CST GROUP LIMITED
中譽集團有限公司

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

2022
Annual Report

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of CST Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I hereby report to our shareholders the results of the Group for the year ended 31 March 2022 (the "Year").

2021 has been a challenging year for the Group with uncertainties arising from the COVID-19 pandemic (the "Pandemic") and broader stock market correction. To counter the effects of global supply chain disruptions, surging energy prices, and high inflation, the U.S. Federal Reserve initiated a new interest rate hike cycle, further increasing uncertainty in global economies and financial markets.

As a result of the challenging economic environment, the Group recorded a net loss of approximately US$463.9 million for the Year, compared with a net profit of approximately US$389.1 million for the fiscal year 2021. The loss was primarily attributable to the Group's significant loss on fair value changes of financial assets at fair value through profit or loss for the Year. In particular, the Group was adversely affected by the negative performance of its investments in China Evergrande Group ("China Evergrande"). Given the lack of improvement in China Evergrande's financial position, the Group disposed of all of its China Evergrande Vehicle's shares and certain China Evergrande Notes to reduce its exposure and potential investment losses based on the information available at that time.

In addition, the COVID-19 resurgence and China's regulatory overhauls have led to the re-valuation of the Group's financial investments in U.S. and Hong Kong stocks, as well as adversely affecting and delaying the potential exit of unlisted equity investments due to the volatile market environment. Investors are concerned that the strict Pandemic containment measures and the liquidity crisis faced by real estate developers in China could further pressure economic growth and corporate profits, and thus have remained on the sidelines. Following the increasing uncertainty in global economies and geopolitical conflict between Russia and Ukraine, the Group expected the global investment markets will be adversely affected in the fiscal year 2023.

In terms of the Group's mining business, CST Canada Coal Limited ("CST Coal"), a subsidiary of the Company, resolved on 8 October 2021 (Canadian Time) to resume mining operations at its Alberta, Canada coal mine (the "Mine"). CST Coal is continuing to ramp up its mining operations and it sold approximately 88,000 tonnes of coal during the Year. The Group will continue to leverage its wealth of experience and expertise in mining business operations and natural resource investments to enhance production and operational efficiency in the future. Given the current level of coking coal price, the Group believes that the mining business will make a more meaningful contribution to its performance in the fiscal year 2023.

As a result of the current market condition, the Group will continue to implement its business principles of prudent operation and sound development in its investments in financial instruments, properties, and money lending business. The Group will try to identify and seize new investment opportunities in this challenging investment environment.

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

28 June 2022

COMPANY OVERVIEW

The Company is an investment holding company with its subsidiaries engaged in (a) exploration, development and mining of mineral resources, (b) investments in financial instruments, (c) property investments, and (d) money lending.

(A) EXPLORATION, DEVELOPMENT AND MINING OF MINERAL RESOURCES

The Group's coal mining operation is conducted through CST Canada Coal Limited ("CST Coal"), an indirect non-wholly owned subsidiary of the Group. The Group holds 88% interest in CST Coal. The coal mine is located in Grande Cache, approximately 400 kilometres west of the City of Edmonton, the capital of the Province of Alberta in Canada. As at 31 March 2022, the coal mine has a resource and reserve of 659.4 Mt and 41.4 Mt.

(B) INVESTMENTS IN FINANCIAL INSTRUMENTS

The Group aims to invest in different industries, which can provide better risk-adjusted return on capital. During the Year, the Group has invested in various financial assets including listed securities, funds, and other unlisted equity investments.

The investment and management committee of the Company is responsible for identifying, reviewing, considering and approving for different investment opportunities, taking into account the Group's liquidity requirements.

(C) PROPERTY INVESTMENTS

The Group has invested in properties markets in different parts of the world, including Mainland China and Scotland, through its subsidiaries.

(D) MONEY LENDING

The Group engages in money lending business in Hong Kong, through its subsidiary, Sun Power Finance Limited, which is incorporated in Hong Kong and holds a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

PROJECT OVERVIEW

CN freight train leaving CST Coal mine

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

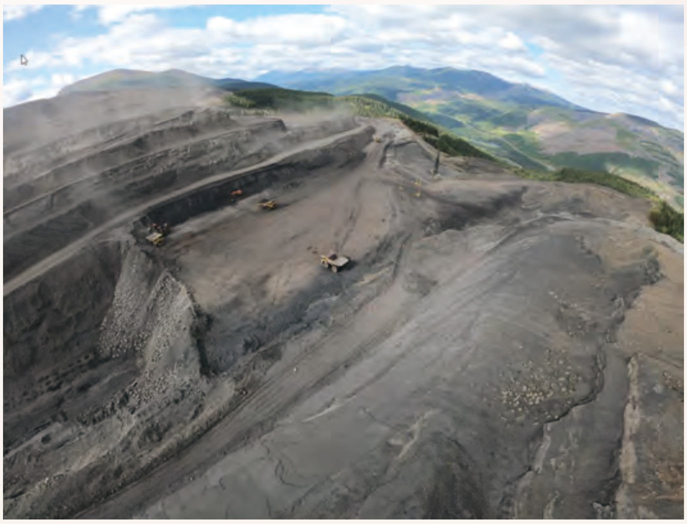
The mining assets of CST Coal are located in West Central Alberta, Canada approximately 400 kilometres west of the City of Edmonton, the capital of the Province of Alberta in Canada. The mine site is approximately 20 kilometres north of Grande Cache in the Municipal District of Greenview. It is accessed 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

The operations of the Mine restarted in early October 2021 after Alberta Canada reduced its various restrictions implemented in response to the outbreak of COVID-19 pandemic (the "Outbreak") as there were lower rates of infections/hospitalisation and a high level of vaccination in the population.

For the period from 1 April 2021 to early October 2021, the Mine operations were suspended 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 in care and maintenance with a team of approximately 23 employees to provide safety/security, environmental monitoring and reporting in accordance with Canadian regulatory requirements. In addition, CST Coal worked on various mining plan 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 submitted an application of restart operations in early July 2021 and obtained Alberta Energy Regulator ("AER") approval to restart its mining operations in early October 2021 and subsequently commenced to rehire its work force. Surface mining at No. 8 mine began in November 2021 with 2 crews and the processing plant started limited operations in December 2021. From the restart of operations in early October 2021 to 31 March 2022, a total of 2.3 million bcm of waste was hauled to waste dumps and 254,232 tonnes of raw coal was hauled to the Run-of-Mine (ROM). A total of 275,916 tonnes of raw coal was fed into the plant and yielded 169,506 tonnes (61% yield) of saleable steel-making coal. A total of 130,206 tonnes of saleable steel-making coal were railed to the port in British Columbia, Canada for export sales.



Mining at No. 8 Mine area

88,000 tonnes of steel-making coal were sold as at the end of March 2022. CST Coal is continuing to ramp up operations with additional recruitment and training of its operators. For the Year, CST Coal recorded 0 first aid and 0 lost time injuries. The care and maintenance team continues to cultivate a safety culture. The safety and health of our workers, their families and communities are always a top priority and CST Coal continues to monitor the COVID-19 situation in Alberta, and will implement COVID-19 related safety protocols at the Mine according to the Alberta guidelines.

PROJECT OVERVIEW

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

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

CST Coal is committed to maintaining a good relationship with the indigenous 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's steel-making coal being loaded onto a freight train.

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 mining operations. We also would like to express our thanks to CN and Westshore Terminals who have provided excellent logistic services.

3. PRODUCTION STATISTICS

Production statistics for the years ended 31 March 2021 and 31 March 2022 are as follows:

		31 March 2022	31 March 2021
Mined	Waste (bcm)	**2,295,603**	1,503,628
	Raw coal to ROM (tonnes)	**254,232**	261,950
	Strip ratio (%)	**9.0**	5.7
Production	Breaker Feed (tonnes)	**275,916**	234,103
	Breaker loss (tonnes)	**17,347**	12,085
	Bypass (tonnes)	**27,201**	11,974
	Plant feed (tonnes)	**231,368**	210,044
	Processed coal production (clean tonnes)	**169,506**	159,892
Sales	CST PLV Coking Coal sold (clean tonnes)	**88,000**	279,530
Stockpile	CST PLV Coking Coal at load out and port (clean tonnes)	**90,556**	12,730

Note: The Mine was placed in care and maintenance in mid May 2020 until early October 2021.

4. MINERAL RESOURCES AND RESERVES

4.1 Competent person

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

Brian Klappstein has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Brian Klappstein consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Brian Klappstein is a full time employee of CST Coal. He does not hold any securities directly or indirectly related to CST Coal.

PROJECT OVERVIEW

4.2 *Coal reserves*

4.2.1 Statement of Updated Coal Resources

Table 1 – Summary of Coal Resources, Measured, Indicated and Inferred, 31 March 2022

	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Raw Ash (% db)	Raw FSI
Surface Mining Area(2)						
No. 2 Area	61.4	23.2	6.3	90.9	26.6	5.0
No. 8 Area	33.1	7.4	0.7	41.2	23.0	4.9
No. 9 Area	38.2	70.6	27.5	136.3	21.9	5.0
No. 12 South B2 Area	2.6	1.0	0.5	4.1	14.4	3.1
No. 12 North Area	39.1	15.6	2.2	56.9	16.8	3.5
No. 16 Area	56.0	20.2	15.9	92.1	14.1	3.6
Total Surface Areas	**230.4**	**138.0**	**53.1**	**421.5**	**20.6**	**4.5**
Underground Area(4)						
No. 12 South B2 Area	2.7	5.2	–	7.9	13.9	3.0
No. 12 South A Area	25.3	39.5	3.3	68.1	14.9	3.0
No. 9 Area	108.2	33.6	20.1	161.9	21.7	5.0
Total Underground Area	**136.3**	**78.3**	**23.4**	**238.0**	**19.5**	**4.4**
Grand Total	**366.6**	**216.3**	**76.5**	**659.4**	**20.2**	**4.4**

Notes:

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

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

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

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

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

(6) The updated resource estimates are effective 31 March 2022, and have been prepared and/or reviewed by Brian Klappstein, Professional Geologist, Alberta Association of Engineers and Geoscientists, and Competent Person.

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

4.2.2 Surface Coal Reserves

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

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

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

Overheads are based on historically achieved annual basis costs.

4.2.3 Underground Coal Reserves

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

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

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

4.2.4 ROM Basis

ROM reserve estimates are based on dilution and loss formulas generated from back analysis of previous surface and underground mining operation in-situ tonnages and ROM production streams.

In pit trench sampling, continuous ROM sampling and reconstruction of actual in-seam volumes mined in financial year 2022 are consistent with ROM modelling parameters used in this and the 2021 Coal Resource and Coal Reserve Statement.

PROJECT OVERVIEW

4.2.5 Statement of Updated Run-of-mine Coal Reserves

Table 2 – Summary of ROM Coal Reserves, 31 March 2022

	Coal Reserves			Coal Quality		
	Proven (Mt)	Probable (Mt)	Total (Mt)	ROM Ash (db)	ROM FSI	ROM VM (db)
Surface Mining Area(2)						
No. 2 Area	12.1	1.1	13.2	27.1	5.9	16.8
No. 8 Area	10.0	0.1	10.1	24.3	4.7	17.1
Total Surface Areas	**22.1**	**1.2**	**23.3**	**25.9**	**5.4**	**17.0**
Underground Area(4)						
No. 12 South B2 Area	2.3	1.1	3.4	22.1	3.5	15.3
No. 12 South A Area	4.8	9.9	14.7	22.3	3.8	14.9
Total Underground Area	**7.1**	**11.0**	**18.1**	**22.3**	**3.7**	**14.9**
Grand Total	**29.2**	**12.2**	**41.4**	**24.3**	**4.7**	**16.1**

Notes:

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

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

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

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

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

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

(7) The surface reserve estimates are effective 31 March 2022, and have been prepared or reviewed by Brian Klappstein, Professional Geologist, Alberta Association of Engineers and Geoscientists, and Competent Person.

(8) The underground reserve estimates are effective 31 March 2022, and have been reviewed by Brian Klappstein, Professional Geologist, Alberta Association of Engineers and Geoscientists, and Competent Person.

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

4.2.6 Marketable Basis

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

The marketable reserve is based on cash flow analysis which assumes the selling price for the CST Coal product is between 9% and 15% below the benchmark price for premium sea-borne low-volatile hard coking coal sold in the Pacific Rim. The difference between the actual selling price realized in financial year 2022 for spot basis coal sales and the selling price in CAD used in the cash flow analysis presented in the 2017 coal resource and coal reserve statement was not judged to materially affect the 2017 valuation.

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

4.2.7 Statement of Updated Marketable Coal Reserves

Table 3 – Summary of Marketable Coal Reserves, 31 March 2022

	Coal Reserves			Coal Quality		
	Proven (Mt)	Probable (Mt)	Total (Mt)	ROM Ash (db)	ROM FSI	ROM VM (db)
Surface Mining Area(2)						
No. 2 Area	8.2	0.7	9.0	8.5	8.6	19.3
No. 8 Area	6.9	0.1	7.0	8.5	7.0	18.8
Total Surface Areas	**15.2**	**0.8**	**16.0**	**8.5**	**7.9**	**19.0**
Underground Area(4)						
No. 12 South B2 Area	1.9	0.9	2.8	8.5	5.1	17.1
No. 12 South A Area	3.5	7.1	10.6	8.5	4.8	16.6
Total Underground Area	**5.4**	**8.0**	**13.4**	**8.5**	**4.9**	**16.7**
Grand Total	**20.5**	**8.8**	**29.4**	**8.5**	**6.5**	**18.0**

Notes:

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

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

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

PROJECT OVERVIEW

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

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

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

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

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

(8) The surface reserve estimates are effective 31 March 2022, and have been prepared or reviewed by Brian Klappstein, Professional Geologist, Alberta Association of Engineers and Geoscientists, and Competent Person.

(9) The underground reserve estimates are effective 31 March 2022, and have been prepared or reviewed by Brian Klappstein, Professional Geologist, Alberta Association of Engineers and Geoscientists, and Competent Person.

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

For details on resources and reserves, a copy of the report "Coal Resource and Coal Reserve Statement for Financial Year ending 31 March 2022" is posted on the website of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Chiu Tao, aged 66

was appointed as the Chairman and an executive director of CST Group Limited (the "Company") on 10 March 2009 and 7 November 2008, respectively. Mr. Chiu is the Chairman of both the investment and management committee and nomination committee of the Company. He is also a director of various subsidiaries of the Company.

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

Han Xuyang, aged 30

was appointed as an executive director and the chief executive officer (the "Chief Executive Officer") of the Company on 3 January 2022. He received his Juris Doctor degree from the University of Hong Kong. He also holds a Master of Science degree from the University of Oxford and a Postgraduate Certificate in Laws from the University of Hong Kong. Mr. Han is admitted as a solicitor of the High Court of the Hong Kong Special Administrative Region. He is a practicing solicitor and a member of the Law Society of Hong Kong. Prior to joining the Company, Mr. Han worked at Sullivan & Cromwell, a leading international law firm from 2017 to 2021, focusing on capital markets, corporate finance transactions and mergers and acquisitions practices.

Hui Richard Rui (with former English name Xu Rui Hui), aged 54

was appointed as an executive director of the Company on 17 August 2004 and as the general manager of the Company (the "General Manager") on 11 October 2006. Mr. Hui is a member of the investment and management committee of the Company. He is also a director of various subsidiaries of the Company. He graduated from University of Technology, Sydney in Australia with a Bachelor's degree in Mechanical Engineering.

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

Kwan Kam Hung, Jimmy, aged 60

was appointed as an executive director of the Company on 11 November 2002. Mr. Kwan is a director of various subsidiaries of the Company.

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

Wah Wang Kei, Jackie, aged 55

was appointed as an executive director of the Company on 29 December 2016 and as the company secretary of the Company (the "Company Secretary") on 1 March 2022. He is the in-house legal counsel and a member of the investment and management committee of the Company. He is also a director of various subsidiaries of the Company. He graduated from The University of Hong Kong in 1990 and was qualified as a solicitor in 1992. Mr. Wah was a partner of a Hong Kong law firm until 1997. He is currently an independent non-executive director of Symphony Holdings Limited, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yu Pan, aged 67
was appointed as an independent non-executive director of the Company on 28 September 2004. Mr. Yu is the Chairman of the remuneration committee and a member of both the audit committee and nomination committee of the Company.

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

Ma Yin Fan, aged 58
was appointed as an independent non-executive director of the Company on 31 December 2012. Ms. Ma is the Chairlady of the audit committee and a member of both the remuneration committee and nomination committee of the Company. She obtained a Bachelor's degree with honours in Accountancy at Middlesex University in the United Kingdom. She also holds a Master's degree in Business Administration and a Master in Professional Accounting degree from Heriot-Watt University in the United Kingdom and The Hong Kong Polytechnic University, respectively.

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

Ms. Ma is currently an independent non-executive director of China Strategic Holdings Limited ("China Strategic") and Youth Champ Financial Group Holdings Limited. The shares of the above two companies are listed on the main board of the Stock Exchange.

