SINOSTAR
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)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

### INTERIM RESULTS

The board (the "Board") of directors (the "Directors", each a "Director") of China Sinostar Group Company Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2016 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016*

| | | Six months ended 30 September | |
|---|---|---|---|
| | NOTES | **2016** | 2015 |
| | | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| Turnover | 3 | **422,476** | 214,034 |
| Cost of sales | | **(322,797)** | (161,919) |
| Gross profit | | **99,679** | 52,115 |
| Other income | 4 | **7** | 91 |
| Distribution costs | | **(22,784)** | (20,230) |
| Administrative expenses | | **(31,983)** | (26,932) |
| Other gains and losses | 5 | **(5,328)** | (4,884) |
| Finance costs | | **(5,373)** | (5,965) |
| Decrease in fair value of investment properties | | **(10,333)** | (2,307) |
| Share of profits of an associate | | **286** | 98 |
| Profit (loss) before taxation | 6 | **24,171** | (8,014) |
| Taxation | 7 | **(12,822)** | (2,991) |
| Profit (loss) for the period | | **11,349** | (11,005) |
| Other comprehensive expense | | | |
| Item that may be subsequently reclassified to profit or loss: | | | |
| Exchange difference arising on translation of foreign operations | | **(13,674)** | (3,119) |
| Total comprehensive expense for the period | | **(2,325)** | (14,124) |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | **5,560** | (12,978) |
| Non-controlling interests | | **5,789** | 1,973 |
| | | **11,349** | (11,005) |
| Total comprehensive (expense) income for the period attributable to: | | | |
| Owners of the Company | | **(8,144)** | (16,218) |
| Non-controlling interests | | **5,819** | 2,094 |
| | | **(2,325)** | (14,124) |
| | | ***HK cents*** | *HK cents* (Restated) |
| Earnings (loss) per share | 9 | | |
| – Basic and diluted | | **0.13** | (1.19) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 SEPTEMBER 2016*

| | *NOTES* | **30.9.2016** **HK$'000** **(unaudited)** | 31.3.2016 HK$'000 (audited) |
|---|---|---|---|
| Non-current assets | | | |
| Investment properties | *10* | **201,469** | 208,631 |
| Property, plant and equipment | *11* | **53,616** | 39,140 |
| Goodwill | | **17,665** | 17,665 |
| Interest in an associate | | **6,778** | 6,792 |
| Deferred tax assets | | **13,532** | 18,852 |
| Prepaid lease payments | *11* | **29,984** | – |
| Long-term prepayments | | **79** | 309 |
| Deposit paid for investments | | **–** | 106,714 |
| Deposit paid for investment properties | | **12,488** | 12,902 |
| Rental deposit | | **1,652** | – |
| | | **337,263** | 411,005 |
| Current assets | | | |
| Inventories | | **98,482** | 54,299 |
| Debtors, deposits and prepayments | *12* | **406,864** | 114,559 |
| Prepaid lease payments | *11* | **1,045** | - |
| Investments held for trading | | **422** | 451 |
| Amount due from immediate holding company | *13* | **15,953** | 6,769 |
| Bank balances and cash | | **23,013** | 249,130 |
| | | **545,779** | 425,208 |
| Current liabilities | | | |
| Creditors and accrued charges | *14* | **221,482** | 73,434 |
| Amount due to immediate holding company | *13* | **12,871** | 182,319 |
| Amount due to a director | *13* | **172** | 172 |
| Taxation payable | | **8,206** | - |
| Convertible bonds | *16* | **67,696** | - |
| Borrowings | *15* | **74,817** | 11,990 |
| | | **385,244** | 267,915 |
| Net current assets | | **160,535** | 157,293 |
| Total assets less current liabilities | | **497,798** | 568,298 |

| | NOTES | 30.9.2016 HK$'000 (unaudited) | 31.3.2016 HK$'000 (audited) |
|---|---|---|---|
| Non-current liabilities | | | |
| Long-term creditors | | **15,011** | 15,011 |
| Convertible bonds | *16* | **–** | 64,399 |
| Borrowings | *15* | **104,454** | 107,913 |
| Deferred tax liabilities | | **1,231** | 2,098 |
| | | **120,696** | 189,421 |
| Net assets | | **377,102** | 378,877 |
| Capital and reserves | | | |
| Share capital | *17* | **36,507** | 36,507 |
| Reserves | | **312,494** | 320,629 |
| Equity attributable to owners of the Company | | **349,001** | 357,136 |
| Non-controlling interests | | **28,101** | 21,741 |
| Total equity | | **377,102** | 378,877 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016*

