CST GROUP LIMITED
中譽集團有限公司

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of CST Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2019 with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	NOTES	**Six months ended 30 September 2019 US$'000 (unaudited)**	2018 US$'000 (unaudited) (restated)
Continuing operations			
Revenue	4		
Sales		**95,126**	—
Interest income		**9,204**	10,363
Dividend income		**5,371**	4,296
Rental income		**1,451**	1,510
		111,152	16,169
Cost of sales		**(54,592)**	—
Gross profit		**56,560**	16,169
Other income and other gains and losses	5	**3,433**	(766)
Distribution and selling expenses		**(21,882)**	(47)
Administrative expenses		**(21,972)**	(14,155)
Loss on fair value changes of financial assets at fair value through profit or loss		**(85,266)**	(35,510)
Gain on fair value changes of investment properties		**675**	811

	NOTES	Six months ended 30 September 2019 US$'000 (unaudited)	2018 US$'000 (unaudited) (restated)
Gain on disposal of a subsidiary		**—**	1,026
Reversal of expected credit losses on financial assets		**565**	1,795
Share of result of a joint venture		**(1,265)**	310
Share of result of an associate		**207**	(70)
Finance costs	6	**(8,883)**	(3,254)
Loss before taxation		**(77,828)**	(33,691)
Taxation	7	**(638)**	(104)
Loss for the period from continuing operations	8	**(78,466)**	(33,795)
Discontinued operation			
Profit (loss) for the period from discontinued operation		**27,267**	(5,690)
Loss for the period		**(51,199)**	(39,485)
(Loss) profit for the period attributable to owners of the Company:			
Continuing operations		**(79,338)**	(33,684)
Discontinued operation		**27,267**	(5,690)
		(52,071)	(39,374)
Profit (loss) for the period attributable to non-controlling interests:			
Continuing operations		**872**	(111)
Discontinued operation		**—**	—
		872	(111)
LOSS PER SHARE			
From continuing operations and discontinued operation			
- Basic and diluted (US cents)	9	**(0.13)**	(0.10)
From continuing operations			
- Basic and diluted (US cents)	9	**(0.21)**	(0.09)

	NOTES	Six months ended 30 September 2019 US$'000 (unaudited)	2018 US$'000 (unaudited) (restated)
Loss for the period		(51,199)	(39,485)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss :			
Exchange differences arising on translation of foreign operations		**(337)**	8,265
Release of exchange reserve upon disposal of subsidiaries		**(14,122)**	—
Other comprehensive (expenses) income for the period		**(14,459)**	8,265
Total comprehensive expense for the period		**(65,658)**	(31,220)
Total comprehensive expense attributable to:			
Owners of the Company		**(66,097)**	(30,565)
Non-controlling interests		**439**	(655)
		(65,658)	(31,220)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 SEPTEMBER 2019

	NOTES	**As at 30 September 2019 US$'000 (unaudited)**	As at 31 March 2019 US$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**449,115**	480,744
Right-of-use assets	10	**14,400**	—
Exploration and evaluation assets	10	**33,980**	33,675
Investment properties		**51,210**	52,402
Interests in an associate		**—**	7,024
Interests in a joint venture		**3,657**	4,922
Club membership		**2,437**	2,437
Financial assets at fair value through profit or loss		**76,654**	61,721
Pledged bank deposits		**23,564**	54,581
		655,017	697,506
Current assets			
Inventories		**27,679**	24,488
Trade and other receivables	11	**35,079**	9,751
Loan receivables		**2,512**	28,274
Amount due from a joint venture		**4,042**	4,042
Financial assets at fair value through profit or loss		**297,990**	355,084
Derivative financial instruments		**68**	29
Bank balances and cash		**150,777**	124,159
		518,147	545,827
Current liabilities			
Trade and other payables and accruals	12	**33,942**	29,420
Provision for an onerous contract		**—**	1,368
Tax payable		**1,619**	5,994
Bank borrowings – amount due within one year		**31,293**	1,182
Lease liabilities		**77**	—
Guarantee liability		**40,100**	40,100
		107,031	78,064

