CST GROUP LIMITED
中譽集團有限公司

2019 INTERIM REPORT

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

CONTENTS

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 six months ended 30 September 2019 (the "Period").

During the Period, the business of the Group suffered from the impact of several external factors. The International Monetary Fund's World Economic Outlook indicated that global economic activities were lagging behind expectations, mainly due to continuing uncertainties regarding the US-China trade war and Brexit as well as a tense geopolitical situations affecting energy prices. In this uncertain business environment, the Group recorded a revenue of approximately US$116.08 million, representing an increase of approximately 396.67% compared to that of the corresponding period last year. This was primarily due to the gradual increase in production volume since the resumption of production of the acquired coking coal mine, which resulted in significant increase in both sales and revenue. Nevertheless, there was a loss attributable to shareholders of the Company for the Period of approximately US$52.07 million mainly due to a net loss arising in change at fair value of financial assets at fair value through profit or loss caused by the unstable financial environment and deterioration of financial asset value.

During the Period, the Group realised stable progress in exploration, development and mining of mineral resources, investment in financial instruments, property investment and money lending businesses. The Group also optimized its business structure to further expand its mineral portfolio in order to reduce operational risks.

On the mining front, since the completion of the acquisition of a coal mine in Canada (the "CST Coal Mine") in July 2018, the management of CST Canada Coal Limited ("CST Coal"), a subsidiary of the Company, has been working diligently to resume production and overall operations of the mine. As of 30 September 2019, CST Coal has recruited 271 staff. During the Period, CST Coal has mined approximately 5.35 million bcm of waste, hauled approximately 965,000 tonnes of coal to the Run-of-Mine ("ROM") and processed approximately 710,000 tonnes of clean coal. Additionally, CST Coal signed a contract with the Canadian National Railway Company for the transportation of hard coking coal from the CST Coal Mine to Westshore Terminals for seaborne markets. Given the stable demand for metallurgical coal forecast by the market, and considering the management's rich experience and expertise in the mining and natural resource businesses, the Group is confident that the CST Coal Mine will provide a valuable opportunity to generate sustainable returns in the foreseeable future.

In addition, on 19 July 2019, the Group completed the disposal of CST Minerals Australia Pty Ltd. (indirectly owned Lady Annie Operations) (the "Disposal") in order to identify and exploit other high-quality investment opportunities. The Group believes that the Disposal will enable the Group to realise cash to improve liquidity and the working capital position of the Group. The Group will further explore more business opportunities to facilitate long-term development and create value for our shareholders.

In addition to mining operations which include exploration and development of mineral resources, the Group is also engaged in the money lending business in a sound prudent manner. In the future, the Group will continue to uphold a prudent and stable strategy and strive to maintain a balance between business growth and risk management in the money lending business.

CHAIRMAN'S STATEMENT

In terms of property investment, the Group's property investments in Scotland, Hong Kong and Mainland China provided the Group with stable and recurrent rental income during the Period. Currently, in the face of the intensifying US-China trade war, the continuing anti-government unrest in Hong Kong and a pessimistic global economic outlook, the price and the rental income of residential and commercial properties in Hong Kong may be affected in the second half of the year. The Group will strictly control various risks and pay close attention to the changing trends in property investment in order to adjust its strategies in a timely manner.

During the Period, the market continued to fluctuate due to the impact of the US-China trade war and the continuing anti-government unrest in Hong Kong, which in turn hindered the performance of the Group's investment in financial instruments, thus resulting in a net loss in the fair value of securities investments. On the other hand, as the overall securities market in Hong Kong continues to be affected by the US-China trade war, as well as global economic and political instability, the Group will strenuously adopt a prudent and stable strategy to quickly adapt to subsequent market changes and remain attentive to market risks.

Looking ahead, the Group will pay close attention to shifts in financial markets, strive to increase diversification in the financial business, explore further opportunities, and seek desirable investment opportunities globally in order to generate long-term profit.

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 November 2019

PROJECT OVERVIEW

CST STEELMAKING COAL MINE

CST Group Limited ("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 an 88% interest in CST Coal.

1. BACKGROUND

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 Grande Cache in the Municipal District of Greenview. It is accessed via Highway 40, a two-lane, paved provincial highway which connects 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. 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 under coal lease.

2. OPERATIONS

CST Coal continues to ramp up its surface mining activities at No. 8 mine and it is now operating 24 hours a day, 7 days a week. For the six months period ended 30 September 2019 approximately 5.30 million bcm of waste were hauled to approved waste dumps and approximately 965,000 tonnes of raw coal were hauled to the Run-of-Mine ("ROM").

A total of 944,167 tonnes of raw coal was fed into the plant and yielded 713,467 tonnes of CST Premium Low Volatile ("CST PLV") coking coal for the seaborne markets of steelmaking. The steelmaking coal are railed to and stockpiled at Westshore Terminals in British Columbia for the seaborne markets. A total of 667,880 tonnes of CST PLV coking coal were railed to Westshore Terminals in British Columbia. During the reporting period, CST Coal sold 643,404 tonnes of CST PLV coking coal for exports to Asian countries for the purposes of steelmaking.

As at 30 September 2019, CST Coal had 56,380 tonnes of CST PLV coking coal in its stockpile at the load-out area, 22,144 tonnes in transit to the port and had a stockpile of 107,438 tonnes at the port.

For the period ended 30 September 2019, CST Coal recorded 1 loss time injury, 18 first aid and 10 medical aid.

CST Coal complied with all regulatory requirements.

CST Coal did not have any exploration activities and did not incur any exploration expenditure as it dedicated its efforts on ramping up its No. 8 mine surface mining operations.

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 hamlet 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 Local Council #1994 ("MNA") who have members living in the area of Grande Cache.

CST Coal would like to extend our thanks to the indigenous groups AWN and MNA as well as the hamlet of Grande Cache in the Municipal District of Greenview 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.