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards 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 of Hong Kong Limited.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measurement at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2016.

| | |
|---|---|
| Amendments to HKFRSs | Annual improvements to HKFRSs 2012 – 2014 cycle |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception |
| Amendments to HKFRS 11 | Accounting for acquisition of interests in joint ventures |
| Amendments to HKAS 1 | Disclosure initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer plants |

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

The Group's operating divisions are as follows:

a) Trading and related services represented the operation for the trading of mechanical and electronic products and provision of related services

b) Operation and management of hydroelectric power stations

c) Property investment

d) Others

**Segment revenue and results**

An analysis of the Group's revenue and results by reportable and operating segments is as follows:

**For the six months ended 30 September 2016**

| | Trading and related services *HK$'000* (unaudited) | Operation and management of hydroelectric power stations *HK$'000* (unaudited) | Property investment *HK$'000* (unaudited) | Others *HK$'000* (unaudited) | Consolidated *HK$'000* (unaudited) |
|---|---|---|---|---|---|
| TURNOVER | 420,380 | 2,096 | – | – | 422,476 |
| SEGMENT RESULTS | 41,535 | 374 | (10,333) | (29) | 31,547 |
| Interest income | | | | | 6 |
| Unallocated expenses | | | | | (2,295) |
| Share of profits of an associate | | | | | 286 |
| Interest expenses | | | | | (5,373) |
| Profit before taxation | | | | | 24,171 |

For the six months ended 30 September 2015

| | Trading and related services *HK$'000* (unaudited) | Property investment *HK$'000* (unaudited) | Others *HK$'000* (unaudited) | Consolidated *HK$'000* (unaudited) |
|---|---|---|---|---|
| TURNOVER | 214,034 | – | – | 214,034 |
| SEGMENT RESULTS | 2,599 | (2,307) | 48 | 340 |
| Interest income | | | | 17 |
| Unallocated expenses | | | | (2,504) |
| Share of profits of an associate | | | | 98 |
| Interest expenses | | | | (5,965) |
| Loss before taxation | | | | (8,014) |

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the results from each operating segment without allocation of central administration costs incurred by head office, amortisation of prepaid lease payments, share of results of an associate, interest income and interest expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

## 4. OTHER INCOME

| | **Six months ended 30 September** | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Other income includes: | | |
| Interest income | **6** | 17 |
| Others | **1** | 74 |
| | **7** | 91 |

## 5. OTHER GAINS AND LOSSES

| | Six months ended 30 September | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Other (losses) gains comprise: | | |
| Exchange loss, net | **(3,485)** | (4,365) |
| Allowance for doubtful debts | **(1,814)** | (567) |
| (Decrease) increase in fair value of investments held for trading | **(29)** | 48 |
| | **(5,328)** | (4,884) |

## 6. PROFIT (LOSS) BEFORE TAXATION

| | Six months ended 30 September | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Profit (loss) before taxation has been arrived at after charging (crediting): | | |
| Allowance for obsolete and slow-moving inventories (included in cost of sales) | **702** | 41 |
| Depreciation of property, plant and equipment | **1,253** | 544 |
| Amortisation of prepaid lease payments | **307** | – |
| Interest expenses on: | | |
| – borrowings | **957** | 1,230 |
| – convertible bonds | **4,416** | 4,735 |
| Minimum lease payments under operating leases in respect of rented premises | **2,677** | 2,664 |
| Staff costs including directors' remuneration and share-based payment | **12,559** | 10,560 |

## 7. TAXATION

| | Six months ended 30 September | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| The charge comprises: | | |
| Current taxation | | |
| The People's Republic of China Enterprise Income Tax | **8,206** | – |
| Deferred taxation | **4,616** | 2,991 |
| | **12,822** | 2,991 |

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2015: 16.5%) of the estimated assessable profits for the period. No provision of Hong Kong Profits Tax has been made as the Group did not generate any assessable profits in Hong Kong for both periods.

