CST GROUP LIMITED
中譽集團有限公司

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of CST Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2023 with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Six months ended 30 September	
		2023	2022
	NOTES	**US$'000**	US$'000
		(unaudited)	(unaudited)
Revenue	4		
Sales		**80,600**	104,090
Dividend income		**1,174**	4,299
Rental income		**1,019**	1,121
Interest income		**447**	1,889
		83,240	111,399
Cost of sales		**(64,887)**	(57,027)
Gross profit		**18,353**	54,372
Other income and other gains and losses	5	**321**	(53,592)
Distribution and selling expenses		**(15,545)**	(14,571)
Administrative expenses		**(24,724)**	(20,425)
Loss on fair value changes of financial assets at fair value through profit or loss		**(4,898)**	(42,910)
Loss on fair value changes of investment properties		**(558)**	(541)

	NOTES	Six months ended 30 September 2023 US$'000 (unaudited)	2022 US$'000 (unaudited)
(Impairment loss) reversal of impairment loss on financial assets under expected credit loss model, net		**(5,787)**	1,245
Impairment loss on property, plant and equipment		**(71,365)**	—
Share of result of a joint venture		**(2)**	(506)
Share of result of an associate		**—**	(3,094)
Finance costs	6	**(13,268)**	(6,776)
Loss before taxation		**(117,473)**	(86,798)
Taxation	7	**19**	(52)
Loss for the period	8	**(117,454)**	(86,850)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,615**	14,792
Other comprehensive income for the period		**2,615**	14,792
Total comprehensive expense for the period		**(114,839)**	(72,058)
Loss for the period attributable to:			
- Owners of the Company		**(106,025)**	(82,235)
- Non-controlling interests		**(11,429)**	(4,615)
		(117,454)	(86,850)

	NOTE	Six months ended 30 September	
		2023	2022
	NOTE	**US$'000**	US$'000
		(unaudited)	(unaudited)
Total comprehensive expense for the period attributable to:			
- Owners of the Company		**(105,604)**	(66,239)
- Non-controlling interests		**(9,235)**	(5,819)
		(114,839)	(72,058)
LOSS PER SHARE			
- Basic (US cents)	9	**(21.92)**	(17.00)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2023

	NOTES	**As at 30 September 2023 US$'000 (unaudited)**	As at 31 March 2023 US$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**176,953**	248,117
Right-of-use assets	10	**2,101**	2,404
Exploration and evaluation assets	10	**33,284**	33,252
Investment properties		**32,436**	33,640
Interests in a joint venture		**1**	1,563
Interests in an associate		**—**	—
Financial assets at fair value through profit or loss		**139,108**	135,291
Club membership		**2,437**	2,437
Pledged bank deposits		**29,843**	28,363
		416,163	485,067
Current assets			
Inventories		**31,080**	26,395
Other receivables	11	**6,334**	8,176
Loan receivables		**18,232**	17,809
Amount due from an associate		**174**	5,938
Amount due from a joint venture		**9**	4,042
Financial assets at fair value through profit or loss		**83,542**	81,951
Bank balances and cash		**27,584**	59,318
		166,955	203,629
Current liabilities			
Trade and other payables and accruals	12	**15,420**	14,760
Tax payable		**1,907**	1,915
Derivative financial instruments		**—**	10
Bank and other borrowings – amount due within one year		**6,410**	463,717
Lease liabilities		**1,055**	1,132
Guarantee liability		**40,100**	40,100
		64,892	521,634

	NOTE	As at 30 September 2023 US$'000 (unaudited)	As at 31 March 2023 US$'000 (audited)
Net current assets (liabilities)		**102,063**	(318,005)
Total assets less current liabilities		**518,226**	167,062
Non-current liabilities			
Bank and other borrowings – amount due after one year		**466,581**	—
Deferred tax liabilities		**1,618**	1,838
Lease liabilities		**1,145**	1,359
Provision for mine rehabilitation cost		**27,817**	25,584
Amounts due to non-controlling interests		**6,124**	8,501
		503,285	37,282
		14,941	129,780
Capital and reserves			
Share capital	13	**620**	620
Reserves		**51,646**	157,250
Equity attributable to owners of the Company		**52,266**	157,870
Non-controlling interests		**(37,325)**	(28,090)
		14,941	129,780

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2023

1. GENERAL INFORMATON

CST Group Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is Atlas Keen Limited and the ultimate controlling party is Mr. Chiu Tao, who is also the chairman of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the Annual Report 2023 of the Company.

The Company is an investment holding company with its subsidiaries (collectively referred to as the "Group") engaged in (i) exploration, development and mining of mineral resources, (ii) investments in financial instruments, (iii) property investment and (iv) money lending.

