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 2019

FINANCIAL RESULTS

The board (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 2019 together with comparative figures for 2018 as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
CONTINUING OPERATIONS			
REVENUE	3	**559,286**	518,038
Cost of sales		**(428,813)**	(386,007)
Gross profit		**130,473**	132,031
Other income		**58**	72
Distribution costs		**(42,703)**	(41,366)
Administrative expenses		**(89,219)**	(89,434)
Other gain and loss	5	**2,678**	(18,875)
Finance costs		**(4,736)**	(6,905)
Share of profits of an associate		**762**	364
LOSS BEFORE TAXATION		**(2,687)**	(24,113)
Taxation	7	**(9,037)**	115
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(11,724)**	(23,998)

	NOTES	2019 HK$'000	2018 HK$'000
DISCONTINUED OPERATION			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATION		–	(2,723)
LOSS FOR THE YEAR	6	**(11,724)**	(26,721)
Other comprehensive (expense)/income for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(19,571)**	15,458
Release of translation reserve upon disposal of subsidiaries		–	35,194
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF TAX		**(19,571)**	50,652
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		**(31,295)**	23,931
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company			
Loss from continuing operations		**(13,949)**	(24,528)
Loss from discontinued operation		–	(2,723)
Loss attributable to owners of the Company		**(13,949)**	(27,251)
Non-controlling interests			
Profit from continuing operations		**2,225**	530
Profit from discontinued operation		–	–
Profit attributable to owners of non-controlling interests		**2,225**	530
		(11,724)	(26,721)

	NOTES	2019 HK$'000	2018 HK$'000
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(33,638)**	23,483
Non-controlling interests		**2,343**	448
		(31,295)	23,931
LOSS PER SHARE	*10*	***HK$ cents***	*HK$ cents*
From continuing and discontinued operations			
– Basic and diluted		**(0.35)**	(0.71)
From continuing operations			
– Basic and diluted		**(0.35)**	(0.64)
From discontinued operation			
– Basic and diluted		**N/A**	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Investment properties		**21,126**	22,620
Property, plant and equipment		**53,295**	62,127
Goodwill		**8,512**	8,512
Interest in an associate		**3,524**	3,767
Deferred tax assets		**5,980**	7,410
Prepaid land lease payments		**42,146**	46,916
		134,583	151,352
CURRENT ASSETS			
Inventories		**50,309**	77,354
Debtors, deposits and other receivables	*11*	**123,580**	90,709
Properties for sale under development		**–**	138,129
Properties held for sale		**201,524**	–
Investments at fair value through profit or loss		**187**	263
Amount due from a director		**–**	68
Amount due from a related company		**6**	62
Bank balances and cash		**75,480**	50,930
		451,086	357,515
CURRENT LIABILITIES			
Amount due to immediate holding company		**33,050**	22,083
Amount due to a director		**58**	9
Creditors and accrued charges	*12*	**100,521**	36,100
Contract liabilities		**6,376**	3,475
Amounts due to related companies		**29,738**	25,876
Current tax liabilities		**6,812**	–
Borrowings		**1,049**	3,925
Finance lease payables		**112**	–
		177,716	91,468
NET CURRENT ASSETS		**273,370**	266,047
TOTAL ASSETS LESS CURRENT LIABILITIES		**407,953**	417,399

	NOTES	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Amounts due to related companies		**–**	979
Borrowings		**22,177**	975
Bond payable		**1,000**	–
Finance lease payables		**136**	–
		23,313	1,954
NET ASSETS		**384,640**	415,445
CAPITAL AND RESERVES			
Share capital		**39,768**	39,768
Reserves		**311,000**	344,562
Equity attributable to owners of the Company		**350,768**	384,330
Non-controlling interests		**33,872**	31,115
TOTAL EQUITY		**384,640**	415,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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").

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 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 2018. 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 consolidated financial statements and amounts reported for the current year and prior years except as stated below.

A. HKFRS 15 "Revenue from Contracts with Customers"

Revenue is recognised at a point in time when control of the products is transferred to the customers.

