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 2020

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 2020 with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	NOTES	**Six months ended 30 September** **2020** **US$'000** **(unaudited)**	2019 US$'000 (unaudited)
Continuing operations			
Revenue	5		
Sales		**27,339**	95,126
Interest income		**13,117**	9,204
Dividend income		**14,962**	5,371
Leases		**1,313**	1,451
		56,731	111,152
Cost of sales		**(31,683)**	(54,592)
Gross profit		**25,048**	56,560
Other income and other gains and losses	6	**35,239**	3,433
Distribution and selling expenses		**(9,804)**	(21,882)
Administrative expenses		**(17,214)**	(21,972)
Gain (loss) on fair value changes of financial assets at fair value through profit or loss		**104,787**	(85,266)
(Loss) gain on fair value changes of investment properties		**(2,666)**	675

	NOTES	Six months ended 30 September 2020 US$'000 (unaudited)	2019 US$'000 (unaudited)
(Impairment loss on) reversal of impairment loss on financial assets under expected credit loss model, net		**(1,023)**	565
Share of result of a joint venture		**1,305**	(1,265)
Share of result of an associate		**—**	207
Finance costs	7	**(5,997)**	(8,883)
Profit (loss) before taxation		**129,675**	(77,828)
Taxation	8	**(66)**	(638)
Profit (loss) for the period from continuing operations	9	**129,609**	(78,466)
Discontinued operation			
Profit for the period from discontinued operation		**—**	27,267
Profit (loss) for the period		**129,609**	(51,199)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss :			
Exchange differences arising on translation of foreign operations		**(8,038)**	(337)
Release of exchange reserve upon derecognition of an associate		**582**	—
Release of exchange reserve upon disposal of subsidiaries		**—**	(14,122)
Other comprehensive expense for the period		**(7,456)**	(14,459)
Total comprehensive income (expense) for the period		**122,153**	(65,658)

	NOTES	Six months ended 30 September **2020** **US$'000** **(unaudited)**	2019 US$'000 (unaudited)
Profit (loss) for the period attributable to owners of the Company:			
Continuing operations		**128,858**	(79,338)
Discontinued operation		**—**	27,267
		128,858	(52,071)
Profit for the period attributable to non-controlling interests:			
Continuing operations		**751**	872
Discontinued operation		**—**	—
		751	872
Profit (loss) for the period		**129,609**	(51,199)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**121,111**	(66,097)
Non-controlling interests		**1,042**	439
		122,153	(65,658)
EARNINGS (LOSS) PER SHARE			
From continuing operations and discontinued operation			
- Basic (US cents)	10	**0.33**	(0.13)
From continuing operations			
- Basic (US cents)	10	**0.33**	(0.21)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2020

	NOTES	As at 30 September 2020 US$'000 (unaudited)	As at 31 March 2020 US$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**330,877**	320,007
Right-of-use assets	11	**13,764**	14,736
Exploration and evaluation assets	11	**33,736**	31,719
Investment properties		**47,089**	48,599
Goodwill		**—**	—
Interests in an associate		**—**	—
Interests in a joint venture		**5,459**	4,154
Club membership		**2,437**	2,437
Financial assets at fair value through profit or loss		**76,562**	70,516
Loan receivables		**63,633**	—
Pledged bank deposits		**23,704**	22,216
Deposit for acquisition of property, plant and equipment		**—**	1,046
		597,261	515,430
Current assets			
Inventories		**10,149**	21,889
Trade and other receivables	12	**8,941**	23,977
Loan receivables		**22,288**	36,052
Amount due from a joint venture		**4,042**	4,042
Financial assets at fair value through profit or loss		**410,381**	289,203
Derivative financial instruments		**—**	72
Bank balances and cash		**44,839**	61,877
		500,640	437,112
Current liabilities			
Trade and other payables and accruals	13	**14,462**	15,263
Tax payable		**1,679**	1,608
Derivative financial instruments		**86**	—
Bank and other borrowings – amount due within one year		**55,580**	31,470
Lease liabilities		**16,699**	1,827
Guarantee liability		**40,100**	40,100
		128,606	90,268

