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)

FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL RESULTS

The Board of Directors (the "Directors") of China Sinostar Group Company Limited (the "Company") hereby announces the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018 together with comparative figures for 2017 as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	NOTES	**2018** *HK$'000*	2017 *HK$'000* (Restated)
CONTINUING OPERATIONS			
REVENUE	*3*	**518,038**	462,025
Cost of sales		**(386,007)**	(345,069)
Gross profit		**132,031**	116,956
Other income		**72**	80
Distribution costs		**(41,366)**	(43,260)
Administrative expenses		**(89,434)**	(57,371)
Other gain and loss	*4*	**(18,875)**	(3,012)
Increase in fair value of investment properties		**–**	1,919
Finance costs		**(6,905)**	(12,248)
Impairment loss on goodwill		**–**	(34,027)
Impairment loss on property, plant and equipment		**–**	(2,935)
Impairment loss on investment in an associate		**–**	(3,751)
Share of profits of an associate		**364**	662

	NOTES	2018 HK$'000	2017 HK$'000 (Restated)
LOSS BEFORE TAXATION		**(24,113)**	(36,987)
Taxation	6	**115**	(10,100)
		(23,998)	(47,087)
DISCONTINUED OPERATION			
(LOSS)/PROFIT FOR THE YEAR FROM DISCONTINUED OPERATION	8	**(2,723)**	8,081
LOSS FOR THE YEAR	5	**(26,721)**	(39,006)
Other comprehensive income/(expense) for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**15,458**	(25,808)
Release of translation reserve upon disposal of subsidiaries		**35,194**	–
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX		**50,652**	(25,808)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**23,931**	(64,814)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company			
Loss from continuing operations		**(24,528)**	(54,136)
(Loss)/profit from discontinued operation		**(2,723)**	8,081
Loss attributable to owners of the Company		**(27,251)**	(46,055)
Non-controlling interests			
Profit from continuing operations		**530**	7,049
Profit from discontinued operation		**–**	–
Profit attributable to owners of non-controlling interests		**530**	7,049
		(26,721)	(39,006)

	NOTES	2018 HK$'000	2017 HK$'000 (Restated)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**23,483**	(71,948)
Non-controlling interests		**448**	7,134
		23,931	(64,814)
(LOSS)/EARNINGS PER SHARE	*9*	***HK$ cents***	*HK$ cents*
From continuing and discontinued operations			
– Basic and diluted		**(0.71)**	(1.26)
From continuing operations			
– Basic and diluted		**(0.64)**	(1.48)
From discontinued operation			
– Basic and diluted		**(0.07)**	0.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Investment properties		**22,620**	206,477
Property, plant and equipment		**62,127**	57,148
Goodwill		**8,512**	8,512
Interest in an associate		**3,767**	3,703
Deferred tax assets		**7,410**	7,295
Long-term prepayments		–	455
Prepaid land lease payments		**46,916**	44,374
		151,352	327,964
CURRENT ASSETS			
Inventories		**77,354**	62,807
Debtors, deposits and other receivables	*10*	**90,709**	243,395
Properties for sale under development		**138,129**	–
Investments held for trading		**263**	380
Amount due from a director		**68**	–
Amounts due from related companies		**62**	10,841
Bank balances and cash		**50,930**	34,442
		357,515	351,865
CURRENT LIABILITIES			
Amount due to immediate holding company		**22,083**	33,344
Amount due to a director		**9**	172
Creditors and accrued charges	*11*	**39,575**	111,991
Amounts due to related companies		**25,876**	36,100
Current tax liabilities		**–**	11,684
Borrowings		**3,925**	20,477
Convertible bonds	*12*	**–**	72,174
		91,468	285,942
NET CURRENT ASSETS		**266,047**	65,923
TOTAL ASSETS LESS CURRENT LIABILITIES		**417,399**	393,887

		2018	2017
	NOTES	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Amounts due to related companies		**979**	–
Borrowings		**975**	79,023
		1,954	79,023
NET ASSETS		**415,445**	314,864
CAPITAL AND RESERVES			
Share capital		**39,768**	36,507
Reserves		**344,562**	248,837
Equity attributable to owners of the Company		**384,330**	285,344
Non-controlling interests		**31,115**	29,520
TOTAL EQUITY		**415,445**	314,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 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 ("PRC").