HKFRS 15 has been applied retrospectively and resulted in changes in the presentation of the consolidated amounts reported in the consolidated financial statements as follows:

	31 March 2018	**1 April 2017**
	HK$'000	*HK$'000*
Decrease in creditors and accrued charges	(3,475)	(300)
Increase in contract liabilities	3,475	300

B. HKFRS 9 (2014) "Financial Instruments"

Investments held for trading are now classified as investments at fair value through profits or loss.

HKFRS 9 (2014) has been applied retrospectively and resulted in changes in the presentation of the consolidated amounts reported in the consolidated financial statements as follows:

	31 March 2018 *HK$'000*	1 April 2017 *HK$'000*
Decrease in investments held for trading	(263)	(380)
Increase in investments at fair value through profit or loss	263	380

C. New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
HKFRS 17	Insurance Contracts[4]

Notes:

1. Effective for annual periods beginning on or after 1 January 2019.

2. The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date had now been deferred/removed. Early application of the amendments continue to be permitted.

3. Effective for annual periods beginning on or after 1 January 2020.

4. Effective for annual periods beginning on or after 1 January 2021.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modification, amongst others. For the classification of cash flows, the Group currently presents lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocate into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group as lessee has non-cancellable operating lease commitments of approximately HK$16,267,000 as disclosed in note 14. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value assets or short-term leases upon the application of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$3,940,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposit received would be considered as advance lease payments.

The directors of the Company considered the default risk of refundable rental deposits paid is low under the application of HKFRS 9 as the amounts are refundable or set off with the lease payments under operating lease.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The Group expects to adopt HKFRS 16 from 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Other than that, the directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. REVENUE

	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Design and sale of electronic products	**394,365**	512,115
Operation and management of hydroelectric power stations	**6,216**	5,185
Development and sale of properties	**157,429**	–
Revenue from contracts with customers	**558,010**	517,300
Rental income	**1,276**	738
Total revenue	**559,286**	518,038

Disaggregation of revenue from contracts with customers:

	2019			
Segments	**Design and sale of electronic products**	**Operation and management of hydroelectric power stations**	**Development and sale of properties**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Geographical markets				
United States of America ("USA")	**328,112**	**–**	**–**	**328,112**
Canada	**30,695**	**–**	**–**	**30,695**
Europe	**29,046**	**–**	**–**	**29,046**
PRC	**3,862**	**6,216**	**157,429**	**167,507**
Other countries	**2,650**	**–**	**–**	**2,650**
Total	**394,365**	**6,216**	**157,429**	**558,010**
Major products/service				
Design and sale of electronic products	**394,365**	**–**	**–**	**394,365**
Operation and management of hydroelectric power stations	**–**	**6,216**	**–**	**6,216**
Development and sale of properties	**–**	**–**	**157,429**	**157,429**
Total	**394,365**	**6,216**	**157,429**	**558,010**
Timing of revenue recognition				
At a point in time	**394,365**	**6,216**	**157,429**	**558,010**
Over time	**–**	**–**	**–**	**–**
Total	**394,365**	**6,216**	**157,429**	**558,010**

Segments	2018			
	Design and sale of electronic products	Operation and management of hydroelectric power stations	Development and sale of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Geographical markets				
USA	438,672	–	–	438,672
Canada	42,594	–	–	42,594
Europe	29,589	–	–	29,589
PRC	–	5,185	–	5,185
Other countries	1,260	–	–	1,260
Total	512,115	5,185	–	517,300
Major products/service				
Design and sale of electronic products	512,115	–	–	512,115
Operation and management of hydroelectric power stations	–	5,185	–	5,185
Total	512,115	5,185	–	517,300
Timing of revenue recognition				
At a point in time	512,115	5,185	–	517,300
Over time	–	–	–	–
Total	512,115	5,185	–	517,300

Design and sale of electronic products

The Group designs and sells electronic products (representing consumer electronic audio and video equipment, karaoke equipment and accessories) to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 0 to 365 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Operation and management of hydroelectric power stations

The Group operates and manages hydroelectric power stations. The service income is recognised when service is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service. The services income is normally made with credit terms of payment on demand.

