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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 2021**

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 2021 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 2021

	<i>Notes</i>	Six months ended 30 September	
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	21,480	14,034
Cost of sales		<u>(14,672)</u>	<u>(9,892)</u>
Gross profit		6,808	4,142
Other gain and loss	5	28	119
Administrative expenses		(9,728)	(6,213)
Finance costs		<u>(1,751)</u>	<u>(1,680)</u>
Loss before tax	6	(4,643)	(3,632)
Income tax expenses	7	<u>–</u>	<u>–</u>
Loss for the period		(4,643)	(3,632)
Other comprehensive income:			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>6,172</u>	<u>14,561</u>
Total comprehensive income for the period		<u>1,529</u>	<u>10,929</u>
Total comprehensive income for the period attributable to owners of the Company		<u>1,529</u>	<u>10,929</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
– Basic and diluted	9	<u>(2.18)</u>	<u>(1.71)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		30 September 2021 <i>HK\$'000</i> (unaudited)	31 March 2021 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Investment properties	10	61,815	60,804
Property, plant and equipment	10	39,338	40,014
Right-of-use assets	10	314	942
		101,467	101,760
Current assets			
Trade receivables, deposits and other receivables	11	42,672	40,325
Properties for sale under development	12	112,549	103,121
Properties held for sale		125,425	135,432
Bank balances and cash		12,647	12,087
		293,293	290,965
Current liabilities			
Amount due to a director	13	166	177
Amount due to immediate holding company	13	743	2,244
Amounts due to related companies	13	66	66
Trade payables and accrued charges	14	29,412	27,642
Lease liabilities		413	1,205
Contract liabilities		8,513	7,433
Current tax liabilities		6,496	6,910
Borrowings	15	22,876	22,502
Bonds payable	16	7,500	–
		76,185	68,179
Net current assets		217,108	222,786
Total assets less current liabilities		318,575	324,546

		30 September 2021	31 March 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Bonds payable	16	<u>4,000</u>	<u>11,500</u>
		<u>4,000</u>	<u>11,500</u>
Net assets		<u>314,575</u>	<u>313,046</u>
Capital and reserves			
Share capital	17	2,128	2,128
Reserves		<u>312,447</u>	<u>310,918</u>
Total equity		<u>314,575</u>	<u>313,046</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2021 (audited)	2,128	394,379	182	577,204	64,349	(725,196)	313,046
Loss for the period	-	-	-	-	-	(4,643)	(4,643)
Other comprehensive income:							
Exchange difference arising on translation of foreign operations	-	-	6,172	-	-	-	6,172
Total comprehensive income for the period	-	-	6,172	-	-	(4,643)	1,529
At 30 September 2021 (unaudited)	2,128	394,379	6,354	577,204	64,349	(729,839)	314,575
At 1 April 2020 (audited)	42,568	394,379	(29,285)	577,204	23,909	(709,768)	299,007
Loss for the period	-	-	-	-	-	(3,632)	(3,632)
Other comprehensive income:							
Exchange difference arising on translation of foreign operations	-	-	14,561	-	-	-	14,561
Total comprehensive income for the period	-	-	14,561	-	-	(3,632)	10,929
Transactions with owners:							
<i>Contributions and distributions:</i>							
Reduction of share capital	(40,440)	-	-	-	40,440	-	-
At 30 September 2020 (unaudited)	2,128	394,379	(14,724)	577,204	64,349	(713,400)	309,936

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net cash flows used in operating activities	(141)	(14,727)
INVESTING ACTIVITIES		
Interest received	12	12
(Repayment to) Advance from immediate holding company	(1,501)	3,331
Repayment to a director	(11)	(43)
Purchase of property, plant and equipment	–	(14)
Net cash flows (used in) generated from investing activities	(1,500)	3,286
FINANCING ACTIVITIES		
Interest paid on borrowings	–	(1,261)
Interest paid on lease liabilities	(21)	(65)
Interest paid on bonds issued	(175)	(354)
Repayment of lease liabilities	(792)	(632)
Net cash flows used in financing activities	(988)	(2,312)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(2,629)	(13,753)
Cash and cash equivalents at beginning of the reporting period	12,087	13,808
Effect of foreign exchange rate changes	3,189	10,292
Cash and cash equivalents at end of the reporting period, represented by bank balances and cash	12,647	10,347

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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”) (“Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the 2021 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 2021 except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA effective as of 1 April 2021.

