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SIN  STAR

中國華星

China Sinostar Group Company Limited

中國華星集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of China Sinostar Group Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2020 which has been reviewed by the audit committee of the Company (the “**Audit Committee**”) as follows:—

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
	Notes	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Continuing operations			
Revenue	3	14,034	41,716
Cost of sales		<u>(9,892)</u>	<u>(28,608)</u>
Gross profit		4,142	13,108
Other gain and loss	5	119	124
Administrative expenses		(6,213)	(13,015)
Finance costs		<u>(1,680)</u>	<u>(1,432)</u>
Loss before tax from continuing operations	6	(3,632)	(1,215)
Income tax expenses	7	<u>—</u>	<u>(3,568)</u>
Loss for the period from continuing operations		(3,632)	(4,783)
Discontinued operations			
Loss for the period from discontinued operations	8	<u>—</u>	<u>(4,211)</u>
Loss for the period		<u>(3,632)</u>	<u>(8,994)</u>
Other comprehensive income (loss):			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
– Continuing operations		14,561	(22,532)
– Discontinued operations		<u>—</u>	<u>(212)</u>
		14,561	(22,744)
Total comprehensive income (loss) for the period		<u><u>10,929</u></u>	<u><u>(31,738)</u></u>

		Six months ended	
		30 September	
		2020	2019
Notes		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Loss attributable to owners of the Company:			
	Loss from continuing operations	(3,632)	(4,783)
	Loss from discontinued operations	<u>—</u>	<u>(3,157)</u>
		<u>(3,632)</u>	<u>(7,940)</u>
Loss attributable to non-controlling interests:			
	Loss from discontinued operations	<u>—</u>	<u>(1,054)</u>
		<u>(3,632)</u>	<u>(8,994)</u>
Total comprehensive income (loss) attributable to:			
	Owners of the Company	10,929	(30,472)
	Non-controlling interests	<u>—</u>	<u>(1,266)</u>
		<u>10,929</u>	<u>(31,738)</u>
		HK cents	HK cents
Loss per share attributable to owners of the Company:			
		10	
	Basic and diluted		
	From continuing and discontinued operations	<u>(1.71)</u>	<u>(3.75)</u>
	From continuing operations	<u>(1.71)</u>	<u>(2.26)</u>
	From discontinued operations	<u>—</u>	<u>(1.49)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020 <i>Notes</i> HK\$'000 (unaudited)	31 March 2020 <i>HK\$'000</i> (audited)
Non-current assets			
Investment properties	11	20,583	19,760
Property, plant and equipment	11	42,300	41,482
Right-of-use assets	11	40,188	40,054
		<u>103,071</u>	<u>101,296</u>
Current assets			
Trade receivables, deposits and other receivables	12	39,017	74,011
Properties for sale under development	13	90,215	36,312
Properties held for sale		139,279	142,958
Bank balances and cash		10,347	13,808
		<u>278,858</u>	<u>267,089</u>
Current liabilities			
Amount due to a director	14	162	205
Amount due to immediate holding company	14	4,029	698
Amounts due to related companies	14	66	66
Trade payables and accrued charges	15	25,682	26,408
Borrowings	16	21,607	—
Lease liabilities		1,329	1,286
Contract liabilities		310	154
Current tax liabilities		7,011	7,347
		<u>60,196</u>	<u>36,164</u>
Net current assets		<u>218,662</u>	<u>230,925</u>
Total assets less current liabilities		<u>321,733</u>	<u>332,221</u>

