right as all decisions about the relevant activities require unanimous consent of the Group and the other joint venture partner. The Group also has rights to the net assets of Mission Right. Accordingly, Mission Right is regarded as a joint venture of the Group.

The amount due from a joint venture is unsecured and repayable on demand.

Details of the joint venture at the end of the reporting period as follows:

Name of entity	Form of entity	Country of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
					2019	2018	2019	2018	
Mission Right	Incorporated	BVI	Hong Kong	Ordinary	50%	50%	50%	50%	Investment in equity instruments

The joint venture is accounted for using the equity method in these consolidated financial statements:

	2019 US$'000	2018 US$'000
Current assets	17,930	18,190
Non-current assets	—	—
Current liabilities	8,086	8,086
Non-current liabilities	—	—

The above amounts of assets and liabilities include the following:

	2019 US$'000	2018 US$'000
Cash and cash equivalents	7	7
Current financial liabilities (excluding trade and other payables and provisions)	8,086	8,086

18. INTERESTS IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE (Continued)

Details of the joint venture at the end of the reporting period as follows: (Continued)

	2019 US$'000	2018 US$'000
Revenue	—	—
(Loss) profit from continuing operations	(260)	5,956
Post-tax profit (loss) from discontinued operations	—	—
(Loss) profit for the year	(260)	5,956
Other comprehensive income for the year	—	—
Total comprehensive (expense) income for the year	(260)	5,956
Dividends received from Mission Right during the year	—	—
The above (loss) profit for the year includes the following:		
Interest income	4	1

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

	2019 US$'000	2018 US$'000
Net assets of Mission Right	9,844	10,104
Proportion of Group's ownership interest in Mission Right	50%	50%
Carrying amount of Group's interest in Mission Right	4,922	5,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

	2019 US$'000	2018 US$'000
Financial assets at fair value through profit or loss (non-current)		
Investment funds (note c)	**61,721**	—
Financial assets at fair value through profit or loss (current)		
Debt securities listed in Singapore	**118,513**	101,810
Equity securities listed in Hong Kong	**158,858**	118,814
Equity securities listed outside Hong Kong	**2,001**	3,240
Investment funds (note c)	**75,712**	63,940
	355,084	287,804
Available-for-sale investments		
Unlisted equity securities (note a)	—	51,961
Less: Impairment loss recognised	—	(46,281)
	—	5,680
Equity securities listed in Hong Kong (note b)	—	22,643
Investment funds (note c)	—	32,444
Club membership	—	2,437
	—	63,204

Notes:

(a) (i) As at 30 April 2018, the Group disposed a fully impaired equity interest of the unlisted company incorporated in the Republic of Marshall Islands, which is principally engaged in investment activity, through disposal of the equity interest of an indirect wholly-owned subsidiary, Leadton Corp, to an independent third party at a total cash consideration of approximately US$1,026,000 (equivalent to HK$8,000,000) resulting a gain on disposal of a subsidiary of US$1,026,000. Details of the disposal were set out in note 37.

(ii) As at 31 March 2018, the Group held 52,479 equity shares of a private and unlisted company incorporated in the Cayman Islands which is engaged in securities investing business. It represents approximately 2.19% of the issued share capital of the investee company.

As at 31 March 2018, the management engaged an independent qualified professional valuer to determine the fair value of this investment with reference to publicly available information of comparable companies applying a marketability discount. The valuer adopted the market approach to determine the valuation parameters derived from market prices and financial data of listed companies in a similar business and with a similar business model as that of the company being valued. The valuer applied a discount rate of 30% for the lack of liquidity of business operation being valued due to the fact that it was not a listed company. A decrease in fair value of US$1,693,000 was recognised in profit or loss for the year ended 31 March 2018.

During the year ended 31 March 2019, the Group disposed the unlisted equity securities at a consideration of US$5,600,000, settled by a consideration in a form of another equity securities listed in Hong Kong, which represents 267,978,792 equity shares, approximately 0.47% shareholding in Renhe Commercial Holdings Limited ("Renhe") at the date of transaction resulting in a loss of US$80,000 and recognised in profit or loss. The investment in shares of Renhe is recognised as financial assets at FVTPL under current assets.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

(b) As at 31 March 2018, the Group's available-for-sale investments included equity securities listed in Hong Kong, which represented 2,419,569,625 equity shares, approximately 8.95% shareholding in G-Resources Group Limited ("G-Resources") incorporated in Bermuda, with a carrying amount of US$22,643,000. The listed equity securities were stated at fair values which have been determined based on quoted market bid prices available on the Stock Exchange.

During the year ended 31 March 2018, a decrease in fair value amounting to US$22,957,000 was recognised in the investment revaluation reserve and the amount of US$21,715,000 was reclassified as impairment loss to profit or loss as the drop of fair value of G-Resources is considered significant and prolonged and such amount cannot be reversed afterwards.

During the year ended 31 March 2019, the Group disposed the 2,419,569,625 equity shares of G-Resources. As at disposal date, a loss on fair value changes of financial asset at FVTPL at an amount of US$931,000 was recognised in profit or loss.

(c) The investment funds which are managed by financial institutions, mainly invest in real estate properties, e-commercial platform and unlisted equity investments. Fifteen investment funds are with a maturity terms range from 2 to 10 years, respectively. The Group elected these investment funds to be measured at fair value through profit or loss at initial recognition upon the application of HKFRS 9. The fair value of these investment funds was determined by adopting the adjusted net asset value approach. Under this approach, the book values of the assets and liabilities of the underlying investment companies/funds in the portfolio are adjusted to their respective assets/liabilities' fair values by a marketability discount in order to reflect the non-marketable nature of the Group's investment portfolio. The general partners used methodology based on relevant comparable data whether possible to quantify the adjustment from cost or latest transaction price when adjustment if necessary, or to justify that cost or latest transaction price is still a proper approximation of fair value of the underlying investments held by the investment funds in determining the net asset value. The factors to be considered in assessment may require the judgement. The Group engaged GW Financial Advisory Services Limited, an independent qualified professional valuer to assess the marketability discount to the net asset values. During the year ended 31 March 2019, a decrease in fair value of US$23,402,000 was recognised in profit or loss (2018: measured at cost as investment funds under AFS investment).

