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 2022

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 2022 with the comparative figures for the corresponding year in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	NOTES	**2022** **US$'000**	2021 US$'000
Revenue	3		
Sales		**26,883**	28,100
Interest income		**23,156**	25,766
Dividend income		**16,350**	22,077
Rental income		**2,644**	2,767
		69,033	78,710
Cost of sales		**(24,584)**	(40,898)
Gross profit		**44,449**	37,812
Other income and other gains and losses	4	**7,213**	71,446
Distribution and selling expenses		**(3,628)**	(10,137)
Administrative expenses		**(33,741)**	(34,711)
(Loss) gain on fair value changes of financial assets at fair value through profit or loss		**(507,839)**	338,020
Gain (loss) on fair value changes of investment properties		**3,482**	(4,266)
Gain on deemed disposal of interests in an associate		**—**	59

	NOTES	2022 US$'000	2021 US$'000
Impairment loss on financial assets under expected credit losses model, net		**(740)**	(1,350)
Reversal of Impairment loss on property, plant and equipment		**32,865**	—
Share of result of a joint venture		**(784)**	2,036
Share of result of an associate		**3,094**	—
Finance costs	5	**(7,319)**	(9,164)
(Loss) profit before taxation	6	**(462,948)**	389,745
Taxation	7	**(958)**	(603)
(Loss) profit for the year		**(463,906)**	389,142
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss :			
Exchange differences arising on translation of foreign operations		**(1,444)**	(16,237)
Reclassification of cumulative translation reserve upon disposal of foreign operations		**—**	582
Other comprehensive expense for the year		**(1,444)**	(15,655)
Total comprehensive (expense) income for the year		**(465,350)**	373,487
(Loss) profit for the year attributable to:			
Owners of the Company		**(463,271)**	386,589
Non-controlling interests		**(635)**	2,553
		(463,906)	389,142
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(464,832)**	370,127
Non-controlling interests		**(518)**	3,360
		(465,350)	373,487
		US$	US$
(LOSS) EARNINGS PER SHARE			
Basic	9	**(0.96)**	0.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	NOTES	2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment		**365,777**	342,213
Right-of-use assets		**1,669**	12,110
Exploration and evaluation assets		**36,012**	35,785
Investment properties		**32,691**	47,411
Interests in a joint venture		**5,406**	6,190
Interests in an associate		**3,094**	—
Loan receivables		**—**	64,885
Financial assets at fair value through profit or loss		**127,778**	110,771
Club membership		**2,437**	2,437
Pledged bank deposits		**26,706**	25,206
		601,570	647,008
Current assets			
Inventories		**28,807**	10,746
Other receivables	10	**8,067**	8,324
Loan receivables		**74,067**	3,705
Amount due from an associate		**6,392**	—
Amount due from a joint venture		**4,042**	4,042
Financial assets at fair value through profit or loss		**75,421**	603,634
Bank balances and cash		**51,665**	49,262
		248,461	679,713
Current liabilities			
Trade and other payables and accruals	11	**8,472**	9,699
Tax payable		**1,844**	1,761
Derivative financial instruments		**—**	44
Bank and other borrowings – amount due within one year		**99,679**	36,660
Lease liabilities		**1,366**	16,812
Guarantee liability		**40,100**	40,100
		151,461	105,076

	NOTE	2022 US$'000	2021 US$'000
Net current assets		**97,000**	574,637
Total assets less current liabilities		**698,570**	1,221,645
Non-current liabilities			
Bank and other borrowings – amount due after one year		**376,171**	440,540
Deferred tax liabilities		**2,112**	1,226
Lease liabilities		**390**	846
Provision for mine rehabilitation cost		**27,125**	27,035
Amount due to non-controlling interests		**6,124**	—
		411,922	469,647
		286,648	751,998
Capital and reserves			
Share capital	12	**620**	620
Reserves		**301,424**	764,673
Equity attributable to owners of the Company		**302,044**	765,293
Non-controlling interests		**(15,396)**	(13,295)
		286,648	751,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

CST Group Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Atlas Keen Limited and the ultimate controlling party is Mr. Chiu Tao ("Mr. Chiu"), who is also the chairman of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report for the year ended 31 March 2022 ("Annual Report 2022") of the Company.