3. PRODUCTION STATISTICS FOR THE PERIOD FROM 1 APRIL 2019 TO 30 SEPTEMBER 2019

		Six months ended 30 September 2019
Mined	Waste (bcm)	5,346,510
	Raw coal to ROM (tonnes)	965,288
	Strip ratio (%)	5.5
Production	Breaker feed (tonnes)	944,167
	Breaker loss (tonnes)	35,632
	Bypass (tonnes)	62,928
	Plant feed (tonnes)	845,607
	Processed coal production (clean tonnes)	**713,467**
Sales	CST PLV coking coal sold (clean tonnes)	643,404
Stockpile	CST PLV coking coal at load out and port (clean tonnes)	185,962

CORPORATE GOVERNANCE

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL RESULTS

The total revenue from continuing operations of the Company and its subsidiaries (collectively referred to as the "Group") for the period ended 30 September 2019 (the "Period") was approximately US$111.15 million. This was an increase of approximately 587.43% compared to the same period 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 Period was approximately US$95.13 million. As Lady Annie Operations was disposed of in July 2019, thus the revenue from this discontinued operation was low for the Period. The operating revenue which Lady Annie Operations contributed to the Group for the Period was approximately US$4.92 million whereas the operating revenue of the corresponding period of the previous year was approximately US$7.20 million.

Dividends from securities trades and interest income from financial assets, interest income from money lending and rental income represented approximately 12.17%, 0.94% and 1.31% respectively of total revenue from continuing operations for the Period. Compared with the same period of the previous year, there was an approximately US$40.39 million increase in gross profit, representing an increase of approximately 249.81%.

Revenue derived from property investments is very stable. Compared with the same period last year, revenue from property investment decreased slightly by approximately 3.91%. Rental income provided a steady cash flow to the Group over the Period, and this is expected to continue in the second half of this financial year. Dividends from securities trades and interest income on financial assets increased by approximately 52.47% period-on-period. The increase was mainly driven by interest income from investments in debt securities. However, financial markets fluctuated significantly during the Period, and the Group recorded a loss on fair value changes of financial assets at fair value through profit or loss of approximately US$85.27 million. There was a loss on fair value changes of financial assets through profit or loss of approximately US$35.51 million in the corresponding period last year.

Of the approximately US$85.27 million loss on fair value changes of financial assets at fair value through profit or loss, the unrealised loss and realised loss were approximately US$57.15 million and approximately US$28.12 million respectively. The continuing anti-government unrest in Hong Kong, global economic and political instability, especially the uncertain development of the US-China trade war and the United States of America's unpredictable diplomatic and trade policy will continue to shake investor confidence and dampen market expectations as conditions remain volatile in the near future.

As of 30 September 2019, there is no financial asset weighted with a value of 5% or more of the Group's total assets. Set out below are the financial assets weighted 5% or above of the net asset value of the Group as of 30 September 2019:

Stock Code	Name of Stock/ Note/Fund	Principal Business	Number of Share/Note/ Fund Held	% of Shareholding held by the Group 30.09.2019	Investment Cost USD'000	Market Value 30.09.2019 USD'000	% to the Group's Net Assets 30.09.2019	Realised Gain on change in fair value for the period ended 30.09.2019 USD'000	Unrealised Gain/(Loss) on change in fair value for the period ended 30.09.2019 USD'000
Equity securities listed in Hong Kong									
708	Evergrande Health Industry Group Limited	Technology research and development, production and sales of new energy vehicles in the People's Republic of China (the "PRC") and in other countries, as well as the "Internet+" community health management, international hospitals, and elderly care and rehabilitation in the PRC	42,180,000	0.49%	61,304.59	37,853.85	6.24%	—	(24,659.08)*
Financial assets other than equity securities listed in Hong Kong									
	9.5% China Evergrande Senior Note due 2024	property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in PRC	50,000,000		50,000.00	43,348.50	7.14%	—	(6,401.50)*
	8.75% China Evergrande Senior Note due 2025	property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in PRC	50,000,000		49,987.25	40,284.00	6.64%	—	(7,403.50)*
	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	34,129.94	5.62%	—	787.56*
	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	33,508.77	5.52%	—	(404.16)*
Total					**223,608.29**	**189,125.06**	**31.16%**	**—**	**(38,080.68)**

* 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 period. Unrealised gain/(loss) on changes in fair value of these financial assets for the period ended 30 September 2019 excluded the amounts recognised in prior periods.

CORPORATE GOVERNANCE

Due to volatile conditions in the Hong Kong financial markets, the market value of the shares of Evergrande Health Industry Group Limited ("Evergrande Health") has decreased and incurred an unrealised loss for the Period. According to the latest published interim financial information, its healthcare business generated a revenue of approximately RMB2.40 billion in the first half of 2019 and it has completed the layout of the new energy vehicle industry chain with the objective of becoming a major and powerful new energy vehicle group in the world. The development of its new energy vehicle business is in the early investment stage and has resulted in a increase in research and development and other related cost and interest payments. Although Evergrande Health recorded a loss in its interim results as a results of this investment, the Group is optimistic about the prospect of Evergrande Health in the medium to long term, subject to market condition. The Group has no intention to realise this investment at present.

The issuer of 9.5% senior notes due on 2024 and 8.75% senior notes due on 2025, China Evergrande Group, is one of the largest property investment companies in mainland China. Its business includes property investment, which consists of property development, construction and management, new energy vehicle business, hotel operations, finance business, internet business and health industry business industries in mainland China. Its shares are listed on The Stock Exchange of Hong Kong Limited. The notes themselves are traded on the Singapore Exchange OTC market. The issuer does not have any record of default on any previously issued notes. The Group received a total interest income of approximately US$4.54 million from the two senior notes. The Group will hold the notes in order to generate stable income and to capture investment value from potential appreciation.

The fair value of the Nexus Asian Hybrid Credit Fund S8 has increased during the Period. The units value of this fund has been appreciating, and the Group will hold this fund for further potential appreciation of the fund's unit value. The fair value of Nexus Emerging Opportunities Fund Alpha SP has decreased during the Period resulting in an unrealised loss for the Period. Despite the unrealised fair value loss recognised in the Period, the accumulative holding gain of this fund amounted to approximately US$3.51 million up to 30 September 2019. The Group considers that this fund still have potential for appreciation and will continue to hold this fund.

Interest income from the money lending business significantly decreased by approximately US$4.74 million compared to the same period of previous year, representing a decrease of approximately 81.88%. The economy of Hong Kong is on a downward trend due to the anti-government unrest. The Group is more cautious and prudent toward its money lending business, affecting the overall performance of the business. During the Period, approximately US$1.05 million interest income was generated by the money lending business. The interest income from the money lending business was approximately US$5.79 million in the corresponding period of the previous year.

The Canada coal mine has contributed significant revenue increases to the Group's mining business; however, it has also increased the costs and expenses of the Group as a whole. Along with the increase of revenue from selling coking coal, the distribution and selling expenses and the administrative expenses of the Group increased from approximately US$0.05 million and approximately US$14.16 million respectively in same period of the previous year to approximately US$21.88 million and US$21.97 million respectively for the Period. 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$3.25 million in the corresponding period last period to approximately US$8.88 million for the Period.

