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 2021

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 2021 with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Six months ended 30 September	
		2021	2020
	NOTES	**US$'000**	US$'000
		(unaudited)	(unaudited)
Revenue	4		
Sales		**—**	27,339
Interest income		**12,350**	13,117
Dividend income		**10,055**	14,962
Leases		**1,390**	1,313
		23,795	56,731
Cost of sales		**(8,945)**	(31,683)
Gross profit		**14,850**	25,048
Other income and other gains and losses	5	**(5,712)**	35,239
Distribution and selling expenses		**—**	(9,804)
Administrative expenses		**(14,537)**	(17,214)
(Loss) gain on fair value changes of financial assets at fair value through profit or loss		**(470,724)**	104,787
Gain (loss) on fair value changes of investment properties		**4,728**	(2,666)

	NOTES	Six months ended 30 September 2021 US$'000 (unaudited)	2020 US$'000 (unaudited)
Reversal of Impairment loss on (Impairment loss on) financial assets under expected credit loss model, net		**63**	(1,023)
Share of result of a joint venture		**151**	1,305
Finance costs	6	**(3,676)**	(5,997)
(Loss) profit before taxation		**(474,857)**	129,675
Taxation	7	**(191)**	(66)
(Loss) profit for the period		**(475,048)**	129,609
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,518**	(8,038)
Release of exchange reserve upon derecognition of an associate		**—**	582
Other comprehensive income (expense) for the period		**2,518**	(7,456)
Total comprehensive (expense) income for the period		**(472,530)**	122,153
(Loss) profit for the period attributable to :			
- Owners of the Company		**(473,088)**	128,858
- Non-controlling interests		**(1,960)**	751
		(475,048)	129,609

	NOTE	Six months ended 30 September	
		2021	2020
	NOTE	**US$'000**	US$'000
		(unaudited)	(unaudited)
Total comprehensive (expense) income for the period attributable to:			
- Owners of the Company		**(470,347)**	121,111
- Non-controlling interests		**(2,183)**	1,042
		(472,530)	122,153
			(restated)
(LOSS) EARNINGS PER SHARE			
- Basic (US cents)	9	**(97.80)**	26.64

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2021

	NOTES	**As at 30 September 2021 US$'000 (unaudited)**	As at 31 March 2021 US$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**338,050**	342,213
Right-of-use assets	10	**1,539**	12,110
Exploration and evaluation assets	10	**35,319**	35,785
Investment properties		**34,372**	47,411
Interests in a joint venture		**6,341**	6,190
Interests in an associate		**—**	—
Loan receivables		**—**	64,885
Financial assets at fair value through profit or loss		**89,995**	110,771
Club membership		**2,437**	2,437
Pledged bank deposits		**24,953**	25,206
		533,006	647,008
Current assets			
Inventories		**11,991**	10,746
Other receivables	11	**4,953**	8,324
Loan receivables		**66,706**	3,705
Amount due from a joint venture		**4,042**	4,042
Amount due from an associate		**6,371**	—
Financial assets at fair value through profit or loss		**161,613**	603,634
Bank balances and cash		**48,662**	49,262
		304,338	679,713
Current liabilities			
Trade and other payables and accruals	12	**6,097**	9,699
Tax payable		**1,844**	1,761
Derivative financial instruments		**—**	44
Bank and other borrowings – amount due within one year		**15,501**	36,660
Lease liabilities		**1,407**	16,812
Guarantee liability		**40,100**	40,100
		64,949	105,076

	NOTE	As at 30 September 2021 US$'000 (unaudited)	As at 31 March 2021 US$'000 (audited)
Net current assets		**239,389**	574,637
Total assets less current liabilities		**772,395**	1,221,645
Non-current liabilities			
Amount due to non-controlling interests		**6,124**	—
Bank and other borrowings – amount due after one year		**458,314**	440,540
Deferred tax liabilities		**1,344**	1,226
Lease liabilities		**256**	846
Provision for mine rehabilitation cost		**26,889**	27,035
		492,927	469,647
		279,468	751,998
Capital and reserves			
Share capital	13	**620**	620
Reserves		**295,908**	764,673
Equity attributable to owners of the Company		**296,528**	765,293
Non-controlling interests		**(17,060)**	(13,295)
		279,468	751,998

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 2021.