		30 September 2020	31 March 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Borrowings	16	–	20,742
Bonds payable	17	11,500	11,500
Lease liabilities		<u>297</u>	<u>972</u>
		<u>11,797</u>	<u>33,214</u>
NET ASSETS		<u>309,936</u>	<u>299,007</u>
Capital and reserves			
Share capital	18	2,128	42,568
Reserves		<u>307,808</u>	<u>256,439</u>
TOTAL EQUITY		<u>309,936</u>	<u>299,007</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Translation reserve	Capital redemption reserve	Contributed surplus	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2020 (audited)	42,568	394,379	-	(29,285)	577,204	23,909	(709,768)	299,007	299,007
Loss for the period	-	-	-	-	-	-	(3,632)	(3,632)	(3,632)
Other comprehensive income:									
Exchange difference arising on translation of foreign operations	-	-	-	14,561	-	-	-	14,561	14,561
Total comprehensive income for the period	-	-	-	14,561	-	-	(3,632)	10,929	10,929
Transactions with owners:									
Reduction of share capital upon capital reorganisation (note 18)	(40,440)	-	-	-	-	40,440	-	-	-
Total transactions with owners	(40,440)	-	-	-	-	40,440	-	-	-
At 30 September 2020 (unaudited)	2,128	394,379	-	(14,724)	577,204	64,349	(713,400)	309,936	309,936

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Translation reserve	Capital redemption reserve	Contributed surplus	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019 (audited)	39,768	385,419	906	9,175	577,204	23,909	(685,613)	350,768	33,872	384,640
Loss for the period	-	-	-	-	-	-	(7,940)	(7,940)	(1,054)	(8,994)
Other comprehensive loss:										
Exchange difference arising on translation of foreign operations	-	-	-	(22,532)	-	-	-	(22,532)	(212)	(22,744)
Total comprehensive loss for the period	-	-	-	(22,532)	-	-	(7,940)	(30,472)	(1,266)	(31,738)
Transactions with owners:										
Issue of shares for acquisition of a subsidiary	2,800	8,960	-	-	-	-	-	11,760	-	11,760
Deemed partial disposal of a subsidiary	-	-	50	-	-	-	-	50	(50)	-
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	272	272
Total transactions with owners	2,800	8,960	50	-	-	-	-	11,810	222	12,032
At 30 September 2019 (unaudited)	<u>42,568</u>	<u>394,379</u>	<u>956</u>	<u>(13,357)</u>	<u>577,204</u>	<u>23,909</u>	<u>(693,553)</u>	<u>332,106</u>	<u>32,828</u>	<u>364,934</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net cash flows used in operating activities	<u>(14,727)</u>	<u>(43,259)</u>
INVESTING ACTIVITIES		
Dividend received from an associate	–	654
Interest received	12	24
Advance from (Repayment to) immediate holding company	3,331	(34,931)
Advance from related companies	–	9,519
Repayment to a director	(43)	(5)
Acquisition of subsidiaries	–	(3,131)
Purchase of property, plant and equipment	<u>(14)</u>	<u>–</u>
Net cash flows generated from (used in) investing activities	<u>3,286</u>	<u>(27,870)</u>
FINANCING ACTIVITIES		
New borrowings raised	–	33,575
Capital contribution from non-controlling shareholders of a subsidiary	–	272
Interest paid on borrowings	(1,261)	(2,175)
Interest paid on lease liabilities	(65)	(316)
Proceeds from bonds issuance	–	9,500
Interest paid on bonds issued	(354)	(116)
Repayment of lease liabilities	<u>(632)</u>	<u>(2,333)</u>
Net cash flows (used in) generated from financing activities	<u>(2,312)</u>	<u>38,407</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,753)	(32,722)
Cash and cash equivalents at beginning of the reporting period	13,808	75,480
Cash and cash equivalents of disposal group classified as held for sale	–	(19,130)
Effect of foreign exchange rate changes	<u>10,292</u>	<u>(16,931)</u>
Cash and cash equivalents at end of the reporting period, represented by bank balances and cash	<u>10,347</u>	<u>6,697</u>

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

These condensed consolidated financial statements should be read in conjunction with the 2020 annual financial statements. The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 31 March 2020 except for the adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the HKICPA effective as of 1 April 2020.

