CST GROUP LIMITED
中譽集團有限公司

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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2019

AUDITED ANNUAL RESULTS

The board of directors (the "Board") of CST Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019 (the "Year") with the comparative figures for the corresponding year in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	**2019** **US$'000**	2018 US$'000
Revenue	3		
Sales		**38,811**	12,527
Interest income		**19,562**	13,700
Dividend income		**5,338**	3,208
Rental income		**3,003**	2,982
Cost of sales		**(32,548)**	(11,000)
Gross profit		**34,166**	21,417
Other income, expenses, gains and losses	4	**(14,301)**	20,007
Distribution and selling expenses		**(5,166)**	(7)
Administrative expenses		**(46,766)**	(26,251)
Impairment loss recognised in respect of exploration and evaluation assets		**(166)**	(379)
Impairment loss recognised on goodwill		**—**	(19,907)
Loss on inventories written down to net realisable value		**—**	(5,905)
Impairment loss recognised on available-for-sale investments		**—**	(23,561)

	NOTES	2019 US$'000	2018 US$'000
(Loss) gain on fair value changes of financial assets at fair value through profit or loss		**(33,118)**	16,303
(Loss) gain on fair value changes of investment properties		**(230)**	4,999
Gain on disposal of a subsidiary		**1,026**	—
Reversal of expected credit losses on financial assets, net of impairment loss		**3,497**	—
Share of result of a joint venture		**(130)**	2,978
Share of result of an associate		**318**	(21)
Finance costs	5	**(11,961)**	(416)
Loss before taxation	6	**(72,831)**	(10,743)
Taxation	7	**(453)**	(524)
Loss for the year		**(73,284)**	(11,267)
Loss for the year attributable to:			
Owners of the Company		**(69,698)**	(12,719)
Non-controlling interests		**(3,586)**	1,452
		(73,284)	(11,267)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss :			
Exchange differences arising on translation of foreign operations		**9,269**	4,448
Loss arising from fair value changes of an available-for-sale investment		**—**	(22,957)
Reclassification adjustment upon impairment on an available-for-sale investment		**—**	21,715
		9,269	3,206
Total comprehensive expense for the year		**(64,015)**	(8,061)
Total comprehensive expense attributable to:			
Owners of the Company		**(59,908)**	(10,609)
Non-controlling interests		**(4,107)**	2,548
		(64,015)	(8,061)
Loss per share			
Basic and diluted	8	**US(0.18)cents**	US(0.03)cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 US$'000	2018 US$'000
Non-current assets			
Property, plant and equipment	9	**480,744**	28,997
Exploration and evaluation assets		**33,675**	—
Investment properties		**52,402**	55,174
Goodwill		**—**	—
Interests in associates		**7,024**	6,706
Interests in a joint venture		**4,922**	5,052
Financial assets at fair value through profit or loss		**61,721**	—
Club membership		**2,437**	—
Available-for-sale investments		**—**	63,204
Pledged bank deposits		**54,581**	38,244
Deposit of acquisition of property, plant and equipment		**—**	17,597
		697,506	214,974
Current assets			
Inventories		**24,488**	3,159
Trade and other receivables	10	**9,751**	6,115
Loan receivables		**28,274**	192,449
Amount due from a joint venture		**4,042**	4,042
Financial assets at fair value through profit or loss		**355,084**	287,804
Derivative financial instruments		**29**	66
Bank balances and cash		**124,159**	93,581
		545,827	587,216
Current liabilities			
Trade and other payables and accruals	11	**29,420**	6,369
Provision for an onerous contract		**1,368**	1,453
Tax payable		**5,994**	5,691
Bank borrowings - amount due within one year		**1,182**	1,275
Guarantee liability		**40,100**	—
		78,064	14,788

	NOTE	2019 US$'000	2018 US$'000
Net current assets		**467,763**	572,428
Total assets less current liabilities		**1,165,269**	787,402
Non-current liabilities			
Bank borrowings - amount due after one year		**420,126**	12,836
Obligations under finance lease		**14,806**	—
Provision for mine rehabilitation cost		**53,816**	23,862
Provision for an onerous contract		**4,106**	10,159
		492,854	46,857
		672,415	740,545
Capital and reserves			
Share capital	12	**496,132**	496,132
Reserves		**173,289**	237,312
Equity attributable to owners of the Company		**669,421**	733,444
Non-controlling interests		**2,994**	7,101
		672,415	740,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. GENERAL

CST Group Limited (the “Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of 2019 annual report.

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

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of Copper cathodes and coal

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 of the 2019 annual report respectively.

Summary of effects arising from initial application of HKFRS 15

The revenue of the Group from sales of copper cathodes and coal is recognised at a point of time. The adoption of HKFRS 15 has had no material impact on the Group's financial performance and positions for the current year or at 1 April 2018.

2.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3 of the 2019 annual report.

Summary of effects arising from initial application of HKFRS 9

From available-for-sale ("AFS") investments to financial assets at fair value through profit or loss (“FVTPL”)

At the date of initial application of HKFRS 9, the Group's investments in investment funds, unlisted equity securities and equity securities listed in Hong Kong with fair value of US$60,767,000 were reclassified from AFS investments to financial assets at FVTPL.