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 ("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 additional 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 2021 are the same as those presented in Group's annual consolidated financial statements for the year ended 31 March 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2021 for the preparation of the Group's condensed consolidated financial statements:

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

Except as described below, the application of the amendments to HKFRSs in the current interim 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 accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2"

3.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

3.1.2 Transition and summary of effects

As at 1 April 2021, the Group has several bank borrowings and derivatives, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the amounts of financial liabilities and derivatives are shown at their carrying amounts.

	HKD Hong Kong Interbank Offered Rate (“HIBOR”) US$‘000	GBP London Interbank Offered Rate (“LIBOR”) US$‘000
Financial liabilities		
Bank borrowings	26,634	450,566
Derivatives		
Interest rate swap contract	—	44

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. The derivatives have been expired during the current interim period. The amendments have had no impact on the condensed consolidated financial statements as none of the bank borrowings has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 March 2022.

4. 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	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Sale of coal	**—**	27,339
	—	27,339
Revenue from contract with customers		
Residential rental income	**122**	159
Office rental income	**1,268**	1,154
Dividend income	**10,055**	14,962
Interest income from financial assets at fair value through profit or loss	**10,374**	9,839
Interest income from money lending business	**1,976**	3,278
Total revenue	**23,795**	56,731
Disaggregation of revenue from contracts with customers		
Sale of coal	**—**	27,339
Timing of revenue recognition		
A point in time	**—**	27,339
Leases		
Operating lease payments that are fixed (Note)	**1,390**	1,313

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

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 and share of result of a joint venture).

Segment revenue and results

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

	Segment revenue Six months ended 30 September		**Segment results Six months ended 30 September**	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Mining business	**—**	27,339	**(15,321)**	(22,724)
Investment in financial instruments	**20,429**	24,801	**(451,762)**	128,198
Property investment	**1,390**	1,313	**5,742**	(1,620)
Money lending	**1,976**	3,278	**185**	2,292
	23,795	56,731	**(461,156)**	106,146
Other income and other gains and losses			**(5,712)**	35,239
Central administration costs			**(4,464)**	(7,018)
Finance costs			**(3,676)**	(5,997)
Share of result of a joint venture			**151**	1,305
(Loss) profit before taxation			**(474,857)**	129,675

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 2021	As at 31 March 2021
	US$'000	US$'000
	(unaudited)	(audited)
Segment assets:		
— Mining business	**414,878**	431,162
— Investment in financial instruments	**272,408**	727,390
— Property investment	**37,364**	50,386
— Money lending	**66,716**	68,824
Total segment assets	**791,366**	1,277,762
Unallocated assets:		
— Bank balances and cash	**7,037**	6,908
— Property, plant and equipment	**23,866**	25,740
— Right-of-use assets	**1,387**	2,443
— Others	**13,688**	13,868
	45,978	48,959
Consolidated total assets	**837,344**	1,326,721
Segment liabilities:		
— Mining business	**530,421**	528,244
— Investment in financial instruments	**12,954**	28,785
— Property investment	**9,855**	11,683
— Money lending	**34**	29
Total segment liabilities	**553,264**	568,741
Unallocated liabilities:		
— Other payables and accrual	**3,321**	3,380
— Lease liabilities	**1,291**	2,602
	4,612	5,982
Consolidated total liabilities	**557,876**	574,723

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

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Other income		
Bank and other interest income	**74**	150
Government grant (Note)	**359**	628
Others	**1,105**	641
	1,538	1,419
Other gains and losses		
Net foreign exchange (loss) gain	**(7,308)**	31,773
Net gain on disposal of property, plant and equipment	**—**	634
Fair value gain (loss) on derivative financial instruments	**44**	(158)
Gain from deemed disposal of interests in an associate	**—**	59
Gain on disposal of a subsidiary	**14**	216
Others	**—**	1,296
	(7,250)	33,820
	(5,712)	35,239

Note: During the current interim period, the Group recognised government grant of US$359,000 (30 September 2020: US$628,000) in respect of Covid-19-related subsidies. There was an amount of US$300,000 related to Employment Support Scheme provided by the government in Hong Kong during the period ended 30 September 2020.

6. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest expense on bank borrowings	**3,314**	5,406
Interest expense on lease liabilities	**226**	555
Interest expense on other borrowings	**136**	36
	3,676	5,997

7. TAXATION

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax:		
People's Republic of China ("PRC")	**12**	11
United Kingdom ("UK")	**42**	55
	54	66
Deferred tax	**137**	—
Taxation for the period	**191**	66

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 2021. No provision for taxation had been made for the period ended 30 September 2020 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% 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.

