

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

SIN  STAR

中國華星

China Sinostar Group Company Limited

中國華星集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2023**

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Sinostar Group Company Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2023 together with the comparative figures for 2022 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	23,764	38,939
Cost of sales		<u>(20,351)</u>	<u>(27,923)</u>
Gross profit		3,413	11,016
Loss on revaluation of investment properties		(16,157)	(7,056)
Other gain and loss		121	98
Administrative expenses		(34,588)	(17,729)
Finance costs		<u>(3,954)</u>	<u>(3,880)</u>
Loss before tax	6	(51,165)	(17,551)
Income tax expenses	7	<u>(45)</u>	<u>(56)</u>
Loss for the year		<u>(51,210)</u>	<u>(17,607)</u>
Other comprehensive (loss) income:			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>(27,618)</u>	<u>15,156</u>
Total comprehensive loss for the year		<u>(78,828)</u>	<u>(2,451)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	9	<u>(24.06)</u>	<u>(8.27)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Investment properties	10	35,831	56,164
Property, plant and equipment		31,762	39,067
Right-of-use assets		272	634
		<u>67,865</u>	<u>95,865</u>
Current assets			
Trade receivables, deposits and other receivables	11	23,887	66,679
Properties for sale under development		112,169	118,997
Properties held for sale		99,112	118,268
Bank balances and cash		4,196	12,673
		<u>239,364</u>	<u>316,617</u>
Current liabilities			
Amount due to a director		86	193
Amount due to immediate holding company		7,728	2,420
Trade payables and accrued charges	12	26,296	33,831
Lease liabilities		301	363
Contract liabilities		5,749	6,840
Current tax liabilities		5,304	6,291
Borrowings	13	21,716	40,181
Bonds payable	14	8,282	11,500
		<u>75,462</u>	<u>101,619</u>
Net current assets		<u>163,902</u>	<u>214,998</u>
Total assets less current liabilities		<u>231,767</u>	<u>310,863</u>
Non-current liabilities			
Lease liabilities		<u>–</u>	<u>268</u>
NET ASSETS		<u>231,767</u>	<u>310,595</u>
Capital and reserves			
Share capital		2,128	2,128
Reserves		229,639	308,467
TOTAL EQUITY		<u>231,767</u>	<u>310,595</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The immediate holding company of the Company is Achieve Prosper Capital Limited, which was incorporated in Samoa, and the ultimate holding company of the Company is Liaoning Shihua (Group) Property Development Limited* (遼寧實華 (集團) 房地產開發有限公司), which was established in the People’s Republic of China (the “**PRC**”).

2. BASIS OF PREPARATION

2.1 Basis of measurement

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies Ordinance.

The consolidated financial statements have been prepared on the historical basis except for the investment properties that are measured at fair value.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company.

2.2 Going concern

As at 31 March 2023, the Group has borrowings of HK\$21,716,000 and bonds payable of HK\$8,282,000 that are repayable within one year at the end of the reporting period. At the same date, the Group has bank balances and cash of HK\$4,196,000. The Group’s ability to continue as a going concern depends on the successful and favourable outcomes of the measures being implemented by the Group. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due within the next twelve months, after taking into consideration of the measures and arrangements made by the Group as detailed below:

- (i) The Group will actively adjust sales and pre-sale activities to better respond to market needs, and make efforts to achieve the latest budgeted sales and pre-sales volumes and amounts;
- (ii) The Group will maintain continuous communication with the major constructor and local government authorities and meet all of the necessary conditions to launch the pre-sale of the properties for sale under development;
- (iii) The Group will also continuously enhance collection progress from customers;
- (iv) The immediate holding company has agreed not to demand for repayment for outstanding balance of HK\$7,728,000 until the Group has the financial ability to do so; and
- (v) The Group will take various measures to minimise operating cash outflow.

* for identification purposes only.