Development and sale of properties

The Group develops and sells residential properties to the customers. Sale of a contract is recognised when control of the property has transferred, being when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

4. 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) Development and sale of properties ("Properties development")

(5) Securities trading

(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 2019					
	Continuing operations					
	Electronic products business *HK$'000*	**Hydroelectric power business** *HK$'000*	**Properties investment** *HK$'000*	**Properties development** *HK$'000*	**Securities trading** *HK$'000*	**Total** *HK$'000*
TURNOVER	**394,365**	**6,216**	**1,276**	**157,429**	**–**	**559,286**
SEGMENT RESULTS	**(10,098)**	**1,855**	**(1,185)**	**28,066**	**(76)**	**18,562**
Interest income						**18**
Unallocated expenses						**(17,293)**
Share of profits of an associate						**762**
Finance costs						**(4,736)**
Loss before taxation						**(2,687)**

	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)

(b) Segment assets and liabilities

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

	For the year ended 31 March 2019					
	Continuing operations					
	Electronic products business	**Hydroelectric power business**	**Properties investment**	**Properties development**	**Securities trading**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
ASSETS						
Segment assets	**116,212**	**41,353**	**82,295**	**334,300**	**187**	**574,347**
Unallocated corporate assets						**11,322**
Consolidated total assets						**585,669**
LIABILITIES						
Segment liabilities	**51,519**	**5,957**	**8,627**	**78,597**	**–**	**144,700**
Unallocated corporate liabilities						**56,329**
Consolidated total liabilities						**201,029**

	For the year ended 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

Unallocated corporate assets mainly represent interest in an associate, deferred tax assets and assets held by head office and inactive subsidiaries.

Unallocated corporate liabilities mainly represent amount due to immediate holding company, borrowings, bond payable and liabilities incurred by head office and inactive subsidiaries.

(c) Other segment information

	For the year ended 31 March 2019					
	Continuing operations					
	Electronic products business *HK$'000*	**Hydroelectric power business** *HK$'000*	**Properties investment** *HK$'000*	**Properties development** *HK$'000*	**Securities trading** *HK$'000*	**Total** *HK$'000*
Amounts included in the measurement of segment results or segment assets:						
Additions of property, plant and equipment	2,592	–	103	–	–	2,695
Bad debts written off	123	–	–	–	–	123
Reversal of allowance for doubtful debts	2,852	–	–	–	–	2,852
Impairment loss on other receivables	6,896	–	–	–	–	6,896
Depreciation of property, plant and equipment	2,025	2,842	406	–	–	5,273
Allowance for obsolete and slow-moving inventories	1,717	–	–	–	–	1,717

	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

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

	2019	2018
	HK$'000	*HK$'000*
Interest in an associate	**3,524**	3,767
Share of profits of an associate	**762**	364
Finance costs	**(4,736)**	(6,905)

(d) Geographical segments

The Group's operations are located in the USA, Canada, Europe, Hong Kong (place of domicile), the 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	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
USA	**328,112**	438,672
Canada	**30,695**	42,594
Europe	**29,046**	29,589
PRC	**168,783**	5,923
Other countries	**2,650**	1,260
	559,286	518,038

	Non-current assets *(Note)*	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
USA	**12,591**	12,024
Hong Kong	**4,435**	6,017
PRC	**111,577**	125,901
	128,603	143,942

Note: Non-current assets excluded deferred tax assets.

