CST GROUP LIMITED
中譽集團有限公司

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

Interim Report 2018

Contents

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of CST Group Limited and its subsidiaries (collectively referred to as the "Group"), I hereby report to our shareholders the results of the Group for the six months ended 30 September 2018 (the "Period").

During the Period, the Group proactively responded to opportunities and challenges posed by changing markets and external factors, such as the US-China trade dispute. During the Period, the Group recorded revenue of approximately US$23.37 million, representing an increase of approximately 65% compared to revenue recorded for the corresponding period of last year. The increase was primarily due to the remarkable increase of the interest income from money lending and dividend and interest income from trading of securities and financial assets. However, there was a loss attributable to owners of the Company for the Period of approximately US$39.37 million due to the loss on fair value changes of financial assets at fair value through profit or loss.

During the Period, the Group made steady progress in its exploration, development and mining mineral resource operations, investment in financial instruments, property investment and money lending businesses. The Group also optimized its business structure to further expand its mineral portfolio. Going forward, the Group will no longer allocate any resources to its e-logistics platform business, allowing internal resources to be earmarked for the exploration of alternative investment and business opportunities.

On the mining business front, since the completion of the acquisition of a hard coking coal mine located in Grande Cache, Canada (the "CST Coal Mine") in July 2018, the management of CST Canada Coal Limited ("CST Coal"), a subsidiary of the Company, has been working diligently to resume the mine's production and overall operations. As of September 2018, CST Coal has deployed two crews and one fleet to begin mining operations and conducted training and orientation for a third crew. As of 31 October, the CST Coal Mine has drilled 30,047 meters; blasted 1,360,000 bcm; mined 1,115,766 bcm of waste; and hauled 107,520 metric tonnes of coal to the Run-of-Mine (ROM). Additionally, CST Coal signed a contract with the Canadian National Railway Company for the transportation of its clean hard coking coal from CST Coal Mine to Westshore Terminals for distribution to seaborne markets. Given the market forecast for a steady demand for the metallurgical coal and considering the management's rich experience and expertise in the mining and natural resource businesses, the Group is confident that the CST Coal Mine will provide a valuable opportunity to generate sustainable returns in the foreseeable future.

Furthermore, as copper reserves in the Lady Annie mine site are mostly depleted, the Group has downscaled its operations and sought to identify other high-quality investment opportunities across the globe to complement the Group's mining business. It is our belief that expanding and diversifying the Company's mining portfolio is the right path for the Group's long-term sustainability.

The Group also actively engaged in the money lending business, which contributed cash flows and revenue growth to the Group. In the future, the Group will continue to adhere to a prudent and sound strategy to achieve a balance between business growth and risk management.

In terms of property investment, the Group's property investment in Scotland provided the Group with stable and recurrent rental income and the potential of long-term capital appreciation during the Period. Property investments in Hong Kong and Mainland China also brought in stable cash income for the Group.

In terms of investments in financial instruments, during the Period, as US-China trade disputes sparked erratic market volatility, the Group's investments in financial instruments experienced a significant change that was less than favorable relative to the corresponding period last year. The fair value of securities investments posted a loss. As the overall securities market in Hong Kong remained vulnerable to US-China trade disputes, and global economic and political instability, the Group adopted a prudent and sound strategy to cope with subsequent market changes and rigorously monitored market risks.

Looking forward, the Group will diversify its investments to tap into new business opportunities, look for suitable investment opportunities to grow its existing business portfolio, and engage in new businesses with the potential to expand the Group's scale and total revenue while improving shareholder value.

On behalf of the Board of Directors, I would like to express my gratitude to our shareholders and business partners for their longstanding trust and continued support. I would also like to thank our staff for their long-term and unremitting efforts. I look forward to announcing more developments and achievements in the years to come.

Chiu Tao,
Chairman

29 November 2018

PROJECT OVERVIEW

THE LADY ANNIE OPERATIONS

PROJECT DESCRIPTION AND LOCATION

CST Minerals Lady Annie Pty Limited ("Lady Annie Operations" or "Lady Annie") comprises a copper mine and processing facility in Northwest Queensland, Australia. The mine is situated approximately 120km north-west of Mount Isa, the regional mining centre.

Lady Annie Operations is owned 100% by CST Group Limited (the "CST"). The operation consists of a number of open-cut pits currently with mining suspended, heap leach facility and solvent extraction and electrowinning. The leach pads are being turned over and re-leached. The resulting solution then undergoes solvent extraction and electrowinning in the adjacent processing plant to produce London Metal Exchange Grade A equivalent copper cathode.

Lady Annie Operations is holding approximately 1,900km^2 of exploration tenement in Northwest Queensland, Australia with some tenements located around the Lady Annie processing plant and some situated 70kms to 170kms east of the Lady Annie mine site.

1. OPERATING RESULTS

The table below provides certain key operation information for Lady Annie Operations for the six months ended 30 September 2018 (the "Period") and 30 September 2017 respectively.

Key operational information

		2018	2017
Mined	Total material (tonnes)	–	–
	Ore (tonnes)	–	–
	Ore grade (copper %)	–	–
	Contained copper (tonnes)	–	–
Stacked	Ore (tonnes)	–	–
	Ore grade (copper %)	–	–
	Contained copper (tonnes)	–	–
Production	Copper cathode (tonnes)	**1,104**	1,068
Sales	Copper cathode (tonnes)	**1,097**	1,102
	Average price (US$/tonne)	**6,565**	6,014
	Revenue (US$'000)	**7,202**	6,627

The table below provides the expenditure of Lady Annie Operations on exploration, mining and development activities for the Period:

	US$
Consultancy and contractor expense	**6,000**
Tenement and mining leases fee	**23,000**
Others	**68,000**
Total	**97,000**

2. OPERATIONS UPDATE

Mining, ore crushing and stacking still remains suspended during the Period. Development of viable opportunities are being evaluated to optimize this resource.

Small scale leaching from heap leach pads continued and Lady Annie Operations produced 1,104 tonnes of copper cathode during the six months ended 30 September 2018.

An additional 44,000 tonnes fresh ore trial from the ROM (run of mine) stockpiles was undertaken from March to July 2018 and as a result production increases were seen in the June and September quarters 2018.

3. EXPLORATION

3.1 Competent Person Statement

The following information that relates to exploration results is based on information compiled by Ms Lisa Orr ("Mrs Orr") MSc (Hons) Geology, who is a member of the Australasian Institute of Mining and Metallurgy. Ms Orr is a geological consultant of Lady Annie Operations and has sufficient experience which is relevant to the style of mineralisation under consideration to qualify as a competent person, as defined in the "Australasian Code for the Reporting of Exploration Results, Mineral Resources or Ore Reserves" (JORC Code 2012 Edition). Ms Orr consents to the inclusion in this section of the matters based on her information in the form and context in which it appears.

3.2 Overview of Exploration Activities

Activity for the Reporting Period (1 April 2018 – 30 September 2018) focused on maintaining the integrity of the Lady Annie license portfolio through renewal of critical Exploration Permit for Minerals ("EPM's"). The licenses have been grouped into three areas, the Western Tenement Area ("WTA"), the Central Tenement Area ("CTA") and the Eastern Tenement Area ("ETA"). The WTA comprises Lady Annie's mining and processing operations surrounded by largely contiguous EPM's. The CTA and ETA are situated 70kms–170kms east of the Lady Annie's process facility and comprise EPM's. In December 2016, Lady Annie made the corporate decision to transfer their exploration EPM's in the Central and Eastern Tenement Areas into a separate (wholly owned) corporate entity (CST Minerals Exploration Pty Ltd ("CSTEXP")). All tenements within the Central and Eastern Tenement areas were transferred to CSTEXP on the 19 December 2017.