The Company is an investment holding company with its subsidiaries (collectively referred to as the "Group") engaged in (i) exploration, development and mining of mineral resources, (ii) investments in financial instruments, (iii) property investment, and (iv) money lending. The principal activities of each of its principal subsidiaries are set out in note 40 of the Annual Report 2022 of the Company.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

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

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

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

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments:

- update a reference in HKFRS 3 "Business Combinations" ("HKFRS 3") so that it refers to the "Conceptual Framework for Financial Reporting 2018" issued in June 2018 (the "Conceptual Framework") instead of "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting 2010" issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (the "HKAS 37") or HK(IFRIC)-Int 21 "Levies", an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKAS 8 “Definition of Accounting Estimates” (“HKAS 8”)

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

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

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

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

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

As disclosed in note 3 of the Annual Report 2022 of the Company, for leasing transactions in which the tax deductions are attributable to the lease liabilities and provisions for rehabilitation cost, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

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

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

3. REVENUE/SEGMENT INFORMATION

Revenue

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

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

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

Sale of coal (recognized at a point in time)

The Group sells coal directly to customers. The revenue is recognized when the performance obligation is fulfilled upon the control of goods has been transferred, being coal passes the vessel's rail at the port of shipment. The payment from customers will be made to the Group within 14 days from the date of lading.

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 organized.

Specifically, the Group's operating and reportable segments under HKFRS 8 “Operating Segments” (“HKFRS 8”) were organized into four (2021: four) main operating divisions - (i) mining business, (ii) investments in financial instruments, (iii) property investment and (iv) money lending.

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

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

Segment revenue and results

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

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

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

Segment assets and liabilities

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

	2022	2021
	US$'000	US$'000
Segment assets:		
— Mining business	**460,098**	431,162
— Investments in financial instruments	**208,275**	727,390
— Property investment	**35,622**	50,386
— Money lending	**74,234**	68,824
Total segment assets	**778,229**	1,277,762
Unallocated assets:		
— Bank balances and cash	**22,148**	6,908
— Property, plant and equipment	**22,008**	25,740
— Right-of-use assets	**1,582**	2,443
— Others	**26,064**	13,868
	71,802	48,959
Consolidated total assets	**850,031**	1,326,721
Segment liabilities:		
— Mining business	**536,633**	528,244
— Investments in financial instruments	**6,410**	28,785
— Property investment	**10,148**	11,683
— Money lending	**29**	29
Total segment liabilities	**553,220**	568,741
Unallocated liabilities:		
— Lease liabilities	**1,662**	2,602
— Others	**8,501**	3,380
	10,163	5,982
Consolidated total liabilities	**563,383**	574,723

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable and operating segments other than certain bank balances and cash, certain property, plant and equipment, certain right-of-use assets, certain other receivables, club membership, interests in an associate, amount due from an associate, interests in a joint venture and amount due from a joint venture. All liabilities are allocated to operating segments other than certain lease liabilities, certain other payables and accrual and amounts due to non-controlling interests.