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Note	**2019**	2018
		HK$'000	*HK$'000*
Customer A		**76,264**	161,995
Customer B	*(i)*	**N/A**	68,991
Customer C	*(i)*	**N/A**	53,610

Note: (i) The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

5. OTHER GAIN AND LOSS

	2019	2018
	HK$'000	*HK$'000*
Other gain/(loss) comprise:		
Exchange gain, net	**25**	7,064
Reversal of allowance/(allowance) for doubtful debts	**2,852**	(978)
Bad debts written off	**(123)**	(24,989)
(Decrease)/increase in fair value of investments at fair value through profit or loss	**(76)**	28
Gain on deregistration of a subsidiary	**–**	3
	2,678	(18,872)
Representing:		
– Continuing operations	**2,678**	(18,875)
– Discontinued operation *(Note 9)*	**–**	3
	2,678	(18,872)

6. LOSS FOR THE YEAR

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

	2019	2018
Continuing operations:	***HK$'000***	*HK$'000*
Cost of inventories sold	**428,813**	386,007
Staff costs (including directors' remuneration):		
Wages and salaries	**34,864**	32,214
Pension scheme contributions		
– Defined contribution scheme	**894**	592
	35,758	32,806
Auditors' remuneration	**2,633**	2,427
Exchange gain, net	**(25)**	(7,064)
Depreciation of items of property, plant and equipment	**6,612**	6,316
Allowance for obsolete and slow-moving inventories (included in cost of sales)	**1,717**	1,421
Bad debts written off	**123**	24,989
Amortisation of prepaid land lease payments	**1,691**	2,084
(Reversal of allowance)/allowance for doubtful debts	**(2,852)**	978
Impairment loss on other receivables	**6,896**	3,490
Minimum lease payments under operating lease in respect of		
– Land and buildings	**11,991**	11,729

Discontinued operation:	***HK$'000***	*HK$'000*
Gain on disposal of subsidiaries	**–**	(1,081)
Gain on deregistration of a subsidiary	**–**	(3)

7. TAXATION

The charge comprises:

	2019	2018
	HK$'000	*HK$'000*
Current year		
PRC Enterprise Income Tax	**6,823**	–
PRC Land Appreciation Tax	**784**	–
Deferred taxation	**1,430**	(115)
	9,037	(115)
Representing:		
– Continuing operations	**9,037**	(115)
– Discontinued operation (Note 9)	**–**	–
	9,037	(115)

Hong Kong Profits Tax is calculated at 16.5% (2018: 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% (2018: 25%).

PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value (2018: not applicable).

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

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 31 March 2019 and 2018.

9. 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 Tong Sheng Yuan Holdings Limited and its subsidiaries ("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 for the year from the discontinued operation is analysed as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss from discontinued operation	**–**	(2,723)

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
	HK$'000
Revenue	–
Cost of goods sold	–
Gross profit	–
Other income	1
Decrease in fair value of investment properties	(3,692)
Administrative expenses	(116)
Other gain and loss	3
Finance costs	–
Loss before tax for the period	(3,804)
Income tax expense	–
Loss for the period	(3,804)
Gain on disposal of subsidiaries	1,081
Loss from discontinued operation	(2,723)

For the year ended 31 March 2018, the disposed TSY Group paid approximately HK$115,000 in respect of operating activities, paid approximately HK$Nil in respect of investing activities and paid approximately HK$2,653,000 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

10. LOSS PER SHARE

(a) From continuing and discontinued operations

	2019	2018
	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	**(13,949)**	(27,251)

	Number of shares	
	2019	2018
Weighted average number of shares for the purpose of basic and diluted loss per share	**3,976,797,561**	3,823,134,667

For the year ended 31 March 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.

For the year ended 31 March 2019, the calculation of diluted loss per share does not assume the exercise of the conversion of the Company's outstanding share option as it would result in a decrease in the loss per share.

(b) From continuing operations

	2019	2018
	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	**(13,949)**	(24,528)

	Number of shares	
	2019	2018
Weighted average number of shares for the purpose of basic and diluted loss per share	**3,976,797,561**	3,823,134,667

For the year ended 31 March 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.

For the year ended 31 March 2019, the calculation of diluted loss per share does not assume the exercise of the conversion of the Company's outstanding share option as it would result in a decrease in the loss per share.

(c) From discontinued operation

	2019	2018
	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	**N/A**	(2,723)

	Number of shares	
	2019	2018
Weighted average number of shares for the purpose of basic and diluted loss per share	**N/A**	3,823,134,667

For the year ended 31 March 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.

11. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

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:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**85,822**	12,023
31 – 60 days	**3,068**	1,307
61 – 90 days	**827**	2,060
Over 90 days	**10,467**	9,621
	100,184	25,011

12. CREDITORS AND ACCRUED CHARGES

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

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**30,615**	7,174
31 – 60 days	**2,118**	1,135
61 – 90 days	**304**	1,984
Over 90 days	**1,848**	4,793
	34,885	15,086

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

13. CAPITAL COMMITMENTS

	2019	2018
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted for but not provided in the consolidated financial statements	**2,636**	780
	2,636	780

14. 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:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**9,650**	11,686
In the second to fifth years, inclusive	**6,617**	15,393
Over five years	**–**	712
	16,267	27,791

Operating lease payments represent rentals payable by the Group for its offices and warehouses. Leases are negotiated for terms ranging from one to five years (2018: from one to six years) and rentals are fixed over the lease terms.

15. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 10 April 2019, the Group obtained control of Benxi Zhongfu Shiye Company Limited* (本溪中富實業有限公司) ("Benxi Zhongfu") by acquiring 100% of the issued share capital of Benxi Zhongfu for a consideration of RMB10,000,000, which was satisfied (i) as to RMB9,000,000 by the allotment and issue of the consideration shares; and (ii) as to RMB1,000,000 in cash. Benxi Zhongfu was engaged in construction, sale of construction materials, property rental, education consultation, car parking services, advertising, and property management in the PRC. The acquisition is part of the on-going expansion strategy of the Group with the aim of broadening its source of revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In view of the perplexing changes in the global political and economic environment, the Group has adjusted its operations by expanding its business scope into properties development business. The Group's willingness to innovate and diversify its business models and revenue streams led to improved operating performance of the Group during the year ended 31 March 2019.

For the year ended 31 March 2019, the Group recorded a revenue of approximately HK$559,286,000, representing an increase of 8% as compared to the revenue of approximately HK$518,038,000 for the corresponding period in 2018. The deteriorated business performance of the electronic products business resulted from the drastic changes and uncertainties in the global economic environment was compensated by the revenue generated from the properties development business during the year ended 31 March 2019.

Other gain at the amount of approximately HK$2,678,000 was recorded for the year ended 31 March 2019 which was mainly derived from the reversal of the allowance for doubtful debts from the electronic products business, as compared to other loss at the amount of approximately HK$18,875,000 for the year ended 31 March 2018 which was due to the bad debts written off in relation to the bankruptcy of Toys"R"Us Inc., being one of the major clients of the Group during the year ended 31 March 2018.

In addition, finance costs of the Group decreased from approximately HK$6,905,000 for the year ended 31 March 2018 to approximately HK$4,736,000 for the year ended 31 March 2019 which was mainly due to the release of finance costs from subsidiaries that were disposed of during the year ended 31 March 2018.

As a result, the Group recorded a loss at the amount of approximately HK$11,724,000 for the year ended 31 March 2019, representing a decrease of 56% as compared to the loss of approximately HK$26,721,000 for the year ended 31 March 2018.

Design and Sale of Electronic Products

With reference to the announcement of the Company dated 29 September 2017 and the annual report of the Company for the year ended 31 March 2018, Toys"R"Us, Inc., being one of the top five customers of the Group which accounted for approximately 13% of the sales of the Group for the year ended 31 March 2018, filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia in Richmond which subsequently turned into liquidation in April 2018. During the year ended 31 March 2019, the electronic products business experienced sales slowdown and revenue generated from this segment decreased from approximately HK$512,115,000 for the year ended 31 March 2018 to approximately HK$394,365,000 for the year ended 31 March 2019. As a result, the Group recorded a segment loss at the amount of approximately HK$10,098,000 for the year ended 31 March 2019, as compared to a segment loss at the amount of approximately HK$1,729,000 for the year ended 31 March 2018.