20. INVENTORIES

	2019 **US$'000**	2018 US$'000
Copper in process	**—**	2,367
Copper cathodes	**548**	40
Coal	**16,523**	—
Spare parts and consumables	**7,417**	752
	24,488	3,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

21. TRADE AND OTHER RECEIVABLES

	2019 US$'000	2018 US$'000
Trade receivable	980	1,021
Other receivables	8,771	5,094
Total trade and other receivables	9,751	6,115

AGING OF TRADE RECEIVABLE (BASED ON INVOICE DATES, WHICH APPROXIMATED THE RESPECTIVE REVENUE RECOGNITION DATES)

	2019 US$'000	2018 US$'000
0–60 days	980	1,021

Trade receivable as at 31 March 2019 represents trade receivable from sales of copper cathodes in Australia. The balance is due on the fifth working days of the following month after delivery. Management believes that no impairment allowance is necessary in respect of the balance as the Group has considered the consistently zero historical default rate in connection with payments as adjusted forward-looking information. The Group does not hold any collateral over the balance.

No trade receivables are past due but not impaired as at 31 March 2019.

Included in other receivables is amount due from broker amounted to US$666,000 due to either deposits for acquisition of securities investments or disposal of securities investments as at 31 March 2019 (2018: US$1,075,000). The amount has been fully repaid or utilised subsequent to 31 March 2019.

Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in note 35.

22. LOAN RECEIVABLES

	2019 US$'000	2018 US$'000
Fixed-rate loan receivables, current	28,892	192,449
Less: allowance for ECL	(618)	—
	28,274	192,449

The effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loan receivables is 15% (2018: range from 7% to 15%) per annum. The contractual maturity date of the loan receivables ranges from less than one month to one year and are all denominated in HKD. As at 31 March 2019, loan receivables with gross carrying amount of US$28,892,000 (2018: US$192,449,000) are unsecured.

22. LOAN RECEIVABLES (Continued)

IMPAIRMENT ASSESSMENT ON LOANS RECEIVABLE WITH ECL MODEL

No loan receivables are past due as at 31 March 2019.

A reversal of ECL on loan receivables amounting to US$4,115,000 is recognised in profit or loss during the reporting period as the related loan receivables were fully settled during the year ended 31 March 2019. Impairment allowance amounted to US$618,000 was made for loan receivables as at 31 March 2019.

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at prevailing market interest rates. The effective interest rate ranges from 0.4% to 2.78% (2018: 0.15% to 3.80%) per annum.

The Group has provided certain bank guarantees in connection with the terms of supplier contracts in respect of which the Group is obliged to indemnify the banks. At the end of the reporting period, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the contract terms of the supplier contracts. These guarantees amounted to US$9,803,000 (2018: US$14,007,000) as at 31 March 2019 are backed by collateral deposits which amounted to US$9,881,000 as at 31 March 2019 (2018: US$14,293,000).

Another US$21,618,000 (2018: US$23,951,000) and US$23,082,000 (2018: nil) represents deposit paid by the Group to a bank as required by the government of Queensland, Australia and Alberta, Canada, respectively, for operating in the mining activities, closure of mines and the environmental rehabilitation work of relevant mines (note 28).

The interest rates for the pledged bank deposits range from 2.20% to 2.45% (2018: 2.20% to 2.35%) per annum for the year ended 31 March 2019.

24. DEPOSIT OF ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Grande Cache Coal LP ("GCC LP"), an independent third party, is a limited partnership established in Canada and being the owner of mines and engaged in the business of the development of coal mines and production of coking coal and related products in Canada. Due to unfavorable coal market conditions, GCC LP has been in financial distress since late 2015. Pursuant to the Receivership Orders dated 24 January 2017 and 3 February 2017, Deloitte Restructuring Inc. ("Vendor"), was appointed as the Receiver of all of the assets including Grande Cache Coal ("GCC") mines located in Canada.

On 22 December 2017, the Company's indirectly wholly-owned subsidiary, Sonicfield Global Limited ("Sonicfield") as the Purchaser and the Vendor entered into an asset purchase agreement, which Sonicfield conditionally agreed to purchase and the Vendor conditionally agreed to sell and transfer the relevant coking coal mining assets and properties ("Acquisition") to CST Canada Coal Limited ("CCC"). The deposit of the acquisition of coal mine business amounted to US$17,597,000 was paid in order to facilitate the Acquisition.

On the same date, the Company and China Minsheng Banking Corp., Ltd., Hong Kong Branch ("CMBC") entered into a restructuring implementation agreement to implement the restructuring of indebtedness of GCC LP and the Acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

25. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 US$'000	2018 US$'000
Total trade payables (aged within 30 days)	4,541	99
Interest payable arising from bank borrowings	10,927	113
Other payables and accruals	13,952	6,157
	29,420	6,369

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

On 31 May 2010, the Group acquired the entire issued share capital of CST Minerals Lady Annie Pty Limited ("CSTLA") at cash consideration of Australian dollars ("AUD") 130,000,000, equivalent to approximately US$110,073,000, and an additional contingent consideration. Based on the relevant agreement, the Group is required to pay (i) an additional amount of AUD2,500,000 upon the production of the first 10,000 tonnes of copper cathode from CSTLA and (ii) a further AUD2,500,000 upon the delineation of additional ore reserves containing 25,000 tonnes of contained copper. Obligation stated in (i) of AUD2,500,000, equivalent to approximately US$1,772,000 (2018: AUD2,500,000, equivalent to approximately US$1,916,000) and (ii) of AUD2,500,000, equivalent to approximately US$1,772,000 (2018: AUD2,500,000, equivalent to approximately US$1,916,000) represents the estimated fair value of the Group's obligation as at 31 May 2010 and has been fully provided. Production of the first 10,000 tonnes was completed in the year ended 31 March 2012 and US$2,607,000 was fully settled during the year ended 31 March 2013. As at 31 March 2019, the additional ore reserves are not yet delineated and the remaining AUD2,500,000, equivalent to approximately US$1,772,000 (2018: AUD2,500,000, equivalent to approximately US$1,916,000), representing the estimated fair value of the Group's obligation, was included in other payables.