During the Period, the Group disposed of the Australia Group which owns the Lady Annie Operations in Australia in July. The Group recorded a gain of approximately US$24.01 million on the disposal. Due to a decrease in the fair value of the joint venture's investment relative to its value at the end the Period, the Group shared a loss from the joint venture. The Group shared an approximate US$1.27 million loss from the joint venture compared to a gain shared from a joint venture of approximately US$0.31 million in the same period last year. Overall, the Group recorded an after tax loss of approximately US$51.20 million for the Period. After-tax loss in the same period of the previous year was approximately US$39.49 million.

NET ASSET VALUE

As of 30 September 2019, the Group held bank balances and cash totaling approximately US$150.78 million, excluding approximately US$23.56 million held in pledged bank deposits. The pledged deposits are intended to cover rehabilitation costs for operating the mining business in Canada (as mandated by the government of Alberta, Canada). The total value of the financial assets at fair value through profit and loss were approximately US$374.64 million. During the Period, a bank granted a one year HK$150.00 million and HK$500.00 million revolving loans with an interest rate of 1.00% over HIBOR/LIBOR and 0.90% over HIBOR/LIBOR respectively to a subsidiary of the Company. The Company provided a guarantee to the bank for the two facilities. For the HK$500.00 million facility, approximately HK$235.46 million which is equivalent to approximately US$30.19 million has been utilized during the Period. The HK$150.00 million facility was not utilized during the Period. Since 2017, an indirect non-wholly owned subsidiary was granted a loan of GBP10.41 million secured by a 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 30 September 2019, the outstanding balance of this bank loan was approximately GBP8.68 million, equivalent to approximately US$10.68 million. In 2018, 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 undertakings 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 the CST Coal project group which includes four subsidiaries of the Company. The four subsidiaries are Gold Grace Limited which is the sole shareholder of CST Coal, Excel Fame Limited which is the sole shareholder of Gold Grace Limited, CST-Grande Cache Cayman Limited which is the sole shareholder of Excel Fame Limited and Sonicfield Global Limited which is a majority shareholder of CST-Grande Cache Cayman Limited. As at 30 September 2019, the Group had certain equipment under financial lease in the amount of approximately US$14.98 million with an average lease term of three years. The interest rate under finance lease is fixed at respective contract dates at 7.00% per annum. Based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio was 76.70%. The net asset value of the Group amounted to approximately US$606.76 million.

HUMAN RESOURCES

As of 30 September 2019, the Group had 314 staff (including Company directors). Staff costs (excluding directors' emoluments) were approximately US$14.94 million for the Period. 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, Chinese renminbi, Hong Kong dollars, British Pound Sterling 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 Chinese renminbi is also minimal, as business conducted in Chinese renminbi represents a marginal proportion of the Group's total business in terms of revenue. Foreign currency exposure to the British Pound Sterling is very limited too 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 Australian mine was disposed of during the Period, there is now no foreign exchange risk posed by the Australian dollar. With respect to 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.

As of 14 March 2019, a share sale agreement was signed to dispose of all the Group's interest in the Australia Group (includes three Australia subsidiaries) (the "Disposal") which owns the Lady Annie Operations. The Disposal was approved by shareholders of the Company (the "Shareholders") in the extraordinary general meeting held on 17 June 2019 (the "2019 EGM") and completed on 19 July 2019. The Disposal will enable the Group to realise cash thereby improving liquidity and the working capital condition of the Group.

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

	2019 April–July US$'000	2018 April–September US$'000
Revenue	**4,924**	7,202
Cost of sales	**(4,857)**	(9,521)
Gross profit (loss)	**67**	(2,319)
Other income and other gains and losses	**4,610**	670
Administrative expenses	**(1,308)**	(3,716)
Finance costs*	**–**	(82)
Loss on inventories written down to net realisable value	**–**	(36)
Write-off of exploration and evaluation assets	**–**	(97)
Profit (loss) before taxation	**3,369**	(5,580)

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

CST COAL MINE

The Company 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 an 88% interest in CST Coal.

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 Grande Cache in the Municipal District of Greenview. It is accessed via Highway 40, a two-lane, paved provincial highway which connects 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.

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 under coal lease.

As at 30 September 2019, CST Coal had 56,380 tonnes of CST Premium Low Volatile coking coal in its stockpile at the load-out area, 22,144 tonnes in transit to the port and had a stockpile of 107,438 tonnes at the port.

During the Period, CST Coal did not have any exploration activities and did not incur any exploration expenditure as it dedicated its efforts to ramping up its No. 8 mine surface mining operations.

A summary of the financial results of CST Coal during the Period is detailed below:

	2019 **CAD'000**
Revenue	**126,431**
Cost of sales	**(72,558)**
Gross profit	**53,873**
Other income and other gains and losses	**6,867**
Distribution and selling expenses	**(29,083)**
General and administrative expenses	**(12,375)**
Finance costs*	**(14,282)**
Profit before taxation	**5,000**

* Inter-company financial charges were not included.

SIGNIFICANT EVENTS

As of 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 2019 EGM. The Disposal was completed on 19 July 2019. Details of the poll results of the 2019 EGM and the completion of the Disposal were disclosed in the Company's announcements dated 17 June 2019 and 19 July 2019 respectively.

OUTLOOK

The global economy is slowing down in 2019 with many 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 with a balance of stable income streams and growth opportunities, diversify its resource allocations, and explore potential market opportunities to create greater value for Shareholders.

For the Group's mining business, since oxide copper ore reserves in the Lady Annie mine site are mostly depleted, the Group disposed of the Australia Group which owns Lady Annie mine in July 2019. The disposal of the Lady Annie Operations enables the Group to realise cash thereby improving liquidity and working capital condition of the Group.

With regards to the Canada coal mine, it is still in the ramping up its production stage. It will recruit more employees in order to increase production and improve operational efficiency. The price of coking coal has been decreasing in the second half of 2019 as market demand is sluggish, especially in the mainland Chinese market. The Canada coal mine, on one hand, is actively exploring new customers; while on the other hand, strictly controlling overall costs in order to improve profit margin. The CST Coal mine will provide good returns to the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

The uncertain development of the US-China trade war, the unpredictable diplomatic and trade policy of the United States of America, as well as Brexit have deepened negative impacts on the investment market and affected investor sentiment. In addition, the recent anti-government unrest in Hong Kong has damaged the local economy. The Group will adjust its treasury management strategy and diversity of its investment portfolio. The Group will allocate some of its resources towards stable investment products which can provide steady contributions to income.

