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 2021

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 2021 together with the comparative figures for 2020 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 2021 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 2021

	Notes	**2021** *HK$'000* **(unaudited)**	2020 *HK$'000* (audited)
Continuing operations			
Revenue	3	**29,542**	71,177
Cost of sales		**(20,498)**	(48,827)
Gross profit		**9,044**	22,350
Loss on revaluation of property, plant and equipment upon transfer to investment properties		**(1,447)**	–
Loss on revaluation of right-of-use assets upon transfer to investment properties		**(1,499)**	–
Other gain and loss		**97**	149
Administrative expenses		**(18,152)**	(41,499)
Finance costs		**(3,427)**	(3,077)
Loss before tax from continuing operations	5	**(15,384)**	(22,077)
Income tax expenses	6	**(44)**	(2,617)
Loss for the year from continuing operations		**(15,428)**	(24,694)
Discontinued operations			
Loss for the year from discontinued operations		**–**	(4,533)
Loss for the year		**(15,428)**	(29,227)
Other comprehensive income (loss):			
Continuing operations			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
– Translation		**29,467**	(25,454)

	Notes	**2021** ***HK$'000*** **(unaudited)**	2020 *HK$'000* (audited)
Discontinued operations			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
– Translation		**–**	916
– Reclassification adjustments upon disposal of subsidiaries		**–**	(13,922)
Other comprehensive loss for the year from discontinued operations		**–**	(13,006)
Other comprehensive income (loss) for the year from continuing and discontinued operations		**29,467**	(38,460)
Total comprehensive income (loss) for the year		**14,039**	(67,687)
Loss attributable to owners of the Company:			
Loss from continuing operations		**(15,428)**	(24,694)
Loss from discontinued operations		**–**	(420)
		(15,428)	(25,114)
Loss attributable to non-controlling interests:			
Loss from discontinued operations		**–**	(4,113)
		(15,428)	(29,227)
Total comprehensive income (loss) attributable to:			
Owners of the Company		**14,039**	(63,574)
Non-controlling interests		**–**	(4,113)
		14,039	(67,687)
		HK cents	*HK cents* (restated)
Loss per share attributable to owners of the Company:	8		
Basic and diluted			
– Continuing operations		**(7.25)**	(11.62)
– Discontinued operations		**–**	(0.20)
		(7.25)	(11.82)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 *HK$'000* (unaudited)	2020 *HK$'000* (audited)
Non-current assets			
Investment properties	9	**60,804**	19,760
Property, plant and equipment		**40,014**	41,482
Right-of-use assets		**942**	40,054
		101,760	101,296
Current assets			
Trade receivables, deposits and other receivables	10	**40,325**	74,011
Properties for sale under development		**103,121**	36,312
Properties held for sale		**135,432**	142,958
Bank balances and cash		**12,087**	13,808
		290,965	267,089
Current liabilities			
Amount due to a director		**177**	205
Amount due to immediate holding company		**2,244**	698
Amounts due to related companies		**66**	66
Trade payables and accrued charges	11	**27,642**	26,408
Lease liabilities		**1,205**	1,286
Contract liabilities		**7,433**	154
Current tax liabilities		**6,910**	7,347
Borrowings		**22,502**	–
		68,179	36,164
Net current assets		**222,786**	230,925
Total assets less current liabilities		**324,546**	332,221
Non-current liabilities			
Borrowings		**–**	20,742
Bonds payable		**11,500**	11,500
Lease liabilities		**–**	972
		11,500	33,214
NET ASSETS		**313,046**	299,007
Capital and reserves			
Share capital	12	**2,128**	42,568
Reserves		**310,918**	256,439
TOTAL EQUITY		**313,046**	299,007

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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**").

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 2019/2020 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.

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the above new/revised HKFRSs does not have any significant impact on the consolidated financial statements of the Group.