The consolidated financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

The principal activity of the Company is investment holding. Its principal subsidiaries are engaged in the design and sale of a wide range of electronic products, operation and management of hydroelectric power stations, properties investment, properties development and securities trading.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2017. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. 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 delivered by each operating division.

The Group's operating divisions are as follows:

(1) Design and sale of electronic products (representing consumer electronic audio and video equipment, karaoke equipment and accessories) ("Electronic products business")

(2) Operation and management of hydroelectric power stations ("Hydroelectric power business")

(3) Properties investment

(4) Properties development

(5) Securities trading

Discontinued operation represented sales and installation of elevators and part of the properties investment business of Tong Sheng Yuan Holdings Limited, Tong Sheng Yuan Limited and Benxi Tong Sheng Yuan Shiya Company Limited (together referred to as "TSY Group"), which ceased to be subsidiaries of the Group upon disposal of TSY Group on 26 September 2017. (Note 8)

(a) Segment revenue and results

An analysis of the Group's revenue, which mainly represents sales of goods, and results by reportable and operating segments is as follows:

	For the year ended 31 March 2018							
	Continuing operations							
	Electronic products business HK$'000	Hydroelectric power business HK$'000	Properties investment HK$'000	Properties development HK$'000	Securities trading HK$'000	Subtotal HK$'000	Discontinued operation HK$'000	Total HK$'000
TURNOVER	512,115	5,185	738	–	–	518,038	–	518,038
SEGMENT RESULTS	(1,729)	630	(2,471)	(388)	19	(3,939)	(3,808)	(7,747)
Interest income						25	1	26
Unallocated expenses						(13,658)	–	(13,658)
Share of profits of an associate						364	–	364
Gain on deregistration of a subsidiary						–	3	3
Gain on disposal of subsidiaries						–	1,081	1,081
Finance costs						(6,905)	–	(6,905)
Loss before taxation						(24,113)	(2,723)	(26,836)

	For the year ended 31 March 2017						
	Continuing operations						
	Electronic products business HK$'000	Hydroelectric power business HK$'000	Properties investment HK$'000	Securities trading HK$'000	Subtotal HK$'000	Discontinued operation HK$'000	Total HK$'000
TURNOVER	457,858	4,167	–	–	462,025	169,990	632,015
SEGMENT RESULTS	8,313	419	(5,034)	17	3,715	10,273	13,988
Interest income					10	8	18
Unallocated expenses					(29,126)	–	(29,126)
Share of profits of an associate					662	–	662
Gain on disposal of investment property					–	9,259	9,259
Finance costs					(12,248)	–	(12,248)
(Loss)/profits before taxation					(36,987)	19,540	(17,447)

(b) Segment assets and liabilities

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

As at 31 March 2018

	Continuing operations							
	Electronic products business	Hydroelectric power business	Properties investment	Properties development	Securities trading	Subtotal	Discontinued operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	139,016	48,740	106,138	138,224	263	432,381	–	432,381
Unallocated corporate assets								76,486
Consolidated total assets								508,867
LIABILITIES								
Segment liabilities	35,637	6,299	2,286	988	–	45,210	–	45,210
Unallocated corporate liabilities								48,212
Consolidated total liabilities								93,422

As at 31 March 2017

	Continuing operations						
	Electronic products business	Hydroelectric power business	Properties investment	Securities trading	Subtotal	Discontinued operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS							
Segment assets	117,862	83,167	91,127	380	292,536	375,310	667,846
Unallocated corporate assets							11,983
Consolidated total assets							679,829
LIABILITIES							
Segment liabilities	16,675	4,359	51,293	–	72,327	108,156	180,483
Unallocated corporate liabilities							184,482
Consolidated total liabilities							364,965

Unallocated corporate assets mainly represent interest in an associate, deferred tax assets and bank balances and cash.

Unallocated corporate liabilities mainly represent amount due to immediate holding company, borrowings and convertible bonds.