3.3 Application for EMP's Renewals

As of 30 September 2018, Lady Annie had a total of 13 granted EPM's and 2 EPM's renewal application awaiting approval. As of 30 September 2018, CSTEXP had a total of 24 granted EPM's.

3.4 Application to surrender 12 EPM's

During the reporting period, Lady Annie relinquished one tenement (EPM 18816) and CSTEXP relinquished a total of 6 EPM's that were considered to have limited exploration potential due to the not satisfactory results from work completed, deep cover and/or the limited remaining size of the EPM area. A summary of the status for EPM's relinquished is as follows:

Table 1: Status of Lady Annie License Surrenders 1 April 2018 to 30 September 2018

STATUS LICENSE SURRENDERS

EPM	Submitted	Accepted	Environmental Authority refund Submitted and Approved	EPM Expired	Comments
17312	18 April 18	22 April 18	25 June 17 Approved	Yes	Surrender complete
17493	18 April 18	22 April 18	25 June 17 Approved	Yes	Surrender complete
17495	18 April 18	22 April 18		Yes	Awaiting final rehab report
17497	18 April 18	22 April 18	25 June 17 Approved	Yes	Surrender complete
17498	18 April 18	22 April 18	25 June 17 Approved	Yes	Surrender complete
17531	18 Sept 18	22 April 18	25 June 17 Approved	Yes	Surrender complete
18816	16 Sept 18	16 Sept 18		Yes	Final EA report to be submitted

CST COAL MINE UPDATE

The acquisition of the mining assets of Grande Cache Coal LP was completed on 18 July 2018 (Alberta, Canada time). Since that time the management of, CST Canada Coal Limited ("CST Coal"), a subsidiary of the Company, has been working diligently for the resumption of production at the CST Coal Mine in Canada and as of 30 September 2018 the following were achieved:

Mining commenced in late August 2018 with half of the surface mining fleet and two crews. At the end September 2018, 625,027 bcm of waste were hauled and 30,240 tonnes of raw coal were hauled to the Run-of-Mine (ROM). A third crew was recruited in the same period and they were undergoing orientation and training.

The processing plant restarted operations in early September and had one crew operating in the Period. 17,907 metric tonnes of raw coal were processed in the plant and yielding 9,911 metric tonnes of clean coal.

CST Coal has signed a contract with Canadian National Railway Company for the transportation of its hard coking coal from CST Coal Mine to Westshore Terminals for the seaborne markets.

An agreement with Westshore Terminals Limited Partnership was also executed which provided for its railed hard coking coal to be unloaded and stored at Westshore Terminals, Roberts Bank, British Columbia Canada for shipments to customers.

During the Period, CST Coal incurred the following operating expenses:

Cost	C$'000
Mining	**910**
Processing	**261**
Maintenance	**1,007**
General & administration – Site	**851**
Cash production costs	**3,029**

All departments of CST Coal continued to work hard in ramping up operations. There were no exploration or development activities during the Period.

CORPORATE GOVERNANCE

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL RESULTS

The revenue of the Company and its subsidiaries (collectively referred to as the "Group") for the period ended 30 September 2018 (the "Period") was approximately US$23.37 million. This was an increase of approximately 65.47% compared to revenue recorded for the corresponding period of last year. Operating revenue generated by Lady Annie Operations increased from approximately US$6.63 million to approximately US$7.20 million, representing an increase of approximately 8.68% over the same period of last year. The increase was due to increases in copper prices during the Period.

Compared to the corresponding period last year, there was an approximate US$4.82 million increase in gross profit, representing a relative increase of approximately 53.34%. Dividends from securities trades and interest income from financial assets, interest income from money lending and rental income represented approximately 37.96%, 24.77% and 6.46% respectively of total revenue for the Period.

Compared with the same period last year, revenue derived from property investments increased slightly by approximately 1.34%. Rental income provided steady cash flow to the Group over the Period, and this trend is expected to continue. Finance cost was approximately US$3.34 million for the Period compared with approximately US$0.11 million for the corresponding period of last year. Of the US$3.34 million finance cost, approximately US$3.25 million was interest expense on bank loans used to refinance the Scottish property and acquisition of mining assets in Canada Coal Project. During the Period, dividends from securities trades and interest income on financial assets increased by approximately 81.71% period-on-period. Due to the instability of the financial market during the Period, the Group recorded a loss on fair value changes of financial assets at fair value through profit or loss (a net amount of the fair value changes of financial assets at fair value through profit or loss. As the change of accounting standard, the available-for-sale investments has been reclassified as non-current financial assets at fair value through profit or loss) of approximately US$35.51 million, while there was a gain of approximately US$69.48 million (a net amount of the fair value changes of financial assets at fair value through profit or loss and the impairment loss recognized on available-for-sale investments) in the corresponding period last year.

Information concerning the Group's 10 largest current financial assets as of 30 September 2018 is detailed below:

Stock Code	Name of Stock/ Note/Fund	Principal Business	Number of Share/Note/ Fund Held	% of Shareholding held by the Group 30.09.2018	Investment Cost USD'000	Market Value 30.09.2018 USD'000	% to the Group's Net Assets 30.09.2018	Realised Gain on change in fair value for the period ended 30.09.2018 USD'000	Unrealised Gain/(Loss) on change in fair value for the period ended 30.09.2018 USD'000
Equity securities listed in Hong Kong									
1231	Newton Resources Ltd	Trading business of iron ore, other commodities and construction materials and the mining business carried at the Yanjiazhuang Mine	186,498,000	4.66%	20,503.23	21,997.20	3.12%	–	4,782.00
708	Evergrande Health Industry Group Limited	"Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing in the People's Republic of China ("PRC")	17,485,000	0.20%	26,977.23	21,318.25	3.02%	–	(5,692.01)
1031	Kingston Financial Group Limited	Provision of securities brokerage, underwriting & placements, margin & IPO financing, corporate finance advisory services, futures brokerage & asset management services; providing gaming & hospitality service in Macau	75,296,000	0.55%	8,125.74	20,078.93	2.85%	–	(13,804.27)
1387	Renhe Commercial Holdings Company Limited	Development, lease and management of shopping mall and operation of agriculture wholesale markets in PRC	453,932,429	0.79%	18,000.20	15,422.06	2.19%	–	6,040.14
32	The Cross-Harbour (Holdings) Limited	Electronic toll operation; motoring school operation; tunnel operation and treasury management business	6,078,000	1.63%	5,383.69	10,130.00	1.44%	–	155.85