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in Group's annual consolidated financial statements for the year ended 31 March 2023

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the news and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE/SEGMENT INFORMATION

Revenue

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

	Six months ended 30 September	
	2023	2022
	US$'000	US$'000
	(unaudited)	(unaudited)
Sale of coal	**80,600**	104,090
	80,600	104,090
Revenue from contract with customers		
Residential rental income	**33**	—
Office rental income	**986**	1,121
Dividend income	**1,174**	4,299
Interest income from financial assets at fair value through profit or loss	**—**	74
Interest income from money lending business	**447**	1,815
Total revenue	**83,240**	111,399
Disaggregation of revenue from contracts with customers		
Sale of coal	**80,600**	104,090
Timing of revenue recognition		
A point in time	**80,600**	104,090
Leases		
Operating lease payments that are fixed (Note)	**1,019**	1,121

Note: There is no income relating to variable lease payments that depend on an index or a rate during both periods.

Sale of coal (recognised at a point in time)

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

Segment information

Information provided to the chief operating decision maker ("CODM"), representing the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of business. This is also the basis upon which the Group is arranged and organised.

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

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

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

Segment revenue and results

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

	Segment revenue Six months ended 30 September		**Segment results Six months ended 30 September**	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Mining business	**80,600**	104,090	**(85,143)**	19,011
Investments in financial instruments	**1,174**	4,373	**(4,601)**	(38,074)
Property investment	**1,019**	1,121	**601**	372
Money lending	**447**	1,815	**446**	3,106
	83,240	111,399	**(88,697)**	(15,585)
Other income and other gains and losses			**321**	(53,592)
Central administration costs			**(15,827)**	(7,245)
Finance costs			**(13,268)**	(6,776)
Share of result of a joint venture			**(2)**	(506)
Share of result of an associate			**—**	(3,094)
Loss before taxation			**(117,473)**	(86,798)

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

Segment assets and liabilities

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

	As at 30 September 2023	As at 31 March 2023
	US$'000	US$'000
	(unaudited)	(audited)
Segment assets:		
— Mining business	**272,251**	357,301
— Investments in financial instruments	**230,510**	240,947
— Property investment	**33,726**	35,404
— Money lending	**18,344**	17,962
Total segment assets	**554,831**	651,614
Unallocated assets:		
— Bank balances and cash	**5,924**	1,174
— Property, plant and equipment	**15,428**	17,293
— Right-of-use assets	**2,091**	2,372
— Others	**4,844**	16,243
	28,287	37,082
Consolidated total assets	**583,118**	688,696
Segment liabilities:		
— Mining business	**551,201**	531,664
— Investments in financial instruments	**6,126**	6,136
— Property investment	**1,865**	4,408
— Money lending	**15**	8
Total segment liabilities	**559,207**	542,216
Unallocated liabilities:		
— Lease liabilities	**2,200**	2,455
— Others	**6,770**	14,245
	8,970	16,700
Consolidated total liabilities	**568,177**	558,916

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

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2023	2022
	US$'000	US$'000
	(unaudited)	(unaudited)
Other income		
Bank and other interest income	**1,126**	234
Government grant (Note)	**—**	99
Others	**61**	2,159
	1,187	2,492
Other gains and losses		
Net foreign exchange loss	**(903)**	(56,085)
Net gain on disposal of property, plant and equipment	**—**	1
Fair value gain on derivative financial instruments	**37**	—
	(866)	(56,084)
	321	(53,592)

Note: During the period ended 30 September 2022, the Group recognised government grant of US$99,000 in respect of Covid-19-related subsidies which related to Employment Support Scheme provided by the government in Hong Kong. There is no such grant in the current interim period.

6. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest expense on bank borrowings	**13,007**	6,413
Interest expense on lease liabilities	**69**	170
Interest expense on other borrowings	**192**	193
	13,268	6,776

7. TAXATION

	Six months ended 30 September	
	2023	2022
	US$'000	US$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax:		
People's Republic of China ("PRC")	**10**	12
United Kingdom ("UK")	**52**	40
	62	52
Deferred tax	**(81)**	—
Taxation for the period	**(19)**	52

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

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

Under the applicable corporate tax law in Alberta, Canada, the tax rate is 23% of the estimated assessable profits for both periods.

