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)

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Sinostar Group Company Limited (the "**Company**") is pleased to announce the unaudited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2020 together with the comparative figures for 2019 as below.

For the reasons explained in the paragraph headed "Review of Unaudited Annual Results by the Audit Committee" in this announcement, the audit process for the annual results of the Group for the year ended 31 March 2020 has not been completed as at the date of this announcement.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000 (unaudited)	2019 HK$'000 (audited and re-presented)
Continuing operations			
Revenue	*3*	**71,177**	168,783
Cost of sales		**(48,827)**	(132,896)
Gross profit		**22,350**	35,887
Other gain and loss		**149**	48
Administrative expenses		**(41,499)**	(24,278)
Finance costs		**(3,077)**	(2,466)
(Loss) Profit before tax from continuing operations	*5*	**(22,077)**	9,191
Income tax expense	*6*	**(2,617)**	(7,607)
(Loss) Profit for the year from continuing operations		**(24,694)**	1,584
Discontinued operations			
Loss for the year from discontinued operations		**(4,533)**	(13,308)
Loss for the year		**(29,227)**	(11,724)
Other comprehensive loss:			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations:			
– Translation		**(24,538)**	(19,571)
– Reclassification adjustment upon disposal of subsidiaries		**(13,922)**	–
		(38,460)	(19,571)
Total comprehensive loss for the year		**(67,687)**	(31,295)

	Notes	2020 HK$'000 (unaudited)	2019 HK$'000 (audited and re-presented)
Loss attributable to owners of the Company:			
(Loss) Profit from continuing operations		**(24,694)**	1,584
Loss from discontinued operations		**(420)**	(15,533)
		(25,114)	(13,949)
(Loss) Profit attributable to non-controlling interests:			
(Loss) Profit from discontinued operations		**(4,113)**	2,225
		(29,227)	(11,724)
Total comprehensive loss attributable to:			
Owners of the Company		**(63,574)**	(33,638)
Non-controlling interests		**(4,113)**	2,343
		(67,687)	(31,295)
		HK cents	HK cents
(Loss) Earnings per share attributable to owners of the Company:	*8*		
From continuing and discontinued operations		**(0.59)**	(0.35)
From continuing operations		**(0.58)**	0.04
From discontinued operations		**(0.01)**	(0.39)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000 (unaudited)	2019 HK$'000 (audited)
Non-current assets			
Investment properties		**19,760**	21,126
Property, plant and equipment		**41,482**	53,295
Right-of-use assets		**40,054**	–
Prepaid land lease payments		**–**	42,146
Goodwill		**–**	8,512
Interest in an associate		**–**	3,524
Deferred tax assets		**–**	5,980
		101,296	134,583
Current assets			
Inventories		**–**	50,309
Trade receivables, deposits and other receivables	*9*	**74,011**	123,580
Properties for sale under development		**36,312**	–
Properties held for sale		**142,958**	201,524
Financial assets at fair value through profit or loss		**–**	187
Amount due from a related company		**–**	6
Bank balances and cash		**13,808**	75,480
		267,089	451,086
Current liabilities			
Amount due to a director		**205**	58
Amount due to immediate holding company		**698**	33,050
Amounts due to related companies		**66**	29,738
Trade payables and accrued charges	*10*	**26,408**	100,521
Lease liabilities		**1,286**	–
Contract liabilities		**154**	6,376
Current tax liabilities		**7,347**	6,812
Borrowings		**–**	1,049
Finance lease payables		**–**	112
		36,164	177,716
Net current assets		**230,925**	273,370
Total assets less current liabilities		**332,221**	407,953

	2020 HK$'000 (unaudited)	2019 HK$'000 (audited)
Non-current liabilities		
Borrowings	**20,742**	22,177
Bonds payable	**11,500**	1,000
Finance lease payables	**–**	136
Lease liabilities	**972**	–
	33,214	23,313
NET ASSETS	**299,007**	384,640
Capital and reserves		
Share capital	**42,568**	39,768
Reserves	**256,439**	311,000
Equity attributable to owners of the Company	**299,007**	350,768
Non-controlling interests	**–**	33,872
TOTAL EQUITY	**299,007**	384,640

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

For the year ended 31 March 2020

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**").