Furthermore, the trade war and new tariffs between the PRC and USA and the foreign currency fluctuations made the business environment for trading business tougher and more difficult. As such, the management of the Group has been revisiting its business model on the trading business and positioning itself for further growth through expanding and diversifying its core business and adding new distribution channels in the USA and abroad, so as to minimize the negative impact from the bankruptcy and liquidation of Toys“R”Us, Inc..

Operation and Management of Hydroelectric Power Stations

Starting from the financial year of 2016, the Group reallocated its resources into the development of renewable energy business. During the financial years of 2017 and 2018, the Group acquired two companies in the PRC which engaged in the operation and management of hydroelectric power stations that are connected to the national power grid in the northern China. The revenue and profit generated from the hydroelectric power business increased over the years. The revenue for the year ended 31 March 2019 was approximately HK$6,216,000, representing an increase of 20% as compared to the amount of approximately HK$5,185,000 for the year ended 31 March 2018, while the segment profit increased from approximately HK$630,000 for the year ended 31 March 2018 to approximately HK$1,855,000 for the year ended 31 March 2019.

The national electricity consumption in the PRC in 2018 increased by 8.5% as compared with the previous year, and reached a record high over the past seven years. Furthermore, the city design and the formulation of regulations in the PRC in respect of environmental protection and renewable energy business are constantly improving and there is an increasing demand for green and renewable energy over the years. The Group is confident that the investments in renewable energy business can strengthen the revenue stream of the Group in the long run.

Properties Investment

Revenue from properties investment was mainly derived from the leasing of several parcels of land in the PRC. For the year ended 31 March 2019, the revenue was approximately HK$1,276,000, representing an increase of 73% as compared to approximately HK$738,000 for the year ended 31 March 2018. The segment loss also decreased from approximately HK$2,471,000 for the year ended 31 March 2018 to approximately HK$1,185,000 for the year ended 31 March 2019.

Properties Development

Leveraging on the experience and connection of the management, the Group started to engage in properties development business since the financial year of 2018. During the year ended 31 March 2018, the Group acquired the land use right of a parcel of land 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. for the construction of commercial and residential properties (the “Xiguan Project”). The Xiguan Project, featuring 19 buildings that created 775 living and 30 commercial units, is located at the key school district which is adjacent to various colleges, secondary and primary schools in Huanren County.

The construction work of Xiguan Project has been completed during the year ended 31 March 2019 and the Group accounted for 100% interest in the Xiguan Project. The Group has sold 39% of the gross floor area of the Xiguan Project and has achieved contracted sales of approximately HK$157,429,000 for the year ended 31 March 2019, while nil was recorded for the year ended 31 March 2018. As a result, a segment profit of approximately HK$28,066,000 for the year ended 31 March 2019 was recorded while a segment loss at the amount of approximately HK$388,000 was recorded for the year ended 31 March 2018.

On 10 April 2019, the Group completed the acquisition of 100% equity interest of Benxi Zhongfu. The Company, through the acquisition, indirectly acquires the land use right of a parcel of land located at Bagua City, Huanren County, Benxi, Liaoning Province with a floor area of approximately 5,023 sq.m. and construction area of approximately 7,500 sq.m. and for other commercial use. The land reserve is expected to generate continuous growth for the Group.

Since early 2018, the central government has repeatedly reiterated that "homes are for living, not for speculation". It is believed that the central government will launch different measures under the macroeconomic control policy on the properties development industry in order to maintain a healthy property market. The Board is optimistic towards the properties development business and will continue to seek for potential investment opportunities proactively.

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 USA. 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 clean energy development in the PRC and other thriving sectors. 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 2019, bank balances and cash increased to approximately HK$75,480,000 as compared to approximately HK$50,930,000 as at 31 March 2018.

As at 31 March 2019, gearing ratio was 0.06 (31 March 2018: 0.01). The increase in the Group's gearing ratio was resulted from the increase in borrowing level of the Group during the year ended 31 March 2019. The Group will continue to monitor and manage its financial structure and their potential risks in the course of development.

As at 31 March 2019, the current ratio was 2.54 (31 March 2018: 3.91). The current ratio of the Group was maintained at a healthy level.