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 HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 [1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021 [2]
Amendments to HKAS 16	Proceeds before Intended Use [3]
Amendments to HKAS 37	Cost of Fulfilling a Contract [3]
Amendments to HKFRS 3	Reference to the Conceptual Framework [3]
Annual Improvements to HKFRSs	2018–2020 Cycle [3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [4]
Amendments to HKAS 1	Disclosure of Accounting Policies [4]
Amendments to HKAS 8	Definition of Accounting Estimates [4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [4]
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]

* *for identification purposes only*

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 The 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

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Continuing operations:		
Revenue from contracts with customers within HKFRS 15:		
Development and sale of properties	**23,018**	65,873
Properties management	**461**	316
Operation and management of hydroelectric power stations	**5,144**	3,916
	28,623	70,105
Revenue from other sources:		
Rental income from operating leases		
– Fixed lease payments	**681**	765
– Variable lease payments	**238**	307
	919	1,072
	29,542	71,177

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods and services delivered by each operating division.

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

The Group ceased to engage in the businesses of design and sale of electronic products and securities trading after the disposal of Harvest Way Holdings Limited and its subsidiaries (collectively the "**Disposed Group**") during the year ended 31 March 2020. The businesses of design and sale of electronic products and securities trading of the Disposed 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

	Year ended 31 March 2021 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)**
Revenue	**23,018**	**919**	**461**	**5,144**	**29,542**
Segment results	**(3,170)**	**(4,639)**	**(143)**	**1,232**	**(6,720)**
Interest income					**22**
Unallocated expenses					**(5,259)**
Finance costs					**(3,427)**
Loss before tax					**(15,384)**

	Year ended 31 March 2020 Continuing operations						
	Properties development *HK$'000* (audited)	Properties investment *HK$'000* (audited)	Properties management *HK$'000* (audited)	Hydroelectric power business *HK$'000* (audited)	Sub-total *HK$'000* (audited)	Discontinued operations *HK$'000* (audited)	Total *HK$'000* (audited)
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 tax					(22,077)	(6,831)	(28,908)

(b) Segment assets and liabilities

	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)
	At 31 March 2021 Continuing operations				
Assets					
Segment assets	**286,664**	**67,514**	**377**	**36,597**	**391,152**
Unallocated corporate assets					**1,573**
Consolidated total assets					**392,725**
Liabilities					
Segment liabilities	**29,453**	**4,680**	**1,354**	**1,918**	**37,405**
Unallocated corporate liabilities					**42,274**
Consolidated total liabilities					**79,679**

	Properties development *HK$'000* (audited)	Properties investment *HK$'000* (audited)	Properties management *HK$'000* (audited)	Hydroelectric power business *HK$'000* (audited)	Total *HK$'000* (audited)
	At 31 March 2020 Continuing operations				
Assets					
Segment assets	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

Unallocated corporate assets mainly represent assets held by head office and inactive subsidiaries.

Unallocated corporate liabilities mainly represent amounts due to immediate holding company/a director/related companies, borrowings, bonds payable and liabilities incurred by head office and inactive subsidiaries.

(c) Other segment information

	Year ended 31 March 2021 Continuing operations					
	Properties development *HK$'000* **(unaudited)**	**Properties investment** *HK$'000* **(unaudited)**	**Properties management** *HK$'000* **(unaudited)**	**Hydroelectric power business** *HK$'000* **(unaudited)**	**Other segment** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
Amounts included in the measurement of segment results or segment assets:						
Additions of property, plant and equipment	**14**	**–**	**–**	**–**	**–**	**14**
Depreciation of property, plant and equipment	**3**	**582**	**–**	**2,785**	**13**	**3,383**
Depreciation of right-of-use assets	**–**	**1,642**	**–**	**–**	**1,257**	**2,899**
Loss on revaluation of property, plant and equipment upon transfer to investment properties	**–**	**1,447**	**–**	**–**	**–**	**1,447**
Loss on revaluation of right-of-use assets upon transfer to investment properties	**–**	**1,499**	**–**	**–**	**–**	**1,499**