Due to the downward turn in the local economy and uncertainty in the local business environment, the Group will grow its money lending business with a more cautious and prudent strategy. The Group will maintain a balance between business growth and risk management.

The Group's property investments performed consistently during the Period. 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.

As reported in previous financial reports and business update of the Company, the operation of e-logistic platform business had been scaling down and the Group had halted resource allocation to this business. In these couple of years, the competition in e-logistic platform market is still intensified and capital intensive. The operating environment is still harsh. The Company tried but could not successfully formulate a competitive and capital efficient business model. The e-logistic platform business is operating at its minimal level. Having seen no improvement of the market conditions recently and hoping to save relevant expenses, the Company has decided to cease its e-logistic platform business on 27 November 2019. Cessation of the e-logistic platform business would not have a material impact on the financial position or operation of the Group.

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 business opportunities to facilitate long-term development and create value for Shareholders.

STATUTORY DISCLOSURE

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 30 September 2019, the interests and short positions of the Directors and the 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 30 September 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 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 30 September 2019, so far as known to the Directors or the chief executives of the Company, the following persons are the shareholders (other than the 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 of the Company
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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2019, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules except for the following deviations:

(1) under code provision A.2.1 of the CG 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.

(2) according to code provision E.1.2 of the CG Code, Mr. Chiu Tao, the Chairman of the Board, should have attended the annual general meeting of the Company held on 27 September 2019 ("2019 AGM"). However, Mr. Chiu Tao was unable to attend the 2019 AGM due to another business commitment. Mr. Hui Richard Rui, executive director and General Manager of the Company, who took the chair of the 2019 AGM, together with other members of the Board who attended the 2019 AGM were of sufficient calibre and knowledge for answering questions at the 2019 AGM.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding director's securities transactions. In response to specific enquiries, all the directors of the Company confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

REVIEW BY AUDIT COMMITTEE

The 2019 Interim Report has been reviewed by the Company's audit committee which comprises Ms. Ma Yin Fan, Mr. Yu Pan and Mr. Leung Hoi Ying, all of them are independent non-executive directors of the Company, and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board

Chiu Tao
Chairman

Hong Kong, 27 November, 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CST GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of CST Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 19 to 51, which comprise the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	NOTES	Six months ended 30 September 2019 US$'000 (unaudited)	2018 US$'000 (unaudited) (restated)
Continuing operations			
Revenue	4		
Sales		**95,126**	—
Interest income		**9,204**	10,363
Dividend income		**5,371**	4,296
Rental income		**1,451**	1,510
		111,152	16,169
Cost of sales		**(54,592)**	—
Gross profit		**56,560**	16,169
Other income and other gains and losses	5	**3,433**	(766)
Distribution and selling expenses		**(21,882)**	(47)
Administrative expenses		**(21,972)**	(14,155)
Loss on fair value changes of financial assets at fair value through profit or loss		**(85,266)**	(35,510)
Gain on fair value changes of investment properties	13	**675**	811
Gain on disposal of a subsidiary		**—**	1,026
Reversal of expected credit losses on financial assets	17	**565**	1,795
Share of result of a joint venture		**(1,265)**	310
Share of result of an associate		**207**	(70)
Finance costs	6	**(8,883)**	(3,254)
Loss before taxation		**(77,828)**	(33,691)
Taxation	7	**(638)**	(104)
Loss for the period from continuing operations	8	**(78,466)**	(33,795)
Discontinued operation			
Profit (loss) for the period from discontinued operation	9	**27,267**	(5,690)
Loss for the period		**(51,199)**	(39,485)
(Loss) profit for the period attributable to owners of the Company:			
Continuing operations		**(79,338)**	(33,684)
Discontinued operation		**27,267**	(5,690)
		(52,071)	(39,374)
Profit (loss) for the period attributable to non-controlling interests:			
Continuing operations		**872**	(111)
Discontinued operation		**—**	—
		872	(111)
LOSS PER SHARE			
From continuing operations and discontinued operation			
— Basic and diluted (US cents)	10	**(0.13)**	(0.10)
From continuing operations			
— Basic and diluted (US cents)	10	**(0.21)**	(0.09)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
		(restated)
Loss for the period	**(51,199)**	(39,485)
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(337)**	8,265
Release of exchange reserve upon disposal of subsidiaries	**(14,122)**	—
Other comprehensive (expense) income for the period	**(14,459)**	8,265
Total comprehensive expense for the period	**(65,658)**	(31,220)
Total comprehensive expense attributable to:		
Owners of the Company	**(66,097)**	(30,565)
Non-controlling interests	**439**	(655)
	(65,658)	(31,220)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	NOTES	As at 30 September 2019 US$'000 (unaudited)	As at 31 March 2019 US$'000 (audited)
Non-current assets			
Property, plant and equipment	12	449,115	480,744
Right-of-use assets	12	14,400	—
Exploration and evaluation assets	12	33,980	33,675
Investment properties	13	51,210	52,402
Interests in an associate	14	—	7,024
Interests in a joint venture		3,657	4,922
Club membership		2,437	2,437
Financial assets at fair value through profit or loss	14	76,654	61,721
Pledged bank deposits	15	23,564	54,581
		655,017	697,506
Current assets			
Inventories		27,679	24,488
Trade and other receivables	16	35,079	9,751
Loan receivables	17	2,512	28,274
Amount due from a joint venture		4,042	4,042
Financial assets at fair value through profit or loss	14	297,990	355,084
Derivative financial instruments		68	29
Bank balances and cash		150,777	124,159
		518,147	545,827
Current liabilities			
Trade and other payables and accruals	18	33,942	29,420
Provision for an onerous contract	21	—	1,368
Tax payable		1,619	5,994
Bank borrowings — amount due within one year	19	31,293	1,182
Lease liabilities		77	—
Guarantee liability		40,100	40,100
		107,031	78,064
Net current assets		411,116	467,763
Total assets less current liabilities		1,066,133	1,165,269

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	NOTES	As at 30 September 2019 US$'000 (unaudited)	As at 31 March 2019 US$'000 (audited)
Non-current liabilities			
Bank borrowings — amount due after one year	19	418,895	420,126
Deferred tax liabilities		573	—
Obligations under finance lease		—	14,806
Lease liabilities		15,132	—
Provision for mine rehabilitation cost	20	24,776	53,816
Provision for an onerous contract	21	—	4,106
		459,376	492,854
		606,757	672,415
Capital and reserves			
Share capital	22	496,132	496,132
Reserves		107,192	173,289
Equity attributable to owners of the Company		603,324	669,421
Non-controlling interests		3,433	2,994
		606,757	672,415