8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Depreciation on property, plant and equipment	**9,745**	11,242
Depreciation on right-of-use assets	**946**	1,037
Directors' remuneration	**3,239**	3,301
Cost of inventories recognised as an expense	**—**	31,683

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(473,088)**	128,858
Number of shares		
	'000	'000
		(restated)
Number of ordinary shares for the purpose of basic (loss) earnings per share	**483,729**	483,729

The weighted average number of ordinary shares for prior year has been adjusted for the share consolidation as detailed in Note 13.

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

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

During the six months ended 30 September 2021, the Group did not incur any expenditures to the property, plant and equipment and exploration and evaluation assets.

During the six months ended 30 September 2021, right-of-use asset amounted to US$9,442,000 was reclassified to property, plant and equipment when the Group obtained the ownership of the underlying 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 and other property, plant and equipment of US$1,294,000.

11. OTHER RECEIVABLES

	As at 30 September 2021 US$'000 (unaudited)	As at 31 March 2021 US$'000 (audited)
Amounts due from brokers	**119**	115
Deposits and prepayments	**3,952**	3,603
Goods and services tax receivables	**882**	67
Others	**—**	4,539
Total other receivables	**4,953**	8,324

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 2021 US$'000 (unaudited)	As at 31 March 2021 US$'000 (audited)
Trade payables (aged within 30 days)		
- arising from mining operation (Note a)	**874**	99
- arising from investment in financial instruments operation (Note b)	**—**	2,151
Other payables and accruals	**5,223**	7,449
Total trade and other payables and accruals	**6,097**	9,699

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.

13. SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2021	31 March 2021	**30 September 2021**	31 March 2021
	'000	'000	**US$'000**	US$'000
	(unaudited)	(audited)	**(unaudited)**	(audited)
Authorised				
At beginning of period/year	**1,000,000,000**	100,000,000	**1,282,052**	1,282,052
Share consolidation (Note)	**—**	(98,750,000)	**—**	**—**
Effects of capital reorganisation (Note)	**—**	998,750,000	**—**	**—**
At the end of period/year	**1,000,000,000**	1,000,000,000	**1,282,052**	1,282,052
Issued and fully paid				
At beginning of period/year	**483,729**	38,698,309	**620**	496,132
Share consolidation (Note)	**—**	(38,214,580)	**—**	**—**
Effects of capital reorganisation (Note)	**—**	—	**—**	**(495,512)**
At the end of period/year	**483,729**	483,729	**620**	**620**

Note: On 13 November 2020, the Company made a proposal of share consolidation and capital reorganisation to the shareholders that: (1) every eighty issued shares of HK$0.10 each to be consolidated into one consolidated share of HK$8.00; (2) the nominal value of all the existing issued shares to be reduced from HK$8.00 each to HK$0.01 each by cancelling HK$7.99 paid up on each existing issued share by way of reduction of capital; and (3) the credit arising from such reduction of capital to offset against the accumulated losses of the Company. The share consolidation and capital reorganisation was completed and was effected on 4 February 2021. 38,214,580,000 issued and fully paid shares were being cancelled due to the share consolidation and share capital amounting to US$495,512,000 were being cancelled due to the capital reorganisation and were used to offset against the accumulated losses of the Company as at 1 April 2020.

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

For the six months ended 30 September 2021 (the "Period"), the Company and its subsidiaries (collectively referred to as the "Group") recorded a loss after tax of approximately US$475.0 million. There was a profit after tax of approximately US$129.6 million in the corresponding period of prior year. The turnaround from profit to loss was mainly due to (i) a loss on fair value changes of financial assets at fair value through profit or loss ("FVTPL") of approximately US$470.7 million (2020: gain of US$104.8 million) and (ii) a loss after tax of approximately US$22.8 million suffered from the coal mining business in Canada (2020: profit after tax of US$8.1 million).

Revenue

The total revenue of the Group for the Period was approximately US$23.8 million (2020: US$56.7 million). This represented a significant decrease of approximately 58% as compared with the corresponding period of prior year. The decrease was mainly due to the suspension of coal mining operation in Canada, and the decrease of (a) interest income from the money lending business and (b) dividend and interest income from financial instruments.

