CST GROUP LIMITED
中譽集團有限公司

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

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

## UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of CST Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2017 with the comparative figures for the corresponding period in 2016 as follows:

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

*For the six months ended 30 September 2017*

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *NOTES* | **US$'000** | US$'000 |
| | | **(unaudited)** | (unaudited) |
| Revenue | 4 | **14,124** | 16,804 |
| Cost of sales | 5 | **(5,092)** | (3,301) |
| Gross profit | | **9,032** | 13,503 |
| Other income and other gains and losses | 6 | **3,645** | (1,586) |
| Distribution and selling expenses | | **(5)** | (1,141) |
| Administrative expenses | | **(10,373)** | (10,380) |
| Impairment loss recognized and write-off of exploration and evaluation assets | | **(231)** | (139) |
| Impairment loss recognised on goodwill | | **(18,770)** | (12,332) |
| Loss on inventories written down to net realisable value | | **(3,775)** | (4,872) |
| Impairment loss recognised on available-for-sale investments | | **(14,101)** | (8,164) |
| Gain (loss) on fair value changes of financial assets at fair value through profit or loss | | **83,584** | (54,558) |
| Gain on fair value changes of investment properties | | **2,621** | 878 |

| | NOTES | Six months ended 30 September 2017 US$'000 (unaudited) | 2016 US$'000 (unaudited) |
|---|---|---|---|
| Share of result of a joint venture | | **(596)** | (2,150) |
| Share of result of an associate | | **—** | (425) |
| Finance costs | 7 | **(110)** | (216) |
| Profit (loss) before taxation | | **50,921** | (81,582) |
| Taxation | 8 | **(274)** | (151) |
| Profit (loss) for the period | 9 | **50,647** | (81,733) |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | **49,573** | (81,558) |
| Non-controlling interests | | **1,074** | (175) |
| | | **50,647** | (81,733) |
| **Other comprehensive income (expense)** | | | |
| *Items that may be reclassified subsequently to profit or loss :* | | | |
| Exchange differences arising on translation of foreign operations | | **1,892** | (2,202) |
| Loss arising from fair value changes of an available-for-sale investment | | **(13,650)** | (3,322) |
| Reclassification adjustment upon impairment on an available-for-sale investment | | **12,408** | 3,322 |
| Exchange differences arising on translation of foreign operation from an associate | | **—** | (5) |
| Other comprehensive income (expense) for the period | | **650** | (2,207) |
| Total comprehensive income (expense) for the period | | **51,297** | (83,940) |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | **49,707** | (83,768) |
| Non-controlling interests | | **1,590** | (172) |
| | | **51,297** | (83,940) |
| **Earnings (loss) per share** | | | |
| Basic | 10 | **US0.13 cents** | US(0.21)cents |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 30 SEPTEMBER 2017*

| | *NOTES* | **As at 30 September 2017 US$'000 (unaudited)** | As at 31 March 2017 US$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **3,057** | 3,481 |
| Exploration and evaluation assets | 11 | **—** | — |
| Investment properties | | **50,822** | 46,962 |
| Goodwill | | **897** | 19,017 |
| Interests in an associate | | **—** | — |
| Interests in a joint venture | | **1,478** | 2,074 |
| Available-for-sale investments | | **72,232** | 56,637 |
| Pledged bank deposits | | **48,977** | 44,840 |
| Deposit for acquisition of property, plant and equipment | | **4,768** | — |
| | | **182,231** | 173,011 |
| **Current assets** | | | |
| Inventories | | **5,140** | 7,417 |
| Trade and other receivables | 12 | **17,324** | 30,975 |
| Loan receivable | | **9,033** | 5,154 |
| Amount due from a joint venture | | **4,042** | 4,042 |
| Amount due from non-controlling interests | | **6,709** | — |
| Financial assets at fair value through profit or loss | | **457,668** | 297,453 |
| Bank balances and cash | | **202,550** | 299,947 |
| | | **702,466** | 644,988 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **12,535** | 8,882 |
| Provision for an onerous contract | | **6,611** | 6,456 |
| Amount due to a non-controlling interest | | **256** | 256 |
| Tax payable | | **5,439** | 5,172 |
| Bank borrowings – amount due within one year | | **1,185** | — |
| | | **26,026** | 20,766 |