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

8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2023	2022
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Directors' remuneration	**3,656**	3,377
Contributions to retirement benefit scheme to employees	**399**	311
Other staff costs	**19,240**	15,694
Total staff costs	**23,295**	19,382
Less: amount capitalised in inventories	**(14,666)**	(12,088)
Total staff costs included in administrative expenses	**8,629**	7,294

Depreciation on property, plant and equipment	**13,947**	17,819
Depreciation of right-of-use-assets	**635**	805
	14,582	18,624
Less: amount capitalised in inventories	**(11,637)**	(16,259)
	2,945	2,365
Cost of inventories recognised as an expense	**64,887**	57,027

9. LOSS PER SHARE

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

	Six months ended 30 September	
	2023	2022
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(106,025)**	(82,235)
Number of shares		
	'000	'000
Number of ordinary shares for the purpose of basic loss per share	**483,729**	483,729

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

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

During the six months ended 30 September 2023, the Group incurred expenditures on capital work in progress included in property, plant and equipment of US$11,241,000 (30 September 2022: US$7,356,000) and other property, plant and equipment of US$2,177,000 (30 September 2022: US$976,000).

During the six months ended 30 September 2023 and 30 September 2022, the Group did not incur any expenditures to the exploration and evaluation assets.

During the period ended 30 September 2023, the Group entered into new lease for the use of staff quarter for the period of 2 years. On the lease commencement during the current interim period, the Group recognised US$624,000 of right-of-use assets (30 September 2022: nil) and US$624,000 of lease liabilities (30 September 2022: nil).

Impairment assessment

During the second half of the year ended 31 March 2023, rapid increase in risk-free market interest rate since the fourth quarter of 2022 and the change in projected production volume based on the upcoming life-of-mine plans resulting in a higher discount rate and decreased future cash flows, respectively, and hence the recoverable amount is lower than the carrying amount which caused a further impairment loss required to be made for the second half of the year ended 31 March 2023.

During the current interim period, the decrease in the coal price and the appreciation of US$ against Canadian dollar, resulting in decreased future cash flow, and hence the recoverable amount is lower than the carrying amount which caused a further impairment loss required to be made for the six months ended 30 September 2023.

The recoverable amount of cash-generating units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years with zero growth rate and latest life of mine plans for the further 15 years with zero growth rate and a pre-tax discount rate is 16% (31 March 2023: 16%). Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development. In preparing the forecast, management made reference to the latest verified levels of mineral reserves, the production cost projection and the future production capacity outlined in the technical report dated 31 March 2023.

Based on the result of the assessment as at 30 September 2023, management of the Group determined that the recoverable amount of the cash-generating units amounting to US$161,467,000 (31 March 2023: US$231,065,000) is lower (31 March 2023: lower) than the carrying amount. Based on the value in use calculation and the allocation, an impairment of US$71,365,000 (31 March 2023: US$71,429,000) has been recognised in profit or loss regarding to the carrying amount of property, plant and equipment as at 30 September 2023, which is used in mining business.

If the discount rate increased by 0.5%, while other parameters remain constant, the recoverable amount would be reduced and a further impairment of property, plant and equipment of US$2,687,000 (31 March 2023: US$2,948,000) would be recognised.

11. OTHER RECEIVABLES

	As at 30 September 2023 US$'000 (unaudited)	As at 31 March 2023 US$'000 (audited)
Amounts due from brokers	**844**	806
Deposits and prepayments	**5,077**	6,518
Goods and services tax receivables	**413**	852
	6,334	8,176

12. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 30 September 2023 US$'000 (unaudited)	As at 31 March 2023 US$'000 (audited)
Trade payables (aged within 30 days)		
- arising from mining operation (Note a)	**5,763**	5,844
- arising from investments in financial instruments operation (Note b)	**—**	2
Other payables and accruals	**9,657**	8,914
	15,420	14,760

Notes:

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

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

13. SHARE CAPITAL

	Number of shares '000	**Share capital US$'000**
Ordinary shares of HK$0.01 each		
Authorised		
At 1 April 2022, 31 March 2023 (audited) and 30 September 2023 (unaudited)	1,000,000,000	1,282,052
Issued and fully paid		
At 1 April 2022, 31 March 2023 (audited) and 30 September 2023 (unaudited)	483,729	620

14. DIVIDEND

No dividend was paid or proposed during the interim period (30 September 2022: nil). The directors of the Company have determined that no dividend will be proposed in respect of the interim period (30 September 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL RESULTS

For the six months ended 30 September 2023 (the “Period”), the Company and its subsidiaries (collectively referred to as the “Group”) recorded a loss after tax of approximately US$117.5 million, representing an increase of approximately 35.2% as compared to a loss after tax of US$86.9 million for the corresponding period ended 30 September 2022. Such increase in loss was mainly due to the impairment loss on property, plant and equipment incurred during the Period (2022: nil).