(c) Other segment information

	For the year ended 31 March 2018							
	Continuing operations							
	Electronic products business *HK$'000*	Hydroelectric power business *HK$'000*	Properties investment *HK$'000*	Properties development *HK$'000*	Securities trading *HK$'000*	Subtotal *HK$'000*	Discontinued operation *HK$'000*	Total *HK$'000*
Amounts included in the measurement of segment results or segment assets:								
Additions of property, plant and equipment	**2,008**	**–**	**2,086**	**–**	**–**	**4,094**	**–**	**4,094**
Decrease in fair value of investment properties	**–**	**–**	**–**	**–**	**–**	**–**	**3,692**	**3,692**
Bad debts written off	**24,989**	**–**	**–**	**–**	**–**	**24,989**	**–**	**24,989**
Allowance for doubtful debts	**978**	**–**	**–**	**–**	**–**	**978**	**–**	**978**
Impairment loss on other receivables	**3,490**	**–**	**–**	**–**	**–**	**3,490**	**–**	**3,490**
Depreciation of property, plant and equipment	**1,716**	**2,876**	**398**	**–**	**–**	**4,990**	**–**	**4,990**
Allowance for obsolete and slow-moving inventories	**1,421**	**–**	**–**	**–**	**–**	**1,421**	**–**	**1,421**

	For the year ended 31 March 2017						
	Continuing operations						
	Electronic products business *HK$'000*	Hydroelectric power business *HK$'000*	Properties investment *HK$'000*	Securities trading *HK$'000*	Subtotal *HK$'000*	Discontinued operation *HK$'000*	Total *HK$'000*
Amounts included in the measurement of segment results or segment assets:							
Additions of property, plant and equipment	1,156	1,098	6,209	–	8,463	–	8,463
Additions of property, plant and equipment arising from acquisition of a subsidiary	–	16,638	–	–	16,638	–	16,638
Additions of investment properties	–	–	53,261	–	53,261	–	53,261
(Increase)/decrease in fair value of investment properties	–	–	(1,919)	–	(1,919)	30,234	28,315
Allowance for doubtful debts	712	–	–	–	712	–	712
Depreciation of property, plant and equipment	1,294	3,235	–	–	4,529	–	4,529
Allowance for obsolete and slow-moving inventories	873	–	–	–	873	–	873

Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment results or segment assets:

	2018 *HK$'000*	2017 *HK$'000*
Interest in an associate	**3,767**	3,703
Share of profits of an associate	**364**	662
Finance costs	**(6,905)**	(12,248)

(d) Geographical segments

The Group's operations are located in United States of America ("USA"), Canada, Europe, Hong Kong (place of domicile), the People's Republic of China ("PRC") and other countries.

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	
	2018	2017
	HK$'000	*HK$'000*
Continuing operations:		
USA	**438,672**	389,093
Canada	**42,594**	46,491
Europe	**29,589**	22,114
PRC	**5,923**	4,167
Other countries	**1,260**	160
	518,038	462,025
Discontinued operation:		
PRC	**–**	169,990
	518,038	632,015

	Non-current assets *(note)*	
	2018	2017
	HK$'000	*HK$'000*
Continuing operations:		
USA	**12,024**	22,006
Hong Kong	**6,017**	25,116
Canada	**–**	65
PRC	**125,901**	87,439
	143,942	134,626
Discontinued operation:		
PRC	**–**	186,043
	143,942	320,669

Note: Non-current assets excluded deferred tax assets.

4. OTHER GAIN AND LOSS

	2018 HK$'000	2017 HK$'000
Other gain/(loss) comprise:		
Exchange gain/(loss), net	**7,064**	(2,229)
Allowance for doubtful debts	**(978)**	(712)
Bad debts written off	**(24,989)**	–
Increase/(decrease) in fair value of investments held for trading	**28**	(71)
Gain on deregistration of a subsidiary	**3**	–
Gain on disposal of investment properties	**–**	9,259
	(18,872)	6,247
Representing:		
– Continuing operations	**(18,875)**	(3,012)
– Discontinued operation *(Note 8)*	**3**	9,259
	(18,872)	6,247

5. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

Continuing operations:	2018 HK$'000	2017 HK$'000
Cost of inventories sold	**386,007**	345,069
Staff costs (including directors' remuneration):		
Wages and salaries	**32,214**	28,107
Pension scheme contributions		
– Defined contribution scheme	**592**	480
Share-based payments	**–**	212
	32,806	28,799
Auditors' remuneration	**2,427**	2,321
Exchange (gain)/loss, net	**(7,064)**	2,229
Depreciation of items of property, plant and equipment	**6,316**	6,097
Allowance for obsolete and slow-moving inventories (included in cost of sales)	**1,421**	873
Bad debts written off	**24,989**	–
Amortisation of prepaid land lease payments	**2,084**	782
Allowance for doubtful debts	**978**	712
Impairment loss on other receivables	**3,490**	–
Impairment loss on goodwill	**–**	34,027
Impairment loss on property, plant and equipment	**–**	2,935
Impairment loss on investment in an associate	**–**	3,751
Loss on disposal of property, plant and equipment	**–**	370
Minimum lease payments under operating lease in respect of – Land and buildings	**11,729**	6,109

Discontinued operation:	*HK$'000*	*HK$'000*
Cost of inventories sold	**–**	124,154
Gain on disposal of investment properties	**–**	(9,259)
Gain on disposal of subsidiaries	**(1,081)**	–
Gain on deregistration of a subsidiary	**(3)**	–
Minimum lease payments under operating lease in respect of – Land and buildings	**–**	4

6. TAXATION

The charge comprises:

	2018	2017
	HK$'000	*HK$'000*
Current year		
Taxation in PRC	**–**	11,684
Taxation in other jurisdictions	**–**	416
Deferred taxation	**(115)**	9,459
	(115)	21,559
Representing:		
– Continuing operations	**(115)**	10,100
– Discontinued operation *(Note 8)*	**–**	11,459
	(115)	21,559

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for both years.

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% (2017: 25%).

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

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 31 March 2018 and 2017.

8. DISCONTINUED OPERATION

The Group's discontinued operation for the year ended 31 March 2018 represented the sales and installation of elevators and part of properties investment business operated by TSY Group.

On 26 September 2017, the Group entered into a sale and purchase agreement to dispose of the entire equity interest in TSY Group. The disposal was completed on 26 September 2017, the date on which the control of TSY Group was passed to the acquirer. The sales, results, and cash flows of TSY Group attributable to the Group prior to the date of disposal were as follows:

The (loss)/profit for the year from the discontinued operation is analysed as follows:

	2018	2017
	HK$'000	*HK$'000*
(Loss)/Profit from discontinued operation	**(2,723)**	8,081

The results of the discontinued operation for the period from 1 April 2017 to 26 September 2017, which have been included in consolidated profit or loss, are as follows:

	Period from 1 April 2017 to 26 September 2017	Year ended 31 March 2017
	HK$'000	*HK$'000*
Revenue	–	169,990
Cost of goods sold	–	(124,154)
Gross profit	–	45,836
Other income	1	11
Decrease in fair value of investment properties	(3,692)	(30,234)
Administrative expenses	(116)	(5,332)
Other gain and loss	3	9,259
(Loss)/Profit before tax for the period/year	(3,804)	19,540
Income tax expense	–	(11,459)
(Loss)/Profit for the period/year	(3,804)	8,081
Gain on disposal of subsidiaries	1,081	–
(Loss)/Profit from discontinued operation	(2,723)	8,081

During the year, the disposed TSY Group paid approximately HK$115,000 (2017: HK$5,332,000) in respect of operating activities, paid approximately HK$Nil (2017: HK$Nil) in respect of investing activities and paid approximately HK$2,653,000 (2017: HK$10,099,000) in respect of financing activities.

No tax charge or credit arose on gain on disposal of the discontinued operation.

Net assets at the date of disposal were as follows:

	2018
	HK$'000
Investment properties	**192,681**
Bank balances and cash	**4**
Trade and note receivables	**202,769**
Prepayments, deposits and other receivables	**54,889**
Trade and note payables	**(31,542)**
Other payables and accruals	**(191,339)**
Current tax liabilities	**(11,689)**
Borrowings	**(105,588)**
Net assets of subsidiaries	**110,185**
Release of foreign currency translation reserve	**35,194**
Gain on disposal of subsidiaries	**1,081**
	146,460
Total consideration:	
-Satisfied by cash	**93,734**
-Deferred consideration included in other receivable in current assets	**52,726**
	146,460
Net cash inflow arising on the disposal:	
Cash consideration received	**93,734**
Cash and cash equivalents disposed of	**(4)**
	93,730

9. LOSS/EARNINGS PER SHARE

(a) From continuing and discontinued operations

	2018	2017
	HK$'000	*HK$'000*
The calculation of the basic and diluted loss per share is based on the following data:		
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(27,251)**	(46,055)

	Number of shares	
	2018	2017
Weighted average number of shares for the purpose of basic and diluted loss per share	**3,823,134,667**	3,650,710,605

For the year ended 31 March 2017 and 2018, the calculation of diluted loss per share does not assume the exercise of the conversion of the Company's outstanding convertible bonds and share option as it would result in a decrease in the loss per share.