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Other segment information

2022

	Mining business US$'000	Investments in financial instruments US$'000	Property investment US$'000	Money lending US$'000	Unallocated US$'000	Total US$'000
Amounts included in the measure of segment results or segment assets:						
Gain on fair value changes of investment properties	**—**	**—**	**3,482**	**—**	**—**	**3,482**
Additions to non-current assets	**2,732**	**—**	**—**	**—**	**1,294**	**4,026**
Depreciation on property, plant and equipment	**(20,232)**	**—**	**—**	**—**	**(3,737)**	**(23,969)**
Depreciation on right-of-use assets	**(140)**	**—**	**—**	**—**	**(1,684)**	**(1,824)**
Loss on fair value changes of financial assets at FVTPL	**—**	**(507,839)**	**—**	**—**	**—**	**(507,839)**
Impairment loss on ECL	**—**	**—**	**—**	**(740)**	**—**	**(740)**
Reversal of impairment loss on property, plant and equipment	**32,865**	**—**	**—**	**—**	**—**	**32,865**
Share of result of a joint venture	**—**	**—**	**—**	**—**	**(784)**	**(784)**
Share of result of an associate	**—**	**—**	**—**	**—**	**3,094**	**3,094**
Interest revenue	**—**	**19,067**	**—**	**4,089**	**—**	**23,156**
Interest expense	**(6,474)**	**(144)**	**(317)**	**—**	**(384)**	**(7,319)**
Income tax expense	**(486)**	**—**	**(445)**	**(27)**	**—**	**(958)**

2021

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

Geographical information

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

	Revenue from external customers		Carrying amounts of non-current assets	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
The People's Republic of China (the "PRC"), other than Hong Kong	**362**	239	**7,318**	6,278
Hong Kong	**14,723**	25,199	**29,123**	51,694
Canada	**26,883**	28,100	**379,455**	361,925
The United Kingdom (the "UK")	**2,250**	2,159	**25,373**	23,812
Singapore	**18,663**	19,028	**—**	—
Others	**6,152**	3,985	**—**	—
	69,033	78,710	**441,269**	443,709

Information about major customers

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

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

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

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

5. FINANCE COSTS

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

6. (LOSS) PROFIT BEFORE TAXATION

	2022 US$'000	2021 US$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**7,010**	7,591
Contributions to retirement benefit scheme to employees	**442**	256
Other staff costs	**13,868**	12,590
Total staff costs	**21,320**	20,437

Less: amount capitalised in cost of producing the inventories	**(7,066)**	(4,532)
Total staff costs included in administrative expenses	**14,254**	15,905
Auditor's remuneration	**572**	552
Depreciation on property, plant and equipment	**23,969**	19,865
Depreciation of right-of-use-assets	**1,824**	2,923
	25,793	22,788
Less: amount capitalised in cost of producing the inventories	**(17,256)**	(16,587)
	8,537	6,201
Cost of inventories recognised as an expense (Net of reversal on inventories write down to net realisable value of US$1,601,000 (2021: US$1,070,000))	**24,584**	40,898
and after crediting:		
(Loss) gain on disposal of property, plant and equipment	**(5)**	631
Gross rental income less direct operating expenses of US$325,000 (2021: US$415,000) from investment properties that generated rental income during the year	**2,319**	2,352

7. TAXATION

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

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

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

Under the applicable corporate tax law in Alberta, Canada, the tax rate is 26% (2021: 26%) of the estimated assessable profits. No provision for taxation in Canada has been made as there is no assessable profits derived in Canada for both years.

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

8. DIVIDENDS

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

9. (LOSS) EARNINGS PER SHARE

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

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

Number of shares

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

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

10. OTHER RECEIVABLES

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

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

11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

Notes:

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

(b) The settlement terms of trade payable arising from ordinary course of business of dealing in securities from financial institution are settled two days after trade date.