Leung Hoi Ying, aged 71
was appointed as an independent non-executive director of the Company on 29 January 2016. Mr. Leung is a member of the audit committee of the Company. He graduated from the Guangdong Foreign Trade School in China.

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

SENIOR MANAGEMENT

Mr. Chiu Tao, Mr. Han Xuyang, Mr. Hui Richard Rui, Mr. Kwan Kam Hung and Mr. Wah Wang Kei, Jackie, being the executive directors of the Company, are also the senior management of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL RESULTS

For the year ended 31 March 2022 (the "Year"), the Company and its subsidiaries (collectively referred to as the "Group") recorded a loss after tax of approximately US$463.9 million. There was a profit after tax of approximately US$389.1 million in the prior year. The turnaround from profit to loss was mainly due to a loss on fair value changes of financial assets at fair value through profit or loss ("FVTPL") of approximately US$507.8 million (2021: gain of US$338.0 million).

REVENUE

The total revenue of the Group for the Year was approximately US$69.0 million (2021: US$78.7 million), representing a decrease of approximately 12.3% as compared with the prior year. The overall decrease was primarily due to the suspension of coal mining operation from April 2021 to October 2021 in Canada and 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 Year, the total other income and other gains and losses was a gain of approximately US$7.2 million (2021: gain of US$71.4 million). It mainly comprised of the following: (i) government grant of approximately US$0.5 million on COVID-19 subsidies (2021: US$1.1 million), (ii) a net foreign exchange gain of approximately US$4.2 million mainly due to a strong Canadian dollar against US dollar (2021: a gain of US$67.3 million), and (iii) an "Anthill Production Payment" of approximately AUD2.3 million (equivalent to approximately US$1.7 million) which related to disposal of Australia mining business in May 2019. Details were disclosed in the Company's announcement dated 23 July 2021.

COST OF SALES

Cost of sales mainly included coal mining costs, coal processing costs and other relevant operating expenses. As compared with the prior year, the cost of sales dropped from US$40.9 million to approximately US$24.6 million due to decrease of coal sales volume.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses were approximately US$3.6 million for the Year (2021: US$10.1 million), which primarily included expenses relating to railway transportation, royalty fees and terminal charges. Decrease in distribution and selling expenses as compared with the prior year was mainly attributable to lower coal sales volume.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly comprised of staff costs, depreciation and amortization cost and other expenses. Due to better cost control, administrative expenses slightly decreased from US$34.7 million in prior year to approximately US$33.7 million for the Year, representing a decrease of approximately 2.9%.

FINANCE COSTS

Finance costs mainly comprised of interest expenses on bank borrowings. Finance costs decreased from approximately US$9.2 million in prior year to approximately US$7.3 million for the Year, representing a decrease of approximately 20.7%. The decrease was primarily attributable to decrease of borrowings amount and decrease in interest rate as compared with the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT INFORMATION

A. MINING BUSINESS

The operation of the Mine of CST Canada Coal Ltd ("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 May 2021 and submitted an application of resuming the mining operations to the AER in early July 2021, CST Coal started to plan for resumption of production of the Mine ("Resumption"). On 7 October 2021, the Resumption was approved by the AER, Canada. Details of the Resumption were disclosed in the Company's announcement dated 9 October 2021. Therefore, CST Coal commenced the resumption of mining and processing activities. For the Year, CST Coal had sold 88,000 tonnes of coking coal and generated a revenue of US$26.9 million (2021: US$28.1 million). The cost of sales and distribution and selling expenses relatively incurred approximately US$24.6 million and US$3.6 million.

The administrative expenses in mine site increased approximately 26.8% to US$10.4 million (2021: US$8.2 million) as compared with the prior year. The increase was mainly due to increase of employees in mine site for ramping up the Resumption.

Due to the slight appreciation of Canadian dollar against US dollar, a gain of foreign exchange of approximately US$3.2 million (2021: a gain of US$44.9 million) was recognized in the other income and other gains and losses.

As at financial year end, the Group reviewed in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") with the auditors the impairment made in 2020 on its mining property assets in Canada mining operations. An impairment of US$93.8 million was recognized in 2020 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.

It was noted that in October 2021, the mining operations was resumed after significant improvements in medical treatment and prevention of COVID-19 infections in Alberta, and there was significant improvement in the S&P Global Platts Premium Low Volatile Coal FOB Australia price. Based on the aforesaid factors, there were indicators that there may be a requirement under HKAS 36 to reverse some of the impairment provision previously recognized.

Management updated the major assumptions in the model previously used for impairment testing in 2020. The recoverable amount of each cash generating unit has been estimated using its fair value less costs of disposal. After reviewing the assumptions with auditors, it was determined that the recoverable value of the coal mine assets as at 31 March 2022 was approximately US$343.8 million, it exceeded the carrying value of the coal mine assets of approximately US$310.8 million and accordingly a reversal of the previous provision of approximately US$32.9 million was recognized in the profit or loss. The table below summarizes the major assumptions used by Management at year ended 2022 and the assumptions used in 2020.

	Financial Year 2022	**Financial Year 2020**
Projected production volume of the Coal Mine	41.9 million metric tonnes The projected production volume is determined based on the detailed life-of-mine plans and the development plans.	41.9 million metric tonnes The projected production volume was determined based on the detailed life-of-mine plans and the development plans.
Long-term price of coking coal	US$244 per metric tonne for 2022, US$176 per metric tonne for 2023, US$126 to US$139 per metric tonne for 2024–2038. The long-term price of coking coal is determined by the Management with reference to (i) the May 2022 edition of Energy & Metal Consensus Forecasts (available for subscription at https://www.consensuseconomics.com/download/energy-and-metals-price-forecasts/), which publishes surveys covering the prices for more than 40 key energy and metal; and (ii) an adjustment made thereon by the Management in light of the quality of coal from the coal mine.	US$125 per metric tonne for 2021–2024 and US$120 per metric tonne for 2025–2038. The long-term price of coking coal is determined by the Management with reference to (i) the May 2020 edition of Energy & Metal Consensus Forecasts (available for subscription at https://www.consensuseconomics.com/download/energy-and-metals-price-forecasts/), which publishes surveys covering the prices for more than 40 key energy and metal; and (ii) an adjustment made thereon by the Management in light of the quality of coal from the coal mine.
Long-term exchange rate between United States Dollar and Canadian Dollar	US$1: C$1.28 The long-term exchange rate between United States Dollar and Canadian Dollar is determined with reference to the average exchange rate between the said currencies for March 2022.	US$1: C$1.39 The long-term exchange rate between United States Dollar and Canadian Dollar is determined with reference to the average exchange rate between the said currencies for March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

	Financial Year 2022	Financial Year 2020
Discount rate	12% pre-tax discount (which is equivalent to 10% post-tax discount). The discount rate is determined (i) after taken into consideration that the cost of equity and the project risk factors were similar to those analysed at the time of the valuation report dated 15 February 2018; and (ii) with reference to HKAS 36 whereby the Company is required to use a pre-tax discount rate for the purpose of valuation.	12% pre-tax discount (which is equivalent to 10% post-tax discount). The discount rate was determined (i) after taken into consideration that the cost of equity and the project risk factors were similar to those analysed at the time of the valuation report dated 15 February 2018; and (ii) with reference to HKAS 36 whereby the Company was required to use a pre-tax discount rate for the purpose of valuation.
Growth Rate	NIL The adoption of Nil growth rate is consistent with the valuation report dated 15 February 2018 which used the coal reserves only for valuation purposes.	NIL The adoption of Nil growth rate was consistent with the valuation report dated 15 February 2018 which used the coal reserves only for valuation purposes.

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

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

	2022 US$'000	2021 US$'000
Revenue	**26,883**	28,100
Cost of sales	**(24,584)**	(40,898)
Gross profit (loss)	**2,299**	(12,798)
Other income and other gains and losses	**4,299**	69,035
Distribution and selling expenses	**(3,628)**	(10,137)
Administrative expenses*	**(10,440)**	(8,219)
Reversal of impairment loss on property, plant and equipment	**32,865**	–
Finance costs*	**(6,474)**	(8,102)
Profit before taxation	**18,921**	29,779
Taxation	**(486)**	(442)
Profit after taxation	**18,435**	29,337

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

B. PROPERTY INVESTMENT

In July 2021, the Group had fully 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 China and Scotland.

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

	2022 US$ million	2021 US$ million
Rental income		
– China	0.3	0.2
– Hong Kong	0.1	0.4
– Scotland	2.2	2.2
	2.6	2.8

	2022 US$ million	2021 US$ million
Fair value of investment properties		
– China	7.3	6.3
– Hong Kong	–	17.3
– Scotland	25.4	23.8
	32.7	47.4

The total rental income for the Year decreased approximately 7.1% to US$2.6 million (2021: US$2.8 million) as compared with the prior year. The decrease was mainly due to the disposal of Hong Kong investment properties during the Year. Despite the persistence of global COVID-19 pandemic, the rental income from China and Scotland remained stable.

An improvement from the fair value loss of the investment properties in China and Scotland of US$1.7 million in prior year to the fair value gain of investment properties of approximately US$3.5 million for the Year due to commercial property price in China and Scotland rebound from a low base.

MANAGEMENT DISCUSSION AND ANALYSIS

C. MONEY LENDING

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

	2022 US$ million	2021 US$ million
Interest income from money lending	4.1	6.3
Provision of bad debt*	–	–
Range of interest rate (%)	5%–10%	5%–24%

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

	2022 US$ million	2021 US$ million
Loan receivables (inclusive of interest accrued)	74.1	68.6

The interest income from money lending business was approximately US$4.1 million (2021: US$6.3 million), which decreased by approximately 34.9% as compared with the prior year. The decrease was due to the reduction of lending activities during the Year. 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 31 March 2022, the loan receivables of the Group were approximately US$74.1 million (2021: US$68.6 million). Among the receivables, US$62.3 million were unsecured and US$11.8 million were secured. The range of interest rate was 5% to 10% (2021: 5% to 24%). The loans made to all borrowers will be matured within one year. Further details of loan receivables will be disclosed in Note 22 to the consolidated financial statements. During the Year, the Group has not recorded any bad debt on its money lending business.

The Group conducted its money lending business mainly through Sun Power Finance Limited, a wholly-owned subsidiary of the Company.

The Group's lending business has a unique business strategy with emphasis on the provision of sizeable loans to corporate and high net-worth individual instead of the mass consumer market. These borrowers mostly are acquired through referrals and introductions from the Company's senior management.

The Group has established and maintained internal controls to ensure the effectiveness of its credit risk assessment in evaluating the creditworthiness of potential borrowers. The loan terms would be generally arrived at after considering a combination of factors including prevalent market interest rates, the financial strength of the borrowers and the collaterals offered. The Group retained an independent professional valuer to conduct impairment and expected credit loss assessment on the outstanding loans for each reporting period end date. The business is overseen by the Investment and Management Committee of the Company which is responsible for on-going monitoring of loan recoverability and debt collection, identifying potential problems and recommending mitigating measures. The related internal control procedures will be disclosed in the Corporate Governance section of this Annual Report.

D. INVESTMENT IN FINANCIAL INSTRUMENTS

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

	2022 US$ million	2021 US$ million
Fair value of financial assets at FVTPL		
Listed shares	**31.5**	343.3
Debt securities	**21.0**	178.7
Fund and unlisted equity investments	**150.7**	192.4
	203.2	714.4

	2022 US$ million	2021 US$ million
Income received from financial assets at FVTPL		
Dividend from listed shares	**1.0**	0.4
Interest from debt securities	**19.1**	19.5
Dividend from fund and unlisted equity investments	**15.3**	21.7
	35.4	41.6

	2022 US$ million	2021 US$ million
Fair value change of financial assets at FVTPL		
Listed shares:		
– Realized (loss) gain on disposal	**(288.8)**	6.9
– Unrealized (loss) gain on fair value change	**(4.1)**	283.5
	(292.9)	290.4
Debt securities:		
– Realized (loss) gain on disposal	**(33.2)**	1.6
– Unrealized (loss) gain on fair value change	**(132.9)**	26.2
	(166.1)	27.8
Fund and unlisted equity investments:		
– Realized (loss) gain on disposal	**(41.4)**	4.6
– Unrealized (loss) gain on fair value change	**(7.4)**	15.2
	(48.8)	19.8
	(507.8)	338.0

As of 31 March 2022, the Group held a financial asset at FVTPL portfolio amounted to approximately US$203.2 million (2021: US$714.4 million) measured at market or fair value. The portfolio comprised of 16% listed shares, 10% debt securities and 74% fund and unlisted equity investments.

For the Year, the portfolio generated the dividend and interest revenue in total amount of approximately US$35.4 million (2021: US$41.6 million). It comprised of the following: (i) approximately US$1.0 million (2021: US$0.4 million) of dividend income from listed shares, (ii) approximately US$19.1 million (2021: US$19.5 million) interest income from debt securities, and (iii) approximately US$15.3 million (2021: US$21.7 million) of dividend income from fund and unlisted equity investments.

a. Listed shares

As of 31 March 2022, the Group held listed shares amounting to approximately US$31.5 million (2021: US$343.3 million) measured at market value. During the Year, the listed shares portfolio generated approximately US$1.0 million dividend income (2021: US$0.4 million). The Group recorded a loss of approximately US$292.9 million, which comprised of a realized loss on disposal of listed shares of approximately US$288.8 million (2021: a gain of US$6.9 million) and an unrealized loss on fair value changes in the listed shares of approximately US$4.1 million (2021: a gain of US$283.5 million) respectively. The realized loss was mainly attributable to the disposal of listed shares of China Evergrande New Energy Vehicle Group Limited ("Evergrande Vehicle Shares", HKEX stock code: 708) at the amount of approximately US$292.2 million. Details of the disposal were disclosed in the Company's announcement dated 5 October 2021. As of 31 March 2022, the Group did not hold any Evergrande Vehicle Shares.

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 (%)**
Banking and Finance	29.79%
Manufacturing	6.94%
Property & Construction	5.13%
Travel & Leisure	47.78%
Others	10.36%
	100.00%

b. ***Debt securities***

As of 31 March 2022, the carrying amount of the debt securities held by the Group was approximately US$21.0 million (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$21.0 million (2021: US$171.6 million), which represented approximately 2.5% of the Group's total assets (2021: 12.9%). During the Year, the Evergrande Notes generated an aggregated notes interest income of approximately US$18.7 million (2021: US$19.0 million).

Due to the outburst of China Evergrande liquidity crisis, the Group recognized an unrealized loss of approximately US$132.9 million on Evergrande Notes held. During the period from 6 October 2021 to 1 December 2021 (both dates inclusive), the Group disposed of certain Evergrande Notes through the open market ("Evergrande Notes Disposal"). Upon the Evergrande Notes Disposal and receipt of the proceeds of approximately US$12.1 million, a realized loss of approximately US$33.5 million was recognized in profit or loss. Details of Evergrande Notes Disposals were disclosed in the Company's announcement dated 11 October and 1 December 2021.

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

During the Year, the Group invested US$56.6 million in fund and unlisted equity investments, which were mainly payment for the commitment of existing funds, acquisition of interest in new investment funds and new unlisted equity investments. As of 31 March 2022, the Group held fund and unlisted equity investments in total of approximately US$150.7 million at fair value (2021: US$192.4 million). During the Year, the Group had received dividend income in total of approximately US$15.3 million (2021: US$21.7 million) from its fund and unlisted equity investments portfolio, representing a decrease of 29.5% as compared with the prior year.

Save as disclosed above, there was no other single investment in the Group's financial instruments that was considered as significant investment, which has a carrying amount accounting for more than 5% of the Group's total assets as at 31 March 2022.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2022, the Group held bank balances and cash amounted to approximately US$51.7 million (2021: US$49.3 million).

BORROWINGS AND PLEDGED OF ASSETS

During the Year, 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 31 March 2022, 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 31 March 2022, the outstanding balance of this bank loan was approximately GBP6.3 million (equivalent to approximately US$8.3 million), inclusive of interest accrued.

The Group, through its subsidiary, CST Coal, acquired certain mining assets of Grande Cache Coal LP ("GCC") 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 1.20% over 3 months LIBOR and are repayable in 5 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 31 March 2022, the outstanding balance of the principal of this bank loan was approximately US$408.41 million. During the Year, 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 5.00% per annum. As of 31 March 2022, the total outstanding balance of these two loans was US$461.2 million, inclusive of interest accrued. The Company has not given any guarantee for these loans from CMBC.

Based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio of the Group was 152.7% (2021: 61.1%).

As of 31 March 2022, CST Coal was holding approximately US$26.7 million of pledged bank deposit (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 31 March 2022, the Group's current assets and current liabilities were approximately US$248.5 million (2021: US$679.7 million) and US$151.5 million (2021: US$105.1 million) respectively. The Group's current ratio, expressed as current assets to current liabilities, was approximately 1.6 (2021: 6.5).

CAPITAL STRUCTURE

During the Year, the Company has not conducted any equity fund raising activities. As of 31 March 2022, the total number of issued Shares was 483,728,862 (2021: 483,728,862).

NET ASSET VALUE

As of 31 March 2022, the net asset value of the Group amounted to approximately US$286.6 million (2021: US$752.0 million). As compared with the prior year, it decreased by approximately 61.9%. The decrease in net asset value was mainly due to net loss for the Year of approximately US$464 million.