Stock Code	Name of Stock/ Note/Fund	Principal Business	Number of Share/Note/ Fund Held	% of Shareholding held by the Group 30.09.2018	Investment Cost USD'000	Market Value 30.09.2018 USD'000	% to the Group's Net Assets 30.09.2018	Realised Gain on change in fair value for the period ended 30.09.2018 USD'000	Unrealised Gain/(Loss) on change in fair value for the period ended 30.09.2018 USD'000
Financial assets other than equity securities listed in Hong Kong									
	9.5% China Evergrande Senior Note	Properties (including development, investment, management, construction and other property related service), hotel and fast consuming industry in PRC	50,000,000	N/A	50,000.00	48,185.00	6.83%	–	(3,560.00)
	8.75% China Evergrande Senior Note	Properties (including development, investment, management, construction and other property related service), hotel and fast consuming industry in PRC	50,000,000	N/A	49,987.25	45,437.50	6.44%	–	(4,627.50)
	Nexus Emerging Opportunities Fund Alpha SP	Fund with no specific investment objective and restriction on the investment of assets	25,475.7916	N/A	30,282.96	41,401.25	5.87%	–	(14,518.15)
	Nexus Asian Hybrid Credit Fund S8	Multi-strategy credit oriented hedge fund which seeks to capture attractive risk adjusted return through investing in credit or credit related opportunities within the Asia-Pacific region	31,838.3771	N/A	32,033.49	32,256.35	4.57%	–	222.86
	Nexus Asian Hybrid Credit Fund S1	Multi-strategy credit oriented hedge fund which seeks to capture attractive risk adjusted return through investing in credit or credit related opportunities within the Asia-Pacific region	7,497.6025	N/A	7,585.34	8,155.58	1.16%	–	134.74
Total					**248,879.13**	**264,382.12**	**37.49%**	**–**	**(30,866.34)**

* Investment costs of these securities represented the initial acquisition costs for the respective costs of the respective securities. Some of the financial assets were acquired by the Group in prior years. Financial assets acquired in prior years were subject to fair value adjustments. Unrealized gains/(losses) on change in fair value were recognized at the end of the respective period. Unrealized gains/(losses) on change in the fair value of these financial assets for the period ended 30 September 2018 excluded amounts recognized in prior periods.

Of the approximately US$35.51 million loss on fair value changes of financial assets at fair value through profit or loss, the realized gain and unrealized loss were approximately US$1.00 million and US$36.51 million respectively. Global economic and political instability, especially the trade war between the U.S. and China and unpredictable U.S. diplomatic and trade policy, will continue to shake investors' confidence and dampen market expectations as conditions remain volatile. The Group is continuing to explore opportunities to diversify its revenue and mitigate these risks.

Interest income from the money lending business was more than 4 times of the same period last year's amount as the Group has become more active in this business and has generated higher profits. During the Period, approximately US$5.79 million in interest income was generated by the money lending business. The interest income from the money lending business was approximately US$1.13 million in the corresponding period of previous year.

As stated in the Group's previous financial reports, the Group had halted allocation of additional resources to the Group's internet logistics service in the People's Republic of China.

Due to diminishing copper reserves, copper production remained low during the Period. The carry value of inventories was written down by approximately US$36,000.00 for the Period. Over the same period last year, the carry value of inventories was written down by approximately US$3.78 million. The exploration and evaluation assets were written down by approximately US$97,000.00 for the Period compared to approximately US$231,000.00 for the corresponding period of previous year. Due to an increase in the fair value of the joint venture's investment relative to its value at the end of the Period, an overall gain was recorded. The Group shared an approximately US$0.31 million gain from the joint venture. Relative to the corresponding period in the previous year, the shared loss of the joint venture was approximately US$0.60 million. Overall, the Group recorded an after tax loss of approximately US$39.49 million for the Period compared to after tax profit of approximately US$50.65 million in the corresponding period last year.

NET ASSET VALUE

As of 30 September 2018, the Group held bank balances and cash totalling approximately US$97.13 million, excluding approximately US$60.03 million held in pledged bank deposits. The pledged deposits are mostly for covering rehabilitation costs related to the operation of the mining business (as required by the government of Queensland, Australia and the government of Alberta, Canada), and as a guarantee to the electric power supplier of the Lady Annie mine site. Fair value of non-current and current financial assets at fair value through profit and loss was approximately US$67.89 million and US$309.89 million respectively. During the Period, a bank granted a one-year HK$150.00 million revolving loan with an interest rate of 1% over HIBOR/LIBOR to a subsidiary of the Company. The Company provided a guarantee to the bank for this facility, but the facility was not utilized during the Period. An indirect non-wholly owned subsidiary was granted a loan of GBP10.41 million with a fixed interest rate of 3.73% per annum for four years in 2017, intended for the refinancing of the Scottish property owned by the non-wholly owned subsidiary. The Scottish property was pledged to the bank as security to the loan. As of 30 September 2018, the outstanding balance of this bank loan was approximately GBP9.51 million, equivalent to approximately US$12.45 million. During the Period, 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 has new bank borrowings from China Minsheng Banking Corp., Ltd. amounting to approximately US$409.41 million. The bank borrowings carry an interest rate of 1.2% over 3 months LIBOR and repayable in 5 years. The borrowings are secured by (i) a fixed and floating charge over all present and future assets and undertaking of CST Coal; (ii) charges over all shares in CST-Grande Cache Cayman Limited, which is an indirect beneficiary holding company of CST Coal; and (iii) corporate guarantees from each of the shareholders of each member of CST Coal project group which includes four subsidiaries of the Company. The four subsidiaries are Gold Grace Limited which is a sole shareholder of CST Coal, Excel Fame Limited which is a sole shareholder of Gold Grace Limited, CST-Grande Cache Cayman Limited which is a sole shareholder of Excel Fame Limited and Sonicfield Global Limited which is a majority shareholder of CST-Grande Cache Cayman Limited.

Based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio was 65.51%. The net asset value of the Group amounted to approximately US$705.21 million.

HUMAN RESOURCES

As of 30 September 2018, the Group's total number of staff (including Company directors) was 160. Staff costs (excluding directors' emoluments) were approximately US$2.72 million for the Period. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong, and provided other staff benefits, such as medical benefits.

FOREIGN EXCHANGE RISK

The Group conducts most of its business in US dollars, Australian dollars, Renminbi, Hong Kong dollars, British Pounds and Canadian dollars. Foreign currency exposure to US dollars is minimal, as the Hong Kong dollar is pegged to the US dollar. Exposure to the Renminbi is also minimal, as business conducted in Renminbi represents a marginal portion of the Group's total business in terms of revenue. Foreign currency exposure to the British Pound is very limited as the rental income generated from the Scottish property will be used to repay the loan facility granted by a local Scottish bank to refinance the property in Scotland. The Group's primary source of foreign exchange risk is derived from the Australian dollar and Canadian dollar. However, as the Group's mining operations in Australia are scaling down, the foreign exchange risk posed by the Australian dollar is decreasing. With respect to newly acquired Canadian coal mines, there is not any hedging policy for the Canadian dollar. Management will continue to monitor the Group's foreign exchange risk and will consider hedging its exchange rate exposure should the need arise.

LADY ANNIE OPERATIONS

The Lady Annie Operation, located in the Mount Isa district of north-western Queensland, Australia is principally comprised of the Lady Annie mining area, the Mount Kelly mining area, and the Mount Kelly processing plant and tenements. The Mount Isa Inlier hosts several known copper-oxide and sulphide resources, and several notable copper and lead-zinc silver mines.

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

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Revenue	**7,202**	6,627
Cost of sales	**(9,521)**	(5,092)
Gross (loss) profit	**(2,319)**	1,535
Other income, expenses, gains and losses	**670**	836
Distribution and selling expenses	**–**	(5)
Administrative expenses	**(3,716)**	(2,876)
Finance costs*	**(82)**	–
Loss on inventories written down to net realisable value	**(36)**	(3,775)
Write-off of exploration and evaluation assets	**(97)**	(231)
Loss before taxation	**(5,580)**	(4,516)

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

NON-HKFRS FINANCIAL MEASURE

The term "C1 operating cost" is a non-HKFRS performance measure included in this "Management Discussion and Analysis" and is prepared on a per-pound of copper sold basis. The term C1 operating cost does not have any standardized meaning prescribed by HKFRS and therefore may not be comparable to similar measures presented by other issuers. The C1 operating cost is a common performance measure in the copper industry and is prepared and presented herein on a basis consistent with industry standard definitions. C1 operating costs include all mining and processing costs, mine site overheads and realization costs through to refined metal.