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2020. 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 condensed consolidated financial statements and amounts reported for the current and prior periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations:		
Revenue from contracts with customers within HKFRS 15:		
Development and sale of properties	10,065	38,637
Properties management	192	30
Operation and management of hydroelectric power stations	3,357	2,405
	<u>13,614</u>	<u>41,072</u>
Revenue from other sources:		
Rental income from operating leases:		
– fixed lease payments	297	457
– variable lease payments	123	187
	<u>420</u>	<u>644</u>
	<u>14,034</u>	<u>41,716</u>

In addition to the information shown in segment disclosures in note 4 to the condensed consolidated financial statements, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

	Six months ended 30 September 2020			
	Continuing operations			
	Development and sale of properties HK\$'000 (unaudited)	Properties management HK\$'000 (unaudited)	Operation and management of hydroelectric power stations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<i>Type of transaction price:</i>				
At fixed price	<u>10,065</u>	<u>192</u>	<u>3,357</u>	<u>13,614</u>
<i>Timing of revenue recognition:</i>				
At a point in time	10,065	–	–	10,065
Over time	<u>–</u>	<u>192</u>	<u>3,357</u>	<u>3,549</u>
	<u>10,065</u>	<u>192</u>	<u>3,357</u>	<u>13,614</u>

Six months ended 30 September 2019

	Continuing operations			
	Development and sale of properties <i>HK\$'000</i> (unaudited)	Properties management <i>HK\$'000</i> (unaudited)	Operation and management of hydroelectric power stations <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<i>Type of transaction price:</i>				
At fixed price	<u>38,637</u>	<u>30</u>	<u>2,405</u>	<u>41,072</u>
<i>Timing of revenue recognition:</i>				
At a point in time	38,637	–	–	38,637
Over time	<u>–</u>	<u>30</u>	<u>2,405</u>	<u>2,435</u>
	<u>38,637</u>	<u>30</u>	<u>2,405</u>	<u>41,072</u>

As all of the revenue of the Group are attributable to the market in the People's Republic of China ("PRC"), no geographical information is presented.

4. SEGMENT INFORMATION

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)
- (2) Securities trading

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, and its subsidiaries (collectively the “**Disposed Group**”), at a cash consideration of HK\$7,500,000 (the “**Disposal**”). The principal activities of the Disposal Group are design and sale of electronic products and securities trading.

On 7 January 2020, the Company passed a resolution in a general meeting to dispose of all the equity interest in the Disposed Group. The Disposal constituted a major disposal under Chapter 14 of the Listing Rules. The Disposal was completed on 13 January 2020. The Group ceased to engage in the business of design and sale of electronic products and securities trading after the Disposal (*note 8*).

Segment revenue and results

For the six months ended 30 September 2020

	Continuing operations				Total <i>HK\$'000</i> (unaudited)
	Properties development <i>HK\$'000</i> (unaudited)	Properties investment <i>HK\$'000</i> (unaudited)	Properties management <i>HK\$'000</i> (unaudited)	Hydroelectric power business <i>HK\$'000</i> (unaudited)	
Revenue	<u>10,065</u>	<u>420</u>	<u>192</u>	<u>3,357</u>	<u>14,034</u>
Segment results	<u>(1,336)</u>	<u>(757)</u>	<u>(124)</u>	<u>1,703</u>	(514)
Interest income					12
Unallocated expenses					(1,450)
Finance costs					<u>(1,680)</u>
Loss before tax					<u>(3,632)</u>

For the six months ended 30 September 2019

	Continuing operations						Total
	Properties development <i>HK\$'000</i> (unaudited)	Properties investment <i>HK\$'000</i> (unaudited)	Properties management <i>HK\$'000</i> (unaudited)	Hydroelectric power business <i>HK\$'000</i> (unaudited)	Sub-total <i>HK\$'000</i> (unaudited)	Discontinued operations <i>HK\$'000</i> (unaudited)	
Revenue	<u>38,637</u>	<u>644</u>	<u>30</u>	<u>2,405</u>	<u>41,716</u>	<u>203,108</u>	<u>244,824</u>
Segment results	<u>9,595</u>	<u>(652)</u>	<u>14</u>	<u>615</u>	9,572	(3,736)	5,836
Interest income					24	–	24
Unallocated expenses					(9,379)	–	(9,379)
Share of results of an associate					–	274	274
Finance costs					<u>(1,432)</u>	<u>(1,175)</u>	<u>(2,607)</u>
Loss before tax					<u>(1,215)</u>	<u>(4,637)</u>	<u>(5,852)</u>