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

In the current period, the Group has adopted the following amendments to HKFRSs issued by the HKICPA that are relevant to the Group and effective for the current period:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest rate benchmark reform – phase 2
HKFRS 4 and HKFRS 16

The amendments to standards stated above did not have any significant impact to the Group’s condensed consolidated financial statements in 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	
	2021	2020
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Revenue from contracts with customers within HKFRS 15:		
Development and sale of properties	16,246	10,065
Properties management	281	192
Operation and management of hydroelectric power stations	4,328	3,357
	<u>20,855</u>	<u>13,614</u>
Revenue from other sources:		
Rental income from operating leases:		
– fixed lease payments	496	297
– variable lease payments	129	123
	<u>625</u>	<u>420</u>
	<u>21,480</u>	<u>14,034</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 2021				
	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	16,246	281	4,328	20,855
<i>Timing of revenue recognition:</i>				
At a point in time	16,246	–	–	16,246
Over time	–	281	4,328	4,609
	16,246	281	4,328	20,855
Six months ended 30 September 2020				
	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	10,065	192	3,357	13,614
<i>Timing of revenue recognition:</i>				
At a point in time	10,065	–	–	10,065
Over time	–	192	3,357	3,549
	10,065	192	3,357	13,614

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

4. SEGMENT INFORMATION

The Group's operating divisions are as follows:

- (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**”)

Segment revenue and results

For the six months ended 30 September 2021

	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	<u>16,246</u>	<u>625</u>	<u>281</u>	<u>4,328</u>	<u>21,480</u>
Segment results	<u>(3,773)</u>	<u>217</u>	<u>(86)</u>	<u>2,238</u>	<u>(1,404)</u>
Interest income					12
Unallocated expenses					(1,500)
Finance costs					<u>(1,751)</u>
Loss before tax					<u>(4,643)</u>

For the six months ended 30 September 2020

	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	<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>	<u>(514)</u>
Interest income					12
Unallocated expenses					(1,450)
Finance costs					<u>(1,680)</u>
Loss before tax					<u>(3,632)</u>

5. OTHER GAIN AND LOSS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	12	12
Others	16	107
	<u>28</u>	<u>119</u>

6. LOSS BEFORE TAX

This is stated after charging:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs (including directors' remuneration):		
– wages and salaries	691	755
– contribution to defined contribution schemes	96	46
Cost of inventories sold	14,672	9,892
Depreciation:		
– property, plant and equipment	1,647	1,635
– right-of-use assets	628	1,421
Interest expenses on:		
– borrowings	1,375	1,261
– bonds payable	353	354
– lease liabilities	23	65
	<u>23,185</u>	<u>24,429</u>

7. INCOME TAX EXPENSES

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 2021 and 2020.

The PRC Enterprise Income Tax (“EIT”) in respect of operations in the PRC is calculated at a rate of 25% (six months ended 30 September 2020: 25%) on the estimated assessable profits for the six months ended 30 September 2021 based on existing legislation, interpretations and practices in respect thereof.

8. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 September 2021 (six months ended 30 September 2020: nil). The Directors have determined that no dividend will be paid in respect of the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

9. 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss attributable to owners of the Company	(4,643)	(3,632)
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the basic and diluted loss per share	212,839,878	212,839,878
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted loss per share	(2.18)	(1.71)

Diluted loss per share is same as the basic loss per share for the six months ended 30 September 2021 and 2020.

10. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 September 2021, the Group has not acquired or disposed of any items of investment properties and right-of-use assets (six months ended 30 September 2020: nil).

During the six months ended 30 September 2021 the Group has not acquired any items of property, plant and equipment (six months ended 30 September 2020: HK\$14,000).

11. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

At 30 September 2021, trade receivables, deposits and other receivables includes trade receivables of HK\$3,731,000 (31 March 2021: HK\$3,449,000). 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	31 March
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
0–30 days	1,048	368
31–60 days	88	5
61–90 days	4	10
Over 90 days	2,591	3,066
	3,731	3,449

The Group allows an average credit period ranging from 0 to 365 days (31 March 2021: 0 to 365 days) to its trade customers.

12. PROPERTIES FOR SALE UNDER DEVELOPMENT

At 30 September 2021, properties for sale under development of HK\$15,743,000 (31 March 2021: HK\$15,391,000) were pledged to secure banking facility with an aggregate principal amount of HK\$28,595,000 (31 March 2021: HK\$28,127,000) granted to third parties. All properties for sale under development are located in the PRC.

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

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

14. TRADE PAYABLES AND ACCRUED CHARGES

At 30 September 2021, trade payables and accrued charges includes trade payables of HK\$8,200,000 (31 March 2021: HK\$8,467,000). The ageing analysis of trade payables based on invoice dates at the end of the reporting period is as follows:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
0–30 days	66	415
31–60 days	–	–
61–90 days	–	–
Over 90 days	<u>8,134</u>	<u>8,052</u>
	<u>8,200</u>	<u>8,467</u>

The average credit period is 90 days (31 March 2021: 90 days) and certain suppliers grant longer credit period on a case-by-case basis.

