CST GROUP LIMITED
中譽集團有限公司

2022 INTERIM REPORT

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

CONTENTS

PROJECT OVERVIEW

CST STEELMAKING COAL MINE

CST Group Limited (the "Company" or "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 30,000 hectares under coal lease.

2. OPERATIONS

CST Coal continues to ramp up its surface mining activities following the restart of operations at Grande Cache coal mine (the "Mine") 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 six months period from 1 April 2022 to 30 September 2022 (the "Period"), approximately 5.5 million bcm of waste were hauled to approved waste dumps and approximately 597,901 tonnes of raw coal were hauled to the Run-of-Mine ("ROM"). A total of 565,719 tonnes of raw coal was fed into the plant and yielded 400,112 tonnes (71% yield) of saleable steel-making coal. A total of 370,354 tonnes of saleable steel-making coal were railed to the port in British Columbia, Canada for export sales.

As at the end of September 2022, CST Coal had sold 318,757 tonnes of steel-making coal, and had 78,108 tonnes of steel-making coal at the load out area and a stockpile of 93,803 tonnes at the port.

CST Coal is continuing to ramp up operations with additional recruitment and training of its operators. For the Period, CST Coal recorded 3 medical aid and 0 lost time injuries.

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

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

CST Coal is committed to maintaining a good relationship with the indigenous 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 Metis Nation of Alberta Local Council #1994 ("MNA") who have members living in the area of Grande Cache.

CST Coal would like to extend our thanks to the indigenous groups, AWN and MNA as well as the hamlet of Grande Cache in the Municipal District of Greenview for their continuous support of the 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 six months ended 30 September 2021 and 30 September 2022 are as follows:

		Six months ended 30 September	
		2022	2021
Mined	Waste (bcm)	**5,544,070**	–
	Raw coal to ROM (tonnes)	**597,901**	–
	Strip ratio (%)	**9.3**	–
Production	Plant feed (tonnes)	**565,719**	–
	Processed coal production (clean tonnes)	**400,112**	–
Sales	CST PLV Coking Coal sold (clean tonnes)	**318,757**	–
Stockpile	CST PLV Coking Coal at load out and port (clean tonnes)	**93,803**	12,730

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL RESULTS

For the six months ended 30 September 2022 (the "Period"), the Company and its subsidiaries (collectively referred to as the "Group") recorded a loss after tax of approximately US$86.9 million, representing a decrease of 81.7% as compared to a net loss of US$475.0 million for 30 September 2021. Such significant decrease in loss was mainly due to the decrease in loss on fair value changes of financial assets at fair value through profit or loss ("FVTPL") as compared to that for the six months ended 30 September 2021.

REVENUE

The total revenue of the Group for the Period was approximately US$111.4 million (2021: US$23.8 million). This represented a significant increase of approximately 368.1% as compared with the corresponding period of prior year. The increase was mainly attributable to resumption of coal sales activities that generated the revenue in coal business of approximately US$104.1 million.

OTHER INCOME AND OTHER GAINS AND LOSSES

During the Period, the total other income and other gains and losses for the Period was a loss of approximately US$53.6 million (2021: US$5.7 million). It mainly comprised of the following: (i) receipt of an aggregated amount of "Anthill Production Payment" of approximately AUD2.7 million (equivalent to approximately US$1.9 million) which related to disposal of Australia mining business in May 2019, details were disclosed in the Company's announcement dated 23 July 2021, and (ii) a net foreign exchange loss of approximately US$56.1 million mainly due to a strong US dollar against Canadian dollar (2021: US$7.3 million).

COST OF SALES

Cost of sales mainly included coal mining costs, coal processing costs and other relevant operating expenses. As compared with corresponding period of prior year, the cost of sales during the Period increased by approximately 540.4% from US$8.9 million to approximately US$57.0 million due to resumption of coal production and sales activities.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses were approximately US$14.6 million for the Period (2021: Nil), which primarily included expenses relating to railway transportation, royalty fees and terminal charges.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly comprised of staff costs, depreciation and amortization cost and other expenses. The Group's administrative expenses increased approximately 40.7% from US$14.5 million to approximately US$20.4 million for the Period as compared with corresponding period of prior year. The increase was mainly attributable to resumption of coal mine operation in Canada.

FINANCE COSTS

Finance costs mainly comprised of bank loan interest. Finance costs increased from US$3.7 million for the corresponding period of prior year to approximately US$6.8 million for the Period, representing an increase of approximately 83.8%. The increase was primarily due to increase in loan interest rate during the Period.

SEGMENT INFORMATION

A. MINING BUSINESS

During the Period, CST Canada Coal Limited ("CST Coal") had sold 318,700 tonnes of coking coal and generated a revenue of approximately US$104.1 million (2021: Nil). The cost of sales and distribution and selling expenses relatively incurred were approximately US$57.0 million (2021: US$8.9 million) and US$14.6 million (2021: Nil).

The administrative expenses in mine site increased approximately 171.0% to US$8.4 million (2021: US$3.1 million) as compared with the corresponding period of prior year. It was mainly due to resumption of operation and increase of employees in mine site for ramping up the operation.

Due to the depreciation of Canadian dollar against US dollar, a loss of foreign exchange of approximately US$54.1 million (2021: US$8.0 million) was recognized in the other income and other gains and losses.

As at the end of each Reporting period, the Group reviewed in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") with auditors on its mining property assets in Canada mine operations. In 2020, an impairment of US$93.8 million was recognized when after reviewing with the auditors 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.

In 2022, it was noted that mining operations had 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.

For the six months ended 30 September 2022, the Group had reviewed with auditors the list of key assumptions used in the Annual Report 2022 and there were no impairment indicators noted, or any requirement to reverse the previously recognized impairment.