Revenue

The total revenue of the Group for the Period was approximately US$83.2 million (2022: US$111.4 million), which represented a decrease of approximately 25.3% as compared with the corresponding period of prior year. The decrease was mainly attributable to the decrease of coal sales revenue in the mining business.

Other income and other gains and losses

During the Period, the total other income and other gains and losses for the Period was a gain of approximately US$0.3 million (2022: a loss of US$53.6 million). The turnaround from loss to gain mainly comprised of the following: (i) bank interest income of approximately US$1.1 million (2022 : US$0.2 million) and (ii) a net foreign exchange loss of approximately US$0.9 million mainly due to a slightly strong US dollar against Canadian dollar (“Canadian dollar”) (2022 : a loss of US$56.1 million).

Cost of sales

Cost of sales mainly included coal mining costs, coal processing costs and other relevant operating expenses. As compared with the corresponding period of prior year, the cost of sales during the Period increased by approximately 13.9% from US$57.0 million to approximately US$64.9 million.

Distribution and Selling expenses

Distribution and selling expenses were approximately US$15.5 million for the Period (2022: US$14.6 million), which primarily included expenses relating to railway transportation, royalty fees and terminal charges.

Administrative expenses

Administrative expenses mainly comprised of staff costs, depreciation and amortization cost and other expenses. The Group's administrative expenses increased approximately 21.1% from US$20.4 million to approximately US$24.7 million for the Period as compared with corresponding period of prior year. The increase was mainly attributable to increase of mine operation activities in Canada.

Finance costs

Finance costs mainly comprised of bank loan interest. Finance costs increased from US$6.8 million for the corresponding period of prior year to approximately US$13.3 million for the Period, representing an increase of approximately 95.6%. The increase was primarily due to an increase in bank loan interest rate during the Period.

SEGMENT INFORMATION

A. <u>Mining business</u>

During the Period, CST Canada Coal Limited ("CST Coal") had sold 345,854 tonnes (2022 : 318,700 tonnes) of coking coal and generated a revenue of approximately US$80.6 million (2022: US$104.1 million). A decrease of 22.6% as compared with corresponding period of prior year was recorded due to the drop of coking coal market price. The cost of sales and distribution and selling expenses incurred were approximately US$64.9 million (2022: US$57.0 million) and US$15.5 million (2022: US$14.6 million).

The administrative expenses at mine site increased by approximately 34.5% to approximately US$11.3 million (2022: US$8.4 million) as compared with the corresponding period of prior year. It was mainly due to increase of operation activities.

CST Coal held an approximately US$400 million legacy bank debt carried over from previous owner when the mining assets were restructured between CMBC and the Group as disclosed in the circular of the Company dated 8 March 2018. The debt was fixed to be repaid in US dollar. Due to the slight depreciation of Canadian dollar against US dollar during the Period, a foreign exchange loss of approximately US$0.4 million (2022: a loss of US$54.1 million) relating to this debt was recognized in the other income and other gains and losses.

As at each financial year end and interim reporting period end, the Group reviewed in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") with the auditors the impairment on its mining property assets in Canada mining operations. An impairment of US$93.8 million was recognized in 2020 when the carrying amount of certain mine properties exceeded the recoverable amount. A reversal of impairment of approximately US$32.9 million was recognized in 2022 when the recoverable amount exceeded the carrying amount of certain mine properties. On 31 March 2023, an impairment loss of approximately US$71.4 million was further made due to the recoverable amount below the carrying amount of certain mine properties.

As at 30 September 2023, the management updated the major assumptions in the model previously used for impairment testing in March 2023. The recoverable amount of each cash generating unit has been estimated using its fair value less costs of disposal. After reviewing the assumptions with auditors, it was determined that the recoverable value of the coal mine assets was approximately US$161.5 million, which was below the carrying value of the coal mine assets of approximately US$232.3 million and accordingly an impairment provision of approximately US$71.4 million was further recognized in the profit or loss. The table below summarizes the major respective assumptions adopted by the management as at 30 September 2023 and 31 March 2023.

