# CST GROUP LIMITED
# 中譽集團有限公司

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

# 2021
# INTERIM REPORT

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# 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 2021 (the "Period").

During the Period, the global economic situation remained grim and complex, as the duration of COVID-19 pandemic (the "Pandemic") is unpredictable and the extent of its impact is uncertain. Supply chain and inflation pressures further hindered the recovery of the global economy. The market paid close attention to the U.S. Federal Reserve's monetary policy and the progress of "tapering" while global financial markets experienced dramatic volatility. For the markets in mainland China, the debt crisis of China Evergrande Group ("China Evergrande") triggered investors' concern of systemic risks in the country's real estate and financial industries. This caused the bonds and shares of China's property market fell across the board. In addition, China has tightened supervision on internet and education industries, sparkling a sell-off of Chinese concepts stocks listed overseas, while investors remained on sidelines of Hong Kong stocks.

During the Period, the Group recorded a net loss of approximately US$475.0 million, compared with a net profit of approximately US$129.6 million in the same period of 2020. The loss was primarily attributable to the Group's significant investments in senior notes issued by China Evergrande (the "Evergrande Notes") and shares of China Evergrande New Energy Vehicle Group Limited (the "Evergrande Vehicle") (together with Evergrande Notes as "Evergrande Investments"), the value of which dropped significantly during the Period.

For the mining business, CST Canada Coal Limited ("CST Coal"), a subsidiary of the Company, decided to suspend its coal mining operations at the coal mine (the "Mine") located in the Province of Alberta, Canada in May 2020 due to impact of the Pandemic. In light of easing of impact of the Pandemic in Alberta, CST Coal started planning for resumption of the mining operations (the "Resumption") in July this year, and obtained approval for the Resumption from Alberta Energy Regulatory of Alberta, Canada on 7 October 2021. The board of CST Coal resolved to restart mining operations at the Mine on 8 October 2021 (Canada Time). CST Coal will continue to monitor the impact of the Pandemic in Alberta and take safety precautions against the Pandemic at the Mine in accordance with Alberta's guidelines. It's our top priority to ensure the safety and health of our workers, their families and communities.

With respect to investment in financial instruments, the Group strives to enhance the value of the Group's operating investment business mainly through investments in listed securities, corporate notes and private equity investments. During the Period, the value of the Evergrande Investments dropped significantly due to the volatile equity and bond markets, as a result of the macroeconomic environment, tightening policies and risks in the property sector in China, especially the effect of China Evergrande liquidity crisis. In order to reduce the risk and loss from Evergrande Investments and to provide the Group with immediate liquidity, the Group sold part of its Evergrande Notes in the secondary market, and disposed of all of its Evergrande Vehicle's shares in October 2021. Going forward, the Group will closely track market changes, improve its risk management system, and prudently seek other investment opportunities. Meanwhile, the Group will continue to optimize its financial asset allocation and investment portfolios to enhance the long-term return of the Company's capital.

For the property investment business, the Group's property investment portfolio among Scotland and Mainland China delivered solid results, providing the Group with stable recurring rental income. During the Period, the Group disposed some of its properties and planned to use the proceeds from the disposals for potential business or investment opportunities with better returns and replenish the Group's general working capital. Going forward, the Group will closely monitor the changing trend of property investment and adjust its property investment strategy and portfolios to pursue stable capital appreciation.

On the money lending business, due to the uncertainties in the economic recovery, the willingness and demand for business financing from the Group's lending customers are generally weak. The Group will continue to adopt a prudent business strategy, considering the risk management of the money lending business.

Looking forward, the Group will adhere to a prudent and flexible business strategy, actively explore potential business and more investment opportunities, and continue to diversify its businesses development, so as to create value for shareholders.

On behalf of the Board, I would like to express my gratitude to our shareholders, customers and business partners for their continued trust and support, and I would like to thank our employees for their long and tireless hard work and valuable contributions.

**Chiu Tao**
*Chairman*

26 November 2021

# PROJECT OVERVIEW

## CST STEELMAKING COAL MINE

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

Due to the outbreak of COVID-19 pandemic (the "Outbreak") on the operations of CST Coal, CST resolved to suspend the operations of its coal mining operations at Grande Cache coal mine located near Grande Cache, Alberta (the "Mine") to ensure workers safety in accordance with applicable public health guidelines, and to prevent the Outbreak among the workforce at the Mine and in the remote community of Grande Cache. The Mine was placed in care and maintenance, details of the suspension of the Mine's operation were disclosed in the announcement of CST dated 13 May 2020.

For the 6 months period from 1 April 2021 to 30 September 2021 (the "Period"), the Mine remained in care and maintenance. The care and maintenance team of approximately 23 employees continued to provide safety, environmental monitoring and reporting in accordance with Canadian regulatory requirements. The rosters of the employees ensure that there are 24 hours a day and 7 days a week cover for security. Various signs have been installed at various gates within the licensed mining area to ensure public safety awareness and alert. The existing roads and ponds in the Mine have been properly repaired and cleaned to ensure all the infrastructure are in place. The whole team of the Environment Department has been retained to continue carrying out planned environmental projects. The Mine has received several satisfactory inspections by the regulators in Alberta. In addition, CST Coal is working on various mining planning scenarios to optimize coal production and minimize costs to facilitate a restart of operations at the appropriate time when the decision is made by the Board.

CST Coal complied with all Canadian regulatory requirements during the Period.

CST Coal did not have any exploration activities and did not incur any exploration expenditure during the Period.

CST Coal is committed to maintaining a good relationship with the indigenous and community 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 continuous support of the Mine.

During the latter stages of the Period, there were significant improvements in medical treatment and prevention of COVID-19 infections in Alberta and therefore CST Coal started to plan for the resumption of production of the Mine. On 7 October 2021, Alberta Energy Regulator approved CST Coal's application to restart operations. The board of CST Coal has resolved to resume mining operations at the Mine on 8 October 2021. Accordingly, CST Coal commenced to hire employees for the purposes of restarting operations. Preparation for the resumption of mining operations were underway such as refurbishment of equipment, repairs of facilities and procurement of materials and services. Mining with a limited fleet of equipment is forecast to commence in November 2021 and mining activities will be continued to ramp up.

## 3. PRODUCTION STATISTICS

Production statistics for the six months ended 30 September 2020 and 30 September 2021 as follows:

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2021** | 2020 |
| **Mined** | Waste (bcm) | – | 1,503,628 |
| | Raw coal to ROM (tonnes) | – | 261,950 |
| | Strip ratio (%) | – | 5.7 |
| **Production** | Breaker Feed (tonnes) | – | 234,103 |
| | Breaker loss (tonnes) | – | 12,085 |
| | Bypass (tonnes) | – | 11,974 |
| | Plant feed (tonnes) | – | 210,044 |
| | **Processed coal production (clean tonnes)** | – | 159,892 |
| **Sales** | CST PLV Coking Coal sold (clean tonnes) | – | 279,530 |
| **Stockpile** | CST PLV Coking Coal at load out and port (clean tonnes) | **12,730** | 12,730 |

Note: The Mine was placed in care and maintenance in mid May 2020.

# CORPORATE GOVERNANCE

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND FINANCIAL RESULTS

For the six months ended 30 September 2021 (the "Period"), the Company and its subsidiaries (collectively referred to as the "Group") recorded a loss after tax of approximately US$475.0 million. There was a profit after tax of approximately US$129.6 million in the corresponding period of prior year. The turnaround from profit to loss was mainly due to (i) a loss on fair value changes of financial assets at fair value through profit or loss ("FVTPL") of approximately US$470.7 million (2020: gain of US$104.8 million) and (ii) a loss after tax of approximately US$22.8 million suffered from the coal mining business in Canada (2020: profit after tax of US$8.1 million).

### REVENUE

The total revenue of the Group for the Period was approximately US$23.8 million (2020: US$56.7 million). This represented a significant decrease of approximately 58% as compared with the corresponding period of prior year. The decrease was mainly due to the suspension of coal mining operation in Canada, and the decrease of (a) interest income from the money lending business and (b) dividend and interest income from financial instruments.

### OTHER INCOME AND OTHER GAINS AND LOSSES

During the Period, the total other income and other gains and losses was a loss of approximately US$5.7 million (2020: gain of US$35.2 million). It mainly comprised of the following: (i) government grant of approximately US$0.4 million on COVID-19 subsidies (2020: US$0.6 million) and (ii) a net foreign exchange loss of approximately US$7.3 million mainly due to a strong US dollar against Canadian dollar (2020: a gain of US$31.8 million).

### ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by 15.7% from approximately US$17.2 million to approximately US$14.5 million for the Period as compared to corresponding period of prior year. The decrease was mainly due to suspension of coal mine operation.