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

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

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
Revenue	**104,090**	–
Cost of sales	**(57,027)**	(8,945)
Gross profit (loss)	**47,063**	(8,945)
Other income and other gains and losses	**(53,736)**	(7,319)
Distribution and selling expenses	**(14,571)**	–
Administrative expenses*	**(8,403)**	(3,124)
Finance costs*	**(6,484)**	(3,249)
Loss before taxation	**(36,131)**	(22,637)
Taxation	**–**	(137)
Loss after taxation	**(36,131)**	(22,774)

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

B. PROPERTY INVESTMENT

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

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

	Six months ended 30 September	
	2022	2021
	US$ million	US$ million
Rental income		
– PRC	**0.1**	0.1
– Hong Kong	**–**	0.1
– Scotland	**1.0**	1.2
	1.1	1.4

	30 September	31 March
	2022	2022
	US$ million	US$ million
Fair value of investment properties		
– PRC	**6.0**	7.3
– Scotland	**21.7**	25.4
	27.7	32.7

During the Period, the total rental income decreased approximately 21.4% to US$1.1 million (2021: US$1.4 million) as compared with the corresponding period of prior year. Since Hong Kong's investment properties were fully disposed, there was no rental income generated in Hong Kong region during the Period as compared with corresponding period of prior year. Despite the persistence of global COVID-19 pandemic, the rental income from the PRC and Scotland remained stable.

As of 30 September 2022, the fair value of the investment properties decreased by 15.3% to US$27.7 million (31 March 2022: US$32.7 million) mainly due to the downturn of market price in PRC commercial property and a strong US dollar against both Chinese Renminbi and British Pound Sterling.

C. MONEY LENDING

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

	Six months ended 30 September	
	2022	2021
	US$ million	US$ million
Interest income from money lending	**1.8**	2.0
Provision of bad debt*	**–**	–
Range of interest rate (%)	**5% – 10%**	5% – 7%

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

	30 September	31 March
	2022	2022
	US$ million	US$ million
Loan receivables	**34.7**	74.1

The interest income from money lending business was approximately US$1.8 million (2021: US$2.0 million), which decreased by approximately 10.0% as compared with the corresponding period of the prior year. The decrease was due to the reduction of lending activities during the Period. Given the prolonged continuation of the coronavirus epidemic and the market uncertainties in Hong Kong, the Group has continuously adopted a cautious and prudent approach towards growing this business. As of 30 September 2022, the loan receivables of the Group were approximately US$34.7 million (31 March 2022: US$74.1 million). Among the receivables, US$33.4 million were unsecured and US$1.3 million were secured. The range of interest rate was 5% to 10% (2021: 5% to 7%). Further details of loan receivables will be disclosed in note 16 of this Interim Report of the Company. During the Period, 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 individuals 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 were disclosed in the Corporate Governance section of Annual Report 2022 of the Company.

D. INVESTMENT IN FINANCIAL INSTRUMENTS

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

	30 September 2022 US$ million	31 March 2022 US$ million
Fair value of financial assets at FVTPL		
Listed shares	**31.6**	31.5
Debt securities	**10.4**	21.0
Fund and unlisted equity investments	**160.9**	150.7
	202.9	203.2

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 September	
	2022	2021
	US$ million	US$ million
Income received from financial assets at FVTPL		
Dividend from listed shares	**0.2**	1.0
Interest from debt securities	**0.1**	10.4
Dividend from fund and unlisted equity investments	**4.1**	9.1
	4.4	20.5
Fair value change of financial assets at FVTPL		
Listed shares:		
– Realized gain on disposal	**0.1**	0.9
– Unrealized loss on fair value change	**(7.8)**	(296.6)
	(7.7)	(295.7)
Debt securities:		
– Realized gain on disposal	**–**	0.1
– Unrealized loss on fair value change	**(10.6)**	(136.6)
	(10.6)	(136.5)
Fund and unlisted equity investments:		
– Realized loss on disposal	**–**	(5.6)
– Unrealized loss on fair value change	**(24.6)**	(32.9)
	(24.6)	(38.5)
	(42.9)	(470.7)

As of 30 September 2022, the Group held a financial asset at FVTPL portfolio amounted to approximately US$202.9 million (31 March 2022: US$203.2 million) measured at market or fair value.

During the Period, the portfolio generated a dividend and interest revenue in total amount of approximately US$4.4 million (2021: US$20.5 million). It comprised of the following: (i) approximately US$0.2 million (2021: US$1.0 million) of dividend income from listed shares, (ii) approximately US$0.1 million (2021: US$10.4 million) interest income from debt securities, and (iii) approximately US$4.1 million (2021: US$9.1 million) of dividend income from fund and unlisted equity investments.

a. ***Listed shares***

As of 30 September 2022, the total market value of listed shares held by the Group was approximately US$31.6 million (31 March 2022: US$31.5 million). The Group has invested in various 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	21.24%
Manufacturing	4.82%
Motor Vehicle	6.65%
Property & Construction	4.52%
Travel & Leisure	52.59%
Others	10.18%
	100.00%

During the Period, the Group recorded a realized gain on disposal of listed securities of approximately US$0.1 million (2021: US$0.9 million) and an unrealized loss on fair value changes in the listed securities of approximately US$7.8 million (2021: US$296.6 million). The unrealized loss was mainly due to a decline in the price of listed share investments under volatility of the stock market. However, it represented a significant decrease of 97.4% in loss as compared with the corresponding period of prior year.

b. ***Debt securities***

As of 30 September 2022, the carrying amount of the debt securities held by the Group was approximately US$10.4 million (31 March 2022: US$21.0 million). The Group primarily held various senior notes of China Evergrande Group ("China Evergrande") and Scenery Journey Limited, which is an indirect wholly-owned subsidiary of China Evergrande (the "Evergrande Notes").

Due to the outburst of China Evergrande liquidity crisis, China Evergrande was not able to repay the notes interest to the holders of Evergrande Notes. Thus, no notes interest was received from the Evergrande Notes (2021: US$10.2 million). Overall, an unrealized loss on fair value change of approximately US$10.6 million (2021: US$136.6 million) was recognized in profit or loss during the Period.

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

During the Period, the Group invested approximately US$36.1 million in funds and unlisted equity investments, which were mainly payment for the commitment of existing funds and acquisition of new unlisted equity investments. As of 30 September 2022, the Group held fund and unlisted equity investments in total of approximately US$160.9 million at fair value (31 March 2022: US$150.7 million). During the Period, the Group had received dividend income in total of US$4.1 million (2021: US$9.1 million) from its fund investment portfolio, representing a decrease of approximately 54.9% as compared with corresponding period of 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 of 30 September 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 September 2022, the Group held bank balances and cash amounted to approximately US$71.6 million (31 March 2022: US$51.7 million).

BORROWINGS AND PLEDGED OF ASSETS

In June 2021, 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 fixed at 6% and secured by certain fixed assets and securities held by the Group. As of 30 September 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. In June 2022, as agreed with bank, the Group has extended the loan for one year with average interest rate of 3.1%. As of 30 September 2022, the outstanding balance of this bank loan was approximately GBP1.1 million (equivalent to approximately US$1.2 million), inclusive of interest accrued.