(b) From continuing operations

	2018	2017
	HK$'000	*HK$'000*
The calculation of the basic and diluted loss per share is based on the following data:		
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(24,528)**	(54,136)

	Number of shares	
	2018	2017
Weighted average number of shares for the purpose of basic and diluted loss per share	**3,823,134,667**	3,650,710,605

For the year ended 31 March 2017 and 2018, the calculation of diluted loss per share does not assume the exercise of the conversion of the Company's outstanding convertible bonds and share option as it would result in a decrease in the loss per share.

(c) From discontinued operation

	2018	2017
	HK$'000	*HK$'000*
The calculation of the basic and diluted (loss)/earnings per share is based on the following data:		
(Loss)/profit attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	**(2,723)**	8,081

	Number of shares	
	2018	2017
Weighted average number of shares for the purpose of basic and diluted (loss)/earnings per share	**3,823,134,667**	3,650,710,605

For the year ended 31 March 2017 and 2018, the calculation of diluted (loss)/earnings per share does not assume the exercise of the conversion of the Company's outstanding convertible bonds and share option as it would result in a decrease in the loss per share or increase in the earnings per share.

10. TRADE DEBTORS

The aged analysis of trade debtors net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximate the respective recognition dates, is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**12,023**	10,516
31 – 60 days	**1,307**	874
61 – 90 days	**2,060**	3,004
Over 90 days	**9,621**	196,792
	25,011	211,186

The Group allows an average credit period ranging from 0 to 365 days (2017: 30 days to 365 days) to its trade customers. Before accepting any new customers, the management will internally assess the credit quality of the potential customer and define appropriate credit limits. Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good quality.

11. TRADE CREDITORS

The aged analysis of trade creditors presented based on the invoice dates at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**7,174**	10,055
31 – 60 days	**1,135**	380
61 – 90 days	**1,984**	–
Over 90 days	**4,793**	746
	15,086	11,181

The average credit period on purchases of goods is 90 days.

12. 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 the immediate holding company of the Company, which was subsequently transferred to an independent third party, Lushan Investment Holdings Limited, 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 half-annually up until the settlement date.

The Bonds are convertible, at the option of the bond holder, into ordinary shares of HK$0.01 each of the Company at a conversion price of HK$0.23 (after adjustment for capital reorganisation) 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 were split into an equity component of HK$61,480,000 and a liability component of HK$52,056,000. The liability component was 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 was presented as convertible bonds reserve in equity, whereas the liability component was classified under current liabilities and non-current liabilities at 31 March 2017.

The movement of the liability component of the Bonds for the current year is set out below:

	HK$'000
At 1 April 2016	64,399
Imputed interest expense for the year	10,031
Coupon interest paid	(2,256)
At 31 March 2017	72,174
Imputed interest expense for the year	4,123
Coupon interest paid	(1,297)
Converted to shares during the year	(75,000)
At 31 March 2018	–

None of the Bonds has been converted into ordinary shares of the Company during the year ended 31 March 2017.

On 4 August 2017, the Company and the bond holder entered into the Amendment Deed to extend the maturity date from 31 July 2017 to 30 October 2017 and no interest would be borne by the Company on the outstanding principal amount during the period from 1 August 2017 to 30 October 2017.

On 20 September 2017, the Bonds with nominal value of HK$75,000,000 were converted into 326,086,956 ordinary shares at a conversion price of HK$0.23.

13. ACQUISITION OF SUBSIDIARIES

On 25 September 2017, the Group acquired the entire equity interest in 本溪同盛房地產開發有限公司 ("Benxi Tongsheng") from an independent third party at a cash consideration of RMB20,050,000 (equivalent to HK$23,570,000). Benxi Tongsheng is currently engaged in properties development 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.