On 7 January 2020, the Company passed a resolution in a general meeting to dispose of all the equity interest in Harvest Way Holdings Limited and its subsidiaries (the "**Disposal Group**"), which principal activities are design and sales of electronic products and securities trading. The disposal constituted a major disposal (the "**Disposal**") under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Disposal was completed on 13 January 2020.

As a result of the disposal, the Group ceased to engage in the business of design and sale of electronic products and securities trading. The Group are engaged in properties development, properties investment, properties management and operation and management of hydroelectric power stations.

* *for identification purposes only*

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Annual Improvements to HKFRSs	2015-2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

Except for HKFRS 16 as described below, the adoption of the above new/revised HKFRSs does not have any significant impact on the consolidated financial statements of the Group.

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the "**DIA**") using the modified retrospective approach in which comparative information has not been re-presented. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated losses or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating lease or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.

(c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

The following table summarises the impacts arising from adoption of HKFRS 16 on the Company's consolidated financial statements at the DIA:

	Classification and carrying amount under HKAS 17	**Reclassification on adoption of HKFRS 16**	**Initial measurement on adoption of HKFRS 16**	**Classification and carrying amount under HKFRS 16**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Assets				
Property, plant and equipment	295	(295)	–	–
Prepaid land lease payments	42,146	(42,146)	–	–
Right-of-use assets	–	42,441	9,524	51,965
Liabilities				
Trade payables and accrued charges	(983)	983	–	–
Finance lease payables	(248)	248	–	–
Lease liabilities	–	(1,231)	(9,524)	(10,755)

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 6.42%.

Reconciliation of operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 and lease liabilities recognised at the DIA is as follows.

	HK$'000 (unaudited)
Operating lease commitments as at 31 March 2019	16,267
Discounted operating lease commitments at the DIA using the lessee's incremental borrowing rate	14,703
Less: short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(4,196)
Add: finance leases previously classified as finance lease payables	248
Total lease liabilities as at 1 April 2019	10,755

As lessee – leases previously classified as finance leases

The Group measures the carrying amount of the right-of-use assets and lease liabilities at the DIA at the carrying amount of the lease assets and lease liabilities immediately before that date measured applying HKAS 17. The Group accounts for those leases applying HKFRS 16 from the DIA.

As lessee

At the DIA, all right-of-use assets were presented within the line item "right-of-use assets" on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying HKFRS 16 from the DIA.

Future changes in HKFRSs

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

Amendments to HKASs 1 and 8	Definition of Material[1]
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[3]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

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

2 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 June 2020

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

5 Effective date to be determined

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

3. REVENUE

	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(audited and re-presented)
Continuing operations:		
Revenue from contracts with customers within HKFRS 15:		
Development and sale of properties	**65,873**	157,429
Properties management	**316**	–
Operation and management of hydroelectric power stations	**3,916**	6,216
Design and sale of electronic products	**–**	3,862
	70,105	167,507
Revenue from other sources:		
Rental income from operating leases	**1,072**	1,276
	71,177	168,783

4. SEGMENT INFORMATION

Information reported to the executive Directors, 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.

During the year ended 31 March 2020, the Group commenced properties management business which is considered as a separate operating division for resources allocation and assessment of performance.

The Group's operating divisions are as follows:

Continuing operations:

(1) Development and sale of properties ("**Properties development**")

(2) Properties investment

(3) Properties management

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

Discontinued operations:

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

(2) Securities trading

The Group ceased to engage in the business of design and sale of electronic products and securities trading after the disposal of the Disposal Group. The business of design and sale of electronic products and securities trading of the Disposal Group were presented as discontinued operations in the consolidated financial statements in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