The Group, through its subsidiary, CST Coal, acquired certain mining assets of Grande Cache Coal LP in Canada in 2018, and assumed bank borrowings from China Minsheng Banking Corp., Ltd ("CMBC") amounting to approximately US$409.41 million ("CMBC Loan"). The CMBC Loan carry an interest rate of 1.2% plus 3 months LIBOR and are repayable in 5 years. The loan is non-recourse to the Company 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 ("CST-Grande Cache"), which is an indirect beneficiary holding company of CST Coal; and (iii) corporate guarantees from each of shareholders of each member of the CST Coal project group which includes four subsidiaries of the Company. The four subsidiaries are Gold Grace Limited which is the sole shareholder of CST Coal, Excel Fame Limited which is the sole shareholder of Gold Grace Limited, CST-Grande Cache Cayman Limited which is the sole shareholder of Excel Fame Limited and Sonicfield Global Limited which is a majority shareholder of CST-Grande Cache Cayman Limited. As of 30 September 2022, the outstanding balance of the principal of this bank loan was approximately US$408.4 million. In July 2021, CST Coal was further granted a loan facility from CMBC for settlement of a financial lease in the amount of approximately US$14.8 million. The interest rate was fixed at 5.0% per annum. As of 30 September 2022, the total outstanding balance of these two loans was US$467.3 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 200.8% (31 March 2022: 152.7%).

As of 30 September 2022, CST Coal was holding approximately US$26.0 million of pledged bank deposit (31 March 2022: US$26.7 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).

NET CURRENT LIABILITIES

The Group recorded net current liabilities as of 30 September 2022 of approximately US$293.2 million (31 March 2022: net current assets of US$97.0 million), of which current assets were approximately US$224.2 million (31 March 2022: US$248.5 million) and current liabilities were approximately US$517.4 million (31 March 2022: US$151.5 million). The current liabilities mainly included the outstanding balance of US$408.4 million of CMBC Loan principal. Because the maturity of this loan is less than twelve months from current interim reporting date and thus being classified as current liabilities of the Group. The loan is non-recourse to the Company and secured by the equity investments in CST-Grande Cache and its subsidiaries. The Group has an on-going discussion with the bank for the renewal of the CMBC Loan. The management of the Group had prepared a detailed cash flow forecast of the Group which covers a period of twelve months from the end of the reporting period. The directors of the Company are of the opinion that the Group will have sufficient working capital and the current liabilities position would not have any adverse financial effect to the Group's liquidity or gearing position, and the Group has ability to continue as a going concern.

CAPITAL STRUCTURE

During the Period, the Company has not conducted any equity fund raising activities. As of 30 September 2022, the total number of issued shares was 483,728,862 (31 March 2022: 483,728,862).

NET ASSET VALUE

As of 30 September 2022, the net asset value of the Group amounted to approximately US$214.6 million (31 March 2022: US$286.6 million). As compared to 31 March 2022, it was decreased by approximately 25.1%. The decrease in net asset value was due to the combination of net loss for the Period of approximately US$86.9 million and other comprehensive income for the Period of approximately US$14.8 million.

CAPITAL COMMITMENT

As of 30 September 2022, the capital commitment of the Group was approximately US$15.6 million (31 March 2022: US$16.6 million). It was primarily related to capital commitments of fund investments of the Group.

CONTINGENT LIABILITY

As of 30 September 2022, the Group had no contingent liability (31 March 2022: Nil).

MATERIAL ACQUISITIONS, DISPOSALS 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 Period.

HUMAN RESOURCES

As of 30 September 2022, the Group had 323 staff (2021: 63). Staff costs (excluding directors' emoluments) were approximately US$16.0 million (2021: US$3.4 million) for the Period. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong and Registered Retirement Savings Plan in Canada respectively, and provided other staff benefits, such as medical benefits.

FOREIGN EXCHANGE RISK

The Group conducts most of its business in US dollars, Chinese renminbi, Hong Kong dollars, British Pound Sterling and Canadian dollars. Foreign currency exposure to US dollars is minimal, as the Hong Kong dollar is pegged to the US dollar. Exposure to the Chinese renminbi is also minimal, as business conducted in Chinese renminbi represents a marginal proportion of the Group's total business in terms of revenue. Foreign currency exposure to the British Pound Sterling is limited too as the rental income generated from the Scottish property is used to repay the loan facility granted by a local Scottish bank.

The Group's primary source of foreign exchange risk is derived from Canadian dollar. With respect to coal mining business in Canada, the Group had no hedging policy for the Canadian dollar. Management will continue to monitor the Group's foreign exchange risk and will consider hedging its exchange rate exposure should the need arise.

SIGNIFICANT EVENTS AND EVENT AFTER REPORTING PERIOD

In September 2022, due to the strike action by longshore workers (the "Strike"), Westshore Terminals, Canada's biggest export coal terminal, was under suspension of operations. The Strike had affected the operation of the business of CST Coal. CST Coal was not able to sell or export any of its coal to any of its customers because of the Strike. CST Coal had issued notice of Force Majeure to those customers pursuant to the respective contracts. In October 2022, Westshore Terminals announced that an agreement with the members of Local 520 of the International Longshore and Warehouse Union had been reached and Westshore Terminals resumed full operations. Following the resumption of operations of Westshore Terminals, CST Coal had closely work with the logistic services providers, Canadian National Railway and Westshore Terminals, to resume its export of steelmaking coal. Details were disclosed in the Company's announcements dated 29 September and 18 October 2022 respectively.

OUTLOOK

The COVID-19 pandemic (the "Pandemic") continues to spread around the world, and dragged down global economic growth. In the face of high inflation, supply chain problems, the Russia-Ukraine war and the China-US conflicts, the volatility in the financial markets has driven the revaluation of assets, where the overall investment sentiment has become cautious.

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. The Group believes that its mining business will contribute more stable revenue in the second half of 2023 financial year. The Group will actively monitor the trend of the international coking coal market to enhance the overall efficiency of its mining business.

Looking forward, the global economic and geopolitical conflicts will likely remain uncertain. In the face of heated inflation and tightened monetary policy, the Group will pay close attention to market dynamics, strengthen its risk management, adopt a prudent approach amid the high-interest landscape, look for new investment opportunities and strive to bring better returns to shareholders.