| | *NOTE* | **As at 30 September 2017 US$'000 (unaudited)** | As at 31 March 2017 US$'000 (audited) |
|---|---|---|---|
| **Net current assets** | | **676,440** | 624,222 |
| Total assets less current liabilities | | **858,671** | 797,233 |
| **Non-current liabilities** | | | |
| Bank borrowings – amount due after one year | | **12,508** | — |
| Provision for mine rehabilitation cost | | **24,291** | 23,744 |
| Provision for an onerous contract | | **15,210** | 18,174 |
| Derivative financial instruments | | **50** | — |
| | | **52,059** | 41,918 |
| | | **806,612** | 755,315 |
| **Capital and reserves** | | | |
| Share capital | 14 | **496,132** | 496,132 |
| Reserves | | **297,628** | 247,921 |
| Equity attributable to owners of the Company | | **793,760** | 744,053 |
| Non-controlling interests | | **12,852** | 11,262 |
| | | **806,612** | 755,315 |

## 1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the interim report of the Company.

The Company is an investment holding company with its subsidiaries engaged in (i) exploration, development and mining of copper and other mineral resources materials, (ii) investment in financial instruments, (iii) property investment, (iv) money lending and (v) e-logistics platform.

The condensed consolidated financial statements are presented in United States dollars (“USD”), which is different from the Company’s functional currency of Hong Kong dollars (“HKD”). The management adopted USD as presentation currency as the management controls and monitors the performance and financial position of the Group based on USD. 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.

Pursuant to special resolution passed by the shareholders of the Company on 22 September 2017, the Company’s name was changed from “NetMind Financial Holdings Limited” to “CST Group Limited” with effect from 22 September 2017.

## 2. BASIS OF PREPARATION

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

## 3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

In the current period, the Group has applied, for the first time, the following amendments to HKAS and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

| | |
|---|---|
| HKAS 7 (Amendments) | Disclosure initiative |
| HKAS 12 (Amendments) | Recognition of deferred tax assets for unrealised losses |
| HKFRSs (Amendments) | Annual improvements to HKFRSs 2014-2016 cycle |

The application of the above amendments to HKAS and HKFRSs in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

## 4. REVENUE/SEGMENT INFORMATION

### Revenue

Revenue represents revenue arising on sale of copper cathodes, 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 | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Sale of copper cathodes | **6,627** | 5,352 |
| Residential rental income | **307** | 272 |
| Office rental income | **1,183** | 102 |
| Dividend income from trading of securities | **1,411** | 10,418 |
| Interest income from financial assets at fair value through profit or loss | **3,471** | 471 |
| Interest income from money lending business | **1,125** | 189 |
| | **14,124** | 16,804 |

### 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 performance assessment focuses on types of business. The Group's operating and reportable segments under HKFRS 8 *Operating Segments* are (i) mining business, (ii) investment in financial instruments, (iii) property investment, (iv) money lending and (v) e-logistics platform.

**Segment revenue and results**

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

| | Segment revenue Six months ended 30 September | | Segment results Six months ended 30 September | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Mining business | **6,627** | 5,352 | **(5,329)** | (5,809) |
| Investment in financial instruments | **4,882** | 10,889 | **73,843** | (52,714) |
| Property investment | **1,490** | 374 | **3,716** | 1,096 |
| Money lending | **1,125** | 189 | **1,008** | 189 |
| E-logistics platform | **—** | — | **(18,856)** | (14,482) |
| | **14,124** | 16,804 | **54,382** | (71,720) |
| Other income and other gains and losses (except for reversal of (provision for) an onerous contract and fair value loss on derivative financial instruments) | | | **3,160** | (1,331) |
| Central administration costs | | | **(5,915)** | (5,740) |
| Finance costs | | | **(110)** | (216) |
| Share of result of a joint venture | | | **(596)** | (2,150) |
| Share of result of an associate | | | **—** | (425) |
| Profit (loss) before taxation | | | **50,921** | (81,582) |