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

12. SHARE CAPITAL

	Number of shares		Share capital	
	2022	2021	**2022**	2021
	’000	’000	**US$’000**	US$’000
Ordinary shares of HK$0.01 (2020: HK$0.1) each				
Authorised				
At beginning of year	**1,000,000,000**	100,000,000	**1,282,052**	1,282,052
Share consolidation (Note)	**—**	(98,750,000)	**—**	—
Effects of capital reorganisation (Note)	**—**	998,750,000	**—**	—
At the end of year	**1,000,000,000**	1,000,000,000	**1,282,052**	1,282,052
Issued and fully paid				
At beginning of year	**483,729**	38,698,309	**620**	496,132
Share consolidation (Note)	**—**	(38,214,580)	**—**	—
Effects of capital reorganisation (Note)	**—**	—	**—**	(495,512)
At the end of year	**483,729**	483,729	**620**	620

Note: On 13 November 2020, the Company made a proposal of share consolidation and capital reorganization to the shareholders that: (1) every eighty issued shares of HK$0.1 each to be consolidated into one consolidated share of HK$8.00; (2) the nominal value of all the existing issued shares to be reduced from HK$8.00 each to HK$0.01 each by cancelling HK$7.99 paid up on each existing issued share by way of reduction of capital; and (3) the credit arising from such reduction of capital to offset against the accumulated losses of the Company. The share consolidation and capital reorganization was completed and was effected on 4 February 2021. 38,214,580,000 issued and fully paid shares were being cancelled due to the share consolidation and share capital amounting to US$495,512,000 were being cancelled due to the capital reorganization and were used to offset against the accumulated losses of the Company as at 1 April 2020.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: nil).

Management Discussion and Analysis

BUSINESS REVIEW AND FINANCIAL RESULTS

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

Revenue

The total revenue of the Group for the Year was approximately US$69.0 million (2021: US$78.7 million), representing a decrease of approximately 12.3% as compared with the prior year. The overall decrease was primarily due to the suspension of coal mining operation from April 2021 to October 2021 in Canada and decrease of (a) interest income from the money lending business and (b) dividend and interest income from financial instruments.

Other income and other gains and losses

During the Year, the total other income and other gains and losses was a gain of approximately US$7.2 million (2021: gain of US$71.4 million). It mainly comprised of the following: (i) government grant of approximately US$0.5 million on COVID-19 subsidies (2021: US$1.1 million), (ii) a net foreign exchange gain of approximately US$4.2 million mainly due to a strong Canadian dollar against US dollar (2021: a gain of US$67.3 million), and (iii) an "Anthill Production Payment" of approximately AUD2.3 million (equivalent to approximately US$1.7 million) which related to disposal of Australia mining business in May 2019. Details were disclosed in the Company's announcement dated 23 July 2021.

Cost of sales

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

Distribution and selling expenses

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

Administrative expenses

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

Finance costs

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

SEGMENT INFORMATION

A. <u>Mining business</u>

The operation of the mine of CST Canada Coal Ltd ("CST Coal") was suspended in May 2020 due to impact of the COVID-19 pandemic. When CST Coal saw easing of impact of the pandemic in Alberta, Canada in May 2021 and submitted an application of resuming the mining operations to the Alberta Energy Regulator ("AER") in early July 2021, CST Coal started to plan for resumption of production of the mine ("Resumption"). On 7 October 2021, the Resumption was approved by the AER, Canada. Details of the Resumption were disclosed in the Company's announcement dated 9 October 2021. Therefore, CST Coal commenced the resumption of mining and processing activities. For the Year, CST Coal had sold 88,000 tonnes of coking coal and generated a revenue of US$26.9 million (2021: US$28.1 million). The cost of sales and distribution and selling expenses relatively incurred approximately US$24.6 million and US$3.6 million.

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

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

As at financial year end, the Group reviewed in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") with the auditors the impairment made in 2020 on its mining property assets in Canada mining operations. An impairment of US$93.8 million was recognized in 2020 when the carrying amount of certain mine properties exceeded the recoverable amount. The recoverable amount of each cash generating unit has been estimated using its fair value less costs of disposal.