OTHER INFORMATION

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

As at 30 September 2022, the interests and short positions of the directors ("Directors") and the chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were disclosed as follows:

LONG POSITIONS IN SHARES 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 30 September 2022, none of the Directors or chief executives of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 September 2022, so far as known to the Directors or the chief executives of the Company, the following person/entity are the shareholders (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholders	Capacity	Number of Shares/ underlying Shares	Approximate % of the issued share capital of the Company
Atlas Keen Limited	Beneficial owner	312,336,613	64.56%
Cheung Chung Kiu	Beneficial owner	24,385,500	5.04%

Save as disclosed above, as at 30 September 2022, the Company has not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company and the Stock Exchange.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2022, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules, except for the following deviation:

– according to code provision F.2.2 of the CG Code, Mr. Chiu Tao, the Chairman of the board of Directors (the "Board"), should have attended the annual general meeting of the Company held on 28 September 2022 ("2022 AGM"). However, Mr. Chiu Tao was unable to attend the 2022 AGM due to other business commitments. Mr. Hui Richard Rui, executive Director and General Manager of the Company, who took the chair of the 2022 AGM, together with other members of the Board who attended the 2022 AGM were of sufficient calibre and knowledge for answering questions at the 2022 AGM.

OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding director's securities transactions. In response to specific enquiries made, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2022.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2022 (30 September 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 September 2022 has been reviewed by the Company's audit committee which comprises 3 members namely Ms. Ma Yin Fan, Mr. Yu Pan and Mr. Leung Hoi Ying, all of them are independent non-executive Directors, and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By Order of the Board

Chiu Tao
Chairman

Hong Kong, 28 November 2022

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CST GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of CST Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 47, which comprise the condensed consolidated statement of financial position as of 30 September 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 November 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended 30 September	
		2022	2021
	NOTES	**US$'000**	US$'000
		(unaudited)	(unaudited)
Revenue	4		
Sales		**104,090**	–
Interest income		**1,889**	12,350
Dividend income		**4,299**	10,055
Rental income		**1,121**	1,390
		111,399	23,795
Cost of sales		**(57,027)**	(8,945)
Gross profit		**54,372**	14,850
Other income and other gains and losses	5	**(53,592)**	(5,712)
Distribution and selling expenses		**(14,571)**	–
Administrative expenses		**(20,425)**	(14,537)
Loss on fair value changes of financial assets at fair value through profit or loss	13	**(42,910)**	(470,724)
(Loss) gain on fair value changes of investment properties	12	**(541)**	4,728
Reversal of impairment loss on financial assets under expected credit loss model, net	16	**1,245**	63
Share of result of a joint venture		**(506)**	151
Share of result of an associate		**(3,094)**	–
Finance costs	6	**(6,776)**	(3,676)
Loss before taxation		**(86,798)**	(474,857)
Taxation	7	**(52)**	(191)
Loss for the period	8	**(86,850)**	(475,048)

	NOTE	Six months ended 30 September **2022** **US$'000** **(unaudited)**	 2021 US$'000 (unaudited)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**14,792**	2,518
Other comprehensive income for the period		**14,792**	2,518
Total comprehensive expense for the period		**(72,058)**	(472,530)
Loss for the period attributable to:			
Owners of the Company		**(82,235)**	(473,088)
Non-controlling interests		**(4,615)**	(1,960)
		(86,850)	(475,048)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(66,239)**	(470,347)
Non-controlling interests		**(5,819)**	(2,183)
		(72,058)	(472,530)
LOSS PER SHARE			
– Basic (US cents)	9	**(17.00)**	(97.80)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	NOTES	As at 30 September 2022 US$'000 (unaudited)	As at 31 March 2022 US$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**326,373**	365,777
Right-of-use assets	11	**898**	1,669
Exploration and evaluation assets	11	**32,830**	36,012
Investment properties	12	**27,657**	32,691
Interests in a joint venture		**4,900**	5,406
Interests in an associate		**–**	3,094
Financial assets at fair value through profit or loss	13	**137,343**	127,778
Club membership		**2,437**	2,437
Pledged bank deposits	14	**26,009**	26,706
		558,447	601,570
Current assets			
Inventories		**36,233**	28,807
Other receivables	15	**5,715**	8,067
Loan receivables	16	**34,669**	74,067
Amount due from an associate	23	**6,392**	6,392
Amount due from a joint venture		**4,042**	4,042
Financial assets at fair value through profit or loss	13	**65,535**	75,421
Bank balances and cash		**71,627**	51,665
		224,213	248,461
Current liabilities			
Trade and other payables and accruals	17	**14,650**	8,472
Tax payable		**1,788**	1,844
Bank and other borrowings – amount due within one year	18	**460,131**	99,679
Lease liabilities		**782**	1,366
Guarantee liability		**40,100**	40,100
		517,451	151,461
Net current (liabilities) assets		**(293,238)**	97,000
Total assets less current liabilities		**265,209**	698,570

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	NOTES	As at 30 September 2022 US$'000 (unaudited)	As at 31 March 2022 US$'000 (audited)
Non-current liabilities			
Bank and other borrowings – amount due after one year	18	**14,806**	376,171
Deferred tax liabilities		**1,914**	2,112
Lease liabilities		**152**	390
Provision for mine rehabilitation cost	19	**25,475**	27,125
Amounts due to non-controlling interests	24	**8,272**	6,124
		50,619	411,922
		214,590	286,648
Capital and reserves			
Share capital	21	**620**	620
Reserves		**235,186**	301,424
Equity attributable to owners of the Company		**235,806**	302,044
Non-controlling interests		**(21,216)**	(15,396)
		214,590	286,648