(a) Segment revenue and results

	Continuing Operations						
	Properties development *HK$'000* (unaudited)	**Properties investment** *HK$'000* (unaudited)	**Properties management** *HK$'000* (unaudited)	**Hydroelectric power business** *HK$'000* (unaudited)	**Sub-total** *HK$'000* (unaudited)	**Discontinued operations** *HK$'000* (unaudited)	**Total** *HK$'000* (unaudited)
For the year ended 31 March 2020							
Revenue	**65,873**	**1,072**	**316**	**3,916**	**71,177**	**329,170**	**400,347**
Segment results	**2,284**	**(1,656)**	**(140)**	**399**	**887**	**(11,491)**	**(10,604)**
Interest income					**34**	**–**	**34**
Unallocated expenses					**(20,008)**	**–**	**(20,008)**
Gain on disposal of subsidiaries					**87**	**7,349**	**7,436**
Share of results of an associate					**–**	**(294)**	**(294)**
Finance costs					**(3,077)**	**(2,395)**	**(5,472)**
Loss before taxation					**(22,077)**	**(6,831)**	**(28,908)**

	Continuing Operations *(re-presented)*						
	Properties development *HK$'000* (audited)	Properties investment *HK$'000* (audited)	Hydroelectric power business *HK$'000* (audited)	Electronic products business *HK$'000* (audited)	Sub-total *HK$'000* (audited)	Discontinued operations *HK$'000* (audited)	Total *HK$'000* (audited)
For the year ended 31 March 2019							
Revenue	157,429	1,276	6,216	3,862	168,783	390,503	559,286
Segment results	28,066	(1,185)	1,855	196	28,932	(10,370)	18,562
Interest income					18	–	18
Unallocated expenses					(17,293)	–	(17,293)
Share of profits of an associate					–	762	762
Finance costs					(2,466)	(2,270)	(4,736)
Profit (Loss) before taxation					9,191	(11,878)	(2,687)

(b) Segment assets and liabilities

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

	At 31 March 2020 Continuing Operations				
	Properties development *HK$'000* **(unaudited)**	**Properties investment** *HK$'000* **(unaudited)**	**Properties management** *HK$'000* **(unaudited)**	**Hydroelectric power business** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
Asset					
Segment asset	**260,427**	**67,631**	**76**	**34,854**	**362,988**
Unallocated corporate assets					**5,397**
Consolidated total assets					**368,385**
Liabilities					
Segment liabilities	**23,087**	**2,005**	**990**	**1,802**	**27,884**
Unallocated corporate liabilities					**41,494**
Consolidated total liabilities					**69,378**

	At 31 March 2019 (re-presented) Continuing Operations						
	Properties development *HK$'000* (audited)	Properties investment *HK$'000* (audited)	Properties management *HK$'000* (audited)	Hydroelectric power business *HK$'000* (audited)	Electronic products business *HK$'000* (audited)	Discontinued operations *HK$'000* (audited)	Total *HK$'000* (audited)
Asset							
Segment asset	334,300	82,295	–	41,353	4,023	112,376	574,347
Unallocated corporate assets							11,322
Consolidated total assets							585,669
Liabilities							
Segment liabilities	78,597	8,627	–	5,957	5,544	51,519	150,244
Unallocated corporate liabilities							50,785
Consolidated total liabilities							201,029

Unallocated corporate assets mainly represent deferred tax assets and interest in an associate of the Disposal Group and assets held by head office and inactive subsidiaries.

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

(c) Other segment information

	Year ended 31 March 2020							
	Continuing Operations							
	Properties development	**Properties investment**	**Properties management**	**Hydroelectric power business**	**Other segment**	**Sub-total**	**Discontinued operations**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Amounts included in the measurement of segment results or segment assets:								
Additions of property, plant and equipment	**–**	**659**	**–**	**–**	**–**	**659**	**2,374**	**3,033**
Loss allowance on trade receivables	**–**	**–**	**–**	**–**	**–**	**–**	**1,037**	**1,037**
Concession granted	**12,469**	**–**	**–**	**–**	**–**	**12,469**	**–**	**12,469**
Loss allowance on other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**2,964**	**2,964**
Depreciation of property, plant and equipment	**–**	**556**	**–**	**2,726**	**898**	**4,180**	**1,494**	**5,674**
Depreciation of right-of-use assets	**–**	**1,608**	**–**	**–**	**314**	**1,922**	**3,197**	**5,119**
Allowance for obsolete and slow-moving inventories	**–**	**–**	**–**	**–**	**–**	**–**	**2,491**	**2,491**