Other income and other gains and losses

During the Period, the total other income and other gains and losses for the Period was a loss of approximately US$5.7 million (2020: gain of US$35.2 million). It mainly comprised of the following: (i) government grant of approximately US$0.4 million on COVID-19 subsidies (2020: 0.6 million) and (ii) a net foreign exchange loss of approximately US$7.3 million mainly due to a strong US dollar against Canadian dollar (2020: a gain of US$31.8 million).

Administrative expenses

The Group's administrative expenses decreased by 15.7% from approximately US$17.2 million to approximately US$14.5 million for the Period as compared to corresponding period of prior year. The decrease was mainly due to suspension of coal mine operation.

Finance costs

Finance costs mainly comprised of bank loan interest. Finance costs decreased from approximately US$6.0 million for the corresponding period of prior year to approximately US$3.7 million for the Period, representing a decrease of approximately 38.3%. The decrease was primarily attributable to decrease of borrowings amount and decrease in interest rate as compared to corresponding period of prior year.

SEGMENT INFORMATION

A. Mining business

During the Period, the operation of coal mining business in Canada remained in suspension and under care and maintenance, due to the continuance of COVID-19 pandemic. There was no revenue generated from coal sales (2020: US$27.3 million). Accordingly, CST Canada Coal Limited ("CST Coal") did not incur any related distribution and selling expenses (2020: US$9.8 million). The cost of sales was approximately US$8.9 million (2020: US$31.7 million) mostly related to the depreciation of mine property, plant and equipment.

The administrative expenses decreased approximately 42.6% to US$3.1 million (2020: US$5.4 million) as compared to the corresponding period of prior year. It was mainly due to suspension of coal mine operation.

Due to the depreciation of Canadian dollar against US dollar, a loss of foreign exchange of approximately US$8.0 million (2020: a gain of US$31.4 million) was recognised in the other income and other gains and losses.

In 2020, an impairment was recognised when the carrying amount of certain mine properties exceeded the recoverable amount. The recoverable amount of each cash generating unit has been estimated using its fair value less costs of disposal. During the Period, the Group had reviewed with auditors the list of key assumptions used in 2020 when making the said impairment. There were no impairment indicators noted, or any requirement to reverse the previously recognized impairment.

During the latter stages of the Period, there were significant improvements in medical treatment and prevention of COVID-19 infections in Alberta and therefore CST Coal started to plan for the resumption of production of the mine. On 7 October 2021, Alberta Energy Regulator approved CST Coal's application to restart operations. The board of CST Coal on 8 October 2021 resolved to resume mining operations at the mine. Accordingly, CST Coal commenced to hire employees for the purposes of restarting operations. At the moment, negotiations with various essential suppliers are in an advanced stage. Mining with a limited fleet of equipment has commenced in November 2021 and mining activities will be continued to ramp up.

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

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

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
Revenue	**—**	27,339
Cost of sales	**(8,945)**	(31,683)
Gross (loss)	**(8,945)**	(4,344)
Other income and other gains and losses	**(7,319)**	33,066
Distribution and selling expenses	**—**	(9,804)
Administrative expenses*	**(3,124)**	(5,366)
Finance costs*	**(3,249)**	(5,443)
(Loss) profit before taxation	**(22,637)**	8,109
Taxation	**(137)**	—
(Loss) profit after taxation	**(22,774)**	8,109

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

B. Property investment

During the Period, the Group had disposed of its Hong Kong investment properties through disposal of subsidiaries. Details of the disposal were disclosed in the Company's announcement dated 21 July 2021. After completion of the disposal, the Group only held investment properties in the People's Republic of China ("PRC") and Scotland.

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

	Six months ended 30 September	
	2021	2020
	US$ million	US$ million
Rental income		
- PRC	**0.1**	0.1
- Hong Kong	**0.1**	0.2
- Scotland	**1.2**	1.0
	1.4	1.3

	30 September 2021	31 March 2021
	US$ million	US$ million
Fair value of investment properties		
- PRC	**8.8**	6.3
- Hong Kong	**—**	17.3
- Scotland	**25.6**	23.8
	34.4	47.4

During the Period, the total rental income increased approximately 7.7% to US$1.4 million (2020: US$1.3 million) as compared to the corresponding period of prior year. Since Hong Kong's investment properties were fully disposed, it is expected that there is no rental income generated in Hong Kong region for the second half of 2022 financial year. Despite the persistence of global COVID-19 pandemic, the rental income from the PRC and Scotland remained stable.