	30 September 2023	**31 March 2023**
Projected production volume of the Coal Mine	40.0 million metric tonnes. The projected production volume is determined based on the detailed life-of-mine plans and the development plans.	40.7 million metric tonnes. The projected production volume was determined based on the detailed life-of-mine plans and the development plans.
Long-term price of coking coal	US$210 per metric tonne for 2023, US$175 per metric tonne for 2024, US$162 per metric tonne for 2025, and US$149 per metric tonne for 2026, and US$141 per metric tonne for 2027 to 2040. The long-term price of coking coal is determined by the Management with reference to i) forecast benchmark real prices for hard coking coal from the analyst of Canadian Imperial Bank of Commerce (September 2023) and ii) an adjustment made thereon by the Management in light of the quality of coal from the coal mine.	US$228 per metric tonne for 2023, US$200 per metric tonne for 2024, US$167 per metric tonne for 2025, and US$144 per metric tonne for 2026 to 2040. The long-term price of coking coal is determined by the Management with reference to i) forecast benchmark real prices for hard coking coal from the analyst of Canadian Imperial Bank of Commerce (March 2023) and ii) an adjustment made thereon by the Management in light of the quality of coal from the coal mine.
Long-term exchange rate between United States Dollar and Canadian Dollar	US$1:C$1.34 (2023), US$1:C$1.33 (2024), US$1:C$1.32 (2025 to 2026), US$1:C$1.30 (2027 to 2040) The above exchange rates were based on Exchange Forecast as published by CIBC analysis September 2023 Edition.	US$1:C$1.35 (2023), US$1:C$1.31 (2024), US$1:C$1.28 (2025 to 2040) The above exchange rates were based on Foreign Exchange Consensus Forecast as published by Consensus Economics Inc March 2023 Edition.
Discount rate	16% pre-tax discount (which is equivalent to 12% post-tax discount). The discount rate is determined i) after taken into consideration that the cost of equity and the project risk factors were similar to those analysed at the time of the valuation report dated 15 February 2018; and ii) with reference to HKAS 36 whereby the Company is required to use a pre-tax discount rate for the purpose of valuation.	16% pre-tax discount (which is equivalent to 12% post-tax discount). The discount rate is determined i) after taken into consideration that the cost of equity and the project risk factors were similar to those analysed at the time of the valuation report dated 15 February 2018; and ii) with reference to HKAS 36 whereby the Company is required to use a pre-tax discount rate for the purpose of valuation.

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

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

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

	Six months ended 30 September	
	2023	2022
	US$'000	US$'000
Revenue	**80,600**	104,090
Cost of sales	**(64,887)**	(57,027)
Gross profit	**15,713**	47,063
Other income and other gains and losses	**352**	(53,736)
Distribution and selling expenses	**(15,545)**	(14,571)
Administrative expenses*	**(11,319)**	(8,403)
Impairment loss on property, plant and equipment	**(71,365)**	—
Finance costs*	**(13,010)**	(6,484)
Loss before taxation	**(95,174)**	(36,131)
Taxation	**—**	—
Loss after taxation	**(95,174)**	(36,131)

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

B. Property investment

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

	Six months ended 30 September	
	2023	2022
	US$ '000	US$ '000
Rental income		
- PRC	**122.0**	114.1
- Hong Kong	**33.1**	—
- Scotland	**864.3**	1,007.1
	1,019.4	1,121.2

	30 September 2023 US$ million	31 March 2023 US$ million
Fair value of investment properties		
- PRC	**5.9**	6.4
- Hong Kong	**3.2**	3.4
- Scotland	**23.3**	23.8
	32.4	33.6

During the financial year ended 31 March 2023, an owned property of the Group in Hong Kong has been transferred from property, plant and equipment to use as investment property for generating more rental income. Given the uncertainty in global economy resulting from COVID-19 pandemic, the total rental income during the Period decreased approximately 9.1% to approximately US$1.0 million (2022: US$1.1 million) as compared with the corresponding period of prior year.

As of 30 September 2023, the fair value of the investment properties slightly decreased by 3.6% to US$32.4 million (31 March 2023: US$33.6 million).

C. Money lending

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

	Six months ended 30 September 2023 US$ million	2022 US$ million
Interest income from money lending	**0.4**	1.8
Provision of bad debt*	**—**	—
Range of interest rate (%)	**5%**	5% - 10%

** Provision of bad debt excludes the expected credit loss ("ECL") for accounting purpose. For the ageing analysis, all the loan receivables were not past due nor impaired.*

As of 30 September 2023, the net carrying value of the loan portfolio, including interest accrued and deduction of ECL allowance, of the Group amounted to approximately US$18.2 million (31 March 2023: US$17.8 million) with details as follows:

Borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio (%)	Interest rate per annum (%)	Maturity
Individual	14.26%	5%	Within 1 year
Corporate	85.74%	5%	Within 1 year
	100.00%		

The interest income from money lending business was approximately US$0.4 million (2022: US$1.8 million), which decreased by approximately 77.8% as compared with the corresponding period of prior year. The interest rate during the Period was 5% (2022: 5% to 10%). The decrease was due to the reduction of lending activities during the Period. Given the current uncertain and prevailing economic conditions in Hong Kong, the Group has been prudent in granting new loans and continue to adopt a conservative approach in developing this business. As of 30 September 2023, the number of borrowers was two (31 March 2023: two). All of the loans granted to borrowers were unsecured. The loan made to largest borrower accounted for approximately 85.74% of the loan portfolio (including interest accrued and deduction of ECL allowance). During the Period, the Group has not recorded any bad debt on its money lending business.