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

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Cash costs as reported in the income statement:		
Direct and indirect mining cost	**7,104**	9,685
Adjustment for change in inventory	**2,298**	(3,645)
Total operating costs	**9,402**	6,040
Copper sold (tonnes)	**1,097**	1,102
Copper sold (in thousand pounds)	**2,418**	2,429
C1 operating cost per pound of copper	**US$3.89/lb**	US$2.49/lb

The Company believes that in addition to conventional measures prepared in accordance with HKFRS, certain investors will use the above tool and related information to evaluate the Company. It is intended to provide additional information and should not be considered in isolation nor as a substitute for measures of performance prepared in accordance with HKFRS.

CST COAL MINE

The acquisition of the mining assets of the GCC was completed on 18 July 2018 (Alberta, Canada time). The mining assets include the Grande Cache Coal mines located in West Central Alberta, approximately 400 kilometres west of the City of Edmonton, the capital of Alberta Province in Canada. The mine site is approximately 20 kilometres north of the town of Grande Cache in the Municipal District of Greenview. Following acquisition completion, the management team of CST Canada Coal Limited ("CST Coal"), a subsidiary of the Company, has been working diligently to resume the production and operation of the CST Coal Mine in Canada. As of 30 September 2018, the following outcomes have been achieved:

Mining commenced in late August 2018 with half of the surface mining fleet and two crews. At the end September 2018, 625,027 bcm of waste and 30,240 tonnes of raw coal were hauled to the Run-of-Mine (ROM). A third crew was recruited in the same period and they were undergoing orientation and training.

The processing plant restarted operations in early September and had one crew operating in the Period.

During the Period, CST Coal incurred the following operating expenses:

Cost	C$
Mining	910,294
Processing	261,292
Maintenance	1,006,520
General & administration – Site	850,867
Cash product costs	3,028,973

All departments of CST Coal continued to work diligently in ramping up operations. There were no exploration or development activities during the Period.

SIGNIFICANT EVENTS

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

The aforesaid restructuring implementation agreement, assets purchase agreement and transactions contemplated thereunder (the "Transactions") were approved by shareholders of the Company in the extraordinary general meeting held on 28 March 2018 (the "EGM"). Details of the poll results of the EGM were disclosed in the Company's announcement dated 28 March 2018.

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

OUTLOOK

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

For the Group's mining business, the Group plans to further broaden and diversify its portfolio. Copper reserves in the Lady Annie mine site are mostly depleted. Considering reserves levels of the Anthill project and mining costs, the Group will thoroughly consider all factors including market conditions before adopting further actions towards the Anthill project. Meanwhile, the Group will closely monitor the production and operation costs. Other course of actions such as temporarily halting production will also be carefully considered.

With regards to the coking coal business, this market has picked up in recent years and the demand for high-quality, hard coking coal has gradually grown. The development of emerging markets is expected to further boost demand and improve the price outlook for high-quality hard coking coal in the future. Since the completion of the acquisition of mining assets of GCC in July 2018, the Group has been working diligently to resume the site's production and operations. The first sale of coal after resumption of production is expected in late November or early December of 2018.

Demand for the money lending business in Hong Kong is expected to remain robust and generate stable revenue for the Group. The Group will cautiously expand this business and bring in new credit-worthy customers.

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 30 September 2018, the interests and short positions of the directors and the chief executives of the Company and their respective associates in the shares, underlying shares, convertible notes or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were disclosed as follows:

Long positions in shares/underlying shares of the Company

	Number of *shares/underlying shares			
Name of Director	Personal interests	Share options	Total	Approximate % of the issued share capital of the Company
Chiu Tao	3,900,000,000	–	3,900,000,000	10.08%

Note:

* Ordinary shares unless otherwise specified

Save as disclosed above, as at 30 September 2018, none of the directors or the chief executives of the Company or their respective associates had any interests and short positions in the shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code required to be disclosed in accordance with the Listing Rules.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF PERSONS OTHER THAN DIRECTORS AND CHIEF EXECUTIVES

As at 30 September 2018, so far as known to the directors or the chief executives of the Company, the following persons are the shareholders (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

Long positions in shares and underlying shares of the Company

Name of Shareholder	Capacity	Number of shares/ underlying shares	Approximate % of the issued share capital
Wong Howard	Beneficial owner	5,186,920,000	13.40%
Cheung Chung Kiu ("Mr. Cheung")	Beneficial owner/Interest of a controlled corporation	2,125,861,856	5.49% (Notes)

Notes:

These securities represent relevant interests in respect of:

(a) 1,950,840,000 shares held by Bondic International Holdings Limited, which is directly and solely owned by Mr. Cheung; and

(b) 175,021,856 shares held by Bookman Properties Limited, directly wholly-owned by Ferrex Holdings Limited which is directly wholly-owned by Yugang International (B.V.I.) Limited ("Yugang BVI"). Yugang BVI is directly wholly-owned by Yugang International Limited. Yugang International Limited is directly owned by Chongqing Industrial Limited as to 34.33% of the entire issued share capital. Chongqing Industrial Limited is directly and solely owned by Mr. Cheung.

As such, Mr. Cheung is deemed to be interested in the shares held by Bondic International Holdings Limited and Bookman Properties Limited.

Save as disclosed above, as at 30 September 2018, the Company has not been notified by any person (other than the directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2018, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules except for the following deviations:

(1) 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.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding director's securities transactions. In response to specific enquiries, all the directors of the Company confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2018, 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 2018 Interim Report has been reviewed by the Company's audit committee which comprises Ms. Tong So Yuet, Mr. Yu Pan and Ms. Ma Yin Fan, 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