CAPITAL COMMITMENT

As of 31 March 2022, the capital commitment of the Group was approximately US$16.6 million (2021: US$5.4 million). It was mainly related to capital commitments of fund investments of the Group.

CONTINGENT LIABILITY

As of 31 March 2022, the Group had no contingent liability (2021: nil).

MATERIAL ACQUISITIONS, DISPOSAL AND FUTURE PLAN FOR MATERIAL INVESTMENT

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 Year.

HUMAN RESOURCES

As of 31 March 2022, the Group had 280 staff (2021: 69). Staff costs (excluding directors' emoluments) were approximately US$14.3 million (2021: US$12.8 million) for the Year. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong and 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 Canadian coal business, 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 EVENT

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, 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.

OUTLOOK

The global business and investment environment in 2022/2023 are expected to be difficult and challenging.

Looking ahead to the fiscal year 2023, uncertainties in the global economic outlook and the geopolitical conflict between Russia and Ukraine are expected to have a negative impact on the international financial environment and investment markets. In addition, stronger expectations of interest rate rise and shrinking balance sheet by the U.S. Federal Reserve in the year would bring more challenges to the market environment for the Group's relevant businesses. The Group will adopt a prudent approach and adjust its business strategies flexibly to respond to market changes in a timely manner.

As the coal mine of CST Coal resumed operation steadily, the impact of the Pandemic on the Group's mining business is expected to fade away gradually. Meanwhile, with the increase in international coking coal prices, the Group believes that its mining business will contribute more stable revenue in the fiscal year 2023. The Group will actively monitor the trend of the international coking coal market to enhance the overall efficiency of its mining business.

Faced with uncertainties in the global economic growth outlook and increased volatility of international financial markets, the Group will pay close attention to market dynamics, strengthen its risk management, improve profitability on business operations, and proactively address various challenges with an aim to improve its operations.

In summary, the Group will continue to monitor market developments closely, 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.

DIRECTORS' REPORT

The board of directors (the "Board") has pleasure in presenting its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2022 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consists of (i) exploration, development and mining of mineral resources, (ii) investment in financial instruments, (iii) property investment, and (iv) money lending. The particulars of the Company's principal subsidiaries are set out in Note 40 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2022 is set out on pages 2 to 12 and pages 15 to 26 of this annual report. The "Chairman's Statement", "Company Overview", "Project Overview" and "Management Discussion and Analysis" of this annual report form part of this Directors' report.

RESULTS AND DIVIDEND

Results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 55 to 56 of this annual report.

The Board has resolved not to declare any final dividend for the Year.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in Note 16 to the consolidated financial statements.

RESERVES

As at 31 March 2022, the Company's reserves available for distribution to Shareholders comprising share premium account less accumulated losses, amounted to approximately US$118,292,000 (2021: US$256,182,000).

Details of movements in the reserves of the Company and the Group during the Year are set out in Note 41 to the consolidated financial statements and in the consolidated statement of changes in equity on page 59 of this annual report respectively.

SHARE CAPITAL

Details of the share capital of the Company set out in Note 30 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:	**Independent Non-executive Directors:**
Mr. Chiu Tao *(Chairman)*	Mr. Yu Pan
Mr. Han Xuyang *(Chief Executive Officer)* (appointed on 3 January 2022)	Ms. Ma Yin Fan
Mr. Hui Richard Rui *(General Manager)*	Mr. Leung Hoi Ying
Mr. Lee Ming Tung *(Chief Financial Officer)* (resigned on 30 April 2021)	
Mr. Kwan Kam Hung, Jimmy	
Mr. Tsui Ching Hung (retired on 27 August 2021)	
Mr. Wah Wang Kei, Jackie	

In accordance with Article 91 of the articles of association of the Company (the "Articles of Association"), Mr. Han Xuyang will retire at the forthcoming annual general meeting (the "AGM") and, being eligible, offer himself for re-election.

In accordance with Article 99 of the Article of Association, Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying will retire by rotation at the AGM. Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

During the Year and up to the date of this annual report, none of the Directors being proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

SHARE OPTION SCHEME

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2022, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares, convertible notes or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were disclosed as follows:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Director	Capacity and nature of interests	Number of ordinary shares of the Company ("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, (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 31 March 2022, none of the Directors or chief executives of the Company and their respective associates had any interests or 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 the 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.

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

As at 31 March 2022, so far as known to the Directors or the chief executives of the Company, the following person/entity are the shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Capacity	Number of Shares/ underlying Shares	Approximate % of the issued share capital
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 31 March 2022, the Company has not been notified by any person (other than the Directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors under the Articles of Association of the Company is currently in force and was in force throughout the Year. The Company has arranged appropriate directors' and officer's liability insurance coverage for the Directors and other officers of the Company during the Year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the five largest customers accounted for approximately 44.9% of the Group's turnover, and the largest customer included therein amounted to approximately 38.9%. Purchases from the five largest suppliers accounted for approximately 54.5% of the total purchase for the Year, and purchase from the largest supplier included therein amounted to approximately 19.7%.

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

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

PRINCIPAL RISK FACTORS

MARKET MINERAL PRICE AND DEMAND

Fluctuation of market met coal price will affect the performance of coal mining business which will then affect the cashflow as well as the revenue of the Group. Market demand is one of the significant factors that has influence on the market met coal price. Change of the global economic situation, change of development of correlated industries such as steel industry, disasters caused by the mother nature or human being, and change of economic and political policies of met coal importing countries can move the met coal price from high to low or vice versa. Thus, change in market demand will also affect the sales of coal mining business, overall cashflow and performance of the Group.

COVID-19 PANDEMIC

With the impact of COVID-19 pandemic ("Pandemic"), the coal mining business of the Group had been suspended temporarily in May 2020 and resumed in October 2021. The Group will continue to monitor the Pandemic situation and implement related safety protocols at the Mine.

CREDIT RISK

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

FINANCIAL MARKET RISK

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

EXCHANGE RISK

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

ENVIRONMENTAL POLICIES

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

A separate Environmental, Social and Governance ("ESG") Report will be published on the websites of the Company and the Stock Exchange together with this annual report in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules. Discussion on the Group's ESG policies and performance, key relationships with the Company's stakeholders, and compliance with relevant laws and regulations which have significant impact on the Company are set out in the ESG Report.

COMPLIANCE WITH REGULATIONS

The Group is not aware of any instances of material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Listing Rules, and other applicable local laws and regulations in various jurisdictions during the year ended 31 March 2022 and up to the date of this annual report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

CORPORATE GOVERNANCE

The information set out in pages 34 to 49 and information incorporated by reference, if any, constitutes the Corporate Governance Report of the Company.

AUDITOR

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

On behalf of the Board

Chiu Tao
Chairman
Hong Kong, 28 June 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognised the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve sound standards of corporate governance, and has during the year ended 31 March 2022 (the "Year") complied with the code provisions of the Corporate Governance Code (the "Code") and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. Any deviation from the Code will be explained in this report.

BOARD OF DIRECTORS

As at the date of this annual report, the board (the "Board") of directors (the "Directors") of the Company comprises 5 executive Directors and 3 independent non-executive Directors (the "INEDs") as follows:

Executive Directors:

Mr. Chiu Tao *(Chairman)*
Mr. Han Xuyang *(Chief Executive Officer)*
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

The Directors are considered to possess a balance of skill and experience appropriate for the requirements of the business of the Company. The Directors' biographical details are set out in "Biographical Details of Directors" section of this annual report.

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

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

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

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

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

The Company has arranged its directors and officers liability insurance for Directors and officers of the Company in respect of potential legal actions against the Directors and officers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chiu Tao is the Chairman of the Board and Mr. Han Xuyang (appointed on 3 January 2022) is the Chief Executive Officer. The Chairman is responsible for leading the Board in the overall strategic development of the Group while the Chief Executive Officer is responsible for managing and smoothing the business operations of the Group. The Board believes that there is an effective and sufficient segregation of duties between the Chairman and the Chief Executive Officer.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

AUDIT COMMITTEE

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

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

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

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

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

REMUNERATION COMMITTEE

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

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

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

During the Year, the Remuneration Committee held two meetings to discuss remuneration matters of the Directors.

NOMINATION COMMITTEE

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

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

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

NOMINATION POLICY

The Company has a formal, considered and transparent procedure and process for the nomination and appointment of Directors. The Board has delegated its authority and duties for matters relating to selection and appointment of Directors to the Nomination Committee.

In January 2022, the Company was pleased to welcome Mr. Han Xuyang to the Board. The extensive experience of Mr. Han in capital markets, corporate finance transactions and mergers and acquisitions practices would boost diversity to the Board.

SELECTION CRITERIA

The summary of criteria listed below would be used as reference by the Nomination Committee in assessing the suitability of a candidate:

i. Reputation for integrity;

ii. Professional qualification, skills, knowledge and experience;

iii. Commitment in respect of available time and relevant interest;

iv. Level of independence;

v. Diversity in all its aspects, including but not limited to gender, age, cultural background, ethnicity, skills, knowledge and length of service;

vi. Independent non-executive director candidates must satisfy the independence requirements under the Rules Governing the Listing Rules; and

vii. Other factors which the Nomination Committee may consider appropriate.

NOMINATION PROCEDURES AND PROCESS

The summary of nomination process and procedure listed below would be followed when proposing a candidate for nomination or a Director for re-election.

1. *Appointment of New Directors*

i. The Nomination Committee shall, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate and assess such candidate based on the selection criteria as set out above to consider his/her appropriateness.

ii. In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such candidate and make recommendations for the Board's consideration and approval.

iii. In accordance with the Company's article of association, candidate appointed as a Director to fill a casual vacancy will be subject to re-election by the Shareholders at the first general meeting after his appointment; and candidate appointed as an additional Director will be subject to re-election by the Shareholders at the next following annual general meeting of the Company.

iv. The Shareholders approve the election of candidate, who stands for election at general meeting, as a Director.

2. *Re-election of Directors*

i. The Nomination Committee reviews and determines whether the retiring Director continues to meet the selection criteria set out above.

ii. The Nomination Committee shall recommend to the Board which shall then make recommendation to Shareholders in respect of the proposed re-election of Director at the annual general meeting.

iii. The Nomination Committee reviews the overall contribution to the Company of the retiring Director.

3. *Nomination by Shareholders*

Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the selection criteria set out above and determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee shall recommend to the Board which shall then make recommendation to the Shareholders in respect of the proposed election of the Director at a general meeting.

BOARD DIVERSITY POLICY

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

The Board Diversity Policy is set out below:

1. *Vision*

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

2. *Policy Statement*

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

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

3. *Measurable Objectives*

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

4. *Monitoring and Reporting*

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

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

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

During the Year, the Nomination Committee has reviewed the existing board structure which complies with the Board Diversity Policy.

INVESTMENT AND MANAGEMENT COMMITTEE

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

IMC Members
Mr. Chiu Tao *(Chairman)*
Mr. Hui Richard Rui
Mr. Wah Wang Kei, Jackie

Notes:

1. Mr. Lee Ming Tung ("Mr. Lee") resigned as an executive director of the Company on 30 April 2021. Following his resignation, Mr. Lee ceased as a member of the IMC.

2. Following the resignation of Mr. Lee, Mr. Wah Wang Kei, Jackie was appointed as a member of the IMC on 30 April 2021.

CORPORATE GOVERNANCE FUNCTION

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

- To develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
- To review and monitor the training and continuous professional development of the Directors and the senior management;
- To review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and the Directors;
- To review the Group's compliance with the Code and disclosure requirements in the Corporate Governance Report; and
- To oversee the Group's ESG policy and reporting, and ensure appropriate and effective ESG risk management and internal control procedures are in place.

ATTENDANCES OF MEETINGS

The attendance record of each Director at the respective meetings during the Year is set out below:

Name of Director	The number of meeting(s) attended/entitled to attend Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	(Note) General Meeting
Executive Directors:					
Mr. Chiu Tao	4/4	–	–	1/2	0/2
Mr. Han Xuyang (Appointed on 3 January 2022)	1/1	–	–	–	0/0
Mr. Hui Richard Rui	4/4	–	–	–	2/2
Mr. Lee Ming Tung (Resigned on 30 April 2021)	0/0	–	–	–	0/0
Mr. Kwan Kam Hung, Jimmy	4/4	–	–	–	2/2
Mr. Tsui Ching Hung (Retired on 27 August 2021)	2/2	–	–	–	2/2
Mr. Wah Wang Kei, Jackie	4/4	–	–	–	2/2
Independent Non-executive Directors:					
Mr. Yu Pan	4/4	2/2	2/2	2/2	2/2
Ms. Ma Yin Fan	4/4	2/2	2/2	2/2	2/2
Mr. Leung Hoi Ying	4/4	2/2	–	–	2/2

Note:

The Company held two shareholders' general meetings during the Year, the 2021 annual general meeting held on 27 August 2021 and the extraordinary general meeting held on 2 July 2021.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

(i) under code provision C.2.1* of the Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. From 1 April 2021 to 2 January 2022, the Company did not name any officer with the title of "Chief Executive Officer"; and Mr. Hui Richard Rui is the General Manager, and temporarily assumed the duty of "Chief Executive Officer" who is responsible for managing and smoothing the business operations of the Group, while Mr. Chiu Tao, the Chairman remains to be responsible for leading the Board in the overall strategic development of the Group. The Board believes that there is an effective and sufficient segregation of duties between the Chairman and the General Manager. On 3 January 2022, Mr. Han Xuyang has been appointed as the Chief Executive Officer of the Company. Accordingly, the Company has complied with the code provision C.2.1 of the CG Code since then.

(ii) according to code provision F.2.2* of the 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. In response to specific enquiry, all the directors of the Company confirmed that they have complied with the required standards as set out in the Model Code throughout the Year.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

All INEDs have signed the letters of appointment with the Company for a term of two years but they continue to be subject to retirement and re-election as governed by the Articles of Association of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

* With effect from 1 January 2022, code provision A.2.1 has been re-designated as C.2.1 and code provision E.1.2 has been re-designated as F.2.2.

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

Name of Director	(Note) Participated in continuous professional development
Executive Directors:	
Mr. Chiu Tao	√
Mr. Han Xuyang	√
Mr. Hui Richard Rui	√
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	√

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

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") directly reports to the Board. Following the resignation of Ms. Yeung Bik Shan as the Company Secretary on 1 March 2022, Mr. Wah Wang Kei, Jackie was appointed as the Company Secretary on 1 March 2022. Mr. Wah is a qualified solicitor and the in-house legal counsel of the Company. The Company Secretary has taken no less than 15 hours of the relevant professional training during the Year.

AUDITOR'S REMUNERATION AND PROFESSIONAL SERVICE FEES

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

During the Year, the fees for non-audit services in relation to taxation services and other professional and advisory services provided by the external auditor were approximately US$0.14 million. The fees for audit related services provided by the external auditor were approximately US$0.57 million.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

The Group, during the Year has engaged a professional firm as an independent advisor to timely perform internal control review and risk management assessment to aid the Group in ensuring the internal controls and risk management systems are functioning adequately. The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control measures as recommended by the independent advisor to enhance the internal control systems of the Group were adopted by the Board. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified during the Year.

PROCESS AND MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature, cost efficiency and complexity of the business of the Group, it would be more cost-effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Board will continue to review at least annually the need for an internal audit function. The independent advisor engaged by the Group would assist the Audit Committee to review the effectiveness of the Group's risk management and internal control systems. The external auditor of the Group would also assess the adequacy and effectiveness of certain key risk management and internal controls of the Group as part of their statutory audit process. The Group would review the need for an internal audit function on an annual basis.

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

Details of the ESG-related risks of the Group are set out in the ESG Report to be published on the websites of the Company and the Stock Exchange.

REVIEW OF EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

The Directors acknowledge their responsibility for reviewing the effectiveness of the Group's internal control and risk management systems. The Board has reviewed through the work of its Audit Committee and the internal control review report and the findings performed by independent advisor and was satisfied to the effectiveness of the Group's internal control and risk management systems for the year ended 31 March 2022.

ANTI-CORRUPTION AND WHISTLEBLOWING POLICY

The Group is committed to abiding by all laws and regulations or if necessary, exceeding them, to prevent corruption and bribery in all business dealings. Employees are expected to comply with all applicable laws, rules and regulations in relation to anti-corruption and bribery. The Group is also committed to maintaining good corporate governance, emphasizing accountability and a high degree of transparency which enable stakeholders to have trust and faith in the Group. Within the Group, anti-corruption and bribery policy and whistleblowing policy are in place to create a system for the employees of the Company to raise concerns about misconduct, malpractice or irregularity on any matters related to the Group.