	NOTE	**As at 30 September 2019 US$'000 (unaudited)**	As at 31 March 2019 US$'000 (audited)
Net current assets		**411,116**	467,763
Total assets less current liabilities		**1,066,133**	1,165,269
Non-current liabilities			
Bank borrowings – amount due after one year		**418,895**	420,126
Deferred tax liabilities		**573**	—
Obligations under finance lease		**—**	14,806
Lease liabilities		**15,132**	—
Provision for mine rehabilitation cost		**24,776**	53,816
Provision for an onerous contract		**—**	4,106
		459,376	492,854
		606,757	672,415
Capital and reserves			
Share capital	13	**496,132**	496,132
Reserves		**107,192**	173,289
Equity attributable to owners of the Company		**603,324**	669,421
Non-controlling interests		**3,433**	2,994
		606,757	672,415

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 the interim 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 condensed consolidated financial statements are presented in United States dollars ("US$"), which is different from the Company's functional currency of Hong Kong dollars ("HK$"). The management adopted US$ as presentation currency as the management controls and monitors the performance and financial position of the Group based on US$. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in Group's annual consolidated financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs, Hong Kong Accounting Standards ("HKASs") and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

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

3.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

<u>Short-term leases</u>

The Group applies the short-term lease recognition exemption to leases of office and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

<u>Right-of-use assets</u>

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

<u>Leasehold land and building</u>

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "*Financial Instruments*" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "*Income Taxes*" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of mine property and development assets and furniture and equipment in Canada was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant entities at the date of initial application. The weighted average incremental borrowing rate applied by relevant group entities range from 5% to 5.13%.

	At 1 April 2019
	US$'000
Operating lease commitments disclosed as at 31 March 2019	1,221
Lease liabilities discounted at relevant incremental borrowing rates	(15)
Less: Recognition exemption - short-term leases	(1,031)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	175
Add: Obligations under finance leases recognised at 31 March 2019 (Note)	14,806
Lease liabilities as at 1 April 2019	14,981
Analysed as	
Current	45
Non-current	14,936
	14,981

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use-assets
	US$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	175
Amounts included in property, plant and equipment under HKAS 17:	
Assets previously under finance leases (Note)	14,615
	14,790
By class :	
Leasehold land and building	175
Mine property and development assets	14,615
	14,790

Note: In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to US$14,615,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of US$14,806,000 to lease liabilities as non-current liabilities respectively at 1 April 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 US$'000	Adjustment US$'000	Carrying amounts under HKFRS 16 at 1 April 2019 US$'000
Non-current assets			
Right-of-use assets	—	14,790	14,790
Property, plant and equipment	14,615	(14,615)	—
Current liabilities			
Lease liabilities	—	45	45
Non-current liabilities			
Lease liabilities	—	14,936	14,936
Obligations under finance lease	14,806	(14,806)	—

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Significant accounting policies

Investments in an associate

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate.

Foreign currencies

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4. REVENUE/SEGMENT INFORMATION

<u>Revenue</u>

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

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
		(restated)
Sale of coal	**95,126**	—
	95,126	—
Revenue from contract with customers		
Residential rental income	**268**	308
Office rental income	**1,183**	1,202
Dividend income from trading of securities	**5,371**	4,296
Interest income from financial assets at fair value through profit or loss	**8,155**	4,575
Interest income from money lending business	**1,049**	5,788
Total revenue from continuing operations	**111,152**	16,169
Disaggregation of revenue from contracts with customers		
Sale of coal	**95,126**	—
Timing of revenue recognition		
A point in time	**95,126**	—

Sale of coal (recognised at a point in time)

The Group sells coal directly to customers. The revenue is recognised 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 30 days from the date of lading.

In prior interim period, operation of sale of copper cathodes was included in the mining business segment. During the period ended 30 September 2019, the operation in selling copper cathodes was discontinued. Therefore, it is no longer included in mining business as a reporting and operating segment of the Group. The comparative figures in the revenue and segment information have been restated to conform with the current interim period's presentation.