The fair value of the identifiable assets and liabilities acquired as at its date of acquisition is as follows:

	Benxi Tongsheng
	HK$'000
Net assets acquired:	
Prepayments	70,775
Bank balances and cash	71
Creditors and accrued charges	(47,276)
	23,570
Consideration transferred, satisfied by cash	23,570
Net cash outflow arising on acquisition:	
Cash consideration paid	(23,570)
Bank balances and cash acquired	71
	(23,499)

During the year ended 31 March 2018, the acquisition of Benxi Tongsheng has no contribution to the Group's revenue or loss in the consolidated financial statements.

If the acquisition had been completed on 1 April 2017, total Group revenue for the year would have been HK$518,038,000, and loss for the year would have been HK$26,721,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2017, nor is intended to be a projection of future results.

14. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted for but not provided in the consolidated financial statements	**780**	–
Prepaid land lease payments		
Contracted for but not provided in the consolidated financial statements	**–**	6,207
	780	6,207

15. LEASE COMMITMENTS

Commitments under operating leases

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**11,686**	10,035
In the second to fifth years, inclusive	**15,393**	20,294
Over five years	**712**	–
	27,791	30,329

Operating lease payments represent rentals payable by the Group for its office and warehouses. Leases are negotiated for terms ranging from one to five years (2017: from one to five years) and rentals are fixed over the lease terms.

DISPOSAL OF THE TONG SHENG YUAN HOLDINGS LIMITED

On 26 September 2017, the Company entered in to a disposal agreement with an independent third party to i) transfer the entire equity interest in Tong Sheng Yuan Holdings Limited, an indirect wholly owned subsidiary of the Company at the total consideration of RMB125,000,000 (equivalent to approximately HK$146.46 million) (the "Disposal") and ii) assign a payable balance of HK$38.7 million from the Group companies to the independent third party, details of which were disclosed in the announcements of the Company dated 26 September 2017 and the circular of the Company dated 30 November 2017. TSY Group was engaged in the business of the sales and installation of elevators and properties investment business. The disposal agreement was entered into having considered the continuous decrease in the fair value of the properties held by TSY Group over the past years and the liabilities and finance costs of TSY Group. The Disposal completed in September 2017 and the financial position of the Group has been gradually improved.

In accordance with Hong Kong Financial Reporting Standard 5, the sales and installation of elevators and part of the properties investment business is now classified as Discontinued Operations. This management discussion and analysis together with the financial results will focus on the remaining businesses within the Group after the Disposal, classified here as Continuing Operations.

The Continuing Operations comprise of electronic products business, hydroelectric power business, properties investment, properties development and securities trading.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Driven by the uncertainties towards the markets in United States and Europe and the slow economic growth in the Northern China, the Company has been taken a prudery way to monitor and revisit the business model of the Group during the reporting period.

For the year ended 31 March 2018, the total turnover of the Group was HK$518,038,000, representing a 12% increase from HK$462,025,000 as compared to the correspondence period in 2017. An increase of HK$32,063,000 of the administrative expenses recorded for the year ended 31 March 2018 was mainly due to the increased overheads, legal and professional cost and the office rental cost of the Group. Furthermore, the Group recorded bad debts written off at the amount of HK$24,989,000 due to the accounts receivable exposure from Toys R Us after taking into consideration of its voluntary petition filing for relief under Chapter 11 of the Bankruptcy in September 2017 and liquidation filing in April 2018. As such, resulted in the recording of other loss at the amount of HK$18,875,000 for the year ended 31 March 2018 as compared to other loss at the amount of HK$3,012,000 for the year ended 31 March 2017.

In addition, finance costs decreased from HK$12,248,000 for the year ended 31 March 2017 to HK$6,905,000 for the year ended 31 March 2018 as a result of the conversion of convertible bonds during the year and the elimination of finance costs incurred by TSY Group after the Disposal.

As a result, the loss for the year ended 31 March 2018 was HK$26,721,000, representing a decrease of 31% as compared to the loss of HK$39,006,000 for the year ended 31 March 2017.