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

Segment results represent the results of each segment without allocation of other income and other gains and losses (except for reversal of (provision for) an onerous contract and fair value loss on derivative financial instruments), central administration costs, finance costs, share of result of a joint venture and share of result of an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

**Other segment information**

**Six months ended 30 September 2017**

**Amount included in the measure of segment results**

| | **Mining business US$'000 (unaudited)** | **Investment in financial instruments US$'000 (unaudited)** | **Property investment US$'000 (unaudited)** | **Money lending US$'000 (unaudited)** | **E-logistics platform US$'000 (unaudited)** | **Unallocated US$'000 (unaudited)** | **Total US$'000 (unaudited)** |
|---|---|---|---|---|---|---|---|
| **Depreciation** | **548** | **—** | **—** | **—** | **35** | **85** | **668** |
| **Staff costs** | **472** | **—** | **—** | **—** | **27** | **846** | **1,345** |

Six months ended 30 September 2016

Amount included in the measure of segment results

| | Mining business US$'000 (unaudited) | Investment in financial instruments US$'000 (unaudited) | Property investment US$'000 (unaudited) | Money lending US$'000 (unaudited) | E-logistics platform US$'000 (unaudited) | Unallocated US$'000 (unaudited) | Total US$'000 (unaudited) |
|---|---|---|---|---|---|---|---|
| Depreciation | 388 | — | — | — | 45 | 99 | 532 |
| Staff costs | 1,700 | — | — | — | 1,350 | 857 | 3,907 |

## 5. COST OF SALES

| | Six months ended 30 September | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Contractor fee | **6,229** | — |
| Electricity | **—** | 3,442 |
| Diesel/fuel | **—** | 161 |
| Direct materials | **30** | 1,411 |
| Equipment rental | **—** | 3 |
| Staff costs | **—** | 745 |
| Overhead | **3** | 174 |
| Maintenance | **—** | 8 |
| Depreciation | **235** | 134 |
| Movement in inventories | **(1,405)** | (2,777) |
| | **5,092** | 3,301 |

## 6. OTHER INCOME AND OTHER GAINS AND LOSSES

| | Six months ended 30 September | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Bank and other interest income | **1,731** | 673 |
| Net foreign exchange gain (loss) | **526** | (785) |
| Gain on disposal of assets | **49** | — |
| Fair value loss on derivative financial instruments | **(50)** | — |
| Reversal of (provision for) an onerous contract | **535** | (255) |
| Impairment loss recognised on interest in an associate | **—** | (1,457) |
| Others | **854** | 238 |
| | **3,645** | (1,586) |

## 7. FINANCE COSTS

| | Six months ended 30 September | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Effective interest expense on provision for mine rehabilitation cost | **—** | 175 |
| Effective interest expense on provision for an onerous contract | **—** | 41 |
| Interest expense on bank borrowing | **110** | — |
| | **110** | 216 |

## 8. TAXATION

| | Six months ended 30 September | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| The charge comprises: | | |
| Current tax: | | |
| People's Republic of China ("PRC") | **11** | 10 |
| Australian withholding tax | **123** | 141 |
| United Kingdom | **140** | — |
| Taxation charge for the period | **274** | 151 |

Under the applicable corporate tax law in Australia, the tax rate is 30% of the estimated assessable profits.

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No tax is payable on the profit arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward for both periods.

## 9. PROFIT (LOSS) FOR THE PERIOD

| | Six months ended 30 September | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Profit (loss) for the period has been arrived at after charging: | | |
| Depreciation on property, plant and equipment | **668** | 532 |
| Directors' remuneration | **3,131** | 3,054 |

## 10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the profit for the period of US$49,573,000 (six months ended 30 September 2016: loss for the period of US$81,558,000) and weighted average number of 38,698,308,961 ordinary shares in issue during the period (six months ended 30 September 2016: 38,698,308,961 ordinary shares).

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

## 11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSETS

During the six months ended 30 September 2017, the Group incurred expenditures on mine property and development assets of US$30,000 (six months ended 30 September 2016: US$9,000) and other property, plant and equipment of US$20,000 (six months ended 30 September 2016: US$439,000).