Under the Law of the People's Republic of China (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% (six months ended 30 September 2015: 25%). No provision of Enterprise Income Tax was made in prior period as the Group did not generate any assessable income for the six months ended 30 September 2015.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 8. DIVIDEND

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

## 9. EARNINGS (LOSS) PER SHARE

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

| | Six months ended 30 September | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited and restated) |
| Earnings (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share | **5,560** | (12,978) |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share | **4,331,063,906** | 1,091,308,537 |

For the six months ended 30 September 2016, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

For the six months ended 30 September 2015, the calculation of diluted loss per share did not assume the exercise of the conversion of the Company's outstanding convertible bonds as it would result in a decrease in the loss per share.

The weighted average number of shares for the purpose of basic and diluted loss per share for the period ended 30 September 2015 has been restated to reflect a consolidation of shares on 13 January 2016 on the basis of four shares being consolidated into one share.

## 10. INVESTMENT PROPERTIES

During the six months ended 30 September 2016, the Group purchased an investment property under construction at a consideration of HK$4,695,000 (six months ended 30 September 2015: HK$208,276,000).

## 11. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the six months ended 30 September 2016, the Group spent HK$2,351,000 and HK$31,336,000 (six months ended 30 September 2015: HK$972,000 and nil) on purchase of property, plant and equipment and prepaid lease payments, respectively.

## 12. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 September 2016, debtors, deposits and prepayments includes trade debtors of HK$302,642,000 (31 March 2016: HK$17,273,000). The aged analysis of trade debtors net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective recognition dates, is as follows:

| | **30.9.2016** | 31.3.2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0 – 30 days | **257,613** | 9,863 |
| 31 – 60 days | **38,562** | 1,459 |
| 61 – 90 days | **5,739** | 5,951 |
| Over 90 days | **728** | – |
| | **302,642** | 17,273 |

The credit period granted to certain customers of trading of mechanical and electronic products and provision of related services is 1 year. For other customers, the Group allows an average credit period ranging from 30 days to 90 days.

## 13. AMOUNTS DUE FROM (TO) IMMEDIATE HOLDING COMPANY AND A DIRECTOR

The amounts are interest-free, unsecured and repayable on demand.

## 14. CREDITORS AND ACCRUED CHARGES

At 30 September 2016, creditors and accrued charges includes trade creditors of HK$97,935,000 (31 March 2016: HK$5,855,000). The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

| | **30.9.2016** | 31.3.2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0 – 30 days | **74,094** | 5,154 |
| 31 – 60 days | **7,187** | 9 |
| 61 – 90 days | **15,226** | 153 |
| Over 90 days | **1,428** | 539 |
| | **97,935** | 5,855 |

The Group allows an average credit period on purchases of goods ranging from 30 days to 90 days.

## 15. BORROWINGS

| | **30.9.2016** | 31.3.2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other borrowings, secured | **179,271** | 119,903 |

The borrowings are repayable as follows:

| | **30.9.2016** | 31.3.2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **74,817** | 11,990 |
| More than one year but not exceeding two years | **41,782** | 23,981 |
| More than two years but not exceeding five years | **62,672** | 83,932 |
| | **179,271** | 119,903 |
| Less: Amount due within one year shown under current liabilities | **(74,817)** | (11,990) |
| Amount due after one year | **104,454** | 107,913 |

## 16. CONVERTIBLE BONDS

On 30 July 2014, the Company issued 3% coupon convertible bonds (the "Bonds") at a principal amount of HK$75,000,000 maturing on 30 July 2017 to Achieve Prosper Capital Limited, the immediate holding company of the Company, which was subsequently transferred to another shareholder of the Company on 30 December 2015. The Bonds are denominated in Hong Kong dollars and the Company agrees to guarantee payment of all sums payable in relation to the Bonds. Interest of 3% per annum will be paid semi-annually up until the settlement date.

The Bonds are convertible, at the option of the bond holder, into ordinary shares of HK$0.1 each of the Company at a conversion price of HK$0.23 per share, subject to anti-dilutive adjustments, at any time on or after 30 July 2014 up to and including the maturity date. Unless previously redeemed, converted or purchased and cancelled, the outstanding Bonds will be redeemed by the Company at 100% of its principal amount on the maturity date.

