
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Sinostar Group Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular, for which the directors of China Sinostar Group Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Sinostar Group Company Limited. The directors of China Sinostar Group Company Limited having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

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)

**MAJOR TRANSACTION IN RELATION TO DISPOSAL OF
100% EQUITY INTEREST IN AND SALE LOAN OWED BY
TONG SHENG YUAN HOLDINGS LIMITED**

A letter from the board of directors of China Sinostar Group Company Limited (the “**Company**”) is set out on pages 5 to 14 of this circular.

30 November 2017

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Achieve Prosper”	Achieve Prosper Capital Limited, a controlling Shareholder of the Company
“Acquisition”	the acquisition of 100% equity interest in Benxi Tongsheng Property Development Limited* (本溪同盛房地產開發有限公司) pursuant to a sale and purchase agreement dated 25 September 2017 entered into between Benxi Dongfang Industrial Limited* (本溪東方實業有限公司) as purchaser and Shi Na and Hu Dan as the vendors, which is more particularly described in the Announcements
“Announcements”	the announcements of the Company dated 26 September 2017, 17 October 2017 and 9 November 2017 relating to, amongst other things, the Disposal Agreement and the transactions contemplated thereunder
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Benxi Tong Sheng Yuan Shiya”	Benxi Tong Sheng Yuan Shiya Company Limited* (本溪同盛遠實業有限公司), which is more particularly described in the paragraph headed “Information of Tong Sheng Yuan” in this circular
“Board”	the board of Directors from time to time
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Bye-laws”	the existing bye-laws of the Company
“Company”	China Sinostar Group Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 485)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company (including the independent non-executive directors) from time to time
“Disposal”	the disposal of the Sale Share and the Sale Loan pursuant to the Disposal Agreement

DEFINITIONS

“Disposal Agreement”	the sale and purchase agreement dated 25 September 2017 entered into between Seasonal Bliss, the Purchaser and the Guarantor in relation to the Disposal
“Disposal Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Disposal Consideration”	the consideration of RMB125 million (equivalent to approximately HK\$146.46 million) for the Disposal
“Group”	the Company and its subsidiaries from time to time
“Guarantor”	Shi Na, who is more particularly described in the paragraph headed “Information of the parties to the Disposal Agreement” in this circular
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company
“Latest Practicable Date”	24 November 2017, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Liaoning Shihua”	Liaoning Shihua (Group) Property Development Limited* (遼寧實華(集團)房地產開發有限公司), a controlling Shareholder of the Company. Mr. Wang Jing, our executive Director, is its sole director and beneficial owner of 82.8% of its equity interest
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Property 1”	Various portions (Basement Level 1, portions of Levels 1 to 4 and Basement Level 3) of Commercial Podium (Land Lot No. 051-05-1-42) of Shihua Meilan City (實華·美蘭城) located at Guangyu Road, Pingshan District, Benxi City, Liaoning Province, The PRC, being one of the subject matters of the valuation report included in Appendix II to this circular

DEFINITIONS

“Property 2”	Units 1 to 3 of Block 1 and Units 1 to 2 of Block 2 of a commercial podium, No. 83 Guangyu Road, Pingshan District, Benxi City, Liaoning Province, The PRC, being one of the subject matters of the valuation report included in Appendix II to this circular
“Purchaser”	Starry Beauty Limited, which is more particularly described in the paragraph headed “Information of the parties to the Disposal Agreement” in this circular
“Sale Loan”	HK\$38.7 million, being the entire amount owed by Tong Sheng Yuan to Seasonal Bliss and certain members of the Group as at the date of the Disposal Agreement
“Sale Share”	1 share of Tong Sheng Yuan, being 100% of its total issued shares
“Seasonal Bliss”	Seasonal Bliss Limited, which is more particularly described in the paragraph headed “Information of the parties to the Disposal Agreement” in this circular
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the issued Shares from time to time
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	having the meaning ascribed thereto under Listing Rules
“Tong Sheng Yuan”	Tong Sheng Yuan Holdings Limited* (同盛遠控股有限公司), which is more particularly described in the paragraph headed “Information of Tong Sheng Yuan” in this circular
“Valuation”	the value of Property 1 and Property 2, being all of the properties held by Benxi Tong Sheng Yuan Shiya as shown in the valuation report included in Appendix II to this circular, on a market basis by the comparison approach and/or investment method (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

DEFINITIONS

For the purpose of this circular, unless otherwise indicated, conversions of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.1717. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

