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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 985)

SUPPLEMENTAL ANNOUNCEMENT REGARDING ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2018

Reference is made to the annual report for the year ended 31 March 2018 (the “**Annual Report**”) of CST Group Limited (the “**Company**”, together with the subsidiaries, the “**Group**”). Terms used herein shall have the same meanings as defined in the Annual Report unless the context requires otherwise.

In addition to the information provided in the Annual Report, the Board wishes to provide further information in relation to (i) the impairment loss on goodwill of US\$19,907,000 (the “**Impairment Loss**”) recognised in profit or loss during the year ended 31 March 2018 leading to the carrying amount of goodwill arising from the acquisition of Planet Smooth Limited (“**Plant Smooth**”) being fully impaired; and (ii) an update on the IPO Guarantee Provision (as defined hereinbelow) pursuant to the shareholders agreement dated 22 January 2015 (as supplemented and amended on 15 September 2015) entered into, among others, First Cargo Holdings Limited (“**First Cargo**”), a subsidiary directly owned by Planet Smooth as to 91.81%, and its shareholders, namely, Champion Aim Investment Holding Limited (“**Champion Aim**”), Planet Smooth, Above Global Investments Limited, Greatness Efforts Holdings Limited (“**Greatness Efforts**”) and Remarkable Success International Limited (“**Remarkable Success**”) (the “**Shareholders’ Agreement**”).

BACKGROUND AND REASONS FOR THE IMPAIRMENT LOSS

The Impairment Loss is relating to the acquisition of Planet Smooth in November 2015. Planet Smooth, through Yunlibao (Beijing) Technology Limited, was primarily engaged in the operation of “第一物流”, an e-logistics platform in mainland China.

As disclosed in the Annual Report, due to change of business plan and delay in revenue generating activities of Planet Smooth and its subsidiaries, the management of the Group expected a significant impairment of goodwill arising therein. Hence, an impairment assessment on the goodwill was performed based on the valuation report prepared by an independent valuer.

VALUATION ON THE GOODWILL IN RELATION TO THE IMPAIRMENT LOSS

The independent valuer discussed with the Company on the performance of Planet Smooth for the year ended 31 March 2018 and the future business plan for Planet Smooth and assessed the income approach previously adopted in computing its value in use for the year ended 31 March 2017. Having considered (i) the inability of the Company to raise further funding for Planet Smooth in the highly competitive e-logistics business segment to convert registrants into users; (ii) Planet Smooth gradually ceased operation since December 2017 and no significant revenue generated during the year ended 31 March 2018; and (iii) the highly competitive and high cash burn rate of the e-logistics business segment in mainland China, the independent valuer assessed that the more appropriate approach to determine the recoverable amount, which is used to compare with the carrying amount to compute the Impairment Loss, is to estimate the fair value less cost to disposal with fair value estimated by adopting the replacement cost approach.

Consequentially, due to the change in the valuation approach, a different set of the value of inputs and assumptions was adopted for the year ended 31 March 2018 as compared to those used for the year ended 31 March 2017.

The value of inputs used for assessing the fair value of Planet Smooth as at 31 March 2018 included the replacement cost of (i) payroll; (ii) rental; and (iii) fixed assets. The replacement costs of payroll, rental and fixed assets were estimated by reference to the historical accumulated costs incurred by the Company and relevant industry and market data and obsolescence adjustment and non-operating balance sheet items adjustment.

The major assumptions for assessing the fair value of Planet Smooth as at 31 March 2018 included (i) the historical accumulated costs incurred by Planet Smooth is accurate; (ii) the source of relevant industry and market data is reliable; (iii) the management and board of Planet Smooth has assessed and decided that Planet Smooth has no other viable choice except to gradually cease operation; and (iv) the financial statements provided by the Company is accurate and complete.

UPDATE ON THE IPO GUARANTEE PROVISION

Reference is made to the announcements of the Company dated 4 November 2015 and 12 November 2015 in relation to the acquisition of Planet Smooth (the “**Announcements**”). When the Company was acquiring Planet Smooth, the Shareholders’ Agreement was already in place. The Company was acquiring Planet Smooth with the rights and obligations under the Shareholders’ Agreement.

As stated in the Announcements and pursuant to the Shareholders’ Agreement, in the event that First Cargo fails to achieve an initial public offering on or before 31 December 2018 or any other date otherwise agreed among Champion Aim, a subsidiary of the Company, Mr. Han Jun, Mr. Lv Hong Qing, Greatness Efforts and Remarkable Success, Champion Aim has the right (but not obligation) to call upon First Cargo to repurchase shares of First Cargo at a consideration of: (1) all investment made by Champion Aim in First Cargo; plus (2) a return calculated based on an annual compound interest of 8% per annum on the investment” (the “**IPO Guarantee Provision**”).

As at the date of this announcement, First Cargo has not achieved an initial public offering. However, in light of the fact that (i) both First Cargo and Champion Aim are subsidiaries of the Company; (ii) First Cargo does not possess sufficient resources to repurchase its shares based on its current financial position; (iii) as far as the Company is aware, other First Cargo shareholders have no assets except their shareholding in First Cargo; and (iv) certain cost would be involved in enforcing the IPO Guarantee Provision, the Board considers the enforcement of which may not be economically practical nor beneficial to the Group and thus may not be in the interest of the Company and its shareholders as a whole.

The above information does not affect other information contained in the Annual Report.

By Order of the Board
CST Group Limited
Chiu Tao
Executive Director and Chairman

Hong Kong, 27 November 2019

As at the date of this announcement, the Board comprises (i) Mr. Chiu Tao (Chairman), Mr. Hui Richard Rui, Mr. Lee Ming Tung, Mr. Kwan Kam Hung, Jimmy, Mr. Tsui Ching Hung and Mr. Wah Wang Kei, Jackie as executive directors of the Company; and (ii) Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying as independent non-executive directors of the Company.