During the six months ended 30 September 2017, the Group incurred expenditures on exploration and evaluation assets of US$231,000 (six months ended 30 September 2016: US$971,000).

## 12. TRADE AND OTHER RECEIVABLES

| | As at 30 September 2017 US$'000 (unaudited) | As at 31 March 2017 US$'000 (audited) |
|---|---|---|
| Trade receivables | **1,333** | 1,180 |
| Other receivables | **15,991** | 29,795 |
| Total trade and other receivables | **17,324** | 30,975 |

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

| | As at 30 September 2017 US$'000 (unaudited) | As at 31 March 2017 US$'000 (audited) |
|---|---|---|
| 0 – 60 days | **1,333** | 1,180 |

Trade receivables as at 30 September 2017 and 31 March 2017 mainly represent trade receivables from sales of copper cathodes in Australia. The balances is due on the fifth working day of the following month after delivery. Management believes that no impairment allowance is necessary in respect of this balance as it is settled subsequently in full. The Group does not hold any collateral over this balance.

Included in other receivables are amount due from brokers amounting to US$13,898,000 (31 March 2017: US$21,468,000).

## 13. TRADE AND OTHER PAYABLES

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

| | **As at 30 September 2017 US$'000 (unaudited)** | As at 31 March 2017 US$'000 (audited) |
|---|---|---|
| Trade payables | | |
| 0 – 30 days | **157** | 298 |
| Other payables | **12,378** | 8,584 |
| Total trade and other payables | **12,535** | 8,882 |

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.

On 31 May 2010, the Group acquired the entire issued share capital of CST Minerals Lady Annie Pty Limited ("CSTLA") at cash consideration of AUD130,000,000, equivalent to approximately US$110,073,000 and an additional contingent consideration. Based on the relevant agreement, the Group is required to pay (i) an additional amount of AUD2,500,000 upon the production of the first 10,000 tonnes of copper cathode from CSTLA and (ii) a further AUD2,500,000 upon the delineation of additional ore reserves containing 25,000 tonnes of contained copper. Obligation stated in (i) of AUD2,500,000, equivalent to approximately US$1,960,000 (31 March 2017: AUD2,500,000, equivalent to approximately US$1,911,000 and (ii) of AUD2,500,000, equivalent to approximately US$1,960,000 (31 March 2017: AUD2,500,000, equivalent to approximately US$1,911,000) represents the estimated fair value of the Group's obligation as at 31 May 2010 and has been fully provided. Production of the first 10,000 tonnes was completed in the year ended 31 March 2012 and US$2,607,000 was fully settled during the year ended 31 March 2013. As at 30 September 2017, the additional ore reserves are not yet delineated and the remaining AUD2,500,000, equivalent to approximately US$1,960,000 (31 March 2017: AUD2,500,000, equivalent to approximately US$1,911,000) was included in other payables.

Other payables also include Goods and Services Tax payable and Royalty payable of US$43,000 and nil (31 March 2017: US$42,000 and US$118,000) respectively, in respect of sales made in Australia under relevant rules and regulations.

## 14. SHARE CAPITAL

| | Number of shares | Share capital |
|---|---|---|
| Ordinary shares of HK$0.10 each | | US$'000 |
| Authorised | | |
| At 1 April 2016 | 50,000,000,000 | 641,026 |
| Increase in authorised share capital (Note) | 50,000,000,000 | 641,026 |
| At 31 March 2017 and 30 September 2017 (unaudited) | 100,000,000,000 | 1,282,052 |
| Issued and fully paid | | |
| At 1 April 2016, 31 March 2017 and 30 September 2017 (unaudited) | 38,698,308,961 | 496,132 |

Note : By an ordinary resolution passed at the extraordinary general meeting on 16 May 2016, the Company's authorised share capital was increased from HK$5,000,000,000 divided into 50,000,000,000 ordinary shares of HK$0.10 each to HK$10,000,000,000 divided into 100,000,000,000 ordinary shares of HK$0.10 each by creation of additional 50,000,000,000 ordinary shares of HK$0.10 each.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the both periods.