	Year ended 31 March 2019 (re-presented)							
	Continuing Operations							
	Properties development	Properties investment	Properties management	Hydroelectric power business	Other segment	Sub-total	Discontinued operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Amounts included in the measurement of segment results or segment assets:								
Additions of property, plant and equipment	–	103	–	–	–	103	2,592	2,695
Bad debts written off	–	–	–	–	–	–	123	123
Reversal of loss allowance on trade receivables	–	–	–	–	–	–	2,852	2,852
Loss allowance on other receivables	–	–	–	–	–	–	6,896	6,896
Depreciation of property, plant and equipment	–	406	–	2,842	1,339	4,587	2,025	6,612
Allowance for obsolete and slow-moving inventories	–	–	–	–	–	–	1,717	1,717

(d) Geographical segments

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

Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
		(audited and
	(unaudited)	re-presented)
Continuing operations:		
The PRC	**71,177**	168,783

Non-current assets (Note)

	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
USA	**–**	9,067
Hong Kong	**2,212**	4,435
The PRC	**99,084**	111,577
	101,296	125,079

Note: Non-current assets excluded deferred tax assets and interest in an associate.

(e) Information about major customers

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

	2020	2019
	HK$'000	*HK$'000*
		(audited and
	(unaudited)	re-presented)
Customer A (Properties development)	**33,647**	N/A

5. (LOSS) PROFIT BEFORE TAX FROM CONTINUING OPERATION

This is stated after charging:

	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(audited and re-presented)
Continuing operations:		
Staff costs (including directors' remuneration):		
– Wages and salaries	**5,580**	5,980
– Contribution to defined contribution schemes	**181**	213
	5,761	6,193
Auditors' remuneration	**800**	1,500
Concession granted	**12,469**	–
Cost of inventories sold	**48,827**	132,896
Depreciation:		
– Property, plant and equipment	**4,180**	4,587
– Right-of-use assets	**1,922**	–
Legal and professional fee	**6,615**	2,054
Short-term lease expenses	**4,334**	–
Operating lease payments	**–**	6,065

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the years ended 31 March 2020 and 2019.

The PRC Enterprise Income Tax ("**EIT**") in respect of operations in Mainland China is calculated at a rate 25% (2019: 25%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value.

	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(audited and re-presented)
Current year		
EIT	**26**	6,823
LAT	**2,591**	784
	2,617	7,607

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 31 March 2020 and 2019.

8. (LOSS) EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(audited and re-presented)
(Loss) Profit attributable to owners of the Company:		
– Continuing operations	**(24,694)**	1,584
– Discontinued operations	**(420)**	(15,533)

	Number of shares	
	2020	2019
	(unaudited)	(audited)
Weighted average number of ordinary shares for the basic and diluted (loss) earnings per share	**4,249,147,288**	3,976,797,561

	2020	2019
	HK cents	*HK cents*
	(unaudited)	(audited and re-presented)
(Loss) Earnings per share:		
Basic and diluted		
– Continuing operations	**(0.58)**	0.04
– Discontinued operations	**(0.01)**	(0.39)
	(0.59)	(0.35)

Diluted (loss) earnings per share is same as the basic (loss) earnings per share for the years ended 31 March 2020 and 2019. The calculation of diluted (loss) earnings per share does not assume the exercise of the Group's outstanding share options as it would result an anti-dilutive effect on the basic (loss) earnings per share for the years ended 31 March 2020 and 2019.

9. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

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

	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**4,329**	85,822
31 – 60 days	**–**	3,068
61 – 90 days	**284**	827
Over 90 days	**20,286**	10,467
	24,899	100,184

10. TRADE PAYABLES AND ACCRUED CHARGES

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

	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**873**	30,615
31 – 60 days	**–**	2,118
61 – 90 days	**–**	304
Over 90 days	**7,812**	1,848
	8,685	34,885

MANAGEMENT DISCUSSION AND ANALYSIS

Disposal of Harvest Way Holdings Limited

On 31 October 2019, the Company entered into a sale and purchase agreement with Fairy King Prawn Holdings Limited, pursuant to which the Company has conditionally agreed to sell and Fairy King Prawn Holdings Limited has conditionally agreed to purchase the entire equity interest in Harvest Way Holdings Limited, being a direct wholly-owned subsidiary of the Company at a cash consideration of HK$7,500,000, details of which were disclosed in the announcements of the Company dated 31 October 2019, 4 November 2019, 9 December 2019, 17 December 2019, 7 January 2020 and 13 January 2020 and the circular of the Company dated 17 December 2019. The Disposal was completed on 13 January 2020.

The Disposal Group was engaged in the business of design and sale of electronic products and securities trading. The disposal agreement was entered into after having considered the ever-changing technological landscape and the subsequent shifts in the consumption of audio and video content that presented challenges for the audio and video equipment manufacturing industry over the past years. Many products in this industry may become obsolete as a result of the technological innovations and introduction of a variety of digital products. In addition, the Disposal Group's products are mainly sold through major mass merchandisers and warehouse clubs. The growth of ecommerce shopping steadily eats into the share of brick-and-mortar stores which in turn creates a negative impact on Disposal Group's business performance. The business of design and sale of electronic products did not contribute significant profit to the Group and is expected to present pressure on the Group's overall profitability in the near future.

In addition, the liquidation of Toys"R"Us, Inc., one of the major clients of the Group during the year ended 31 March 2018, resulted in negative impact on the Group's financial performance for the years ended 31 March 2019 and 2020. Further, protectionist measures initiated by the USA and the trade war between the USA and the PRC resulted in negative impact on the Disposal Group's exports to the USA.

In view of the volatility in the market of design, manufacturing and sale of consumer electronic audio and video equipment, karaoke equipment and accessories, the Disposal represented a good opportunity for the Group to realise its investment in the Disposal Group and reorganise its assets portfolio.

The Group ceased to engage in the business of design and sale of electronic products and securities trading after the Disposal. The business of design and sale of electronic products and securities trading of the Disposal Group were presented as discontinued operations in the unaudited consolidated financial statements in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". For the year ended 31 March 2020, the Group recorded a loss from discontinued operations of approximately HK$4,533,000, net of gain on disposal of the Disposal Group of approximately HK$7,349,000, as compared to the loss of approximately HK$13,308,000 for the year ended 31 March 2019.

The management discussion and analysis together with the annual results will focus on the remaining business segments within the Group after the Disposal, classified here as continuing operations. The continuing operations comprise of properties development, properties investment, properties management and hydroelectric power business.

BUSINESS REVIEW

To align with the Group's business strategies and directions, the Group has reallocated its resources and reorganised its asset portfolio to enlarge its business scale in properties development and related services sectors in the past year. For the year ended 31 March 2020, most of the Group's revenue were derived from properties development and properties management business, with a small proportion of revenue derived from properties investment and hydroelectric power business.

Given the unexpected outbreak of coronavirus in late 2019, the overall economy, social atmosphere and major industries in the world experienced a panic economic downturn. It had inevitably caused delays to some extent in the Group's construction works and daily business operations. Furthermore, the consumer sentiment was also dampened that deteriorated the entire business performance of the Group for the year ended 31 March 2020.

For the year ended 31 March 2020, the Group recorded a revenue of approximately HK$71,177,000, representing a decrease of 58% as compared to the revenue of approximately HK$168,783,000 for the year ended 31 March 2019. Administrative expenses increased from approximately HK$24,278,000 for the year ended 31 March 2019 to approximately HK$41,499,000 for the year ended 31 March 2020, which was mainly due to concession granted and the increasing legal and professional costs. For the year ended 31 March 2020, the Group recorded finance costs of approximately HK$3,077,000, representing an increase of 25% as compared to the that of approximately HK$2,466,000 for the year ended 31 March 2019. For the year ended 31 March 2020, the Group recorded a loss from discontinued operations of approximately HK$4,533,000, net of gain on disposal of the Disposal Group of approximately HK$7,349,000, as compared to the loss from discontinued operations of approximately HK$13,308,000 for the year ended 31 March 2019.