Other payables also include Goods and Services Tax payable to the Australian Government and Alberta Government of US$57,000 (2018: US$59,000), in respect of sales made in Australia and Alberta, Canada under relevant rules and regulations.

26. BANK BORROWINGS

	2019 US$'000	2018 US$'000
The carrying amounts of the secured bank borrowings are repayable:		
Within one year	1,182	1,275
Within a period of more than one year but not exceeding two years	1,246	1,275
Within a period of more than two years but not exceeding five years	418,880	11,561
	421,308	14,111
Less: Amounts due within one year shown under current liabilities	(1,182)	(1,275)
Amounts shown under non-current liabilities	420,126	12,836

The bank borrowing carries interest at variable market rates of 3 months London Inter-Bank Offer Rate ("LIBOR") plus 2.75%, secured by the investment properties located in UK (note 15) and is repayable in instalments for 4 years.

26. BANK BORROWINGS (Continued)

A term loan amounting to US$409,413,000 was transferred to the Group during the year for the acquisition of mining business. The details of the acquisition are set out in note 33. The loan carries interest at variable market rates of 3 months LIBOR plus 1.20%, secured by all the equity shares of CST-Grande Cache Cayman Limited and its subsidiaries with a maturity for 5 years. The repayment of principal and interest of the term loan is subject to net positive cash flow from operations ("Net Cash Flow") in CCC being available pursuant to the arrangement under the restructuring implementation agreement. Firstly, the Group needs to repay the principal of this term loan after the retention of 10% working capital of CCC and CMBC shall ensure the retention portion in the working capital would only be used for CCC's production purposes in accordance with CCC's approved budget and annual production plan. Secondly, the Group starts to pay the interest accrued on this term loan after the principal amount has been repaid in full. In the opinion of the management of the Group, according to the approved budget and annual production plan and the fact that the coal mine business is at its initial stage, the management of the Group does not expect there is Net Cash Flow within 12 months after the reporting period. Accordingly, the whole term loan is shown under non-current liabilities.

27. OBLIGATIONS UNDER FINANCE LEASE

	2019	2018
	US$'000	US$'000
Analysed for reporting purposes as:		
Non-current liabilities	**14,806**	—

The lease term is three years (31 March 2018: nil). Interest rates underlying all obligations under finance lease are fixed at contract dates at 7% (31 March 2018: nil) per annum and payable annually.

	Minimum lease payment		**Present value of minimum lease payment**	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Obligations under finance leases payable:				
Within a period more than two years but not more than five years	**17,138**	—	**14,806**	—
Less: Future finance charges	**(2,332)**	—	**N/A**	N/A
Present value of lease obligation	**14,806**	—	**14,806**	—
Less: Amount due for settlement with 12 months (shown under current liabilities)			**—**	—
Amount due for settlement after 12 months			**14,806**	—

28. PROVISION FOR MINE REHABILITATION COST

In accordance with relevant rules and regulations in Australia and Alberta, Canada, the Group is obligated to bear the cost of rehabilitation upon the closure of the Group's copper and coal mine respectively. The provision for rehabilitation cost has been estimated in accordance with the local rules and regulations in the aforesaid regions.

Rehabilitation costs have been estimated based on the current regulatory requirements and determined based on the net present value of future cash expenditures upon rehabilitation. Rehabilitation costs are capitalised as mine property and development assets in property, plant and equipment, and are amortised over the life of the mine on an UOP basis. In the opinion of the management of the Group, it is expected the provision for mine rehabilitation cost in relation to the copper mine in Australia would be transferred to the purchaser, upon the completion on the disposal of the entire issued share capital and the loan provided to CST Minerals Australia Pty Ltd and its respective subsidiaries (collectively the "Target Group") in Australia (note 41). The remaining provision is related to the coal mine in Alberta, Canada.

A bank guarantee of US$21,618,000 (2018: US$23,381,000) and US$23,082,000 (2018: nil) is placed with the Department of Environment and Heritage Protection, Queensland Government, Australia and government of Alberta, Canada for the purposes of settling these rehabilitation costs (note 23).

	US$'000
At 1 April 2017	23,744
Exchange adjustment	65
Effective interest	53
At 31 March 2018	23,862
Addition through acquisition of business (note 33)	29,028
Additions	1,844
Exchange adjustment	(918)
At 31 March 2019	**53,816**

29. PROVISION FOR AN ONEROUS CONTRACT

As at 31 March 2019, the committed power supply expenses of an non-cancellable power supply contract with lease term expiring over 21 months as at 31 December 2020 and the management estimated their onerous contract amounted to US$5,474,000 (2018: US$11,612,000).

	US$'000
At 1 April 2017	24,630
Effective interest	(16)
Reversal of provision for an onerous contract	(13,193)
Exchange adjustment	191
At 31 March 2018	11,612
Reversal of provision for an onerous contract	(5,418)
Exchange adjustment	(720)
At 31 March 2019	**5,474**

29. PROVISION FOR AN ONEROUS CONTRACT (Continued)

	2019 US$'000	2018 US$'000
Current portion	**1,368**	1,453
Non-current portion	**4,106**	10,159
	5,474	11,612

30. GUARANTEE LIABILITY

The guarantee liability represents the obligation that the Group entered into by issuing a guarantee contract to CMBC covering banking facilities granted to GCC LP as part of the consideration for the acquisition of mining business as set out in note 33.

The management of the Group considers it is highly probable that a claim will be made against the Group in respect of the above guarantee and the entire guarantee amounted to US$40,100,000 has been recognised in the consolidated statement of financial position as a liability.