## 15. DIVIDEND

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review and Financial Results

The revenue of the Company and its subsidiaries (collectively referred to as the "Group") for the period ended 30 September 2017 (the "Period"), was approximately US$14.12 million. This was a decrease of approximately 15.95% compared to revenue recorded during the corresponding period last year. Operating revenue generated by Lady Annie Operations went up from approximately US$5.35 million to US$6.63 million, representing an increase of approximately 23.93% over the Period. The increase was due to rising of copper price during the Period.

Compared with the corresponding period of the previous year, there was approximately US$4.47 million decrease in gross profit, a drop of approximately 33.11%. Dividends from securities trades and interest income from financial assets, rental income, and interest income from money lending represented approximately 34.57%, 10.55% and 7.97% respectively of total revenue for the Period.

Compared with same period of last year, revenue derived from property investments increased significantly by approximately 298.40%, which is mainly attributable to rental income generated by the acquisition of a Scottish property in March 2017 through an indirect subsidiary of which the Group owned a 51% equity interest. Rental income provided steady cash flow over the Period, and this trend is expected to continue. As the share of equity securities in the Group's investment portfolio has been reduced, dividends from trading securities and interest income on financial assets decreased by approximately 55.17% period-on-period. Due to an upturn in the financial market, the Group recorded a gain on fair value changes of financial assets at fair value through profit or loss of approximately US$83.58 million for the Period, while there was a loss on fair value changes of financial assets through profit or loss of approximately US$54.56 million during the corresponding period of last year.

Information concerning the Group's 10 largest financial assets as of 30 September 2017 is detailed below:

| Stock Code | Name of Stock/ Note/ Fund | Principal Business | Number of Share / Note / Fund Held | % of Shareholding held by the Group 30.09.2017 | Purchase Cost USD'000 | Market Value 30.09.2017 USD'000 | % to the Group's Net Assets 30.09.2017 | Realised Gain on change in fair value for the period ended 30.09.2017 USD'000 | Unrealised Gain/(Loss) on change in fair value for the period ended 30.09.2017 USD'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Equity securities listed in Hong Kong** | | | | | | | | | |
| 708 | Evergrande Health Industry Group Limited | Book and magazine publishing, digital business, copyright holding and licensing business in Hong Kong and providing plastic surgery, anti-aging and health services in the PRC | 230,150,000 | 2.66% | 35,024.99 | 101,206.99 | 12.55% | - | 58,127.63 |
| 3333 | China Evergrande Group | Property (including development, investment, management, construction and other property related service), hotel and fast consuming industry in PRC | 15,108,000 | 0.12% | 38,872.34 | 52,781.15 | 6.54% | - | 13,877.57 |
| 1031 | Kingston Financial Group Limited | Provision of securities brokerage, underwriting & placements, margin & IPO financing, corporate finance advisory services, futures brokerage & asset management services; providing gaming & hospitality service in Macau. | 75,296,000 | 0.55% | 8,125.74 | 38,420.27 | 4.76% | - | 13,997.33 |
| 1051 | G-Resources Group Limited | Principal investment business, financial services business, money lending business and real property business | 2,207,389,165 | 8.16% | 103,940.46 | 29,148.86 | 3.61% | - | (12,451.94) |