As of 30 September 2021, the fair value of the investment properties increased by 14.3% to US$34.4 million (31 March 2021: US$30.1 million) due to commercial property price in the PRC and Scotland slightly rebound from a low base.

C. Money lending

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

	Six months ended 30 September	
	2021	2020
	US$ million	US$ million
Interest income from money lending	**2.0**	3.3
Provision of bad debt*	**—**	—
Range of interest rate (%)	**5% - 7%**	5% - 24%

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

	30 September 2021	31 March 2021
	US$ million	US$ million
Loan receivables	**66.7**	68.6

The interest income from money lending business was approximately US$2.0 million (2020: US$3.3 million), which decreased by approximately 39.4% as compared to the corresponding period of prior year. The decrease was due to the reduction of lending activities during the Period. Given the current uncertain and prevailing economic conditions in Hong Kong under impact of COVID-19 pandemic, the Group has been prudent in granting new loans and adopted a conservative approach towards growing this business. As of 30 September 2021, the loans receivable of the Group was US$66.7 million (31 March 2021: US$68.6 million). The range of interest rate was 5% to 7% (2020: 5% to 24%). All of them were unsecured. During the Period, the Group has not recorded any bad debt on its money lending business.

D. Investment in financial instruments

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

	30 September 2021	31 March 2021
	US$ million	US$ million
Fair value of financial assets at FVTPL		
Listed shares	**40.4**	343.3
Debt securities	**67.4**	178.7
Fund and unlisted equity investments	**143.8**	192.4
	251.6	714.4

	Six months end 30 September	
	2021	2020
	US$ million	US$ million
Income received from financial assets at FVTPL		
Dividend from listed shares	**1.0**	0.4
Interest from debt securities	**10.4**	9.8
Dividend from fund and unlisted equity investments	**9.1**	14.6
	20.5	24.8
Fair value change of financial assets at FVTPL		
Listed shares:		
- Realised gain (loss) on disposal	**0.9**	(0.5)
- Unrealised (loss) gain on fair value change	**(296.6)**	77.0
	(295.7)	76.5
Debt securities:		
- Realised gain on disposal	**0.1**	—
- Unrealised (loss) gain on fair value change	**(136.6)**	20.2
	(136.5)	20.2
Fund and unlisted equity investments:		
- Realised (loss) gain on disposal	**(5.6)**	0.3
- Unrealised (loss) gain on fair value change	**(32.9)**	7.8
	(38.5)	8.1
	(470.7)	104.8

As of 30 September 2021, the Group held a financial asset at FVTPL portfolio amounted to approximately US$251.6 million (31 March 2021: US$714.4 million) measured at market or fair value.

During the Period, the portfolio generated a dividend and interest revenue in total amount of approximately US$20.5 million (2020: US$24.8 million). It comprised of the following: (i) approximately US$1.0 million (2020: US$0.4 million) of dividend income from listed shares, (ii) approximately US$10.4 million (2020: US$9.8 million) interest income from debt securities, and (iii) approximately US$9.1 million (2020: US$14.6 million) of dividend income from fund and unlisted equity investments.

a. ***Listed shares***

As of 30 September 2021, the total market value of listed shares held by the Group was approximately US$40.4 million (31 March 2021: US$343.3 million). The Group has invested in different categories of listed companies and their weightings to the total market value of the portfolio are as below:

Category of listed companies	**Weighting to total market value of portfolio (%)**
Automobile (New Energy)	40.43%
Banking and Finance	53.82%
Property & Construction	3.49%
Others	2.26%
	100.00%

During the Period, the Group recorded a realised gain on disposal of listed securities of approximately US$0.9 million (2020: a loss of US$0.5 million) and an unrealized loss on fair value changes in the listed securities of approximately US$296.6 million (2020: a gain of US$77.0 million). The unrealized loss was mostly contributed by a decrease of fair value of the Group's investment on the listed shares of China Evergrande New Energy Vehicle Group Limited ("Evergrande Vehicle", stock code: 708) at the amount of approximately US$296.2 million, in contrast to an increase of fair value of approximately US$76.9 million in corresponding period of prior year.

The Group held 42,180,000 ordinary shares in Evergrande Vehicle ("Evergrande Vehicle Shares"), which represented approximately 0.4% of its issued shares. The investment cost was approximately US$61.3 million. As of 30 September 2021, the carrying value of the Group's investment in Evergrande Vehicle amounted to approximately US$16.3 million, which represented approximately 1.9% of the Group's total assets (31 March 2021: 23.6%).