As a result, the Group recorded a loss at the amount of approximately HK$29,227,000 for the year ended 31 March 2020, representing an increase of 149% as compared to the loss of approximately HK$11,724,000 for the year ended 31 March 2019.

Properties Development

Leveraging on the experience and connection of the management and following the business directions of the Company, the Group further expanded its business scale in the properties development sector during the year ended 31 March 2020. During the year ended 31 March 2020, the Group owned three properties development projects in the PRC, namely Xiguan Project, Bagua Town Project I and Bagua Town Project II. For the year ended 31 March 2020, revenue from properties development business were derived from the sale of remaining completed properties of Xiguan Project.

Xiguan Project

The 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. Xiguan Project contained 19 buildings that created 775 residential and 30 commercial units and 121 parking units. The construction work of Xiguan Project was completed during the year ended 31 March 2019.

For the year ended 31 March 2020, the Group sold approximately 15% of the gross floor area and achieved total contracted sales of approximately HK$65,873,000, while approximately 39% of the gross floor area was sold and total of contracted sales of approximately HK$157,429,000 was recorded for the year ended 31 March 2019.

Bagua Town Project I

On 10 April 2019, the Group completed the acquisition of the entire equity interest of Benxi Zhongfu Shiye Company Limited* (本溪中富實業有限公司), a company incorporated in the PRC. The Group, through the acquisition, indirectly acquires the land use right of a parcel of land located at Bagua Town, Huanren County, Benxi, Liaoning Province, the PRC, with a floor area of approximately 5,023 sq.m. and construction area of approximately 7,500 sq.m. for other commercial use.

Bagua Town Project II

Further on 29 September 2019, the Group completed another acquisition of entire equity interest of Benxi Zhongfu Property Development Company Limited* (本溪中富房地產開發有限公司). The Company, through the acquisition, indirectly acquires the land use right of a parcel of land located at Bagua Town, Huanren County, Benxi, Liaoning Province, the PRC, with a floor area of approximately 9,188.2 sq.m. and construction area of approximately 14,700 sq.m. for other commercial use.

Bagua Town Project I and Bagua Town Project II

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

As a result, a segment profit of approximately HK$2,284,000 was recorded for the year ended 31 March 2020 while a segment profit of approximately HK$28,066,000 was recorded for the year ended 31 March 2019.

Following the national strategies and the PRC government general policy of "houses are built to be inhabited, not for speculation", the Board is optimistic towards the properties development market in the PRC and believes that more favorable policies, long-term management and control mechanism will be implemented to stabilise the market. The Board will proactively align and respond to the adjustment and calling of such policies and capture the potential opportunities in the properties development market in order to enhance shareholder's value.

* *for identification purposes only*

Properties Investment

Revenue generated from properties investment was mainly derived from the leasing of several parcels of land in the PRC. For the year ended 31 March 2020, the revenue was approximately HK$1,072,000, representing a decrease of 16% as compared to approximately HK$1,276,000 for the year ended 31 March 2019. A segment loss of approximately HK$1,656,000 and approximately HK$1,185,000 for each of the year ended 31 March 2020 and 2019 was recorded, respectively.

Properties Management

To complement the properties development business, the Group started to engage in properties management business and delivered comprehensive property management services for residential and commercial properties of Xiguan Project during the year ended 31 March 2020. The Group is committed to delivering the highest service standard and providing user-oriented services to its customers. At the initial stage, the Group focused on the building up a professional properties management team by providing integrated training in properties management sectors to its front line and back office staff, acquiring and improving its properties management system and services.

For the year ended 31 March 2020, the Group recorded a revenue and segment loss of approximately HK$316,000 and approximately HK$140,000, respectively, while nil revenue and segment results were recorded for the year ended 31 March 2019.