| Stock Code | Name of Stock/ Note/ Fund | Principal Business | Number of Share / Note / Fund Held | % of Shareholding held by the Group 30.09.2017 | Purchase Cost USD'000 | Market Value 30.09.2017 USD'000 | % to the Group's Net Assets 30.09.2017 | Realised Gain on change in fair value for the Period 30.09.2017 USD'000 | Unrealised Gain/(Loss) on change in fair value for the Period 30.09.2017 USD'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Equity securities listed in Hong Kong (Cont'd)** | | | | | | | | | |
| 1231 | Newton Resources Ltd | Principal investment business, financial services business, money lending business and real property business | 186,498,000 | 4.66% | 20,503.23 | 17,454.30 | 2.16% | - | 1,434.60 |
| 32 | The Cross-Harbour (Holdings) Limited | Operation of motoring schools, tunnels and an electronic toll system, and investment | 6,078,000 | 1.63% | 5,383.69 | 9,537.78 | 1.18% | - | 483.12 |
| 189 | Dongyue Group Limited | Manufacture, distribution and sale of refrigerants, polymers, organic silicone and dichloromethane, polyvinyl chloride and liquid alkali, and property development in the PRC | 13,723,000 | 0.65% | 7,301.34 | 8,550.48 | 1.06% | 3,310.16 | 6,140.16 |
| **Financial assets other than equity securities listed in Hong Kong** | | | | | | | | | |
| | 9.5% China Evergrande Senior Note | Property (including development, investment, management, construction and other property related service), hotel and fast consuming industry in PRC | 50,000,000 | N/A | 50,000.00 | 52,525.00 | 6.51% | - | (2,787.50) |
| | 8.75% China Evergrande Senior Note | Property (including development, investment, management, construction and other property related service), hotel and fast consuming industry in PRC | 50,000,000 | N/A | 49,987.25 | 50,817.50 | 6.30% | - | 830.25 |
| | Nexus Emerging Opportunities Fund Alpha SP | Fund with no specific investment objective and restriction on the investment of assets | 25,475.7916 | N/A | 30,282.96 | 52,985.72 | 6.57% | - | 2,393.34 |
| **Total** | | | | | **349,422.00** | **413,428.05** | **51.24%** | **3,310.16** | **82,044.56** |

* Purchase costs in these securities represented the initial acquisition costs for the respective costs of the respective securities. Some of the financial assets were acquired by the Group in prior years. Financial assets acquired in prior years were subject to fair value adjustments and unrealized gains/(losses) on change in fair value were recognized at the end of the respective period. Unrealized gains/(losses) on change in the fair value of these financial assets for the period ended 30 September 2017 exclude amounts recognized in prior periods.

The Group's overall investment portfolio recorded a gain of approximately US$69.48 million, compared to a loss of approximately US$62.72 million, over the same period last year. Global economic and political instability, and US interest rate policy will continue to dampen investor and market sentiment as market conditions remain volatile. The Group will not be too optimistic about the performance of the second half of the global financial market. The Group is exploring opportunities to diversify its revenue.

Interest income from the money lending business increased to approximately 5.95 times of the same period of last year's amount as the Group has become increasingly active in this business. During the Period, approximately US$1.13 million in interest income was generated by the money lending business. The interest income from the money lending business was approximately US$0.19 million in the corresponding period of previous year.

As stated in the Group's annual report for the financial year ended 31 March 2017, the Group's internet logistics service in the PRC (the "E-logistics Platform Business") has not seen any pronounced cash flow improvements, and the forecasted growth rate and actual growth rate differed significantly. The Group therefore scaled down the E-logistics Platform Business' operations and reduced resources allocated to this business line. In light of considering the continued severe market competition and the existing difficult operation environment, the Group considered not to further allocate any resources to this business line. As such, an impairment loss on goodwill in the amount of approximately US$18.77 million was recognized in the Period.

Due to diminishing copper reserves and the Company's further down-scaling of its copper production, the carry value of inventories was written down by approximately US$3.78 million. Over the same period last year, the carry value of inventories was written down by approximately US$4.87 million. Exploration and evaluation assets were impaired by approximately US$0.23 million during the Period. In the same period last year, the write off, with respect to exploration and evaluation assets, was approximately US$0.14 million. Other gains totaling approximately US$3.65 million were recorded for the Period, contrasting with other losses of approximately US$1.59 million observed in the prior corresponding period. This was mainly attributable to increase in bank and other interest income and write-back part of provision for onerous contract during the Period. Overall, the Group recorded an after tax profit of approximately US$50.65 million for the Period, whereas an after tax loss of approximately US$81.73 million was recorded for the same period of last year.