At initial recognition, the Bonds are split into an equity component of HK$61,480,000 and a liability component of HK$52,056,000. The liability component is determined based on the present value of the estimated future cash flows discounted at an effective interest rate of 16.21% per annum, being the average yield of similar financial instruments with similar credit rating and structure but without the call conversion option, which incorporated appropriate adjustments to reflect possible impact of country factors, firm specific risk and liquidity risk.

The equity component is presented as convertible bonds reserve in equity, whereas the liability component is classified under current liabilities at 30 September 2016 and non-current liabilities at 31 March 2016, respectively.

The movement of the liability component of the Bonds for the current and prior period is set out below:

| | *HK$'000* (unaudited) |
|---|---|
| At 1 April 2015 | 56,875 |
| Imputed interest expense for the year | 9,774 |
| Coupon interest paid | (2,250) |
| At 31 March 2016 | 64,399 |
| Imputed interest expense for the period | 4,419 |
| Coupon interest paid | (1,122) |
| At 30 September 2016 | 67,696 |

None of the Bonds has been converted into ordinary shares of the Company during both periods.

## 17. SHARE CAPITAL

| | NOTES | Nominal value per share HK$ | Number of shares | Amount HK$'000 |
|---|---|---|---|---|
| Authorised: | | | | |
| At 1 April 2015 | | 0.10 | 5,000,000,000 | 500,000 |
| Consolidation of shares | *b(i)* | | (3,750,000,000) | – |
| | | 0.40 | 1,250,000,000 | 500,000 |
| Reduction of share capital | *b(iii)* | | – | (487,500) |
| At 31 March 2016 and 30 September 2016 | | 0.01 | 1,250,000,000 | 12,500 |
| Issued and fully paid: | | | | |
| At 1 April 2015 | | 0.10 | 2,433,808,485 | 243,381 |
| Placing of shares | *(a)* | 0.10 | 486,760,000 | 48,676 |
| | | | 2,920,568,485 | 292,057 |
| Consolidation of shares | *b(i)* | | (2,190,426,364) | – |
| | | 0.40 | 730,142,121 | 292,057 |
| Reduction of share capital | *b(ii)* | | – | (284,756) |
| | | 0.01 | 730,142,121 | 7,301 |
| Issue of shares upon open offer | *(c)* | | 2,920,568,484 | 29,206 |
| At 31 March 2016 and 30 September 2016 | | 0.01 | 3,650,710,605 | 36,507 |

*Notes:*

(a) On 30 July 2015, the Company issued 486,760,000 ordinary shares of HK$0.1 at HK$0.124 per shares by way of placing.

(b) As detailed in the Company's circular dated 27 November 2015, the Company proposed to effect (i) a share consolidation pursuant to which every four issued and unissued then existing shares of HK$0.10 each were consolidated into one consolidated share of HK$0.40 each; (ii) the reduction of the nominal value of each issued consolidated share from HK$0.40 to HK$0.01 by cancelling HK$0.39 paid up share capital for each consolidated share; (iii) the reduction of the par value of all shares in the authorised share capital of the Company from HK$0.40 each to HK$0.01 each, resulting in the reduction of the authorised share capital from HK$500,000,000 divided into 1,250,000,000 consolidated shares of par value of HK$0.40 each to HK$12,500,000 divided into 1,250,000,000 shares of par value HK$0.01 each, and (iv) the transfer of the credit arising from the capital reduction to the capital redemption reserve of the Company. A special resolution was passed by the shareholders at the special general meeting of the Company held on 13 January 2016.

(c) On 23 February 2016, the Company allotted 2,920,568,484 ordinary shares of HK$0.01 each at a subscription price of HK$0.086 per offer share on the basis of four offer shares for every share.

All shares issued rank pari passu in all respects with the then existing shares.

## 18. NON-CASH TRANSACTION

During the six months ended 30 September 2016, the Group spent HK$31,336,000 (six months ended 30 September 2015: nil) on prepaid lease payments. Out of this amount, HK$22,051,000 was settled through current account with immediate holding company (six months ended 30 September 2015: nil).

## 19. COMMITMENT

| | **30.9.2016** | 31.3.2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Capital commitment in respect of acquisition of property, plant and equipment and investment properties contracted for but not provided in the condensed consolidated financial statements | **23,469** | 5,084 |
| Other commitment in respect of prepaid lease payments contracted for but not provided in the condensed consolidated financial statements | **15,088** | – |

## 20. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions:

(a) As at 30 September 2016 and 31 March 2016, Mr. Wang Jing, a director of the Company, and his wife have provided personal guarantees to a bank in respect of the Group's borrowing as at 30 September 2016 and 31 March 2016.