5. OTHER GAIN AND LOSS

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Continuing operations:		
Interest income	12	24
Others	<u>107</u>	<u>100</u>
	<u>119</u>	<u>124</u>

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs (including directors' remuneration):		
– wages and salaries	755	2,799
– contribution to defined contribution schemes	46	83
Cost of inventories sold	9,892	28,608
Depreciation:		
– property, plant and equipment	1,635	2,220
– right-of-use assets	1,421	811
Short-term lease expenses	–	3,089
Interest expenses on:		
– borrowings	1,261	1,316
– bonds payable	354	116
– lease liabilities	65	–
	<u>65</u>	<u>–</u>

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current period:		
PRC Enterprise Income Tax (“EIT”)	–	1,561
PRC Land Appreciation Tax (“LAT”)	–	2,007
	<u>–</u>	<u>3,568</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for each of the six months ended 30 September 2020 and 2019.

EIT in respect of operations in Mainland China is calculated at a rate 25% (six months ended 30 September 2019: 25%) on the estimated assessable profits for the period 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.

8. DISCONTINUED OPERATIONS

The business of design and sale of electronic products and securities trading of the Disposed Group constituted discontinued operations for the six months ended 30 September 2019. The results of the discontinued operations for the six months ended 30 September 2019, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, are as follows:

	Six months ended 30 September 2019 <i>HK\$'000</i> (unaudited)
Revenue	203,108
Cost of sales	<u>(149,964)</u>
Gross profit	53,144
Other income	1,751
Distribution costs	(25,498)
Administrative expenses	(31,409)
Other gain and loss	(1,724)
Finance costs	(1,175)
Share of results of an associate	<u>274</u>
Loss before tax	(4,637)
Income tax credit	<u>426</u>
Loss for the period from discontinued operations	<u><u>(4,211)</u></u>
Net cash inflow (outflow) from:	
– operating activities	(41,561)
– investing activities	10,079
– financing activities	<u><u>31,629</u></u>

9. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 September 2020 (six months ended 30 September 2019: nil). The Directors have determined that no dividend will be paid in respect of the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

10. LOSS PER SHARE

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss attributable to owners of the Company:		
– Continuing operations	(3,632)	(4,783)
– Discontinued operations	<u>–</u>	<u>(3,157)</u>
	<i>Number of shares</i>	
Weighted average number of ordinary shares for the basic and diluted loss per share	<u>212,839,878</u>	<u>212,074,851</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted loss per share:		
– Continuing operations	(1.71)	(2.26)
– Discontinued operations	<u>–</u>	<u>(1.49)</u>
	<u>(1.71)</u>	<u>(3.75)</u>

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share for the six months ended 30 September 2020 has been adjusted, taking into account the share consolidation which was completed during the current period. The corresponding weighted average number of ordinary shares for the six months ended 30 September 2019 has been retrospectively adjusted to reflect the said share consolidation (*note 18*).

Diluted loss per share is same as the basic loss per share for the six months ended 30 September 2020 and 2019.

11. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND RIGHTS-OF-USE ASSETS

During the six months ended 30 September 2020, the Group has not acquired or disposed of any items of investment properties and rights-of use assets (six months ended 30 September 2019: nil).

During the six months ended 30 September 2020, the Group acquired items of plant and equipment with a cost of HK\$14,000 (six months ended 30 September 2019: nil).

12. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

At 30 September 2020, trade receivables, deposits and other receivables includes trade debtors of HK\$19,877,000 (31 March 2020: HK\$24,899,000). 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:

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
0 – 30 days	2,913	4,329
31 – 60 days	364	–
61 – 90 days	–	284
Over 90 days	16,600	20,286
	19,877	24,899

The Group allows an average credit period ranging from 0 to 365 days (31 March 2020: 0 to 365 days) to its trade customers.

13. PROPERTIES FOR SALE UNDER DEVELOPMENT

At 30 September 2020, properties for sale under development of HK\$14,725,000 (31 March 2020: HK\$14,133,000) were pledged to secure banking facility with an aggregate principal amount of HK\$27,009,000 (31 March 2020: HK\$25,928,000) granted to third parties. All properties for sale under development are located in the PRC.

14. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/A DIRECTOR/RELATED COMPANIES

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

15. TRADE PAYABLES AND ACCRUED CHARGES

At 30 September 2020, trade payables and accrued charges includes trade payables of HK\$7,295,000 (31 March 2020: HK\$8,685,000). The ageing analysis of trade payables based on invoice dates at the end of the reporting period is as follows:

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
0 – 30 days	13	873
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	7,282	7,812
	7,295	8,685

The average credit period is 90 days (31 March 2020: 90 days) and certain suppliers grant longer credit period on a case-by-case basis.

16. BORROWINGS

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Other borrowings, secured	<u>21,607</u>	<u>20,742</u>
The borrowings are repayable as follows:		
Within one year	21,607	–
More than one year but not exceeding two years	–	20,742
More than two years but not exceeding five years	<u>–</u>	<u>–</u>
	21,607	20,742
Less: Amounts due within one year shown under current liabilities	<u>(21,607)</u>	<u>–</u>
Amounts due after one year	<u>–</u>	<u>20,742</u>

As at 30 September 2020, the Group's borrowings are fixed-rate borrowings and bear interest at a rate of 12% per annum (31 March 2020: 12%). The borrowings are denominated in Renminbi and secured by the investment properties of the Group. The loan period is from 3 May 2018 to 3 May 2021.

17. BONDS PAYABLE

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Corporate bonds	<u>11,500</u>	<u>11,500</u>
The borrowings are repayable as follows:		
Within one year	–	–
More than one year but not exceeding two years	–	–
More than two years but not exceeding five years	<u>11,500</u>	<u>11,500</u>
	11,500	11,500
Less: Amounts due within one year shown under current liabilities	<u>–</u>	<u>–</u>
Amounts due after one year	<u>11,500</u>	<u>11,500</u>

As at 30 September 2020, corporate bonds with principal amount of HK\$11,500,000 (31 March 2020: HK\$11,500,000) were issued under the placing agreement dated 13 November 2018 in relation to the placing of bonds with an aggregate principal amount up to HK\$200,000,000.

The bonds carry fixed interest rates ranging from 6% to 6.5% per annum. The bonds are with a maturity period ranging from three to five years from the issue date.

18. SHARE CAPITAL

	<i>Notes</i>	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:				
At 1 April 2019, 31 March 2020 and 1 April 2020		0.01	50,000,000,000	500,000
Consolidation of shares	(b(i))	—	(47,500,000,000)	—
		0.20	2,500,000,000	500,000
Subdivision of shares	(b(iii))	—	47,500,000,000	—
At 30 September 2020		<u>0.01</u>	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 April 2019		0.01	3,976,797,561	39,768
Allotment and issue of shares upon acquisition of a subsidiary	(a)	<u>0.01</u>	<u>280,000,000</u>	<u>2,800</u>
At 31 March 2020 and 1 April 2020		0.01	4,256,797,561	42,568
Consolidation of shares	(b(i))	—	(4,043,957,683)	—
		0.20	212,839,878	42,568
	(b(ii))			
	and			
Reduction of share capital	(b(iv))	—	—	(40,440)
At 30 September 2020		<u>0.01</u>	<u>212,839,878</u>	<u>2,128</u>

Notes:

- (a) On 10 April 2019, the Company issued 280,000,000 ordinary shares of HK\$0.01 each as part of the consideration for acquisition of a subsidiary. These shares rank pari passu with the existing shares in all respects.
- (b) As detailed in the Company's circular dated 21 August 2020, the Company proposed to effect a capital reorganisation involving, among others, (i) the share consolidation of every twenty issued and unissued ordinary shares of HK\$0.01 each in the authorised share capital of the Company into one consolidated share of HK\$0.20 each; (ii) the capital reduction of the nominal value of each issued consolidated Share from HK\$0.20 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.19 on each of the issued consolidated shares; (iii) the share subdivision of each unissued consolidated share of HK\$0.20 each into twenty ordinary shares of HK\$0.01 each; and (iv) the transfer of the credit arising from the capital reduction to the contributed surplus account of the Company. A special resolution was passed by the shareholders at the special general meeting of the Company held on 14 September 2020. The capital reorganisation became effective on 17 September 2020.