The Group are cautious and concerned about the negative news about Evergrande Vehicle and China Evergrande Group ("China Evergrande"), the holding company of Evergrande Vehicle. The share price of Evergrande Vehicle has dropped significantly in recent months. On 24 September 2021, Evergrande Vehicle announced that they were encountering serious shortage of funds. There was no guarantee that they were able to meet its financial obligations under the relevant contracts. Evergrande Vehicle also further announced that its proposed issuance of RMB shares on the Science and Technology Innovation Board of the Shanghai Stock Exchange would not proceed further.

In view of the above, and given the volatility of the stock market and uncertainties, the Group has determined to cut losses and to solidify the financial and cash position by disposal of the Evergrande Vehicle Shares. On 5 October and 6 October 2021, the Group has fully disposed in total of 42,180,000 Evergrande Vehicles Shares on open market. Details were disclosed in the Company's announcement dated 5 October 2021. As a result of the disposals, the Group recognized a total loss on investment of approximately US$41.0 million, being difference between the total disposal consideration (after deducting the transaction cost) and the investment cost. After that, the Group did not hold any Evergrande Vehicle Shares.

b. Debt securities

As of 30 September 2021, the carrying amount of the debt securities held by the Group was approximately US$67.4 million (31 March 2021: US$178.7 million). The Group held various senior notes of China Evergrande and Scenery Journey Limited, which is an indirect wholly-owned subsidiary of China Evergrande (the "Evergrande Notes") in an aggregated market value of approximately US$60.2 million (31 March 2021: US$171.6 million), which represented approximately 7.2% of the Group's total assets (31 March 2021: 12.9%). The interest rates and maturity dates of the Evergrande Notes vary from 8.75% to 12% and from March 2022 to June 2025 respectively. During the Period, the Evergrande Notes generated an aggregated notes interest income of approximately US$10.2 million (2020: US$9.6 million).

China Evergrande is one of the largest property investment companies in mainland China. It is principally engaged in the property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in PRC.

The following financial information was extracted from the annual report 2020 of China Evergrande:

	Year ended 31 December	
	2020	2019
	RMB million	RMB million
Revenue	**507,248**	477,561
Profit before income tax	**68,245**	74,172
Profit after income tax	**31,400**	33,542
Net assets	**350,431**	358,537

Based on China Evergrande's interim report for the six months ended 30 June 2021, the unaudited consolidated net asset value of China Evergrande was approximately RMB411,041 million as at 30 June 2021.

During the Period, the Group has been monitoring disclosures made by China Evergrande and its action on payment of interests and principals of the offshore senior notes issued by China Evergrande or its subsidiary ("China Evergrande Senior Notes") when due. China Evergrande made certain disclosures on its liquidity and going concern in its announcement of unaudited interim results for the six months ended 30 June 2021, and the possible consequences and possible material adverse change in relation to its financial and operating positions in the event that the remedial measures said to have been taken and to be taken by China Evergrande could not be effectively implemented. Also, the Group were further aware and cautious that in late September 2021, and early October 2021, China Evergrande failed to make interest payments on certain China Evergrande Senior Notes and principal payments on a private note issued by Jumbo Fortune Enterprises Limited (which is guaranteed by China Evergrande), when due.

In view of the above, and given the changing market and economic conditions, the Group had determined to dispose part of Evergrande Notes for reducing the risk exposure on this investment. During the period between 6 October 2021 to 11 October 2021, the Group had disposed of certain Evergrande Notes through the open market ("Evergrande Notes Disposal"). Details of Evergrande Notes Disposal were disclosed in the Company's announcement dated 11 October 2021. The Group will continually monitor the disclosures made by China Evergrande and its news. The Group may further dispose of its investment in Evergrande Notes. The Company will make further announcement when appropriate.

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

During the Period, the Group invested approximately US$9.8 million in funds and unlisted equity investments, which was mainly payment for the commitment of existing funds, and acquisition of interest in new investment funds and unlisted equity investment. As of 30 September 2021, the Group held fund and unlisted equity investments in total of approximately US$143.8 million at fair value (31 March 2021: US$192.4 million). During the Period, the Group had received dividend income in total of US$9.1 million (2020: US$14.6 million) from its fund investment portfolio.