	Year ended 31 March 2020 Continuing operations							
	Properties development *HK$'000* (audited)	Properties investment *HK$'000* (audited)	Properties management *HK$'000* (audited)	Hydroelectric power business *HK$'000* (audited)	Other segment *HK$'000* (audited)	Sub-total *HK$'000* (audited)	Discontinued operations *HK$'000* (audited)	Total *HK$'000* (audited)
Amounts included in the measurement of segment results or segment assets:								
Additions of property, plant and equipment	–	659	–	–	–	659	4,037	4,696
Additions of right-of-use assets	–	–	–	–	2,513	2,513	–	2,513
Concession granted	12,469	–	–	–	–	12,469	–	12,469
Loss allowance on trade receivables	–	–	–	–	–	–	1,037	1,037
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

(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

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
The PRC	**29,542**	71,177

Non-current assets

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong	**942**	2,212
The PRC	**100,818**	99,084
	101,760	101,296

(e) Information about major customers

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

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Customer A (Properties development)	***(Note)***	33,647
Customer B (Hydroelectric power business)	**5,144**	*(Note)*

Note: The corresponding revenue did not contribute 10% or more of the total revenue of the Group for the relevant year.

5. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging:

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Continuing operations:		
Staff costs (including directors' remuneration):		
– Wages and salaries	**1,480**	5,580
– Contribution to defined contribution schemes	**132**	181
	1,612	5,761
Auditors' remuneration	**770**	800
Concession granted (included in administrative expenses) *(Note)*	**–**	12,469
Cost of inventories sold	**20,498**	48,827
Depreciation		
– Property, plant and equipment	**3,383**	4,180
– Right-of-use assets	**2,899**	1,922
Legal and professional fee	**1,865**	6,615
Short-term lease expenses	**–**	4,334

Note: During the year ended 31 March 2021, no concession in respect of sales of properties was granted (2020: HK$12,469,000).

6. INCOME TAX EXPENSES

Hong Kong Profits Tax is calculated at 16.5% (2020: 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 2021 and 2020.

The PRC Enterprise Income Tax ("**EIT**") in respect of operations in Mainland China is calculated at a rate 25% (2020: 25%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

The PRC Land Appreciation Tax ("**LAT**") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value.

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current year		
EIT	**44**	26
LAT	**–**	2,591
	44	2,617

7. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the years ended 31 March 2021 and 2020.

8. LOSS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Loss attributable to owners of the Company:		
– Continuing operations	**(15,428)**	(24,694)
– Discontinued operations	**–**	(420)

	Number of shares	
	2021	2020
	(unaudited)	(audited and restated)
Weighted average number of ordinary shares for the basic and diluted loss per share	**212,839,878**	212,457,364

	2021	2020
	HK cents	*HK cents*
	(unaudited)	(audited and restated)
Loss per share:		
Basic and diluted		
– Continuing operations	**(7.25)**	(11.62)
– Discontinued operations	**–**	(0.20)
	(7.25)	(11.82)

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share has been retrospectively adjusted for the effect of share consolidation effective on 17 September 2020 (note 12).

Diluted loss per share is same as the basic loss per share for the years ended 31 March 2021 and 2020.

9. INVESTMENT PROPERTIES

	HK$'000
At fair value	
At 1 April 2019 (audited)	21,126
Exchange realignment	(1,366)
At 31 March 2020 and 1 April 2020 (audited)	19,760
Transfer from right-of-use assets	37,819
Transfer from property, plant and equipment	1,549
Exchange realignment	1,676
At 31 March 2021 (unaudited)	60,804

The management decided to change the use of certain properties (the "**Transferred Properties**") situated on the leasehold lands in the PRC from own-use to leasing for earning rental income in February 2021. The Group has established an operating plan for leasing of the Transferred Properties which was approved by the management in February 2021 and the Group has been planning for development of the Transferred Properties for rental purpose.