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 and other gains and losses, central administration costs, finance costs, share of result of a joint venture and an associate).

Segment revenue and results

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

Continuing operations

	Segment revenue Six months ended 30 September		**Segment results Six months ended 30 September**	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
		(restated)		(restated)
Mining business	**95,126**	—	**1,017**	(2,760)
Investment in financial instruments	**13,526**	8,871	**(69,750)**	(26,715)
Property investment	**1,451**	1,510	**1,855**	1,432
Money lending	**1,049**	5,788	**2,114**	7,573
E-logistics platform	**—**	—	**—**	(89)
	111,152	16,169	**(64,764)**	(20,559)
Other income and other gains and losses			**3,433**	(776)
Central administration costs			**(6,556)**	(9,342)
Finance costs			**(8,883)**	(3,254)
Share of result of a joint venture			**(1,265)**	310
Share of result of an associate			**207**	(70)
Loss before taxation from continuing operations			**(77,828)**	(33,691)

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

Other segment information

Six months ended 30 September 2019

Amount included in the measure of segment results:

	Mining business US$'000 (unaudited)	**Investment in financial instruments US$'000 (unaudited)**	**Property investment US$'000 (unaudited)**	**Money lending US$'000 (unaudited)**	**E-logistics platform US$'000 (unaudited)**	**Unallocated US$'000 (unaudited)**	**Consolidated US$'000 (unaudited)**
Depreciation	**22,027**	**—**	**—**	**—**	**—**	**1,469**	**23,496**
Staff costs	**13,097**	**—**	**—**	**—**	**—**	**1,845**	**14,942**

Six months ended 30 September 2018

Amount included in the measure of segment results:

	Mining business US$'000 (unaudited) (restated)	Investment in financial instruments US$'000 (unaudited)	Property investment US$'000 (unaudited)	Money lending US$'000 (unaudited)	E-logistics platform US$'000 (unaudited)	Unallocated US$'000 (unaudited)	Consolidated US$'000 (unaudited) (restated)
Depreciation	1,100	—	—	—	—	1,042	2,142
Staff costs	1,210	—	—	—	—	1,319	2,529

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited) (restated)
Bank and other interest income	**507**	599
Net foreign exchange gain (loss)	**3,711**	(1,268)
Gain (loss) on disposal of assets	**5**	(86)
Fair value gain (loss) on derivative financial instruments	**42**	(14)
Loss from deemed disposal of interest in an associate	**(1,334)**	—
Others	**502**	3
	3,433	(766)

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
Interest expense on bank borrowings	**8,344**	3,254
Effective interest expense on lease liabilities	**539**	—
	8,883	3,254

7. TAXATION

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
The charge comprises:		
Current tax:		
Hong Kong	**—**	29
People's Republic of China ("PRC")	**14**	5
Canada	**571**	—
United Kingdom	**53**	70
Taxation charge for the period	**638**	104

Under The Inland Revenue (Amendment) (No. 7) Bill 2017, 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 of one of the Group entities operating in Hong Kong, effective from 28 March 2018 onwards.

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%.

Under the applicable corporate tax law in the Alberta, Canada, the tax rate is 27% of the estimated assessable profits.

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

8. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Loss for the period has been arrived at after charging:		
Depreciation on property, plant and equipment	**23,496**	2,142
Directors' remuneration	**3,438**	3,309
Cost of inventories recognised as expense	**54,592**	—

9. LOSS PER SHARE

From continuing operations and discontinued operation

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

	Six months period ended	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
		(restated)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(52,071)**	(39,374)

Number of shares

	'000	'000
Number of ordinary shares for the purpose of basic loss per share	**38,698,309**	38,698,309