Impairment under ECL model

The Group applied the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Loss allowances for other financial assets at amortised cost, comprising mainly other receivables, loan receivables, amount due from a joint venture, pledged bank deposits and bank balances are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowance of US$4,115,000 has been recognised against accumulated losses. The additional loss allowance is charged against the loan receivables.

The table below illustrates the adjustments recognised for each of the line items affected, including the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

	AFS investments	Loan receivables	Financial assets at FVTPL	Club Membership	Accumulated losses
	US$'000	US$'000	US$'000	US$'000 (Note)	US$'000
Closing balance at 31 March 2018 – HKAS 39 (audited)	63,204	192,449	287,804	—	(394,926)
Effect arising from initial application of HKFRS 9:					
Reclassification	(63,204)	—	60,767	2,437	—
Remeasurement					
Impairment under ECL model	—	(4,115)	—	—	(4,115)
Opening balance at 1 April 2018 (restated)	—	188,334	348,571	2,437	(399,041)

Note : Club membership of US$2,437,000 is separately presented as an asset on the consolidated statement of financial position upon the reclassification of AFS investments.

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2018 as disclosed above.

HK(IFRIC) - Int 22 “Foreign Currency Transactions and Advance Consideration”

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Group is required to determine the date of transaction for each payment or receipt of advance consideration.

On initial application, the Group applied the interpretation prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the current year, i.e. 1 April 2018.

For foreign currency denominated advance considerations paid by the Group in relation to acquisition of property, plant and equipment amounting to US$17,597,000, the Group recorded these advances by applying the spot exchange rate on initial recognition between the functional currency of the relevant group entity and the foreign currency. Accordingly, the application of this interpretation has had no significant impact on the amounts reported.

New and amendments to HKFRSs and an interpretation in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

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

HKFRS 16 "Leases"

HKFRS16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as operating cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 will result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of US$1,221,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of US$309,000 and refundable rental deposits received of US$131,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements will result in changes in measurement, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) - Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and has recognised the cumulative effect of initial application to opening accumulated losses without restating comparative information.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Amendments to HKFRS 3 “Definition of a Business”

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020.

3. REVENUE/SEGMENT INFORMATION

Revenue

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

	2019	2018
	US$'000	US$'000
Sale of copper cathodes	**14,660**	12,527
Sale of coal	**24,151**	—
Revenue from contracts with customers	**38,811**	12,527
Residential rental income	**596**	583
Office rental income	**2,407**	2,399
Dividend income from trading of securities	**5,338**	3,208
Interest income from financial assets at FVTPL	**10,037**	8,047
Interest income from money lending business	**9,525**	5,653
Total revenue	**66,714**	32,417
Disaggregation of revenue from contracts with customers		
Sale of copper cathodes	**14,660**	12,527
Sale of coal	**24,151**	—
	38,811	12,527
Timing of revenue recognition		
A point of time	**38,811**	12,527

Sale of copper cathodes and coal (recognised at a point in time)

The Group sells copper cathodes and coal directly to customers. The revenue is recognised when the performance obligation is fulfilled upon the control of goods has been transferred, being copper cathodes and coal passes the vessel's rail at the port of shipment. The payment from customers will be made to the Group within 30 days from the date of lading.

Segment information

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

Specifically, the Group's operating and reportable segments under HKFRS 8 were organised into five main operating divisions - (i) mining business, (ii) investment in financial instruments, (iii) property investment, (iv) money lending and (v) e-logistics platform.

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 executive directors, being CODM of the Group. 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 assess 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, expenses, gains and losses (except for reversal of provision for an onerous contract and provision for rehabilitation cost), central administration costs, finance costs, share of result of a joint venture and share of result of an associate).

Segment revenue and results

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

	Segment revenue		Segment results	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Mining business	**38,811**	12,527	**(14,352)**	3,365
Investments in financial instruments	**15,375**	11,255	**(22,719)**	3,298
Property investment	**3,003**	2,982	**2,236**	7,073
Money lending	**9,525**	5,653	**9,444**	5,471
E-logistics platform	**—**	—	**(11)**	(20,070)
	66,714	32,417	**(25,402)**	(863)
Other income, expenses, gains and losses (except for reversal of provision for an onerous contract and provision for rehabilitation cost)			**(17,875)**	5,176
Central administration costs			**(17,781)**	(17,597)
Finance costs			**(11,961)**	(416)
Share of result of a joint venture			**(130)**	2,978
Share of result of an associate			**318**	(21)
Loss before taxation			**(72,831)**	(10,743)

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

Segment assets and liabilities

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

	2019	2018
	US$'000	US$'000
Segment assets:		
— Mining business	**597,869**	53,278
— Investments in financial instruments	**425,306**	355,190
— Property investment	**54,454**	55,240
— Money lending	**31,957**	192,449
— E-logistics platform	**13**	114
Total segment assets	**1,109,599**	656,271
Unallocated assets:		
— Bank balances and cash	**81,983**	83,099
— Property, plant and equipment	**28,516**	27,989
— Others	**23,235**	34,831
	133,734	145,919
Consolidated total assets	**1,243,333**	802,190
Segment liabilities:		
— Mining business	**552,848**	41,645
— Investments in financial instruments	**—**	—
— Property investment	**13,257**	15,461
— Money lending	**985**	11
— E-logistics platform	**2,253**	2,422
Total segment liabilities	**569,343**	59,539
Unallocated liabilities:		
— Other payables and accrual	**1,575**	2,106
Consolidated total liabilities	**570,918**	61,645

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 other receivables, interests in associates and interests in a joint venture. All liabilities are allocated to operating segments other than certain other payables and accrual.