Right-of-use assets with carrying amounts of HK$37,819,000 and the related leasehold improvements with carrying amounts of HK$1,549,000 were transferred to investment properties in February 2021 which are measured using the fair value model. The fair value of the Transferred Properties on the date of transfer was HK$39,368,000 in aggregate, resulting in a revaluation loss of HK$2,946,000 recognised in profit or loss.

The management has reassessed the fair value of the Transferred Properties at the end of the reporting period and considered that there was no significant change in their fair values.

10. 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:

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**368**	4,329
31–60 days	**5**	–
61–90 days	**10**	284
Over 90 days	**3,066**	20,286
	3,449	24,899

11. TRADE PAYABLES AND ACCRUED CHARGES

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

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**415**	873
Over 90 days	**8,052**	7,812
	8,467	8,685

12. SHARE CAPITAL

	Notes	**Nominal value per share** *HK$*	**Number of shares**	**Amount** *HK$'000*
Authorised:				
At 1 April 2019, 31 March 2020 and 1 April 2020 (audited)		0.01	50,000,000,000	500,000
Consolidation of shares	(b(i))	0.19	(47,500,000,000)	–
		0.20	2,500,000,000	500,000
Subdivision of shares	(b(iii))	(0.19)	47,500,000,000	–
At 31 March 2021 (unaudited)		0.01	50,000,000,000	500,000
Issued and fully paid:				
At 1 April 2019 (audited)		0.01	3,976,797,561	39,768
Allotment and issue of shares upon acquisition of a subsidiary	(a)	0.01	280,000,000	2,800
At 31 March 2020 and 1 April 2020 (audited)		0.01	4,256,797,561	42,568
Consolidation of shares	(b(i))	0.19	(4,043,957,683)	–
		0.20	212,839,878	42,568
Reduction of share capital	(b(ii), (iv))	(0.19)	–	(40,440)
At 31 March 2021 (unaudited)		0.01	212,839,878	2,128

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.

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 year ended 31 March 2021, 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.

In the year of 2020, the COVID-19 pandemic and subsequent waves spread through regions of the world continued plunging the global economy. Although pandemic prevention and control measures were implemented for more than a year, the process, time and speed of the recovery of global economy were relatively slow and there were still full of uncertainties. The livelihoods faced a huge challenge, the global economic prospects and the local business conditions remain subdued. The resumption of major economies in the coming year will hinge on the developments of COVID-19 pandemic and vaccine, as well as the global public health situations.

During the year ended 31 March 2021, the construction progress and properties sales of the Group were inevitably affected by the COVID-19 pandemic to a certain extent. For the year ended 31 March 2021, the Group recorded a revenue of approximately HK$29,542,000, representing a decrease of approximately 58% as compared to the revenue of approximately HK$71,177,000 for the year ended 31 March 2020. Administrative expenses decreased from approximately HK$41,499,000 for the year ended 31 March 2020 to approximately HK$18,152,000 for the year ended 31 March 2021, which was mainly due to the reduction in staff costs and office rental resulted from the cost saving measures implemented by the Group. Loss on revaluation of property, plant and equipment and loss on revaluation of right-of-use assets upon transfer to investment properties at the amounts of approximately HK$1,447,000 and approximately HK$1,499,000, respectively, were recorded for the year ended 31 March 2021. In addition, the Group recorded finance costs of approximately HK$3,427,000 for the year ended 31 March 2021, representing an increase of approximately 11% as compared to the that of approximately HK$3,077,000 for the year ended 31 March 2020, 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 year from continuing operations at the amount of approximately HK$15,428,000 for the year ended 31 March 2021, representing a decrease of approximately 38% as compared to that of approximately HK$24,694,000 for the year ended 31 March 2020.

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 a subsidiary of the Group, namely Harvest Way Holdings Limited, of approximately HK$7,349,000. For further details, please refer to the annual report of the Company for the year ended 31 March 2020. As a result, the loss for the year of the Group decreased from approximately HK$29,227,000 for the year ended 31 March 2020 to approximately HK$15,428,000 for the year ended 31 March 2021.