31. SHARE CAPITAL

	Number of shares	Share capital
Ordinary shares of HK$0.10 each		
Authorised		
At 1 April 2017, 31 March 2018 and 31 March 2019	**100,000,000,000**	**HK$10,000,000,000**
		US$'000
Issued and fully paid		
At 1 April 2017, 31 March 2018 and 31 March 2019	**38,698,308,961**	**496,132**

32. ACQUISITION OF SUBSIDIARIES

On 11 September 2018, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to acquire the entire issued capital of Adair Ventures Limited, Golden Avenue Investments Limited and Westfield Global Investments Limited (collectively referred as the "Target Companies") at a cash consideration of US$33,150,000. The acquisition of Target Companies was completed on 11 September 2018. The major assets of the Target Companies are investment funds.

The directors of the Company were of the opinion that this transaction did not constitute business combinations as defined in HKFRS 3 "Business Combinations", therefore, the acquisition had been accounted for as acquisition of assets. Details of the transaction are summarised as follows.

Assets acquired on the date of acquisition:

	US$'000
Financial assets at fair value through profit or loss	33,145
Cash and cash equivalent	5
Net assets acquired	33,150
Net cash outflows on acquisition:	
Cash consideration paid	33,150
Less: Cash and cash equivalent acquired	(5)
	33,145

33. ACQUISITION OF MINING BUSINESS

Pursuant to above mentioned in note 24, on 22 December 2017, a wholly-owned subsidiary of the Company entered into a restructuring agreement with CMBC, and the Vendor to set up the immediate holding company of CCC, CST-Grande Cache Cayman Limited and CCC. All the relevant coking coal mining assets and properties from GCC LP were transferred to CCC and the Group has paid a cash consideration of US$24,523,000 and assume all the liabilities from GCC LP including a guarantee liability of US$40,100,000, a liability under a term loan of US$409,413,000 and a finance lease obligation of US$14,806,000. Thus, the net asset value of CCC at the date of completion of the restructuring is nil. Pursuant to the restructuring agreement, CMBC held the remaining 12% equity shares of the CST-Grande Cache Cayman Limited after the restructuring without consideration. The acquisition was completed on 18 July 2018 and has been accounted for using the acquisition method.

Consideration transferred:	US$'000
Cash paid (note)	6,926
Deposit utilised (note 24)	17,597
	24,523
Obligations:	
Guarantee liability (note 30)	40,100
Term loan (note 26)	409,413
Obligations under finance lease (note 27)	14,806
	488,842

33. ACQUISITION OF MINING BUSINESS (Continued)

The acquisition-related costs are insignificant and have been excluded from the consideration transferred and recognised in profit or loss.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	US$'000
Property, plant and equipment	454,136
Exploration and evaluation assets	34,081
Inventory	5,814
Cash (note)	757
Pledged bank deposits	23,082
Provision for mine rehabilitation cost	(29,028)
	488,842

Note: Net cash outflow raising from the acquisition is US$6,169,000, which is the cash consideration paid during the year ended 31 March 2019 amounted to US$6,926,000 being, net off by cash and cash equivalent balances acquired amounted to US$757,000.

The guarantee liability represents the contractual obligation that the Group entered into by issuing a guarantee contract to CMBC covering banking facilities granted to GCC LP as part of the consideration for the acquisition of mining business. Details are set out in note 30.

The term loan facility was transferred to the Group, details are set out in note 26. The term loan is used to pay the consideration of acquisition which shall be used for the repayment in full of the previous bank facility of GCC LP with relevant accrued interests, charges and expenses.

No goodwill arose in the acquisition of coal mine. Since there was no sale of coal and the coal mine which is in the start up stage, the financial result is insignificant.

Included in the loss for the year is US$30,261,000 attributable to the additional business generated by CCC. Revenue for the year includes US$24,141,000 generated from CCC.

Had the acquisition been completed on 1 April 2018, total group revenue for the year would have been US$76,654,000, and loss for the year would have been US$85,743,000. 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 on 1 April 2018, nor is it intended to be a projection of future results.

In determining the 'pro forma' revenue and loss of the Group had CCC been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on funding levels, credit ratings and debt/equity position of the Group after the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

34. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the 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 capital structure of the Group consists of, bank borrowing, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, debt issuance, new share issues and share buy-backs.

35. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2019 US$'000	2018 US$'000
Financial Assets		
Financial assets at amortised cost	215,711	—
Financial assets at FVTPL	416,805	287,804
Derivative financial instruments	29	66
Loans and receivables (including cash and cash equivalents)	—	331,768
Available-for-sale investments	—	63,204
	632,545	682,842
Financial Liabilities		
Amortised cost	439,030	16,912
Guarantee liability	40,100	—
Obligations under finance lease	14,806	—
	493,936	16,912

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The management of the Group manages the financial risks relating to operations through the internal risk reports which analyse exposures by degree and magnitude of risks. These risks represent market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Except for an interest rate swap, the Group does not enter into other derivative financial instruments for hedging purpose. There has been no significant change to the Group's exposure to market risks or manner in which it manages and measures such risks.

35. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk

Foreign currency risk management

Several subsidiaries of the Group have financial assets denominated in Renminbi ("RMB"), Canadian dollars ("CAD"), US$, British Pound ("GBP"), Euro dollars ("EUR") and AUD which are other than the functional currency of the relevant group entities and expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In addition, the Group is also exposed to foreign currency risk to the extent of non-current intra-group balances that form part of the net investment when the subsidiaries which have HKD as their functional currency injected capital denominated in AUD and CAD for operations in Australia and Canada which have AUD and CAD as their functional currency respectively. The carrying amount of the intra-group balances in Australia and Canada was US$51,734,000 and US$42,900,000 at 31 March 2019 respectively (2018: US$78,276,000 and nil).