Hydroelectric Power Business

The Group has started to engage in the business of clean and renewable energy since the financial year of 2016. Revenue were generated from the operation and management of two hydroelectric power stations located in the northern PRC which are connected to the national power grid and mainly for industrial use. There were various lockdown measures to contain the spread of coronavirus since late 2019 that led to a significant drop in electricity consumption and demand. The revenue and profit generated from the hydroelectric power business declined significantly during the year ended 31 March 2020.

The revenue and segment profit for the year ended 31 March 2020 was approximately HK$3,916,000 and approximately HK$399,000, respectively, whereas the revenue and segment profit for the year ended 31 March 2019 were approximately HK$6,216,000 and approximately HK$1,855,000, respectively.

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

Prospect

The outbreak and spread of coronavirus hit the global economy severely. In addition to the health concerns, the overall supply chains, travel industry, retails, as well as the financial market also suffered greatly from the spread of coronavirus. Despite the outside factors and challenges put the Group in a more severe situation for coming year, the Group will continue maintain its prudent investment and business strategies and will adhere to its strategy to diversify its business models into different business sectors and to strengthen and expand its revenue streams and generate better results and prospect for the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2020, bank balances and cash amounted to approximately HK$13,808,000 as compared to approximately HK$75,480,000 as at 31 March 2019.

As at 31 March 2020, gearing ratio was 1.08 (31 March 2019: 0.06). 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 2020. The Group will continue to monitor and manage its financial structure and their potential risks in the course of development.

As at 31 March 2020, the current ratio was 7.39 (31 March 2019: 2.54). 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 2020, the Group had borrowings of approximately HK$20,742,000 (31 March 2019: HK$23,226,000) and bond payable of approximately HK$11,500,000 (31 March 2019: HK$1,000,000), which were for the Group's refinancing and general corporate purpose. As at 31 March 2020, the Group's borrowings and bond payable were interest bearing from 12% (31 March 2019: 5.45% to 12%), and 6% to 6.5% (31 March 2019: 6.5%), respectively.

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 entire equity interest of Benxi Zhongfu Shiye Company Limited* (本溪中富實業有限公司), 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.

* *for identification purposes only*

Exposure to Fluctuation in Exchange Rates

For the year ended 31 March 2020, the Group's transactions were mostly denominated in USA dollars, Hong Kong dollars, Renminbi and Canadian dollars. No foreign currency hedge was made during the year ended 31 March 2020. 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 2020, borrowings of approximately HK$20,742,000 granted to the Group are secured by the investment properties of the Group (31 March 2019: HK$22,177,000).

As at 31 March 2020, banking facilities with an aggregate principal amount of approximately HK$25,928,000 granted to third parties were secured by certain items of properties for sale under development of the Group (31 March 2019: Nil).

Contingent Liabilities

As at 31 March 2020, the Group had no material contingent liabilities (31 March 2019: Nil).

Employee

As at 31 March 2020, the Group had a total of 25 employees (31 March 2019: 60), of which 22 (31 March 2019: 46) were employed overseas. The total amount of staff costs from continuing operations of the Group for the year ended 31 March 2020 was approximately HK$5,761,000 (2019: HK$6,193,000).

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 AND DISPOSAL

Save as disclosed in the paragraphs headed "Disposal of Harvest Way Holdings Limited" and "Properties Development" in this section, the Group did not have any material acquisition or disposal during the year ended 31 March 2020.

SIGNIFICANT INVESTMENT HELD

Save as disclosed in the paragraphs headed "Business Review" and "Material Acquisition and Disposal", the Group did not have any significant investment held for the year ended 31 March 2020.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

Save as disclosed in the paragraphs headed "Business Review", "Prospect" and "Material Acquisition and Disposal" in this section, 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 2020 (2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2020, neither the Company nor its subsidiaries have purchased or redeemed any of the Company's listed securities.

EVENT AFTER THE REPORTING PERIOD

Change of Directors and Members and Chairman of Board Committees

As disclosed in the Company's announcement dated 7 May 2020, (i) Mr. Wang Ping, an independent non-executive Director, has resigned as an independent non-executive Director, the chairman of the audit committee of the Company (the "**Audit Committee**") and a member of the remuneration committee (the "**Remuneration Committee**") of the Company with effect from 7 May 2020; and (ii) Mr. Su Bo has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee with effect from 7 May 2020. For further information, please refer to the Company's announcement dated 7 May 2020.