INTERNAL CONTROL PROCEDURES FOR CREDIT AND MONEY LENDING SERVICES

The process and the control procedures of the money lending business are performed by the Investment and Management Committee ("IMC") of the Group and the management of Sun Power Finance Limited, a wholly-owned subsidiary of the Company. They review the loan portfolio of the Group regularly and conduct comprehensive reviews over the credit policies and control procedures regularly to manage the credit risk of the money lending business. Clear credit policies and controls procedures are in place covering the entire life cycle of money lending operation, which are summarised as follows:

Loan application	Upon receipt of loan application from potential borrowers, a series of know-your-client ("KYC") procedures are performed. The KYC procedures include communicating with the applicants to understand their financial needs and repayment abilities, inspecting supporting documents to verify their information submitted and performing background research. The results of the KYC procedures will be summarised and reported to the management for approval.
Loan approval	With reference to the application information and the KYC result, the management assesses the following factors in considering the loan application: 1) the financial ability of the applicant such as their financial performance in terms of assets, liabilities and annual income; 2) prevalent market interest rates; and 3) the availability of guarantee or provision of collateral. If the management approved the loan application, a set of loan documents together with the loan agreement are prepared and arranged among the borrower, the guarantor (if any) and the Group. Once the loan is properly documented and executed, the borrower can request for loan drawdown in accordance with the loan agreement.
Loan monitoring and repayment collection	For the post-lending management, the IMC is responsible for on-going monitoring of loan portfolio, loan recoverability, debt collection, identifying potential problems and recommending mitigating measures. In response to the mature loans, the management reminds the borrowers of the repayment schedules via phone calls, email or text messages. The financial information of the borrower is collected and reviewed in order to update their financial ability, credit risk and assess the loan recoverability. The background search for the borrower is also performed regularly in order to assess the other related risks such country/geographic risk and customer risk. In case of overdue loans or default, the IMC determines the follow-up actions including issue demand letter, seize of collateral, request guarantor for repayment and commence legal proceedings if necessary.

INSIDE INFORMATION

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

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS

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

A notice for the forthcoming AGM of the Company will be published on the websites of the Stock Exchange and the Company and despatched together with the Annual Report 2022 to the Shareholders in accordance with the articles of association of the Company and the CG Code.

Pursuant to the Articles of Association of the Company, an extraordinary general meeting shall also be convened on the written requisition of any two or more members holding at the date of the deposit of the requisition in aggregate not less than 10% of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the purposes of the meeting and must be signed by the requisitionists and deposited to our office at Rooms 4501-05, 45/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. If the Directors do not within 21 days from the date of the deposit of such requisition proceed duly to convene an extraordinary general meeting, the requisitionists themselves may convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene such a meeting shall be reimbursed to them by the Company.

Shareholders shall make a written requisition to the Board by mail to Rooms 4501-05, 45/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, specifying their shareholding information, their contact details and the proposals they intend to put forward at the general meetings regarding any specified transaction/business, together with supporting documents.

Shareholders may send enquiries and concerns to the Board by mail to Rooms 4501-05, 45/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong or by email at info@cstgrouphk.com. Such communications relating to matters within the Board's direct responsibilities shall be forwarded to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints shall be forwarded to the relevant senior management of the Company.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends, in any currency, to be paid to the Shareholders from sources as permissible in accordance with the Companies Act of the Cayman Islands.

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

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

CHANGES IN THE CONSTITUTIONAL DOCUMENTS

Upon the shareholders' approval by way of special resolution at the 2021 extraordinary general meeting held on 2 July 2021, the Company has adopted the Amended and Restated Memorandum and Articles of Association. Details of the changes made in the Amended and Restated Memorandum and Articles of Association are set out in the Shareholders' circular of the Company dated 9 June 2021. An up-to-date consolidated version of the Articles of Association of the Company has been posted on the websites of the Company and the Stock Exchange respectively.

INDEPENDENT AUDITOR'S REPORT

Deloitte. **德勤**

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

OPINION

We have audited the consolidated financial statements of CST Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 161, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value of investment in investment funds and unlisted equity investments classified as financial assets at fair value through profit or loss and categorised as level 3 under the fair value hierarchy	
We identified the measurement of fair value of investment in investment funds and unlisted equity investments classified as financial assets at fair value through profit or loss and categorised as Level 3 under the fair value hierarchy ("FV Level 3") as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, and due to the significant judgements and estimates made by management for the determination of the appropriate valuation methodology for the fair value measurement of the financial assets at fair value through profit or loss. As at 31 March 2022, the investment funds and unlisted equity investments classified as financial assets at fair value through profit or loss and categorised as FV Level 3 was US$101,104,000 and US$49,566,000, respectively as set out in note 19 to the consolidated financial statements. The details of the valuation methodology and unobservable inputs of FV Level 3 investment funds and unlisted equity investments are set out in notes 4, 19 and 32 to the consolidated financial statements.	Our procedures in relation to fair value of investment in investment funds and unlisted equity investments classified as financial assets at fair value through profit or loss and categorised as FV Level 3 included: • Obtaining and understanding of the entity's process regarding the determination of appropriate valuation methodologies in determining the fair value of the investment funds and unlisted equity investments classified as financial assets at fair value through profit or loss and categorised as FV Level 3; • Assessing the qualification and experience of the independent valuer performing the valuation; • Agreeing the number of fund units and shares of investments held by the Group to the confirmations received independently from the issuers; • Evaluating the appropriateness of the methodologies, integrity of assumptions and data used in determining the fair value of certain investments, with the assistance of our internal valuation specialist; and • Reviewing the financial statement disclosures made in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	NOTES	2022 US$'000	2021 US$'000
Revenue	5		
Sales		26,883	28,100
Interest income		23,156	25,766
Dividend income		16,350	22,077
Rental income		2,644	2,767
		69,033	78,710
Cost of sales		(24,584)	(40,898)
Gross profit		44,449	37,812
Other income and other gains and losses	6	7,213	71,446
Distribution and selling expenses		(3,628)	(10,137)
Administrative expenses		(33,741)	(34,711)
(Loss) gain on fair value changes of financial assets at fair value through profit or loss		(507,839)	338,020
Gain (loss) on fair value changes of investment properties	16	3,482	(4,266)
Gain on deemed disposal of interests in an associate	17	–	59
Impairment loss on financial assets under expected credit loss model, net		(740)	(1,350)
Reversal of impairment loss on property, plant and equipment	13	32,865	–
Share of result of a joint venture	18	(784)	2,036
Share of result of an associate	17	3,094	–
Finance costs	8	(7,319)	(9,164)
(Loss) profit before taxation	9	(462,948)	389,745
Taxation	10	(958)	(603)
(Loss) profit for the year		(463,906)	389,142

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	NOTE	2022 US$'000	2021 US$'000
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(1,444)	(16,237)
Reclassification of cumulative translation reserve upon disposal of foreign operations		–	582
Other comprehensive expense for the year		(1,444)	(15,655)
Total comprehensive (expense) income for the year		(465,350)	373,487
(Loss) profit for the year attributable to:			
Owners of the Company		(463,271)	386,589
Non-controlling interests		(635)	2,553
		(463,906)	389,142
Total comprehensive (expense) income attributable to:			
Owners of the Company		(464,832)	370,127
Non-controlling interests		(518)	3,360
		(465,350)	373,487
		US$	US$
(LOSS) EARNINGS PER SHARE			
Basic	12	(0.96)	0.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	NOTES	2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment	13	**365,777**	342,213
Right-of-use assets	14	**1,669**	12,110
Exploration and evaluation assets	15	**36,012**	35,785
Investment properties	16	**32,691**	47,411
Interests in a joint venture	18	**5,406**	6,190
Interests in an associate	17	**3,094**	–
Loan receivables	22	**–**	64,885
Financial assets at fair value through profit or loss	19	**127,778**	110,771
Club membership		**2,437**	2,437
Pledged bank deposits	23	**26,706**	25,206
		601,570	647,008
Current assets			
Inventories	20	**28,807**	10,746
Other receivables	21	**8,067**	8,324
Loan receivables	22	**74,067**	3,705
Amount due from an associate	17	**6,392**	–
Amount due from a joint venture	18	**4,042**	4,042
Financial assets at fair value through profit or loss	19	**75,421**	603,634
Bank balances and cash	23	**51,665**	49,262
		248,461	679,713
Current liabilities			
Trade and other payables and accruals	24	**8,472**	9,699
Tax payable		**1,844**	1,761
Derivative financial instruments		**–**	44
Bank and other borrowings – amount due within one year	25	**99,679**	36,660
Lease liabilities	26	**1,366**	16,812
Guarantee liability	28	**40,100**	40,100
		151,461	105,076
Net current assets		**97,000**	574,637
Total assets less current liabilities		**698,570**	1,221,645

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	NOTES	2022 US$'000	2021 US$'000
Non-current liabilities			
Bank and other borrowings – amount due after one year	25	376,171	440,540
Deferred tax liabilities	29	2,112	1,226
Lease liabilities	26	390	846
Provision for mine rehabilitation cost	27	27,125	27,035
Amounts due to non-controlling interests	40	6,124	–
		411,922	469,647
		286,648	751,998
Capital and reserves			
Share capital	30	620	620
Reserves		301,424	764,673
Equity attributable to owners of the Company		302,044	765,293
Non-controlling interests		(15,396)	(13,295)
		286,648	751,998

The consolidated financial statements on pages 55 to 161 were approved and authorised for issue by the Board of Directors on 28 June 2022 and are signed on its behalf by:

CHIU TAO
DIRECTOR

HUI RICHARD RUI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	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 losses) retained profit 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 year	–	–	–	–	–	–	386,589	386,589	2,553	389,142
Cancellation and consolidation of paid up share capital due to capital reorganisation (Note 30)	(495,512)	–	–	–	–	–	495,512	–	–	–
Exchange differences arising on translation of foreign operations	–	–	–	–	(17,044)	–	–	(17,044)	807	(16,237)
Reclassification of cumulative translation reserve upon disposal of foreign operations	–	–	–	–	582	–	–	582	–	582
Total comprehensive (expense) income for the year	(495,512)	–	–	–	(16,462)	–	882,101	370,127	3,360	373,487
At 31 March 2021	620	507,573	987	128,275	(9,831)	–	137,669	765,293	(13,295)	751,998
Loss for the year	–	–	–	–	–	–	(463,271)	(463,271)	(635)	(463,906)
Exchange differences arising on translation of foreign operations	–	–	–	–	(1,561)	–	–	(1,561)	117	(1,444)
Total comprehensive expense for the year	–	–	–	–	(1,561)	–	(463,271)	(464,832)	(518)	(465,350)
Change in ownership of interests in subsidiaries (Note c)	–	–	–	–	–	1,583	–	1,583	(1,583)	–
At 31 March 2022	620	507,573	987	128,275	(11,392)	1,583	(325,602)	302,044	(15,396)	286,648

Notes:

(a) The capital reserve of the Group (as 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 (as 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 year ended 31 March 2022, the Group entered into agreements with independent third parties for issuance of share capital of subsidiaries in return for shareholder loans from these independent third parties to the subsidiaries. The Group's interest in the subsidiaries decreased to 61.54% and 51% respectively and did not result in a loss of control over the subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 US$'000	2021 US$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(462,948)**	389,745
Adjustments for:		
Bank and other interest income	**(148)**	(225)
Impairment loss on financial assets under expected credit loss model, net	**740**	1,350
Finance costs	**7,319**	9,164
Depreciation on property, plant and equipment	**23,969**	19,865
Depreciation of right-of-use assets	**1,824**	2,923
Net of reversal on inventories written down to net realisable value	**(1,601)**	(1,070)
Loss (gain) on disposal of property, plant and equipment	**5**	(631)
Share of loss (profit) of a joint venture	**784**	(2,036)
Share of profit of an associate	**(3,094)**	–
(Gain) loss on fair value changes of investment properties	**(3,482)**	4,266
(Gain) loss on fair value changes of derivative financial instruments	**(44)**	118
Loss (gain) on fair value changes of financial assets at fair value through profit or loss	**507,839**	(338,020)
Reversal of impairment loss on property, plant and equipment	**(32,865)**	–
Gain on deemed disposal of interests in an associate	**–**	(59)
Gain on disposal of subsidiaries	**(14)**	(216)
Unrealised foreign exchange gain	**(3,845)**	(68,442)
Operating cash flows before movements in working capital	**34,439**	16,732
(Increase) decrease in inventories	**(16,334)**	14,339
Decrease in other receivables	**244**	18,615
Increase in loan receivables	**(6,217)**	(33,888)
Decrease in financial assets at fair value through profit or loss	**35,202**	146
Decrease in trade and other payables and accruals	**(859)**	(7,715)
Net cash from operations	**46,475**	8,229
Interest received	**148**	225
Profits tax paid	**(24)**	–
NET CASH FROM OPERATING ACTIVITIES	**46,599**	8,454

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	NOTE	2022 US$'000	2021 US$'000
INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit or loss		(54,006)	(22,011)
Purchase of property, plant and equipment		(2,374)	(3,096)
Net proceeds from disposal of subsidiaries	34	17,281	857
Placement of pledged bank deposits		(1,337)	(1,057)
Advance to an associate		(6,392)	–
Proceeds from disposal of financial assets at fair value through profit or loss		22,172	7,350
Proceeds from disposal of property, plant and equipment		–	752
NET CASH USED IN INVESTING ACTIVITIES		(24,656)	(17,205)
FINANCING ACTIVITIES			
Advance from non-controlling interests		6,124	–
New other borrowings raised		6,410	–
Repayments of bank borrowings		(27,990)	(4,803)
Interest paid		(1,516)	(1,929)
Repayments of lease liabilities		(1,884)	(1,846)
NET CASH USED IN FINANCING ACTIVITIES		(18,856)	(8,578)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		3,087	(17,329)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(684)	4,714
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		49,262	61,877
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		51,665	49,262
Represented by:			
Bank balances and cash		51,665	49,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

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"). Its immediate holding company is Atlas Keen Limited and the ultimate controlling party is Mr. Chiu Tao, who is also the chairman of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report for the year ended 31 March 2022 of the Company.

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) investments in financial instruments, (iii) property investment, and (iv) money lending. The principal activities of each of its principal subsidiaries are set out in note 40 to these consolidated financial statement.

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

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

AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 April 2021 for the preparation of the 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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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

AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures" ("HKFRS 7").

As at 1 April 2021, the Group has several bank borrowings and interest rate swaps, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial liabilities and derivatives are shown at their carrying amounts.

	Hong Kong Interbank Offered Rate ("HIBOR")	**GBP London Interbank Offered Rate ("LIBOR")**
	US$'000	US$'000
Financial liability		
Bank borrowings	26,634	450,566
Derivative		
Interest rate swaps	–	44

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The borrowings that are linked to HIBOR and the derivatives have been repaid/expired during the year ended 31 March 2022. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings that are linked to LIBOR measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 32.

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

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

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

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

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

Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments:

- update a reference in HKFRS 3 "Business Combinations" ("HKFRS 3") so that it refers to the "Conceptual Framework for Financial Reporting 2018" issued in June 2018 (the "Conceptual Framework") instead of "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting 2010" issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" ("HKAS 37") or HK(IFRIC)-Int 21 "Levies", an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 April 2022.

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

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

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

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

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

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

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

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

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

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

As at 31 March 2022, the Group's right to defer settlement for borrowings of US$376,171,000 are subject to compliance with covenants within 12 months from the reporting date. Such borrowings were classified as non-current as the Group only start to repay the principal and interest when there is net positive cash flow from operations of CST Canada Coal Limited ("CCC"), a subsidiary of the Group, and the management of the Group does not expect there is net cash flow within 12 months after the reporting period for settlement of these borrowings. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess whether application of the amendments will have an impact on the classification of these borrowings. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements. Except for as disclosed above, the application of the amendments will not result in reclassification of the Company's liabilities as at 31 March 2022.

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

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

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

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

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

Amendments to HKAS 8 Definition of Accounting Estimates ("HKAS 8")

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

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

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

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

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

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities and provisions for rehabilitation cost, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

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

The amendments are effective for annual reporting periods beginning on or after 1 April 2023, with early application permitted. As at 31 March 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to US$1,669,000 and US$1,756,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

3.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

3.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination or asset acquisitions

Optional concentration test

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

Asset acquisitions

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

Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the "Framework for the Preparation and Presentation of Financial Statements" (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination or asset acquisitions (Continued)

Business combinations (Continued)

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

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

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

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

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in an associate and a joint venture (Continued)

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

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

Revenue from contracts with customers

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

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

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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

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

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercise purchase options, the carrying amount of the relevant right-of-use assets are transferred to property, plant and equipment.

Refundable rental deposits

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

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

Refundable rental deposits

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

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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

Exploration and evaluation assets

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation assets (Continued)

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

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

Exploration and evaluation assets are assessed for impairment if:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Mine property and development assets

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Stripping cost

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

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

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

Capital work in progress

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

Depreciation

Depreciation is recognised so as to write off the cost of assets other than capital work in progress less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation (Continued)

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

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

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

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

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

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Financial instruments

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

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

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

A financial asset is held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

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

Financial assets at FVTPL

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

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

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets including trade and other receivables, loan receivables, amount due from a joint venture, amount due from an associate, bank balances, pledged bank deposits and other item (financial guarantee contracts) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on trade receivables are assessed individually for debtors.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity instruments

Classification as debt of equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

(i) the amount of loss allowance determined in accordance with HKFRS 9; and

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial liabilities

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

Derivative financial instruments

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

Taxation

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

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

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, and provision for rehabilitation cost in which the tax deductions are attributable to ultimate cost incurred, the Group applies HKAS 12 requirements to the transaction as a whole. Temporary differences relating to relevant assets and related liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities and the estimated cost for provision for rehabilitation cost results in net deductible temporary differences.