	NOTE	As at 30 September 2020 US$'000 (unaudited)	As at 31 March 2020 US$'000 (audited)
Net current assets		**372,034**	346,844
Total assets less current liabilities		**969,295**	862,274
Non-current liabilities			
Bank and other borrowings – amount due after one year		**441,660**	442,585
Deferred tax liabilities		**717**	675
Lease liabilities		**1,657**	17,376
Provision for mine rehabilitation cost		**24,597**	23,127
		468,631	483,763
		500,664	378,511
Capital and reserves			
Share capital	14	**496,132**	496,132
Reserves		**20,145**	(100,966)
Equity attributable to owners of the Company		**516,277**	395,166
Non-controlling interests		**(15,613)**	(16,655)
		500,664	378,511

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 (collectively referred to as "the Group"), engaged in (i) exploration, development and mining of mineral resources, (ii) investment in financial instruments, (iii) property investment and (iv) money lending.

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 "*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. SIGNIFICANT EVENT AND TRANSACTION IN THE CURRENT INTERIM PERIOD

As disclosed in the Group's annual consolidated financial statements for the year ended 31 March 2020, the directors of the Company has resolved to suspend its coal mining operations at the coal mine located near Grande Cache, Alberta (the "Mine") to ensure worker safety in accordance with applicable public health guidelines, and to prevent an outbreak of COVID-19 among the workforce at the Mine and in the remote community of Grande Cache on 12 May 2020. The directors of the Company expect to resume the coal mining operations in first quarter of 2021.

4. 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 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 2020 are the same as those presented in Group's annual consolidated financial statements for the year ended 31 March 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs 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.

4.1 Impacts of application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

5. 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 period is as follows:

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
	(unaudited)	(unaudited)
Sale of coal	**27,339**	95,126
	27,339	95,126
Revenue from contract with customers		
Residential rental income	**159**	268
Office rental income	**1,154**	1,183
Dividend income from trading of securities	**14,962**	5,371
Interest income from financial assets at fair value through profit or loss	**9,839**	8,155
Interest income from money lending business	**3,278**	1,049
Total revenue from continuing operations	**56,731**	111,152
Disaggregation of revenue from contracts with customers		
Sale of coal	**27,339**	95,126
Timing of revenue recognition		
A point in time	**27,339**	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.

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 four main operating divisions - (i) mining business, (ii) investment 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, central administration costs, finance costs, share of results 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**	
	2020	2019	**2020**	2019
	US\$'000	US\$'000	**US\$'000**	US\$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Mining business	**27,339**	95,126	**(22,724)**	1,017
Investment in financial instruments	**24,801**	13,526	**128,198**	(69,750)
Property investment	**1,313**	1,451	**(1,620)**	1,855
Money lending	**3,278**	1,049	**2,292**	2,114
	56,731	111,152	**106,146**	(64,764)
Other income and other gains and losses			**35,239**	3,433
Central administration costs			**(7,018)**	(6,556)
Finance costs			**(5,997)**	(8,883)
Share of result of a joint venture			**1,305**	(1,265)
Share of result of an associate			**—**	207
Profit (loss) before taxation from continuing operations			**129,675**	(77,828)

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:

	As at 30 September 2020	As at 31 March 2020
	US$'000	US$'000
	(unaudited)	(audited)
Segment assets:		
— Mining business	**417,013**	420,841
— Investment in financial instruments	**494,520**	378,316
— Property investment	**49,985**	52,591
— Money lending	**86,161**	37,853
Total segment assets	**1,047,679**	889,601
Unallocated assets:		
— Bank balances and cash	**4,543**	17,422
— Property, plant and equipment	**27,456**	28,069
— Right-of-use assets	**3,481**	3,884
— Others	**14,742**	13,566
	50,222	62,941
Consolidated total assets	**1,097,901**	952,542
Segment liabilities:		
— Mining business	**526,462**	525,748
— Investment in financial instruments	**54,299**	30,213
— Property investment	**11,261**	11,195
Total segment liabilities	**592,022**	567,156
Unallocated liabilities:		
— Other payables and accrual	**1,980**	2,847
— Lease liabilities	**3,235**	4,028
	5,215	6,875
Consolidated total liabilities	**597,237**	574,031