Other segment information

2019

	Mining business US$'000	Investments in financial instruments US$'000	Property investment US$'000	Money lending US$'000	E-logistics platform US$'000	Unallocated US$'000	Total US$'000
Amounts included in the measure of segment results or segment assets:							
Loss on fair value changes of investment properties	**—**	**—**	**(230)**	**—**	**—**	**—**	**(230)**
Additions to non-current assets (Note)	**502,727**	**—**	**—**	**—**	**—**	**2,616**	**505,343**
Deprecation on property, plant and equipment	**(11,708)**	**—**	**—**	**—**	**—**	**(2,089)**	**(13,797)**
Loss on fair value changes of financial assets at FVTPL	**—**	**(33,118)**	**—**	**—**	**—**	**—**	**(33,118)**
Impairment loss on exploration and evaluation assets recognised in profit or loss	**(166)**	**—**	**—**	**—**	**—**	**—**	**(166)**
Reversal of provision for an onerous contract	**5,418**	**—**	**—**	**—**	**—**	**—**	**5,418**

2018

	Mining business US$'000	Investments in financial instruments US$'000	Property investment US$'000	Money lending US$'000	E-logistics platform US$'000	Unallocated US$'000	Total US$'000
Amounts included in the measure of segment results or segment assets:							
Gain on fair value changes of investment properties	—	—	4,999	—	—	—	4,999
Additions to non-current assets (Note)	586	—	—	—	—	26,834	27,420
Deprecation on property, plant and equipment	(646)	—	—	—	(47)	(644)	(1,337)
Gain on fair value changes of financial assets at FVTPL	—	16,303	—	—	—	—	16,303
Impairment loss recognised on goodwill	—	—	—	—	(19,907)	—	(19,907)
Impairment loss recognised on available-for-sale investments	—	(23,561)	—	—	—	—	(23,561)
Impairment loss on exploration and evaluation assets recognised in profit or loss	(379)	—	—	—	—	—	(379)
Loss on inventories written down to net realisable value	(5,905)	—	—	—	—	—	(5,905)
Reversal of provision for an onerous contract	13,193	—	—	—	—	—	13,193

Note: Additions to non-current assets comprise property, plant and equipment and exploration and evaluation assets.

Geographical information

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

	Revenue from external customers		Carrying amounts of non-current assets	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
The People's Republic of China (the "PRC"), other than Hong Kong	**250**	237	**6,335**	6,910
Hong Kong	**14,490**	9,371	**61,847**	77,652
Australia	**14,660**	12,527	**378**	914
Canada	**24,151**	—	**485,525**	—
The United Kingdom (the "UK")	**2,157**	2,190	**24,682**	28,050
Singapore	**10,037**	8,047	**—**	—
Others	**969**	45	**—**	—
	66,714	32,417	**578,767**	113,526

Information about major customers

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

	Year ended 31 March	
	2019	2018
	US$'000	US$'000
Customer A[1]	**14,660**	12,527
Customer B[2]	**12,220**	—

[1] Revenue from sales of copper cathodes
[2] Revenue from sales of coal

4. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	2019	2018
	US$'000	US$'000
Bank interest income	**1,951**	2,826
Net foreign exchange (loss) gain	**(20,163)**	1,093
Reversal of provision for an onerous contract	**5,418**	13,193
Provision for rehabilitation cost	**(1,844)**	—
Fair value (loss) gain on derivative financial instruments	**(33)**	62
Others	**370**	2,833
	(14,301)	20,007

5. FINANCE COSTS

	2019	2018
	US$'000	US$'000
Effective interest expense on provision for mine rehabilitation cost	**—**	53
Interest expense on finance lease	**798**	—
Interest expense on bank borrowings	**11,163**	363
	11,961	416

6. LOSS BEFORE TAXATION

	2019	2018
	US$'000	US$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration	**11,326**	10,308
Contributions to retirement benefit scheme to employees	**330**	113
Other staff costs	**12,874**	3,212
Total staff costs	**24,530**	13,633
Less: amount capitalised in		
Exploration and evaluation assets	**—**	(328)
Inventories	**(6,501)**	—
Total staff costs included in cost of sales and administrative expenses	**18,029**	13,305
Auditor's remuneration	**624**	432
Depreciation on property, plant and equipment	**14,029**	1,798
Cost of inventories recognised as an expense	**32,548**	16,905
Minimum lease payments paid under operating leases in respect of rented premises	**723**	643
Loss on disposal of property, plant and equipment	**86**	—
and after crediting:		
Gain on disposal of property, plant and equipment	**—**	105
Gross rental income less direct operating expenses of US$416,000 (2018: US$354,000) from investment properties that generated rental income during the year	**2,587**	2,628

7. TAXATION

	2019	2018
	US$'000	US$'000
Current tax:		
Charge for the year		
PRC	**25**	21
Hong Kong	**81**	—
Australian withholding tax	**217**	237
UK	**126**	266
Underprovision in prior year		
Hong Kong	**4**	—
Taxation for the year	**453**	524

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable 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, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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 UK, the tax rate is 19% of the estimated assessable profits.