The carrying amount of the Group's foreign currency denominated monetary assets (representing trade receivables, financial assets at FVTPL and bank balances and cash, excluding intra-group balance described above) at the reporting date is as follows:

	Assets	
	2019	2018
	US$'000	US$'000
RMB	**2,777**	4,908
CAD	**939**	1,625
US$	**217,303**	240,344
GBP	**1,915**	1,924
AUD	**7,358**	11,545
EUR	**2,381**	—

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) increase or decrease in RMB, CAD and AUD. 5% (2018: 5%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary assets and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rate. It excludes items denominated in US$ held by group entities with HK$ as functional currency as the directors consider that the Group's exposure to US$ for such entities is insignificant on the ground that HK$ is pegged to US$. A positive number indicates a decrease in post-tax loss for the year where the foreign currencies strengthens 5% (2018: 5%) against the functional currency of respective group entity.

35. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

Foreign currency sensitivity analysis (Continued)

	Profit or loss	
	2019	2018
	US$'000	US$'000
RMB	**116**	205
CAD	**39**	68
US$	**40**	47
GBP	**78**	78
AUD	**258**	404
EUR	**99**	—

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables and fixed-rate obligations under finance lease. The Group currently does not have any instruments to hedge against the fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly short-term bank deposits, pledged bank deposits and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and LIBOR arising from the Group's GBP and US$ denominated borrowings. If the bank interest rate of bank balances and pledged bank deposits had been 10 basis point (2018: 10 basis point) increase/decrease while all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2019 would decrease/increase by US$139,000 (2018: US$104,000).

If interest rates of bank borrowings had been 10 basis points (2018: 10 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2019 would increase/decrease by US$309,000 (2018: increase/decrease by US$11,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Other price risk

The Group is exposed to equity and other price risk mainly through its financial assets at FVTPL (2018: financial assets at FVTPL and AFS investments). The management of the Group manages this exposure by maintaining a portfolio of investments with different risk and return profiles. For sensitivity analysis purpose, the sensitivity rate is 30% (2018: 30%). If the prices of the respective securities had been 30% (2018: 30%) higher/lower while all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by US$104,410,000 (2018: US$77,767,000) as a result of the changes in fair value of Hong Kong and overseas listed equity securities, Singapore listed debt securities and investment funds under financial assets at FVTPL (2018: Hong Kong and overseas listed equity securities, Singapore listed debt securities, investment funds and Hong Kong listed security investments under AFS investments).

35. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment

As at 31 March 2019, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group is disclosed in note 23.

As at 31 March 2019, the Group has concentration of credit risk of investment in financial assets at FVTPL, representing listed debt securities of US$118,513,000 (2018: US$101,810,000) issued by a Hong Kong listed company.

The management considers the credit risk on the debt securities is limited for both years because the issuer is in good financial position and the management closely oversees its financial position. The management manages and monitors these exposures by overseeing the performance of the listed issuers to ensure appropriate measures are implemented on a timely and effective manner.

As at 31 March 2019, the Group's trade receivable is due from one major customer based in Australia (31 March 2018: Australia). The major customer has a long history of manufacturing and sales of copper products and the Group's management monitors the customer's performance continuously to ensure the Group's exposure to credit risk is minimised.

The Group's concentration of credit risk by geographical location is mainly in Australia, Hong Kong and Singapore, which accounted for 100% (2018: 100%) of the total trade receivables, 66% (2018: 63%) and 33% (2018: 35%) of the financial assets at FVTPL as at 31 March 2019 respectively.

Impairment assessment under ECL model

The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors.

Trade receivable

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. Before accepting any new client, the Group assesses the potential customer's credit quality and defines its credit limit. Credit limits attributed to client are reviewed regularly. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on accounts balances individually.

The management performs periodic evaluations on clients to ensure the Group's exposure to bad debts is not significant. The experience in collection of trade receivables from clients from the mining business falls within the expectation of the directors. The management has continued to adopt business initiatives to enlarge the customer base of business of dealing in securities in order to reduce and also mitigate concentrations of credit risk.

The trade receivables from customers from the mining business have been reviewed by the management to assess impairment allowances which based on evaluation of collectability and on management's judgement, including the current creditworthiness and the past collection statistics of individual account and collateral held by the Group. The credit risk for trade receivables is considered as not material taking into account the good reputations and high credit ratings of the counterparties.

35. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Other receivables

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience, for example, the Group has considered the consistently low historical default rate in connection with payments as adjusted by forward-looking information, and concluded that credit risk inherent in the group's outstanding other receivables is insignificant.

Loan receivables

Before granting loans to outsider, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

The Group has a policy for assessing the impairment on loans receivables on individual basis. The ECL rates are estimated based on historical observed default rates and the credit quality classification and are adjusted for forward-looking information, including but not limited to the historical settlement patterns and financial status of each borrower.

In order to minimise the credit risk, the management of the Group has delegated a team to develop and maintain the Group's internal credit risk grading to classify the exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its borrowers.

In respect of the loan receivable, representing financing advances to customer under the Group's money lending business, individual credit evaluation is performed on each customer. The evaluation focuses on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. As at 31 March 2019, the total loan receivables are due from two customers (2018: six).

As part of the Group's credit risk management, the Group applies internal credit rating for its borrowers individually. The estimated credit losses rates ranging from 0.1% to 8.17% are estimated based on historical observed default rates and the credit quality classification and are adjusted for forward-looking information, including but not limited to the historical settlement patterns and financial status of each borrower. The Group has provided for certain impairment loss for such loan receivables as at 31 March 2019 based on the ECL model under 12m ECL.

Amount due from a joint venture

In determining the ECL for the amount due from a joint venture, the management of the Group has taken into account the historical observed default rates and the credit quality classification and are adjusted for forward looking information, including but not limited to the historical settlement patterns and financial status of the joint venture.

35. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances and pledged bank deposits

The management of the Group considers the bank balances and pledged bank deposits that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers the probability of default is negligible on the basis of high credit rating issuers, accordingly, no loss allowance was recognised.