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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

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

Exchange differences relating to the retranslation of the Group's net assets in HK$ to the Group's presentation currency (i.e. US$) are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme, Registered Retirement Savings Plan, Compulsory Superannuation Guarantee Contributions and state-sponsored pension scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term employee benefits

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

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

Impairment on property, plant and equipment and right-of-use assets

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment and right-of-use assets (Continued)

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

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

Provisions

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (Continued)

Provision for mine rehabilitation cost

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

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

Government grants

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Club membership

Club membership are measured at cost less any impairment losses.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties in Hong Kong. However, for those investment properties in the PRC, the deferred taxes on changes in fair value of investment properties are recognised taking into account the Land Appreciation Tax and Enterprise Income Tax payable upon sales of those investment properties in the PRC. During the year ended 31 March 2022, the fair value gain of US$837,000 (2021: fair value loss of US$211,000) have been recognised on the investment properties located in PRC. During the year ended 31 March 2022, deferred taxation amount of US$209,000 (2021: nil) had been recognised from the fair value gain (2021: loss) from the investment properties located in PRC.

On 6 April 2019, the Her Majesty's Revenue and Customs had revised the capital gain tax rule in the United Kingdom (the "UK") and subsequent to 6 April 2019, the disposal of investment properties will be subjected to capital gain tax. Therefore, the investment properties in the UK will be subject to income taxes for any changes in the fair value compared to the fair value of the investment properties as at 6 April 2019 or at the initial acquisition cost of the investment properties, whichever is higher, upon disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

Deferred taxation on investment properties (Continued)

During the year ended 31 March 2022, the fair value gain of US$2,645,000 (2021: fair value losses of US$1,492,000) have been recognised on the investment properties located in UK. During the year ended 31 March 2022, deferred taxation amount of US$104,000 (2021: nil) had been recognised from the fair value gain (2021: loss) from the investment properties located in UK.

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

In April 2014, the Group formed Mission Right with another party and has 50% of ownership interest and Mission Right is accounted for a joint venture of the Group, as set out in note 18.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Fair value measurement of financial instruments

As at 31 March 2022, certain of the Group's financial assets, investment funds and unlisted equity investments amounting to US$101,104,000 and US$49,566,000 (2021: US$178,917,000 and US$13,470,000), respectively are measured at fair value with fair value being determined based on respective valuation methodologies with significant unobservable inputs. Judgment and estimation are required in establishing the relevant valuation methodologies and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See notes 19 and 32 for further disclosures.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Fair values of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 16.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, travel restrictions implemented by many countries, increased complexity in international trade tensions geopolitics, changes in policy direction and/or mortgage requirements, or other unexpected incidents would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2022, the carrying amount of the Group's investment properties is US$32,691,000 (2021: US$47,411,000).

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired or reversal of impairment, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the coal price projection could materially affect the recoverable amount in the impairment assessment.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of property, plant and equipment and right-of-use assets (Continued)

In view of resuming mining operations and the increase in the coal price during the year ended 31 March 2022, there are indicators of reversal of impairment of certain property, plant and equipment. Where an impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior years. The value in use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to arise from the coal mine operation, net of any working capital and taxation. In cases where the actual cash flows are less or more than expected, or change in facts and circumstances which result in revision of future cash flows estimation or discount rate, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place. The detailed information about the impairment reversal of property, plant and equipment is set out in note 13.

As at 31 March 2022, the carrying amounts of certain property, plant and equipment and right-of-use assets of mining business segment amounted to US$343,771,000 (2021: US$270,082,000), after taking into account the reversal of impairment of US$32,865,000 (2021: Nil) recognised in profit or loss during the year.

Estimated net realisable value of inventories

Inventories are reviewed for their net realisable value at the end of each reporting period, and the Group will make reversal to the previously recorded allowance for inventories with net realisable values higher than their carrying amounts. The excess of net realisable value over carrying value of inventories as at 31 March 2022 was amounted to US$1,601,000 (2021: US$1,070,000). The management estimates the net realisable value based primarily on the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale include incremental costs directly attributable to the sales and non-incremental costs which the Group must incur to make the sales. The carrying amount of inventories after reversal of the allowance for write-down of the Group as at 31 March 2022 is US$28,807,000 (2021: US$10,746,000).

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provision for mine rehabilitation cost

A provision for future rehabilitation cost requires estimates and assumptions to be made based on the relevant regulatory framework, the magnitude of the possible disturbance and the timing, extent and costs of the required closure and rehabilitation activities. To the extent that the actual future costs differ from these estimates, adjustments will be recorded and the consolidated statement of profit or loss and other comprehensive income could be impacted. The provisions, including the estimates and assumptions contained therein, are reviewed regularly by management. As at 31 March 2022, provision for mine rehabilitation cost is at carrying amount of US$27,125,000 (2021: US$27,035,000).

Fair value of measurement and valuation processes

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

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties and certain types of financial instruments. The detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets are set out in notes 16, 19 and 32(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. 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 year is as follows:

	2022 US$'000	2021 US$'000
Sale of coal	26,883	28,100
Revenue from contracts with customers	26,883	28,100
Residential rental income	122	369
Office rental income	2,522	2,398
Dividend income	16,350	22,077
Interest income from financial assets at FVTPL	19,067	19,475
Interest income from money lending business	4,089	6,291
Total revenue	69,033	78,710
Disaggregation of revenue from contracts with customers		
Sale of coal	26,883	28,100
Timing of revenue recognition		
A point in time	26,883	28,100
Leases		
Operating lease payments that are fixed (Note)	2,644	2,767

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

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 14 days from the date of lading.

SEGMENT INFORMATION

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

5. REVENUE/SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION (Continued)

Specifically, the Group's operating and reportable segments under HKFRS 8 "Operating Segments" ("HKFRS 8") were organised into four (2021: four) main operating divisions – (i) mining business, (ii) investments 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, gain on deemed disposal of interests in an associate, central administration costs, finance costs, share of result of a joint venture and share of result of an associate).

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	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Mining business	**26,883**	28,100	**14,089**	(31,439)
Investments in financial instruments	**35,417**	41,552	**(474,257)**	369,154
Property investment	**2,644**	2,767	**5,323**	(2,250)
Money lending	**4,089**	6,291	**3,878**	4,859
	69,033	78,710	**(450,967)**	340,324
Other income and other gains and losses			**7,213**	71,446
Gain on deemed disposal of interests in an associate			**–**	59
Central administration costs			**(14,185)**	(14,956)
Finance costs			**(7,319)**	(9,164)
Share of result of a joint venture			**(784)**	2,036
Share of result of an associate			**3,094**	–
(Loss) profit before taxation			**(462,948)**	389,745

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. REVENUE/SEGMENT INFORMATION (Continued)

SEGMENT ASSETS AND LIABILITIES

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

	2022 US$'000	2021 US$'000
Segment assets:		
– Mining business	460,098	431,162
– Investments in financial instruments	208,275	727,390
– Property investment	35,622	50,386
– Money lending	74,234	68,824
Total segment assets	778,229	1,277,762
Unallocated assets:		
– Bank balances and cash	22,148	6,908
– Property, plant and equipment	22,008	25,740
– Right-of-use assets	1,582	2,443
– Others	26,064	13,868
	71,802	48,959
Consolidated total assets	850,031	1,326,721
Segment liabilities:		
– Mining business	536,633	528,244
– Investments in financial instruments	6,410	28,785
– Property investment	10,148	11,683
– Money lending	29	29
Total segment liabilities	553,220	568,741
Unallocated liabilities:		
– Lease liabilities	1,662	2,602
– Others	8,501	3,380
	10,163	5,982
Consolidated total liabilities	563,383	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, certain right-of-use assets, certain other receivables, club membership, interests in an associate, amount due from an associate, interests in a joint venture 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. REVENUE/SEGMENT INFORMATION (Continued)

OTHER SEGMENT INFORMATION

2022

	Mining business US$'000	Investments in financial instruments US$'000	Property investment US$'000	Money lending US$'000	Unallocated US$'000	Total US$'000
Amounts included in the measure of segment results or segment assets:						
Gain on fair value changes of investment properties	–	–	3,482	–	–	3,482
Additions to non-current assets	2,088	–	–	–	1,294	3,382
Depreciation on property, plant and equipment	(20,232)	–	–	–	(3,737)	(23,969)
Depreciation on right-of-use assets	(140)	–	–	–	(1,684)	(1,824)
Loss on fair value changes of financial assets at FVTPL	–	(507,839)	–	–	–	(507,839)
Impairment loss on ECL	–	–	–	(740)	–	(740)
Reversal of impairment loss on property, plant and equipment	32,865	–	–	–	–	32,865
Share of result of a joint venture	–	–	–	–	(784)	(784)
Share of result of an associate	–	–	–	–	3,094	3,094
Interest revenue	–	19,067	–	4,089	–	23,156
Interest expense	(6,474)	(144)	(317)	–	(384)	(7,319)
Income tax expense	(486)	–	(445)	(27)	–	(958)

2021

	Mining business US$'000	Investments in financial instruments US$'000	Property investment US$'000	Money lending US$'000	Unallocated US$'000	Total US$'000
Amounts included in the measure of segment results or segment assets:						
Loss on fair value changes of investment properties	–	–	(4,266)	–	–	(4,266)
Additions to non-current assets	2,799	–	–	–	1,604	4,403
Depreciation on property, plant and equipment	(16,660)	–	–	–	(3,205)	(19,865)
Depreciation on right-of-use assets	(1,221)	–	–	–	(1,702)	(2,923)
Gain on fair value changes of financial assets at FVTPL	–	338,020	–	–	–	338,020
Impairment loss on ECL	–	–	–	(1,350)	–	(1,350)
Share of result of a joint venture	–	–	–	–	2,036	2,036
Interest revenue	–	19,475	–	6,291	–	25,766
Interest expense	(8,102)	(528)	(365)	–	(169)	(9,164)
Income tax expense	(442)	–	(133)	(28)	–	(603)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. REVENUE/SEGMENT INFORMATION (Continued)

GEOGRAPHICAL INFORMATION

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

	Revenue from external customers		Carrying amounts of non-current assets	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
The People's Republic of China (the "PRC"), other than Hong Kong	**362**	239	**7,318**	6,278
Hong Kong	**14,723**	25,199	**32,090**	51,694
Canada	**26,883**	28,100	**379,868**	361,925
The United Kingdom (the "UK")	**2,250**	2,159	**25,373**	23,812
Singapore	**18,663**	19,028	**–**	–
Others	**6,152**	3,985	**–**	–
	69,033	78,710	**444,649**	443,709

INFORMATION ABOUT MAJOR CUSTOMERS

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

	Year ended 31 March	
	2022	2021
	US$'000	US$'000
Customer A	**–**	13,887
Customer B	**–**	10,687
Customer C	**26,883**	–

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2022 US$'000	2021 US$'000
Other income		
Bank and other interest income	148	225
Government grant (Note)	538	1,138
Others	50	641
	736	2,004
Other gains and losses		
Fair value gain (loss) on derivative financial instruments	44	(118)
(Loss) gain on disposal of property, plant and equipment	(5)	631
Gain on disposal of subsidiary (Note 34)	14	216
Net foreign exchange gain	4,237	67,309
Others	2,187	1,404
	6,477	69,442
	7,213	71,446

Note: During the year ended 31 March 2022, the Group recognised government grant of US$538,000 (2021: US$1,138,000) in respect of Covid-19-related subsidies, of which nil (2021: US$300,000) is related to Employment Support Scheme provided by government in Hong Kong.

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

(A) DIRECTORS

The emoluments paid or payable to each of the ten (2021: nine) directors were as follows:

	2022				
Name	Fees US$'000	Basic salaries allowances and benefits-in-kind US$'000	Performance related bonus US$'000	Contributions to retirement benefit scheme US$'000	Total US$'000
Executive Directors (Note i)					
Chiu Tao (Chairman) (Notes ii and x)	–	5,298	–	–	5,298
Han Xuyang (Note iv)	–	157	–	1	158
Hui Richard Rui (Note iii)	–	597	–	2	599
Kwan Kam Hung, Jimmy	–	231	–	2	233
Lee Ming Tung (Note v)	–	29	–	–	29
Tsui Ching Hung (Note vii)	–	85	–	–	85
Wah Wang Kei, Jackie	–	546	–	2	548
Independent Non-executive Directors (Note vi)					
Leung Hoi Ying	19	–	–	–	19
Ma Yin Fan	26	–	–	–	26
Yu Pan	15	–	–	–	15
	60	6,943	–	7	7,010

	2021				
Name	Fees US$'000	Basic salaries allowances and benefits-in-kind US$'000	Performance related bonus US$'000	Contributions to retirement benefit scheme US$'000	Total US$'000
Executive Directors (Note i)					
Chiu Tao (Chairman) (Notes ii and x)	–	5,330	–	2	5,332
Hui Richard Rui (Note iii)	–	596	115	2	713
Kwan Kam Hung, Jimmy	–	231	154	2	387
Lee Ming Tung (Note v)	–	184	50	2	236
Tsui Ching Hung	–	201	38	–	239
Wah Wang Kei, Jackie	–	545	77	2	624
Independent Non-executive Directors (Note vi)					
Leung Hoi Ying	19	–	–	–	19
Ma Yin Fan	26	–	–	–	26
Yu Pan	15	–	–	–	15
	60	7,087	434	10	7,591

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

(A) DIRECTORS (Continued)

Notes:

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

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

(iii) Mr. Hui Richard Rui is the General Manager of the Company, whose role is equivalent to a chief executive officer from 1 April 2021 to 2 January 2022 and his emoluments disclosed above include those for services rendered by him.

(iv) Appointed as an executive director and chief executive officer of the Company with effect from 3 January 2022.

(v) Resigned as an executive director of the Company with effect from 30 April 2021.

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

(vii) Resigned as an executive director of the Company with effect from 27 August 2021.

(viii) The performance related bonus payable to executive directors is determined based on the performance of the individual directors.

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

(x) The Group has been providing accommodation, which is leased from third party, to Mr. Chiu Tao for use by him and his family members at no charge. The estimated money value of the benefit in kind approximately US$630,000 (2021: US$663,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

(B) INFORMATION REGARDING EMPLOYEES' EMOLUMENTS

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

	2022 US$'000	2021 US$'000
Salaries, allowances and benefits-in-kind	853	696
Retirement benefits	2	2
	855	698

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

	2022 No. of employee	2021 No. of employee
HK$1,500,001 to HK$2,000,000 (equivalent to US$192,308 to US$256,410)	1	–
HK$4,500,001 to HK$5,000,000 (equivalent to US$576,923 to US$641,025)	1	–
HK$5,000,001 to HK$5,500,000 (equivalent to US$641,026 to US$705,128)	–	1

During the years ended 31 March 2022 and 2021, no emoluments were paid by the Group to the directors and the chief executive of the Company or the five highest paid individuals of the Group (including directors, the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

8. FINANCE COSTS

	2022 US$'000	2021 US$'000
Interest expense on lease liabilities	104	1,012
Interest expense on bank borrowings	6,854	8,023
Interest expense on other borrowings	361	129
	7,319	9,164

9. (LOSS) PROFIT BEFORE TAXATION

	2022 US$'000	2021 US$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (Note 7(A))	7,010	7,591
Contributions to retirement benefit scheme to employees	442	256
Other staff costs	13,868	12,590
Total staff costs	21,320	20,437
Less: amount capitalised in cost of producing the inventories	(7,066)	(4,532)
Total staff costs included in administrative expenses	14,254	15,905
Auditor's remuneration	572	552
Depreciation on property, plant and equipment	23,969	19,865
Depreciation of right-of-use assets	1,824	2,923
	25,793	22,788
Less: amount capitalised in cost of producing the inventories	(17,256)	(16,587)
	8,537	6,201
Cost of inventories recognised as an expense (Net of reversal on inventories write down to net realisable value of US$1,601,000 (2021: US$1,070,000))	24,584	40,898
and after crediting:		
(Loss) gain on disposal of property, plant and equipment	(5)	631
Gross rental income less direct operating expenses of US$325,000 (2021: US$415,000) from investment properties that generated rental income during the year	2,319	2,352

10. TAXATION

	2022 US$'000	2021 US$'000
Current tax:		
Charge for the year		
PRC	27	24
Hong Kong	28	28
UK	104	109
	159	161
Deferred tax (Note 29)	799	442
Taxation for the year	958	603

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

Under the applicable corporate tax law in the UK, the tax rate is 19% (2021: 19%) of the estimated assessable profits.

Under the applicable corporate tax law in Alberta, Canada, the tax rate is 26% (2021: 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 years.