Under the applicable corporate tax law in Alberta, Canada, the tax rate is 27% 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%.

8. LOSS PER SHARE

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

	2019	2018
	US$'000	US$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(69,698)**	(12,719)

	Number of share	
	2019	2018
	'000	'000
Number of ordinary shares for the purposes of basic and diluted loss per share	**38,698,309**	38,698,309

Both basic and diluted loss per share were the same in 2019 and 2018 as there were no potential ordinary shares in issue for both 2019 and 2018.

9. PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress	Mine property and development assets	Plant and equipment	Leasehold land and buildings	Leasehold improve-ments	Furniture and equipment	Motor vehicles	Vessel	Software	Aircraft	Properties, plant and equipment under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST												
At 1 April 2017	2,722	205,024	26,392	6,499	405	1,896	1,304	3,860	169	—	—	248,271
Exchange adjustments	—	467	79	13	—	—	3	—	18	—	—	580
Additions	—	207	—	—	10	19	71	74	—	19,300	7,360	27,041
Disposals/write-off	—	—	(28)	—	—	(41)	(246)	(48)	—	—	—	(363)
At 31 March 2018	2,722	205,698	26,443	6,512	415	1,874	1,132	3,886	187	19,300	7,360	275,529
Exchange adjustments	3	(16,946)	(2,482)	(23)	—	—	(860)	—	(15)	—	—	(20,323)
Additions	6,781	5,266	1,535	—	4	7	96	70	761	—	2,440	16,960
Disposals/write-off	—	—	—	—	—	(58)	(108)	—	(172)	—	—	(338)
Acquired on acquisition of mining business	—	339,887	41,088	1,912	—	—	71,249	—	—	—	—	454,136
At 31 March 2019	9,506	533,905	66,584	8,401	419	1,823	71,509	3,956	761	19,300	9,800	725,964
DEPRECIATION AND IMPAIRMENT												
At 1 April 2017	2,722	205,024	25,172	5,109	365	1,779	932	3,644	43	—	—	244,790
Exchange adjustments	—	467	79	13	—	—	3	—	14	—	—	576
Provided for the year	—	207	371	34	15	56	93	31	47	483	—	1,337
Eliminated on disposals/write-off	—	—	(13)	—	—	(39)	(74)	(45)	—	—	—	(171)
At 31 March 2018	2,722	205,698	25,609	5,156	380	1,796	954	3,630	104	483	—	246,532
Exchange adjustments	—	(12,888)	(1,960)	—	—	—	(1)	—	(8)	—	—	(14,857)
Provided for the year	—	4,686	1,059	71	15	36	5,887	33	80	1,930	—	13,797
Eliminated on disposals/write-off	—	—	—	—	—	(58)	(108)	—	(86)	—	—	(252)
At 31 March 2019	2,722	197,496	24,708	5,227	395	1,774	6,732	3,663	90	2,413	—	245,220
CARRYING VALUES												
At 31 March 2019	6,784	336,409	41,876	3,174	24	49	64,777	293	671	16,887	9,800	480,744
At 31 March 2018	—	—	834	1,356	35	78	178	256	83	18,817	7,360	28,997

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

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

Depreciation expense of property, plant and equipment of US$6,000 and US$11,511,000 (2018: US$9,000 and US$570,000) incurred during the year ended 31 March 2019 were capitalised as part of exploration and evaluation assets and inventories, respectively. US$11,365,000 (2018: US$1,041,000) of these capitalised costs was charged to profit or loss as cost of goods sold during the year.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	US$'000	US$'000
Trade receivable	**980**	1,021
Other receivables	**8,771**	5,094
Total trade and other receivables	**9,751**	6,115

Aging of trade receivable (based on invoice dates, which approximated the respective revenue recognition dates)

	2019	2018
	US$'000	US$'000
0–60 days	**980**	1,021

Trade receivable as at 31 March 2019 represents trade receivable from sales of copper cathodes in Australia. The balance is due on the fifth working days of the following month after delivery. Management believes that no impairment allowance is necessary in respect of the balance as the Group has considered the consistently zero historical default rate in connection with payments as adjusted forward-looking information. The Group does not hold any collateral over the balance.

No trade receivables are past due but not impaired as at 31 March 2019.

Included in other receivables is amount due from broker amounting to US$666,000 due to either deposits for acquisition of securities investments or disposal of securities investments as at 31 March 2019 (2018: US$1,075,000). The amount has been fully repaid or utilised subsequent to 31 March 2019.

Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in note 35 of the 2019 annual report.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 US$'000	2018 US$'000
Total trade payables (aged within 30 days)	**4,541**	99
Interest payable arising from bank borrowings	**10,927**	113
Other payables and accruals	**13,952**	6,157
	29,420	6,369

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 Australian dollars ("AUD")130,000,000, 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$1,772,000 (2018: AUD2,500,000, equivalent to approximately US$1,916,000) and (ii) of AUD2,500,000, equivalent to approximately US$1,772,000 (2018: AUD2,500,000, equivalent to approximately US$1,916,000) 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 31 March 2019, the additional ore reserves are not yet delineated and the remaining AUD2,500,000, equivalent to approximately US$1,772,000 (2018: AUD2,500,000, equivalent to approximately US$1,916,000) was included in other payables.

Other payables also include Goods and Services Tax payable to the Australian Government and Alberta Government of US$57,000 (2018: US$59,000), in respect of sales made in Australia and Alberta, Canada under relevant rules and regulations.

12. SHARE CAPITAL

	Number of shares	Share capital
Ordinary shares of HK$0.10 each		
Authorised		
At 1 April 2017, 31 March 2018 and 31 March 2019	100,000,000,000	HK$10,000,000,000
		US$'000
Issued and fully paid		
At 1 April 2017, 31 March 2018 and 31 March 2019	38,698,308,961	496,132

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND RESULTS

The revenue of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019 (the "Year") was approximately US$66.71 million. This was an increase of approximately 105.79% compared to last year. The majority of this increase in revenue is mainly attributable to the Group's coal mine in Canada, which was acquired in July 2018 and resumed production in September 2018. Revenue from this coal mine for the Year was US$24.15 million. Operating revenue generated by Lady Annie Operations rose from approximately US$12.53 million to approximately US$14.66 million, representing an increase of approximately 16.99% over the Year.

Compared with the previous year, there was an approximately US$12.75 million increase in gross profit, representing an increase of approximately 59.52%. Dividends from securities trades and interest income from financial assets, interest income from money lending and rental income represented approximately 23.04%, 14.27% and 4.50% respectively of total revenue for the Year.

Revenue derived from property investments is very stable. Compared with last year, revenue from property investment slightly increased by approximately 0.70%. Rental income provided a steady cash flow to the Group over the Year, and this is expected to continue in the next financial year. Dividends from securities trades and interest income on financial assets increased by approximately 36.60% year-on-year. The increase was driven by both dividend income from listed securities investments and interest income from investments in debt securities. However, the financial market fluctuated significantly during the Year, and the Group recorded a loss on fair value changes of financial assets at fair value through profit or loss of approximately US$33.12 million, while there was a gain on fair value changes of financial assets through profit or loss of approximately US$16.30 million in last year.

Information concerning the Group's 9 largest financial assets as of 31 March 2019 is detailed below:

Stock Code	Name of Stock/Note/Fund	Principal Business	Number of Share/Note/ Fund Held	% of Shareholding held by the Group 31.03.2019	Investment Cost USD'000	Market Value 31.03.2019 USD'000	% to the Group's Net Assets 31.03.2019	Realised Gain on change in fair value for the year ended 31.03.2019 USD'000	Unrealised Gain/(Loss) on change in fair value for the year ended 31.03.2019 USD'000
Equity securities listed in Hong Kong									
708	Evergrande Health Industry Group Limited	"Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing in the People's Republic of China ("PRC"), as well as the investment in high technology new energy vehicle manufacture	42,180,000	0.49%	61,304.59	62,512.92	9.30%	-	1,175.30*
1231	Newton Resources Ltd	Trading business and mining, processing and the sale of iron concentrates and gabbro-diabase and stone products	186,498,000	4.66%	20,503.23	21,519.00	3.20%	-	4,303.80*
1031	Kingston Financial Group Limited	Provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services, futures brokerage and asset management services; providing gaming and hospitality services in Macau	75,296,000	0.55%	8,125.74	17,182.93	2.56%	-	(16,700.27)*

Stock Code	Name of Stock/Note/Fund	Principal Business	Number of Share/Note/ Fund Held	% of Shareholding held by the Group 31.03.2019	Investment Cost	Market Value 31.03.2019	% to the Group's Net Assets 31.03.2019	Realised Gain on change in fair value for the year ended 31.03.2019	Unrealised Gain/(Loss) on change in fair value for the year ended 31.03.2019
					USD'000	USD'000		USD'000	USD'000
Equity securities listed in Hong Kong (Con't)									
1387	Renhe Commercial Holdings Company Limited	Operation of agriculture wholesale markets in the PRC	453,932,429	0.79%	18,000.20	15,713.05	2.34%	-	6,331.12*
Financial assets other than equity securities listed in Hong Kong									
	9.5% China Evergrande Senior Note	Properties (including development, investment, management, construction and other property related service), hotel and fast consuming industry in PRC	50,000,000		50,000.00	49,750.00	7.40%	-	(1,995.00)*
	8.75% China Evergrande Senior Note	Properties (including development, investment, management, construction and other property related service), hotel and fast consuming industry in PRC	50,000,000		49,987.25	47,687.50	7.09%	-	(2,377.50)*
	Nexus Asian Hybrid Credit Fund S8	Multi-strategy credit oriented hedge fund which seeks to capture attractive risk adjusted return through investing in credit or credit related opportunities within the Asia-Pacific region	31,838.3771		32,033.49	33,342.38	4.96%	-	1,308.89
	Nexus Emerging Opportunities Fund Alpha SP	Fund with no specific investment objective and restriction on the investment of assets	25,475.7916		30,282.96	33,912.93	5.04%	-	(22,006.48)*
	11% Scenery Journey Senior Note	An indirectly wholly owned subsidiary of China Evergrande Group which principal businesses include properties (including development, investment, management, construction and other property related service), hotel and fast consuming industry in PRC	20,000,000		20,000.00	21,075.00	3.13%	-	1,075.00
Total					**290,237.46**	**302,695.71**	**45.02%**	**-**	**(28,885.14)**