Change of auditor

With reference to the announcement of the Company dated 18 May 2020, ZHONGHUI ANDA CPA Limited resigned as the auditor of the Group with effect from 15 May 2020 and Mazars CPA Limited was appointed as the auditor of the Group (the "**Auditor**") to fill the casual vacancy following the resignation of ZHONGHUI ANDA CPA Limited with effect from 18 May 2020.

CORPORATE GOVERNANCE

The Company adopted all the code provisions in Corporate Governance Code (the "**Code Provisions**") set out in Appendix 14 to the Listing Rules on the Stock Exchange as its own code on corporate governance practices and guidance.

During the year ended 31 March 2020 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 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 voluntarily retire from his directorship at the subsequent annual general meetings of the Company at least once every three years, provided that, the retired Directors, being eligible, offer themselves for re-election at the annual general meeting.

2. Pursuant to Code Provision E.1.2, the chairman of the board should attend the annual general meeting. Mr. Wang Jing, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 5 September 2019 (the "**2019 AGM**") due to his other engagement. Mr. Wang Xing Qiao, the executive Director who took the chair of the 2019 AGM, together with other members of the Board who attended the 2019 AGM, were of sufficient caliber for answering questions at the 2019 AGM and answered questions at the 2019 AGM competently.

   Pursuant to Code Provision A.6.7, independent non-executive director and other non-executive director should attend general meeting and develop a balanced understanding of the views of shareholders. Mr. Song Wenke and Mr. Zeng Guanwei, the independent non-executive Directors, were unable to attend the 2019 AGM and special general meeting of the Company held on 7 January 2020 due to other business commitments.

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

Save as disclosed above, in the opinion of the Directors, the Company has complied with all Code Provisions during the year ended 31 March 2020 and, where appropriate, the applicable recommended best practices of the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to 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 2020.

REVIEW OF UNAUDITED ANNUAL RESULTS BY THE AUDIT COMMITTEE

The audit process for the annual results of the Company for the year ended 31 March 2020 has not been completed due to the outbreak of coronavirus and relevant quarantine arrangements took in place including but not limited to the PRC and the USA where the Group's major subsidiaries are located.

The unaudited annual results contained herein have not been agreed by the Auditor as required under Rule 13.49(1) and 13.49(2) of the Listing Rules.

A further announcement relating to the annual results as agreed with the Auditor and the material differences (if any) as compared with the unaudited annual results contained herein will be made when the audit process has been completed. The Company expects that an agreement from the Auditor will be obtained on or before 31 July 2020 and a further announcement will be published as and when appropriate.

The unaudited annual results for the year ended 31 March 2020 contained herein have been reviewed by the Audit Committee, comprising all three independent non-executive Directors namely, Mr. Su Bo (chairman of the Audit Committee), Mr. Zeng Guanwei and Mr. Tang Shengzhi.

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020 AND DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

Publication of the annual report of the Group for the year ended 31 March 2020 (the "**Annual Report**") containing all the information required by the Listing Rules and the audited annual results for the year ended 31 March 2020 will be delayed due to the outbreak of the coronavirus which caused a disruption in the audit process.

Following the completion of the audit process, the Company will issue further announcement(s) in relation to the audited consolidated annual results for the year ended 31 March 2020 as agreed by the Auditor and the material differences (if any) as compared with the unaudited consolidated annual results contained herein.

In addition, the Company will issue further announcement(s) when necessary if there are other material developments in the completion of the audit process. The Company expects the audit process will be completed on or before 31 July 2020.

PUBLICATION OF THE UNAUDITED ANNUAL RESULTS AND ANNUAL REPORT

The unaudited annual results announcement is published on websites of the Stock Exchange at www.hkexnews.hk and the Company at www.00485.hk. Any further announcement(s) relating to the Company's annual results will also be published on the same websites in due course. The Annual Report containing all the information as required by the Listing Rules will be despatched to the shareholders of the Group and made available for review in the same websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 June 2020

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