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 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)	Retained profit (Accumulated losses) US$'000	Total US$'000	Non–controlling interests US$'000	Total US$'000
At 1 April 2021	620	507,573	987	128,275	(9,831)	–	137,669	765,293	(13,295)	751,998
Loss for the period	–	–	–	–	–	–	(473,088)	(473,088)	(1,960)	(475,048)
Other comprehensive income (expense) for the period	–	–	–	–	2,741	–	–	2,741	(223)	2,518
Total comprehensive income (expense) for the period	–	–	–	–	2,741	–	(473,088)	(470,347)	(2,183)	(472,530)
Change in ownership of interests in a subsidiary	–	–	–	–	–	1,582	–	1,582	(1,582)	–
At 30 September 2021 (unaudited)	620	507,573	987	128,275	(7,090)	1,582	(335,419)	296,528	(17,060)	279,468
At 1 April 2022	**620**	**507,573**	**987**	**128,275**	**(11,392)**	**1,583**	**(325,602)**	**302,044**	**(15,396)**	**286,648**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(82,235)**	**(82,235)**	**(4,615)**	**(86,850)**
Other comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**15,996**	**–**	**–**	**15,996**	**(1,204)**	**14,792**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**15,996**	**–**	**(82,235)**	**(66,239)**	**(5,819)**	**(72,058)**
Change in ownership of interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**1**	**(1)**	**–**
At 30 September 2022 (unaudited)	**620**	**507,573**	**987**	**128,275**	**4,604**	**1,584**	**(407,837)**	**235,806**	**(21,216)**	**214,590**

Notes:

(a) The capital reserve of the Group (defined in Note 1) represents the difference between the nominal value of the shares of the subsidiaries acquired, over the nominal value of the share capital of the Company (defined in Note 1) issued in exchange, in connection with the Group reorganisation completed in January 1994.

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

(c) The other reserve of the Group represents issuance of share capital of subsidiaries without losing the control over the subsidiaries. During the period ended 30 September 2021, the Group entered into an agreement with independent third parties for issuance of share capital of a subsidiary in return for shareholder loans to the subsidiary. The Group's interests in the subsidiary decreased to 61.54% and did not result in a loss of control over the subsidiary. During the current interim period, the Group entered into an agreement with independent third parties for issuance of share capital of a subsidiary. The Group's interests in the subsidiary decreased to 88.24% and did not result in a loss of control over the subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	NOTE	Six months ended 30 September 2022 US$'000 (unaudited)	2021 US$'000 (unaudited)
Loss before taxation		**(86,798)**	(474,857)
Adjustments for:			
Loss on fair value changes of financial assets at fair value through profit or loss		**42,910**	470,724
Loss (gain) on fair value changes of investment properties		**541**	(4,728)
Gain on disposal of a subsidiary		**–**	(14)
Finance costs		**6,776**	3,676
Depreciation on property, plant and equipment		**17,819**	9,745
Depreciation on right-of-use assets		**805**	946
Foreign exchange loss		**56,390**	7,222
Other non-cash items		**2,355**	(10,706)
Operating cash flows before movements in working capital		**40,798**	2,008
Decrease in loan receivables		**40,643**	1,947
Increase in financial assets at fair value through profit or loss		**(7,732)**	(11,386)
Decrease (increase) in other receivables		**612**	(1,234)
Other changes in working capital		**(3,183)**	2,883
Net cash from (used in) operating activities		**71,138**	(5,782)
Investing activities			
Purchase of financial assets at fair value through profit or loss		**(36,142)**	(8,233)
Advance to an associate		**–**	(6,371)
Purchase of property, plant and equipment	11	**(8,332)**	–
Placement of pledged bank deposit		**(1,678)**	–
Proceeds from disposal of property, plant and equipment		**1**	–
Net proceeds from disposal of subsidiaries		**–**	17,281
Proceeds from disposal of financial assets at fair value through profit or loss		**1,285**	19,455
Net cash (used in) from investing activities		**(44,866)**	22,132
Financing activities			
Advance from non-controlling interests		**2,148**	6,124
New bank and other borrowings raised		**–**	21,216
Repayment on bank borrowings		**(5,744)**	(27,318)
Interest paid		**(552)**	(959)
Repayments of lease liabilities		**(890)**	(15,752)
Net cash used in financing activities		**(5,038)**	(16,689)
Net increase (decrease) in cash and cash equivalents		**21,234**	(339)
Effect of foreign exchange rate changes		**(1,272)**	(261)
Cash and cash equivalents at the beginning of the period		**51,665**	49,262
Cash and cash equivalents at the end of the period, represented by bank balances and cash		**71,627**	48,662

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 interim report.

The Company is an investment holding company with its subsidiaries (collectively referred to as the "Group") engaged in (i) exploration, development and mining of mineral resources, (ii) investment in financial instruments, (iii) property investment and (iv) money lending.

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

2. BASIS OF PREPARATION

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

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately US$293 million as at 30 September 2022. The Group's current liabilities as at 30 September 2022 included bank and other borrowings of approximately US$460 million that are repayable within 12 months from the end of the reporting period, included in which is an outstanding bank borrowings with principal amount of approximate US$408 million belonged to CST Canada Coal Limited ("CCC"), a non-wholly own subsidiary of the Company ("CCC Bank Borrowing") with a maturity of 5 years which is due on 17 July 2023. The CCC Bank Borrowing was designated for acquiring the mining business of CCC in 2018 and is secured by the equity investments in CST-Grande Cache Cayman Limited, which is an indirect non-wholly own subsidiary of the Company and indirect beneficiary holding company of CCC and its subsidiaries, that its repayment is non-recourse to the Company and its other subsidiaries. The management of the Group has an on-going discussion with the bank for the renewal of the CCC Bank Borrowing and expects the CCC Bank Borrowing will be renewed upon maturity. The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the end of the reporting period, and are of the opinion that the Group will have sufficient working capital to operate on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in Group's annual consolidated financial statements for the year ended 31 March 2022.

APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

4. REVENUE/SEGMENT INFORMATION

REVENUE

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

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
	(unaudited)	(unaudited)
Sale of coal	**104,090**	–
Revenue from contract with customers	**104,090**	–
Residential rental income	**–**	122
Office rental income	**1,121**	1,268
Dividend income	**4,299**	10,055
Interest income from financial assets at fair value through profit or loss	**74**	10,374
Interest income from money lending business	**1,815**	1,976
Total revenue	**111,399**	23,795
Disaggregation of revenue from contracts with customers		
Sale of coal	**104,090**	–
Timing of revenue recognition		
A point in time	**104,090**	–
Leases		
Operating lease payments that are fixed (Note)	**1,121**	1,390

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

Sale of coal (recognized at a point in time)

The Group sells coal directly to customers. The revenue is recognized 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.