** Investment cost of 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. Unrealised gain/(loss) on changes in fair value were recognised at the end of the respective years. Unrealised gain/(loss) on changes in fair value of these financial assets for the year ended 31 March 2019 excluded the amounts recognized in prior years.*

Of the approximately US$33.12 million loss on fair value changes of financial assets at fair value through profit or loss, the unrealised loss and realised gain were approximately US$35.15 million and approximately US$2.03 million respectively. The Group's overall investment portfolio recorded a net loss of approximately US$33.12 million for the Year, compared to a loss of approximately US$7.26 million for the previous year. Global economic and political instability, especially the unpredictable diplomatic and trade policy of the United States of America, and the uncertain development of the US-China trade war will continue to shake investor confidence and dampen market expectations as conditions remain volatile in the year to come. The Group is thus seeking opportunities to diversify its revenue.

Interest income from the money lending business increased by approximately US$3.87 million compared to the previous year, representing an increase of approximately 68.49%, as the Group has become more active in this business area to generate higher profits. During the Year, approximately US$9.53 million in interest income was generated by the money lending business. The interest income from the money lending business was approximately US$5.65 million in the previous year.

The acquisition of Canada coal mine had contributed significant increase of revenue in the Group's mining business; however, it had also increased the costs and expenses of the Group as a whole. The administrative expenses of the Group increased from approximately US$26.25 million in previous year to approximately US$46.77 million for this Year, representing an increase of approximately 78.14%, which is mostly attributable to the expenses related to the acquisition of Canada coal mine and expenses incurred after resumption of operation of the Canada coal mine. Additionally, the Group assumed bank borrowings in the amount of approximately US$409.41 million as a result of acquiring the Canada coal mine (please refer to below section headed "Net Asset Value" for bank borrowings details). Thus, financial cost increased from approximately US$0.42 million of last year to approximately US$11.96 million for the Year.

Due to minimal oxide copper reserves, copper production remained low during the Year. The Group had an impairment loss of approximately US$0.17 million with respect to exploration and evaluation assets. In the previous year, the impairment loss with respect to exploration and evaluation assets was approximately US$0.38 million, with a write down carry value of inventories of approximately US$5.91 million. After making cost adjustments to account for power supply expenses during the Year, a reversal of provision for an onerous contract regarding committed power supply expenses was recorded in the amount of approximately US$5.42 million. Reversal of provision for an onerous contract provided in the previous year was approximately US$13.19 million. For the Year, the Group recorded an exchange loss of approximately US$20.16 million arising from current accounts between subsidiaries of the Group for the Financial Year 2019, as compared with an exchange gain of approximately US$1.09 million in the Financial Year 2018. Due to a decrease in the fair value of the joint venture's investment relative to its value at the end the Year, an overall loss was recorded. The Group shared an approximate US$0.13 million loss from the joint venture. In the previous year, the shared gain of the joint venture was approximately US$2.98 million. Overall, the Group recorded an after tax loss of approximately US$73.28 million for the Year. After-tax loss in the previous year was approximately US$11.27 million.

NET ASSET VALUE

As of 31 March 2019, the Group held bank balances and cash totaling approximately US$124.16 million, excluding approximately US$54.58 million held in pledged bank deposits. The pledged deposits are mostly intended to cover rehabilitation costs for operating the mining business in both Australia and Canada (as mandated by the government of Queensland, Australia and Alberta, Canada), and as a guarantee to the electric power supplier for the Lady Annie mine site. The total value of the financial assets at fair value through profit and loss were approximately US$416.81 million. During the Year, a bank granted a one year HK$150.00 million revolving loan with an interest rate of 1.00% 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 Year. Since 2017, an indirect non-wholly owned subsidiary was granted a loan of GBP10.41 million secured by Scottish property owned by such subsidiary with a fixed interest rate of 3.73 per annum for four years, for refinancing the Scottish property. As of 31 March 2019, the outstanding balance of this bank loan was GBP9.06 million, equivalent to US$11.89 million. During the Year, the Group through its subsidiary CST Canada Coal Limited ("CST Coal") acquired mining assets of Grande Cache Coal LP ("GCC") in Canada. Due to the acquisition, the Group assumed bank borrowings from China Minsheng Banking Corp., Ltd. amounting to approximately US$409.41 million. The bank borrowings carry an interest rate of 1.20% over 3 months LIBOR and repayable in 5 years. The borrowings are secured by (i) a fixed and floating charge over all present and future assets and undertaking of CST Coal; (ii) charges over all shares in CST-Grande Cache Cayman Limited, which is an indirect beneficiary holding company of CST Coal; and (iii) corporate guarantees from each of the shareholders of each member of CST Coal project group which includes four subsidiaries of the Company. The four subsidiaries are Gold Grace Limited which is a sole shareholder of CST Coal, Excel Fame Limited which is a sole shareholder of Gold Grace Limited, CST-Grande Cache Cayman Limited which is a sole shareholder of Excel Fame Limited and Sonicfield Global Limited which is a majority shareholder of CST-Grande Cache Cayman Limited. As at 31 March 2019, the Group had certain equipment under finance lease in the amount of approximately US$14.81 million and the average lease terms is three years. Interest rate under finance lease is fixed at respective contract dates at 7% per annum. Based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio was 64.86%. The net asset value of the Group amounted to approximately US$672.42 million.