Based on a cash flow forecast covering a period up to 31 March 2024 prepared by the management and after taking into account all assumptions and measures as described above, the directors are of the opinion that the Group will have sufficient working capital to maintain its operations and to pay its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to achieve a combination of the abovementioned measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their realisation amounts, to provide for additional liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW/REVISED HKFRSs

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021/2022 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Amendments to HKFRS 16	Covid-19–Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Disclosure of Accounting Policies ^[1]
Amendments to HKAS 8	Definition of Accounting Estimates ^[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ^[1]
HKFRS 17	Insurance Contracts ^[1]
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information ^[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ^[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants ^[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ^[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^[3]

^[1] Effective for annual periods beginning on or after 1 January 2023

^[2] Effective for annual periods beginning on or after 1 January 2024

^[3] The effective date to be determined

The Group is in the process of making a detailed assessment of the possible impact on the future adoption of the new/revised HKFRSs. So far the management is of the opinion that the adoption of the new/revised HKFRSs will not have any significant impact on the consolidated financial statements.

4. REVENUE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Revenue from contracts with customers within HKFRS 15:</i>		
Development and sale of properties	13,392	29,373
Properties management	569	564
Operation and management of hydroelectric power stations	8,577	7,704
	<u>22,538</u>	<u>37,641</u>
<i>Revenue from other sources:</i>		
Rental income from operating leases		
– Fixed lease payments	1,016	1,052
– Variable lease payments	210	246
	<u>1,226</u>	<u>1,298</u>
	<u><u>23,764</u></u>	<u><u>38,939</u></u>

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods and services delivered by each operating division.

The Group's operating divisions are as follows:

- (1) Development and sale of properties (“**Properties development**”)
- (2) Properties investment
- (3) Properties management
- (4) Operation and management of hydroelectric power stations (“**Hydroelectric power business**”)

(a) Segment revenue and results

	Year ended 31 March 2023				Total HK\$'000
	Properties development HK\$'000	Properties investment HK\$'000	Properties management HK\$'000	Hydroelectric power business HK\$'000	
Revenue	<u>13,392</u>	<u>1,226</u>	<u>569</u>	<u>8,577</u>	<u>23,764</u>
Segment results	(25,053)	(18,369)	34	(288)	(43,676)
Interest income					15
Unallocated expenses					(3,550)
Finance costs					<u>(3,954)</u>
Loss before tax					<u>(51,165)</u>
	Year ended 31 March 2022				
	Properties development HK\$'000	Properties investment HK\$'000	Properties management HK\$'000	Hydroelectric power business HK\$'000	Total HK\$'000
Revenue	<u>29,373</u>	<u>1,298</u>	<u>564</u>	<u>7,704</u>	<u>38,939</u>
Segment results	(6,189)	(6,602)	(139)	3,486	(9,444)
Interest income					25
Unallocated expenses					(4,252)
Finance costs					<u>(3,880)</u>
Loss before tax					<u>(17,551)</u>

(b) Segment assets and liabilities

	At 31 March 2023				
	Properties development <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Properties management <i>HK\$'000</i>	Hydroelectric power business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets					
Segment assets	234,789	41,963	641	29,386	306,779
Unallocated corporate assets					450
Consolidated total assets					307,229
Liabilities					
Segment liabilities	20,697	10,138	991	1,917	33,743
Unallocated corporate liabilities					41,719
Consolidated total liabilities					75,462

	At 31 March 2022				
	Properties development <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Properties management <i>HK\$'000</i>	Hydroelectric power business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets					
Segment assets	303,594	67,885	1,626	38,273	411,378
Unallocated corporate assets					1,104
Consolidated total assets					412,482
Liabilities					
Segment liabilities	31,543	7,902	1,131	1,942	42,518
Unallocated corporate liabilities					59,369
Consolidated total liabilities					101,887

Unallocated corporate assets mainly represent assets held by head office and inactive subsidiaries.

Unallocated corporate liabilities mainly represent amounts due to immediate holding company/a director, borrowings, bonds payable and liabilities incurred by head office and inactive subsidiaries.