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

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

	Financial Year 2022	**Financial Year 2020**
Projected production volume of the Coal Mine	41.9 million metric tonnes The projected production volume is determined based on the detailed life-of-mine plans and the development plans.	41.9 million metric tonnes The projected production volume was determined based on the detailed life-of-mine plans and the development plans.
Long-term price of coking coal	US$244 per metric tonne for 2022, US$176 per metric tonne for 2023, US$126 to US$139 per metric tonne for 2024-2038. The long-term price of coking coal is determined by the Management with reference to i) the May 2022 edition of Energy & Metal Consensus Forecasts (available for subscription at https://www. consensuseconomics. com/download/energy and-metals-price forecasts/), which publishes surveys covering the prices for more than 40 key energy and metal; and ii) an adjustment made thereon by the Management in light of the quality of coal from the coal mine.	US$125 per metric tonne for 2021-2024 and US$120 per metric tonne for 2025-2038. The long-term price of coking coal is determined by the Management with reference to i) the May 2020 edition of Energy & Metal Consensus Forecasts (available for subscription at https://www. consensuseconomics. com/download/energy and- metals-priceforecasts/), which publishes surveys covering the prices for more than 40 key energy and metal; and ii) an adjustment made thereon by the Management in light of the quality of coal from the coal mine.
Long-term exchange rate between United States Dollar and Canadian Dollar	US$1:C$1.28 The long-term exchange rate between United States Dollar and Canadian Dollar is determined with reference to the average exchange rate between the said currencies for March 2022	US$1:C$1.39 The long-term exchange rate between United States Dollar and Canadian Dollar is determined with reference to the average exchange rate between the said currencies for March 2020
Discount rate	12% pre-tax discount (which is equivalent to 10% post-tax discount). The discount rate is determined i) after taken into consideration that the cost of equity and the project risk factors were similar to those analysed at the time of the valuation report dated 15 February 2018; and ii) with reference to HKAS 36 whereby the Company is required to use a pre-tax discount rate for the purpose of valuation.	12% pre-tax discount (which is equivalent to 10% post-tax discount). The discount rate was determined i) after taken into consideration that the cost of equity and the project risk factors were similar to those analysed at the time of the valuation report dated 15 February 2018; and ii) with reference to HKAS 36 whereby the Company was required to use a pre-tax discount rate for the purpose of valuation.
Growth Rate	NIL	NIL

	The adoption of Nil growth rate is consistent with the valuation report dated 15 February 2018 which used the coal reserves only for valuation purposes.	The adoption of Nil growth rate was consistent with the valuation report dated 15 February 2018 which used the coal reserves only for valuation purposes.

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

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

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

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

B. Property investment

In July 2021, the Group had fully disposed of its Hong Kong investment properties through disposal of subsidiaries. Details of the disposal were disclosed in the Company's announcement dated 21 July 2021. After completion of the disposal, the Group only held investment properties in China and Scotland.

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

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

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

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

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

C. Money Lending

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

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

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

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

The interest income from money lending business was approximately US$4.1 million (2021: US$6.3 million), which decreased by approximately 34.9% as compared with the prior year. The decrease was due to the reduction of lending activities during the Year. Given the current uncertain and prevailing economic conditions in Hong Kong under impact of COVID-19 pandemic, the Group has been prudent in granting new loans and adopted a conservative approach towards growing this business. As of 31 March 2022, the loan receivables of the Group were approximately US$74.1 million (2021: US$68.6 million). Among the receivables, US$62.3 million were unsecured and US$11.8 million were secured. The range of interest rate was 5% to 10% (2021: 5% to 24%). The loans made to all borrowers will be matured within one year. Further details of loan receivables will be disclosed in note 22 of the Annual Report 2022 of the Company. During the Year, the Group has not recorded any bad debt on its money lending business.

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

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

The Group has established and maintained internal controls to ensure the effectiveness of its credit risk assessment in evaluating the creditworthiness of potential borrowers. The loan terms would be generally arrived at after considering a combination of factors including prevalent market interest rates, the financial strength of the borrowers and the collaterals offered. The Group retained an independent professional valuer to conduct impairment and expected credit loss assessment on the outstanding loans for each reporting period end date. The business is overseen by the Investment and Management Committee of the Company which is responsible for on-going monitoring of loan recoverability and debt collection, identifying potential problems and recommending mitigating measures. The related internal control procedures will be disclosed in the Corporate Governance section of Annual Report 2022 of the Company.