19. CAPITAL COMMITMENTS

	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Properties for sale under development:		
Contracted but not provided for in the condensed consolidated financial statements	<u>1,381</u>	<u>680</u>

20. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions:

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Remuneration of key management personnel	<u>387</u>	<u>2,249</u>

Key management personnel are deemed to be the members of the Board which has responsibility for planning, directing and controlling the activities of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

To align with the Group's business strategies and directions, the Group has reallocated its resources and reorganised its asset portfolio to enlarge its business scale in properties development and related services sectors in the past years. For the six months ended 30 September 2020, most of the Group's revenue were derived from properties development and hydroelectric power business, with a small proportion of revenue derived from properties investment and properties management business.

Throughout the year of 2020, the unexpected coronavirus outbreak plunged the global economy and severely disrupted the supply chains, international trade, travel industry as well as the financial market. The downward pressure on the PRC's economy was increasing continuously and resulted in the negative impact on the PRC's gross domestic product ("GDP") that was declined by 6.8% year on year for the first quarter of 2020, being the first contraction since 1992. Although the PRC's economy has been gradually recovered and achieved 3.2% growth year on year in the second quarter of 2020, its GDP still contracted by 1.6% during the first half of 2020 according to the National Bureau of Statistics of China.

Further, the sales area of commercial housing was 694.04 million square meters, decreased by 8.4% year on year for the first half of 2020, in which the sales area of residential buildings decreased by 7.6%, the sales area of office buildings decreased by 26.5%, and the sales area of commercial and business buildings decreased by 20.7%. The domestic property market and relevant economic activities in the PRC was basically frozen. Given the abnormal circumstances, it had inevitably caused the delays to the construction schedule and the sales of properties of the Group.

For the six months ended 30 September 2020, the Group recorded a revenue of approximately HK\$14,034,000, representing a decrease of 66% as compared to the revenue of approximately HK\$41,716,000 for the corresponding period in 2019. Administrative expenses decreased from approximately HK\$13,015,000 for the six months ended 30 September 2019 to approximately HK\$6,213,000 for the six months ended 30 September 2020 which was mainly due to the reduction in staff costs and office rental resulted from the cost saving measures implemented by the Group. For the six months ended 30 September 2020, the Group recorded finance costs of approximately HK\$1,680,000, representing an increase of 17% as compared to the that of approximately HK\$1,432,000 for the corresponding period in 2019, which was resulted from the borrowings and bonds payable for the Group's refinancing and general corporate purpose. As a result, the Group recorded a loss for the period from continuing operations at the amount of approximately HK\$3,632,000 for the six months ended 30 September 2020, representing a decrease of 24% as compared to that of approximately HK\$4,783,000 for the six months ended 30 September 2019.

Properties Development

Leveraging on the experience and connection of the management and following the business directions of the Company, the Group started to engage in properties development business since the financial year of 2018. During the six months ended 30 September 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 six months ended 30 September 2020, revenue from properties development 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 six months ended 30 September 2020, the Group sold approximately 3% of the gross floor area and achieved total contracted sales of approximately HK\$10,065,000, while approximately 8% of the gross floor area was sold and total of contracted sales of approximately HK\$38,637,000 was recorded for the six months ended 30 September 2019.

Bagua Town Project I

The 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. Although the construction of properties on such parcel of land has been commenced since the year ended 31 March 2020, the construction schedule has been delayed due to the outbreak and spread of coronavirus during the reporting period. It is expected that the construction work of Bagua Town Project I will be completed in May 2021 and it will comprise 3 main buildings and about 38 commercial units to create a marketplace for the community.

Bagua Town Project II

The 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 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.

Due to the outbreak of coronavirus, although more marketing and promotion activities had been carried out to boost properties sales during the reporting period, a segment loss of approximately HK\$1,336,000 was recorded for the six months ended 30 September 2020 while a segment profit of approximately HK\$9,595,000 was recorded for the six months ended 30 September 2019.