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 and right-of-use assets, certain other receivables, interests in a joint venture and amount due from a joint venture. All liabilities are allocated to operating segments other than certain other payables and accrual and certain lease liabilities.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
	(unaudited)	(unaudited)
Continuing operations		
Other income		
Bank and other interest income	**150**	507
Government grant (note)	**628**	—
Others	**641**	—
	1,419	507
Other gains and losses		
Net foreign exchange gain	**31,773**	3,711
Net gain on disposal of property, plant and equipment	**634**	5
Fair value (loss) gain on derivative financial instruments	**(158)**	42
Gain (loss) from deemed disposal of interests in an associate	**59**	(1,334)
Gain on disposal of a subsidiary	**216**	—
Others	**1,296**	502
	33,820	2,926
	35,239	3,433

Note: During the current interim period, the Group recognised government grant of US$628,000 in respect of COVID-19-related subsidies, of which US$300,000 is related to Employment Support Scheme provided by the government in Hong Kong.

7. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
	(unaudited)	(unaudited)
Continuing operations		
Interest expense on bank borrowings	**5,406**	8,344
Interest expense on lease liabilities	**555**	539
Interest expense on other borrowings	**36**	—
	5,997	8,883

8. TAXATION

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
	(unaudited)	(unaudited)
Continuing operations		
The charge comprises:		
Current tax:		
Hong Kong	**—**	—
People's Republic of China ("PRC")	**11**	14
Canada	**—**	571
United Kingdom ("UK")	**55**	53
Taxation charge for the period	**66**	638

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. No provision for Hong Kong Profits Tax has been made during the period as the assessable profit was wholly absorbed by tax losses brought forward during the six months ended 30 September 2020. No provision for taxation had been made for the period ended 30 September 2019 as there was no assessable profits.

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

Under the applicable corporate tax law in the Alberta, Canada, the tax rate is 26% (2019:27%) 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 periods.

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

9. PROFIT/LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
	(unaudited)	(unaudited)
Continuing operations		
Profit/loss for the period has been arrived at after charging:		
Depreciation on property, plant and equipment	**11,242**	22,867
Depreciation on right-of-use assets	**1,037**	629
Directors' remuneration	**3,301**	3,438
Cost of inventories recognised as an expense	**31,683**	54,592

10. EARNINGS (LOSS) PER SHARE

From continuing operations and discontinued operation

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

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	**128,858**	(52,071)
Number of shares		
	'000	'000
Number of ordinary shares for the purpose of basic earnings (loss) per share	**38,698,309**	38,698,309

No diluted earnings (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 earnings (loss) per share from continuing operations attributable to owners of the Company is based on the following data:

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
	(unaudited)	(unaudited)
Earnings (loss) figures are calculated as follow :		
Profit (loss) for the period attributable to owners of the Company	**128,858**	(52,071)
Less: Profit for the period from discontinued operation	**—**	27,267
Earnings (loss) for the purpose of calculating basic earnings (loss) per share from continuing operations	**128,858**	(79,338)
Number of shares		
	'000	'000
Number of ordinary shares for the purpose of basic earnings (loss) per share	**38,698,309**	38,698,309

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

From discontinued operation

During the six months ended 30 September 2019, the basic earnings per share from discontinued operation is US0.07 cents per share, based on the profit for the period from discontinued operation of US$27,267,000 and the denominator detailed above for basic loss per share. There is no discontinued operation during six months ended 30 September 2020.

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

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

During the six months ended 30 September 2020, the Group incurred expenditures on mine property and development assets included in property, plant and equipment of US$1,834,000 (six months ended 30 September 2019: US$12,055,000) and other property, plant and equipment of US$1,294,000 (six months ended 30 September 2019: US$2,488,000) from continuing operations.

During the six months ended 30 September 2020, the Group did not enter into any new lease agreements (six months ended 30 September 2019: new lease agreements for the use of trucks and furniture and equipment for lease term of 3 years). On lease commencement during the six months ended 30 September 2019, the Group recognised US$308,000 of right-of-use assets and US$308,000 of lease liabilities.

During the six months ended 30 September 2019, the Group incurred US$17,000 expenditures on exploration and evaluation assets from the copper mining operation, which was disposed during the period ended 30 September 2019. There is no addition expenditures on exploration and evaluation assets from the mining business in Canada during the six months ended 30 September 2020.