Chiu Tao
Chairman

Hong Kong, 29 November, 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CST GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of CST Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 50, which comprise the condensed consolidated statement of financial position as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	NOTES	Six months ended 30 September 2018 US$'000 (unaudited)	2017 US$'000 (unaudited)
Revenue	4	**23,371**	14,124
Cost of sales		**(9,521)**	(5,092)
Gross profit		**13,850**	9,032
Other income and other gains and losses	5	**(96)**	3,645
Distribution and selling expenses		**(47)**	(5)
Administrative expenses		**(17,872)**	(10,373)
Write-off of exploration and evaluation assets		**(97)**	(231)
Impairment loss recognised on goodwill	13	**–**	(18,770)
Loss on inventories written down to net realisable value		**(36)**	(3,775)
Impairment loss recognised on available-for-sale investments	14	**–**	(14,101)
(Loss) gain on fair value changes of financial assets at fair value through profit or loss		**(35,510)**	83,584
Gain on fair value changes of investment properties	12	**811**	2,621
Gain on disposal of a subsidiary	14	**1,026**	–
Reversal of expected credit losses on financial assets	17	**1,795**	–
Share of result of a joint venture		**310**	(596)
Share of result of an associate		**(70)**	–
Finance costs	6	**(3,335)**	(110)
(Loss) profit before taxation		**(39,271)**	50,921
Taxation	7	**(214)**	(274)
(Loss) profit for the period	8	**(39,485)**	50,647
(Loss) profit for the period attributable to:			
Owners of the Company		**(39,374)**	49,573
Non-controlling interests		**(111)**	1,074
		(39,485)	50,647
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**8,265**	1,892
Loss arising from fair value changes of an available-for-sale investment		**–**	(13,650)
Reclassification adjustment upon impairment on an available-for-sale investment		**–**	12,408
Other comprehensive income for the period		**8,265**	650
Total comprehensive (expense) income for the period		**(31,220)**	51,297
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(30,565)**	49,707
Non-controlling interests		**(655)**	1,590
		(31,220)	51,297
(LOSS) EARNINGS PER SHARE			
– Basic and diluted (US cents)	9	**(0.10)**	0.13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	NOTES	As at 30 September 2018 US$'000 (unaudited)	As at 31 March 2018 US$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**483,874**	28,997
Exploration and evaluation assets	11	**34,760**	–
Investment properties	12	**53,367**	55,174
Goodwill	13	**–**	–
Interests in an associate		**6,636**	6,706
Interests in a joint venture		**5,362**	5,052
Club membership		**2,437**	–
Available-for-sale investments	14	**–**	63,204
Financial assets at fair value through profit or loss	14	**67,888**	–
Pledged bank deposits	15	**60,032**	38,244
Deposit for acquisition of property, plant and equipment		**–**	17,597
		714,356	214,974
Current assets			
Inventories		**8,474**	3,159
Trade and other receivables	16	**12,985**	6,115
Loan receivables	17	**106,072**	192,449
Amount due from a joint venture		**4,042**	4,042
Financial assets at fair value through profit or loss	14	**309,894**	287,804
Derivative financial instruments		**47**	66
Bank balances and cash		**97,126**	93,581
		538,640	587,216
Current liabilities			
Trade and other payables	18	**16,838**	6,369
Provision for an onerous contract	21	**4,121**	1,453
Tax payable		**5,878**	5,691
Bank borrowings – amount due within one year	19	**1,178**	1,275
		28,015	14,788
Net current assets		**510,625**	572,428
Total assets less current liabilities		**1,224,981**	787,402
Non-current liabilities			
Bank borrowings – amount due after one year	19	**420,680**	12,836
Guarantee liability		**40,100**	–
Provision for mine rehabilitation cost	20	**52,120**	23,862
Provision for an onerous contract	21	**6,871**	10,159
		519,771	46,857
		705,210	740,545
Capital and reserves			
Share capital	22	**496,132**	496,132
Reserves		**202,632**	237,312
Equity attributable to owners of the Company		**698,764**	733,444
Non-controlling interests		**6,446**	7,101
		705,210	740,545

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company									
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000 (Note a)	Other capital reserve US$'000 (Note b)	Investment revaluation reserve US$'000	Exchange reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
At 1 April 2017 (audited)	496,132	507,573	987	128,275	1,242	(7,949)	(382,207)	744,053	11,262	755,315
Profit for the period	–	–	–	–	–	–	49,573	49,573	1,074	50,647
Other comprehensive (expense) income for the period	–	–	–	–	(1,242)	1,376	–	134	516	650
At 30 September 2017 (unaudited)	496,132	507,573	987	128,275	–	(6,573)	(332,634)	793,760	12,852	806,612
At 31 March 2018 (audited)	**496,132**	**507,573**	**987**	**128,275**	**–**	**(4,597)**	**(394,926)**	**733,444**	**7,101**	**740,545**
Adjustment (see Note 3)	**–**	**–**	**–**	**–**	**–**	**–**	**(4,115)**	**(4,115)**	**–**	**(4,115)**
At 1 April 2018 (restated)	**496,132**	**507,573**	**987**	**128,275**	**–**	**(4,597)**	**(399,041)**	**729,329**	**7,101**	**736,430**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(39,374)**	**(39,374)**	**(111)**	**(39,485)**
Other comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**8,809**	**–**	**8,809**	**(544)**	**8,265**
At 30 September 2018 (unaudited)	**496,132**	**507,573**	**987**	**128,275**	**–**	**4,212**	**(438,415)**	**698,764**	**6,446**	**705,210**

Notes:

(a) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange, in connection with the Group reorganisation completed in January 1994.

(b) The other capital reserve of the Group represents the balance of the credit arising from the cancellation of paid up capital in previous years.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	NOTES	Six months ended 30 September 2018 US$'000 (unaudited)	2017 US$'000 (unaudited)
Net cash from (used in) operating activities		**48,523**	(65,776)
Investing activities			
Purchase of available-for-sale investments		**–**	(30,938)
Purchase of financial assets at fair value through profit or loss		**(4,612)**	–
Acquisition of mining business	24	**(25,410)**	–
Purchase of property, plant and equipment	11	**(3,490)**	(50)
Deposit paid for acquisition of property, plant and equipment		**–**	(4,768)
Additions to exploration and evaluation assets	11	**(92)**	(227)
Increase in pledged bank deposit		**(397)**	(2,994)
Proceeds from disposal of property, plant and equipment		**–**	164
Proceeds from disposal of a subsidiary	14	**1,026**	–
Proceed from disposal of financial assets at fair value through profit or loss		**21,713**	–
Net cash outflow from acquisition of assets through acquisition of subsidiaries	23	**(33,145)**	–
Net cash used in investing activities		**(44,407)**	(38,813)
Financing activities			
New bank borrowing raised		**–**	13,693
Repayment on bank borrowings		**(299)**	–
Amount advanced to non-controlling interests		**–**	(6,709)
Net cash (used in) from financing activities		**(299)**	6,984
Net increase (decrease) in cash and cash equivalents		**3,817**	(97,605)
Effect of foreign exchange rate changes		**(272)**	208
Cash and cash equivalents at the beginning of the period		**93,581**	299,947
Cash and cash equivalents at the end of the period, represented by bank balances and cash		**97,126**	202,550

1. GENERAL

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 this interim report.

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

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

The Group recognises revenue from the following major sources:

- Sale of copper cathodes
- Rental income
- Dividend income from trading of securities
- Interest income from financial assets at fair value through profit or loss ("FVTPL") held for trading
- Interest income from money lending business

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3.1.2 Summary of effects arising from initial application of HKFRS 15

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 ''Financial Instruments''

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

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

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

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "(loss) gain on fair value changes of financial assets at FVTPL" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.2.2.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model

The Group recognised a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables, amount due from a joint venture, pledged bank deposits and bank balances) and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognised lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognised lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contract, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed as below.

3.2.2 Summary of effects arising from initial application of HKFRS 9

Reclassification from available-for-sale ("AFS") investments to financial assets at FVTPL

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 *Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)*

3.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

Impairment under ECL model

Loss allowances for other financial assets at amortised cost, comprising mainly other receivables, loan receivables, amount due from a joint venture, pledged bank deposits and bank balances and cash are measured on 12m ECL basis and the amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. As at 1 April 2018, credit loss allowance of US$4,115,000 in aggregate for loan receivables was recognised against accumulated losses. Loss allowance of US$4,115,000 was charged against the loan receivables.

The table below illustrates the classification and measurement (including the measurement of ECL) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

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

Note: Club membership of US$2,437,000 is separately disclosed on the condensed consolidated statement of financial position upon the reclassification of AFS investments to financial assets at FVTPL.

4. REVENUE/SEGMENT INFORMATION

Revenue

Revenue represents revenue arising on sale of copper cathodes, 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	
	2018	2017
	US$'000	US$'000
	(unaudited)	(unaudited)
Sale of copper cathodes	**7,202**	6,627
Residential rental income	**308**	307
Office rental income	**1,202**	1,183
Dividend income from trading of securities	**4,296**	1,411
Interest income from financial assets at FVTPL	**4,575**	3,471
Interest income from money lending business	**5,788**	1,125
	23,371	14,124

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 performance assessment focuses on types of business. The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are (i) exploration, development and mining of mineral resources, (ii) investment in financial instruments, (iii) property investment, (iv) money lending and (v) e-logistics platform.