Properties Development

Leveraging 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 year ended 31 March 2021, 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 2021, revenue from properties development were derived from the sale of remaining completed properties of the Xiguan Project.

Xiguan Project

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

For the year ended 31 March 2021, the Group sold approximately 6% of the gross floor area and achieved total contracted sales of approximately HK$23,018,000, while approximately 15% of the gross floor area was sold and total of contracted sales of approximately HK$65,873,000 was recorded for the year ended 31 March 2020.

Bagua Town Project I

It is located at Bagua Town, Huanren County, Benxi, Liaoning Province, the PRC, with a floor area of approximately 5,023 sq.m. and a construction area of approximately 7,500 sq.m. for other commercial use. Although the preparation work for construction of properties on this 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 COVID-19 pandemic during the year. It is expected that the construction work of the Bagua Town Project I will be completed and sold in the third and last quarter of 2021, respectively, and it will comprise 3 main buildings and about 38 commercial units to create a marketplace for the community.

Bagua Town Project II

It is located at Bagua Town, Huanren County, Benxi, Liaoning Province, the PRC, with a floor area of approximately 9,188.2 sq.m. and a construction area of approximately 14,700 sq.m. for other commercial use. The Bagua Town Project II is at the preliminary stage of preparation ahead of construction.

The Bagua Town Project I and the Bagua Town Project II are important parts 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 the Bagua Town Project II are expected to generate continuous growth and enhance future business performance of the Group.

Under the unconventional approaches and the effective and regular control and measures on the COVID-19 pandemic implemented by the government of the PRC, the spread of COVID-19 pandemic in the PRC was relatively under control during the year ended 31 March 2021. However, our construction sites in the PRC were temporarily closed and later shifted to flexible working hours in response to the relevant prolonged isolation, quarantine and lockdown measures implemented by the government of the PRC. The construction progress was inevitable delayed and resulted in the decline in sales performance of the Group for the year ended 31 March 2021.

Although more marketing and promotion activities had been carried out to boost properties sales during the year ended 31 March 2021, a segment loss of approximately HK$3,170,000 was recorded for the year ended 31 March 2021 while a segment profit of approximately HK$2,284,000 was recorded for the year ended 31 March 2020.

Nevertheless, following the national strategies, the general policy “houses are built to be inhabited, not for speculation” issued by the government of the PRC and the efforts made by local authorities to recover and stabilise finance, economy and employment of the community, the Board is positive towards the properties development industry in the PRC and 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 year ended 31 March 2021, the revenue was approximately HK$919,000, representing a decrease of approximately 14% as compared to approximately HK$1,072,000 for the year ended 31 March 2020. Segment loss of approximately HK$4,639,000 and approximately HK$1,656,000 for each of the year ended 31 March 2021 and 2020 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 the 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 the

Bagua Town Project I and the 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.

The revenue and segment loss for the year ended 31 March 2021 were approximately HK$461,000 and approximately HK$143,000, respectively, whereas the revenue and segment loss for the year ended 31 March 2020 were approximately HK$316,000 and approximately HK$140,000, respectively.

Hydroelectric Power Business

The Group started to engage in the business of clean and renewable energy since the financial year of 2016. Revenue was 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 contributed to the stable income of the Group during the year.

The revenue and segment profit for the year ended 31 March 2021 were approximately HK$5,144,000 and approximately HK$1,232,000, respectively, whereas the revenue and segment profit for the year ended 31 March 2020 were approximately HK$3,916,000 and approximately HK$399,000, 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 financial year of 2021 was an extraordinary year and the evolving COVID-19 pandemic still weighed on the global economy and local business activities. Amid a still austere external environment, it is expected that the global economic contraction will remain and the business sentiment will subdue in the coming year. 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.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2021, bank balances and cash denominated mainly in Hong Kong dollars and Renminbi amounted to approximately HK$12,087,000 as compared to approximately HK$13,808,000 as at 31 March 2020.

As at 31 March 2021, 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 31 March 2021, the current ratio was 4.27 (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. As at 31 March 2021, the Group had borrowings of approximately HK$22,502,000 (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 31 March 2021, 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 since then.