(c) **Other segment information**

	Year ended 31 March 2023					
	Properties development <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Properties management <i>HK\$'000</i>	Hydroelectric power business <i>HK\$'000</i>	Other segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measurement of segment results or segment assets:						
Additions of property, plant and equipment	6	30	-	10	-	46
Depreciation of property, plant and equipment	4	423	-	2,719	-	3,146
Depreciation of right-of-use assets	-	-	-	-	362	362
Loss on revaluation of investment properties	-	16,157	-	-	-	16,157
	<u>-</u>	<u>16,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,157</u>
	Year ended 31 March 2022					
	Properties development <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Properties management <i>HK\$'000</i>	Hydroelectric power business <i>HK\$'000</i>	Other segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measurement of segment results or segment assets:						
Additions of property, plant and equipment	-	24	-	-	-	24
Additions of right-of-use assets	-	-	-	-	724	724
Depreciation of property, plant and equipment	5	452	-	2,875	-	3,332
Depreciation of right-of-use assets	-	-	-	-	1,032	1,032
Loss on revaluation of investment properties	-	7,056	-	-	-	7,056
	<u>-</u>	<u>7,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,056</u>

(d) **Geographical segments**

The Group's revenue from external customers (based on location of customers) and information about its non-current assets by geographical location of the assets are detailed below:

Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The PRC	<u>23,764</u>	<u>38,939</u>

Non-current assets

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	272	634
The PRC	<u>67,593</u>	<u>95,231</u>
	<u>67,865</u>	<u>95,865</u>

(e) **Information about major customers**

Revenue from customers contributing 10% or more of the total revenue of the Group is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A (Hydroelectric power business)	<u>8,577</u>	<u>7,704</u>

6. LOSS BEFORE TAX

This is stated after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Staff costs (including directors' remuneration):		
– Wages and salaries	1,601	1,348
– Contribution to defined contribution schemes	<u>350</u>	<u>199</u>
	<u>1,951</u>	<u>1,547</u>
Auditors' remuneration	840	800
Cost of inventories sold	12,204	27,033
Depreciation		
– Property, plant and equipment	3,146	3,332
– Right-of-use assets	362	1,032
Legal and professional fee	1,351	971
Marketing and promotion expenses	10,150	5,451
Repairs and maintenance		
– Anti-epidemic facilities	7,830	–
– Environmental afforestation	<u>2,934</u>	<u>–</u>

7. INCOME TAX EXPENSES

Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits derived from Hong Kong for the years ended 31 March 2023 and 2022.

The PRC Enterprise Income Tax (“EIT”) in respect of operations in the PRC is calculated at a rate 25% (2022: 25%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

The PRC Land Appreciation Tax (“LAT”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
EIT		
– Current year	31	56
– Under provision in prior year	<u>14</u>	<u>–</u>
	<u>45</u>	<u>56</u>

8. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the years ended 31 March 2023 and 2022.

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share of the Company is based on the following data:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year	<u>(51,210)</u>	<u>(17,607)</u>
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the basic and diluted loss per share	<u>212,839,878</u>	<u>212,839,878</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted loss per share	<u>(24.06)</u>	<u>(8.27)</u>

Diluted loss per share is same as the basic loss per share for the years ended 31 March 2023 and 2022. The Company did not have any dilutive potential ordinary shares during the years ended 31 March 2023 and 2022.

10. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At fair value	
At 1 April 2021	60,804
Loss on revaluation of investment properties	(7,056)
Exchange realignment	<u>2,416</u>
At 31 March 2022 and 1 April 2022	56,164
Loss on revaluation of investment properties	(16,157)
Exchange realignment	<u>(4,176)</u>
At 31 March 2023	<u>35,831</u>

11. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

The ageing analysis of trade receivables, net of loss allowance, based on invoice dates which approximate the respective recognition dates, at the end of the reporting period is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	542	1,214
31–60 days	12	6
61–90 days	267	8
Over 90 days	<u>5,735</u>	<u>4,639</u>
	<u><u>6,556</u></u>	<u><u>5,867</u></u>