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 US$'000 (unaudited)	As at 31 March 2020 US$'000 (audited)
Trade receivable	**—**	4,907
Amounts due from brokers	**99**	582
Deposits and prepayments	**3,608**	9,061
Goods and services tax ("GST") receivables	**142**	4,312
Interest income receivables	**5,068**	5,083
Other receivables	**24**	32
Total trade and other receivables	**8,941**	23,977

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

	As at 30 September 2020 US$'000 (unaudited)	As at 31 March 2020 US$'000 (audited)
0 – 60 days	**—**	4,907

Trade receivable as at 31 March 2020 represents trade receivable from sales of coal in Canada. The balance was due on two weeks 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 coal operation as at 30 September 2020.

13. 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 2020 US$'000 (unaudited)	As at 31 March 2020 US$'000 (audited)
Trade payables		
- arising from mining operation (note a)	**229**	3,332
- arising from investment in financial instruments operation (note b)	**8,715**	—
Other payables and accruals	**5,518**	11,931
Total trade and other payables and accruals	**14,462**	15,263

Notes:

(a) 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.

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

Other payables include GST payable to the Alberta Government of US$12,000 (31 March 2020: US$11,000), in respect of sales made in Alberta, Canada under relevant rules and regulations.

14. SHARE CAPITAL

	Number of shares	Share capital
Ordinary shares of HK$0.10 each :		US$'000
Authorised		
At 1 April 2019, 31 March 2020 and 30 September 2020 (unaudited)	100,000,000,000	1,282,052
Issued and fully paid		
At 1 April 2019, 31 March 2020 and 30 September 2020 (unaudited)	38,698,308,961	496,132

15. 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 of the Company and its subsidiaries (collectively referred to as the "Group") for the period ended 30 September 2020 (the "Period") was approximately US$56.73 million. This represents a significant decrease in approximately 48.96% compared to the same period last year. The majority of this decrease in revenue is attributable to the decrease of revenue from the Group's coal mine in Canada, where the production was suspended in May 2020. Revenue from this coal mine for the Period was approximately US$27.34 million.

Dividends from securities trades and interest income from financial assets, interest income from money lending and rental income represented approximately 43.72%, 5.78% and 2.31% respectively of total revenue for the Period. Compared with the same period of the previous year, there was an approximately US$31.51 million decrease in gross profit, representing an decrease of approximately 55.71%.

Revenue derived from property investments has been comparatively stable. Compared with the same period last year, revenue from property investment mildly decreased by approximately 9.51%. 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 83.36% period-on-period. This increase was mainly driven by interest income from investments in debt securities and distribution from fund investments. However, financial markets fluctuated significantly during the Period, and the Group recorded a gain on fair value changes of financial assets at fair value through profit or loss of approximately US$104.79 million. There was a loss on fair value changes of financial assets at fair value through profit or loss of approximately US$85.27 million in the corresponding period last year.

Of the approximately US$104.79 million gain on fair value changes of financial assets at fair value through profit or loss, the unrealised gain and realised loss were approximately US$105.02 million and approximately US$0.23 million respectively. The COVID-19 pandemic (the "Pandemic") shows no sign of ending by the second half of the Company's 2021 financial year. This, in addition to global economic and political instability, especially the uncertain development of the US-China trade war and the United States' unpredictable diplomatic and trade policies, will continue to shake investor confidence and dampen market expectations as conditions remain volatile in the near future.

Pursuant to paragraph 32(4A) of Appendix 16 to the Listing Rules, the financial assets weighted 5% or above of the total asset value of the Group as of 30 September 2020 are set out below:

Stock Code	Name of Stock	Principal Business	Number of Share	% of Shareholding held by the Group 30.09.2020	Investment Cost	Market Value 30.09.2020	% to the Group's Total Assets 30.09.2020	Realised Gain on change in fair value for the period ended 30.09.2020	Unrealised Gain/(Loss) on change in fair value for the period ended 30.09.2020
					US$'000	US$'000		US$'000	US$'000
Equity securities listed in Hong Kong									
708	China Evergrande New Energy Vehicle 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	0.48%	61,304.59	107,504.92	9.79%	-	76,897.38*

* Investment cost of these securities represented the initial acquisition 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 excluded the amounts recognised in prior periods.