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

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

The Group has established and maintained internal controls to ensure the effectiveness of its credit risk assessment in evaluating the creditworthiness of potential borrowers. The loan terms would be generally arrived at after considering a combination of factors including prevalent market interest rates, the financial strength of the borrowers and the collaterals offered. The Group retained an independent professional valuer to conduct impairment and expected credit loss assessment on the outstanding loans for each reporting period end date. The business is overseen by the Investment and Management Committee of the Company which is responsible for on-going monitoring of loan recoverability and debt collection, identifying potential problems and recommending mitigating measures. The relevant internal control procedures were disclosed in the Corporate Governance section of Annual Report 2023 of the Company.

D. Investment in financial instruments

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

	30 September 2023	31 March 2023
	US$ million	US$ million
Fair value of financial assets at FVTPL		
Listed shares	**52.3**	44.5
Debt securities	**7.3**	13.1
Fund and unlisted equity investments	**163.1**	159.6
	222.7	217.2

	Six months end 30 September	
	2023	2022
	US$ million	US$ million
Income received from financial assets at FVTPL		
Dividend from listed shares	**0.6**	0.2
Interest from debt securities	**—**	0.1
Dividend from fund and unlisted equity investments	**0.6**	4.1
	1.2	4.4
Fair value change of financial assets at FVTPL		
Listed shares:		
- Realised gain on disposal	**0.5**	0.1
- Unrealised gain (loss) on fair value change	**5.4**	(7.8)
	5.9	(7.7)
Debt securities:		
- Unrealised loss on fair value change	**(8.8)**	(10.6)
	(8.8)	(10.6)
Fund and unlisted equity investments:		
- Realised loss on disposal	**(0.7)**	—
- Unrealised loss on fair value change	**(1.3)**	(24.6)
	(2.0)	(24.6)
	(4.9)	(42.9)

As of 30 September 2023, the Group held a financial asset at FVTPL portfolio amounted to approximately US$222.7 million (31 March 2023: US$217.2 million) measured at market or fair value.

During the Period, the portfolio generated a dividend and interest revenue in total amount of approximately US$1.2 million (2022: US$4.4 million). It comprised of the following: (i) approximately US$0.6 million (2022: US$0.2 million) of dividend income from listed shares,

(ii) nil (2022: US$0.1 million) interest income from debt securities, and (iii) approximately US$0.6 million (2022: US$4.1 million) of dividend income from fund and unlisted equity investments.

a. ***Listed shares***

As of 30 September 2023, the total market value of listed shares held by the Group was approximately US$52.3 million (31 March 2023: US$44.5 million). The Group has invested in various categories of listed companies and their weightings to the total market value of the portfolio are as below:

Category of listed companies	**Weighting to total market value of portfolio (%)**
Banking and Finance	36.85%
Manufacturing	3.99%
Motor Vehicle	14.94%
Property & Construction	17.97%
Travel & Leisure	20.39%
Others	5.86%
	100.00%

During the Period, as the global stock market slightly improved, the Group recorded a realized gain on disposal of listed securities of approximately US$0.5 million (2022: US$0.1 million) and an unrealized gain on fair value changes in the listed securities of approximately US$5.4 million (2022: an unrealized loss of US$7.8 million).

b. ***Debt securities***

As of 30 September 2023, the carrying amount of the debt securities held by the Group was approximately US$7.3 million (31 March 2023: US$13.1 million). The Group primarily held various senior notes of China Evergrande Group ("China Evergrande") and Scenery Journey Limited, which is an indirect wholly-owned subsidiary of China Evergrande (the "Evergrande Notes").

Due to the outburst of China Evergrande liquidity crisis, China Evergrande was not able to repay the notes interest to the holders of Evergrande Notes. Thus, no notes interest was received from the Evergrande Notes during the Period (2022: Nil). Overall, an unrealised loss on fair value change of approximately US$8.8 million (2022: US$10.6 million) was recognized in profit or loss.

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

During the Period, the Group invested approximately US$7.0 million in funds and unlisted equity investments, which were mainly payment for the commitment of existing funds and acquisition of an unlisted equity investment. As of 30 September 2023, the Group held fund and unlisted equity investments in total of approximately US$163.1 million at fair value (31 March 2023: US$159.6 million). Given the impact of uncertainty in the global economy, the Group had received dividend income in the aggregate sum of US$0.6 million (2022: US$4.1 million) from its fund investment portfolio, representing a decrease of approximately 85.4% as compared with corresponding period of prior year.