Nexus Asian Hybrid Credit Fund ("Nexus Fund")

Nexus Fund is a multi-strategy credit oriented hedge fund managed by Nexus Capital Management Limited, who applied various investment strategies to accomplish their respective investment objectives. Nexus Fund seeks to capture attractive risk adjusted return through investing in credit or credit related opportunities within the Asia-Pacific, Middle East and North Africa region. As of 30 September 2021, the Group held approximately 33,309 Class Z shares and 5,029 Class S1Z-2 shares of Nexus Fund and recorded a fair value of approximately US$49.2 million (31 March 2021: US$49.4 million) in respect to its holding in approximately 16.6% of the shares of such investment, which exceeded the purchase cost of approximately US$39.3 million for such investment since October 2014, and represented approximately 5.9% of the total assets of the Group. In terms of performance, a fair value loss of approximately US$0.2 million on such investment was recognised in profit or loss for the Period, as compared to a fair value gain of US$4.9 million recorded in corresponding period of prior year. No distribution was received from such investment for the Period (2020: nil). The Group is leveraging on the expertise of the fund manager to invest in the credit market of regions covered by Nexus Fund.

Except for the investments on Evergrande Notes and Nexus Fund as disclosed above, there was no other single investment in the Group's financial assets at FVTPL portfolio that was considered as significant investment, which has a carrying amount accounting for more than 5% of the Group's total assets as at 30 September 2021.

LIQUIDITY, FINANCIAL RESOUCRES AND CAPITAL STRUCTURE

As of 30 September 2021, the Group held bank balances and cash amounted to approximately US$48.7 million (31 March 2021: US$49.3 million).

Borrowings and pledged of assets

A subsidiary of the Company was granted a one-year HK$500 million revolving loan facility from a bank. The interest rate was 0.90% over HIBOR. This revolving loan was secured by certain securities held by the Group and a guarantee given by the Company. As of 30 September 2021, the HK$500 million facility was not utilized. Also, a financial institution granted a three-year loan facility to two subsidiaries of the Company at the amount of HK$35 million and HK$15 million respectively. Both interest rate was 6% and secured by certain fixed assets and securities held by the Group. As of 30 September 2021, the total outstanding balance of these two loans was HK$50 million.

Since 2017, an indirect non-wholly owned subsidiary of the Company was granted a bank loan of GBP10.41 million secured by a Scottish property owned by such subsidiary, with a fixed interest rate for four years and by a pledge of equity interest in the parent company of such subsidiary. On 21 June 2021, as agreed with bank, the Group has extended the loan for one year at the interest rate of 3.1%. As of 30 September 2021, the outstanding balance of this bank loan was approximately GBP6.8 million (equivalent to approximately US$9.1 million), inclusive of interest accrued.

The Group, through its subsidiary, CST Coal, acquired certain mining assets of Grande Cache Coal LP in Canada in 2018, and assumed bank borrowings from China Minsheng Banking Corp., Ltd ("CMBC") amounting to approximately US$409.41 million. The bank borrowings carry an interest rate of 1.2% over 3 months LIBOR and are repayable in 5 years. The borrowings are non-recourse and secured by (i) a fixed and floating charge over all present and future assets and undertakings of CST Coal; (ii) charges over all shares in CST-Grande Cache Cayman Limited, which is an indirect beneficiary holding company of CST Coal; and (iii) corporate guarantees from each of shareholders of each member of the CST Coal project group which includes four subsidiaries of the Company. The four subsidiaries are Gold Grace Limited which is the sole shareholder of CST Coal, Excel Fame Limited which is the sole shareholder of Gold Grace Limited, CST-Grande Cache Cayman Limited which is the sole shareholder of Excel Fame Limited and Sonicfield Global Limited which is a majority shareholder of CST-Grande Cache Cayman Limited. As of 30 September 2021, the outstanding balance of the principal of this bank loan was approximately US$408.41 million. During the Period, CST Coal was further granted a loan facility from CMBC for settlement of a financial lease in the amount of approximately US$14.81 million. The interest rate was fixed at 5.0% per annum. As of 30 September 2021, the total outstanding balance of these two loans was US$458.3 million, inclusive of interest accrued. The Company has not given any guarantee for these loans from CMBC.

Based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio of the Group was 157.0% (31 March 2021: 61.1%).

As of 30 September 2021, CST Coal was holding approximately US$25.0 million of pledged bank deposit (31 March 2021: US$25.2 million). The pledged deposit was intended to cover the rehabilitation costs for operating the mining business in Canada (as mandated by the government of Alberta, Canada).