HUMAN RESOURCES

As of 31 March 2019, the Group had 252 staff (including Company directors). Staff costs (excluding directors' emoluments) were approximately US$13.20 million for the Year. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong, and 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, British Pounds 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 Renminbi is also minimal, as business conducted in Renminbi represents a marginal proportion of the Group's total business in terms of revenue. Foreign currency exposure to the British Pound is very limited as the rental income generated from the Scottish property will be used to repay the loan facility granted by a local Scottish bank to refinance the property in Scotland. The Group's primary source of foreign exchange risk is derived from the Australian dollar and Canadian dollar. However, as the Group's mining operations in Australia are scaling down, the foreign exchange risk posed by the Australian dollar is decreasing. With respect to newly acquired Canadian coal mines, there is not any 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.

LADY ANNIE OPERATION

The Lady Annie Operation, in 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 the Australian Group over the Year is detailed below:

	2019	2018
	US$'000	US$'000
Revenue	**14,660**	12,527
Cost of sales	**(16,384)**	(11,000)
Gross (loss) profit	**(1,724)**	1,527
Other income, expenses, gains and losses	**4,694**	16,370
Distribution and selling expenses	**-**	(7)
Administrative and overhead expenses	**(6,468)**	(6,682)
Finance costs*	**-**	(37)
Loss on inventories written down to net realisable value	**-**	(5,905)
Impairment losses on exploration and evaluation assets	**(166)**	(379)
(Loss) Profit before taxation	**(3,664)**	4,887

* *Inter-company financial charges of the Australian Group were not included*

Non-HKFRS Financial Measure

The term "C1 operating cost" is a non-HKFRS performance measure included in this "Management Discussion and Analysis". This cost was calculated on a per-pound of copper basis. The 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. The 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 realisation costs through to refined metal.

The table below reconciles Lady Annie Operations' C1 operating costs to the statement of comprehensive income provided in the financial statements of Lady Annie Operations for the financial year indicated.

	2019	2018
	US$'000	US$'000
Cash costs as reported in the income statement:		
Direct and indirect mining cost	**20,617**	18,712
Adjustment for change in inventory	**(1,727)**	(5,471)
Total operating costs	**18,890**	13,241
Copper sold (tonnes)	**2,296**	1,950
Copper sold (in thousand pounds)	**5,060**	4,299
C1 operating cost per pound of copper	**US$3.73/lb**	US$3.08/lb

The Company believes that in addition to conventional measures prepared in accordance with HKFRS, certain investors will use the above tool and related 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.

CST COAL MINE

The acquisition of the mining assets of the GCC was completed on 18 July 2018 (Alberta, Canada time). The mining assets include The Grande Cache Coal mines located in West Central Alberta, approximately 400 kilometers west of the City of Edmonton, the capital of Alberta Province in Canada. The mine site is approximately 20 kilometers north of the town of Grande Cache in the Municipal District of Greenview. It is accessed via Highway 40, a two-lane, paved provincial highway which connects the town of 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 and the Great Lakes.

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 mine currently has approximately 29,968 hectares (ha) under coal lease.

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

	2019 CAD'000
Revenue	32,286
Cost of sales	(21,609)
Gross profit	10,677
Other income, expenses, gains and losses	(7,700)
Distribution and selling expenses	(6,907)
General and administrative expenses	(16,482)
Finance costs*	(15,363)
Loss before taxation	(35,775)

* *Inter-company financial charges were not included.*

Significant Events

1. The Company entered into the restructuring implementation agreement dated 22 December 2017 and asset purchase agreement dated 22 December 2017 to facilitate the implementation of the proposed restructuring of indebtedness of GCC and the acquisition of the assets pursuant to the receivership order dated 24 January 2017 and 3 February 2017 (the "Acquisition"). Details of the proposed restructuring of the indebtedness and the Acquisition were disclosed in the Company's announcements dated 5 January 2018, 9 January 2018 and 26 January 2018, as well as in the circular dated 8 March 2018.

   The aforesaid restructuring implementation agreement, assets purchase agreement and transactions contemplated thereunder (the "Transactions") were approved by shareholders of the Company (the "Shareholders") in the extraordinary general meeting held on 28 March

2018 (the "2018 EGM"). Details of the poll results of the 2018 EGM were disclosed in the Company's announcement dated 28 March 2018.

The Transaction was completed on 18 July 2018. Details of the completion of the Transaction were disclosed in the Company's announcement dated 19 July 2018.