Exposure to Fluctuation in Exchange Rates

For the year ended 31 March 2021, the Group's transactions were mostly denominated in Hong Kong dollars and Renminbi. No foreign currency hedge was made during the year ended 31 March 2021. 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 2021, borrowings of approximately HK$22,502,000 (31 March 2020: HK$20,742,000) granted to the Group are secured by investment properties of the Group of approximately HK$21,436,000 (31 March 2020: HK$19,760,000) and repayable on 3 May 2021. On 2 May 2021, the term of borrowings was extended for one year to 2 May 2022 with all other terms remained unchanged.

Properties for sale under development of the Group approximately HK$15,391,000 as at 31 March 2021 (31 March 2020: HK$14,133,000) were pledged to secure banking facility with an aggregate principal amount of approximately HK$28,127,000 (31 March 2020: HK$25,928,000) granted to third parties.

Contingent Liabilities

As at 31 March 2021, the Group had no material contingent liabilities (31 March 2020: Nil).

Employee

As at 31 March 2021, the Group had a total of 21 employees (31 March 2020: 25), of which 18 (31 March 2020: 22) were employed overseas. The total amount of staff costs from continuing operations of the Group for the year ended 31 March 2021 was approximately HK$1,612,000 (2020: HK$5,761,000).

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 AND DISPOSAL

The Group did not have any material acquisitions or disposals during the year ended 31 March 2021.

SIGNIFICANT INVESTMENT HELD

Save as disclosed in the paragraphs headed "Business Review" in this section, the Group did not have any significant investment held for the year ended 31 March 2021.

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 Group will actively seek 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 results announcement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2021 (2020: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2021, neither the Company nor its subsidiaries have purchased or redeemed any of the Company's listed securities.

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 (the "**Auditor**") was appointed as the auditor of the Group 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 Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange) as its own code on corporate governance practices and guidance. During the year ended 31 March 2021 and up to the date of this announcement, the Company has complied with the Code Provisions except the following:

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

   To comply with Code Provision A.4.2, all the Directors will voluntarily retire from his directorship at the annual general meetings of the Company at least once every three years, and the retired Directors, being eligible, will 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 30 September 2020 (the "**2020 AGM**") due to his other engagement. Mr. Wang Xing Qiao, the executive Director, acted as the chairman of the 2020 AGM, and attended the 2020 AGM with other members of the management. At the 2020 AGM, there was sufficient caliber for answering questions at the 2020 AGM and answered questions at the 2020 AGM competently.

3. Pursuant to Code Provision A.6.7, independent non-executive director and other non-executive director should attend general meeting to gain 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 the travel restrictions arising from the COVID-19 pandemic. The 2020 AGM and 2020 SGM proceeded smoothly with the attendance of the external auditor and were chaired by Mr. Wang Xing Qiao, the executive Director and the chief executive officer of the Company.

   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 2021 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 of the Listing Rules (the "**Model Code**") as the code of conduct regarding Director's securities transactions. Having made specific enquiry to all Directors, all of them confirmed that they have complied with the Model Code throughout the year ended 31 March 2021.

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 2021 has not been completed due to the outbreak of coronavirus in the northern PRC where the Group's major subsidiaries and operations 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 2021 and a further announcement will be published as and when appropriate.

The unaudited annual results for the year ended 31 March 2021 contained herein have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee comprises three independent non-executive Directors and reports directly to the Board. The Audit Committee meets regularly with the Group's senior management and the external auditor to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company.

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021 AND DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2021

Publication of the annual report of the Group for the year ended 31 March 2021 (the "**Annual Report**") containing all the information required by the Listing Rules and the audited annual results for the year ended 31 March 2021 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 2021 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 2021.

PUBLICATION OF THE UNAUDITED ANNUAL RESULTS AND ANNUAL REPORT

The unaudited annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.00485.hk. 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 information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above 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, 29 June 2021

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.