Electronic Products Business

The electronic products business maintained a steady growth over the past years. The turnover for the year ended 31 March 2018 was HK$512,115,000, representing an increase of 12% as compared to HK$457,858,000 for the year ended 31 March 2017. The increase in turnover was mainly due to the increase in sales volume from two major customers which benefit from the increasing popularity in on-line shopping in the United States and increasing demands of various products in the United Kingdom. However, due to the written off of receivables from Toys R Us, the increasing operating cost and administrative cost, segment loss of HK$1,729,000 for the year ended 31 March 2018 was resulted, as compared to a segment profit of HK$8,313,000 for the year ended 31 March 2017.

With reference to the announcement of the Company dated 29 September 2017, Toys R Us, being one of the top 5 customers of the Group for the year ended 31 March 2017, filed for bankruptcy protection in September 2017 and conversion to liquidation in April 2018. Having considered the receivables exposure from Toys R Us, the Group written off the receivables from Toys R Us at the amount of HK$24,989,000 for the year ended 31 March 2018. The Group will closely monitor the overall market and take appropriate actions to minimize the negative impact on us.

Hydroelectric Power Business

Since 2016, the Group has reallocated and devoted resources in the development of renewable and clean energy business. The Group acquired two hydroelectric power stations in the Northern China in 2016 and 2017 and those hydroelectric power stations are connected to the national power grid. Throughout the past two financial years, the turnover and the segment profit generated from the hydroelectric power business was gradually increased. The turnover increased from HK$4,167,000 for the year ended 31 March 2017 to HK$5,185,000 for the year ended 31 March 2018 while the segment profit also increased from HK$419,000 for the year ended 31 March 2017 to HK$630,000 for the year ended 31 March 2018. The increase in revenue as well as profit were mainly attributable to the steady and increasing demand for electricity and the effective cost control over the year. Besides, it is expected that the PRC government will put more attention and effort to encourage the development in clean and substainable energy in the near future. The Board is confident that the continuing investment in the development of renewable and clean energy business will benefit the Group in the long run.

Properties Investment

During the year ended 31 March 2017, the Group expanded its business in properties investment and acquired several leasing rights of several parcels of land in the Northern China. Administrative cost, legal cost and construction cost were incurred for the startup of the properties investment business and nil turnover and a segment loss was recorded for the year ended 31 March 2017.

During the year, agreements in relation to the leasing of several parcels of land were entered between the Group and the tenants. The properties investment business has become more mature and gradually move onto the right track. As a result, the turnover increased from nil for the year ended 31 March 2017 to the amount of HK$738,000 for the year ended 31 March 2018 and the segment loss decreased from the amount of HK$5,034,000 for the year ended 31 March 2017 to the amount of HK$2,471,000 for the year ended 31 March 2018.

Properties Development Business

During the year, the Group entered into an acquisition agreement to acquire 100% equity interest of Benxi Tongsheng Property Development Limited (the "**Acquisition**"). The Company, through the Acquisition, indirectly acquires the land use right of a parcel of land located at Xiguan Village, Huanren County, Benxi, Liaoning Province with a floor area of 46,242.6 sq.m. and construction area of 80,462 sq.m. for commercial and residential use and such land use right is currently held by Benxi Tongsheng Property Development Limited.

Having considered the supply of land in Xiguan Village, Huanren County, Benxi, Liaoning Province is limited, the Board is optimistic on the selling prospect and expected that the Acquisition will improve the business structure of the Group and enhance return to the Company and the Shareholders.

In addition, it is expected that it will have more favorable policies from the PRC government to promote the stable and health development of the properties markets in China, the management of the Company is optimistic on the properties development business and will seek for potential opportunities in the near future and achieve better results for the Group.

Prospect

Looking forward, it is believed that the forthcoming year remains challenging all over the markets, especially on the rising threat from the global trade war caused by the government policy of the United States. However, leveraging on the extensive experience and network of the management of the Group, the Group will adhere to its strategy of focusing on the business in properties development as well as the clean energy development in China and other thriving regions. Furthermore, the Group will continue to seek for possible investment opportunities in different industries and to expand the revenue streams of the Group in order to generate better results and prospect for the Group.