**Net Asset Value**

As of 30 September 2017, the Group held bank balances and cash totaling approximately US$202.55 million. Bank deposits of approximately US$48.98 million were pledged, mostly to cover rehabilitation costs for operating a mining business (as mandated by the government of Queensland, Australia), and as a guarantee to the electric power supplier for the Lady Annie mine site. Fair value of available-for-sale investments and financial assets at fair value through profit and loss was approximately US$72.23 million and US$457.67 million, respectively. During the Period, a bank granted a one-year HK$150 million revolving loan with an interest rate of 1% over HIBOR/LIBOR to a subsidiary of the Company. The Company provided a guarantee to the bank for this facility, but the facility was not utilized during the Period. During the Period, an indirect non-wholly owned subsidiary was granted a loan of GBP10.41 million with an interest rate of 3.73% per annum for four years for refinancing a Scottish property owned by the non-wholly owned subsidiary. As of 30 September 2017, the outstanding balance of this bank loan was approximately GBP10.49 million equivalently to approximately US$13.69 million. Based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio was 1.70%. The net asset value of the Group amounted to approximately US$806.61 million.

**Human Resources**

As of 30 September 2017, the Group's total number of staff (including Company directors) was 36. Staff costs (excluding directors' emoluments) were approximately US$1.35 million for the Period. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong, and provided other staff benefits, such as medical benefits.

**Foreign Exchange Risk**

The Group conducts most of its business in US dollars, Australian dollars, Renminbi , Hong Kong dollars and British Pound. Foreign currency exposure to US dollars is minimal, as the Hong Kong dollar is pegged to the US dollar. Exposure to Renminbi is also minimal during the Period, as business conducted in Renminbi represents only a small portion of the Group's total business in terms of revenue. The foreign currency exposure to British Pound is very limited as the rental income generated from a property in Scotland will be used to repay a loan facility granted by a local Scottish bank for refinancing the property in Scotland. The Group's primary source of foreign exchange risk is derived from the Australian dollar. However, as the Group's mining operations in Australia are scaling down, the foreign exchange risk posed by the Australian dollar is reduced. Management will continue to monitor the Group's foreign exchange risk and will consider hedging its exchange rate exposure should the need arise.

**Lady Annie Operations**

Lady Annie Operations, located in the Mount Isa district of north western Queensland, Australia, is principally comprised of the Lady Annie mining area, the Mount Kelly mining area, and the Mount Kelly processing plant and tenements. The Mount Isa Inlier hosts several known copper oxide and sulphide resources, and several notable copper and lead-zinc silver mines.

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

| | **Six months ended 30 September** | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| Revenue | **6,627** | 5,352 |
| Cost of sales | **(5,092)** | (3,301) |
| Gross profit | **1,535** | 2,051 |
| Other income and other gains | **836** | 666 |
| Distribution and selling expenses | **(5)** | (265) |
| Administrative expenses | **(2,876)** | (2,585) |
| Finance costs* | **-** | (216) |
| Loss on inventories written down to net realisable value | **(3,775)** | (4,872) |
| Write off of exploration and evaluation assets | **-** | (139) |
| Impairment loss on exploration and evaluation assets | **(231)** | - |
| Loss before taxation | **(4,516)** | (5,360) |
| Depreciation in administrative expenses | **38** | 19 |
| Depreciation in cost of sales | **235** | 371 |
| Total depreciation | **273** | 390 |

* Inter companies financial charges of the Australian Group was not included

**Non-HKFRS Financial Measure**

The term "C1 operating cost" is a non-HKFRS performance measure reported in this "Management Discussion and Analysis" and is prepared on a per-pound of copper sold basis. The term "C1 operating cost" does not have any standardized meaning prescribed by HKFRS and therefore may not be comparable to similar measures presented by other issuers. C1 operating cost is a common performance measure in the copper industry and is prepared and presented herein on a basis consistent with industry standard definitions. C1 operating costs include all mining and processing costs, mine site overheads and realization costs through to refined metal.

The table below reconciles Lady Annie Operations' C1 operating cost to measure the statement of comprehensive income in the financial statements of the Lady Annie Operations for the indicated period.

| | **Six months ended 30 September** | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| Cash costs as reported in the income statement: | | |
| Direct and indirect mining cost | **9,685** | 8,097 |
| Adjustment for change in inventory | **(3,645)** | (2,299) |
| Total operating costs | **6,040** | 5,798 |
| Copper sold (tonnes) | **1,102** | 1,105 |
| Copper sold (in thousand pounds) | **2,429** | 2,436 |
| C1 operating cost per pound of copper | **US$2.49/lb** | US$2.38/lb |

In addition to conventional measures prepared in accordance with HKFRS, certain investors may want to use the above tool and information to evaluate the Company. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with HKFRS.