12. TRADE PAYABLES AND ACCRUED CHARGES

The ageing analysis of trade payables based on invoice dates at the end of the reporting period is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
61–90 days	–	493
Over 90 days	<u>7,790</u>	<u>8,332</u>
	<u><u>7,790</u></u>	<u><u>8,825</u></u>

13. BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other borrowings, secured	21,716	23,433
Other borrowings, unsecured	–	16,748
	<u>21,716</u>	<u>40,181</u>

The borrowings are repayable as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	<u>21,716</u>	<u>40,181</u>

Included in borrowings of HK\$21,716,000 (2022: HK\$23,433,000) as at 31 March 2023 are interest-bearing at 12% per annum, secured by investment properties of HK\$20,059,000 (2022: HK\$21,854,000) and repayable on 2 May 2023 (2022: 2 May 2022). The borrowings are extended for one year to 2 May 2024 with all other terms remain unchanged on 2 May 2023.

The remaining borrowings as at 31 March 2022 were interest-bearing at 12% per annum, unsecured and repaid during the year ended 31 March 2023.

14. BONDS PAYABLE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Corporate bonds		
Current liabilities	<u>8,282</u>	<u>11,500</u>

As at 31 March 2023, the Company had corporate bonds with principal amount of HK\$8,282,000 (2022: HK\$11,500,000) issued under the placing agreement dated 13 November 2018 for bonds issuance with an aggregate principal amount of up to HK\$200,000,000.

The bonds carry fixed interest rates ranging from 6% to 6.5% per annum. The bonds are with a maturity period ranging from three to five years from the issue date, and the interests are paid semiannually in arrears on 30 June and 31 December in each year and on the maturity date.

On 4 November 2022, the Company received a winding-up petition (the “**Petition**”), which was filed against the Company on 28 October 2022 at the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) by holders (the “**Petitioner**”) of bonds in an aggregate principal amount of HK\$3,000,000 (the “**Bonds**”) issued by the Company for the winding up of the Company under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Company has fully settled the outstanding amount due to the Petitioner and the Company and the Petitioner have signed and filed a consent summons to the High Court on 24 February 2023 to withdraw the Petition. The Company received a court order from the High Court dated 7 March 2023, which ordered, among other things, that the Petition be withdrawn. Please refer to the announcements of the Company dated 4 November 2022, 10 November 2022, 11 January 2023, 22 February 2023, 8 March 2023 and 20 March 2023 for further details.

On 10 November 2022, the Company received writs of summons with statements of claims from certain bond holders for certain outstanding principal and interest payables. Please refer to the announcement of the Company dated 11 November 2022 for details. The Company has reached settlements agreements with these bond holders for extension of the repayment of the outstanding amounts by instalments by December 2023. The outstanding balance as at 31 March 2023 was interest-free and repayable in accordance with the repayment schedule pursuant to the aforesaid settlement agreements.

As at 31 March 2023, bonds payable amounting to HK\$6,460,000 (2022: nil) was guaranteed by a director of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

To align with the Group's business strategies and directions, the Group has reallocated its resources and reorganised its asset portfolio to enlarge its business scale in properties development and related services sectors in the past years. For the year ended 31 March 2023, most of the Group's revenue were derived from properties development and hydroelectric power business, with a small proportion of revenue derived from properties investment and properties management business.

As adversely affected by various unexpected factors including but not limited to the recurrence of the COVID-19 pandemic and global economic slowdown, the national real estate industry experienced unprecedented challenges. The buyers were adopting a conservative and wait-and-see attitude on the property purchases in the PRC. The sales scale of commodity housing declined significantly and the total investment in property development recorded a negative growth for the first time as compared to the previous years. As shown in the information issued by the National Bureau of Statistics in the PRC, from January to December 2022, the sales area of commodity housing in the PRC was approximately 1,358 million sq.m., representing a decrease of 24% over the previous year; the sales of commodity housing in the PRC were approximately RMB13,331 billion, representing a decrease of 27% over the previous year; and the investment in the real estate development in the PRC amounted to approximately RMB13,290 billion, representing a decrease of 10% over the previous year. The property market remained under downward pressure and the housing supply and prices dragged down by the weakened demands.