### FINANCE COSTS

Finance costs mainly comprised of bank loan interest. Finance costs decreased from approximately US$6.0 million for the corresponding period of prior year to approximately US$3.7 million for the Period, representing a decrease of approximately 38.3%. The decrease was primarily attributable to decrease of borrowings amount and decrease in interest rate as compared to corresponding period of prior year.

## SEGMENT INFORMATION

### A. MINING BUSINESS

During the Period, the operation of coal mining business in Canada remained in suspension and under care and maintenance, due to the continuance of COVID-19 pandemic. There was no revenue generated from coal sales (2020: US$27.3 million). Accordingly, CST Canada Coal Limited ("CST Coal") did not incur any related distribution and selling expenses (2020: US$9.8 million). The cost of sales was approximately US$8.9 million (2020: US$31.7 million) mostly related to the depreciation of mine property, plant and equipment.

The administrative expenses decreased approximately 42.6% to US$3.1 million (2020: US$5.4 million) as compared to the corresponding period of prior year. It was mainly due to suspension of coal mine operation.

Due to the depreciation of Canadian dollar against US dollar, a loss of foreign exchange of approximately US$8.0 million (2020: a gain of US$31.4 million) was recognised in the other income and other gains and losses.

In 2020, an impairment was recognised when the carrying amount of certain mine properties exceeded the recoverable amount. The recoverable amount of each cash generating unit has been estimated using its fair value less costs of disposal. During the Period, the Group had reviewed with auditors the list of key assumptions used in 2020 when making the said impairment. There were no impairment indicators noted, or any requirement to reverse the previously recognized impairment.

During the latter stages of the Period, there were significant improvements in medical treatment and prevention of COVID-19 infections in Alberta and therefore CST Coal started to plan for the resumption of production of the mine. On 7 October 2021, Alberta Energy Regulator ("AER") approved CST Coal's application to restart operations. The board of CST Coal on 8 October 2021 resolved to resume mining operations at the mine. Accordingly, CST Coal commenced to hire employees for the purposes of restarting operations. At the moment, negotiations with various essential suppliers are in an advanced stage. Mining with a limited fleet of equipment has commenced in November 2021 and mining activities will be continued to ramp up.

During the Period, CST Coal did not have any exploration activities and did not incur any exploration expenditure.

## CORPORATE GOVERNANCE

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

| | Six months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| Revenue | **–** | 27,339 |
| Cost of sales | **(8,945)** | (31,683) |
| Gross (loss) | **(8,945)** | (4,344) |
| Other income and other gains and losses | **(7,319)** | 33,066 |
| Distribution and selling expenses | **–** | (9,804) |
| Administrative expenses* | **(3,124)** | (5,366) |
| Finance costs* | **(3,249)** | (5,443) |
| (Loss) profit before taxation | **(22,637)** | 8,109 |
| Taxation | **(137)** | – |
| (Loss) profit after taxation | **(22,774)** | 8,109 |

* Inter-company financial charges and management fee were not included.

### B. PROPERTY INVESTMENT

During the Period, the Group had disposed of its Hong Kong investment properties through disposal of subsidiaries. Details of the disposal were disclosed in the Company's announcement dated 21 July 2021. After completion of the disposal, the Group only held investment properties in the People's Republic of China ("PRC") and Scotland.

Below is a summary of certain information on the property investment business of the Group:

| | Six months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **US$ million** | US$ million |
| **Rental income** | | |
| – PRC | **0.1** | 0.1 |
| – Hong Kong | **0.1** | 0.2 |
| – Scotland | **1.2** | 1.0 |
| | **1.4** | 1.3 |

| | 30 September 2021 US$ million | 31 March 2021 US$ million |
|---|---|---|
| **Fair value of investment properties** | | |
| – PRC | 8.8 | 6.3 |
| – Hong Kong | – | 17.3 |
| – Scotland | 25.6 | 23.8 |
| | 34.4 | 47.4 |

During the Period, the total rental income increased approximately 7.7% to US$1.4 million (2020: US$1.3 million) as compared to the corresponding period of prior year. Since Hong Kong's investment properties were fully disposed, it is expected that there is no rental income generated in Hong Kong region for the second half of 2022 financial year. Despite the persistence of global COVID-19 pandemic, the rental income from the PRC and Scotland remained stable.

As of 30 September 2021, the fair value of the investment properties increased by 14.3% to US$34.4 million (31 March 2021: US$30.1 million) due to commercial property price in the PRC and Scotland slightly rebound from a low base.

## C. MONEY LENDING

Below is a summary of certain information on the money lending business of the Group:

| | Six months ended 30 September | |
|---|---|---|
| | 2021 US$ million | 2020 US$ million |
| Interest income from money lending | 2.0 | 3.3 |
| Provision of bad debt* | – | – |
| Range of interest rate (%) | 5%–7% | 5%–24% |

* Provision of bad debt excludes the expected credit loss for accounting purpose.

| | 30 September 2021 US$ million | 31 March 2021 US$ million |
|---|---|---|
| Loan receivables | 66.7 | 68.6 |

# CORPORATE GOVERNANCE

The interest income from money lending business was approximately US$2.0 million (2020: US$3.3 million), which decreased by approximately 39.4% as compared to the corresponding period of prior year. The decrease was due to the reduction of lending activities during the Period. Given the current uncertain and prevailing economic conditions in Hong Kong under impact of COVID-19 pandemic, the Group has been prudent in granting new loans and adopted a conservative approach towards growing this business. As of 30 September 2021, the loans receivable of the Group was US$66.7 million (31 March 2021: US$68.6 million). The range of interest rate was 5% to 7% (2020: 5% to 24%). All of them were unsecured. During the Period, the Group has not recorded any bad debt on its money lending business.

## D. INVESTMENT IN FINANCIAL INSTRUMENTS

Below are summaries of certain information on the investment in financial instruments of the Group:

| | **30 September 2021 US$ million** | 31 March 2021 US$ million |
|---|---|---|
| **Fair value of financial assets at FVTPL** | | |
| Listed shares | **40.4** | 343.3 |
| Debt securities | **67.4** | 178.7 |
| Fund and unlisted equity investments | **143.8** | 192.4 |
| | **251.6** | 714.4 |

| | Six months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **US$ million** | US$ million |
| **Income received from financial assets at FVTPL** | | |
| Dividend from listed shares | **1.0** | 0.4 |
| Interest from debt securities | **10.4** | 9.8 |
| Dividend from fund and unlisted equity investments | **9.1** | 14.6 |
| | **20.5** | 24.8 |
| **Fair value change of financial assets at FVTPL** | | |
| Listed shares: | | |
| – Realised gain (loss) on disposal | **0.9** | (0.5) |
| – Unrealised (loss) gain on fair value change | **(296.6)** | 77.0 |
| | **(295.7)** | 76.5 |
| Debt securities: | | |
| – Realised gain on disposal | **0.1** | – |
| – Unrealised (loss) gain on fair value change | **(136.6)** | 20.2 |
| | **(136.5)** | 20.2 |
| Fund and unlisted equity investments: | | |
| – Realised (loss) gain on disposal | **(5.6)** | 0.3 |
| – Unrealised (loss) gain on fair value change | **(32.9)** | 7.8 |
| | **(38.5)** | 8.1 |
| | **(470.7)** | 104.8 |

As of 30 September 2021, the Group held a financial asset at FVTPL portfolio amounted to approximately US$251.6 million (31 March 2021: US$714.4 million) measured at market or fair value.

During the Period, the portfolio generated a dividend and interest revenue in total amount of approximately US$20.5 million (2020: US$24.8 million). It comprised of the following: (i) approximately US$1.0 million (2020: US$0.4 million) of dividend income from listed shares, (ii) approximately US$10.4 million (2020: US$9.8 million) interest income from debt securities, and (iii) approximately US$9.1 million (2020: US$14.6 million) of dividend income from fund and unlisted equity investments.

## CORPORATE GOVERNANCE

a. ***Listed shares***

As of 30 September 2021, the total market value of listed shares held by the Group was approximately US$40.4 million (31 March 2021: US$343.3 million). The Group has invested in different categories of listed companies and their weightings to the total market value of the portfolio are as below:

| Category of listed companies | Weighting to total market value of portfolio (%) |
|---|---|
| Automobile (New Energy) | 40.43% |
| Banking and Finance | 53.82% |
| Property & Construction | 3.49% |
| Others | 2.26% |
| | 100.00% |

During the Period, the Group recorded a realised gain on disposal of listed securities of approximately US$0.9 million (2020: a loss of US$0.5 million) and an unrealized loss on fair value changes in the listed securities of approximately US$296.6 million (2020: a gain of US$77.0 million). The unrealized loss was mostly contributed by a decrease of fair value of the Group's investment on the listed shares of China Evergrande New Energy Vehicle Group Limited ("Evergrande Vehicle", stock code: 708) at the amount of approximately US$296.2 million, in contrast to an increase of fair value of approximately US$76.9 million in corresponding period of prior year.