4. REVENUE/SEGMENT INFORMATION (continued)

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	
	2018 US$'000 (unaudited)	2017 US$'000 (unaudited)	**2018 US$'000 (unaudited)**	2017 US$'000 (unaudited)
Mining business	**7,202**	6,627	**(8,933)**	(5,329)
Investment in financial instruments	**8,871**	4,882	**(26,715)**	73,843
Property investment	**1,510**	1,490	**1,432**	3,716
Money lending	**5,788**	1,125	**5,778**	1,008
E-logistics platform	**–**	–	**(89)**	(18,856)
	23,371	14,124	**(28,527)**	54,382
Other income and other gains and losses (except for reversal of provision for an onerous contract and fair value loss on derivative financial instruments)			**(82)**	3,160
Reversal of expected credit losses on financial assets			**1,795**	–
Central administration costs			**(9,362)**	(5,915)
Finance costs			**(3,335)**	(110)
Share of result of a joint venture			**310**	(596)
Share of result of an associate			**(70)**	–
(Loss) profit before taxation			**(39,271)**	50,921

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

Segment results represent the results of each segment without allocation of other income and other gains and losses (except for reversal of provision for an onerous contract and fair value loss on derivative financial instruments), reversal of expected credit losses on financial assets, central administration costs, finance costs, share of result of a joint venture and share of result of an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. REVENUE/SEGMENT INFORMATION (continued)

Other segment information

Six months ended 30 September 2018

Amount included in the measure of segment results:

	Mining business US$'000 (unaudited)	Investment in financial instruments US$'000 (unaudited)	Property investment US$'000 (unaudited)	Money lending US$'000 (unaudited)	E-logistics platform US$'000 (unaudited)	Unallocated US$'000 (unaudited)	Consolidated US$'000 (unaudited)
Depreciation	**1,329**	**–**	**–**	**–**	**–**	**1,042**	**2,371**
Staff costs	**1,405**	**–**	**–**	**–**	**–**	**1,319**	**2,724**

Six months ended 30 September 2017

Amount included in the measure of segment results:

	Mining business US$'000 (unaudited)	Investment in financial instruments US$'000 (unaudited)	Property investment US$'000 (unaudited)	Money lending US$'000 (unaudited)	E-logistics platform US$'000 (unaudited)	Unallocated US$'000 (unaudited)	Consolidated US$'000 (unaudited)
Depreciation	548	–	–	–	35	85	668
Staff costs	472	–	–	–	27	846	1,345

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September 2018 US$'000 (unaudited)	2017 US$'000 (unaudited)
Bank and other interest income	**1,114**	1,731
Net foreign exchange (loss) gain	**(1,191)**	526
(Loss) gain on disposal of assets	**(86)**	49
Fair value loss on derivative financial instruments	**(14)**	(50)
Reversal of provision for an onerous contract	**–**	535
Others	**81**	854
	(96)	3,645

6. FINANCE COSTS

	Six months ended 30 September 2018 US$'000 (unaudited)	2017 US$'000 (unaudited)
Effective interest expense on provision for mine rehabilitation cost	**29**	–
Effective interest expense on provision for an onerous contract	**52**	–
Interest expense on bank borrowings	**3,254**	110
	3,335	110

7. TAXATION

	Six months ended 30 September 2018 US$'000 (unaudited)	2017 US$'000 (unaudited)
The charge comprises:		
Current tax:		
Hong Kong	**29**	–
People's Republic of China ("PRC")	**5**	11
Australian withholding tax	**110**	123
United Kingdom	**70**	140
Taxation charge for the period	**214**	274

Under the applicable corporate tax law in Australia, the tax rate is 30% of the estimated assessable profits.

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. The two-tiered profits tax rate applies to years of assessment commencing on or after 1 April 2018.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. For the relevant period in the six months ended 30 September 2018, Hong Kong profits tax of the qualifying corporation in the Group is calculated in accordance with the two-tiered profits tax rates regime.

The profits of other corporations in the Group which are not qualified for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Depreciation on property, plant and equipment	**2,371**	668
Directors' remuneration	**3,309**	3,131
Cost of inventories sold	**9,521**	5,092

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the loss for the period of US$39,374,000 (six months ended 30 September 2017: profit for the period of US$49,573,000) and 38,698,308,961 ordinary shares in issue during the period (six months ended 30 September 2017: 38,698,308,961 ordinary shares).

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

10. DIVIDEND

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

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSETS

During the six months ended 30 September 2018, the Group incurred expenditures on mine property and development assets of US$198,934,000 (six months ended 30 September 2017: US$30,000) and other property, plant and equipment of US$241,489,000 (six months ended 30 September 2017: US$20,000). Among the expenditures on mine property and development assets and other property, plant and equipment, the Group acquired the coal mining reserves and resources, related property, plant and equipment and exploration and evaluation assets in Canada amounting to US$197,945,000, US$238,988,000 and US$34,760,000 respectively during the period ended 30 September 2018.

During the six months ended 30 September 2018, the Group incurred expenditures on exploration and evaluation assets of US$97,000 (six months ended 30 September 2017: US$231,000).

12. INVESTMENT PROPERTIES

	US$'000
Fair value at 1 April 2018 (audited)	55,174
Gain on fair value changes recognised in profit or loss	811
Exchange adjustments	(2,618)
Fair value at 30 September 2018 (unaudited)	53,367

The Group's investment properties in Hong Kong, the PRC and the UK as at 30 September 2018 and 31 March 2018 were valued by Asset Appraisal Limited and Roma Appraisals Limited, which are independent qualified professional valuers not connected with the Group. The fair value was determined based on the income approach and direct comparison approach. For the income approach, the value of the completed investment properties is derived from capitalising the rental income derived from the existing tenancies. For the direct comparison approach, the fair value is arrived at by reference to unit market values of comparable properties and the adjusting factors such as floor and direction. The increase in fair value of investment properties of US$811,000 has been recognised directly in profit or loss for the six months ended 30 September 2018 (six months ended 30 September 2017: US$2,621,000).

13. GOODWILL

As at 30 September 2018, the carrying value of goodwill is US$nil (31 March 2018: US$nil). It is solely related to the e-logistics platform which is considered as a cash generating unit ("CGU") of the Group.

For the six months ended 30 September 2017, the carrying amount of the assets allocated to the unit was determined to be higher than its recoverable amount and an impairment loss of US$18,770,000 was recognised. The impairment loss was allocated fully to the goodwill and is presented as a separate financial statement line item in the condensed consolidated statement of profit or loss and other comprehensive income. There is no change for the six months ended 30 September 2018.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 September 2018 US$'000 (unaudited)	As at 31 March 2018 US$'000 (audited)
Financial assets at fair value through profit or loss (current)/ Held for trading investments		
Equity securities listed in Hong Kong	127,620	118,814
Equity securities listed outside Hong Kong	2,432	3,240
Debt securities	98,028	101,810
Investment funds	81,814	63,940
	309,894	287,804
Financial assets at fair value through profit or loss (non-current)		
Investment funds (Note c)	67,888	–
Available-for-sale investments		
Unlisted equity securities (Note a)	–	51,961
Less: Impairment loss recognised	–	(46,281)
	–	5,680
Equity securities listed in Hong Kong (Note b)	–	22,643
Investment funds (Note c)	–	32,444
Club membership	–	2,437
	–	63,204

Notes:

(a) (i) During the period ended 30 September 2018, the Group disposed a fully impaired equity interest of the unlisted company incorporated in the Republic of Marshall Islands principally engaged in investment activity through disposal of the equity interest of its indirect wholly-owned subsidiary, Leadton Corp, to an independent third party at a total cash consideration of approximately US$1,026,000 (equivalent to HK$8,000,000) resulting a gain on disposal of a subsidiary of US$1,026,000.