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

10. TAXATION (Continued)

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

	2022 US$'000	2021 US$'000
(Loss) profit before taxation	**(462,948)**	389,745
Tax at the respective domestic income tax rates (Note)	**(74,875)**	66,876
Tax effect of share of result of a joint venture	**129**	(336)
Tax effect of share of result of an associate	**(102)**	–
Tax effect of expenses not deductible for tax purpose	**27,105**	3,211
Tax effect of income not taxable for tax purpose	**(13,480)**	(78,644)
Tax effect of tax losses not recognised	**62,204**	14,655
Tax effect of utilisation of tax losses previously not recognised	**(2)**	(5,138)
Tax effect of two-tiered profits tax regime	**(21)**	(21)
Taxation for the year	**958**	603

Note: The domestic tax rates in Hong Kong of 16.5% (2021: 16.5%), PRC of 25% (2021: 25%), UK of 19% (2021: 19%) and Alberta, Canada of 26% (2021: 26%), which are jurisdictions where the operations of the Group are substantially used.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

12. (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:

	2022 US$'000	2021 US$'000
(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share	**(463,271)**	386,589

	Number of shares 2022 '000	 2021 '000
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**483,729**	483,729

No diluted (loss) earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

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13. PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress	Mine property and development assets	Plant and equipment	Owned properties	Leasehold improvements	Furniture and equipment	Motor vehicles	Vessel	Software	Aircraft	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST											
At 1 April 2020	8,854	493,711	39,691	8,291	182	1,556	79,253	16,148	1,213	19,304	668,203
Exchange adjustments	896	40,521	5,084	227	–	–	10,063	–	162	–	56,953
Additions	1,885	915	–	–	1,166	137	–	39	–	–	4,142
Disposals/write-off	–	–	–	–	(9)	(526)	(272)	(5,371)	–	–	(6,178)
At 31 March 2021	11,635	535,147	44,775	8,518	1,339	1,167	89,044	10,816	1,375	19,304	723,120
Exchange adjustments	38	2,256	283	13	–	–	1,451	–	34	–	4,075
Additions	–	–	–	–	–	15	2,336	23	–	–	2,374
Disposals/write-off	–	(80)	–	–	(159)	(130)	(71)	–	–	–	(440)
Reclassification	(5,760)	55	–	–	–	–	5,705	–	–	–	–
Transfer from right-of-use assets	–	9,442	–	–	–	–	–	–	–	–	9,442
At 31 March 2022	5,913	546,820	45,058	8,531	1,180	1,052	98,465	10,839	1,409	19,304	738,571
DEPRECIATION AND IMPAIRMENT											
At 1 April 2020	2,722	281,777	11,640	5,725	155	1,451	35,057	4,717	608	4,344	348,196
Exchange adjustments	–	12,093	1,602	31	–	–	5,092	–	82	–	18,900
Provided for the year	–	1,508	1,220	118	236	47	13,232	1,251	322	1,931	19,865
Eliminated on disposals/write-off	–	–	–	–	(9)	(522)	(237)	(5,286)	–	–	(6,054)
At 31 March 2021	2,722	295,378	14,462	5,874	382	976	53,144	682	1,012	6,275	380,907
Exchange adjustments	–	607	80	4	–	–	410	–	8	–	1,109
Provided for the year	–	2,880	277	85	387	49	16,713	1,249	398	1,931	23,969
Eliminated on disposals/write-off	–	–	–	–	(138)	(121)	(67)	–	–	–	(326)
Reversal of impairment	–	(26,505)	(3,580)	(160)	–	–	(2,611)	–	(9)	–	(32,865)
At 31 March 2022	2,722	272,360	11,239	5,803	631	904	67,589	1,931	1,409	8,206	372,794
CARRYING VALUES											
At 31 March 2022	3,191	274,460	33,819	2,728	549	148	30,876	8,908	–	11,098	365,777
At 31 March 2021	8,913	239,769	30,313	2,644	957	191	35,900	10,134	363	13,029	342,213

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

IMPAIRMENT ASSESSMENT

With the impacts of Coronavirus disease 2019 ("COVID-19"), there was decrease in coal price and demand on coal during the year ended 31 March 2020, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and right-of-use assets (as set out in note 14). The Group estimates the recoverable amount of the cash-generating unit of mining business segment to which the asset belongs when it is not possible to estimate the recoverable amount individually.

The directors of the Company has suspended its coal mining operations at the coal mine located near Grande Cache, Alberta (the "Mine") to ensure worker safety in accordance with applicable public health guidelines, and to prevent an outbreak of COVID-19 among the workforce at the Mine and in the remote community of Grande Cache on 13 May 2020. Subsequently, an approval to resume mining operations has been obtained from the local government on 7 October 2021 and the mining operations have been resumed since October 2021.

In view of resuming mining operations and the increase in the coal price during the year ended 31 March 2022, there are an indicators of reversal of impairment of certain property, plant and equipment. Where an impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior years.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

IMPAIRMENT ASSESSMENT (Continued)

The recoverable amount of cash-generating units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years with zero growth rate and latest life of mine plans for the further 15 years with zero growth rate and a pre-tax discount rate is 12% as at 31 March 2022. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development. In preparing the forecast, management made reference to the latest verified levels of mineral reserves and the production cost projection and the future production capacity according to the technical report dated 31 March 2022.

Based on the result of the assessment as at 31 March 2022, management of the Group determined that the recoverable amount of the cash-generating units amounting to US$343,771,000 is higher than the carrying amount after impairment. The reversal amount has been allocated to each category of property, plant and equipment such that the carrying amount of each category of asset does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior years. Based on the value in use calculation and the allocation, a reversal of US$32,865,000 has been recognised in profit or loss regarding to the carrying amount of property, plant and equipment as at 31 March 2022, which are used in mining business.

14. RIGHT-OF-USE ASSETS

	Leased properties	Mining trucks and equipment	Total
	US$'000	US$'000	US$'000
As at 31 March 2022			
Carrying amount	1,660	9	1,669
As at 31 March 2021			
Carrying amount	2,562	9,548	12,110
For the year ended 31 March 2022			
Depreciation charge	1,724	100	1,824
For the year ended 31 March 2021			
Depreciation charge	1,743	1,180	2,923

14. RIGHT-OF-USE ASSETS (Continued)

	2022 US$'000	2021 US$'000
Total cash outflow for leases (Note)	**1,988**	2,858
Additions to right-of-use assets	**1,008**	261

Note: Amount includes payments of principal of US$1,884,000 (2021: US$1,846,000) and interest portion of US$104,000 (2021: US$1,012,000) of lease liabilities.

As at 31 March 2022, the Group leases various offices, warehouses and staff quarter (2021: offices, warehouse, staff quarter and mining trucks and equipment) for its operations. Lease contracts are entered into for fixed term of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, lease liabilities of US$1,756,000 are recognised with related right-of-use assets of US$1,669,000 as at 31 March 2022 (2021: lease liabilities of US$17,658,000 and related right-of-use assets of US$12,110,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

15. EXPLORATION AND EVALUATION ASSETS

	US$'000
COST	
At 1 April 2020	31,719
Exchange adjustment	4,066
At 31 March 2021	35,785
Exchange adjustment	227
At 31 March 2022	36,012

During the year ended 31 March 2021 and 31 March 2022, the management conducted a review on the recoverable amount of the individual cash-generating unit related to the Group's exploration and evaluation assets for mining of coal. The recoverable amount of the relevant assets has been determined on the basis of the fair value less cost to sell. No impairment loss was recognised for both years ended 31 March 2021 and 2022.

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16. INVESTMENT PROPERTIES

	2022 US$'000	2021 US$'000
FAIR VALUE		
At the beginning of the year	47,411	48,599
Disposal of investment properties through disposal of subsidiaries (Note 34(A))	(17,321)	–
Gain (loss) on fair value changes recognised in profit or loss	3,482	(4,266)
Exchange adjustment	(881)	3,078
At the end of the year	32,691	47,411

The fair value of the Group's investment properties as at 31 March 2022 and 2021 has been arrived at on the basis of a valuation carried out on those dates by independent qualified professional valuers not connected with the Group.

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

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

The Group engages independent valuers, namely Valplus Business Advisory and Roma Appraisals Limited (2021: Asset Appraisal Limited and WM Corporate Advisory Limited), to perform its valuations. The person in charge of financial matters reports the management's findings, if any, to the board of directors twice per year to explain the cause of fluctuations in the fair value of the assets.

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

The properties were rented out under operating leases and categorised at Level 3 (2021: Level 3) under the fair value hierarchy.

16. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2022 and 2021 are as follows:

	Fair value as at 31 March 2022 US$'000	2021 US$'000
Residential units located in Hong Kong	–	17,321
Commercial units located in the PRC	**7,318**	6,278
Commercial units located in the UK	**25,373**	23,812
	32,691	47,411

As at 31 March 2022, except for the commercial properties in the PRC amounted to US$7,318,000 (2021: US$17,321,000 of residential properties in Hong Kong and US$6,278,000 of commercial properties in the PRC), the remaining commercial properties in the UK have been pledged to secure the bank borrowings granted to the Group.

The following table gives information about how the fair values of these investment properties as at 31 March 2022 and 31 March 2021 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 3) based on the degree to which the inputs to the fair value measurements is observable.

	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 1 – Properties in Changning District, Shanghai City, the PRC	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property	Price per square metre, using market direct comparable and taking into account the adjusting factors such as floor and direction of the property, of RMB21,957 per square metre (2021: RMB21,775 per square metre)	A slight increase in the price per square metre will increase slightly the fair value, and vice versa.	If the market price to the valuation model is 5% higher/lower while all the other variables were held constant, the carrying value of the investment properties would increase/decrease by US$110,000 (equivalent to RMB706,000 (2021: US$106,000 (equivalent to RMB700,000)).

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16. INVESTMENT PROPERTIES (Continued)

	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 2 – Properties in Luohu District, Shenzhen, the PRC	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property	Price per square metre, using market direct comparable and taking into account the adjusting factors such as floor and direction of the property, of RMB20,733 per square metre (2021: RMB17,413 per square metre)	A slight increase in the price per square metre will increase slightly the fair value, and vice versa.	If the market price to the valuation model is 5% higher/lower while all the other variables were held constant, the carrying value of the investment properties would increase/decrease by US$256,000 (equivalent to RMB1,637,000) (2021: US$208,000 (equivalent to RMB1,375,000)).
Property 3 – Property in Edinburgh, the UK	Income capitalisation method based on market rent and capitalisation rate of similar properties	Market rent per square foot of GBP18.55 (2021: GBP13.54)	The higher the market rent, the higher the fair value, and vice versa.	If the market rent to the valuation model is 5% higher/lower while all the other variables were held constant, the carrying value of the investment properties would increase/decrease by US$1,500,000 (equivalent to GBP1,100,000) (2021: US$1,129,000 (equivalent to GBP863,000)).
		Capitalisation rate of 7.50% (2021: 7.64%)	The higher the capitalisation rate, the lower the fair value, and vice versa.	If the capitalisation rate to the valuation model is 0.5% higher/lower while all the other variables were held constant, the carrying value of the investment property would decrease/increase by US$1,875,000/US$2,142,000 (equivalent to GBP1,375,000/GBP1,571,000) (2021: US$1,387,000/US$1,582,000 (equivalent to GBP1,060,000/GBP1,209,000)), respectively.

16. INVESTMENT PROPERTIES (Continued)

	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 4 – Properties in Quarry Bay, Hong Kong	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property	Price per square foot, using market direct comparable and taking into account the adjusting factors such as floor and direction of the property, of HK$7,914 per square foot as at 31 March 2021	A slight increase in the price per square foot will increase slightly the fair value, and vice versa.	If the market price to the valuation model is 5% higher/lower while all the other variables were held constant, the carrying value of the investment properties would increase/decrease by US$294,000 (equivalent to HK$2,295,000) as at 31 March 2021.
Property 5 – Properties in Quarry Bay, Hong Kong	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property	Price per square foot, using market direct comparable and taking into account the adjusting factors such as floor and direction of the property, of HK$8,282 per square foot as at 31 March 2021	A slight increase in the price per square foot will increase slightly the fair value, and vice versa.	If the market price to the valuation model is 5% higher/lower while all the other variables were held constant, the carrying value of the investment properties would increase/decrease by US$572,000 (equivalent to HK$4,462,000) as at 31 March 2021.

There was no transfer into or out of Level 3 during both years.

17. INTERESTS IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	2022 US$'000	2021 US$'000
Cost of unlisted investment in associates	–*	–
Share of post-acquisition profit and other comprehensive income	3,094	–
	3,094	–

* Amount less than thousand.

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For the year ended 31 March 2022

17. INTERESTS IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (Continued)

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

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2022	2021	2022	2021	
Ace Season Investments Limited ("Ace Season")	BVI	Hong Kong	20.5%	N/A	20.5%	N/A	Investment in equity instrument

AMOUNT DUE FROM AN ASSOCIATE

	2022 US$'000	2021 US$'000
Ace Season (Note)	6,392	–

Note: During the current year, the Group subscribed for 20.5% equity interest in Ace Season at a minimal nominal value, and advanced US$6,392,000 to Ace Season. The amount is of non-trade nature, unsecured, interest-free and has no fixed terms of repayment.

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

	2022 US$'000	2021 US$'000
Current assets	26	–
Non-current assets	46,251	–
Current liabilities	31,182	–
Non-current liabilities	–	–

	Year ended 31 March 2022 US$'000	Year ended 31 March 2021 US$'000
Revenue	234	–
Profit for the year	15,095	–
Other comprehensive income for the year	–	–
Total comprehensive income for the year	15,095	–

17. INTERESTS IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (Continued)

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

	2022 US$'000	2021 US$'000
Net assets of Ace Season	15,095	–
Proportion of the Group's ownership interests in Ace Season	20.5%	–
Carrying amount of the Group's interests in Ace Season	3,094	–

During the year ended 31 March 2021, Kuaichi Group Holding Limited ("Kuaichi Group") ceased to be an associate of the Group as a result of the loss of significant influence since the Group fully disposed of the wholly owned subsidiaries which held the retained interest in Kuaichi Group. The gain on deemed disposal of US$59,000 was recognized in the profit or loss in the year ended 31 March 2021.

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

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

	2022 US$'000	2021 US$'000
Cost of investment in joint venture	–	–
Share of post-acquisition profits and other comprehensive income	5,406	6,190
	5,406	6,190
Share of result of a joint venture	(784)	2,036
Amount due from a joint venture	4,042	4,042

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

The amount due from a joint venture is of non-trade, unsecured, interest-free and has no fixed terms of repayment.

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

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

Name of entity	Form of entity	Country of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
					2022	2021	2022	2021	
Mission Right	Incorporated	BVI	Hong Kong	Ordinary	50%	50%	50%	50%	Investment in equity instruments

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

	2022 US$'000	2021 US$'000
Current assets	18,903	20,469
Non-current assets	–	–
Current liabilities	8,092	8,090
Non-current liabilities	–	–

The above amounts of assets and liabilities include the following:

	2022 US$'000	2021 US$'000
Cash and cash equivalents	8	7
Current financial liabilities (excluding trade and other payables and provisions)	8,092	8,090

	Year ended 31 March 2022 US$'000	Year ended 31 March 2021 US$'000
Revenue	–	–
(Loss) profit for the year	(1,568)	4,071
Other comprehensive income for the year	–	–
Total comprehensive (expense) income for the year	(1,568)	4,071

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

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

	2022 US$'000	2021 US$'000
Net assets of Mission Right	10,811	12,379
Proportion of Group's ownership interests in Mission Right	50%	50%
Carrying amount of Group's interests in Mission Right	5,406	6,190

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 US$'000	2021 US$'000
Financial assets at FVTPL (non-current)		
Investment funds (Note a)	78,212	97,301
Unlisted equity investments (Note b)	49,566	13,470
	127,778	110,771
Financial assets at FVTPL (current)		
Debt securities (Note c)	21,041	178,678
Equity securities listed in Hong Kong (Note d)	18,965	343,340
Equity securities listed outside Hong Kong (Note d)	12,523	–
Investment funds (Note a)	22,892	81,616
	75,421	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. Twenty (2021: eighteen) investment funds are with a maturity terms range from 1 to 10 years (2021: 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 determine 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 year ended 31 March 2022, a decrease in fair value of US$44,904,000 was recognised in profit or loss (2021: increase of US$19,150,000). During the year ended 31 March 2022, investment funds of US$21,604,000 (2021: US$24,452,000) were purchased while amount of US$54,513,000 (2021:US$7,350,000) were disposed of. Certain investment funds of US$22,892,000 (2021: US$81,616,000) were held for trading and are classified as current asset as at 31 March 2022.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes: (Continued)

(b) The unlisted equity investments represent the Group's investment in equity interest in six (31 March 2021: two) private entities, which engaged in biologics contract development, manufacturing service business, investment in investment property located in Australia, production of TV shows and investment in unlisted and listed companies, respectively. As at 31 March 2022, the fair value of the equity investments of US$49,566,000 (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 year ended 31 March 2022, a decrease in fair value of US$3,935,000 was recognised in profit or loss (2021: increase of US$628,000). During the year ended 31 March 2022, unlisted equity investments of US$40,031,000 (2021: US$1,709,000) were purchased. The unlisted equity investments are held for long term strategic purposes. The management 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 31 March 2021 and 2022.