There was no other single investment in the Group's financial instruments that was considered as significant investment, which has a carrying amount accounting for more than 5% of the Group's total assets as of 30 September 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 September 2023, the Group held bank balances and cash amounted to approximately US$27.6 million (31 March 2023: US$59.3 million).

Borrowings and pledged of assets

In June 2021, a financial institution granted a three-year loan facility to two subsidiaries of the Company at the principal amount of HK$35 million and HK$15 million respectively. Both interest rates were fixed at 6% and secured by certain fixed assets and securities held by the Group. As of 30 September 2023, the total outstanding balance of these two loans was HK$50 million.

The Group, through its subsidiary, CST Coal, acquired certain mining assets of Grande Cache Coal LP in Canada in 2018, and assumed bank borrowings from China Minsheng Banking Corp., Ltd ("CMBC") amounting to approximately US$409.41 million ("CMBC Loan"). The CMBC Loan carries an interest rate of 1.2% over 3 months LIBOR and is repayable in 5 years. The loan is non-recourse to the Company and secured by (i) a fixed and floating charge over all present and future assets and undertakings of CST Coal; (ii) charges over all shares in CST-Grande Cache Cayman Limited ("CST -Grande Cache"), which is an indirect beneficiary holding company of CST Coal; and (iii) corporate guarantees from each of shareholders of each member of the CST Coal project group which includes four subsidiaries of the Company. The four subsidiaries are Gold Grace Limited which is the sole shareholder of CST Coal, Excel Fame Limited which is the sole shareholder of Gold Grace Limited, CST-Grande Cache Cayman Limited which is the sole shareholder of Excel Fame Limited and Sonicfield Global Limited which is a majority shareholder of CST-Grande Cache Cayman Limited. On 12 July 2023, as agreed between the Group and CMBC, the maturity date of CMBC Loan was extended 5 years to July 2028. Except for changing the interest rate from an interest rate of 1.2% over 3 months LIBOR to an interest rate of 1.2% over SOFR rate, all other major terms and conditions of the facilities agreement of CMBC Loan remain in effect and unchanged. As of 30 September 2023, the outstanding balance of this loan was US$466.6 million, inclusive of interest accrued. The Company has not given any guarantee for these loans from CMBC.

Based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio of the Group was 9.0 (31 March 2023: 2.9).

As of 30 September 2023, CST Coal was holding approximately US$29.8 million of pledged bank deposit (31 March 2023: US$28.4 million). The pledged deposit was intended to cover the rehabilitation costs for operating the mining business in Canada (as mandated by the government of Alberta, Canada).

Current ratio

As of 30 September 2023, the Group's current assets and current liabilities were approximately US$167.0 million (31 March 2023: US$203.6 million) and US$64.9 million (31 March 2023: US$521.6 million) respectively, The Group's current ratio, expressed as current assets to current liabilities, was approximately 2.6 (31 March 2023: 0.4).

CAPITAL STRUCTURE

During the Period, the Company has not conducted any equity fund raising activities. As of 30 September 2023, the total number of issued shares was 483,728,862 (31 March 2023: 483,728,862).

NET ASSET VALUE

As of 30 September 2023, the net asset value of the Group amounted to approximately US$14.9 million (31 March 2023: US$129.8 million). As compared to 31 March 2023, it decreased by approximately 88.5%. The decrease in net asset value was due to the combination of net loss for the Period of approximately US$117.5 million and other comprehensive income for the Period of approximately US$2.6 million.

CAPITAL COMMITMENT

As of 30 September 2023, the capital commitment of the Group was approximately US$10.9 million (31 March 2023: US$12.2 million). It was primarily related to capital commitments of fund investments of the Group.

CONTINGENT LIABILITY

As of 30 September 2023, the Group had no contingent liability (31 March 2023: Nil).

MATERIAL ACQUISITIONS, DISPOSALS AND FUTURE PLAN FOR MATERIAL INVESTMENT

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

HUMAN RESOURCES

As of 30 September 2023, the Group had 386 staff (2022: 323). Staff costs (excluding directors' emoluments) were approximately US$19.6 million (2022: US$16.0 million) for the Period. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong and Registered Retirement Savings Plan in Canada respectively, and provided other staff benefits, such as medical benefits.