China Evergrande New Energy Vehicle Group Limited ("China Evergrande Vehicle"), formerly known as Evergrande Health Industry Group Limited, is principally engaged in the business of health management and new energy vehicle under the umbrella of real estate giant China Evergrande Group. According to China Evergrande Vehicle's 2020 interim report, revenue for the six-month period ended 30 June 2020 was approximately RMB4.51 billion. Most of the revenue generated in the health management segment. For the period ended 30 June 2020, China Evergrande Vehicle recorded a loss of approximately RMB2.46 billion which was mainly due to large administrative expenses and finance costs. Over the last couple of years, China Evergrande Vehicle has been investing a huge amount of resources into technology research and development of new energy vehicles. As set out in China Evergrande Vehicle 2020 interim report, its new vehicle production bases in Shanghai and Guangzhou are expected to be eligible for trial production by September 2020. Each of such production bases has a planned production capacity of 200,000 vehicles for the first phase, which can ensure mass production of all series of products under the "Hengchi" brand. China Evergrande Vehicle revealed its six first-phase "Hengchi" vehicle models in its announcement dated 3 August 2020. It also changed the name of the company from "Evergrande Health Industry Group Limited" to its current name "China Evergrande New Energy Vehicle Group Limited" on 20 August 2020 to signify the importance of its new energy vehicles business. Its stock closing price surged from HK$6.01 on 1 April 2020 to HK$19.88 on 30 September 2020, representing an increase of approximately 230.78% over the period. The Group is optimistic about the prospects of China Evergrande Vehicle in the medium to long term, subject to market conditions. The Group has no intention to realise this investment at present.

Interest income from the money lending business saw a significant increase of approximately US$2.23 million compared to the same period of the previous year, representing a rise of approximately 212.49%. The increase in loan interest income was due to the higher average amount of loans advanced to borrowers during the Period. Over the Period, approximately US$3.28 million of interest income was generated by the money lending business. The interest income from the money lending business was approximately US$1.05 million in the corresponding period of the previous year.

Revenue generated from the Canada coal mining business fell substantially was due to the suspension of its operations, details of which were disclosed in the Company's announcement dated 13 May 2020. Along with the decrease in revenue from selling coking coal, the distribution and selling expenses and the Group's administrative expenses decreased from approximately US$21.88 million and approximately US$21.97 million respectively in the same period of the previous year to approximately US$9.80 million and US$17.21 million respectively for the Period. The increase in exchange rate of the Canadian dollar against the US dollar during the Period caused the finance costs of the US dollar-based Minsheng Borrowing (please refer to the below section headed "Net Asset Value" for Minsheng Borrowing details) to fall by approximately 34.03%. Thus, the Group's overall finance costs accordingly decreased from approximately US$8.88 million in the corresponding period last year to approximately US$6.00 million for the Period.

Due to an increase in the fair value of the joint venture's investment relative to its carry amount at the end of the Period, the Group shared a gain from the joint venture. The Group took a share of approximately US$1.31 million gain from the joint venture whereas it took on a loss from the joint venture of approximately US$1.27 million in the same period last year. There was an exchange gain of approximately US$31.77 million, mainly from the Canada coal mining business due to the increase in exchange rate of the Canadian dollar against the US dollar during the Period, as compared with a gain of approximately US$3.7 million for the corresponding period in 2019. Overall, the Group recorded an after-tax profit of approximately US$129.61 million for the Period. There was an after-tax loss of approximately US$78.47 million in the same period of the previous year.

Net Asset Value

As of 30 September 2020, the Group held bank balances and cash totaling approximately US$44.84 million, excluding approximately US$23.70 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 was approximately US$486.94 million.

During the Period, a bank granted a one-year HK$500.00 million revolving loan to a subsidiary of the Company. Of the HK$500.00 million facility, approximately HK$235.46 million, which is equivalent to approximately US$30.19 million, was utilized during the Period. The interest rate is 0.90% over HIBOR. This revolving loan was secured by certain securities held by such subsidiary with carrying amount of approximately HK$623.91 million which is equivalent to approximately US$79.99 million and a guarantee given by the Company. The Group had a balance of approximately US$24.03 million margin financing from an investment bank with an interest rate of 0.8% over HIBOR/LIBOR secured by certain securities held by the Group with carry amount of approximately US$157.39 million as of 30 September 2020.