Financing and Capital Structure

The Group finances its operations by a combination of equity and borrowings. As at 31 March 2019, the Group had borrowings of approximately HK$23,226,000 (31 March 2018: HK$4,900,000) and bond payable of approximately HK$1,000,000 (31 March 2018: Nil), which were for the Group's refinancing and general corporate purpose. As at 31 March 2019, the Group's borrowings and bond payable were interest bearing from 5.45% to 12% (31 March 2018: 5.45%) and 6.5% (31 March 2018: Nil), respectively.

Exposure to Fluctuation in Exchange Rates

For the year ended 31 March 2019, the Group's transactions were mostly denominated in United States dollars, Hong Kong dollars, 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.

Pledge of Assets

As at 31 March 2019, borrowings of approximately HK$22,177,000 granted to the Group are secured by the investment properties of the Group (31 March 2018: Nil).

Contingent Liabilities

As at 31 March 2019, the Group had no material contingent liabilities (31 March 2018: Same).

Employee

As at 31 March 2019, the Group had a total of 60 employees (31 March 2018: 64), of which 46 (31 March 2018: 47) were employed overseas. The employees' remuneration, promotion and salary increments 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 programs.

MATERIAL ACQUISITION

Save as disclosed in the paragraphs headed "Properties Development" in this announcement, the Group did not have any material acquisition during the year.

SIGNIFICANT INVESTMENT HELD

Save as disclosed in the paragraphs headed "Business Review" and "Material Acquisition" in this announcement, the Group did not have any significant investment held for the year ended 31 March 2019.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

Save as disclosed in the paragraphs headed "Business Review", "Prospect", and "Material Acquisition" in this announcement, 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 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 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2019, neither the Company nor its subsidiaries have purchased or redeemed any of the Company's listed securities.

EVENT AFTER THE REPORTING PERIOD

Completion of acquisition and the issuance of consideration shares

With reference to the announcements of the Company dated 26 March 2019 and 10 April 2019 in relation to the acquisition of 100% equity interest of Benxi Zhongfu, the acquisition was completed on 10 April 2019 and a total of 280,000,000 consideration shares were allotted to the vendor pursuant to the acquisition agreement.

Change of address of the principal place of business in Hong Kong and telephone and facsimile numbers

With reference to the announcement of the Company dated 31 May 2019, the address of the principal place of business in Hong Kong of the Company has been changed to Suites 2602-2603, 26/F., Tower 1, The Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong and the telephone and facsimile numbers of the Company have been changed to (852) 2286 0728 and (852) 2286 0727 respectively.

CORPORATE GOVERNANCE

The Company 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 (the "Listing Rules") as its own code on corporate governance practices and guidance.

During the year ended 31 March 2019 and up to the date of this announcement, the Company has complied with the Code Provisions except the following:–

1. 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 the 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 the Code Provision A.4.2, all Directors will voluntarily retire from his directorship at the subsequent annual general meetings 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. Pursuant to E.1.2 of the Code Provision provides that 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 21 September 2018 (the "2018 AGM") due to his other engagement. Mr. Zhao Shuang, the executive Director of who took the chair of the 2018 AGM, together with other members of the Board who attended the 2018 AGM, were of sufficient caliber for answering questions at the 2018 AGM and had answered questions at the 2018 AGM competently.

   Pursuant to A.6.7 of the Code Provision, independent non-executive director and other non-executive director should attend general meeting and develop a balanced understanding of the views of shareholders. Mr. Wang Ping and Mr. Song Wenke, the independent non-executive Directors, were unable to attend the 2018 AGM due to other business commitments.

   In order to comply with the Code Provision, 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 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 2019 and, where appropriate, the applicable recommended best practices of the Code Provisions.

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 2019.

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 2019 as set out in this 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 2019. 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 this 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, all of them confirmed that they have complied with the Model Code throughout the year ended 31 March 2019.

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 2019 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, 28 June 2019

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. Song Wenke and Mr. Zeng Guanwei as independent non-executive Directors.

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

* *for identification purpose only*