The Group held 42,180,000 ordinary shares in Evergrande Vehicle ("Evergrande Vehicle Shares"), which represented approximately 0.4% of its issued shares. The investment cost was approximately US$61.3 million. As of 30 September 2021, the carrying value of the Group's investment in Evergrande Vehicle amounted to approximately US$16.3 million, which represented approximately 1.9% of the Group's total assets (31 March 2021: 23.6%).

The Group are cautious and concerned about the negative news about Evergrande Vehicle and China Evergrande Group ("China Evergrande"), the holding company of Evergrande Vehicle. The share price of Evergrande Vehicle has dropped significantly in recent months. On 24 September 2021, Evergrande Vehicle announced that they were encountering serious shortage of funds. There was no guarantee that they were able to meet its financial obligations under the relevant contracts. Evergrande Vehicle also further announced that its proposed issuance of RMB shares on the Science and Technology Innovation Board of the Shanghai Stock Exchange would not proceed further.

In view of the above, and given the volatility of the stock market and uncertainties, the Group has determined to cut losses and to solidify the financial and cash position by disposal of the Evergrande Vehicle Shares. On 5 October and 6 October 2021, the Group has fully disposed in total of 42,180,000 Evergrande Vehicles Shares on open market (details were disclosed in the Company's announcement dated 5 October 2021). As a result of the disposals, the Group recognized a total loss on investment of approximately US$41.0 million, being difference between the total disposal consideration (after deducting the transaction cost) and the investment cost. After that, the Group did not hold any Evergrande Vehicle Shares.

### *b. Debt securities*

As of 30 September 2021, the carrying amount of the debt securities held by the Group was approximately US$67.4 million (31 March 2021: US$178.7 million). The Group held various senior notes of China Evergrande and Scenery Journey Limited, which is an indirect wholly-owned subsidiary of China Evergrande (the "Evergrande Notes") in an aggregated market value of approximately US$60.2 million (31 March 2021: US$171.6 million), which represented approximately 7.2% of the Group's total assets (31 March 2021: 12.9%). The interest rates and maturity dates of the Evergrande Notes vary from 8.75% to 12% and from March 2022 to June 2025 respectively. During the Period, the Evergrande Notes generated an aggregated notes interest income of approximately US$10.2 million (2020: US$9.6 million).

China Evergrande is one of the largest property investment companies in mainland China. It is principally engaged in the property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in PRC.

The following financial information was extracted from the annual report 2020 of China Evergrande:

| | **Year ended 31 December** | |
|---|---|---|
| | **2020** | **2019** |
| | RMB million | RMB million |
| Revenue | 507,248 | 477,561 |
| Profit before income tax | 68,245 | 74,172 |
| Profit after income tax | 31,400 | 33,542 |
| Net assets | 350,431 | 358,537 |

Based on China Evergrande's interim report for the six months ended 30 June 2021, the unaudited consolidated net asset value of China Evergrande was approximately RMB411,041 million as at 30 June 2021.

# CORPORATE GOVERNANCE

During the Period, the Group has been monitoring disclosures made by China Evergrande and its action on payment of interests and principals of the offshore senior notes issued by China Evergrande or its subsidiary ("China Evergrande Senior Notes") when due. China Evergrande made certain disclosures on its liquidity and going concern in its announcement of unaudited interim results for the six months ended 30 June 2021, and the possible consequences and possible material adverse change in relation to its financial and operating positions in the event that the remedial measures said to have been taken and to be taken by China Evergrande could not be effectively implemented. Also, the Group were further aware and cautious that in late September 2021, and early October 2021, China Evergrande failed to make interest payments on certain China Evergrande Senior Notes and principal payments on a private note issued by Jumbo Fortune Enterprises Limited (which is guaranteed by China Evergrande), when due.

In view of the above, and given the changing market and economic conditions, the Group had determined to dispose part of Evergrande Notes for reducing the risk exposure on this investment. During the period between 6 October 2021 to 11 October 2021, the Group had disposed of certain Evergrande Notes through the open market ("Evergrande Notes Disposal"). Details of Evergrande Notes Disposal were disclosed in the Company's announcement dated 11 October 2021. The Group will continually monitor the disclosures made by China Evergrande and its news. The Group may further dispose of its investment in Evergrande Notes. The Company will make further announcement when appropriate.

***c. Fund and unlisted equity Investments***

During the Period, the Group invested approximately US$9.8 million in funds and unlisted equity investments, which was mainly payment for the commitment of existing funds, and acquisition of interest in new investment funds and unlisted equity investment. As of 30 September 2021, the Group held fund and unlisted equity investments in total of approximately US$143.8 million at fair value (31 March 2021: US$192.4 million). During the Period, the Group had received dividend income in total of US$9.1 million (2020: US$14.6 million) from its fund investment portfolio.

*Nexus Asian Hybrid Credit Fund ("Nexus Fund")*

Nexus Fund is a multi-strategy credit oriented hedge fund managed by Nexus Capital Management Limited, who applied various investment strategies to accomplish their respective investment objectives. Nexus Fund seeks to capture attractive risk adjusted return through investing in credit or credit related opportunities within the Asia-Pacific, Middle East and North Africa region. As of 30 September 2021, the Group held approximately 33,309 Class Z shares and 5,029 Class S1Z-2 shares of Nexus Fund and recorded a fair value of approximately US$49.2 million (31 March 2021: US$49.4 million) in respect to its holding in approximately 16.6% of the shares of such investment, which exceeded the purchase cost of approximately US$39.3 million for such investment since October 2014, and represented approximately 5.9% of the total assets of the Group. In terms of performance, a fair value loss of approximately US$0.2 million on such investment was recognised in profit or loss for the Period, as compared to a fair value gain of US$4.9 million recorded in corresponding period of prior year. No distribution was received from such investment for the Period (2020: nil). The Group is leveraging on the expertise of the fund manager to invest in the credit market of regions covered by Nexus Fund.

Except for the investments on Evergrande Notes and Nexus Fund as disclosed above, there was no other single investment in the Group's financial assets at FVTPL portfolio that was considered as significant investment, which has a carrying amount accounting for more than 5% of the Group's total assets as at 30 September 2021.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 September 2021, the Group held bank balances and cash amounted to approximately US$48.7 million (31 March 2021: US$49.3 million).

### BORROWINGS AND PLEDGED OF ASSETS

A subsidiary of the Company was granted a one-year HK$500 million revolving loan facility from a bank. The interest rate was 0.90% over HIBOR. This revolving loan was secured by certain securities held by the Group and a guarantee given by the Company. As of 30 September 2021, the HK$500 million facility was not utilized. Also, a financial institution granted a three-year loan facility to two subsidiaries of the Company at the amount of HK$35 million and HK$15 million respectively. Both interest rate was 6% and secured by certain fixed assets and securities held by the Group. As of 30 September 2021, the total outstanding balance of these two loans was HK$50 million.

Since 2017, an indirect non-wholly owned subsidiary of the Company was granted a bank loan of GBP10.41 million secured by a Scottish property owned by such subsidiary, with a fixed interest rate for four years and by a pledge of equity interest in the parent company of such subsidiary. On 21 June 2021, as agreed with bank, the Group has extended the loan for one year at the interest rate of 3.1%. As of 30 September 2021, the outstanding balance of this bank loan was approximately GBP6.8 million (equivalent to approximately US$9.1 million), inclusive of interest accrued.

The Group, through its subsidiary, CST Coal, acquired certain mining assets of Grande Cache Coal LP in Canada in 2018, and assumed bank borrowings from China Minsheng Banking Corp., Ltd ("CMBC") amounting to approximately US$409.41 million. The bank borrowings carry an interest rate of 1.2% over 3 months LIBOR and are repayable in five years. The borrowings are non-recourse and 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 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 of 30 September 2021, the outstanding balance of the principal of this bank loan was approximately US$408.41 million. During the Period, CST Coal was further granted a loan facility from CMBC for settlement of a financial lease in the amount of approximately US$14.81 million. The interest rate was fixed at 5.0% per annum. As of 30 September 2021, the total outstanding balance of these two loans was US$458.3 million, inclusive of interest accrued. The Company has not given any guarantee for these loans from CMBC.

# CORPORATE GOVERNANCE

Based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio of the Group was 157.0% (31 March 2021: 61.1%).

As of 30 September 2021, CST Coal was holding approximately US$25.0 million of pledged bank deposit (31 March 2021: US$25.2 million). The pledged deposit was intended to cover the rehabilitation costs for operating the mining business in Canada (as mandated by the government of Alberta, Canada).

### CURRENT RATIO

As of 30 September 2021, the Group's current assets and current liabilities were approximately US$304.3 million (31 March 2021: US$679.7 million) and US$64.9 million (31 March 2021: US$105.1 million) respectively. The Group's current ratio, expressed as current assets to current liabilities, was approximately 4.7 (31 March 2021: 6.5).