(b) As at 30 September 2016 and 31 March 2016, ultimate holding company of the Company has provided corporate guarantee to a bank in respect of the Group's borrowing as at 30 September 2016 and 31 March 2016.

(c) During the six months ended 30 September 2016, the Company paid coupon interest of HK$1,122,000 to a shareholder of the Company, as a holder of the Bonds (six months ended 30 September 2015: HK$1,116,000 to the immediate holding company of the Company).

(d) During the six months ended 30 September 2015, the Group purchased an investment property under construction at a consideration of HK$208,276,000 from 遼寧實華(集團)房地產開發有限公司, the ultimate holding company of the Company, by way of issue of promissory note (six months ended 30 September 2016: nil).

### (e) Compensation of key management personnel

The remuneration of directors and other member of key management during the period was as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Salaries and other short term employee benefits | **905** | 312 |

## 21. CONTINGENT LIABILITIES

There are no significant contingent liabilities as at 30 September 2016 and 31 March 2016.

## 22. ACQUISITION OF A SUBSIDIARY

In September 2016, the Company acquired the entire equity interest in 本溪滿族自治縣付家水力發電有限公司 ("Benxi Fujia") from an independent third party for a cash consideration of RMB36,000,000 (equivalent to HK$42,261,000). Benxi Fujia is currently engaged in operation and management of a hydroelectric power station in the PRC. The transaction has been accounted for using the acquisition method. The acquisition is part of the on-going expansion strategy of the Group with the aim of broadening its source of revenue.

| | **Amounts recognised at the date of acquisition (provisional basis)** |
|---|---|
| | *HK$'000* |
| Net identifiable assets acquired at the date of obtaining control was as follows: | |
| Non-current assets | 17,013 |
| Current assets | 27,018 |
| Current liabilities | (1,770) |
| | 42,261 |
| Consideration transferred, satisfied by cash | 15,500 |
| Deferred consideration included in other payables in current liabilities | 26,761 |
| | 42,261 |
| An analysis of net outflow of cash and cash equivalents in respect of acquisition of Benxi Fujia: | |
| Cash consideration paid | (15,500) |
| Bank balances and cash acquired | 374 |
| | (15,126) |

The fair value of the assets and liabilities acquired have been determined on a provisional basis, awaiting the completion of valuation of the identifiable assets and liabilities.

During the six months ended 30 September 2016, Benxi Fujia did not have any significant contribution to the Group's revenue or profit for the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

It has been the Group's business strategy to diversify its business and to broaden the revenue streams of the Group and to enhance the shareholders' value. For the six months ended 30 September 2016, the Group recorded a turnover of HK$422,476,000, a significant increase of 97% compared to the turnover of HK$214,034,000 for the corresponding period in 2015. As a result, the Group recorded a turnaround of its results by recording a net profit of HK$11,349,000 for the six months ended 30 September 2016 as compared to a net loss of HK$11,005,000 for the six months ended 30 September 2015. The gross profit margin for the six months ended 30 September 2016 was 24% which maintained at the same level as the corresponding period in 2015.

***Trading and related services***

By enlarging and widening the scale and scope of the trading and related services business, the turnover of trading and related services business reached HK$420,380,000 for the six months ended 30 September 2016 (for the six months ended 30 September 2015: HK$214,034,000). The segment results increased from HK$2,599,000 for the six months ended 30 September 2015 to HK$41,535,000 for the six months ended 30 September 2016 by the increase in the product range.

***Property Investment***

During the six months ended 30 September 2016, the result from property investment recorded a loss of HK$10,333,000 (for the six months ended 30 September 2015: 2,307,000) which was mainly due to the decrease in the fair values of the investment properties.

***Operation and management of hydroelectric power stations***

During the period ended 30 September 2016, revenue and segment profit of HK$2,096,000 and HK$374,000 respectively were recorded as a result of the acquisition of hydro electric power station for the year ended 31 March 2016.

## Prospect

With a review on the development of the Group in the recent years, the Group has enlarged and widened its business scale into different sectors and has actively explored new business opportunities to achieve better results.