During the year ended 31 March 2023, the market sentiments stayed far from recovery and the sluggish market trading remained, with impacts from the pandemic and macroeconomic downward pressure, the operations of the Group, especially properties sales and construction progress, were inevitably affected.

For the year ended 31 March 2023, the Group recorded a revenue of approximately HK\$23,764,000, representing a decrease of approximately 39% as compared to the revenue of approximately HK\$38,939,000 for the year ended 31 March 2022. Administrative expenses increased from approximately HK\$17,729,000 for the year ended 31 March 2022 to approximately HK\$34,588,000 for the year ended 31 March 2023, which was mainly due to the increased marketing and promotion activities and anti-epidemic facilities and environmental afforestation work on properties sales. In addition, the fair value of investment properties was affected by the overall economy and properties leasing market of the PRC, a loss on revaluation of investment properties of approximately HK\$16,157,000 was recorded for the year ended 31 March 2023, while a loss on revaluation of investment properties of approximately HK\$7,056,000 was recorded for the year ended 31 March 2022. Further, the Group recorded finance costs of approximately HK\$3,954,000 for the year ended 31 March 2023, representing an increase of approximately 2% as compared to that of approximately HK\$3,880,000 for the year ended 31 March 2022, which was resulted from the borrowings and bonds payable for the Group's refinancing and general corporate purpose.

As a result, the Group recorded a loss for the year at the amount of approximately HK\$51,210,000 for the year ended 31 March 2023, representing an increase of approximately 191% as compared to that of approximately HK\$17,607,000 for the year ended 31 March 2022.

Properties Development

Leveraging the experience and connection of the management and following the business directions of the Company, the Group started to engage in properties development business since the financial year of 2018. During the year ended 31 March 2023, the Group owned three properties development projects in the PRC, namely Xiguan Project, Bagua Town Project I and Bagua Town Project II. For the year ended 31 March 2023, revenue from properties development were derived from the sale of remaining completed properties of the Xiguan Project.

Xiguan Project

It is located at Xiguan Village, Huanren County, Benxi, Liaoning Province, the PRC, with a floor area of 46,242.6 sq.m. and a construction area of 80,462 sq.m.. Xiguan Project contained 19 buildings that created 775 residential and 30 commercial units and 121 parking units. The construction work of the Xiguan Project was completed during the financial year of 2019.

For the year ended 31 March 2023, the Group sold approximately 3% of the gross floor area and achieved total contracted sales of approximately HK\$13,392,000, while approximately 7% of the gross floor area was sold and total of contracted sales of approximately HK\$29,373,000 was recorded for the year ended 31 March 2022.

Bagua Town Project I

It is located at Bagua Town, Huanren County, Benxi, Liaoning Province, the PRC, with a floor area of approximately 5,023 sq.m. and a construction area of approximately 7,543 sq.m. for other commercial use. Although the preparation work for construction of properties on this parcel of land has been commenced since the financial year of 2020, the construction schedule has been delayed due to the outbreak and spread of COVID-19 pandemic during the past few years. The construction work of Bagua Town Project I has been substantially completed as at 31 March 2023. Bagua Town Project I comprises 3 main buildings and 38 commercial units that creates a marketplace for the community. It is expected that the sale of Bagua Town Project I will commence in mid-2023.

Bagua Town Project II

It is located at Bagua Town, Huanren County, Benxi, Liaoning Province, the PRC, with a floor area of approximately 9,188.2 sq.m. and a construction area of approximately 14,700 sq.m. for other commercial use. The Bagua Town Project II is at the preliminary stage of preparation ahead of construction.

The Bagua Town Project I and the Bagua Town Project II are important parts of the only restoration and reconstruction project of the Taiji Bagua Town in the PRC, with strong ethnic characteristics and historical significance, located in the Central Community of Huanren Manchu Autonomous County, Liaoning Province, the PRC. The two projects are a combination of work, life, education and tourism, located near the government square of Huanren Manchu Autonomous County, Liaoning Province, the PRC. The two projects are planned to include pedestrian streets, office buildings, retail stores, shopping malls, and tourism, historical and cultural facilities. The Bagua Town Project I and the Bagua Town Project II are expected to generate continuous growth and enhance future business performance of the Group.