## CAPITAL STRUCTURE

During the Period, the Company has not conducted any equity fund raising activities. As of 30 September 2021, the total number of issued shares was 483,728,862 (31 March 2021: 483,728,862).

## NET ASSET VALUE

As of 30 September 2021, the net asset value of the Group amounted to approximately US$279.5 million (31 March 2021: US$752.0 million). As compared to 31 March 2021, it decreased by approximately 62.8%. The decrease in net asset value was mainly due to loss for the Period of approximately US$475.0 million.

## CAPITAL COMMITMENT

As of 30 September 2021, the capital commitment of the Group was approximately US$10.5 million (31 March 2021: US$5.4 million). It was mainly related to capital commitments of fund investments of the Group.

## CONTINGENT LIABILITY

As of 30 September 2021, the Group had no contingent liability (31 March 2021: nil).

## MATERIAL ACQUISITIONS, DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures, and future plan for material investments during the Period.

## HUMAN RESOURCES

As of 30 September 2021, the Group had 63 staff (2020: 66). Staff costs (excluding directors' emoluments) were approximately US$3.4 million (2020: US$8.5 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 Registered Retirement Savings Plan in Canada respectively, and provided other staff benefits, such as medical benefits.

## FOREIGN EXCHANGE RISK

The Group conducts most of its business in US 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 is used to repay the loan facility granted by a local Scottish bank.

The Group's primary source of foreign exchange risk is derived from Canadian dollar. With respect to coal mining business in Canada, the Group had no 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.

## SIGNIFICANT EVENTS

(1) On 5 October and 6 October 2021, the Group has fully disposed in total of 42,180,000 Evergrande Vehicles Shares on open market. Details of the transactions were disclosed in the Company's announcement dated 5 October 2021.

(2) On 9 October 2021, the Company announced the resumption of coal mine operations of CST Coal, the Group's mining business in Canada. The operation of the coal mine of CST Coal was suspended in May 2020 due to impact of the COVID-19 pandemic. When CST Coal saw easing of impact of the pandemic in Alberta, Canada in July 2021, CST Coal started to plan for resumption of production of the mine (the "Resumption"). One of the important steps for the Resumption was to get approval from the AER of Alberta, Canada. CST Coal received such approval from AER on 7 October 2021. Details of the Resumption were disclosed in the Company's announcement dated 9 October 2021.

(3) During the period between 6 October 2021 to 11 October 2021, the Group had disposed of certain Evergrande Notes through the open market ("Evergrande Notes Disposal"). Details of Evergrande Notes Disposal were disclosed in the Company's announcement dated 11 October 2021.

# CORPORATE GOVERNANCE

## OUTLOOK

The Global economy is expected to recover gradually in the second half of the fiscal year 2022. However, the Pandemic has adversely affected the economy and the financial markets are expected to remain volatile. The Group's relevant businesses will continue to face numerous challenges. Looking ahead, the Group will maintain a flexible and prudent approach, allocate resources appropriately to strengthen its revenue base and boost financial performance.

In terms of the mining business, the Group is expected to have revenue growth as the coal mine of CST Coal has resumed operation and production successfully. The Group will actively respond to the market changes in the coking coal market by enhancing its management and manufacturing efficiency to increase the revenue and profit contributions of CST Coal. Meanwhile, the Group will closely monitor the situation of the Pandemic and strictly implement safety precautions related to the coronavirus, putting the safety and health of workers, their families and the community as a top priority.

In terms of investments in financial instruments, the markets are expected to remain complex and volatile. The Group will actively monitor economic trends, policy trends and market dynamics, to adopt a flexible approach to our asset allocation. By taking preventive and prudent risk control measures and diversifying the investment portfolios, the Group will achieve balance between capital appreciation and stable revenue generation.

For the property business, the property leasing markets in Scotland and Mainland China are expected to remain stable. The Group will closely follow the development of the property investment market while flexible in adjusting and optimizing its property investment portfolios, and improve operational efficiency.

For the money lending business, the Group will continue to maintain its prudent risk management policy in order to control the quality of its loan portfolio, and balance profitability and risk management.

In summary, the Group will continue to closely monitor market developments, seek potential opportunities in existing business segments, explore and expand into other industries or regions at the appropriate time, to enhance the Group's future development. The Group believes that the diversification of its business will facilitate the Group's long-term development and provide better returns for its shareholders.

## STATUTORY DISCLOSURE

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

As at 30 September 2021, the interests and short positions of the Directors and the chief executives of the Company and their respective associates in the shares, underlying shares and 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

| Name of Director | Capacity and nature of interests | Number of shares | Approximate % of the issued share capital of the Company |
|---|---|---|---|
| Chiu Tao ("Mr. Chiu") | Beneficial owner/Interest of controlled corporation (Note) | 361,086,613 | 74.64% |

Note: Among the 361,086,613 shares of the Company ("Shares"), (i) 48,750,000 Shares were held directly by Mr. Chiu; and (ii) 312,336,613 Shares were held by Atlas Keen Limited ("Atlas Keen"), which was wholly-owned by Mr. Chiu. As such, Mr. Chiu is deemed to be interested in the Shares held by Atlas Keen.

Save as disclosed above, as at 30 September 2021, none of the Directors or chief executives of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

# CORPORATE GOVERNANCE

## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OTHER THAN DIRECTORS AND CHIEF EXECUTIVES

As at 30 September 2021, 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 Shareholders | Capacity | Number of shares | Approximate % of the issued share capital of the Company |
|---|---|---|---|
| Atlas Keen Limited | Beneficial owner | 312,336,613 | 64.56% |
| Cheung Chung Kiu | Beneficial owner | 24,385,500 | 5.04% |

Save as disclosed above, as at 30 September 2021, the Company has not been notified by any person (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 the Company and the Stock Exchange.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2021, 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 of directors (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 August 2021 ("2021 AGM"). However, Mr. Chiu Tao was unable to attend the 2021 AGM due to another business commitment. Mr. Hui Richard Rui, executive Director and General Manager of the Company, who took the chair of the 2021 AGM, together with other members of the Board who attended the 2021 AGM were of sufficient calibre and knowledge for answering questions at the 2021 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 made, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2021.

## CHANGE OF DIRECTOR

Save as disclosed in the annual report of the Company for the year ended 31 March 2021, the change of Director during the six months ended 30 September 2021 and thereafter is as follow:

On 27 August 2021, Mr. Tsui Ching Hung retired as an executive Director.

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2021 (30 September 2020: nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 September 2021 has been reviewed by the Company's audit committee which comprises 3 members namely Ms. Ma Yin Fan, Mr. Yu Pan and Mr. Leung Hoi Ying, all of them are independent non-executive Directors, 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, 26 November 2021

# 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 23 to 49, which comprise the condensed consolidated statement of financial position as of 30 September 2021 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" ("HKSRE 2410") 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
26 November 2021

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

| | NOTES | Six months ended 30 September 2021 US$'000 (unaudited) | 2020 US$'000 (unaudited) |
|---|---|---|---|
| Revenue | 4 | | |
| Sales | | – | 27,339 |
| Interest income | | **12,350** | 13,117 |
| Dividend income | | **10,055** | 14,962 |
| Leases | | **1,390** | 1,313 |
| | | **23,795** | 56,731 |
| Cost of sales | | **(8,945)** | (31,683) |
| Gross profit | | **14,850** | 25,048 |
| Other income and other gains and losses | 5 | **(5,712)** | 35,239 |
| Distribution and selling expenses | | – | (9,804) |
| Administrative expenses | | **(14,537)** | (17,214) |
| (Loss) gain on fair value changes of financial assets at fair value through profit or loss | 13 | **(470,724)** | 104,787 |
| Gain (loss) on fair value changes of investment properties | 12 | **4,728** | (2,666) |
| Reversal of impairment loss on (impairment loss on) financial assets under expected credit loss model, net | 16 | **63** | (1,023) |
| Share of result of a joint venture | | **151** | 1,305 |
| Finance costs | 6 | **(3,676)** | (5,997) |
| (Loss) profit before taxation | | **(474,857)** | 129,675 |
| Taxation | 7 | **(191)** | (66) |
| (Loss) profit for the period | 8 | **(475,048)** | 129,609 |