**Significant Events**

The Company held an annual general meeting on 22 September 2017 (the "AGM"). During the AGM, a special resolution was passed to change the English name of the Company from "NetMind Financial Holdings Limited" to "CST Group Limited" as well as the dual foreign Chinese name, which was changed from "網智金控集團有限公司" to "中譽集團有限公司". Both name changes became effective on 22 September 2017. Details of the change of company name were disclosed in the Company's announcements dated 17 August 2017 and 10 October 2017 and circular dated 24 August 2017.

## Outlook

While the global economic environment has been positive, US monetary policy and geopolitical factors continued to bring uncertainty to the business for the Group during the Period. However, the Group remains cautiously optimistic about current business prospects. Going forward, the Group will continue to evaluate market opportunities and optimize resource allocations to enhance overall profitability and returns while simultaneously promoting long-term development.

In terms of financial instruments, the Group will actively seek diversified investment and potential business opportunities to increase value. In order to seek new growth drivers, the Group will explore opportunities and identify uncertainties in the investment environment, prudently adapt to market changes, and monitor market risks.

Since the launch of the money lending business, both the Group's business scale and revenue have recorded solid growth. Looking forward, the Group believes that demand for loans will remain robust. The Group will look to further balance risks and revenue, and continue to prudently expand its money lending business. It is expected that this business will continue to generate stable and considerable revenue in the second half of the year.

The Group will seek more opportunities globally to broaden its property investment portfolio to generate rental income and/or capital appreciation, as well as produce future economic benefits.

As copper reserves in the Lady Annie mine site are mostly depleted, the Group will seek to develop other business segments with higher profitability. However, the Group will extend the life of the mine for continued business operations. In conjunction with close monitoring of production costs and market conditions, the Group is carefully considering the following actions: further reduction of operation scale; increased outsourcing as a proportion of operation activities; and/or temporarily halting production.

The e-logistics industry, as described in the Group's annual report for the financial year ended 31 March 2017, has witnessed intensified competition and a harsher operating environment than expected. There has been no pronounced improvement in the cash flow of the E-logistics Platform Business, and the growth of platform users differed significantly from the forecasted rate. The Group has therefore scaled down the e-logistics platform and reduced resources allocated to this business line. For the Period, given the continued intense market competition and a difficult operational environment, the Group has considered to halt allocation of additional resources to this business. The Group will continue to adjust the E-logistics Platform Business marketing and development strategy in accordance with market changes.

Going forward, the Group will enhance its current businesses to increase scale and overall revenue, and seek to improve financial performance. The Group will actively explore and capitalize on diversified investment and potential business opportunities to grow shareholder value.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has, during the six months ended 30 September 2017 complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviation:

**Code Provision A.2.1**

Under Code Provision A.2.1, the roles of the chairman and chief executive should be separated and should not performed by the same individual. The Company did not name any officer with the title of "Chief Executive Officer". Mr. Hui Richard Rui is the general manager of the Group (the "General Manager") and assumed the duty of "Chief Executive Officer" who is responsible for managing and smoothing the business operations of the Group while Mr. Chiu Tao, the Chairman, remains to be responsible for leading the Board in the overall strategic development of the Group. The Board believes that there is an effective and sufficient segregation of duties between the Chairman and the General Manager.

**COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding director's securities transactions. In response to specific enquiry, all directors of the Company confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2017.

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

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

**REVIEW BY AUDIT COMMITTEE**

The unaudited interim results for the six months ended 30 September 2017 has been reviewed by the Company's audit committee which comprises 3 members namely Mr. Yu Pan, Ms. Tong So Yuet and Ms. Ma Yin Fan, all of them are independent non-executive directors of the Company, and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 24 November 2017

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