4. REVENUE/SEGMENT INFORMATION (continued)

SEGMENT INFORMATION

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

Specifically, the Group's operating and reportable segments under HKFRS 8 "Operating Segments" ("HKFRS 8") were organised into four main operating divisions – (i) mining business, (ii) investment in financial instruments, (iii) property investment and (iv) money lending.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

4. REVENUE/SEGMENT INFORMATION (continued)

SEGMENT REVENUE AND RESULTS

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

	Segment revenue		Segment results	
	Six months ended 30 September		Six months ended 30 September	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Mining business	**104,090**	–	**19,011**	(15,321)
Investment in financial instruments	**4,373**	20,429	**(38,074)**	(451,762)
Property investment	**1,121**	1,390	**372**	5,742
Money lending	**1,815**	1,976	**3,106**	185
	111,399	23,795	**(15,585)**	(461,156)
Other income and other gains and losses			**(53,592)**	(5,712)
Central administration costs			**(7,245)**	(4,464)
Finance costs			**(6,776)**	(3,676)
Share of result of a joint venture			**(506)**	151
Share of result of an associate			**(3,094)**	–
Loss before taxation			**(86,798)**	(474,857)

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

4. REVENUE/SEGMENT INFORMATION (continued)

SEGMENT ASSETS AND LIABILITIES

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

	As at 30 September 2022 US$'000 (unaudited)	As at 31 March 2022 US$'000 (audited)
Segment assets:		
– Mining business	**446,607**	460,098
– Investment in financial instruments	**215,209**	208,275
– Property investment	**29,519**	35,622
– Money lending	**34,788**	74,234
Total segment assets	**726,123**	778,229
Unallocated assets:		
– Bank balances and cash	**15,703**	22,148
– Property, plant and equipment	**20,326**	22,008
– Right-of-use assets	**842**	1,582
– Others	**19,666**	26,064
	56,537	71,802
Consolidated total assets	**782,660**	850,031
Segment liabilities:		
– Mining business	**544,294**	536,633
– Investment in financial instruments	**6,410**	6,410
– Property investment	**2,480**	10,148
– Money lending	**568**	29
Total segment liabilities	**553,752**	553,220
Unallocated liabilities:		
– Lease liabilities	**876**	1,662
– Others	**13,442**	8,501
	14,318	10,163
Consolidated total liabilities	**568,070**	563,383

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, certain tax payable and amounts due to non-controlling interests.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
	(unaudited)	(unaudited)
Other income		
Bank and other interest income	**234**	74
Government grant (Note)	**99**	359
Others	**2,159**	1,105
	2,492	1,538
Other gains and losses		
Net foreign exchange loss	**(56,085)**	(7,308)
Net gain on disposal of property, plant and equipment	**1**	–
Fair value gain on derivative financial instruments	**–**	44
Gain on disposal of a subsidiary (Note 20)	**–**	14
	(56,084)	(7,250)
	(53,592)	(5,712)

Note: During the period ended 30 September 2022, the Group recognized government grant of US$99,000 (30 September 2021: US$359,000) in respect of Covid-19-related subsidies. There was an amount of US$99,000 (30 September 2021: US$300,000) related to Employment Support Scheme provided by the government in Hong Kong during the period ended 30 September 2022.

6. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest expense on bank borrowings	**6,413**	3,314
Interest expense on lease liabilities	**170**	226
Interest expense on other borrowings	**193**	136
	6,776	3,676

7. TAXATION

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax:		
People's Republic of China ("PRC")	**12**	12
United Kingdom ("UK")	**40**	42
	52	54
Deferred tax	**–**	137
Taxation for the period	**52**	191

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 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 periods.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Directors' remuneration	**3,377**	3,239
Contributions to retirement benefit scheme to employees	**311**	34
Other staff costs	**15,694**	3,322
Total staff costs	**19,382**	6,595
Less: amount capitalised in inventories	**(12,088)**	–
Total staff costs included in administrative expenses	**7,294**	6,595
Depreciation on property, plant and equipment	**17,819**	9,745
Depreciation on right-of-use assets	**805**	946
	18,624	10,691
Less: amount capitalised in inventories	**(16,259)**	(7,220)
	2,365	3,471
Cost of inventories recognized as an expense	**57,027**	8,945

9. LOSS PER SHARE

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

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(82,235)**	(473,088)

Number of shares

	'000	'000
Number of ordinary shares for the purpose of basic loss per share	**483,729**	483,729

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

10. DIVIDEND

No dividends were paid or proposed during the interim period (30 September 2021: nil). The directors of the Company have determined that no dividend will be proposed in respect of the interim period (30 September 2021: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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

During the six months ended 30 September 2022, the Group incurred expenditures on capital work in progress included in property, plant and equipment of US$7,356,000 (30 September 2021: nil) and other property, plant and equipment of US$976,000 (30 September 2021: nil).

During the six months ended 30 September 2022 and 30 September 2021, the Group did not incur any expenditures to the exploration and evaluation assets.

During the six months ended 30 September 2021, right-of-use asset amounted to US$9,442,000 (30 September 2022: nil) was reclassified to property, plant and equipment when the Group obtained the ownership of the underlying assets.

12. INVESTMENT PROPERTIES

	US$'000
Fair value at 1 April 2022 (audited)	32,691
Loss on fair value changes recognized in profit or loss	(541)
Exchange adjustments	(4,493)
Fair value at 30 September 2022 (unaudited)	27,657

The Group's investment properties in the PRC and the UK as at 30 September 2022 and 31 March 2022 were valued by Valplus Business Advisory and Roma Appraisals Limited, which are independent qualified professional valuers not connected with the Group. The fair value was determined based on the direct comparison approach and income approach. 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. For the income approach, the fair value of the investment properties is using the rental income of the property derived from the existing leases with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. The decrease in fair value of investment properties of US$541,000 has been recognized directly in profit or loss for the six months ended 30 September 2022 (six months ended 30 September 2021: increase in fair value of US$4,728,000).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2022 US$'000 (unaudited)	As at 31 March 2022 US$'000 (audited)
Financial assets at fair value through profit or loss ("FVTPL") (non-current)		
Investment funds (Note a)	**76,099**	78,212
Unlisted equity investments (Note b)	**61,244**	49,566
	137,343	127,778
Financial assets at FVTPL (current)		
Debt securities (Note c)	**10,448**	21,041
Equity securities listed in Hong Kong (Note d)	**16,336**	18,965
Equity securities listed outside Hong Kong (Note d)	**15,245**	12,523
Investment funds (Note a)	**23,506**	22,892
	65,535	75,421