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

| | NOTE | Six months ended 30 September 2021 US$'000 (unaudited) | 2020 US$'000 (unaudited) |
|---|---|---|---|
| **Other comprehensive income (expense)** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **2,518** | (8,038) |
| Release of exchange reserve upon derecognition of an associate | | **–** | 582 |
| Other comprehensive income (expense) for the period | | **2,518** | (7,456) |
| Total comprehensive (expense) income for the period | | **(472,530)** | 122,153 |
| (Loss) profit for the period attributable to: | | | |
| Owners of the Company | | **(473,088)** | 128,858 |
| Non-controlling interests | | **(1,960)** | 751 |
| | | **(475,048)** | 129,609 |
| Total comprehensive (expense) income for the period attributable to: | | | |
| Owners of the Company | | **(470,347)** | 121,111 |
| Non-controlling interests | | **(2,183)** | 1,042 |
| | | **(472,530)** | 122,153 |
| | | | (restated) |
| (LOSS) EARNINGS PER SHARE | | | |
| – Basic (US cents) | 9 | **(97.80)** | 26.64 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

| | NOTES | As at 30 September 2021 US$'000 (unaudited) | As at 31 March 2021 US$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **338,050** | 342,213 |
| Right-of-use assets | 11 | **1,539** | 12,110 |
| Exploration and evaluation assets | 11 | **35,319** | 35,785 |
| Investment properties | 12 | **34,372** | 47,411 |
| Interests in a joint venture | | **6,341** | 6,190 |
| Interests in an associate | 23 | **–** | – |
| Loan receivables | 16 | **–** | 64,885 |
| Financial assets at fair value through profit or loss | 13 | **89,995** | 110,771 |
| Club membership | | **2,437** | 2,437 |
| Pledged bank deposits | 14 | **24,953** | 25,206 |
| | | **533,006** | 647,008 |
| **Current assets** | | | |
| Inventories | | **11,991** | 10,746 |
| Other receivables | 15 | **4,953** | 8,324 |
| Loan receivables | 16 | **66,706** | 3,705 |
| Amount due from a joint venture | | **4,042** | 4,042 |
| Amount due from an associate | 23 | **6,371** | – |
| Financial assets at fair value through profit or loss | 13 | **161,613** | 603,634 |
| Bank balances and cash | | **48,662** | 49,262 |
| | | **304,338** | 679,713 |
| **Current liabilities** | | | |
| Trade and other payables and accruals | 17 | **6,097** | 9,699 |
| Tax payable | | **1,844** | 1,761 |
| Derivative financial instruments | | **–** | 44 |
| Bank and other borrowings – amount due within one year | 18 | **15,501** | 36,660 |
| Lease liabilities | | **1,407** | 16,812 |
| Guarantee liability | | **40,100** | 40,100 |
| | | **64,949** | 105,076 |
| **Net current assets** | | **239,389** | 574,637 |
| **Total assets less current liabilities** | | **772,395** | 1,221,645 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

| | NOTES | As at 30 September 2021 US$'000 (unaudited) | As at 31 March 2021 US$'000 (audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Amounts due to non-controlling interests | 24 | 6,124 | – |
| Bank and other borrowings – amount due after one year | 18 | 458,314 | 440,540 |
| Deferred tax liabilities | | 1,344 | 1,226 |
| Lease liabilities | | 256 | 846 |
| Provision for mine rehabilitation cost | 19 | 26,889 | 27,035 |
| | | 492,927 | 469,647 |
| | | 279,468 | 751,998 |
| **Capital and reserves** | | | |
| Share capital | 21 | 620 | 620 |
| Reserves | | 295,908 | 764,673 |
| Equity attributable to owners of the Company | | 296,528 | 765,293 |
| Non-controlling interests | | (17,060) | (13,295) |
| | | 279,468 | 751,998 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital US$'000 | Share premium US$'000 | Capital reserve US$'000 (Note a) | Other capital reserve US$'000 (Note b) | Exchange reserve US$'000 | Other reserve US$'000 (Note c) | Accumulated profit (loss) US$'000 | Total US$'000 | Non-controlling interests US$'000 | Total US$'000 |
| At 1 April 2020 | 496,132 | 507,573 | 987 | 128,275 | 6,631 | – | (744,432) | 395,166 | (16,655) | 378,511 |
| Profit for the period | – | – | – | – | – | – | 128,858 | 128,858 | 751 | 129,609 |
| Release of exchange reserve upon derecognition of an associate | – | – | – | – | 582 | – | – | 582 | – | 582 |
| Other comprehensive (expense) income for the period | – | – | – | – | (8,329) | – | – | (8,329) | 291 | (8,038) |
| Total comprehensive (expense) income for the period | – | – | – | – | (7,747) | – | 128,858 | 121,111 | 1,042 | 122,153 |
| At 30 September 2020 (unaudited) | 496,132 | 507,573 | 987 | 128,275 | (1,116) | – | (615,574) | 516,277 | (15,613) | 500,664 |
| At 1 April 2021 | **620** | **507,573** | **987** | **128,275** | **(9,831)** | **–** | **137,669** | **765,293** | **(13,295)** | **751,998** |
| Loss for the period | **–** | **–** | **–** | **–** | **–** | **–** | **(473,088)** | **(473,088)** | **(1,960)** | **(475,048)** |
| Other comprehensive income (expense) for the period | **–** | **–** | **–** | **–** | **2,741** | **–** | **–** | **2,741** | **(223)** | **2,518** |
| Total comprehensive income (expense) for the period | **–** | **–** | **–** | **–** | **2,741** | **–** | **(473,088)** | **(470,347)** | **(2,183)** | **(472,530)** |
| Change in ownership of interests in a subsidiary (Note c) | **–** | **–** | **–** | **–** | **–** | **1,582** | **–** | **1,582** | **(1,582)** | **–** |
| At 30 September 2021 (unaudited) | **620** | **507,573** | **987** | **128,275** | **(7,090)** | **1,582** | **(335,419)** | **296,528** | **(17,060)** | **279,468** |

Notes:

(a) The capital reserve of the Group (defined in Note 1) 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 (defined in Note 1) 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 prior years.

(c) During the current interim period, the Group entered into an agreement with independent third parties for issuance of share capital of a subsidiary in return for shareholder loans to the subsidiary. The Group's interest in the subsidiary decreased to 61.54% and did not result in a loss of control over the subsidiary.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

| | NOTE | Six months ended 30 September 2021 US$'000 (unaudited) | 2020 US$'000 (unaudited) |
|---|---|---|---|
| (Loss) profit before taxation | | **(474,857)** | 129,675 |
| Adjustments for: | | | |
| Loss (gain) on fair value changes of financial assets at fair value through profit or loss | | **470,724** | (104,787) |
| (Gain) loss on fair value changes of investment properties | | **(4,728)** | 2,666 |
| Gain on disposal of a subsidiary | | **(14)** | – |
| Finance costs | | **3,676** | 5,997 |
| Depreciation on property, plant and equipment | | **9,745** | 11,242 |
| Depreciation on right-of-use assets | | **946** | 1,037 |
| Other non-cash items | | **(3,484)** | (28,075) |
| Operating cash flows before movements in working capital | | **2,008** | 17,755 |
| Decrease (increase) in loan receivables | | **1,947** | (50,892) |
| Increase in financial assets at fair value through profit or loss | | **(11,386)** | (14,385) |
| (Increase) decrease in other receivables | | **(1,234)** | 14,456 |
| Other changes in working capital | | **2,883** | 1,515 |
| **Net cash used in operating activities** | | **(5,782)** | (31,551) |
| **Investing activities** | | | |
| Purchase of financial assets at fair value through profit or loss | | **(8,233)** | (1,293) |
| Advance to an associate | | **(6,371)** | – |
| Purchase of property, plant and equipment | 11 | **–** | (2,082) |
| Proceeds from disposal of property, plant and equipment | | **–** | 752 |
| Net proceeds from disposal of subsidiaries | | **17,281** | 857 |
| Proceed from disposal of financial assets at fair value through profit or loss | | **19,455** | 1,956 |
| **Net cash from investing activities** | | **22,132** | 190 |
| **Financing activities** | | | |
| Advance from non-controlling interests | | **6,124** | – |
| New bank and other borrowings raised | | **21,216** | 15,385 |
| Repayment on bank borrowings | | **(27,318)** | (578) |
| Interest paid | | **(959)** | (927) |
| Repayments of lease liabilities | | **(15,752)** | (420) |
| **Net cash (used in) from financing activities** | | **(16,689)** | 13,460 |
| Net decrease in cash and cash equivalents | | **(339)** | (17,901) |
| Effect of foreign exchange rate changes | | **(261)** | 863 |
| Cash and cash equivalents at the beginning of the period | | **49,262** | 61,877 |
| Cash and cash equivalents at the end of the period, represented by bank balances and cash | | **48,662** | 44,839 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 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 (collectively referred to as the "Group") engaged in (i) exploration, development and mining of mineral resources, (ii) investment in financial instruments, (iii) property investment and (iv) money lending.