(c) The debt securities held by the Group bear a fixed coupon interest of ranging from 8.75% to 11.5% (31 March 2021: from 6.25% to 12%) per annum and with maturity dates from 11 April 2022 to 28 June 2025 (31 March 2021: from 24 May 2021 to 28 June 2025). During the year ended 31 March 2022, a decrease in fair value of US$166,042,000 (2021: an increase of US$27,841,000) was recognised in profit or loss. During the year ended 31 March 2022, debt securities of US$28,869,000 (2021: US$24,644,000) were purchased while amount of US$29,991,000 (2021: US$30,239,000) debt securities were disposed of. Interest income of US$9,527,000 (2021: US$4,539,000) which was not yet been received was recognised during the year. The debt securities are held in a portfolio designated by management as held for trading and are classified as current asset as at 31 March 2021 and 2022.

(d) As at 31 March 2022, the fair values of equity investments listed in Hong Kong and outside Hong Kong were determined based on the quoted market closing prices available on the stock exchange. During the year ended 31 March 2022, a decrease in fair value of US$292,546,000 and US$412,000 (2021: an increase of US$290,307,000 and US$94,000) were recognised in profit or loss for equity investments listed in Hong Kong and outside Hong Kong, respectively. During the year ended 31 March 2022, equity securities listed in Hong Kong and outside Hong Kong amount of US$39,829,000 and US$15,828,000 (2021: US$46,682,000 and nil) were purchased while amount of US$71,658,000 and US$2,893,000 (2021: US$42,013,000 and US$1,219,000) were disposed of respectively. The equity investments were held in a portfolio designated by management of the Group as held for trading and are classified as current asset as at 31 March 2022 and 31 March 2021.

20. INVENTORIES

	2022	2021
	US$'000	US$'000
Coal	**18,912**	2,337
Spare parts and consumables	**9,895**	8,409
	28,807	10,746

21. OTHER RECEIVABLES

	2022 US$'000	2021 US$'000
Amounts due from brokers	1,043	115
Deposits and prepayments	6,287	3,603
Goods and services tax ("GST") receivables	647	67
Others	90	4,539
	8,067	8,324

Note: Details of impairment assessment of other receivables for the year ended 31 March 2022 are set out in note 32.

22. LOAN RECEIVABLES

	2022 US$'000	2021 US$'000
Fixed-rate loan receivables	76,897	70,680
Less: allowance for ECL	(2,830)	(2,090)
	74,067	68,590
Analysed as:		
Current portion	74,067	3,705
Non-current portion	–	64,885
	74,067	68,590

The effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loan receivables ranges from 5% to 10% (2021: 5% to 24%) per annum. The contractual maturity date of the loan receivables ranges from four months to one year (2021: five months to two years) and are all denominated in HK$. As at 31 March 2022, the carrying amount of loan receivables amounting to US$11,795,000 (2021: nil) are guaranteed by a related party of the borrower. For the remaining loan receivables with gross carrying amount of US$65,102,000 (2021: US$70,680,000) are unsecured and unguaranteed.

IMPAIRMENT ASSESSMENT ON LOANS RECEIVABLES WITH ECL MODEL

No loan receivables are past due as at 31 March 2022 and 2021.

Net impairment loss under ECL model on loan receivables amounting to US$740,000 (2021: US$1,350,000) is recognised in profit or loss during the year ended 31 March 2022.

Details of impairment assessment of loan receivables for the year ended 31 March 2022 are set out in note 32.

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For the year ended 31 March 2022

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at prevailing market interest rates. The effective interest rate ranges from 0.16% to 0.28% (2021: 0.40% to 2.18%) per annum.

Pledged bank deposits amount of US$26,706,000 (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 (see note 27).

The interest rates for the pledged bank deposits as at 31 March 2022 is at 0.45% (2021: 0.42%) per annum.

24. TRADE AND OTHER PAYABLES AND ACCRUALS

	2022 US$'000	2021 US$'000
Trade payables (aged within 30 days)		
– arising from mining operation (Note a)	491	99
– arising from investments in financial instruments operation (Note b)	–	2,151
Other payables and accruals	7,981	7,449
	8,472	9,699

Notes:

(a) The average credit period on purchases of goods and consumables 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 payable arising from ordinary course of business of dealing in securities from financial institution are settled two days after trade date.

Other payables include GST payable to the Alberta Government of US$23,000 (2021: US$12,000), in respect of sales made in Alberta, Canada under relevant rules and regulations.

25. BANK AND OTHER BORROWINGS

	2022 US$'000	2021 US$'000
Bank loans, secured	469,440	477,200
Other loans, secured	6,410	–
	475,850	477,200

	2022 US$'000	2021 US$'000
The carrying amounts of the secured bank borrowings are repayable:		
Within one year	93,269	36,660
Within a period of more than one year but not exceeding two years	376,171	–
Within a period of more than two years but not exceeding five years	–	440,540
	469,440	477,200
The carrying amounts of the secured other borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within a period of more than two years but not exceeding five years	6,410	–
	475,850	477,200
Less: Amounts due within one year shown under current liabilities	(99,679)	(36,660)
Amounts shown under non-current liabilities	376,171	440,540

During the year ended 31 March 2022, the Group obtained a new bank borrowing amount of US$14,806,000 (2021: nil). The bank borrowing obtained carries fixed interest at 5% per annum and are repayable in 2 years. Details of transaction disclosed in note 38.

During the year ended 31 March 2022, the Group obtained new other borrowings amount of US$6,410,000 (2021: nil). 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 year ended 31 March 2022 carry fixed interest at 6% per annum and are repayable in 3 years.

The bank borrowing denominated in British Pound ("GBP") with principal amount of US$8,207,000 (2021: US$9,947,000) carries interest at variable market rates of 3 months LIBOR plus 2.75% per annum, and is secured by the investment properties located in UK (note 16) and repayable in instalments for 4 years.

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25. BANK AND OTHER BORROWINGS (Continued)

A term loan with principal amount of US$408,413,000 (2021: US$408,413,000) carries interest at variable market rates of 3 months LIBOR plus 1.20% per annum, secured by all the equity investments of CST-Grande Cache Cayman Limited and its subsidiaries, which are subsidiaries of the Group, and their present and future assets with a maturity of 5 years. The repayment of principal and interest of the term loan is subject to net positive cash flow from operations ("Net Cash Flow") in CCC being available pursuant to the arrangement under the restructuring implementation agreement (the "RIA Agreement"). Firstly, the Group needs to repay the principal of this term loan after the retention of 10% working capital of CCC and China Minsheng Banking Corp., Ltd., Hong Kong Branch ("CMBC") shall ensure the retention portion in the working capital would only be used for CCC's production purposes in accordance with CCC's approved budget and annual production plan. Secondly, the Group starts to pay the interest accrued on this term loan after the principal amount has been repaid in full. In the opinion of management of the Group, according to the approved budget and annual production plan, the management of the Group expect there is net cash flow within 12 months after the reporting period for settlement of part of the term loan. According to the repayment arrangement, the Group classified US$84,990,000 under current liabilities from the non-current liabilities as at 31 March 2022.

26. LEASE LIABILITIES

	2022 **US$'000**	2021 US$'000
Lease liabilities payable:		
Within one year	**1,366**	16,812
Within a period of more than one year but not more than two years	**390**	807
Within a period of more than two years but not more than five years	**–**	39
	1,756	17,658
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,366)**	(16,812)
Amount due for settlement after 12 months shown under non-current liabilities	**390**	846

The weighted average incremental borrowing rate applied to lease liabilities range from 5% – 7% (2021: 5% – 7%).

26. LEASE LIABILITIES (Continued)

Lease obligations that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	Canadian dollar ("CAD") US$'000
As at 31 March 2022	–
As at 31 March 2021	14,806

27. PROVISION FOR MINE REHABILITATION COST

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

Rehabilitation costs have been estimated based on the current regulatory requirements and determined based on the net present value of future cash expenditures upon rehabilitation. Rehabilitation costs are capitalised as mine property and development assets in property, plant and equipment, and are amortised over the life of the mine on an UOP basis. The provision for mine rehabilitation cost related to the coal mine in Alberta Canada as at 31 March 2022 amounted to US$27,125,000 (2021: US$27,035,000).

	US$'000
At 1 April 2020	23,127
Provision for mine rehabilitation cost	915
Exchange adjustment	2,993
At 31 March 2021	27,035
Reversal of provision for mine rehabilitation cost	(79)
Exchange adjustment	169
At 31 March 2022	27,125

As at 31 March 2022, a bank pledged deposits of US$26,706,000 (2021: US$25,206,000) is placed with the Alberta Energy Regulator, Canada for the purposes of settling these rehabilitation costs (note 23).

28. GUARANTEE LIABILITY

The guarantee liability represents the obligation that the Group entered into by issuing a guarantee contract to CMBC covering banking facilities granted to Grande Cache Coal Limited Partnership ("GCC LP"), an independent third party as part of the consideration for the acquisition of mining business.

The management of the Group considers it is highly probable that a claim will be made against the Group in respect of the above guarantee and the entire guarantee amounted to US$40,100,000 (2021: US$40,100,000) has been recognised in the consolidated statement of financial position as a liability.

29. DEFERRED TAX LIABILITIES

	Fair value gain on investment properties	Undistributed profits of a subsidiary	Total
	US$'000	US$'000	US$'000
At 1 April 2020	–	675	675
Charge to profit or loss	–	442	442
Currency realignment	–	109	109
At 31 March 2021	–	1,226	1,226
Charge to profit or loss	313	486	799
Currency realignment	78	9	87
At 31 March 2022	391	1,721	2,112

At 31 March 2022, the Group had unused tax losses of US$1,146,274,000 (2021: US$776,301,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams in both 2022 and 2021. The losses may be carried forward indefinitely.

30. SHARE CAPITAL

	Number of shares		Share capital	
	2022	2021	2022	2021
	'000	'000	US$'000	US$'000
Ordinary shares of HK$0.01 (2021: HK$0.01) each				
Authorised				
At beginning of 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 year	1,000,000,000	1,000,000,000	1,282,052	1,282,052
Issued and fully paid				
At beginning of 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 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$0.1 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.

31. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank and other borrowings, lease liabilities, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity.

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

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For the year ended 31 March 2022

32. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2022 US$'000	2021 US$'000
Financial Assets		
Financial assets at amortised cost	164,005	151,754
Financial assets at FVTPL	203,199	714,405
	367,204	866,159
Financial Liabilities		
Amortised cost	482,465	479,450
Guarantee liability	40,100	40,100
Derivative financial instruments	–	44
	522,565	519,594

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

32. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

Foreign currency risk management

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

In addition, the Group is also exposed to foreign currency risk to the extent of non-current intra-group balances that form part of the net investment when the subsidiaries which have HK$ as their functional currency injected capital denominated in CAD for operations in Canada which has CAD as their functional currency respectively. The carrying amount of the intra-group balances in Canada was US$93,118,000 at 31 March 2022 (2021: intra-group balances in Canada of US$84,943,000).

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

	Assets		Liabilities	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
RMB	**478**	291	**–**	–
CAD	**–**	32	**–**	–
US$	**99,881**	274,974	**461,161**	440,540
GBP	**2,380**	1,503	**–**	–
JPY	**2,278**	–	**–**	–
AUD	**664**	2	**–**	–

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For the year ended 31 March 2022

32. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Foreign currency risk management (Continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase or decrease in RMB, CAD, GBP, JPY and AUD. 5% (2021: 5%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items including intra-group balance, and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rate. It excludes items denominated in US$ held by the group entities with HK$ as functional currency as the directors consider that the Group's exposure to US$ for such entities is insignificant on the ground that HK$ is pegged to US$. A positive number indicates a decrease in post-tax loss for the year (2021: an increase in post-tax profit for the year) where the foreign currencies strengthens 5% (2021: 5%) against the functional currency of respective group entity.

	Profit or loss	
	2022	2021
	US$'000	US$'000
RMB	**20**	12
CAD	**3,888**	3,548
US$	**(14,648)**	(14,290)
GBP	**96**	62
JPY	**95**	–
AUD	**28**	–

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

32. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables and lease liabilities (see notes 22 and 26 for details respectively). The Group currently does not have any instruments to hedge against the fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly short-term bank deposits, pledged bank deposits and bank and other borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances, LIBOR (2021: LIBOR and HIBOR) arising from the Group's GBP & US$ (2021: GBP, US$ and HK$) denominated bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of bank borrowings in floating rates and ensure they are within reasonable range. If the bank interest rate of bank balances and pledged bank deposits had been 10 basis point (2021: 10 basis point) increase/decrease while all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2022 would decrease/increase by US$60,000 (2021: post-tax profit increase/decrease by US$56,000).

If interest rates of variable-rate bank borrowings had been 10 basis points (2021: 10 basis points) increase/decrease and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2022 would increase/decrease by US$333,000 (2021: post tax profit decrease/increase by US$356,000).

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Other price risk

The Group is exposed to equity and other price risk mainly through its financial assets at FVTPL. The management of the Group manages this exposure by maintaining a portfolio of investments with different risk and return profiles. For sensitivity analysis purpose, the sensitivity rate is 30% (2021: 30%). If the prices of the respective securities had been 30% (2021: 30%) higher/lower while all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by US$50,901,000 (2021: US$178,958,000) as a result of the changes in fair value of Hong Kong and overseas listed equity securities, debt securities, investment funds and unlisted equity investments under financial assets at FVTPL.

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment

As at 31 March 2022, the Group has concentration of credit risk of loan receivables of US$76,897,000 (2021: US$70,680,000) and investment in financial assets at FVTPL, representing debt securities of US$21,041,000 (2021: US$178,678,000) issued by listed companies.

The management continues to monitor the financial performance on the debt securities and the management closely oversees its financial position. The management manages and monitors these exposures by overseeing the performance of the listed issuers to ensure appropriate measures are implemented on a timely and effective manner.

The Group has concentration of credit risk by geographical location in Hong Kong, Singapore and overseas accounted for 36% (2021: 61%), 10% (2021: 24%) and 16% (2021: 3%) of the financial assets at FVTPL as at 31 March 2022 respectively.

Impairment assessment under ECL model

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

Trade receivable

In order to minimise the credit risk, the management of the Group would determine the credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. Before accepting any new client, the Group assesses the potential customer's credit quality and defines its credit limit. Credit limits attributed to client are reviewed regularly. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on accounts balances individually.

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

The trade receivables from customers from the mining business have been reviewed by the management to assess impairment allowances which based on evaluation of collectability and on management's judgement, including the current creditworthiness and the past collection statistics of individual account and collateral held by the Group.

As at 31 March 2022, there is no outstanding trade receivables due from customers.

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Other receivables

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience, financial background, financial condition, historical settlement records, and the credit quality classification and are adjusted by forward-looking information, and concluded that credit risk inherent in the group's outstanding other receivables is insignificant.

Loan receivables

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

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

In respect of the loan receivables, representing financing advances to customer under the Group's money lending business, individual credit evaluation is performed on each customer. The evaluation focuses on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. As at 31 March 2022, the total loan receivables are due from four (2021: four) customers.

As part of the Group's credit risk management, the Group applies internal credit rating for its borrowers individually. The estimated credit losses rates ranging from 2.88% to 4.48% (2021: 2.79% to 4.02%) are estimated based on historical observed default rates and the credit quality classification and forward-looking information, including but not limited to the historical settlement patterns and financial status of each borrower. The Group has provided for impairment loss for such loan receivables as at 31 March 2022 based on the ECL model under 12m ECL as further details below.

Amounts due from a joint venture and an associate

In determining the ECL for the amounts due from a joint venture and an associate, the management of the Group has taken into account the historical observed default rates and the credit quality classification and forward looking information, including but not limited to the historical settlement patterns and financial status of the joint venture and the associate, and concluded that the credit risk inherent in the Group's amounts due from the joint venture and the associate are insignificant.

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Bank balances and pledged bank deposits

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

Financial guarantee liability

The guarantee liability represents the contractual obligation that the Group entered into by issuing a guarantee contract to CMBC covering banking facilities granted to GCC LP as part of the consideration for the acquisition of mining business in prior year. The management of the Group considers the internal credit rating of the financial guarantee liability is loss as evidence indicating the financial guarantee is credit-impaired; therefore, loss allowance of US$40,100,000 (2021: US$40,100,000) was recognised.