Given the effective control and measures on the coronavirus were in place as well as relevant policies implemented by the Central Government of the PRC to boost the economy, it is expected that the properties markets in different regions of the PRC will be gradually recovered and the major economic indicators will turn positive in the coming months.

Following the national strategies and the PRC government general policy of “houses are built to be inhabited, not for speculation” and the efforts made by local authorities to restore and stabilise finance, economy and employment of the community, 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.

Properties Investment

Revenue generated from properties investment was mainly derived from the leasing of several parcels of land located in Benxi City, Liaoning Province, the PRC for commercial use. For the six months ended 30 September 2020, the revenue was approximately HK\$420,000, representing a decrease of 35% as compared to approximately HK\$644,000 for the six months ended 30 September 2019. A segment loss of approximately HK\$757,000 and approximately HK\$652,000 for each of the six months ended 30 September 2020 and 2019 were 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. Following the completion of construction work of Bagua Town Project I and Bagua Town Project II, it is expected that the Group will put more resources to build up a professional properties management team by providing integrated training in properties management sectors to its front line and back office staff, acquiring and improving its properties management system and services to meet the increasing demand.

For the six months ended 30 September 2020, the Group recorded a revenue and segment loss of approximately HK\$192,000 and approximately HK\$124,000, respectively, while a revenue and segment profit of approximately HK\$30,000 and approximately HK\$14,000 were recorded for the six months ended 30 September 2019 respectively.

Hydroelectric Power Business

The Group 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. The business of clean and renewable energy kept generated and contributed stable income to the Group during the reporting period. The revenue and segment profit for the six months ended 30 September 2020 were approximately HK\$3,357,000 and approximately 1,703,000, respectively, whereas the revenue and segment profit for the six months ended 30 September 2019 were approximately HK\$2,405,000 and approximately HK\$615,000, 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.

Financial Review

Liquidity and Financial Resources

As at 30 September 2020, bank balances and cash denominated mainly in Hong Kong dollars and Renminbi amounted to approximately HK\$10,347,000 as compared to approximately HK\$13,808,000 as at 31 March 2020.

As at 30 September 2020, gearing ratio was 0.11 (31 March 2020: 0.11), which was calculated based on the total borrowings and bonds payable divided by total equity. The Group's gearing ratio was stable and remained at a healthy level. The Group will continue to monitor and manage its financial structure and their potential risks in the course of development.

As at 30 September 2020, the current ratio was 4.63 (31 March 2020: 7.39). The decrease in current ratio was due to the classification of borrowings that were due within the next twelve months under current liabilities. The current ratio of the Group was maintained at a healthy level.

Financing Structure

The Group finances its operations by a combination of equity and borrowings. Save as disclosed in notes 16 and 17 to the condensed consolidated financial statements, as at 30 September 2020, the Group had borrowings of approximately HK\$21,607,000 (31 March 2020: HK\$20,742,000) and bonds payable of approximately HK\$11,500,000 (31 March 2020: HK\$11,500,000), which were for the Group's refinancing and general corporate purpose. As at 30 September 2020, the Group's borrowings and bond payable were interest bearing at 12% (31 March 2020: 12%), and 6% to 6.5% (31 March 2020: 6% to 6.5%), respectively.

Capital Structure

As detailed in the Company's circular dated 21 August 2020, the Company proposed to effect a capital reorganisation involving, among others, (i) the share consolidation of every twenty issued and unissued ordinary shares of HK\$0.01 each in the authorised share capital of the Company into one consolidated share of HK\$0.20 each; (ii) the capital reduction of the nominal value of each issued consolidated share from HK\$0.20 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.19 on each of the issued consolidated shares; (iii) the share subdivision of each unissued consolidated share of HK\$0.20 each into twenty ordinary shares of HK\$0.01 each; and (iv) the transfer of the credit arising from the capital reduction to the contributed surplus account of the Company (the "**Capital Reorganisation**"). Before the Capital Reorganisation became effective, the Company had total of 50,000,000,000 ordinary shares of HK\$0.01 each in issue. A special resolution was passed by the shareholders of the Company at the special general meeting of the Company held on 14 September 2020 (the "2020 SGM"). The Capital Reorganisation became effective on 17 September 2020 and the authorised share capital of the Company is HK\$500,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.01 each (the "**Shares**") since then.