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 (31 March 2022: twenty) investment funds are with a maturity terms range from 1 to 10 years (31 March 2022: 1 to 10 years), respectively. The fair value of these investment funds was determined by adopting the adjusted net asset value approach. Under this approach, the book values of the assets and liabilities of the underlying investment companies/funds in the portfolio are adjusted to their respective assets/liabilities' fair values by a marketability discount in order to reflect the non-marketable nature of the Group's investment portfolio. The general partners determined the net asset values of the respective investment funds by using methodology based on relevant comparable data to quantify the adjustment from cost or latest transaction price where appropriate, or to justify that cost or latest transaction price is a proper approximation to fair value of the underlying investments held by the investment funds. The factors considered in the assessment require judgement. The Group engaged GW Financial Advisory Services Limited, an independent qualified professional valuer to assess the marketability discount to the net asset values. During the six months ended 30 September 2022, a decrease in fair value of US$2,090,000 (six months ended 30 September 2021: a decrease of US$36,753,000) was recognized in profit or loss. During the six months ended 30 September 2022, investment funds of US$1,876,000 (30 September 2021: US$14,580,000) were purchased while amount of US$1,285,000 (30 September 2021: US$25,834,000) were disposed of. Certain investment funds of US$23,506,000 (31 March 2022: US$22,892,000) are held for trading and are classified as current asset as at 30 September 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

13. 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 eleven (31 March 2022: six) private entities, which engaged in biologics contract development, manufacturing service business, investment in investment property located in Australia, production of TV shows, securities trading and investment in unlisted and listed companies, respectively. As at 30 September 2022, the fair value of the unlisted equity investments of US$61,244,000 (31 March 2022: US$49,566,000) 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 and WM Corporate Advisory Limited, the independent qualified professional valuers to assess the marketability discount to the equity values. During the period ended 30 September 2022, a decrease in fair value of US$22,588,000 was recognized in profit or loss (30 September 2021: a decrease of US$1,829,000). During the six months ended 30 September 2022, unlisted equity investments of US$34,266,000 (30 September 2021: US$1,280,000) were purchased. The unlisted equity investments are held for long term strategic purpose. The management of the Group does not have intention to dispose of the investments within 1 year. Therefore, the unlisted equity investments are classified as non-current asset as at 30 September 2022 and 31 March 2022.

(c) As at 30 September 2022, debt securities were stated at fair values which were determined based on the quoted closing prices available on the market. During the six months period ended 30 September 2022, a decrease in fair value of US$10,593,000 (six months ended 30 September 2021: a decrease of US$136,462,000) was recognized in profit or loss. During the six months ended 30 September 2021, debt securities of US$27,405,000 (30 September 2022: nil) were purchased while amount of US$10,000,000 (30 September 2022: nil) debt securities were disposed of. The debt securities were held in a portfolio designated by management of the Group as held for trading and are classified as current asset as at 30 September 2022 and 31 March 2022.

(d) As at 30 September 2022, the fair values of equity securities listed in Hong Kong and outside Hong Kong were determined based on the quoted market closing prices available on the stock exchange. During the six months period ended 30 September 2022, a decrease in fair value of US$2,025,000 and US$5,614,000 (six months ended 30 September 2021: a decrease of US$295,680,000 and nil) was recognized in profit or loss for equity securities listed in Hong Kong and outside Hong Kong, respectively. During the six months ended 30 September 2022, equity securities listed in Hong Kong and outside Hong Kong of US$76,000 and US$10,246,000 (30 September 2021: US$22,105,000 and nil) were purchased while amount of US$680,000 and US$1,910,000 (30 September 2021: US$29,372,000 and nil) were disposed of. The listed equity securities were held in a portfolio designated by management of the Group as held for trading and are classified as current asset as at 30 September 2022 and 31 March 2022.

14. PLEDGED BANK DEPOSITS

Pledged bank deposits amount of US$26,009,000 (31 March 2022: US$26,706,000) represents deposit paid by the Group to a bank as required by the government of Alberta, Canada, for operating in the mining activities, closure of mines and the environmental rehabilitation work of relevant mines (Note 19).

The interest rates for the pledged bank deposits at 30 September 2022 is at 0.45% (31 March 2022: 0.45%) per annum.

15. OTHER RECEIVABLES

	As at 30 September 2022 US$'000 (unaudited)	As at 31 March 2022 US$'000 (audited)
Amounts due from brokers	140	1,043
Deposits and prepayments	4,724	6,287
Goods and services tax receivables	851	647
Others	–	90
	5,715	8,067

16. LOAN RECEIVABLES

	As at 30 September 2022 US$'000 (unaudited)	As at 31 March 2022 US$'000 (audited)
Fixed-rate loan receivables	36,254	76,897
Less: allowance for expected credit loss	(1,585)	(2,830)
	34,669	74,067
Analysed as:		
Current portion	34,669	74,067

The interest rate on the Group's loan receivables is ranged from 5% to 10% (31 March 2022: 5% to 10%) per annum. The contractual maturity date of the loan receivables ranges from within one month to nine months (31 March 2022: four months to one year) from the date of drawdown and are all denominated in HK$. As at 30 September 2022, the carrying amount of loan receivables amounting to US$1,337,000 (31 March 2022: US$11,795,000) are guaranteed by a related party of the borrower. For the remaining loan receivables with gross carrying amount of US$34,917,000 (31 March 2022: US$65,102,000) are unsecured and unguaranteed.

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For the six months ended 30 September 2022

16. LOAN RECEIVABLES (continued)

IMPAIRMENT ASSESSMENT ON LOAN RECEIVABLES WITH EXPECTED CREDIT LOSS MODEL

As part of the Group's credit risk management, the Group applies credit rating for its borrowers individually. The estimated credit loss rates ranging from 4.33% to 7.16% (31 March 2022: 2.88% to 4.48%) 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.

No loan receivable is past due as at 30 September 2022 and 31 March 2022.

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2022.

Impairment allowance amounted to US$1,585,000 was made for loan receivables as at 30 September 2022.

Net reversal of impairment loss on loan receivables under expected credit loss model amounting to US$1,245,000 (six months ended 30 September 2021: US$63,000) is recognized in profit or loss during the reporting period due to settlement from borrowers.

17. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 30 September 2022 US$'000 (unaudited)	As at 31 March 2022 US$'000 (audited)
Trade payables (aged within 30 days)		
– arising from mining operation (Note)	**875**	491
Other payables and accruals	**13,775**	7,981
	14,650	8,472

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

18. BANK AND OTHER BORROWINGS

During the six months ended 30 September 2022, the CCC Bank Borrowing with principal amount of US$408,413,000 (31 March 2022: 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 which is due in July 2023. As at 31 March 2022 and 30 September 2022, the repayment of principal and interest of the CCC Bank Borrowing is subject to net positive cash flow from operations ("Net Cash Flow") in CCC being available pursuant to the arrangement under the restructuring implementation agreement. Firstly, the Group needs to repay the principal of this term loan after the retention of 10% working capital of CCC and China Minsheng Banking Corp., Ltd., Hong Kong Branch 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 annual production and sale 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. As at 30 September 2022, the Group is expected to repay US$44,000,000 in according to the annual production and sale plan, however, due to the maturity date of the CCC Bank Borrowing is within 12 months, the Group classified the whole CCC Bank Borrowing amount to US$452,475,000 to current liabilities as at 30 September 2022.

During the six months ended 30 September 2021, the Group obtained a new bank borrowing amount of US$14,806,000 (30 September 2022: nil). The bank borrowing obtained during the six months ended 30 September 2021 carries interest at variable market rates at 5% and are repayable in 3 years. The Group has repaid principal of an amount US$5,744,000 (six months ended 30 September 2021: US$27,318,000) during the period.

During the six months ended 30 September 2021, the Group obtained new other borrowings amount of US$6,410,000 (30 September 2022: 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 six months ended 30 September 2021 carry interest at variable market rate at 6% and are repayable in 3 years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

19. PROVISION FOR MINE REHABILITATION COST

The provision as at 30 September 2022 is related to the coal mine in Alberta, Canada. In accordance with relevant rules and regulations in Canada, the Group is obligated to bear the cost of rehabilitation upon the closure of the Group's coal mine. The provision for rehabilitation cost has been estimated in accordance with the local rules and regulations in the aforesaid regions.

Rehabilitation cost has been estimated based on the current regulatory requirements and determined based on the net present value of future cash expenditures upon rehabilitation. Rehabilitation costs are capitalised as mine property and development assets in property, plant and equipment, and are amortised over the life of the mine on unit of production basis.

20. DISPOSAL OF SUBSIDIARIES

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

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

	US$'000
Property, plant and equipment	29
Investment properties	17,321
Other receivables	16
Bank balances	297
Other payables	(122)
Shareholder's loan	(1,185)
Net assets disposed of	16,356
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

20. DISPOSAL OF SUBSIDIARIES (continued)

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

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

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

21. SHARE CAPITAL

	Number of shares	Share capital
	'000	US$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 1 April 2021, 31 March 2022 (audited) and 30 September 2022 (unaudited)	1,000,000,000	1,282,052
Issued and fully paid		
At 1 April 2021, 31 March 2022 (audited) and 30 September 2022 (unaudited)	483,729	620

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

Financial assets	Fair values as at 30 September 2022 US$'000 (unaudited)	Fair values as at 31 March 2022 US$'000 (audited)	Fair value hierarchy	Valuation technique(s)
Financial assets at FVTPL				
Debt securities	**10,448**	21,041	Level 2	Quoted prices in over-the-counter
Equity securities listed in Hong Kong	**16,336**	18,965	Level 1	Quoted bid prices in active markets
Equity securities listed outside Hong Kong	**15,245**	12,523	Level 1	Quoted bid prices in active markets
Investment funds	**99,605**	101,104	Level 3	Applying marketability discount to the net asset values per share or unit (Note)
Unlisted equity investments	**61,244**	49,566	Level 3	Applying market approach by using marketability discount to the equity value referencing to recent market transaction or market multiples (Note)

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

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

As at 30 September 2022 and 31 March 2022, there was no observable quoted price of unlisted equity investments and underlying investment portfolio for investment funds as no transaction on similar equity investments and investment portfolio noted near the period/year ended, and was classified as Level 3 of the fair value hierarchy.

Note: A slight increase in the marketability 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 marketability discount rate holding all other variables constant would decrease/increase the carrying amount of the investment funds and unlisted equity investments by US$5,836,000 and US$3,526,000 (31 March 2022: US$6,267,000 and US$3,355,000, respectively).

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

	Financial assets at FVTPL (including investment funds and unlisted equity investments)
	US$'000
At 1 April 2021 (audited)	192,387
Purchases	15,860
Disposal	(25,834)
Loss recognized in profit or loss	(38,582)
At 30 September 2021 (unaudited)	143,831
At 1 April 2022 (audited)	**150,670**
Purchases	**36,142**
Disposal	**(1,285)**
Loss recognized in profit or loss	**(24,678)**
At 30 September 2022 (unaudited)	**160,849**

Of the total gains or losses for the period included in profit or loss, US$24,743,000 (six months ended 30 September 2021: US$32,974,000) loss relates to financial assets at FVTPL held at the end of current reporting period.

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22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

Fair value measurements and valuation process

The board of directors of the Company has closely monitored the appropriate valuation 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 condensed consolidated financial statements approximate their respective fair values.

23. RELATED PARTY DISCLOSURES

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

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
	(unaudited)	(unaudited)
Short-term benefits	**3,373**	3,236
Post-employment benefits	**4**	3
	3,377	3,239

In addition to the amounts above, the Group also provides other non-monetary benefits (such as accommodation) to key management personnel. During the period ended 30 September 2022, depreciation of right-of-use asset in relation to these non-monetary benefits amounted to US$252,000 (six months ended 30 September 2021: US$318,000).

23. RELATED PARTY DISCLOSURES (continued)

(B) AMOUNT DUE FROM AN ASSOCIATE

	As at 30 September 2022 US$'000 (unaudited)	As at 31 March 2022 US$'000 (audited)
Ace Season Investments Limited ("Ace Season") (Note)	6,392	6,392

Note: During the period ended 30 September 2021, the Group subscribed for 20.5% equity interest in Ace Season at a minimal nominal value, and advanced US$6,371,000 to Ace Season. The amount is of non-trade nature, unsecured, interest-free and has no fixed terms of repayment.

24. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

Included in the amounts due to non-controlling interests of US$8,272,000 as at 30 September 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$8,272,000 are of non-trade nature, unsecured, interest-free and repayable after twelve months from the end of the reporting period.

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

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Grand Cayman KY1-1102
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
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AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL BANKER

Hang Seng Bank Limited

STOCK CODE

985

COMPANY WEBSITE

www.cstgrouphk.com