Since 2017, an indirect non-wholly owned subsidiary of the Company was granted a loan of GBP10.41 million secured by a Scottish property owned by the subsidiary with a fixed interest rate of 3.73% per annum for four years and pledge of equity interest in the parent company of such subsidiary, for refinancing the Scottish property. As of 30 September 2020, the outstanding balance of this bank loan was approximately GBP7.71 million, equivalent to approximately US$9.90 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 "Minsheng Borrowing"). The balance of this loan as of 30 September 2020 was approximately US$408.41 million. The Minsheng Borrowing carries an interest rate of 1.20% over 3 months LIBOR and is repayable in 5 years. It is 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 of 30 September 2020, the Group had certain equipment under financial lease in the amount of approximately US$14.81 million, with an average lease term of three years. The interest rate under finance lease is fixed at respective contract dates at 7.00% per annum.

Based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio was 104.72%. The net asset value of the Group amounted to approximately US$500.66 million.

Human Resources

As of 30 September 2020, the Group had 66 staff (including Company directors). Staff costs (excluding directors' emoluments) were approximately US$8.48 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, 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 Canadian dollar. With respect to the Canadian coal mines, there is 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.

CST Coal Mine

The Company via its indirect non-wholly owned subsidiary CST Coal completed on 18 July 2018 (Alberta, Canada time) the acquisition of the mining assets of GCC. The Company through its subsidiary 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 via a mine permit, then via a mine license for each individual mining area. CST Coal currently has approximately 29,968 hectares under coal lease.

As of 30 September 2020, CST Coal had 12,730 tonnes of CST Premium Low Volatile coking coal in its stockpile.

During the Period, CST Coal did not have any exploration activities and did not incur any exploration expenditure as it focused its efforts on refurbishing equipment and operating its No. 8 surface mine.

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

	Six months ended 30 September	
	2020	2019
	CAD'000	CAD'000
Revenue	**37,145**	126,431
Cost of sales	**(43,048)**	(72,558)
Gross (loss) profit	**(5,903)**	53,873
Other income and other gains and losses	**44,927**	6,867
Distribution and selling expenses	**(13,321)**	(29,083)
Administrative expenses*	**(7,291)**	(12,375)
Finance costs*	**(7,395)**	(14,282)
Profit before taxation	**11,017**	5,000

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

Significant Events

(1) On 13 May 2020, the Company announced the suspension of operations of CST Coal, the Group's mining business in Canada, due to the impacts of the COVID-19 outbreak on the operation. The coal mine near Grande Cache, Alberta, Canada was placed into care and maintenance status. Details of the suspension were disclosed in the Company's announcement dated 13 May 2020.

(2) On 17 July 2020, Atlas Keen Limited (a British Virgin Islands incorporated company directly owned by Mr. Chiu Tao, Chairman and executive director of the Company, the "Offeror") and the Company jointly announced that Get Nice Securities Limited would, for and on behalf of the Offeror, make a voluntary conditional cash offer to acquire all the issued shares of the Company (the "Share(s)") other than those Shares already owned or agreed to be acquired by the Offeror and its parties in concert on the basis of HK$0.028 in cash for each Share (the "Offer").

The Offer was conditional upon valid acceptances of the Offer having been received (and where permitted, not withdrawn) in respect of such a number of Shares which, together with the Shares acquired or agreed to be acquired before or during the Offer, would result in the Offeror and its parties in concert holding more than 50% of the voting rights in the Company. Details of the Offer were disclosed in the Company and the Offeror's joint announcements dated 17 July 2020, 7 August 2020, 28 August 2020, 8 September 2020 and 11 September 2020, and in the Composite Document dated 28 August 2020.

The Offer was completed on 25 September 2020; details of which were disclosed in the Company and the Offeror's joint announcement dated 25 September 2020.