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

From continuing operations

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

	Six months period ended	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
		(restated)
Loss figures are calculated as follow :		
Loss for the period attributable to owners of the Company	**(52,071)**	(39,374)
Less: Profit (loss) for the period from discontinued operation	**27,267**	(5,690)
Loss for the purpose of calculating basic loss per share from continuing operations	**(79,338)**	(33,684)

Number of shares

	'000	'000
Number of ordinary shares for the purpose of basic loss per share	**38,698,309**	38,698,309

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

From discontinued operation

Basic earnings per share from discontinued operation is US0.07 cents per share (six months ended 30 September 2018: loss per share US0.01 cents), based on the profit for the period from discontinued operations of US$27,267,000 (six months ended 30 September 2018: loss of US$5,690,000) and the denominators detailed above for basic loss per share.

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

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

During the six months ended 30 September 2019, the Group incurred expenditures on mine property and development assets included in property, plant and equipment of US$12,055,000 (six months ended 30 September 2018: US$198,934,000) and other property, plant and equipment of US$2,488,000 (six months ended 30 September 2018: US$241,489,000) from continuing operations. During the period ended 30 September 2018, among the expenditures on mine property and development assets and other property, plant and equipment, the Group acquired the coal mining reserves and resources, related property, plant and equipment and exploration and evaluation assets in Canada amounting to US$197,945,000, US$238,988,000 and US$34,760,000 respectively.

The Group incurred US$17,000 expenditures on exploration and evaluation assets during the six months ended 30 September 2019 (six months ended 30 September 2018: US$97,000) from the copper mining operation, which was disposed during the current interim period. There is no addition expenditures on exploration and evaluation assets from the mining business as at 30 September 2019.

During the period ended 30 September 2019, the Group entered into new lease agreements for the use of trucks and furniture and equipment for the periods of 3 years. On lease commencement during the current interim period, the Group recognised US$308,000 of right-of-use assets and US$308,000 of lease liabilities.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 US$'000 (unaudited)	As at 31 March 2019 US$'000 (audited)
Trade receivables	—	980
Other receivables	**35,079**	8,771
Total trade and other receivables	**35,079**	9,751

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

	As at 30 September 2019 US$'000 (unaudited)	As at 31 March 2019 US$'000 (audited)
0 – 60 days	—	980

There is no trade receivables as at 30 September 2019. Trade receivables as at 31 March 2019 mainly represent trade receivables from sales of copper cathodes in Australia. The balance was due on the fifth working day of the following month after delivery. Management believed that no impairment allowance was necessary in respect of this balance as the Group had considered the consistently zero historical default rate in connection with payments as adjusted by forward-looking information. The Group did not hold any collateral over this balance. There is no trade receivable from sales of copper operation as at 30 September 2019 due to the disposal of copper mining business during the current interim period.

Included in other receivables mainly are the amount due from brokers and investment interest income receivable amounting to US$22,852,000 (31 March 2019: US$666,000) and US$4,552,000 (31 March 2019: US$2,068,000) respectively.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 30 September 2019 US$'000 (unaudited)	As at 31 March 2019 US$'000 (audited)
Trade payables (aged within 30 days)	**2,209**	4,541
Interest payables arising from bank borrowings	**17,849**	10,927
Other payables and accruals	**13,884**	13,952
Total trade and other payables and accruals	**33,942**	29,420

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.

Other payables include Goods and Services Tax payable to the Alberta Government of US$12,000 (Goods and services tax payable to the Australia Government and Alberta Government as at 31 March 2019: US$57,000), in respect of sales made in Alberta, Canada (31 March 2019, Australia and Alberta, Canada) under relevant rules and regulations.

On 31 May 2010, the Group acquired the entire issued share capital of CST Minerals Lady Annie Pty Limited ("CSTLA") at cash consideration of AUD130,000,000, equivalent to approximately US$110,073,000, and an additional contingent consideration. Based on the relevant agreement, the Group is required to pay (i) an additional amount of AUD2,500,000 upon the production of the first 10,000 tonnes of copper cathode from CSTLA and (ii) a further AUD2,500,000 upon the delineation of additional ore reserves containing 25,000 tonnes of contained copper. As at 31 March 2019, obligation stated in (i) of AUD2,500,000, equivalent to approximately US$1,772,000 and (ii) of AUD2,500,000, equivalent to approximately US$1,772,000 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 was included in other payables. There was no related payable amount as at 30 September 2019 due to the disposal of copper mining business during the current interim period.