15. BORROWINGS

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Other borrowings, secured	<u>22,876</u>	<u>22,502</u>

The borrowings are repayable within one year.

As at 30 September 2021, the Group's borrowings are fixed-rate borrowings and bear interest at a rate of 12% per annum (31 March 2021: 12%). The borrowings are secured by the investment properties of the Group of HK\$21,792,000 (31 March 2021: HK\$21,436,000) and repayable on 2 May 2022 (31 March 2021: 3 May 2021).

16. BONDS PAYABLE

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Corporate bonds	11,500	11,500
Bonds payable are repayable as follows:		
Within one year	7,500	–
More than one year but not exceeding two years	1,000	8,500
More than two years but not exceeding five years	3,000	3,000
	11,500	11,500
Less: Amounts due within one year shown under current liabilities	(7,500)	–
Amounts due after one year	4,000	11,500

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.

17. SHARE CAPITAL

	<i>Notes</i>	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:				
At 1 April 2020		0.01	50,000,000,000	500,000
Consolidation of shares	(i)	0.19	(47,500,000,000)	–
		0.20	2,500,000,000	500,000
Subdivision of shares	(iii)	(0.19)	47,500,000,000	–
At 31 March 2021 and 30 September 2021		0.01	50,000,000,000	500,000
Issued and fully paid:				
At 1 April 2020		0.01	4,256,797,561	42,568
Consolidation of shares	(i)	0.19	(4,043,957,683)	–
		0.20	212,839,878	42,568
Reduction of share capital	(ii) and (iv)	(0.19)	–	(40,440)
At 31 March 2021 and 30 September 2021		0.01	212,839,878	2,128

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.

18. CAPITAL COMMITMENTS

	30 September 2021 <i>HK\$'000</i> (unaudited)	31 March 2021 <i>HK\$'000</i> (audited)
Properties for sale under development: Contracted but not provided for in the condensed consolidated financial statements	<u><u>1,518</u></u>	<u><u>1,240</u></u>

19. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions:

	Six months ended 30 September 2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Remuneration of key management personnel	<u><u>366</u></u>	<u><u>387</u></u>

Key management personnel are deemed to be the members of the Board of Directors of the Company 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 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.

During the reporting period, the global public health situations and overall economy slowly recovered in a volatile environment. Although the COVID-19 constantly changed and caused various new variants of virus, the focus of the discussions via major countries has shifted from infection control to vaccination progress. Many countries, including the PRC, implemented vaccination programmes to be one of the core strategies to fight against the unprecedented pandemic and to strive for economy recovery that reached certain achievements. The negative impact of the COVID-19 epidemic gradually under control. Further, the central government of the PRC continuously adopted proactive epidemic control measures, city specific policies, fiscal policies as well as prudent monetary policies, the public health situations had been stabilised and the production and economic activities in the PRC had been gradually recovered. In the first half of 2021, the sales of commercial housing in the PRC reached approximately RMB9,290 billion and the sales area of commercial housing was approximately 886 million sq.m., representing a year-on-year increase of 39% and 28%, respectively, according to the research data from National Bureau of Statistics in the PRC.

For the six months ended 30 September 2021, the Group recorded a revenue of approximately HK\$21,480,000 representing an increase of 53% as compared to the revenue of approximately HK\$14,034,000 for the corresponding period in 2020. Administrative expenses increased from approximately HK\$6,213,000 for the six months ended 30 September 2020 to approximately HK\$9,728,000 for the six months ended 30 September 2021 which was mainly due to the increased marketing and promotion activities on properties sales. For the six months ended 30 September 2021, the Group recorded finance costs of approximately HK\$1,751,000, representing an increase of 4% as compared to the that of approximately HK\$1,680,000 for the corresponding period in 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 period at the amount of approximately HK\$4,643,000 for the six months ended 30 September 2021, representing an increase of 28% as compared to that of approximately HK\$3,632,000 for the six months ended 30 September 2020.

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 six months ended 30 September 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 six months ended 30 September 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.. 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 six months ended 30 September 2021, the Group sold approximately 4% of the gross floor area and achieved total contracted sales of approximately HK\$16,246,000, while approximately 3% of the gross floor area was sold and total of contracted sales of approximately HK\$10,065,000 was recorded for the six months ended 30 September 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 reporting period. The construction work of Bagua Town Project I has been substantially completed as at 30 September 2021 and is expected to be sold in the last quarter of 2021. Bagua Town Project I comprises 3 main buildings and 38 commercial units that creates 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 the PRC, 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.