(3) On 29 October 2020, the board of directors of the Company (the "Board") proposed to implement capital reorganisation (the "Capital Reorganisation") involving:

(i) every eighty (80) issued existing Shares of HK$0.10 each shall be consolidated into one (1) issued consolidated Share of HK$8.00 each, and every eighty (80) unissued existing Shares of HK$0.10 each shall be consolidated into one (1) unissued consolidated Share of HK$8.00 each (the "Share Consolidation");

(ii) capital reduction immediately upon completion of the Share Consolidation, the issued share capital of the Company shall be reduced by (a) rounding down the number of consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a consolidated Share in the issued share capital of the Company arising from the Share Consolidation; and (b) cancelling the paid up capital of the Company to the extent of HK$7.99 on each of the then issued consolidated Shares such that the nominal value of each issued consolidated Share will be reduced from HK$8.00 to HK$0.01 (the "Capital Reduction"). The credit arising from the Capital Reduction will be applied to offset against the balance of the accumulated losses of the Company up to the effective date of the Capital Reduction; and

(iii) sub-division of consolidated Shares on the basis that every unissued consolidated Share in the authorised share capital of the Company shall be sub-divided into eight hundred (800) new Shares of HK$0.01 each.

The Board also proposed to change the board lot size for trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 8,000 existing Shares to 1,000 new Shares (the "Change of Board Lot Size") conditional upon the Capital Reorganisation becoming effective.

The Capital Reorganisation is conditional upon the following:

(i) the passing of the necessary resolution(s) by the shareholders of the Company (the "Shareholder(s)) at the extraordinary general meeting (the "EGM") to approve the Capital Reorganisation;

(ii) the Grand Court granting an order confirming the Capital Reduction;

(iii) compliance with any terms and conditions which the Grand Court may impose for the Capital Reduction to be effective;

(iv) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the new Shares in issue immediately upon the Capital Reorganisation becoming effective; and

(v) the registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court confirming the Capital Reduction and the minutes approved by the Grand Court containing the particulars required under the Companies Law with respect to the Capital Reduction.

The Capital Reorganisation shall become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reorganisation at the EGM, the legal advisors to the Company (as to Cayman Islands Law) will apply to the Grand Court for hearing date(s) to confirm the Capital Reduction and a further announcement will be made by the Company as soon as practicable after the Grand Court hearing date(s) is confirmed.

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the new Shares upon the Capital Reorganisation becoming effective. Details of the Capital Reorganisation and the Change of Board Lot Size were disclosed in the Company's announcement dated 29 October 2020, as well as in the circular dated 13 November 2020.

As at the date of this announcement, the proposed Capital Reorganisation is still in progress. None of the conditions have yet been fulfilled.

Outlook

Having considered the volatility and lack of clarity in the financial markets, compounded by the uncertainty in the external economic and trade environment caused by the Pandemic, we expect a continued challenging market environment facing our related businesses in the second half of the Company's financial year 2021. The Group will maintain prudent operations in order to reinforce its revenue base.

In terms of the mining business, the scheduled resumption of production and operations is yet to be determined due to ongoing uncertainties related to the Pandemic. The Group will closely follow the development of the outbreak and consider resuming the mine business when risks are manageable.

In terms of investment in financial instruments, market conditions are expected to remain complicated and volatile. The Group will proactively seek investment opportunities by adjusting its portfolio management strategy and diversifying its investment portfolio, in a bid to improve assets allocation capabilities and reduce investment risks.

In terms of property investment, the Group will pay close attention to the development of the property investment market and make appropriate responsive strategy, and will also seek desirable property projects with high potential in order to strengthen its property asset portfolio and improve operational efficiency.

In terms of the money lending business, the Group will maintain a consistent balance between business growth and risk management by adhering to its cautious and prudent strategy.

As the markets continue to be battered by the resurgence of the Pandemic, the Group will remain alert and closely follow the related developments going forward. Meanwhile, the Group will explore further development opportunities by expanding business lines and/or expanding the reach of the Group's main businesses to a broader region when circumstances permit. We believe that further business diversification will drive the sustainable development of the Group and thus create greater value for our shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2020, 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 25 September 2020 ("2020 AGM"). However, Mr. Chiu Tao was unable to attend the 2020 AGM due to another business commitment. Mr. Hui Richard Rui, executive director and General Manager of the Company, who took the chair of the 2020 AGM, together with other members of the Board who attended the 2020 AGM were of sufficient calibre and knowledge for answering questions at the 2020 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. Having made specific enquiry, all directors of the Company confirmed that they had complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2020, 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 2020 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, 26 November 2020

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.