13. SHARE CAPITAL

	Number of shares	Share capital
Ordinary shares of HK$0.10 each :		US$'000
Authorised		
At 1 April 2018, 31 March 2019 and 30 September 2019 (unaudited)	100,000,000,000	1,282,052
Issued and fully paid		
At 1 April 2018, 31 March 2019 and 30 September 2019 (unaudited)	38,698,308,961	496,132

14. DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL RESULTS

The total revenue from continuing operations of the Company and its subsidiaries (collectively referred to as the "Group") for the period ended 30 September 2019 (the "Period") was approximately US$111.15 million. This was an increase of approximately 587.43% compared to the same period 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 Period was approximately US$95.13 million. As Lady Annie Operations was disposed of in July 2019, thus the revenue from this discontinued operation was low for the Period. The operating revenue which Lady Annie Operations contributed to the Group for the Period was approximately US$4.92 million whereas the operating revenue of the corresponding period of the previous year was approximately US$7.20 million.

Dividends from securities trades and interest income from financial assets, interest income from money lending and rental income represented approximately 12.17%, 0.94% and 1.31% respectively of total revenue from continuing operations for the Period. Compared with the same period of the previous year, there was an approximately US$40.39 million increase in gross profit, representing an increase of approximately 249.81%.

Revenue derived from property investments is very stable. Compared with the same period last year, revenue from property investment decreased slightly by approximately 3.91%. Rental income provided a steady cash flow to the Group over the Period, and this is expected to continue in the second half of this financial year. Dividends from securities trades and interest income on financial assets increased by approximately 52.47% period-on-period. The increase was mainly driven by interest income from investments in debt securities. However, financial markets fluctuated significantly during the Period, and the Group recorded a loss on fair value changes of financial assets at fair value through profit or loss of approximately US$85.27 million. There was a loss on fair value changes of financial assets through profit or loss of approximately US$35.51 million in the corresponding period last year.

Of the approximately US$85.27 million loss on fair value changes of financial assets at fair value through profit or loss, the unrealised loss and realised loss were approximately US$57.15 million and approximately US$28.12 million respectively. The continuing anti-government unrest in Hong Kong, global economic and political instability, especially the uncertain development of the US-China trade war and the United States of America's unpredictable diplomatic and trade policy will continue to shake investor confidence and dampen market expectations as conditions remain volatile in the near future.

As of 30 September 2019, there is no financial asset weighted with a value of 5% or more of the Group's total assets. Set out below are the financial assets weighted 5% or above of the net asset value of the Group as of 30 September 2019:

Stock Code	Name of Stock/Note/ Fund	Principal Business	Number of Share/Note/ Fund Held	% of Shareholding held by the Group 30.09.2019	Investment Cost	Market Value 30.09.2019	% to the Group's Net Assets 30.09.2019	Realised Gain on change in fair value for the period ended 30.09.2019	Unrealised Gain/(Loss) on change in fair value for the period ended 30.09.2019
					USD'000	USD'000		USD'000	USD'000
Equity securities listed in Hong Kong									
708	Evergrande Health Industry Group Limited	Technology research and development, production and sales of new energy vehicles in the People's Republic of China (the "PRC") and in other countries, as well as the "Internet+" community health management, international hospitals, and elderly care and rehabilitation in the PRC	42,180,000	0.49%	61,304.59	37,853.85	6.24%	-	(24,659.08)*
Financial assets other than equity securities listed in Hong Kong									
	9.5% China Evergrande Senior Note due 2024	property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in PRC	50,000,000		50,000.00	43,348.50	7.14%	-	(6,401.50)*
	8.75% China Evergrande Senior Note due 2025	property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in PRC	50,000,000		49,987.25	40,284.00	6.64%	-	(7,403.50)*
	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	34,129.94	5.62%	-	787.56*
	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	33,508.77	5.52%	-	(404.16)*
Total					**223,608.29**	**189,125.06**	**31.16%**	**-**	**(38,080.68)**

* 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 period. Unrealised gain/(loss) on changes in fair value of these financial assets for the period ended 30 September 2019 excluded the amounts recognised in prior periods.