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

	Notes	12m or lifetime ECL	Gross carrying amount US$'000	Loss allowance US$'000
As at 31 March 2022				
Financial assets at amortised cost				
Loan receivables	22	12m ECL	76,897	2,830
Other receivables	21	12m ECL	90	–
Amount due from a joint venture	18	12m ECL	4,042	–
Amount due from an associate	17	12m ECL	6,392	–
Amount due from brokers included in other receivables	21	12m ECL	1,043	–
Bank balances	23	12m ECL	51,238	–
Pledged bank deposits	23	12m ECL	26,706	–
Other item				
Financial guarantee contract	28	Lifetime ECL (credit-impaired)	40,100	40,100

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

	Notes	12m or lifetime ECL	Gross carrying amount US$'000	Loss allowance US$'000
As at 31 March 2021				
Financial assets at amortised cost				
Loan receivables	22	12m ECL	70,680	2,090
Other receivables	21	12m ECL	4,539	–
Amount due from a joint venture	18	12m ECL	4,042	–
Amount due from brokers included in other receivables	21	12m ECL	115	–
Bank balances	23	12m ECL	49,019	–
Pledged bank deposits	23	12m ECL	25,206	–
Other item				
Financial guarantee contract	28	Lifetime ECL (credit-impaired)	40,100	40,100

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32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Current credit risk grading framework

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

Internal credit rating	Description	Trade receivables	Financial assets other than trade receivables/other item
Low risk	The counterparty has a low risk of default and does not have any past-due amounts and history of default	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtors/borrowers usually settle in full after due date or the Group and debtors/ borrowers enter into extension of loan with mutual agreement before due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtors/ borrowers are in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The credit risk on liquid funds is limited because the counterparties are banks with amount of US$51,238,000 (2021: US$49,019,000) and brokers with amount of US$1,043,000 (2021: US$115,000) with high credit-ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit-ratings, loan receivables and financial assets at FVTPL, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers and across diverse geographical areas.

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Current credit risk grading framework (Continued)

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

	12m ECL for loan receivables (not credit-impaired) US$'000
As at 1 April 2020	740
Impairment loss reversed due to financial instruments recognised as at 1 April 2020	(595)
New financial assets originated	1,945
As at 31 March 2021	2,090
Impairment loss recognised due to financial instruments recognised as at 1 April 2021	652
Impairment loss reversed due to financial instruments recognised as at 1 April 2021	(357)
New financial assets originated	445
As at 31 March 2022	2,830

During the year ended 31 March 2022, impairment allowances of US$1,097,000 (2021: US$1,945,000) was made for loan receivables with gross carrying amount of US$76,896,000 (2021: US$66,830,000). Impairment allowance amounted to US$357,000 (2021: US$595,000) was reversed for loan receivables with gross carrying amount of US$9,116,000 (2021: US$32,710,000) since the relevant loan receivables were recovered during the year.

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32. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate %	On demand or less than 3 months US$'000	Over 3 months but not more than 1 year US$'000	Over 1 year but not more than 2 years US$'000	Over 2 years but not more than 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31 March 2022 US$'000
As at 31 March 2022							
Non-derivative financial liabilities							
Trade and other payables	–	491	–	–	–	491	491
Bank borrowings – variable rate (Note)	1.44	408	93,968	371,855	–	466,231	454,634
Bank borrowings – fixed rate	5.47	6,498	–	16,471	–	22,969	21,216
Lease liabilities	5.05	449	929	437	–	1,815	1,756
Guarantee liability	–	40,100	–	–	–	40,100	40,100
Amounts due to non-controlling interests	–	–	–	6,124	–	6,124	6,124
		47,946	94,897	394,887	–	537,730	524,321

32. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or less than 3 months US$'000	Over 3 months but not more than 1 year US$'000	Over 1 year but not more than 2 years US$'000	Over 2 years but not more than 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31 March 2021 US$'000
As at 31 March 2021							
Non-derivative financial liabilities							
Trade and other payables	–	2,250	–	–	–	2,250	2,250
Bank borrowings – variable rate (Note)	1.76	27,344	9,871	–	464,104	501,319	477,200
Lease liabilities	6.7	15,349	1,402	950	39	17,740	17,658
Guarantee liability	–	40,100	–	–	–	40,100	40,100
		85,043	11,273	950	464,143	561,409	537,208
Derivative financial liabilities							
Interest rate swap contract	–	44	–	–	–	44	44

Note: Among the bank borrowings with amount of US$461,161,000 (2021: US$440,540,000), if there is any recourse against the Group such as termination of the operation, the repayment is limited to equity investments of CCC and their present and future assets, pursuant to the RIA Agreement (note 25) signed between the Group and CMBC. The management of the Group considers the Group's exposure to liquidity risk is not significant.

32. FINANCIAL INSTRUMENTS (Continued)

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

Interest rate benchmark reform

As listed in note 25, the Group's LIBOR bank loans may be subjected to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and

- immediately after 30 June 2023, in the case of the remaining US dollar settings.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to accommodate unexpected increases in overnight rates.

32. FINANCIAL INSTRUMENTS (Continued)

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

Interest rate benchmark reform (Continued)

(i) Risks arising from the interest rate benchmark reform (Continued)

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible.

For the floating rate loan that is linked to LIBOR, the Group did not receive updates from the relevant counterparty on the transition of alternative benchmark rates as at 31 March 2022 but expect to transit in latest by H2 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32. FINANCIAL INSTRUMENTS (Continued)

(C) FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

Financial assets	Fair value as at 31 March 2022 US$'000	Fair value as at 31 March 2021 US$'000	Fair value hierarchy	Valuation technique(s)
Financial assets at FVTPL				
Debt securities	**21,041**	178,678	Level 2	Quoted prices in over-the-counter
Equity securities listed in Hong Kong	**18,965**	343,340	Level 1	Quoted bid prices in active markets
Equity securities listed outside Hong Kong	**12,523**	–	Level 1	Quoted bid prices in active markets
Investment funds	**101,104**	178,917	Level 3	Applying marketability discount to the net asset values per share or unit (Note)
Unlisted equity investments	**49,566**	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 instrument				
Interest rate swap contract	**–**	Liabilities 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.

There is no transfer among Level 1, 2 and 3 for both years.

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$6,267,000 and US$3,355,000 (2021: US$9,378,000 and US$802,000), respectively.

32. FINANCIAL INSTRUMENTS (Continued)

(C) FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
2022				
Financial assets at FVTPL	**31,488**	**21,041**	**150,670**	**203,199**

	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
2021				
Financial assets at FVTPL	343,340	178,678	192,387	714,405
Derivative financial instruments				
– Liabilities	–	(44)	–	(44)
	343,340	178,634	192,387	714,361

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at FVTPL
	US$'000
At 1 April 2020	153,798
Purchases	26,161
Disposal	(7,350)
Gain recognised in profit or loss	19,778
At 31 March 2021	**192,387**
Purchases	**61,635**
Disposal	**(54,513)**
Loss recognised in profit or loss	**(48,839)**
At 31 March 2022	**150,670**

Of the total gains or losses for the year included in profit or loss, US$7,399,000 of losses (2021: US$15,202,000 of gain) relates to financial assets at FVTPL held at 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32. FINANCIAL INSTRUMENTS (Continued)

(D) FAIR VALUE MEASUREMENTS AND VALUATION PROCESS

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

In estimating the fair value of financial instruments, 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 methodologies and inputs to the model. Information about the valuation methodologies used in determining the fair value of various assets are disclosed above.

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

33. RETIREMENT BENEFIT SCHEMES

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

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

During the year, the amount contributed by the Group to the MPF Scheme charged to profit or loss was US$27,000 (2021: US$52,000 MPF Scheme). The Group also contributed US$422,000 (2021: US$214,000) to the retirement savings plan participated in Canada and the contribution amounts were charged to profit or loss, or capitalised as inventories and then transferred to cost of sales according to its nature.

34. 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
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

34. 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 assets	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 sales 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

35. OPERATING LEASE ARRANGEMENTS

THE GROUP AS LESSOR

All of the properties held for rental purposes have committed lessees for the 1 year to 3 years from the end of the reporting period without termination options granted to tenants.

Undiscounted lease payments receivable on leases are as follows:

	2022 US$'000	2021 US$'000
Within one year	1,116	2,583
In the second year	90	1,043
In the third year	39	36
	1,245	3,662

36. CAPITAL COMMITMENTS

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

	2022 US$'000	2021 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– capital injection in investment funds	16,542	5,368
– acquisition of property, plant and equipment	12	12
	16,554	5,380

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For the year ended 31 March 2022

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities	Bank borrowings	Other borrowing interest payable	Advance from non-controlling interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 April 2020	19,203	474,055	–	–	493,258
Financing cash flows	(2,858)	(5,591)	(129)	–	(8,578)
Interest expenses recognised	1,012	8,023	129	–	9,164
Addition of lease liabilities	261	–	–	–	261
Exchange realignment	40	713	–	–	753
At 31 March 2021	**17,658**	**477,200**	**–**	**–**	**494,858**
Financing cash flows	**(1,988)**	**(22,631)**	**(361)**	**6,124**	**(18,856)**
Interest expenses recognised	**104**	**6,854**	**361**	**–**	**7,319**
Addition of lease liabilities	**1,008**	**–**	**–**	**–**	**1,008**
Non-cash transaction (Note 38)	**(14,806)**	**14,806**	**–**	**–**	**–**
Disposal of subsidiaries (Note 34)	**(197)**	**–**	**–**	**–**	**(197)**
Exchange realignment	**(23)**	**(379)**	**–**	**–**	**(402)**
At 31 March 2022	**1,756**	**475,850**	**–**	**6,124**	**483,730**

38. NON-CASH TRANSACTION

During the year ended 31 March 2022, the Group transferred the lease liability in relation to the leased mining trucks and equipment amounted of US$14,806,000 to bank borrowing upon exercise of the purchase option at the end of the lease term as agreed with the lessor/bank. The carrying amount of the relevant right-of-use assets amounting to US$9,442,000 are transferred to property, plant and equipment accordingly.

39. RELATED PARTY DISCLOSURES

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

KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2022 US$'000	2021 US$'000
Short-term benefits	7,003	7,581
Post-employment benefits	7	10
	7,010	7,591

In addition to the amounts above, the Group also provides other non-monetary benefits (such as accommodation) to key management personnel. During the year ended 31 March 2022, depreciation of right-of-use assets in relation to these non-monetary benefits amounted to US$603,000 (2021: US$637,000).

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES/AMOUNTS DUE TO NON-CONTROLLING INTERESTS

Particulars of the Company's principal subsidiaries as at 31 March 2022 and 31 March 2021 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ registered and paid-up capital		Proportion of nominal value of issued share capital/registered and paid-up capital held by the Company				Principal activities
				Directly		Indirectly		
		2022	2021	2022	2021	2022	2021	
CCC	Canada	CAD100	CAD100	–	–	88%	88%	Exploration, mining, processing and sale of coal in Canada
Double Yield Global Limited	BVI	US$1	US$1	–	–	100%	100%	Vessel holding
Isenberg Holdings Limited	Hong Kong	N/A	HK$2	–	–	–	100%	Property investment

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40. PARTICULARS OF PRINCIPAL SUBSIDIARIES/AMOUNTS DUE TO NON-CONTROLLING INTERESTS (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ registered and paid-up capital		Proportion of nominal value of issued share capital/registered and paid-up capital held by the Company				Principal activities
				Directly		Indirectly		
		2022	2021	2022	2021	2022	2021	
Jabour Limited	Hong Kong	N/A	HK$2	–	–	–	100%	Property investment
Kingarm Company Limited	Hong Kong	HK$2	HK$2	–	–	100%	100%	Property investment
Skytop Technology Limited	Hong Kong	HK$127,490,481	HK$127,490,481	–	–	100%	100%	Securities investment
Unigolden Limited	Hong Kong	HK$2	HK$2	–	–	100%	100%	Property investment
Sun Power Finance Limited	Hong Kong	HK$1	HK$1	–	–	100%	100%	Money lending
Dakota RE I Limited	BVI	US$510	US$510	–	–	51%	51%	Property investment
Rising Up Holdings Limited	BVI	US$1	US$1	–	–	100%	100%	Aircraft holding

In the opinion of the directors of the Company, the above companies principally affected the operations of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 31 March 2022 and 2021 or at any time during both years.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES/AMOUNTS DUE TO NON-CONTROLLING INTERESTS (Continued)

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

Principal activities	Principal place of business	Number of subsidiaries	
		2022	2021
Investment holdings	Hong Kong	32	40
Securities investment	Hong Kong	13	11
Property investment	UK	2	2
		47	53

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

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

Name of subsidiary	Incorporation/ principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting power held by non-controlling interests		(Profit) loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	2022	2021	2022	2021	2022	2021
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
CCC	Canada	12%	12%	12%	12%	(1,569)	(2,892)	(19,039)	(20,608)
Individually immaterial subsidiaries with non-controlling interests						2,204	339	3,643	7,313
						635	(2,553)	(15,396)	(13,295)

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For the year ended 31 March 2022

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES/AMOUNTS DUE TO NON-CONTROLLING INTERESTS (Continued)

Summarised financial information in respect of CCC is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31 March 2022 US$'000	31 March 2021 US$'000
Current assets	53,522	44,030
Non-current assets	406,574	387,132
Current liabilities	(166,286)	(64,859)
Non-current liabilities	(452,468)	(536,989)
Equity attributable to owners of the Company	(139,619)	(150,078)
Non-controlling interests of CCC	(19,039)	(20,608)

	Year ended 31 March 2022 US$'000	Year ended 31 March 2021 US$'000
Revenue	26,883	28,100
Expenses	(13,808)	(4,000)
Profit for the year	13,075	24,100
Profit attributable to owners of the Company	11,506	21,208
Profit attributable to the non-controlling interests of CCC	1,569	2,892
Profit for the year	13,075	24,100
Total comprehensive income attributable to owners of the Company	10,459	21,208
Total comprehensive income attributable to the non-controlling interests of CCC	1,569	2,892
Total comprehensive income for the year	12,028	24,100

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES/AMOUNTS DUE TO NON-CONTROLLING INTERESTS (Continued)

	Year ended 31 March 2022 US$'000	Year ended 31 March 2021 US$'000
Net cash inflow from operating activities	**12,796**	3,251
Net cash outflow from investing activities	**(2,068)**	(2,020)
Net cash outflow from financing activities	**(84)**	(159)
Net cash inflow	**10,644**	1,072

Included in the amounts due to non-controlling interests of US$6,124,000 as at 31 March 2022, 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.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 US$'000	2021 US$'000
Non-current assets		
Property, plant and equipment	684	1,104
Right-of-use assets	690	1,724
Investments in subsidiaries	–	–
Club membership	1,949	1,949
Amounts due from subsidiaries	93,073	224,858
	96,396	229,635
Current assets		
Other receivables	554	553
Amounts due from subsidiaries	159,464	163,432
Financial assets at fair value through profit or loss	1,131	1,188
Bank balances and cash	21,414	6,271
	182,563	171,444
Current liabilities		
Other payables	546	425
Amounts due to subsidiaries	25,958	9,210
Lease liability	765	1,099
	27,269	10,734
Net current assets	155,294	160,710
Total assets less current liabilities	251,690	390,345
Non-current liability		
Lease liability	–	765
	251,690	389,580
Capital and reserves		
Share capital	620	620
Reserves	251,070	388,960
Total equity	251,690	389,580

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

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

	Share capital	Share premium	Capital reserve	Other capital reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
			(Note a)	(Note b)		
At 1 April 2020	496,132	507,573	4,503	128,275	(713,902)	422,581
Cancellation and consolidation of paid up share capital due to capital reorganisation	(495,512)	–	–	–	495,512	–
Loss and total comprehensive expense for the year	–	–	–	–	(33,001)	(33,001)
At 31 March 2021	620	507,573	4,503	128,275	(251,391)	389,580
Loss and total comprehensive expense for the year	–	–	–	–	(137,890)	(137,890)
At 31 March 2022	620	507,573	4,503	128,275	(389,281)	251,690

Notes:

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

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

FINANCIAL SUMMARY

	Year ended 31 March				
	2022	2021	2020	2019	2018
	US$'000	US$'000	US$'000	US$'000	US$'000
Results					
(Loss) profit for the year	**(463,906)**	389,142	(295,096)	(73,284)	(11,267)

	At 31 March				
	2022	2021	2020	2019	2018
	US$'000	US$'000	US$'000	US$'000	US$'000
Assets and liabilities					
Total assets	**850,031**	1,326,721	952,542	1,243,333	802,190
Total liabilities	**(563,383)**	(574,723)	(574,031)	(570,918)	(61,645)
Net assets	**286,648**	751,998	378,511	672,415	740,545

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Location	Percentage of ownership held by the Group	Use	Lease term
Unit Nos. 1104–1107 and Unit Nos. 2501–2512 Oriental Building No. 1072 Jianshe Road Luohu District Shenzhen Guangdong Province People's Republic of China	100%	Commercial	Medium term lease
East Portion of level 18 and Unit No. 2601 and Carparking Space No. 20 on basement level Shartex Plaza No. 88 Zunyi South Road Changning District Shanghai People's Republic of China	100%	Commercial	Medium term lease
Flat 10 on 20/F Apartment Tower on the Western Side Convention Plaza No. 1 Harbour Road Hong Kong	100%	Residential	Long term lease
Silvan House 231 Corstorphine Road Edinburgh United Kingdom	51%	Commercial	Freehold

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chiu Tao *(Chairman)*
Mr. Han Xuyang *(Chief Executive Officer)*
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

Mr. Wah Wang Kei, Jackie

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
(and with effect from 15 August 2022 onwards,
at 17/F, Far East Finance Centre,
16 Harcourt Road, 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

CST GROUP LIMITED

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

Registered Office

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

Hong Kong Office

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