For the year ended 31 March 2023, the economy in the PRC faced downward pressure as a result of the recurring domestic COVID-19 pandemic cases. It weakened the internal demands and hence the properties development business in the PRC has been in a down-cycle. The overall property sales in the PRC continued with its decline, while the construction progress and sales planning on Bagua Town Project I and Bagua Town Project II continued to be inevitably delayed.

As a result of the significant decline in property sales, the increased marketing and promotion activities, anti-epidemic facilities and environmental afforestation work carried out during the year ended 31 March 2023, segment loss increased from approximately HK\$6,189,000 for the year ended 31 March 2022 to approximately HK\$25,053,000 for the year ended 31 March 2023.

Confronted with the downward pressure in economy, local governments persisted in epidemic prevention and control on one hand while ensuring economic stability on the other. Stability in real estate, economy and growth still remained the keynote of the macro-policy advocated by the state. The government of the PRC continued to adhere to the national strategies that “houses are built to be inhabited, not for speculation”, implement city-specific policies to achieve the “three stabilities” of “stabilising land prices”, “stabilising housing prices” and “stabilising expectations”, as well as the financial support policies launched by the People’s Bank of China and the China Banking and Insurance Regulatory Commission, thereby promoting the positive and healthy development of the real estate industry. Following the national strategies, the Board is positive towards the properties development industry in the PRC and will proactively align and respond to the adjustment and calling of such policies and capture the potential opportunities in the properties development market in order to enhance shareholder’s value. Further, the Group will also enhance its portfolio of the existing projects and strive to generate a better result for the Group.

Properties Investment

Revenue generated from properties investment was mainly derived from the leasing of several parcels of land and rights-of-use assets located in Benxi City, Liaoning Province, the PRC for commercial use.

For the year ended 31 March 2023, revenue was approximately HK\$1,226,000, representing a decrease of 6% as compared to approximately HK\$1,298,000 for the year ended 31 March 2022. The fair value of investment properties was affected by the overall economy and properties leasing market of the PRC, a loss on revaluation of investment properties of approximately HK\$16,157,000 was recorded for the year ended 31 March 2023, while a loss on revaluation of investment properties of approximately HK\$7,056,000 was recorded for the year ended 31 March 2022. In addition, the operating costs for properties investment business increased due to the anti-epidemic facilities and maintenance work on certain investment properties during the year ended 31 March 2023, thus, segment loss of approximately HK\$18,369,000 and approximately HK\$6,602,000 for each of the year ended 31 March 2023 and 31 March 2022, respectively, were recorded.

Properties Management

To complement the properties development business, the Group started to engage in properties management business and delivered comprehensive property management services for residential and commercial properties of the Xiguan Project since the financial year of 2020. The Group is committed to delivering the highest service standard and providing user-oriented services to its customers. Following the completion of construction work of the Bagua Town Project I and the Bagua Town Project II, it is expected that the Group will put more resources to build up a professional properties management team by providing integrated training in properties management sectors to its front line and back-office staff, acquiring and improving its properties management system and services to meet the increasing demand.

The revenue and segment profit for the year ended 31 March 2023 were approximately HK\$569,000 and approximately HK\$34,000, respectively, whereas the revenue and segment loss for the year ended 31 March 2022 were approximately HK\$564,000 and approximately HK\$139,000, respectively.

Hydroelectric Power Business

The Group started to engage in the business of clean and renewable energy since the financial year of 2016. Revenue was generated from the operation and management of two hydroelectric power stations located in the northern PRC which are connected to the national power grid and mainly for industrial use. The business of clean and renewable energy contributed to the stable income of the Group during the year.