Due to volatile conditions in the Hong Kong financial markets, the market value of the shares of Evergrande Health Industry Group Limited ("Evergrande Health") has decreased and incurred an unrealised loss for the Period. According to the latest published interim financial information, its healthcare business generated a revenue of approximately RMB2.40 billion in the first half of 2019 and it has completed the layout of the new energy vehicle industry chain with the objective of becoming a major and powerful new energy vehicle group in the world. The development of its new energy vehicle business is in the early investment stage and has resulted in a increase in research and development and other related cost and interest payments. Although Evergande Health recorded a loss in its interim results as a results of this investment, the Group is optimistic about the prospect of Evergrande Health in the medium to long term, subject to market condition. The Group has no intention to realise this investment at present.

The issuer of 9.5% senior notes due on 2024 and 8.75% senior notes due on 2025, China Evergrande Group, is one of the largest property investment companies in mainland China. Its business includes property investment, which consists of property development, construction and management, new energy vehicle business, hotel operations, finance business, internet business and health industry business industries in mainland China. Its shares are listed on The Stock Exchange of Hong Kong Limited. The notes themselves are traded on the Singapore Exchange OTC market. The issuer does not have any record of default on any previously issued notes. The Group received a total interest income of approximately US$4.54 million from the two senior notes. The Group will hold the notes in order to generate stable income and to capture investment value from potential appreciation.

The fair value of the Nexus Asian Hybrid Credit Fund S8 has increased during the Period. The units value of this fund has been appreciating, and the Group will hold this fund for further potential appreciation of the fund's unit value. The fair value of Nexus Emerging Opportunities Fund Alpha SP has decreased during the Period resulting in an unrealised loss for the Period. Despite the unrealised fair value loss recognised in the Period, the accumulative holding gain of this fund amounted to approximately US$3.51 million up to 30 September 2019. The Group considers that this fund still have potential for appreciation and will continue to hold this fund.

Interest income from the money lending business significantly decreased by approximately US$4.74 million compared to the same period of previous year, representing a decrease of approximately 81.88%. The economy of Hong Kong is on a downward trend due to the anti-government unrest. The Group is more cautious and prudent toward its money lending business, affecting the overall performance of the business. During the Period, approximately US$1.05 million interest income was generated by the money lending business. The interest income from the money lending business was approximately US$5.79 million in the corresponding period of the previous year.

The Canada coal mine has contributed significant revenue increases to the Group's mining business; however, it has also increased the costs and expenses of the Group as a whole. Along with the increase of revenue from selling coking coal, the distribution and selling expenses and the administrative expenses of the Group increased from approximately US$0.05 million and approximately US$14.16 million respectively in same period of the previous year to approximately US$21.88 million and US$21.97 million respectively for the Period. 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$3.25 million in the corresponding period last period to approximately US$8.88 million for the Period.

During the Period, the Group disposed of the Australia Group which owns the Lady Annie Operations in Australia in July. The Group recorded a gain of approximately US$24.01 million on the disposal. Due to a decrease in the fair value of the joint venture's investment relative to its value at the end the Period, the Group shared a loss from the joint venture. The Group shared an approximate US$1.27 million loss from the joint venture compared to a gain shared from a joint venture of approximately US$0.31 million in the same period last year. Overall, the Group recorded an after tax loss of approximately US$51.20 million for the Period. After-tax loss in the same period of the previous year was approximately US$39.49 million.