Current ratio

As of 30 September 2021, the Group's current assets and current liabilities were approximately US$304.3 million (31 March 2021: US$679.7 million) and US$64.9 million (31 March 2021: US$105.1 million) respectively, The Group's current ratio, expressed as current assets to current liabilities, was approximately 4.7 (31 March 2021: 6.5).

CAPITAL STRUCTURE

During the Period, the Company has not conducted any equity fund raising activities. As of 30 September 2021, the total number of issued shares was 483,728,862 (31 March 2021: 483,728,862).

NET ASSET VALUE

As of 30 September 2021, the net asset value of the Group amounted to approximately US$279.5 million (31 March 2021: US$752.0 million). As compared to 31 March 2021, it decreased by approximately 62.8%. The decrease in net asset value was mainly due to loss for the Period of approximately US$475.0 million.

CAPITAL COMMITMENT

As of 30 September 2021, the capital commitment of the Group was approximately US$10.5 million (31 March 2021: US$5.4 million). It was mainly related to capital commitments of fund investments of the Group.

CONTINGENT LIABILITY

As of 30 September 2021, the Group had no contingent liability (31 March 2021: nil).

MATERIAL ACQUISITIONS, DISPOSALS AND FUTURE PLAN FOR MATERIAL INVESTMENT

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

HUMAN RESOURCES

As of 30 September 2021, the Group had 63 staff (2020: 66). Staff costs (excluding directors' emoluments) were approximately US$3.4 million (2020: US$8.5 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 Registered Retirement Savings Plan in Canada respectively, and provided other staff benefits, such as medical benefits.

FOREIGN EXCHANGE RISK

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

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

SIGNICANT EVENTS

(1) On 5 October and 6 October 2021, the Group has fully disposed in total of 42,180,000 Evergrande Vehicles Shares on open market. Details were disclosed in the Company's announcement dated 5 October 2021.

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

(3) During the period between 6 October 2021 to 11 October 2021, the Group had disposed of certain Evergrande Notes through the open market ("Evergrande Notes Disposal"). Details of Evergrande Notes Disposal were disclosed in the Company's announcement dated 11 October 2021.

OUTLOOK

The Global economy is expected to recover gradually in the second half of the fiscal year 2022. However, the Pandemic has adversely affected the economy, and the financial markets are expected to remain volatile. The Group's relevant businesses will continue to face numerous challenges. Looking ahead, the Group will maintain a flexible and prudent approach, allocate resources appropriately to strengthen its revenue base and boost financial performance.

In terms of the mining business, the Group is expected to have revenue growth as coal mine of CST Coal has resumed operation and production successfully. The Group will actively respond to the market changes in the coking coal market by enhancing its management and manufacturing efficiency to increase the revenue and profit contributions of CST Coal. Meanwhile, the Group will closely monitor the situation of the Pandemic and strictly implement safety precautions related to the coronavirus, putting the safety and health of workers, their families and the community as a top priority.

In terms of investments in financial instruments, the markets are expected to remain complex and volatile. The Group will actively monitor economic trends, policy trends and market dynamics, to adopt a flexible approach to our asset allocation. By taking preventive and prudent risk control measures and diversifying the investment portfolios, the Group will achieve balance between capital appreciation and stable revenue generation.

For the property business, the property leasing markets in Scotland and Mainland China are expected to remain stable. The Group will closely follow the development of the property investment market while flexible in adjusting and optimizing its property investment portfolios, and improve operational efficiency.

For the money lending business, the Group will continue to maintain its prudent risk management policy in order to control the quality of its loan portfolio, and balance profitability and risk management.

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

INTERIM DIVIDEND

The board of directors of the Company (the "Board") has resolved not to declare an interim dividend for the six months ended 30 September 2021 (30 September 2020: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2021, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 August 2021 ("2021 AGM"). However, Mr. Chiu Tao was unable to attend the 2021 AGM due to another business commitment. Mr. Hui Richard Rui, executive director and General Manager of the Company, who took the chair of the 2021 AGM, together with other members of the Board who attended the 2021 AGM were of sufficient calibre and knowledge for answering questions at the 2021 AGM.

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 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 September 2021 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
Yeung Bik Shan
Company Secretary

Hong Kong, 26 November 2021

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. Kwan Kam Hung, Jimmy and Mr. Wah Wang Kei, Jackie as executive directors of the Company; and (ii) Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying as independent non-executive directors of the Company.