Exposure to Fluctuation in Exchange Rates

For the six months ended 30 September 2020, the Group's transactions were mostly denominated in Hong Kong dollars and Renminbi. No foreign currency hedge was made during the six months ended 30 September 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

Details regarding the pledge of assets are set out in notes 13 and 16 to the condensed consolidated financial statements.

Contingent Liabilities

As at 30 September 2020, the Group had no material contingent liabilities.

STAFF

As at 30 September 2020, the Group had a total of 21 employees (31 March 2020: 25), of which 18 (31 March 2020: 22) were employed overseas. Details regarding the total amount of staff costs of the Group are set out in note 6 to the condensed consolidated financial statements.

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

MATERIAL ACQUISITION

The Group did not have any material acquisitions or disposals during the reporting period.

SIGNIFICANT INVESTMENT HELD

Save as disclosed in the paragraphs headed "Business Review" in this section, the Group did not have any significant investment held as at 30 September 2020.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

Save as disclosed in the paragraphs headed "Business Review" and "Prospect" 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 interim announcement.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of six months ended 30 September 2020 (six months ended 30 September 2019: nil)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2020, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

PROSPECT

The evolving coronavirus outbreak has been spread and persisted for almost the whole year of 2020. Full global economic recovery and restoration of the global trade, supply chains, travel industry as well as the financial market will be challenging to achieve in the coming year as the spread of the coronavirus in major countries is still yet to be controlled and the progress in finding effective vaccine or a cure for coronavirus is uncertain. Regardless of the outside factors and challenges that put the Group in a more severe situation for coming year, the Group will continue to maintain its prudent investment and business strategies and will adhere to its strategy to diversify its business models into different business sectors and to strengthen and expand its revenue streams and generate better results and prospect for the Group.

CORPORATE GOVERNANCE

The Group is committed to maintain good corporate governance standard and procedures. The Company adopted all the code provisions in Corporate Governance Code (the “**Code Provisions**”) as set out in Appendix 14 of the Listing Rules and met the Code Provisions thereof during the six months ended 30 September 2020 except for the following:

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 30 September 2020 (the “**2020 AGM**”) due to his other engagement. Mr. Wang Xing Qiao, the executive Director who took the chair of the 2020 AGM, together with other members of the management who attended the 2020 AGM, were of sufficient caliber for answering questions at the 2020 AGM and answered questions at the 2020 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. Su Bo, Mr. Tang Shengzhi and Mr. Zeng Guanwei, the independent non-executive Directors, were unable to attend the 2020 AGM and the 2020 SGM due to other business commitments.

Change of address of the principal place of business in Hong Kong

With reference to the announcement of the Company dated 25 November 2020, the address of the principal place of business in Hong Kong of the Company was changed to Unit 3007, 30/F., Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong. The email address, website, telephone and facsimile numbers of the Company remain unchanged.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopts the Model Code as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, they all confirmed that they had complied with the Model Code throughout the six months ended 30 September 2020.

AUDIT COMMITTEE

The Company has established the Audit Committee currently comprising Mr. Su Bo, Mr. Tang Shengzhi and Mr. Zeng Guanwei. Terms of reference of the Audit Committee have been updated in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of this interim report.

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

During the six months ended 30 September 2020, there was no purchase, sales or redemption by the Company, or any of its subsidiaries, of the Shares.

BOARD OF DIRECTORS

As at the date of 30 September 2020, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao and Mr. Zhao Shuang as executive Directors; and Mr. Su Bo, Mr. Tang Shengzhi and Mr. Zeng Guanwei as independent non-executive Directors.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.00485.hk) and the Stock Exchange (www.hkex.com.hk). The interim report of the Company for the six months ended 30 September 2020 containing all information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 30 November 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. Tang Shengzhi and Mr. Zeng Guanwei as independent non-executive Directors.

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