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Other capital reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total
	US$'000	US$'000	US$'000 (Note a)	US$'000 (Note b)	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 April 2018	496,132	507,573	987	128,275	(4,597)	(399,041)	729,329	7,101	736,430
Loss for the period	—	—	—	—	—	(39,374)	(39,374)	(111)	(39,485)
Other comprehensive income (expense) for the period	—	—	—	—	8,809	—	8,809	(544)	8,265
Total comprehensive income (expense) for the period	—	—	—	—	8,809	(39,374)	(30,565)	(655)	(31,220)
At 30 September 2018 (unaudited)	496,132	507,573	987	128,275	4,212	(438,415)	698,764	6,446	705,210
At 1 April 2019 (audited)	**496,132**	**507,573**	**987**	**128,275**	**5,193**	**(468,739)**	**669,421**	**2,994**	**672,415**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**(52,071)**	**(52,071)**	**872**	**(51,199)**
Release of exchange reserve upon disposal of subsidiaries (Note 9)	**—**	**—**	**—**	**—**	**(14,122)**	**—**	**(14,122)**	**—**	**(14,122)**
Other comprehensive income (expense) for the period	**—**	**—**	**—**	**—**	**96**	**—**	**96**	**(433)**	**(337)**
Total comprehensive (expense) income for the period	**—**	**—**	**—**	**—**	**(14,026)**	**(52,071)**	**(66,097)**	**439**	**(65,658)**
At 30 September 2019 (unaudited)	**496,132**	**507,573**	**987**	**128,275**	**(8,833)**	**(520,810)**	**603,324**	**3,433**	**606,757**

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	NOTES	Six months ended 30 September 2019 US$'000 (unaudited)	2018 US$'000 (unaudited)
Net cash from operating activities		**13,739**	48,523
Investing activities			
Purchase of financial assets at fair value through profit or loss		**(12,803)**	(4,612)
Acquisition of mining business		—	(25,410)
Net proceeds from disposal of copper mining business	9	**11,221**	—
Purchase of property, plant and equipment	12	**(14,543)**	(3,490)
Additions to exploration and evaluation assets	12	**(17)**	(92)
Decrease (increase) in pledged bank deposit		**717**	(397)
Proceeds from disposal of a subsidiary		—	1,026
Proceed from disposal of financial assets at fair value through profit or loss		—	21,713
Net cash outflow from acquisition of assets through acquisition of subsidiaries		—	(33,145)
Net cash used in investing activities		**(15,425)**	(44,407)
Financing activities			
New bank borrowing raised		**30,187**	—
Repayment on bank borrowings		**(1,307)**	(299)
Net cash from (used in) financing activities		**28,880**	(299)
Net increase in cash and cash equivalents		**27,194**	3,817
Effect of foreign exchange rate changes		**(576)**	(272)
Cash and cash equivalents at the beginning of the period		**124,159**	93,581
Cash and cash equivalents at the end of the period, represented by bank balances and cash		**150,777**	97,126

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 interim 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 condensed 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. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in Group's annual consolidated financial statements for the year ended 31 March 2019.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs, Hong Kong Accounting Standards ("HKASs") and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

3.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

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

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

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

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

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of mine property and development assets and furniture and equipment in Canada was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant entities at the date of initial application. The weighted average incremental borrowing rate applied by relevant group entities range from 5% to 5.13%.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

	At 1 April 2019 US$'000
Operating lease commitments disclosed as at 31 March 2019	1,221
Lease liabilities discounted at relevant incremental borrowing rates	(15)
Less: Recognition exemption — short-term leases	(1,031)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	175
Add: Obligations under finance leases recognised at 31 March 2019 (Note)	14,806
Lease liabilities as at 1 April 2019	14,981
Analysed as	
Current	45
Non-current	14,936
	14,981

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets US$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	175
Amounts included in property, plant and equipment under HKAS 17:	
Assets previously under finance leases (Note)	14,615
	14,790
By class:	
Leasehold land and building	175
Mine property and development assets	14,615
	14,790

Note: In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to US$14,615,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance lease of US$14,806,000 to lease liabilities as non-current liabilities respectively at 1 April 2019.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	Adjustment	Carrying amounts under HKFRS 16 at 1 April 2019
	US$'000	US$'000	US$'000
Non-current assets			
Right-of-use assets	—	14,790	14,790
Property, plant and equipment	480,744	(14,615)	466,129
Current liabilities			
Lease liabilities	—	45	45
Non-current liabilities			
Lease liabilities	—	14,936	14,936
Obligations under finance lease	14,806	(14,806)	—

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate.

Foreign currencies

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4. REVENUE/SEGMENT INFORMATION

REVENUE

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

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited) (restated)
Sale of coal	**95,126**	—
Revenue from contract with customers	**95,126**	—
Residential rental income	**268**	308
Office rental income	**1,183**	1,202
Dividend income from trading of securities	**5,371**	4,296
Interest income from financial assets at fair value through profit or loss	**8,155**	4,575
Interest income from money lending business	**1,049**	5,788
Total revenue from continuing operations	**111,152**	16,169
Disaggregation of revenue from contracts with customers		
Sale of coal	**95,126**	—
Timing of revenue recognition		
A point in time	**95,126**	—

4. REVENUE/SEGMENT INFORMATION (continued)

SALE OF COAL (RECOGNISED AT A POINT IN TIME)

The Group sells coal directly to customers. The revenue is recognised when the performance obligation is fulfilled upon the control of goods has been transferred, being 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.

In prior interim period, operation of sale of copper cathodes was included in the mining business segment. During the period ended 30 September 2019, the operation in selling copper cathodes was discontinued with details disclosed in note 9. Therefore, it is no longer included in mining business as a reporting and operating segment of the Group. The comparative figures in the revenue and segment information have been restated to conform with the current interim period's presentation.

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 and other gains and losses, central administration costs, finance costs, share of result of a joint venture and an associate).