The revenue for the year ended 31 March 2023 was approximately HK\$8,577,000, representing an increase of 11% as compared to approximately HK\$7,704,000 for the year ended 31 March 2022. However, segment loss of approximately HK\$288,000 was recorded as a result of the increased maintenance costs incurred for the hydroelectric power stations during the year ended 31 March 2023, whereas segment profit for the year ended 31 March 2022 was approximately HK\$3,486,000.

Needless to say, the sustainable development in clean and renewable energy is the global trend. The Group believes that continued investments in renewable energy business will benefit the Group in the long run and generate sustainable revenue to the Group.

Prospect

Over the past years, the COVID-19 pandemic has created an intricate environment with challenges in public health, business, politics and all abounded. Although the head of the United Nations World Health Organization declared an end to the COVID-19 pandemic as a public health emergency in 2023, it is anticipated that the post pandemic era will be full of uncertainties and challenges. The restrictions and various COVID-19 pandemic measures, particularly in the PRC, are now lifted. The Group has been reviewing and adjusting its business development and sales schedule in accordance with the latest market conditions and the overall business environment.

Looking forward, the Group will adhere to its business orientation and reinforce its product brand and industry positioning and continue to upgrade its products and services qualities and capabilities in the northern PRC. Further, the Group will continue to maintain its prudent investment and business strategies and will adhere to its strategy to diversify its business models into different business sectors and to strengthen and expand its revenue streams and generate better results and prospect for the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2023, bank balances and cash denominated mainly in Hong Kong dollars and Renminbi amounted to approximately HK\$4,196,000 as compared to approximately HK\$12,673,000 as at 31 March 2022.

As at 31 March 2023, gearing ratio was 0.13 (31 March 2022: 0.17), which was calculated based on the total borrowings and bonds payable divided by total equity. The Group will continue to monitor and manage its financial structure and their potential risks in the course of development.

As at 31 March 2023, the current ratio was 3.17 (31 March 2022: 3.12), which was calculated by dividing the total current assets by the total current liabilities.

Financing and Capital Structure

The Group finances its operations by a combination of equity and borrowings. As at 31 March 2023, the Group had borrowings of approximately HK\$21,716,000 (31 March 2022: HK\$40,181,000) and bonds payable of approximately HK\$8,282,000 (31 March 2022: HK\$11,500,000), which were for the Group's refinancing and general corporate purpose. Details regarding the borrowings and bond payable of the Group are set out in notes 13 and 14 to the consolidated financial statements.

Exposure to Fluctuation in Exchange Rates

For the year ended 31 March 2023, the Group's transactions were mostly denominated in Hong Kong dollars and Renminbi. No foreign currency hedge was made during the year ended 31 March 2023. The Group did not have significant exposure to foreign exchange fluctuation as the management monitors the related foreign currencies closely and will consider hedging for significant foreign currency exposure, if necessary.

Pledge of Assets

Saved as disclosed in note 13 to the consolidated financial statements, properties for sale under development of approximately HK\$14,945,000 as at 31 March 2023 (31 March 2022: HK\$16,126,000) were pledged to secure banking facility with an aggregate principal amount of approximately HK\$27,145,000 (31 March 2022: HK\$29,291,000) granted to third parties.

Contingent Liabilities

As at 31 March 2023, the Group had no material contingent liabilities (31 March 2022: Nil).

Employee

As at 31 March 2023, the Group had a total of 21 employees (31 March 2022: 16), of which 18 (31 March 2022: 13) were employed in the PRC. Details regarding the total amount of staff costs of the Group are set out in note 6 to the consolidated financial statements.

The employees' remuneration, promotion, salary increments and discretionary bonus are assessed based on both individual's and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. In addition, the Group also provides employee benefits such as employee insurance, retirement scheme and training programmes.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal during the year ended 31 March 2023.

SIGNIFICANT INVESTMENT HELD

Save as disclosed in the paragraph headed "Business Review", the Group did not have any significant investment held for the year ended 31 March 2023.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

Save as disclosed in the paragraphs headed “Business Review”, “Prospect” and “Material Acquisition and Disposal”, the Group will actively seek potential opportunities in different industries and business sectors. However, the Group has not executed any legally binding agreement in relation to material investment or acquisition of capital assets and did not have any plans relating to material investment or capital assets as at the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2023 (2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2023, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities.