Financial Review

Liquidity and Financial Resources

As at 31 March 2018, bank balances and cash has increased to HK$50,930,000 as compared to HK$34,442,000 as at 31 March 2017. As at 31 March 2018, gearing ratio calculated as 0.01 (31 March 2017: 0.32, excluding convertible bonds). The decrease of the Group's gearing ratio represents the decrease of the debt portion at the year end.

The management utilized the gearing platform in order to further develop its business. The current ratio of the Group is lower than last year, it increased from 1.23 as at 31 March 2017 to 3.91 as at 31 March 2018. The current ratio improved in the current year and keeps at a healthy level.

Financing and Capital Structure

The total borrowing of the Group as at 31 March 2018 and 31 March 2017 was HK$4,900,000 and HK$99,500,000 respectively, and such decrease was attributable to the disposal of TSY Group during the year. The Group's borrowing is a fixed-rate borrowing and bears interest at 5.45% per annum (2017: 10%).

For the year ended 31 March 2018, the Group's transactions were mostly denominated in US dollars, Hong Kong dollars and Renminbi and Canadian dollars. 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.

Conversion of the Bonds

With reference to the announcements of the Company dated 18 September 2017 and 29 June 2017, the Company received a conversion notice from Lushan Investment Holdings Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of China Huarong International Holdings Limited (中國華融國際控股有限公司), bond holder, for the entire exercise of the conversion rights attaching to the Bonds in respect of the principal amount of HK$75,000,000 of the Bonds at the conversion price of HK$0.23 per conversion share on 18 September 2017. Upon such conversion of the Bonds, a total of 326,086,956 conversion shares was allotted and issued, credited as fully paid, to Lushan Investment Holdings Limited. The 326,086,956 conversion shares, having an aggregate nominal value of HK$3,260,869.56, represent about 8.9% and 8.2% of the issued share capital of the Company immediately before and after the issue of such conversion shares respectively.

On 20 September 2017, the Company allotted and issued a total of 326,086,956 shares to Lushan Investment Holdings Limited.

Pledge of Assets

For the year ended 31 March 2018, the general credit facilities granted to the Group are secured by investment properties of HK$Nil (2017: HK$168,546,000).

Contingent Liabilities

As at 31 March 2018, the Group had no material contingent liabilities.

Staff

As at 31 March 2018, the Group had a total staff of 64 (2017: 70) of which 47 (2017: 55) were employed in the overseas. The Group provides employee benefits such as staff insurance, retirement scheme, discretionary bonus and share option scheme and also provides in-house training programmes and external training sponsorship.

MATERIAL ACQUISITION

With reference to the subsection headed "Properties Development Business", the Group entered into an acquisition agreement to acquire 100% equity interest of Benxi Tongsheng Property Development Limited during the year ended 31 March 2018. Save as disclosed above, the Group did not have any material acquisition during the reporting period.

SIGNIFICANT INVESTMENT HELD

Save as disclosed in the section headed "Business Review" and "Material Acquisition", the Group did not have any significant investment held for the year ended 31 March 2018.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

With reference to the subsection headed "Prospect", the Company will actively seek for 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 future 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 2018 (2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor its subsidiaries purchased, or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has adopted all the code provisions in Corporate Governance Code (the "Code Provisions") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices and guidance.

1. During the year ended 31 March 2018, the Company has complied with the Code Provisions except the following:

   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 bound by the provisions of the 1989 Act, the Bye-laws cannot be amended to fully reflect the requirements of Code Provision A.4.2 which stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   To comply with Code Provision A.4.2, all directors will be voluntarily retired from his directorship at annual general meeting of the Company at least once every three years, provided that, being eligible, the retired directors may offer themselves for re-election at the annual general meeting.

2. In respect of Code Provision A.6.7 of the Code, the independent non-executive director Mr. Song Wenke was unable to attend the annual general meeting of the Company held on 29 September 2017 due to other business commitments.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors and reports directly to the Board of Directors. 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 2018.

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 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Zhonghui ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2018. The work performed by Zhonghui ANDA 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 Zhonghui ANDA CPA Limited on the preliminary announcement.

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 of the Company, all of them confirmed that they have complied with the Model Code throughout the year ended 31 March 2018.

PUBLICATION OF THE 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 2018 containing all information required by the Listing Rules will be despatched to the shareholders and published on above websites in due course.

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

Hong Kong, 29 June 2018

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 their announcement shall prevail over its Chinese text.