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

	Notes	12m or lifetime ECL	Gross carrying amount US$'000	Loss allowance US$'000
As at 31 March 2019				
Financial assets at amortised cost				
Trade receivables	21	Lifetime ECL	980	—
Loan receivables	22	12m ECL	28,892	618
Other receivables	21	12m ECL	3,009	—
Amount due from a joint venture	18	12m ECL	4,042	—
Amount due from brokers including in other receivables	21	12m ECL	666	—
Bank balances	23	12m ECL	123,804	—
Pledged bank deposits	23	12m ECL	54,581	—
Other item				
Financial guarantee contract	30	12m ECL	40,100	40,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

35. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Current credit risk grading framework

The Group's current credit risk grading framework comprises the following categories under the general approach:

Internal credit rating	Description	Trade receivables	Financial assets other than trade receivables
Low risk	Debtors/borrowers have a low risk of default and do not have any past-due amounts and history of default	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtors/borrowers usually settle in full after due date or the Group and debtors/borrowers enter into extension of loan with mutual agreement before due date	Lifetime ECL — not credit-impaired	12-month 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 debtors/borrowers are in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The following table shows reconciliation of loss allowances that have been recognised for loan receivables.

	12m ECL for loan receivables (non-credit impaired) US$'000
As at 31 March 2018 under HKAS 39	—
Adjustment upon application of HKFRS 9	4,115
At 1 April 2018	4,115
Impairment allowance reversed	(4,115)
Impairment losses recognised	618
At 31 March 2019	**618**

During the year ended 31 March 2019, impairment allowances of US$618,000 was made for loan receivables. Impairment allowance amounted to US$4,115,000 was reversed since all the relevant loan receivables were fully recovered during the year.

35. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Trade and other payables of the Group have maturity dates of less than 180 days based on the agreed repayment dates.

	Weighted average interest rate	Less than 3 months or on demand	Over 3 months but not more than 1 year	Over 1 year but not more than 2 years	Over 2 years but not more than 5 years	Total undiscounted cash flows	Carrying amount at 31.3.2019
	%	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 March 2019							
Non-derivatives financial liabilities							
Trade and other payables	—	17,722	—	—	—	17,722	17,722
Bank borrowings							
— variable rate	3.64	298	910	1,338	501,253	503,799	421,308
Obligations under finance lease	7	—	—	—	17,138	17,138	14,806
Guarantee liability	—	40,100	—	—	—	40,100	40,100
		58,120	910	1,338	518,391	578,759	493,936
Financial guarantee contracts (note)		31,194	—	—	—	31,194	—
As at 31 March 2018							
Non-derivatives financial liabilities							
Trade and other payables	—	2,801	—	—	—	2,801	2,801
Bank borrowing							
— variable rate	3.46	322	981	1,365	13,195	15,863	14,111
		3,123	981	1,365	13,195	18,664	16,912
Financial guarantee contracts (note)	—	37,388	—	—	—	37,388	—

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Note: The amount represents the financial guarantee given to the banks for the supplier contract in respect to the operations of the Australian mine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

35. FINANCIAL INSTRUMENTS (Continued)

(C) FAIR VALUES OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis

Financial assets	Fair value as at 31 March		Fair value hierarchy	Valuation technique(s)
	2019	2018		
	US$'000	US$'000		
Available-for-sale investments				
Equity securities listed in Hong Kong	—	22,643	Level 1	Quoted bid prices in active markets
Financial assets at FVTPL				
Debt securities listed in Singapore	118,513	101,810	Level 2	Quoted prices in over-the-counter
Equity securities listed in Hong Kong	158,858	118,814	Level 1	Quoted bid prices in active markets
Equity securities listed outside Hong Kong	2,001	3,240	Level 1	Quoted bid prices in active markets
Investment funds	137,433	—	Level 3	Applying discount rates to the net asset values per share or unit (note)
Investment funds	—	63,940	Level 2	Net asset value per share or unit provided by the financial institution with reference to observable quoted price of underlying investment portfolio in active markets or over-the-counter.
Derivative financial instruments				
Interest rate swap contract	29	66	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.

35. FINANCIAL INSTRUMENTS (Continued)

(C) FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis (Continued)

The Group owns fifteen (2018: two) investments funds that are classified as financial assets at FVTPL and are measured at fair value at the reporting date. The fair value of the investment as at 31 March 2019 amounts to US$137,433,000 (2018: US$63,940,000). The fair value of the investment as at 31 March 2018 was measured using a valuation technique with net asset value per share or unit provided by the financial institution with reference to observable quoted price of underlying investment portfolio in active markets or over-the-counter and hence was classified as Level 2 of the fair value hierarchy. As at 31 March 2019, there was no observable quoted price of underlying investment portfolio as no transaction on similar investment portfolio noted near the year ended date, and was classified as Level 3 of the fair value hierarchy.

Note: A slight increase in the discount rates used in the valuation of investment funds would result in a significant decrease in the fair value measurement of the investment funds, vice versa. A 5% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the investment funds by US$7,222,000 (2018: nil)

Fair value hierarchy

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
2019				
Financial assets at FVTPL	**160,859**	**118,513**	**137,433**	**416,805**
Derivative financial instruments	**—**	**29**	**—**	**29**
	160,859	**118,542**	**137,433**	**416,834**

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2018				
Financial assets at FVTPL	122,054	165,750	—	287,804
Available-for-sale investments	22,643	—	—	22,643
Derivative financial instruments	—	66	—	66
	144,697	165,816	—	310,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

35. FINANCIAL INSTRUMENTS (Continued)

(C) FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at FVTPL US$'000
At 31 March 2018	—
Remeasurement from adoption of HKFRS 9	38,124
At 1 April 2018 (restated)	38,124
Transfer from Level 2 to Level 3	63,940
Arising from acquisition of subsidiaries	33,145
Purchases	46,307
Disposal	(20,681)
Loss recognised in profit or loss	(23,402)
At 31 March 2019	**137,433**

(D) FAIR VALUE MEASUREMENTS AND VALUATION PROCESS

The board of directors of the Company has closely monitored the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform valuation for Level 3 financial assets. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques used in determining the fair value of various assets are disclosed above.

The directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

36. RETIREMENT BENEFIT SCHEMES

The Group participates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The MPF Scheme is funded by monthly contribution from both employees and the Group at a rate of 5% of the employee's relevant income with maximum employee's contribution of not exceeding HK$1,500 per month (equivalent to approximately US$192).

The employees of subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions.

The employees in the Group's subsidiary in Australia are members of the Compulsory Superannuation Guarantee Contributions. The subsidiary is required to contribute a certain percentage of payroll costs to the retirement benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions.

36. RETIREMENT BENEFIT SCHEMES (Continued)

The employees in the Group's subsidiary in Canada are members of the Registered Retirement Saving Plans. The subsidiary has elected to make contributions to their employees' Registered Retirement Savings Plan ("RRSP") accounts. Therefore, the subsidiary is required to make contributions to employee RRSP accounts which are calculated as a percentage of payroll costs. The only obligation of the Group with respect to this retirement benefit scheme is to make these specified contributions.

During the year, the amount contributed by the Group to the MPF Scheme and state-sponsored pension scheme charged to profit or loss was US$71,000 (2018: US$60,000). The Group also contributed US$68,000 (2018: US$53,000) and US$191,000 (2018: nil) to the superannuation and retirement savings plan participated in Australia and Canada, respectively and the contribution amounts were charged to profit or loss, or capitalised as exploration and evaluation assets and mine property and development assets (included in the property, plant and equipment) or inventories and then transferred to cost of sales according to its nature.

37. DISPOSAL OF A SUBSIDIARY

As referred to note 19(a)(i), on 20 April 2018, the Group entered into an agreement regarding to disposal of a fully impaired equity interest of the unlisted company through disposal of the equity interest of an indirect wholly-owned subsidiary, Leadton Corp. and completed on 30 April 2018. The net assets of Leadton Corp. at the date of disposal were as follows:

	US$'000
Consideration received:	
Cash received	1,026
Analysis of assets and liabilities over which control was lost:	
Financial asset at FVTPL	—
Gain on disposal of a subsidiary:	
Consideration received	1,026
Less: Net assets disposed of	—
Gain on disposal	1,026
Net cash inflow arising on disposal:	
Cash consideration	1,026

There was no impact of Leadton Corp. on the Group's result and cash flows in the current and prior periods.

38. OPERATING LEASE ARRANGEMENTS

THE GROUP AS LESSEE

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 US$'000	2018 US$'000
In respect of rented premises:		
Within one year	**1,083**	1,448
In the second to fifth year inclusive	**138**	1,031
	1,221	2,479

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Leases are negotiated for the terms range from one to two years for both years ended 31 March 2019 and 2018.

THE GROUP AS LESSOR

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments to the Group:

	2019 US$'000	2018 US$'000
Within one year	**2,650**	2,831
In the second to fifth year inclusive	**5,773**	8,305
	8,423	11,136

Leases are negotiated for the terms range from one to five years (2018: one to three years) for the year ended 31 March 2019.

39. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2019 US$'000	2018 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— capital injection in an unlisted investment	**10,551**	7,475
— acquisition of property, plant and equipment	**2,308**	5,072
	12,859	12,547

40. 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.

	Obligations under finance lease	**Interest payables**	**Borrowings**	**Total**
	US$'000	US$'000	US$'000	US$'000
At 1 April 2017	—	—	—	—
Financing cash flows	—	(257)	14,022	13,765
Interest expenses recognised in the consolidated statement of profit or loss	—	363	—	363
Exchange realignment	—	7	89	96
At 31 March 2018	—	113	14,111	14,224
Financing cash flows	(798)	(363)	(1,176)	(2,337)
Interest expenses recognised in the consolidated statement of profit or loss	798	11,163	—	11,961
Addition arising from acquisition of mining business	14,806	—	409,413	424,219
Exchange realignment	—	14	(1,040)	(1,026)
At 31 March 2019	**14,806**	**10,927**	**421,308**	**447,041**

41. EVENT AFTER THE REPORTING PERIOD

Kombi Mining Pty Ltd, Bentley Resources Pte Ltd and Top Gallery Investments Limited, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement dated 14 March 2019 ("Sale and Purchase Agreement") in respect of the disposal of the entire issue share capital and the loan provided to Target Group with consideration of approximately AUD22,660,000 (equivalent to approximately US$16,091,000). The completion of the transaction was subject to the satisfaction of conditions precedent under the Sale and Purchase Agreement, including shareholders' approval of the Company. Nevertheless, the transaction was duly passed by the shareholders of the Company at the extraordinary general meeting on 17 June 2019. The transaction is expected to be completed in July 2019 and the Group ceased its ownership of the Target Group after the date of completion. The Target Group was the business unit of the mining business of the Group as at 31 March 2019. The segment revenue, segment profits, segment assets and segment liabilities are set out in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

42. RELATED PARTY DISCLOSURES

The remuneration of directors of the Company who are also key management during the year was as follow:

	2019 US$'000	2018 US$'000
Short-term benefits	11,316	10,296
Post-employment benefits	10	12
	11,326	10,308

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2019 and 31 March 2018 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ registered and paid-up capital		Proportion of nominal value of issued share capital/ registered and paid-up capital held by the Company		Principal activities
		2019	2018	Directly	Indirectly	
China Sci-Tech Secretaries Limited	Hong Kong	HK$10,000	HK$10,000	100%	—	Provision of secretarial services and investment holding
CST Minerals Lady Annie Pty Limited	Australia	AUD2	AUD2	—	100%	Exploration, mining, processing and sale of copper in Australia
CST Canada Coal Limited	Canada	CAD100	—	—	88%	Exploration, mining, processing and sale of coal in Canada
Deep Bowl Limited	BVI	US$1	US$1	—	100%	Vessel holding
Isenberg Holdings Limited	Hong Kong	HK$2	HK$2	—	100%	Property investment
Jabour Limited	Hong Kong	HK$2	HK$2	—	100%	Property investment
Kingarm Company Limited	Hong Kong	HK$2	HK$2	—	100%	Property investment
Skytop Technology Limited	Hong Kong	HK$127,490,481	HK$127,490,481	—	100%	Securities investment
Unigolden Limited	Hong Kong	HK$2	HK$2	—	100%	Property investment
Sun Power Finance Limited	Hong Kong	HK$1	HK$1	—	100%	Money lending
Dakota RE I Limited	BVI	US$510	US$510	—	51%	Property investment
Rising Up Holdings Limited	BVI	US$1	US$1	—	100%	Aircraft holding

In the opinion of the directors of the Company, the above companies principally affected the operations 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 31 March 2019 and 2018 or at any time during both years.