In light of the uncertainties towards the current foreign market conditions and the slower recovery of the overall economy, the Board has been leveraging on the extensive experience and connections of the controlling shareholder of the Company and in expanding its business in the trading and related services during the six months ended 30 September 2016. By the effort and contribution of the management and the employee, the turnover in the trading and related services reached HK$420,380,000 for the six months ended 30 September 2016, representing a 97% increase as compared to the corresponding period of last fiscal year.

On the other hand, having considered the increasing concerns over the global warming, the risk of climate changes associated with the current energy generation, the demand of the renewable energy and the sustainable revenue generated from the operation and management of the hydroelectronic power stations, the Board believes that the Group's investments in renewable and clean energy will create new and massive business opportunities for the Group in the long run.

Looking forward, the Group will make use of the foundation and experience gained in the current business and will also prudently explore new opportunities in other business sectors or streamline and fine tune the existing business model to generate a better result and prospect for the Group.

## Financial Review

### *Liquidity and financial resources*

As at 30 September 2016, cash and bank deposits amounted to HK$23,013,000, as compared to HK$249,130,000 as at 31 March 2016.

As at 30 September 2016, the gearing ratio calculated as 0.52, excluding convertible bonds (31 March 2016: 0.35).

In the management of liquidity risk, the Group monitors and maintains its level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

### *Financing and capital structure*

The Group finances its operations by a combination of equity and borrowings. As at 30 September 2016, the Group's total interest bearing borrowings were HK$179,271,000 in which HK$74,817,000 was repayable within a year.

For the six months ended 30 September 2016, the Group's transactions were mostly denominated in US dollars, HK dollars, Renminbi and Canadian dollars. Having monitored the related foreign currencies closely by the management, the Group did not have significant exposure to foreign exchange fluctuation during the period. The management will also consider hedging if any significant foreign currency exposure arises.

### *Staff*

For the six months ended 30 September 2016, the Group had a total of 50 staff. Staff remuneration packages are maintained at a competitive level and reviewed on a regular basis. Apart from the remuneration packages, discretionary bonus may be granted to senior management and employee by reference to the Group's performance as well as the individual performance. In addition, the Group also provides employee benefits such as staff insurance, retirement scheme and training programs.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Corporate Governance

The Group is committed to maintain good corporate governance standard and procedures. The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 September 2016 except for the following:

Code Provision E.1.2 stipulates that the chairman of the Board should attend and invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting (the "AGM"). In their absence, he should invite another member of the committees or failing this, his duly appointed delegate, to attend. These persons should be available to answer questions at the AGM. Mr. Wang Jing, the chairman of the Board, was unable to attend the annual general meeting of the Company (the "AGM") held on 31 August 2016 due to personal reason. Mr. Wang Xing Qiao, an executive Director and the chief executive officer of the Company, was responsible for chairing the AGM and answering questions raised by shareholders.

Code Provision A.6.7 stipulates that independent non-executive directors and non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Li Jun, the non-executive Director, and Mr. Song Wenke, the independent non-executive Director, were unable to attend the AGM due to their other business commitments.

**Change of Company name**

Pursuant to a special resolution passed by the shareholders of the Company on 31 August 2016, the name of the Company was changed from "Shihua Development Company Limited" to "China Sinostar Group Company Limited" and the Chinese name "中國華星集團有限公司" as the secondary name of the Company has been adopted with effect from 7 September 2016. The registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) took effect from 17 October 2016.

## DIRECTORS' SECURITIES TRANSACTIONS

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 the code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months period ended 30 September 2016.

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") currently comprising Mr. Wang Ping, Mr. Cheng Tai Kwan Sunny and Mr. Song Wenke. Terms of reference of the Audit Committee have been updated in compliance with the Code. The Audit Committee together with the management of the Company has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the interim report for the six months ended 30 September 2016.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2016, there was no purchase, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.00485.hk) and the Stock Exchange (www.hkex.com.hk). The interim report of the Company for the six months ended 30 September 2016 containing all information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

For and on behalf of
**China Sinostar Group Company Limited**
**Wang Jing**
*Chairman*

Hong Kong, 28 November 2016

*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. Wang Ping, Mr. Cheng Tai Kwan Sunny and Mr. Song Wenke as independent non- executive Directors.*

*The English text of this announcement shall prevail over its Chinese text.*