FOREIGN EXCHANGE RISK

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

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

SIGNIFICANT EVENTS

1) On 12 July 2023, the Group entered into an amendment and restatement agreement (the ''Amendment and Restatement Agreement'') with CMBC to amend and restate, among other things, a facilities agreement dated 17 July 2018 (as amended by an amendment deed dated 21 June 2021). Pursuant to the Amendment and Restatement Agreement, CMBC agreed to, among other things, (1) extend the maturity date of the term loan facilities (the ''Facilities'') in the aggregate amount of approximately US$409.41 million, together with all the interests accrued and to be accrued thereon, from 17 July 2023 to 17 July 2028 and (2) replace the interest rate of 1.2% over 3-month LIBOR with interest rate of 1.2% over daily simple SOFR. Details of the Amendment and Restatement Agreement were disclosed in the Company's announcement dated 12 July 2023.

2) On 31 August 2023, Atlas Keen Limited, a company incorporated under the laws of British Virgin Islands with limited liability and wholly-owned by Mr. Chiu Tao ("Mr. Chiu") (the chairman and an executive director of the Company), as the offeror (the "Offeror"), requested the Board to put forward the proposal (the "Proposal") to the Scheme Shareholders (being the registered holders of the shares (the "Scheme Shares") in the Company held by the shareholders of the Company, other than those held by the Offeror and Mr. Chiu, as at the scheme record date for the purpose of determining entitlements of the Scheme Shareholders under the Scheme) for the privatization of the Company by way of a scheme of arrangement (the "Scheme") under Section 86 of the Companies Act involving the cancellation of the Scheme Shares, and, in consideration thereof, the payment to the Scheme Shareholders of the cancellation price of HK$1.00 in cash for

each Scheme Share, and the voluntary withdrawal of the listing of the shares of the Company from the Stock Exchange. On 20 November 2023, the Scheme and the resolutions associated with the Scheme were approved by Scheme Shareholders at the Court Meeting and Extraordinary General Meeting. If the Proposal becomes unconditional and the Scheme becomes effective, the Company expects to withdraw the listing of the Shares from the Stock Exchange at 4:00 p.m. on Monday, 4 December 2023.

Further details of the Proposal were set out in the Company's announcements dated 1 September 2023, 22 September 2023, 19 October 2023, 27 October 2023 and 20 November 2023 and the composite scheme document dated 27 October 2023.

OUTLOOK

Looking ahead to the fiscal year 2024, although the global economy has begun to recover from the COVID-19 pandemic, under the continued tightening of monetary policies, unresolved geopolitical tensions may continue to weigh on global economic growth, trigger risk aversion, and cause financial asset price fluctuations or adjustments, signaling a challenging market environment for the Group's businesses.

In 2024, global coking coal prices are expected to continue to fluctuate. The Group believes that with the full resumption of CST Coal's operations, its mining business is expected to provide stable revenue for the second half of fiscal year 2024. The Group will actively monitor the trend of the global coking coal market and make proactive deployments to enhance the overall efficiency and operational capabilities of its mining business.

Facing the ever-changing and volatile investment environment brought about by the uncertain global economic and financial market outlook, the Group will adopt a prudent approach, adhere to the investment principle of steady long-term appreciation, respond to market changes in a timely manner, adjust its strategies in a flexible manner, and prudently manage risks by making appropriate defensive deployments. The Group will continue to closely monitor market developments, seek investment opportunities related to its main businesses, explore the expansion of its business at the appropriate time, and promote the Group's future development.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2023 (30 September 2022: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2023, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the following deviation:

- according to code provision F.2.2 of the CG Code, Mr. Chiu Tao, the Chairman of the Board, should have attended the annual general meeting of the Company held on 15 September 2023 ("2023 AGM"). However, Mr. Chiu Tao was unable to attend the 2023 AGM due to his other business commitments. Mr. Hui Richard Rui, an executive director and the General Manager of the Company, who took the chair of the 2023 AGM, together with other members of the Board who attended the 2023 AGM were of sufficient calibre and knowledge for answering questions at the 2023 AGM.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding director's securities transactions. Having made specific enquiry with the directors of the Company, all the directors of the Company confirmed that they had complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 September 2023 has been reviewed by the Company's audit committee (the "Audit Committee"), and duly approved by the Board under the recommendation of the Audit Committee. The Audit Committee comprises 3 members namely Ms. Ma Yin Fan, Mr. Yu Pan and Mr. Leung Hoi Ying, all of them are independent non-executive directors of the Company. The unaudited interim results for the six months ended 30 September 2023 has also been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By Order of the Board
CST Group Limited
Li Man Ting
Company Secretary

Hong Kong, 28 November 2023

As at the date of this announcement, the Board comprises (i) Mr. Chiu Tao (Chairman), Mr. Han Xuyang, Mr. Hui Richard Rui and Mr. Kwan Kam Hung, Jimmy as executive directors of the Company; and (ii) Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying as independent non-executive directors of the Company.