D. Investment in financial instruments

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

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

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

	2022	2021
	US$ million	US$ million
Fair value change of financial assets at FVTPL		
Listed shares:		
- Realised (loss) gain on disposal	**(288.8)**	6.9
- Unrealized (loss) gain on fair value change	**(4.1)**	283.5
	(292.9)	290.4
Debt securities:		
- Realised (loss) gain on disposal	**(33.2)**	1.6
- Unrealized (loss) gain on fair value change	**(132.8)**	26.2
	(166.0)	27.8
Fund and unlisted equity investments:		
- Realised gain (loss) on disposal	**(41.4)**	4.6
- Unrealized gain (loss) on fair value change	**(7.5)**	15.2
	(48.9)	19.8
	(507.8)	338.0

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

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

a. ***Listed shares***

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

The Group has invested in different categories of listed companies and their weightings to the total market value of the portfolio are as below:

Category of listed companies	Weighting to total market value of portfolio (%)
Banking and Finance	29.79%
Manufacturing	6.94%
Property & Construction	5.13%
Travel & Leisure	47.78%
Others	10.36%
	100.00%

b. ***Debt securities***

As of 31 March 2022, the carrying amount of the debt securities held by the Group was approximately US$21.0 million (2021: US$178.7 million). The Group held various senior notes of China Evergrande and Scenery Journey Limited, which is an indirect wholly-owned subsidiary of China Evergrande (the "Evergrande Notes") in an aggregated market value of approximately US$21.0 million (2021: US$171.6 million), which represented approximately 2.5% of the Group's total assets (2021: 12.9%). During the Year, the Evergrande Notes generated an aggregated notes interest income of approximately US$18.7 million (2021: US$19.0 million).

Due to the outburst of China Evergrande liquidity crisis, the Group recognized an unrealized loss of approximately US$132.8 million on Evergrande Notes held. During the period from 6 October 2021 to 1 December 2021 (both dates inclusive), the Group disposed of certain Evergrande Notes through the open market ("Evergrande Notes Disposal"). Upon the Evergrande Notes Disposal and receipt of the proceeds of approximately US$12.1 million, a realized loss of approximately US$33.5 million was recognized in profit or loss. Details of Evergrande Notes Disposals were disclosed in the Company's announcement dated 11 October and 1 December 2021.

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Borrowings and pledged of assets

During the Year, a financial institution granted a three-year loan facility to two subsidiaries of the Company at the amount of HK$35 million and HK$15 million respectively. Both interest rate was 6% and secured by certain fixed assets and securities held by the Group. As of 31 March 2022, the total outstanding balance of these two loans was HK$50 million.

Since 2017, an indirect non-wholly owned subsidiary of the Company was granted a bank loan of GBP10.41 million secured by a Scottish property owned by such subsidiary, with a fixed interest rate for four years and by a pledge of equity interest in the parent company of such subsidiary. On 21 June 2021, as agreed with bank, the Group has extended the loan for one year at the interest rate of 3.1%. As of 31 March 2022, the outstanding balance of this bank loan was approximately GBP6.3 million (equivalent to approximately US$8.3 million), inclusive of interest accrued.