4. 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:

Continuing operations

	Segment revenue		Segment results	
	Six months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
	(unaudited)	(unaudited) (restated)	**(unaudited)**	(unaudited) (restated)
Mining business	**95,126**	—	**1,017**	(2,760)
Investment in financial instruments	**13,526**	8,871	**(69,750)**	(26,715)
Property investment	**1,451**	1,510	**1,855**	1,432
Money lending	**1,049**	5,788	**2,114**	7,573
E-logistics platform	**—**	—	**—**	(89)
	111,152	16,169	**(64,764)**	(20,559)
Other income and other gains and losses			**3,433**	(776)
Central administration costs			**(6,556)**	(9,342)
Finance costs			**(8,883)**	(3,254)
Share of result of a joint venture			**(1,265)**	310
Share of result of an associate			**207**	(70)
Loss before taxation from continuing operations			**(77,828)**	(33,691)

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

4. REVENUE/SEGMENT INFORMATION (continued)

OTHER SEGMENT INFORMATION

Six months ended 30 September 2019

Amount included in the measure of segment results:

	Mining business US$'000 (unaudited)	Investment in financial instruments US$'000 (unaudited)	Property investment US$'000 (unaudited)	Money lending US$'000 (unaudited)	E-logistics platform US$'000 (unaudited)	Unallocated US$'000 (unaudited)	Consolidated US$'000 (unaudited)
Depreciation	22,027	—	—	—	—	1,469	23,496
Staff costs	13,097	—	—	—	—	1,845	14,942

Six months ended 30 September 2018

Amount included in the measure of segment results:

	Mining business US$'000 (unaudited) (restated)	Investment in financial instruments US$'000 (unaudited)	Property investment US$'000 (unaudited)	Money lending US$'000 (unaudited)	E-logistics platform US$'000 (unaudited)	Unallocated US$'000 (unaudited)	Consolidated US$'000 (unaudited) (restated)
Depreciation	1,100	—	—	—	—	1,042	2,142
Staff costs	1,210	—	—	—	—	1,319	2,529

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
		(restated)
Bank and other interest income	**507**	599
Net foreign exchange gain (loss)	**3,711**	(1,268)
Gain (loss) on disposal of assets	**5**	(86)
Fair value gain (loss) on derivative financial instruments	**42**	(14)
Loss from deemed disposal of interests in an associate	**(1,334)**	—
Others	**502**	3
	3,433	(766)

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Interest expense on bank borrowings	**8,344**	3,254
Effective interest expense on lease liabilities	**539**	—
	8,883	3,254

7. TAXATION

	Six months ended 30 September 2019 US$'000 (unaudited)	2018 US$'000 (unaudited) (restated)
Continuing operations		
The charge comprises:		
Current tax:		
Hong Kong	—	29
People's Republic of China ("PRC")	14	5
Canada	571	—
United Kingdom ("UK")	53	70
Taxation charge for the period	638	104

Under The Inland Revenue (Amendment) (No. 7) Bill 2017, 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, effective from 28 March 2018 onwards.

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%.

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

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

8. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Loss for the period has been arrived at after charging:		
Depreciation on property, plant and equipment	**23,496**	2,142
Directors' remuneration	**3,438**	3,309
Cost of inventories recognised as an expense	**54,592**	—

9. DISCONTINUED OPERATION

On 14 March 2019, the Group entered into a sale agreement to dispose of its 100% equity interest in CST Minerals Australia Pty Ltd, CST Minerals Lady Annie Pty Limited and CST Minerals Exploration Pty Ltd (collectively the "CSTMA Group") that carried out all of the Group's sales of copper operation. The purpose of the disposal is to generate cash for the expansion of the Group's other businesses. The disposal was completed on 19 July 2019, which is the date that the Group lost control of the CSTMA Group. The Group's sales of copper operation is treated as discontinued operation.

The profit (loss) for the periods from the discontinued sales of copper operation is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to represent sales of copper as a discontinued operation.

	For the period ended 19 July 2019	Six months ended 30 September 2018
	US$'000	US$'000
Profit (loss) of copper mining business for the period	**3,369**	(5,690)
Gain on disposal of business	**24,012**	—
Transaction cost for the disposal of copper mining business	**(114)**	—
	27,267	(5,690)

The revenue from sales of copper operation is recognised at a point in time.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

9. DISCONTINUED OPERATION (continued)

The results of the sales of copper operation for the period from 1 April 2019 to 19 July 2019, the date of disposal, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the period ended 19 July 2019 US$'000	Six months ended 30 September 2018 US$'000
Revenue	4,924	7,202
Cost of sales	(4,857)	(9,521)
Gross profit (loss)	67	(2,319)
Other income and other gains and losses	4,610	670
Administrative expense	(1,308)	(3,850)
Finance cost	—	(81)
Profit (loss) before taxation	3,369	(5,580)
Taxation	—	(110)
Profit (loss) for the period	3,369	(5,690)

Gain on disposal of copper mining business:

	US$'000
Total consideration	12,389
Net assets disposed of	(2,499)
Reclassification of cumulative translation reserve upon disposal of the CSTMA Group to profit or loss	14,122
Gain on disposal	24,012
Satisfied by:	
Cash (Note)	12,389

Note: Pursuant to the sale and purchase agreement entered into with the buyer, the seller shall pay Environmental Financial Assurance requested by the Government of Queensland for the excess agreed portion of the rehabilitation cost with the amount of US$860,000 net of the consideration of US$13,249,000. There is a contingent consideration amounted to Australian dollar ("AUD") 5,000,000 (approximately to US$3,506,000) payable by the buyer if certain conditions are met and no adjustment was made during the period ended 30 September 2019.

9. DISCONTINUED OPERATION (continued)

	US$'000
Net cash inflow arising on disposal:	
Total cash consideration received	12,389
Bank balances and cash disposed of	(1,168)
	11,221

	For the period ended 19 July 2019 US$'000	Six months ended 30 September 2018 US$'000
Cash flows from sales of copper operation:		
Net cash flows from operating activities	**759**	5,120
Net cash flows from investing activities	**365**	1,722
Net cash flows used in financing activities	**(1,659)**	(10,282)

10. LOSS PER SHARE

FROM CONTINUING OPERATIONS AND DISCONTINUED OPERATION

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

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(52,071)**	(39,374)

Number of shares

	'000	'000
Number of ordinary shares for the purpose of basic loss per share	**38,698,309**	38,698,309

No diluted loss per share is presented as there were no potential ordinary shares in issue during both periods.