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 additional accounting policies resulting from application of 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 2021 are the same as those presented in Group's annual consolidated financial statements for the year ended 31 March 2021.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2021 for the preparation of the Group's condensed consolidated financial statements:

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

Except as described below, the application of the amendments to HKFRSs in the current interim 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 accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"*

*3.1.1 Accounting policies*

**Financial instruments**

***Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform***

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### APPLICATION OF AMENDMENTS TO HKFRSs (continued)

#### *3.1 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"* (continued)

*3.1.2 Transition and summary of effects*

As at 1 April 2021, the Group has several bank borrowings and derivatives, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the carrying amounts of financial liabilities and derivatives.

| | **HK$ Hong Kong Interbank Offered Rate ("HIBOR")** | **GBP London Interbank Offered Rate ("LIBOR")** |
|---|---|---|
| | US$'000 | US$'000 |
| **Financial liabilities** | | |
| Bank borrowings | 26,634 | 450,566 |
| **Derivatives** | | |
| Interest rate swaps contract | – | 44 |

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. The derivatives have been expired during the current interim period. The amendments have had no impact on the condensed consolidated financial statements as none of the bank borrowings has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 March 2022.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Sale of coal | – | 27,339 |
| **Revenue from contract with customers** | – | 27,339 |
| Residential rental income | **122** | 159 |
| Office rental income | **1,268** | 1,154 |
| Dividend income | **10,055** | 14,962 |
| Interest income from financial assets at fair value through profit or loss | **10,374** | 9,839 |
| Interest income from money lending business | **1,976** | 3,278 |
| **Total revenue** | **23,795** | 56,731 |
| **Disaggregation of revenue from contracts with customers** | | |
| Sale of coal | – | 27,339 |
| **Timing of revenue recognition** | | |
| A point in time | – | 27,339 |
| **Leases** | | |
| Operating lease payments that are fixed (Note) | **1,390** | 1,313 |

Note: There is no income relating to variable lease payments that do not depend on an index or a rate during both periods.

*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.

## 4. REVENUE/SEGMENT INFORMATION (continued)

### 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 four main operating divisions – (i) mining business, (ii) investment in financial instruments, (iii) property investment and (iv) money lending.

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 CODM. 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 assesses 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 and share of result of a joint venture).

### SEGMENT REVENUE AND RESULTS

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

| | **Segment revenue** | | **Segment results** | |
|---|---|---|---|---|
| | **Six months ended 30 September** | | **Six months ended 30 September** | |
| | **2021** | 2020 | **2021** | 2020 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Mining business | **–** | 27,339 | **(15,321)** | (22,724) |
| Investment in financial instruments | **20,429** | 24,801 | **(451,762)** | 128,198 |
| Property investment | **1,390** | 1,313 | **5,742** | (1,620) |
| Money lending | **1,976** | 3,278 | **185** | 2,292 |
| | **23,795** | 56,731 | **(461,156)** | 106,146 |
| Other income and other gains and losses | | | **(5,712)** | 35,239 |
| Central administration costs | | | **(4,464)** | (7,018) |
| Finance costs | | | **(3,676)** | (5,997) |
| Share of result of a joint venture | | | **151** | 1,305 |
| (Loss) profit before taxation | | | **(474,857)** | 129,675 |

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 4. REVENUE/SEGMENT INFORMATION (continued)

### SEGMENT ASSETS AND LIABILITIES

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

| | **As at 30 September 2021 US$'000 (unaudited)** | As at 31 March 2021 US$'000 (audited) |
|---|---|---|
| Segment assets: | | |
| – Mining business | **414,878** | 431,162 |
| – Investment in financial instruments | **266,566** | 727,390 |
| – Property investment | **37,364** | 50,386 |
| – Money lending | **66,716** | 68,824 |
| Total segment assets | **785,524** | 1,277,762 |
| Unallocated assets: | | |
| – Bank balances and cash | **7,037** | 6,908 |
| – Property, plant and equipment | **23,866** | 25,740 |
| – Right-of-use assets | **1,387** | 2,443 |
| – Others | **19,530** | 13,868 |
| | **51,820** | 48,959 |
| Consolidated total assets | **837,344** | 1,326,721 |
| Segment liabilities: | | |
| – Mining business | **530,421** | 528,244 |
| – Investment in financial instruments | **6,830** | 28,785 |
| – Property investment | **9,855** | 11,683 |
| – Money lending | **34** | 29 |
| Total segment liabilities | **547,140** | 568,741 |
| Unallocated liabilities: | | |
| – Lease liabilities | **1,291** | 2,602 |
| – Others | **9,445** | 3,380 |
| | **10,736** | 5,982 |
| Consolidated total liabilities | **557,876** | 574,723 |

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable and operating segments other than certain bank balances and cash, certain property, plant and equipment and right-of-use assets, certain other receivables, club membership, interests in a joint venture, interests in an associate, amount due from an associate and amount due from a joint venture. All liabilities are allocated to operating segments other than certain lease liabilities, certain other payables and accrual and amounts due to non-controlling interests.

## 5. OTHER INCOME AND OTHER GAINS AND LOSSES

| | Six months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| **Other income** | | |
| Bank and other interest income | **74** | 150 |
| Government grant (Note) | **359** | 628 |
| Others | **1,105** | 641 |
| | **1,538** | 1,419 |
| **Other gains and losses** | | |
| Net foreign exchange (loss) gain | **(7,308)** | 31,773 |
| Net gain on disposal of property, plant and equipment | **–** | 634 |
| Fair value gain (loss) on derivative financial instruments | **44** | (158) |
| Gain from deemed disposal of interests in an associate | **–** | 59 |
| Gain on disposal of a subsidiary (Note 20) | **14** | 216 |
| Others | **–** | 1,296 |
| | **(7,250)** | 33,820 |
| | **(5,712)** | 35,239 |

Note: During the current interim period, the Group recognised government grant of US$359,000 (30 September 2020: US$628,000) in respect of Covid-19-related subsidies. There was an amount of US$300,000 related to Employment Support Scheme provided by the government in Hong Kong during the period ended 30 September 2020.

## 6. FINANCE COSTS

| | Six months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Interest expense on bank borrowings | **3,314** | 5,406 |
| Interest expense on lease liabilities | **226** | 555 |
| Interest expense on other borrowings | **136** | 36 |
| | **3,676** | 5,997 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 7. TAXATION

| | Six months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| The charge comprises: | | |
| Current tax: | | |
| People's Republic of China ("PRC") | **12** | 11 |
| United Kingdom ("UK") | **42** | 55 |
| | **54** | 66 |
| Deferred tax | **137** | – |
| Taxation for the period | **191** | 66 |

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. No provision for Hong Kong Profits Tax has been made during the period as the assessable profit was wholly absorbed by tax losses brought forward during the six months ended 30 September 2021. No provision for taxation had been made for the period ended 30 September 2020 as there was no assessable profits.

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

Under the applicable corporate tax law in the Alberta, Canada, the tax rate is 26% of the estimated assessable profits. No provision for taxation in Canada has been made as there is no assessable profits derived in Canada for both periods.

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

## 8. (LOSS) PROFIT FOR THE PERIOD

| | Six months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| (Loss) profit for the period has been arrived at after charging: | | |
| Depreciation on property, plant and equipment | **9,745** | 11,242 |
| Depreciation on right-of-use assets | **946** | 1,037 |
| Directors' remuneration | **3,239** | 3,301 |
| Cost of inventories recognised as an expense | **–** | 31,683 |

## 9. (LOSS) EARNINGS PER SHARE

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

| | Six months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| (Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share | **(473,088)** | 128,858 |

**Number of shares**

| | | |
|---|---|---|
| | **'000** | '000 |
| | | (restated) |
| Number of ordinary shares for the purpose of basic (loss) earnings per share | **483,729** | 483,729 |

The weighted average number of ordinary shares for prior period has been adjusted for the share consolidation as detailed in Note 21.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 10. 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.

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

During the six months ended 30 September 2021, the Group did not incur any expenditures to the property, plant and equipment and exploration and evaluation assets.

During the six months ended 30 September 2021, right-of-use asset amounted to US$9,442,000 was reclassified to property, plant and equipment when the Group obtained the ownership of the underlying assets.

During the six months ended 30 September 2020, the Group incurred expenditures on mine property and development assets included in property, plant and equipment of US$1,834,000 and other property, plant and equipment of US$1,294,000.

## 12. INVESTMENT PROPERTIES

| | US$'000 |
|---|---|
| Fair value at 1 April 2021 (audited) | 47,411 |
| Disposal of investment properties through disposal of subsidiaries (Note 20(a)) | (17,321) |
| Gain on fair value changes recognised in profit or loss | 4,728 |
| Exchange adjustments | (446) |
| Fair value at 30 September 2021 (unaudited) | 34,372 |

The Group's investment properties in the PRC and the UK (31 March 2021: Hong Kong, the PRC and the UK) as at 30 September 2021 were valued by Valplus Business Advisory and Roma Appraisals Limited (31 March 2021: Asset Appraisal Limited and WM Corporate Advisory Limited), which are independent qualified professional valuers not connected with the Group. The fair value was determined based on the income approach or direct comparison approach. For the income approach, the fair value of the investment properties is using the rental income of the property derived from the existing leases with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. 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$4,728,000 has been recognised directly in profit or loss for the six months ended 30 September 2021 (six months ended 30 September 2020: decrease in fair value of US$2,666,000).