(ii) As at 30 September 2017 and 31 March 2018, the Group had 2.19% of the issued share capital of an unlisted company incorporated in the Cayman Islands principally engaged in securities investing business.

In the prior reporting period, the management engaged an independent qualified professional valuer to determine the fair value of this investment with reference to publicly available information of comparable companies applying a marketability discount. The valuer adopted the market approach to determine the valuation parameters derived from market prices and financial data of listed companies in a similar business and with a similar business model as that of the company being valued. The valuer applied a discount rate of 30% for the lack of liquidity of business operation being valued due to the fact that it was not a listed company. An impairment loss of US$1,693,000 was recognised in profit or loss for the six months ended 30 September 2017.

During the period ended 30 September 2018, the Group disposed the unlisted equity securities at a consideration of US$5,600,000, settled by a consideration in a form of another equity securities listed in Hong Kong, which represents 267,978,792 equity shares, approximately 0.47% shareholding in Renhe Commercial Holdings Limited ("Renhe") resulting in a loss of US$81,000 and recognised in profit or loss. The investment in shares of Renhe is recognised as current assets as financial assets at FVTPL.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

(b) As at 31 March 2018, the Group's AFS investments included equity securities listed in Hong Kong, which represents 2,419,569,625 equity shares, approximately 8.95% shareholding in G-Resources Group Limited ("G-Resources"), incorporated in Bermuda, with a carrying amount of US$22,643,000 as at 31 March 2018. The listed equity securities are stated at fair values which have been determined based on quoted market bid prices available on the Stock Exchange.

During the six months ended 30 September 2017, fair value loss amounting to US$13,650,000 was recognised. Due to a significant decline in the fair value of the investment in G-Resources below its cost, an impairment loss amounting to US$12,408,000 has been recognised during the six months ended 30 September 2017 which was reclassified from the investment revaluation reserve.

During the six months ended 30 September 2018, the Group disposed the 2,419,569,625 equity shares of G-Resources. As at disposal date, a loss on fair value changes of financial asset at FVTPL at an amount of US$931,000 was recognised in profit or loss.

(c) The Group held thirteen (31 March 2018: five) investment funds which are managed by financial institutions and mainly invest in real estate properties, e-commercial platform and unlisted equity investments. The investment funds are valued by GW Financial Advisory Services Limited, an independent qualified professional valuer not connected with the Group. The fair value of these unlisted investment funds was determined by applying discount rates to the net asset values per share or unit of these unlisted investment funds.

During the six months ended 30 September 2018, a decrease in fair value of US$2,325,000 was recognised in profit or loss.

15. PLEDGED BANK DEPOSITS

The Group has provided certain bank guarantees in connection with the terms of supplier contracts in respect of which the Group is obliged to indemnify the banks. At the end of the reporting period, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the contract terms of the supplier contracts. These guarantees are backed by collateral deposits which amounted to US$13,526,000 as at 30 September 2018 (31 March 2018: US$14,293,000).

Another US$46,506,000 (31 March 2018: US$23,951,000) represents deposit placed by the Group to a bank as required by the government of Queensland, Australia and government of Alberta, Canada for operating in the mining activities or closure of mines and the environmental rehabilitation work of relevant mines meets the government's requirements in Note 20.

16. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 US$'000 (unaudited)	As at 31 March 2018 US$'000 (audited)
Trade receivables	**910**	1,021
Other receivables	**12,075**	5,094
Total trade and other receivables	**12,985**	6,115

16. TRADE AND OTHER RECEIVABLES (continued)

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

	As at 30 September 2018 US$'000 (unaudited)	As at 31 March 2018 US$'000 (audited)
0-60 days	**910**	1,021

Trade receivables as at 30 September 2018 and 31 March 2018 mainly represent trade receivables from sales of copper cathodes in Australia. The balance is due on the fifth working day of the following month after delivery. Management believes that no impairment allowance is necessary in respect of this balance as it is settled subsequently in full. The Group does not hold any collateral over this balance.

Included in other receivables mainly are the amount due from brokers, investment interest income and prepayment of investment fund amounting to US$738,000 (31 March 2018: US$1,075,000), US$3,545,000 (31 March 2018: US$1,182,000) and US$750,000 (31 March 2018: US$nil) respectively.

17. LOAN RECEIVABLES

	As at 30 September 2018 US$'000 (unaudited)	As at 31 March 2018 US$'000 (audited)
Fixed-rate loan receivables, current	**106,072**	192,449

The range of effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loan receivables is 7% (31 March 2018: 7% to 15%) per annum. The contractual maturity date of the loan receivables ranges one year (31 March 2018: from less than one month to one year) and are all denominated in HKD. As at 30 September 2018, loan receivables of US$106,072,000 (31 March 2018: US$192,449,000) are unsecured.

Impairment assessment on loan receivables with ECL model

As part of the Group's credit risk management, the Group applies internal credit rating for its borrowers. The estimated credit losses rates are estimated based on its credit rating, past default record and current past due exposure of each borrower.

No loan receivables are past due but not impaired as at 30 September 2018. The Group received US$nil (31 March 2018: US$3,205,000) subsequent to the date of reporting period. No subsequent settlement received due to the loans are not yet matured as at reporting date.

A reversal of expected credit losses on loan receivables amounting to US$1,795,000 was recognised in profit or loss during the reporting period as the related loan receivables were fully settled during the six months ended 30 September 2018.

18. TRADE AND OTHER PAYABLES

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

	As at 30 September 2018 US$'000 (unaudited)	As at 31 March 2018 US$'000 (audited)
Trade payables		
0-30 days	**804**	99
Other payables	**16,034**	6,270
Total trade and other payables	**16,838**	6,369

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

On 31 May 2010, the Group acquired the entire issued share capital of CST Minerals Lady Annie Pty Limited ("CSTLA") at cash consideration of AUD130,000,000, equivalent to approximately US$110,073,000, and an additional contingent consideration. Based on the relevant agreement, the Group is required to pay (i) an additional amount of AUD2,500,000 upon the production of the first 10,000 tonnes of copper cathode from CSTLA and (ii) a further AUD2,500,000 upon the delineation of additional ore reserves containing 25,000 tonnes of contained copper. Obligation stated in (i) of AUD2,500,000, equivalent to approximately US$1,806,000 (31 March 2018: AUD2,500,000, equivalent to approximately US$1,916,000) and (ii) of AUD2,500,000, equivalent to approximately US$1,806,000 (31 March 2018: AUD2,500,000, equivalent to approximately US$1,916,000) represents the estimated fair value of the Group's obligation as at 31 May 2010 and has been fully provided. Production of the first 10,000 tonnes was completed in the year ended 31 March 2012 and US$2,607,000, was fully settled during the year ended 31 March 2013. As at 30 September 2018, the additional ore reserves are not yet delineated and the remaining AUD2,500,000, equivalent to approximately US$1,806,000 (31 March 2018: AUD2,500,000, equivalent to approximately US$1,916,000), was included in other payables.