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10. LOSS PER SHARE (continued)

FROM CONTINUING OPERATIONS

The calculation of the basic loss per share from continuing operations attributable to owners of the Company is based on the following data:

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
		(restated)
Loss figures are calculated as follow:		
Loss for the period attributable to owners of the Company	**(52,071)**	(39,374)
Less: Profit (loss) for the period from discontinued operation	**27,267**	(5,690)
Loss for the purpose of calculating basic loss per share from continuing operations	**(79,338)**	(33,684)

Number of shares

	'000	'000
Number of ordinary shares for the purpose of basic loss per share	**38,698,309**	38,698,309

No diluted loss per share is presented as there were no potential ordinary shares in issue during both periods.

FROM DISCONTINUED OPERATION

Basic earnings per share from discontinued operation is US0.07 cents per share (six months ended 30 September 2018: loss per share US0.01 cents), based on the profit for the period from discontinued operation of US$27,267,000 (six months ended 30 September 2018: loss of US$5,690,000) and the denominators detailed above for basic loss per share.

No diluted earnings per share is presented as there were no potential ordinary shares in issue during both periods.

11. DIVIDEND

No dividends were paid, declared or proposed during both periods. The directors of the Company have determined that no dividend will be paid in respect of the current period.

12. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT, EXPLORATION AND EVALUATION ASSETS AND RIGHT-OF-USE ASSETS

During the six months ended 30 September 2019, the Group incurred expenditures on mine property and development assets included in property, plant and equipment of US$12,055,000 (six months ended 30 September 2018: US$198,934,000) and other property, plant and equipment of US$2,488,000 (six months ended 30 September 2018: US$241,489,000) from continuing operations. During the period ended 30 September 2018, among the expenditures on mine property and development assets and other property, plant and equipment, the Group acquired the coal mining reserves and resources, related property, plant and equipment and exploration and evaluation assets in Canada amounting to US$197,945,000, US$238,988,000 and US$34,760,000 respectively.

The Group incurred US$17,000 expenditures on exploration and evaluation assets during the six months ended 30 September 2019 (six months ended 30 September 2018: US$97,000) from the copper mining operation, which was disposed during the current interim period. There is no addition expenditures on exploration and evaluation assets from the mining business in Canada as at 30 September 2019.

During the period ended 30 September 2019, the Group entered into new lease agreements for the use of trucks and furniture and equipment for the periods of 3 years. On lease commencement during the current interim period, the Group recognised US$308,000 of right-of-use assets and US$308,000 of lease liabilities.

13. INVESTMENT PROPERTIES

	US$'000
Fair value at 1 April 2019 (audited)	52,402
Unrealised fair value changes recognised in profit or loss	675
Exchange adjustments	(1,867)
Fair value at 30 September 2019 (unaudited)	51,210

The Group's investment properties in Hong Kong, the PRC and the UK as at 30 September 2019 and 31 March 2019 were valued by Asset Appraisal Limited and Roma Appraisals Limited, which are 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. 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. The increase in fair value of investment properties of US$675,000 has been recognised directly in profit or loss for the six months ended 30 September 2019 (six months ended 30 September 2018: US$811,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2019 US$'000 (unaudited)	As at 31 March 2019 US$'000 (audited)
Financial assets at fair value through profit or loss (non-current)		
Investment funds (Note a)	63,823	61,721
Unlisted equity investments (Note b)	12,831	—
	76,654	61,721
Financial assets at fair value through profit or loss (current)		
Equity securities listed in Hong Kong	61,257	158,858
Equity securities listed outside Hong Kong	1,519	2,001
Debt securities listed in Singapore	158,920	118,513
Investment funds (Note a)	76,294	75,712
	297,990	355,084

Notes:

(a) The investment funds which are managed by financial institutions, mainly invest in real estate properties, e-commercial platform and unlisted equity investments. Fifteen (2018: fifteen) investment funds are with a maturity terms range from 2 to 10 years, respectively. 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 six months period ended 30 September 2019, a decrease in fair value of US$1,124,000 was recognised in profit or loss (six months ended 30 September 2018: decrease US$2,325,000).

(b) The unlisted equity investments represent the Group's investment in equity interest in two (31 March 2019: nil) private entities, which engaged in securities trading and investment in investment property located in Australia, respectively. During the current interim period, the Group's investment in equity interest ceased to be an associate as a result of the loss of significant influence since there was a dilution in shareholding. The Group recognised the retained interest in the former associate as financial assets at fair value through profit or loss at the date of deemed disposal. As at 30 September 2019, the fair value of the equity investments of US$12,831,000 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 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 Group engaged GW Financial Advisory Services Limited, an independent qualified professional valuer to assess the marketability discount to the net asset values.

15. PLEDGED BANK DEPOSITS

The pledged bank deposit amounting of US$23,564,000 (31 March 2019: US$23,082,000) represents deposit paid by the Group to a bank as required by the government of Alberta, Canada, for operating in the mining activities, closure of mines and the environmental rehabilitation work of relevant mines (note 20).

The deposit paid by the Group to a bank was required by the government of Queensland, Australia amounting of US$21,618,000 as at 31 March 2019. There is no pledged bank deposit required by the government of Queensland, Australia as at 30 September 2019 due to the disposal of copper mining business in Australia during the current interim period.

As at 31 March 2019, the Group had provided certain bank guarantees in connection with the terms of supplier contracts in respect of which the Group is obliged to indemnify the banks. As at 31 March 2019, no claims had 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 are backed by collateral deposits which amounted to US$9,881,000 as at 31 March 2019. There is no guarantees provided by the Group as at 30 September 2019 due to the disposal of copper mining business during the current interim period.

16. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 US$'000 (unaudited)	As at 31 March 2019 US$'000 (audited)
Trade receivables	**—**	980
Other receivables	**35,079**	8,771
Total trade and other receivables	**35,079**	9,751

The following is an analysis of trade receivables by age, presented based on the invoice date, which is approximated to the revenue recognition date.

	As at 30 September 2019 US$'000 (unaudited)	As at 31 March 2019 US$'000 (audited)
0–60 days	**—**	980

16. TRADE AND OTHER RECEIVABLES (continued)

There is no trade receivable as at 30 September 2019. Trade receivables as at 31 March 2019 mainly represent trade receivables from sales of copper cathodes in Australia. The balance was due on the fifth working day of the following month after delivery. Management believed that no impairment allowance was necessary in respect of this balance as the Group had considered the consistently zero historical default rate in connection with payments as adjusted by forward-looking information. The Group did not hold any collateral over this balance. There is no trade receivable from sales of copper operation as at 30 September 2019 due to the disposal of copper mining business during the current interim period.

Included in other receivables mainly are the amount due from brokers and investment interest income receivable amounting to US$22,852,000 (31 March 2019: US$666,000) and US$4,552,000 (31 March 2019: US$2,068,000) respectively.