EVENT AFTER REPORTING PERIOD

Save as disclosed, the Board is not aware of any important event affecting the Group which occurred after the end of the reporting period and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company adopted all the code provisions in Corporate Governance Code (the “**Code Provisions**”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange as its own code on corporate governance practices and guidance. During the year ended 31 March 2023 and up to the date of this announcement, the Company has complied with the Code Provisions except the following:

1. Pursuant to Code Provision B.2.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company was incorporated in Bermuda and enacted by private act, the Starlight International Holdings Limited Company Act, 1989 of Bermuda (the “**1989 Act**”). Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting as provided in the bye-laws of the Company (the “**Bye-laws**”). As the Company is bounded by the provisions of the 1989 Act, the Bye-laws cannot be amended to fully reflect the requirements of Code Provision B.2.2.

To comply with Code Provision B.2.2, all the Directors will voluntarily retire from his directorship at the annual general meetings of the Company at least once every three years, and the retired Directors, being eligible, will offer themselves for re-election at the annual general meeting.

2. Pursuant to Code Provision F.2.2, the chairman of the board should attend the annual general meeting. Mr. Wang Jing, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 7 September 2022 (the “**2022 AGM**”) due to his other engagement. Mr. Wang Xing Qiao, the executive Director acted as the chairman of the 2022 AGM, and attended the 2022 AGM with other members of the management. At the 2022 AGM, there was sufficient caliber for answering questions at the 2022 AGM and answered questions at the 2022 AGM competently.
3. Pursuant to Code Provision C.1.6, independent non-executive director and other non-executive director should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Su Bo and Mr. Zeng Guanwei, the independent non-executive Directors, were unable to attend the 2022 AGM due to the travel restrictions arising from the COVID-19 pandemic.

In order to comply with the Code Provisions, the Company will continue to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a caution that may enable all Directors to attend the general meeting as far as possible.

Save as disclosed above, in the opinion of the Directors, the Company has complied with all Code Provisions during the year ended 31 March 2023 and, where appropriate, the applicable recommended best practices of the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (“**the Model Code**”) as the code of conduct regarding Director’s securities transactions. Having made specific enquiry to all Directors, all of them confirmed that they have complied with the Model Code throughout the year ended 31 March 2023.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors and reports directly to the Board. The Audit Committee meets regularly with the Group’s senior management and the external auditor to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company. The Audit Committee has reviewed the annual results of the Group for the year ended 31 March 2023.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in this announcement have been agreed by the Group’s auditor, Mazars CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 March 2023. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars CPA Limited on this announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 March 2023. The report includes particulars of the material uncertainty related to going concern without qualified opinion:

“Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2023, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to the “Going concern” section in note 3 to the consolidated financial statements, which indicates that as at 31 March 2023, the Group has borrowings of HK\$21,716,000 and bonds payable of HK\$8,282,000 that are repayable within one year at the end of the reporting period. At the same date, the Group has bank balances and cash of HK\$4,196,000. The Group’s ability to continue as a going concern depends on the successful and favourable outcomes of the measures being implemented by the Group. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors, having considered the measures being taken by the Group as disclosed in note 3 to the consolidated financial statements, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.”

The aforesaid “note 3 to the consolidated financial statements” in the extract from the independent auditor’s report is disclosed as note 2 to the consolidated financial statements in this results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company’s website at www.00485.hk. The annual report of the Company for the year ended 31 March 2023 containing all information required by the Listing Rules will be despatched to the shareholders of the Company and published on above websites in due course.

For and on behalf of
China Sinostar Group Company Limited
Wang Xing Qiao
Executive Director and Chief Executive Officer

Hong Kong, 30 June 2023

As at the date of this announcement, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao and Mr. Zhao Shuang as executive Directors; and Mr. Su Bo, Mr. Zeng Guanwei and Mr. Tang Shengzhi as independent non-executive Directors.