Net Asset Value

As of 30 September 2019, the Group held bank balances and cash totaling approximately US$150.78 million, excluding approximately US$23.56 million held in pledged bank deposits. The pledged deposits are intended to cover rehabilitation costs for operating the mining business in Canada (as mandated by the government of Alberta, Canada). The total value of the financial assets at fair value through profit and loss were approximately US$374.64 million. During the Period, a bank granted a one year HK$150.00 million and HK$500.00 million revolving loans with an interest rate of 1.00% over HIBOR/LIBOR and 0.90% over HIBOR/LIBOR respectively to a subsidiary of the Company. The Company provided a guarantee to the bank for the two facilities. For the HK$500.00 million facility, approximately HK$235.46 million which is equivalent to approximately US$30.19 million has been utilized during the Period. The HK$150.00 million facility was not utilized during the Period. Since 2017, an indirect non-wholly owned subsidiary was granted a loan of GBP10.41 million secured by a 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 30 September 2019, the outstanding balance of this bank loan was approximately GBP8.68 million, equivalent to approximately US$10.68 million. In 2018, 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 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 the 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 at 30 September 2019, the Group had certain equipment under financial lease in the amount of approximately US$14.98 million with an average lease term of three years. The 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 76.70%. The net asset value of the Group amounted to approximately US$606.76 million.

Human Resources

As of 30 September 2019, the Group had 314 staff (including Company directors). Staff costs (excluding directors' emoluments) were approximately US$14.94 million for the Period. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong, and provided other staff benefits, such as medical benefits.

Foreign Exchange Risk

The Group conducts most of its business in US dollars, Australian dollars, 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 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 Australian mine was disposed of during the Period, there is now no foreign exchange risk posed by the Australian dollar. With respect to 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 Operations

The Lady Annie Operations, 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.

As of 14 March 2019, a share sale agreement was signed to dispose of all the Group's interest in the Australia Group (includes three Australia subsidiaries) (the "Disposal") which owns the Lady Annie Operations. The Disposal was approved by shareholders of the Company (the "Shareholders") in the extraordinary general meeting held on 17June 2019 (the "2019 EGM") and completed on 19 July 2019. The Disposalp will enable the Group to realise cash thereby improving liquidity and the working capital condition of the Group.

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

	2019 April - July US$'000	2018 April - September US$'000
Revenue	**4,924**	7,202
Cost of sales	**(4,857)**	(9,521)
Gross profit (loss)	**67**	(2,319)
Other income and other gains and losses	**4,610**	670
Administrative expenses	**(1,308)**	(3,716)
Finance costs*	**-**	(82)
Loss on inventories written down to net realisable value	**-**	(36)
Write-off of exploration and evaluation assets	**-**	(97)
Profit (loss) before taxation	**3,369**	(5,580)

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

CST Coal Mine

The Company via its indirect non-wholly owned subsidiary CST Canada Coal Limited ("CST Coal") completed on 18 July 2018 (Alberta, Canada time) the acquisition of the mining assets of Grande Cache Coal LP. CST has an 88% interest in CST Coal.

The mining assets of CST Coal are located in West Central Alberta, Canada approximately 400 kilometres west of the City of Edmonton, the capital of the Province of Alberta in Canada. The mine site is approximately 20 kilometres north of Grande Cache in the Municipal District of Greenview. It is accessed via Highway 40, a two-lane, paved provincial highway which connects Grande Cache to the major, east-west provincial Highway 16. It is also serviced by a branch line of the Canadian National Railway ("CN"), which connects to the main east-west line of CN, allowing access to the major coal export terminals in British Columbia.

In Alberta, coal tenure is held through coal leases granted by the province. Surface and underground mining rights are also granted by the province first through a mine permit, then by a mine license for each individual mining area. CST Coal currently has approximately 29,968 hectares (ha) under coal lease.

As at 30 September 2019, CST Coal had 56,380 tonnes of CST Premium Low Volatile Coking Coal in its stockpile at the load-out area, 22,144 tonnes in transit to the port and had a stockpile of 107,438 tonnes at the port.