17. LOAN RECEIVABLES

	As at 30 September 2019 US$'000 (unaudited)	As at 31 March 2019 US$'000 (audited)
Fixed-rate loan receivables, current	**2,565**	28,892
Less: Allowance for expected credit losses	**(53)**	(618)
	2,512	28,274

The effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loan receivables is at 12% (31 March 2019: 15%) per annum. The contractual maturity date of the loan receivables is one year (31 March 2019: ranged from less than one month to one year) and are all denominated in HKD. As at 30 September 2019, loan receivable with gross amount of US$2,565,000 (31 March 2019: US$28,892,000) are unsecured.

IMPAIRMENT ASSESSMENT ON LOAN RECEIVABLES WITH EXPECTED CREDIT LOSSES MODEL

As part of the Group's credit risk management, the Group applies internal credit rating for its borrowers individually. The estimated credit losses 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.

No loan receivables are past due but not impaired as at 30 September 2019. The Group received US$23,000 subsequent to the end of reporting period.

Impairment allowance amounted to US$53,000 was made for loan receivables as at 30 September 2019.

A reversal of expected credit losses on loan receivables amounting to US$565,000 (six months ended 30 September 2018: US$1,795,000) is recognised in profit or loss during the reporting period as the related loan receivables were fully settled during the six months ended 30 September 2019.

18. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an analysis of trade payables by age, presented based on the invoice date.

	As at 30 September 2019 US$'000 (unaudited)	As at 31 March 2019 US$'000 (audited)
Trade payables (aged within 30 days)	2,209	4,541
Interest payable arising from bank borrowings	17,849	10,927
Other payables and accruals	13,884	13,952
Total trade and other payables and accruals	33,942	29,420

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.

Other payables include Goods and Services Tax payable to the Alberta Government of US$12,000 (Goods and services tax payable to the Australia Government and Alberta Government as at 31 March 2019: US$57,000), in respect of sales made in Alberta, Canada (31 March 2019, Australia and Alberta, Canada) under relevant rules and regulations.

On 31 May 2010, the Group acquired the entire issued share capital of CST Minerals Lady Annie Pty Limited ("CSTLA") at cash consideration of AUD130,000,000, 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. As at 31 March 2019, obligation stated in (i) of AUD2,500,000, equivalent to approximately US$1,772,000 and (ii) of AUD2,500,000, equivalent to approximately US$1,772,000 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 was included in other payables. There was no related payable amount as at 30 September 2019 due to the disposal of copper mining business during the current interim period.

19. BANK BORROWINGS

During the current period, the Group obtained new bank borrowing amounting to US$30,187,000 (Six months ended 30 September 2018: US$409,413,000). The new bank borrowing during the six months ended 30 September 2018 and 2019 bear interest at variable market rates and are repayable in instalments ranging from a period of 1 month to 5 years.

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20. PROVISION FOR MINE REHABILITATION COST

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

Rehabilitation cost has 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 unit of production basis. The provision for mine rehabilitation cost in relation to the copper mine in Australia was transferred to the purchaser, upon the completion on the disposal of the CSTMA Group on 19 July 2019. The remaining provision as at 30 September 2019 is related to the coal mine in Alberta, Canada.

21. PROVISION FOR AN ONEROUS CONTRACT

As at 30 September 2019, there is no provision for an onerous contract, since the disposal of the CSTMA Group has been completed. The provision as at 31 March 2019 represents the committed power supply expenses of an non-cancellable power supply contract which would be expired on 31 December 2020 and the management estimated the amount of the provision for an onerous contract was US$5,474,000.

22. SHARE CAPITAL

	Number of shares	**Share capital** US$'000
Ordinary shares of HK$0.10 each:		
Authorised		
At 1 April 2018, 31 March 2019 and 30 September 2019 (unaudited)	100,000,000,000	1,282,052
Issued and fully paid		
At 1 April 2018, 31 March 2019 and 30 September 2019 (unaudited)	38,698,308,961	496,132

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial assets 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 are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the 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.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets and liabilities that are not based on observable market data (unobservable inputs).

Financial assets	Fair values as at		Fair value hierarchy	Valuation technique(s)
	30 September 2019 US$'000 (unaudited)	31 March 2019 US$'000 (audited)		
Financial assets at fair value through profit or loss				
Debt securities listed in Singapore	**158,920**	118,513	Level 2	Quoted prices in over-the-counter
Equity securities listed in Hong Kong	**61,257**	158,858	Level 1	Quoted bid prices in active market
Equity securities listed outside Hong Kong	**1,519**	2,001	Level 1	Quoted bid prices in active market
Investment funds	**140,117**	137,433	Level 3	Applying marketability rates to the net asset values per share or unit
Unlisted equity investments	**12,831**	—	Level 3	Applying marketability rates to the net asset values per share or unit
Derivative financial instruments				
Interest rate swap contract	**68**	29	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.

There were no transfers between Levels 1, 2 and 3 in both periods.

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS (continued)

The Group owns fifteen (31 March 2019: fifteen) investments funds that are classified as financial assets at fair value through profit or loss and are measured at fair value at the reporting date. The fair value of the investment funds as at 30 September 2019 amounts to US$140,117,000 (31 March 2019: US$137,433,000). As at 30 September 2019 and 31 March 2019, there was no observable quoted price of underlying investment portfolio as no transaction on similar investment portfolio noted near the period/year ended date, and was classified as Level 3 of the fair value hierarchy.

Note: A slight increase in the marketability rates used in the valuation of investment funds ranged from 0% to 21% and unlisted equity investments ranged from 10% to 20% (31 March 2019: investment funds ranged from 0% to 21%) would result in a significant decrease in the fair value measurement of the investment funds and unlisted equity investments, vice versa. A 5% increase/decrease in the marketability rate holding all other variables constant would decrease/increase the carrying amount of the investment funds and unlisted equity investments by US$8,138,000 (31 March 2019:US$7,222,000).

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

	Financial assets at fair value through profit or loss
	US$'000
At 1 April 2019	137,433
Purchases	12,803
Transfer from interests in an associate due to deemed disposal	5,897
Loss recognised in profit or loss	(3,185)
At 30 September 2019	152,948

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 condensed consolidated financial statements approximate their respective fair values.

24. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of executive directors who are also key management during the period was as follows:

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
Short-term benefits	**3,432**	3,302
Post-employment benefits	**6**	7
	3,438	3,309

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

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