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 30 September 2021 US$'000 (unaudited) | As at 31 March 2021 US$'000 (audited) |
|---|---|---|
| **Financial assets at fair value through profit or loss (non-current)** | | |
| Investment funds (Note a) | 77,074 | 97,301 |
| Unlisted equity investments (Note b) | 12,921 | 13,470 |
| | 89,995 | 110,771 |
| **Financial assets at fair value through profit or loss (current)** | | |
| Equity securities listed in Hong Kong (Note c) | 40,393 | 343,340 |
| Debt securities (Note d) | 67,384 | 178,678 |
| Investment funds (Note a) | 53,836 | 81,616 |
| | 161,613 | 603,634 |

Notes:

(a) The investment funds which are managed by financial institutions, mainly invest in real estate properties, e-commercial platform and unlisted equity investments. Seventeen (31 March 2021: Eighteen) investment funds are with a maturity terms range from 1 to 7 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 determined the net asset values of the respective investment funds by using methodology based on relevant comparable data to quantify the adjustment from cost or latest transaction price where appropriate, or to justify that cost or latest transaction price is a proper approximation to fair value of the underlying investments held by the investment funds. The factors considered in the assessment require 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 2021, a decrease in fair value of US$36,753,000 (six months ended 30 September 2020: an increase of US$7,039,000) was recognised in profit or loss. During the six months ended 30 September 2021, investment funds of US$14,580,000 (30 September 2020: US$1,293,000) were purchased while amount of US$25,834,000 (30 September 2020: US$1,956,000) were disposed. Certain investment funds of US$53,836,000 (31 March 2021: US$81,616,000) are held for trading and are classified as current asset as at 30 September 2021.

(b) The unlisted equity investments represent the Group's investment in equity interest in three (31 March 2021: two) private entities, which engaged in biologics contract development and manufacturing service business, investment in investment property located in Australia and production of TV shows, respectively. As at 30 September 2021, the fair value of the unlisted equity investments of US$12,921,000 (31 March 2021: US$13,470,000) was determined by adopting the market approach. Under this approach, the book values of the assets and liabilities of the underlying investment companies are adjusted to their respective equity's fair values by applying a marketability discount with reference to transaction price of similar items by using recent market transactions or market multiples in order to reflect the non-marketable nature of the equity investments. The Group engaged GW Financial Advisory Services Limited, an independent qualified professional valuer to assess the marketability discount to the equity values. During the period ended 30 September 2021, a decrease in fair value of US$1,829,000 was recognised in profit or loss (30 September 2020: an increase of US$977,000). During the six months ended 30 September 2021, equity interest of US$1,280,000 (30 September 2020: nil) were purchased. The unlisted equity investments are held for long term strategic purpose. The management of the Group does not have intention to dispose of the investments within 1 year. Therefore, the unlisted equity investments are classified as non-current asset as at 30 September 2021 and 31 March 2021.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(c) As at 30 September 2021, the fair values of equity securities listed in Hong Kong were determined based on the quoted market closing prices available on the Stock Exchange. During the six months period ended 30 September 2021, a decrease in fair value of US$295,680,000 (six months ended 30 September 2020: an increase of US$76,483,000) was recognised in profit or loss. During the six months ended 30 September 2021, equity securities listed in Hong Kong of US$22,105,000 (30 September 2020: US$25,821,000) were purchased while amount of US$29,372,000 (30 September 2020: US$6,921,000) were disposed. The equity securities were held in a portfolio designated by management of the Group as held for trading and are classified as current asset as at 30 September 2021 and 31 March 2021.

(d) As at 30 September 2021, debt securities were stated at fair values which were determined based on the quoted closing prices available on the market. During the six months period ended 30 September 2021, a decrease in fair value of US$136,462,000 (six months ended 30 September 2020: an increase of US$20,198,000) was recognised in profit or loss. During the six months ended 30 September 2021, debt securities of US$27,405,000 (30 September 2020: US$8,415,000) were purchased while amount of US$10,000,000 (30 September 2020: US$3,000,000) debt securities were disposed of. The debt securities were held in a portfolio designated by management of the Group as held for trading and are classified as current asset as at 30 September 2021 and 31 March 2021.

## 14. PLEDGED BANK DEPOSITS

The pledged bank deposit amounting to US$24,953,000 (31 March 2021: US$25,206,000) 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 19).

## 15. OTHER RECEIVABLES

| | **As at 30 September 2021 US$'000 (unaudited)** | As at 31 March 2021 US$'000 (audited) |
|---|---|---|
| Amounts due from brokers | **119** | 115 |
| Deposits and prepayments | **3,952** | 3,603 |
| Goods and services tax receivables | **882** | 67 |
| Others | **–** | 4,539 |
| Total other receivables | **4,953** | 8,324 |

## 16. LOAN RECEIVABLES

| | As at 30 September 2021 US$'000 (unaudited) | As at 31 March 2021 US$'000 (audited) |
|---|---|---|
| Fixed-rate loan receivables | **68,733** | 70,680 |
| Less: Allowance for expected credit losses | **(2,027)** | (2,090) |
| | **66,706** | 68,590 |
| Analysed as: | | |
| Current | **66,706** | 3,705 |
| Non-current | **–** | 64,885 |
| | **66,706** | 68,590 |

The effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loan receivables is ranged from 5% to 7% (31 March 2021: 5% to 24%) per annum. The contractual maturity date of the loan receivables are two years (31 March 2021: ranged from five months to two years) and are all denominated in HK$. As at 30 September 2021, loan receivables with gross amount of US$68,733,000 (31 March 2021: US$70,680,000) are unsecured.

### IMPAIRMENT ASSESSMENT ON LOAN RECEIVABLES WITH EXPECTED CREDIT LOSS MODEL

As part of the Group's credit risk management, the Group applies internal credit rating for its borrowers individually. The estimated credit loss rates are estimated based on risks of default including evaluating of the financial background, financial condition, historical settlement records, the credit quality classification of each borrower and are adjusted by forward-looking information.

No loan receivable is past due as at 30 September 2021 and 31 March 2021.

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2021.

Impairment allowance amounted to US$2,027,000 was made for loan receivables as at 30 September 2021.

Reversal of impairment loss under expected credit loss model on loan receivables amounting to US$63,000 (six months ended 30 September 2020: net impairment loss of US$1,023,000) is recognised in profit or loss during the reporting period due to settlement from a borrower.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 17. 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 2021 US$'000 (unaudited)** | As at 31 March 2021 US$'000 (audited) |
|---|---|---|
| Trade payables (aged within 30 days) | | |
| – arising from mining operation (Note a) | **874** | 99 |
| – arising from investment in financial instruments operation (Note b) | **–** | 2,151 |
| Other payables and accruals | **5,223** | 7,449 |
| Total trade and other payables and accruals | **6,097** | 9,699 |

Notes:

(a) 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.

(b) The settlement terms of trade payables arising from the ordinary course of business of dealing in securities from financial institution are two days after trade date.

## 18. BANK AND OTHER BORROWINGS

During the six months ended 30 September 2021, the Group obtained a new bank borrowing amount of US$14,806,000 (six months ended 30 September 2020: nil). The bank borrowing obtained during the six months ended 30 September 2021 carry interest at variable market rates at 5% and are repayable in 2 years. The Group has repaid principal of an amount US$27,318,000 (six months ended 30 September 2020: US$578,000) during the period.

During the six months ended 30 September 2021, the Group obtained new other borrowings amount of US$6,410,000 (six months ended 30 September 2020: US$15,385,000). The other borrowings were secured by certain property, plant and equipment. The loan agreement of the other borrowings contained a repayment on demand clause. The other borrowings obtained during the six months ended 30 September 2021 carry interest at variable market rate at 6% and are repayable in 3 years.

## 19. PROVISION FOR MINE REHABILITATION COST

The provision as at 30 September 2021 is related to the coal mine in Alberta, Canada. 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.

## 20. DISPOSAL OF SUBSIDIARIES

(a) On 21 July 2021, the Group entered into sale and purchase agreement to dispose the entire equity interest of its indirectly wholly-owned subsidiaries, Ocean Capital Investments Limited ("Ocean Capital") and its subsidiaries (collectively "Ocean Capital Group") and the shareholder's loan due and owed by Ocean Capital to the Group, to an independent third party at a total cash consideration of HK$136,820,000 (equivalent to approximately US$17,541,000). The major assets held by Ocean Capital Group were investment properties which are located in Hong Kong. The transaction was completed on 21 July 2021.