2. As at 14 March 2019, Top Gallery Investment Limited, an indirect wholly-owned subsidiary of the Company (the "Seller"), Kombi Mining Pty Ltd (the "Purchaser 1) and Bentley Resources Pte Ltd (the "Purchaser 2")(together the "Purchasers"), CST Minerals Australia Pty Ltd, an indirect wholly owned subsidiary of the Company (the "Target Company"), CST Minerals Exploration Pty Ltd and CST Minerals Lady Annie Pty Limited (both of the companies are wholly-owned subsidiaries of the Target Company, together with the Target Company refer to as the ("Target Group")) had entered into a share sale agreement (the "Agreement"). According to the Agreement, (i) the Seller has agreed to sell and the Purchaser 1 has agreed to purchase 100 ordinary shares of the Target Company, representing the entire issued share capital of the Target Company, at the amount of AUD1.00 (approximately HK$5.54); (ii) the Seller has agreed to sell and the Purchaser 2 has agreed to purchase the loan provided by the Seller to the Target Company in an aggregated principal and interest outstanding of approximately AUD262.55 million (approximately HK$1.45 billion) at the consideration of approximately AUD22.66 million (approximately HK$125.51 million), subject to adjustment; and (iii) each member of the Target Group has agreed to jointly and severally guarantee to the Seller regarding the Purchaser 2's prompt and complete observance and performance of certain obligations of the Purchaser 2 under the Agreement (collectively the "Disposal"). As the Disposal constitutes a major transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited, approval from shareholders of the Company is required. Details of the Disposal were disclosed in the Company's announcements dated 14 March 2019, 30 April 2019 and 17 May 2019, as well as in the circular dated 24 May 2019.

   The Disposal was approved by Shareholders in the extraordinary general meeting (the "2019 EGM") held on 17 June 2019. The Disposal is pending completion. Details of the poll results of the 2019 EGM were disclosed in the Company's announcement dated 17 June 2019.

OUTLOOK

The global economy experienced slowdown in 2018. Despite new uncertainties in both political and economic policies, the Group remains cautiously optimistic about current business prospects. Going forward, the Group will continue to optimize its business portfolio, diversify its resource allocations, and explore potential market opportunities to create greater value for shareholders.

For the Group's mining business, the Group plans to further broaden and diversify its portfolio. Since oxide copper ore reserves in the Lady Annie mine site are mostly depleted, it is the belief of the Group that the Disposal of the Lady Annie Operation will enable the Group to realise cash thereby improving liquidity and working capital condition of the Group. The Group will further explore more business opportunities to facilitate long-term development and create value for the Shareholders.

With regards to coking coal, the market has picked up in recent years and the demand for high-quality, hard coking coal has gradually grown. The development of emerging markets is expected to further boost demand and improve the price outlook for high-quality hard coking coal in the future. Since the completion of the acquisition of coal mine in Canada ("CST Coal Mine") in July 2018, the Group has been working diligently to resume production at the CST Coal Mine in Canada and began to resume sales of coking coal in December 2018. The Group believes that as CST Coal Mine increases its productivity, its costs will gradually decrease and profits will increase. CST Coal Mine is a good opportunity for the Group and will provide returns to the Group in the near future.

Demand for the money lending business in Hong Kong is expected to remain robust and generate stable revenue for the Group. The Group will continue to adhere to a prudent and stable strategy to maintain a balance between business growth and risk management.

The Group will actively seek diversified investments to increase the value of its financial instruments business, given the relative instability of the global economy and the US-China trade war. The Group will boldly face both opportunities and uncertainties in the investment environment, prudently adapt to unexpected market changes, monitor market risks, and explore new growth drivers. The Group is optimistic about the prospects of its property investments. The Group's properties in Scotland, Hong Kong and Mainland China are expected to continue to generate stable rental income for the Group and all have the potential to appreciate in value.

Going forward, the Group will continue to develop its major businesses to increase scale and revenue as well as improve the Group's financial performance. Moreover, the Group will further explore more business opportunities to facilitate long-term development and create value for the Shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Year, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the following deviations:

(i) under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company did not name any officer with the title of "Chief Executive Officer". Mr. Hui Richard Rui is the general manager of the Group (the "General Manager") and assumed the duty of "Chief Executive Officer" who is responsible for managing and smoothing the business operations of the Group while Mr. Chiu Tao, the Chairman remains to be responsible for leading the Board 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.

(ii) according to code provision E.1.2 of the CG Code, Mr. Chiu Tao, the chairman of the Board, should have attended the annual general meeting of the Company held on 21 September 2018 ("2018 AGM"). However, Mr. Chiu Tao was unable to attend the 2018 AGM due to another business commitment. Mr. Hui Richard Rui, executive director and General Manager of the Company, who took the chair of the 2018 AGM, together with other members of the Board who attended the 2018 AGM were of sufficient calibre and knowledge for answering questions at the 2018 AGM.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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 code of conduct regarding director's securities transactions. Having made specific enquiry, all directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the Year.

REVIEW BY AUDIT COMMITTEE

The results for the Year have been reviewed by the Company's audit committee. The audit committee comprises Ms. Ma Yin Fan, Mr. Yu Pan and Mr. Leung Hoi Ying. All of them are independent non-executive directors of the Company.

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

Hong Kong, 27 June 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.