Needless to say, the COVID-19 pandemic has lasted for two years and resulted in the continued delay in the construction progress and sales planning on Bagua Town Project I and Bagua Town Project II. Regardless of the COVID-19 pandemic ramifications, the Group barely keeps up with the pace of economic recovery and realised a slightly growth in properties sales by reallocating its resources onto marketing and promotions of the Xiguan Project during the six months ended 30 September 2021. Although more marketing and promotion activities had been carried out to boost properties sales during the six months ended 30 September 2021, a segment loss of approximately HK\$3,773,000 was recorded for the six months ended 30 September 2021, representing an increase of 182% as compared to a segment loss of approximately HK\$1,336,000 for the six months ended 30 September 2020.

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, strengthen and stabilise finance, economy and employment of the community, the Board is positive towards the properties development industry in the PRC and expected that the post-pandemic real estate market in the PRC will continue to be recovered. The Group 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 Huanren County, Benxi, Liaoning Province, the PRC for commercial use. For the six months ended 30 September 2021, revenue was approximately HK\$625,000, representing an increase of 49% as compared to approximately HK\$420,000 for the six months ended 30 September 2020. Segment profit of approximately HK\$217,000 for the six months ended 30 September 2021 was recorded as compare to a segment loss of approximately HK\$757,000 for the six months ended 30 September 2020.

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 six months ended 30 September 2021 were approximately HK\$281,000 and approximately HK\$86,000, respectively, whereas the revenue and segment loss for the six months ended 30 September 2020 were approximately HK\$192,000 and approximately HK\$124,000, 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 period.

The revenue and segment profit for the six months ended 30 September 2021 were approximately HK\$4,328,000 and approximately HK\$2,238,000, respectively, whereas the revenue and segment profit for the six months ended 30 September 2020 were approximately HK\$3,357,000 and approximately HK\$1,703,000, respectively.

Needless to say, the 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 2021, bank balances and cash denominated mainly in Hong Kong dollars and Renminbi amounted to approximately HK\$12,647,000 as compared to approximately HK\$12,087,000 as at 31 March 2021.

As at 30 September 2021, gearing ratio was 0.11 (31 March 2021: 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 2021, the current ratio was 3.85 (31 March 2021: 4.27). The decrease in current ratio was due to the classification of bonds payable 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 30 September 2021, the Group had borrowings of approximately HK\$22,876,000 (31 March 2021: HK\$22,502,000) and bonds payable of approximately HK\$11,500,000 (31 March 2021: HK\$11,500,000), which were for the Group's refinancing and general corporate purpose. As at 30 September 2021, the Group's borrowings and bond payable were interest bearing at 12% (31 March 2021: 12%), and 6% to 6.5% (31 March 2021: 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 ("**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 at the special general meeting of the Company held on 14 September 2020. 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 2021, 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 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

Details regarding the pledge of assets are set out in notes 12 and 15 to the condensed consolidated financial statements.

Contingent Liabilities

As at 30 September 2021, the Group had no material contingent liabilities.

STAFF

As at 30 September 2021, the Group had a total of 16 employees (31 March 2020: 21), of which 13 (31 March 2021: 18) were employed in the PRC. 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 six months ended 30 September 2021.

SIGNIFICANT INVESTMENT HELD

Save as disclosed in the paragraphs headed "Business Review" in this announcement, the Group did not have any significant investment held as at 30 September 2021.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

Save as disclosed in the paragraphs headed "Business Review" and "Prospect" in this announcement, the Company will actively seek for potential opportunities in different industries and business sectors. However, the Group has not executed any legally binding agreement in relation to material investment or acquisition of capital assets and did not have any plans relating to material investment or capital assets as at the date of this announcement.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of six months ended 30 September 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2021, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

EVENT AFTER REPORTING PERIOD

The Board is not aware of any important event affecting the Group which occurred after the end of the reporting period and up to the date of this announcement.

PROSPECT

Throughout the six months ended 30 September 2021, the Group strived to balance its developments, finance expenditures and utilisation of resources to improve the performance of the Group. Having said that, the rest of the year 2021 is still full of uncertainties as the global economy and different sectors need time to recover and return to pre-pandemic levels. Regardless of the outside factors and challenges that put the Group in a more severe situation in the coming years, 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 a high standard of corporate governance practices to safeguard the interest of its Shareholders and enhance the performance of the Group. 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 2021 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 24 September 2021 (the “**2021 AGM**”) due to his other engagement. Mr. Wang Xing Qiao, the executive Director acted as the chairman of the 2021 AGM, and attended the 2021 AGM with other members of the management. At the 2021 AGM, there was sufficient caliber for answering questions at the 2021 AGM and answered questions at the 2021 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 2021 AGM due to the travel restrictions arising from the COVID-19 pandemic.

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 2021.

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. 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 announcement.

BOARD OF DIRECTORS

As at the date of 30 September 2021, 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.hkexnews.hk). The interim report of the Company for the six months ended 30 September 2021 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, 29 November 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.