Other payables also included Goods and Services Tax payable of US$39,000 (31 March 2018: US$59,000), in respect of sales made in Australia under relevant rules and regulations, amount due to brokers of US$4,986,000 (31 March 2018: US$nil), coal mine restructuring fee and bank loan interest expense of US$1,675,000 (31 March 2018: US$nil) and US$3,035,000 (31 March 2018: US$nil) respectively.

19. BANK BORROWINGS

During the current period, the Group obtained new bank borrowing amounting to US$409,413,000 (31 March 2018: US$14,659,000), details are set out in Note 24. The loans carry interest at variable market rates of London Interbank Offered Rate ("LIBOR") plus 2.75% and 3 months LIBOR plus 1.20% and are repayable in instalments ranging from a period of 3 to 5 years.

20. PROVISION FOR MINE REHABILITATION COST

In accordance with relevant rules and regulations in Australia and Canada, the Group is obligated to bear the cost of rehabilitation upon the closure of the Group's copper mine and coal mine. The provision for rehabilitation cost has been estimated in accordance with the local rules and regulations in the aforesaid regions.

Rehabilitation cost has been estimated based on the current regulatory requirements and determined based on the net present value of future cash expenditures upon rehabilitation. It is expected to result in cash outflow for CSTLA of the copper mine rehabilitation cost in July 2019. Upon the completion of acquisition of mining business (Note 24), amount of US$27,351,000 of the provision for mine rehabilitation cost for the coal mine in Canada is transferred to the Group. During the period ended 30 September 2018, amount of US$2,255,000 rehabilitation cost is subsequently provided and capitalised as part of mine property and development assets in property, plant and equipment, and is amortised over the life of the mine on a unit-of-production basis. No payment was made during the six months ended 30 September 2018 and 2017 for rehabilitation works.

21. PROVISION FOR AN ONEROUS CONTRACT

As at 30 September 2018, the amount represents the committed power supply expenses of an non-cancellable power supply contracts with lease term expiring in 27 months until 31 December 2020. During the six months ended 30 September 2017, reversal of provision for US$535,000 was made due to change of accounting estimates on the discount rate. No payment was made in the both periods for the onerous contract for the six months ended 30 September 2018 and 2017.

22. SHARE CAPITAL

	Number of shares	Share capital US$'000
Ordinary shares of HK$0.10 each:		
Authorised		
At 1 April 2017, 31 March 2018 and 30 September 2018 (unaudited)	100,000,000,000	1,282,052
Issued and fully paid		
At 1 April 2017, 31 March 2018 and 30 September 2018 (unaudited)	38,698,308,961	496,132

23. ACQUISITION OF SUBSIDIARIES

On 11 September 2018, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to acquire the entire issued capital of Adair Ventures Limited, Golden Avenue Investments Limited and Westfield Global Investments Limited (collectively referred as the "target companies") at a cash consideration of US$33,150,000. The acquisition of target companies was completed on 11 September 2018. The major assets of the target companies are investment funds.

The directors of the Company were of the opinion that this transaction did not constitute business combinations as defined in HKFRS 3 "Business Combinations", therefore, the acquisition had been accounted for as acquisition of assets. Details of the transaction are summarised as follows.

Assets acquired on the date of acquisition:

	US$'000
Financial assets at FVTPL	33,145
Bank and cash equivalent	5
Net assets acquired	33,150
Net cash outflows on acquisition:	
Cash consideration paid	33,150
Less: Bank and cash equivalent acquired	5
	33,145

24. ACQUISITION OF MINING BUSINESS

On 22 December 2017, a wholly-owned subsidiary of the Company entered into an agreement with the receiver of Grande Cache Coal Corporation Limited Partnership ("GCC LP"), of which principally engaged in the business of the development of coal mines and the production of coking coal in Canada, at a consideration of US$474,923,000 comprised of cash consideration of US$25,410,000, assumption of a guarantee liability of US$40,100,000 and a liability under a term loan of US$409,413,000. The acquisition was completed on 18 July 2018 and has been accounted for using the acquisition method.

The acquisition-related costs are insignificant and have been excluded from the consideration transferred and recognised in profit or loss.

24. ACQUISITION OF MINING BUSINESS (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows (determined on a provisional basis):

	US$'000
Property, plant and equipment	436,933
Exploration and evaluation assets	34,760
Inventory	6,535
Pledged bank deposit	24,046
Provision for mine rehabilitation cost	(27,351)
	474,923

Consideration transferred:

	US$'000
Cash paid	25,410
Obligations:	
Guarantee liability	40,100
Term Loan (Note 19)	409,413
	474,923

The guarantee liability represents the obligation that the Group entered into by issuing a guarantee contract to China Minsheng Banking Corp., Ltd., Hong Kong Branch ("CMBC") covering banking facilities granted to GCC LP as part of the consideration for the acquisition of mining business.

The aggregate amount that could be required to be paid if the guarantee were called upon in entirety amounted to US$40,100,000. The amount is probable to settle and has been recognised in the condensed consolidated statement of financial position as a liability.

The Group also entered into a term loan facility with CMBC, details are set out in Note 19. The term loan is used to pay the consideration of acquisition which shall be used for the repayment in full of the old bank facility of GCC LP with relevant accrued interests, charges and expenses.

No goodwill arose in the acquisition of coal mine. Since there is no sale of coal and the coal mine is just in the start up stage, the financial result is insignificant. No proforma information of the revenue and result is disclosed.

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in an active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Financial assets	Fair values as at		Fair value hierarchy	Valuation technique(s)
	30 September 2018 US$'000	31 March 2018 US$'000		
Available-for-sale investments				
Equity securities listed in Hong Kong ("HK")	**–**	22,643	Level 1	Quoted bid prices in an active market
Financial assets at FVTPL				
Equity securities listed in HK	**127,620**	118,814	Level 1	Quoted bid prices in an active market
Equity securities listed in overseas	**2,432**	3,240	Level 1	Quoted bid prices in an active market
Debt securities	**98,028**	101,810	Level 2	Quoted prices in over-the-counter
Investment funds	**149,702**	63,940	Level 3	Applying discount rates to the net asset values per share or unit
Derivative financial instruments				
Interest rate swap contract	**47**	66	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.

There were no transfers between Levels 1, 2 and 3 in both periods.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements and valuation process

The board of directors of the Company has closely monitored the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available.

26. RELATED PARTY DISCLOSURES

Key management personnel compensation

The remuneration of executive directors who are also key management during the period was as follows:

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
	(unaudited)	(unaudited)
Short-term benefits	**3,302**	3,124
Post-employment benefits	**7**	7
	3,309	3,131

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Chiu Tao *(Chairman)*
Mr. Hui Richard Rui *(General Manager)*
Mr. Lee Ming Tung *(Chief Financial Officer)*
Mr. Kwan Kam Hung, Jimmy
Mr. Yeung Kwok Yu
Mr. Tsui Ching Hung
Mr. Chen Weixing *(retired on 21 September 2018)*
Mr. Wah Wang Kei, Jackie

Independent Non-executive Directors
Mr. Yu Pan
Ms. Tong So Yuet
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

COMPANY SECRETARY

Mr. Chow Kim Hang

REGISTERED OFFICE

Whitehall House
238 North Church Street
P.O. Box 1043
George Town
Grand Cayman KY1-1102
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 4503–05, 45th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The R&H Trust Co. Ltd.
Windward 1
Regatta Office Park
P.O. Box 897
Grand Cayman KY1-1103
Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKER

Hang Seng Bank Limited

STOCK CODE

985

WEBSITE

www.cstgrouphk.com