The Group, through its subsidiary, CST Canada Coal Limited ("CST Coal"), acquired certain mining assets of Grande Cache Coal LP ("GCC") in Canada in 2018, and assumed bank borrowings from China Minsheng Banking Corp., Ltd ("CMBC") amounting to approximately US$409.41 million. The bank borrowings carry an interest rate of 1.20% over 3 months LIBOR and are repayable in 5 years. The borrowings are non-recourse and secured by (i) a fixed and floating charge over all present and future assets and undertakings of CST Coal; (ii) charges over all shares in CST-Grande Cache Cayman Limited, which is an indirect beneficiary holding company of CST Coal; and (iii) corporate guarantees from each of shareholders of each member of the CST Coal project group which includes four subsidiaries of the Company. The four subsidiaries are Gold Grace Limited which is the sole shareholder of CST Coal, Excel Fame Limited which is the sole shareholder of Gold Grace Limited, CST-Grande Cache Cayman Limited which is the sole shareholder of Excel Fame Limited and Sonicfield Global Limited which is a majority shareholder of CST-Grande Cache Cayman Limited. As of 31 March 2022, the outstanding balance of the principal of this bank loan was approximately US$408.41 million. During the Year, CST Coal was further granted a loan facility from CMBC for settlement of a financial lease in the amount of approximately US$14.81 million. The interest rate was fixed at 5.00% per annum. As of 31 March 2022, the total outstanding balance of these two loans was US$461.2 million, inclusive of interest accrued. The Company has not given any guarantee for these loans from CMBC.

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

As of 31 March 2022, CST Coal was holding approximately US$26.7 million of pledged bank deposit (2021: US$25.2 million). The pledged deposit was intended to cover the rehabilitation costs for operating the mining business in Canada (as mandated by the government of Alberta, Canada).

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

CAPITAL STRUCTURE

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

NET ASSET VALUE

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

CAPITAL COMMITMENT

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

CONTINGENT LIABILITY

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

MATERIAL ACQUISITIONS, DISPOSAL AND FUTURE PLAN FOR MATERIAL INVESTMENT

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures, and future plan for material investments during the Year.

HUMAN RESOURCES

As of 31 March 2022, the Group had 280 staff (2021: 69). Staff costs (excluding directors' emoluments) were approximately US$14.3 million (2021: US$12.8 million) for the Year. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong and Registered Retirement Savings Plan in Canada respectively, and provided other staff benefits, such as medical benefits.

FOREIGN EXCHANGE RISK

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

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

SIGNIFICANT EVENT

On 9 October 2021, the Company announced the resumption of coal mine operations of CST Coal, the Group's mining business in Canada. The operation of the coal mine of CST Coal was suspended in May 2020 due to impact of the COVID-19 pandemic. When CST Coal saw easing of impact of the pandemic in Alberta, Canada, CST Coal started to plan for resumption of production of the mine (the "Resumption"). One of the important steps for the Resumption was to get approval from the AER of Alberta, Canada. CST Coal received such approval from AER on 7 October 2021. Details of the Resumption were disclosed in the Company's announcement dated 9 October 2021.

OUTLOOK

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

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

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

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

In summary, the Group will continue to monitor market developments closely, seek potential opportunities in existing business segments, explore and expand into other industries or regions at the appropriate time, to enhance the Group's future development. The Group believes that the diversification of its business will facilitate the Group's long-term development and provide better returns for its shareholders.

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

(ii) according to code provision F.2.2 (equivalent to previous 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 27 August 2021 ("2021 AGM"). However, Mr. Chiu Tao was unable to attend the 2021 AGM due to another business commitment. Mr. Hui Richard Rui, executive director and General Manager of the Company, who took the chair of the 2021 AGM, together with other members of the Board who attended the 2021 AGM were of sufficient calibre and knowledge for answering questions at the 2021 AGM.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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 OF FINANCIAL STATEMENTS

The audited consolidated financial statements of the Group for the Year have been reviewed by the audit committee of the Company. 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
Wah Wang Kei, Jackie
Company Secretary and Executive Director

Hong Kong, 28 June 2022

As at the date of this announcement, the Board comprises (i) Mr. Chiu Tao (Chairman), Mr. Han Xuyang, Mr. Hui Richard Rui, Mr. Kwan Kam Hung, Jimmy 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.