During the Period, CST Coal did not have any exploration activities and did not incur any exploration expenditure as it dedicated its efforts to ramping up its No. 8 mine surface mining operations.

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

	2019
	CAD'000
Revenue	126,431
Cost of sales	(72,558)
Gross profit	53,873
Other income and other gains and losses	6,867
Distribution and selling expenses	(29,083)
General and administrative expenses	(12,375)
Finance costs*	(14,282)
Profit before taxation	5,000

* Inter-company financial charges were not included.

Significant Events

As of 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 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 2019 EGM held on 17 June 2019. The Disposal was completed on 19 July 2019. Details of the poll results of the 2019 EGM and the completion of the Disposal were disclosed in the Company's announcements dated 17 June 2019 and 19 July 2019 respectively.

Outlook

The global economy is slowing down in 2019 with many 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 with a balance of stable income streams and growth opportunities, diversify its resource allocations, and explore potential market opportunities to create greater value for Shareholders.

For the Group's mining business, since oxide copper ore reserves in the Lady Annie mine site are mostly depleted, the Group disposed of the Australia Group which owns Lady Annie mine in July 2019. The disposal of the Lady Annie Operations enables the Group to realise cash thereby improving liquidity and working capital condition of the Group.

With regards to the Canada coal mine, it is still in the ramping up its production stage. It will recruit more employees in order to increase production and improve operational efficiency. The price of coking coal has been decreasing in the second half of 2019 as market demand is sluggish, especially in the mainland Chinese market. The Canada coal mine, on one hand, is actively exploring new customers; while on the other hand, strictly controlling overall costs in order to improve profit margin. The CST Coal mine will provide good returns to the Group in the future.

The uncertain development of the US-China trade war, the unpredictable diplomatic and trade policy of the United States of America, as well as Brexit have deepened negative impacts on the investment market and affected investor sentiment. In addition, the recent anti-government unrest in Hong Kong has damaged the local economy. The Group will adjust its treasury management strategy and diversity of its investment portfolio. The Group will allocate some of its resources towards stable investment products which can provide steady contributions to income.

Due to the downward turn in the local economy and uncertainty in the local business environment, the Group will grow its money lending business with a more cautious and prudent strategy. The Group will maintain a balance between business growth and risk management.

The Group's property investments performed consistently during the Period. 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.

As reported in previous financial reports and business update of the Company, the operation of e-logistic platform business had been scaling down and the Group had halted resource allocation to this business. In these couple of years, the competition in e-logistic platform market is still intensified and capital intensive. The operating environment is still harsh. The Company tried but could not successfully formulate a competitive and capital efficient business model. The e-logistic platform business is operating at its minimal level. Having seen no improvement of the market conditions recently and hoping to save relevant expenses, the Company has decided to cease its e-logistic platform business on 27 November 2019. Cessation of the e-logistic platform business would not have a material impact on the financial position or operation of the Group.

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 business opportunities to facilitate long-term development and create value for Shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2019, 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 27 September 2019 ("2019 AGM"). However, Mr. Chiu Tao was unable to attend the 2019 AGM due to another business commitment. Mr. Hui Richard Rui, executive director and General Manager of the Company, who took the chair of the 2019 AGM, together with other members of the Board who attended the 2019 AGM were of sufficient calibre and knowledge for answering questions at the 2019 AGM.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding director's securities transactions. In response to specific enquiry, all directors of the Company confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

REVIEW BY AUDIT COMMITTEE

The unaudited interim results for the six months ended 30 September 2019 has been reviewed by the Company's audit committee which comprises 3 members namely Ms. Ma Yin Fan, Mr. Yu Pan and Mr. Leung Hoi Ying, all of them are independent non-executive directors of the Company, and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 27 November 2019

As at the date of this announcement, the board of directors of the Company comprises (i) Mr. Chiu Tao (Chairman), Mr. Hui Richard Rui, Mr. Lee Ming Tung, Mr. Kwan Kam Hung, Jimmy, Mr. 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.