43. PARTICULARS OF PRINCIPAL 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 Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2019	2018
Investment holdings	Hong Kong	49	48
Mining business	Australia	2	2
Securities investment	Hong Kong	11	8
E-logistics platform	PRC	2	2
Property investment	UK	2	2
		66	62

DETAILS OF NON-WHOLLY OWNED SUBSIDIARY THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

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

Name of subsidiary	Incorporation/ principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting power held by non-controlling interests		Loss (gain) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019	2018	2019	2018	2019	2018
						US$'000	US$'000	US$'000	US$'000
First Cargo Holdings Limited	BVI/Hong Kong	8%	8%	8%	8%	8	13	(186)	(191)
Dakota RE I Limited	BVI/UK	49%	49%	49%	49%	(53)	(1,465)	6,811	7,292
CST Canada Coal Limited	Canada	12%	—	12%	—	3,631	—	(3,631)	—
						3,586	(1,452)	2,994	7,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 US$'000	2018 US$'000
Non-current assets		
Property, plant and equipment	16	25
Investments in subsidiaries	—	—
Available-for-sale investment	—	1,949
Club membership	1,949	—
Amounts due from subsidiaries	358,956	310,417
	360,921	312,391
Current assets		
Other receivables	586	546
Amounts due from subsidiaries	201,394	332,999
Financial assets at fair value through profit or loss	6,811	5,972
Bank balances and cash	77,960	14,774
	286,751	354,291
Current liabilities		
Other payables	349	320
Amounts due to subsidiaries	1,130	2,465
	1,479	2,785
Net current assets	285,272	351,506
Total assets less current liabilities	646,193	663,897
Capital and reserves		
Share capital	496,132	496,132
Reserves	150,061	167,765
Total equity	646,193	663,897

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

Movement of the share capital and reserves are stated as below:

	Share capital US$'000	Share premium US$'000	Capital reserve US$'000 (note a)	Other capital reserve US$'000 (note b)	Accumulated losses US$'000	Total US$'000
At 1 April 2017	496,132	507,573	4,503	128,275	(456,771)	679,712
Loss and total comprehensive expense for the year	—	—	—	—	(15,815)	(15,815)
At 31 March 2018	496,132	507,573	4,503	128,275	(472,586)	663,897
Loss and total comprehensive expense for the year	—	—	—	—	(17,704)	(17,704)
At 31 March 2019	**496,132**	**507,573**	**4,503**	**128,275**	**(490,290)**	**646,193**

Notes:

(a) The capital reserve of the Company represents the difference between the nominal value of the shares of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange, in connection with the Company's reorganisation completed in January 1994.

(b) The other capital reserve of the Company represents the balance of the credit arising from the cancellation of paid up capital in previous years.

FINANCIAL SUMMARY

	Year ended 31 March				
	2019	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
Results					
(Loss) profit for the year	**(73,284)**	(11,267)	(305,268)	(68,462)	28,172

	At 31 March				
	2019	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
Assets and liabilities					
Total assets	**1,243,333**	802,190	817,999	1,122,535	1,014,523
Total liabilities	**(570,918)**	(61,645)	(62,684)	(66,558)	(37,237)
Net assets	**672,415**	740,545	755,315	1,055,977	977,286

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Location	Percentage of ownership held by the Group	Use	Lease term
Unit Nos. 1104–1107 and Unit Nos. 2501–2512 Oriental Building No. 39 Jianshe Road Luohu District Shenzhen Guangdong Province People's Republic of China	100%	Commercial	Medium term lease
East Portion of level 18 and Unit No. 2601 and Carparking Space No. 20 on basement level Shartex Plaza No. 88 Zunyi South Road Changning District Shanghai People's Republic of China	100%	Commercial	Medium term lease
Unit B on 2/F Unit A and B on 3/F Unit B on 5/F Unit A, B & C on 16/F to 23/F of Fortwest No. 1 Westlands Road Quarry Bay Hong Kong	100%	Residential	Long term lease
Flat 10 on 20/F Apartment Tower on the Western Side Convention Plaza No. 1 Harbour Road Hong Kong	100%	Residential	Long term lease
Silvan House 231 Corstorphine Road Edinburgh United Kingdom	51%	Commercial	Freehold

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chiu Tao *(Chairman)*
Mr. Hui Richard Rui *(General Manager)*
Mr. Lee Ming Tung *(Chief Financial Officer)*
Mr. Kwan Kam Hung, Jimmy
Mr. Tsui Ching Hung
Mr. Wah Wang Kei, Jackie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Pan
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

COMPANY SECRETARY

Mr. Chow Kim Hang

REGISTERED OFFICE

Whitehall House
238 North Church Street
P.O. Box 1043
George Town
Grand Cayman KY1-1102
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 4503–05, 45th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The R&H Trust Co. Ltd.
Windward 1
Regatta Office Park
P.O. Box 897
Grand Cayman KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKER

Hang Seng Bank Limited

STOCK CODE

985

WEBSITE

www.cstgrouphk.com

CST GROUP LIMITED

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 985)

Registered Office

Whitehall House, 238 North Church Street, P.O. Box 1043,
George Town, Grand Cayman KY1-1102, Cayman Islands

Hong Kong Office

Rooms 4503-05, 45th Floor, China Resources Building,
26 Harbour Road, Wanchai, Hong Kong

www.cstgrouphk.com