The net assets of Ocean Capital Group at the date of disposal were as follows:

| | US$'000 |
|---|---|
| Property, plant and equipment | 29 |
| Investment properties | 17,321 |
| Other receivables | 16 |
| Bank balances | 297 |
| Other payables | (122) |
| Shareholder's loan | (1,185) |
| Net assets disposed of | 16,356 |
| Less: Assignment of shareholder's loan | 1,185 |
| | 17,541 |
| Consideration received (including assignment of shareholder's loan) | 17,541 |
| Less: Net assets disposed of | (17,541) |
| | – |
| Net cash inflow arising on disposal: | |
| Cash consideration received (including assignment of shareholder's loan) | 17,541 |
| Less: Bank balances | (297) |
| | 17,244 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 20. DISPOSAL OF SUBSIDIARIES (continued)

(b) On 2 July 2021, the Group entered into sale and purchase agreement to dispose the entire equity interest of its indirectly wholly-owned subsidiary, Ideal Victory Limited ("Ideal Victory"), to a related party at a total cash consideration of approximately HK$291,000 (equivalent to approximately US$37,000). The major assets held by Ideal Victory was right-of-use assets which located in Hong Kong. The transaction was completed on 2 July 2021.

The net assets of Ideal Victory at the date of disposal were as follows:

| | US$'000 |
|---|---|
| Right-of-use asset | 183 |
| Other receivables | 37 |
| Lease liability | (197) |
| Net assets disposed of | 23 |
| Consideration received | 37 |
| Less: Net assets disposed of | (23) |
| Gain on disposal | 14 |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 37 |

(c) On 3 August 2020, the Group entered into sale and purchase agreement to dispose of the entire equity interest of its indirectly wholly-owned subsidiary, Gold Label Inc. ("Gold Label"), to an independent third party at a total cash consideration of approximately RMB6,000,000 (equivalent to approximately US$857,000). The major asset held by Gold Label was an investment in unlisted entity which located in the PRC. The transaction was completed on 4 August 2020.

The net assets of Gold Label at the date of disposal were as follows:

| | US$'000 |
|---|---|
| Financial assets at fair value through profit or loss | 641 |
| Net assets disposed of | 641 |
| Gain on disposal of Gold Label: | |
| Consideration received | 857 |
| Less: Net assets disposed of | (641) |
| Gain on disposal | 216 |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 857 |

## 21. SHARE CAPITAL

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **30 September 2021 '000 (unaudited)** | 31 March 2021 '000 (audited) | **30 September 2021 US$'000 (unaudited)** | 31 March 2021 US$'000 (audited) |
| **Authorised** | | | | |
| At beginning of period/year | **1,000,000,000** | 100,000,000 | **1,282,052** | 1,282,052 |
| Share consolidation (Note) | **–** | (98,750,000) | **–** | – |
| Effects of capital reorganisation (Note) | **–** | 998,750,000 | **–** | – |
| At the end of period/year | **1,000,000,000** | 1,000,000,000 | **1,282,052** | 1,282,052 |
| **Issued and fully paid** | | | | |
| At beginning of period/year | **483,729** | 38,698,309 | **620** | 496,132 |
| Share consolidation (Note) | **–** | (38,214,580) | **–** | – |
| Effects of capital reorganisation (Note) | **–** | – | **–** | (495,512) |
| At the end of period/year | **483,729** | 483,729 | **620** | 620 |

Note: On 13 November 2020, the Company made a proposal of share consolidation and capital reorganisation to the shareholders that: (1) every eighty issued shares of HK$0.10 each to be consolidated into one consolidated share of HK$8.00; (2) the nominal value of all the existing issued shares to be reduced from HK$8.00 each to HK$0.01 each by cancelling HK$7.99 paid up on each existing issued share by way of reduction of capital; and (3) the credit arising from such reduction of capital to offset against the accumulated losses of the Company. The share consolidation and capital reorganisation was completed and was effected on 4 February 2021. 38,214,580,000 issued and fully paid shares were being cancelled due to the share consolidation and share capital amounting to US$495,512,000 were being cancelled due to the capital reorganisation and were used to offset against the accumulated losses of the Company as at 1 April 2020.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 22. 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 and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation 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 based on 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 or liabilities that are not based on observable market data (unobservable inputs).

| Financial assets/ Financial liabilities | Fair values as at 30 September 2021 US$'000 (unaudited) | 31 March 2021 US$'000 (audited) | Fair value hierarchy | Valuation technique(s) |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Debt securities | 67,384 | 178,678 | Level 2 | Quoted prices in over-the-counter |
| Equity securities listed in Hong Kong | 40,393 | 343,340 | Level 1 | Quoted bid prices in active market |
| Investment funds | 130,910 | 178,917 | Level 3 | Applying marketability discount to the net asset values per share or unit (Note) |
| Unlisted equity investments | 12,921 | 13,470 | Level 3 | Applying market approach by using marketability discount to the equity value referencing to recent market transaction or market multiples (Note) |
| **Derivative financial instruments** | | Liabilities | | |
| Interest rate swap contract | N/A | 44 | 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. |

## 22. 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)

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

As at 30 September 2021 and 31 March 2021, there was no observable quoted price of unlisted equity investments and underlying investment portfolio for investment funds as no transaction on similar equity investments and investment portfolio noted near the period/year ended, and was classified as Level 3 of the fair value hierarchy.

Note: A slight increase in the discount rates used in isolation would result in a significant decrease in the fair value measurement of the investment funds and unlisted equity investments respectively, vice versa. A 5% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the investment funds and unlisted equity investments by US$7,145,000 and US$733,000 respectively (31 March 2021: US$9,378,000 and US$802,000).

### RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

| | **Financial assets at fair value through profit or loss** |
|---|---|
| | US$'000 |
| At 1 April 2020 (audited) | 153,798 |
| Purchases | 1,293 |
| Disposal | (1,956) |
| Gain recognised in profit or loss | 8,016 |
| At 30 September 2020 (unaudited) | 161,151 |
| At 1 April 2021 (audited) | **192,387** |
| Purchases | **15,860** |
| Disposal | **(25,834)** |
| Loss recognised in profit or loss | **(38,582)** |
| At 30 September 2021 (unaudited) | **143,831** |

Of the total gains or losses for the period included in profit or loss, US$32,974,000 loss relates to financial assets at FVTPL held at 30 September 2021 (six months ended 30 September 2020: US$7,795,000 gain).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS (continued)

*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.

## 23. RELATED PARTY DISCLOSURES

Other than related party transactions disclosed in elsewhere in the condensed consolidated financial statements, the Group also has the below related party transactions:

### (A) 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Short-term benefits | **3,236** | 3,295 |
| Post-employment benefits | **3** | 6 |
| | **3,239** | 3,301 |

In addition to the amounts above, the Group also provides other non-monetary benefits (such as accommodation) to key management personnel. During the period ended 30 September 2021, depreciation of right-of-use asset in relation to these non-monetary benefits amounted to US$318,000 (six months ended 30 September 2020: US$318,000).

## 23. RELATED PARTY DISCLOSURES (continued)

### (B) AMOUNT DUE FROM AN ASSOCIATE

| | As at 30 September 2021 US$'000 (unaudited) | As at 31 March 2021 US$'000 (audited) |
|---|---|---|
| Ace Season Investments Limited ("Ace Season") (Note) | 6,371 | – |

Note: During the current interim period, the Group subscribed for 20.5% equity interest in Ace Season at a minimal nominal value, and advanced US$6,371,000 to Ace Season. The amount is of non-trade nature, unsecured, interest-free and has no fixed terms of repayment.

## 24. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

Included in the amounts due to non-controlling interests of US$6,124,000 as at 30 September 2021, US$5,024,000 is due to a non-controlling interest of a subsidiary of the Group. Mr. Hui Richard Rui, a director of the Company, is a director and key management personnel of that non-controlling interest. The amounts due to non-controlling interests of US$6,124,000 are of non-trade nature, unsecured, interest-free and repayable after twelve months from the end of the reporting period.

## 25. EVENT AFTER REPORTING PERIOD

The coal mining operation at the coal mine located near Grande Cache, Alberta (the "Mine") was suspended in May 2020 due to impact of the outbreak of Covid-19 (the "Outbreak"). CST Canada Coal Limited ("CST Coal") saw the easing of impact of the Outbreak in Alberta, Canada in July this year, the Company started to plan for resumption of production of the Mine (the "Resumption"). One of the important steps for the Resumption is to get approval from the Alberta Energy Regulator ("AER") of Alberta, Canada. CST Coal received such approval from AER on 7 October 2021. The directors of the Company expect to resume the coal mining operations at the end of 2021.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Mr. Chiu Tao *(Chairman)*
Mr. Hui Richard Rui *(General Manager)*
Mr. Kwan Kam Hung, Jimmy
Mr. Wah Wang Kei, Jackie

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## COMPANY SECRETARY

Ms. Yeung Bik Shan

## 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 4501–05, 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
*Registered Public Interest Entity Auditors*

## PRINCIPAL BANKER

Hang Seng Bank Limited

## STOCK CODE

985

## COMPANY WEBSITE

www.cstgrouphk.com