* *The English translation of the Chinese names or words in this circular, where indicated, is included for identification purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Wang Jing (*Chairman*)

Mr. Wang Xing Qiao (*Chief Executive Officer*)

Mr. Zhao Shuang

Independent Non-Executive Directors:

Mr. Wang Ping

Mr. Cheng Tai Kwan Sunny

Mr. Song Wenke

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Principal place of business

Rooms 05-15, 13A/F., South Tower,

World Finance Centre,

Harbour City,

17 Canton Road,

Tsim Sha Tsui, Kowloon,

Hong Kong

30 November 2017

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO DISPOSAL OF
100% EQUITY INTEREST IN AND SALE LOAN OWED BY
TONG SHENG YUAN HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Announcements in relation to, among others, the Disposal Agreement in relation to the disposal of the Sale Share and the Sale Loan and the transactions contemplated thereunder.

As disclosed in the Announcements, on 25 September 2017, Seasonal Bliss, the Purchaser and the Guarantor entered into the Disposal Agreement, pursuant to which Seasonal Bliss has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Sale Loan.

The purpose of this circular is to provide you with further information regarding, among other things, (a) further details of the Disposal Agreement; (b) the financial information of the Group and (c) the valuation report on the Valuation prepared by an independent valuer.

LETTER FROM THE BOARD

MAJOR DISPOSAL

The Disposal Agreement

Date: 25 September 2017

Parties: Seasonal Bliss as vendor

Starry Beauty Limited as purchaser

Shi Na as guarantor

The Purchaser is a company established in Samoa with limited liability and is principally engaged in the investment holding. Save for the Disposal and the Acquisition, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser, the Guarantor and/or its ultimate beneficial owner(s) is an Independent Third Party.

The Disposal

Seasonal Bliss has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Sale Loan.

Disposal Consideration

The Disposal Consideration is RMB125 million (equivalent to approximately HK\$146.46 million, representing a deficit of approximately HK\$3.54 million under the net assets value of Tong Sheng Yuan of approximately HK\$150 million as at 31 March 2017) and shall be paid in cash by the Purchaser to Seasonal Bliss as follows:

- (a) as to RMB80 million (equivalent to approximately HK\$93.74 million) shall be paid on the date of the Disposal Agreement as deposit, the entirety of which would become part of the Disposal Consideration upon the fulfillment of all the conditions precedent; and
- (b) as to the balance of RMB45 million (equivalent to approximately HK\$52.72 million) shall be paid on or before 30 October 2018.

The Disposal Consideration was arrived at after arm's length negotiations between the parties to the Disposal Agreement after taking into consideration of various factors, including (i) the reasons for the Disposal as disclosed in the paragraph headed "Reasons for and benefit of the Disposal" in this circular; (ii) the current financial position of Tong Sheng Yuan; and (iii) the amount of the Sale Loan.

Further, the payment term of the remaining balance of RMB45 million was arrived at after arm's length negotiations between the parties to the Disposal Agreement taking into consideration of various factors, including (i) the irrevocable and unconditional personal guarantee provided by the Guarantor in relation to the due and punctual payment of the Disposal Consideration; (ii) the expected time required for the settlement of the account receivables owed to Tong Sheng Yuan and its subsidiaries, the account

LETTER FROM THE BOARD

receivables of which were transferred to the Purchaser under the Disposal Agreement as part of the assets of Tong Sheng Yuan; (iii) the fact that an aggregate of RMB80 million, representing approximately 64.0% of the Disposal Consideration, has been paid on the date of the Disposal Agreement; and (iv) the fact that the Company shall use its best endeavor to collect the outstanding balance of the Disposal Consideration as soon as reasonably practicable, on or before the contractual deadline of 30 October 2018.

Conditions precedent

Disposal Completion is subject to the fulfillment (or waiver, as the case may be) of the following conditions precedent:

- (a) a deposit of RMB80 million being duly transferred into a designated bank account of Seasonal Bliss;
- (b) all necessary consents, approvals and permits required to be obtained on the part of Seasonal Bliss and the Purchaser (including any consents, approvals and permits from third party entities) in respect of the execution and performance of the Disposal Agreement and the transactions contemplated thereunder having been obtained and are or will be in full force and effect as of the date of the Disposal Agreement and the Disposal Completion;
- (c) the warranties and representations made by Seasonal Bliss in the Disposal Agreement are true and accurate in all material respects and in substance as of the date of the Disposal Agreement and as of the Disposal Completion;
- (d) Seasonal Bliss having performed and fulfilled all of its obligations under the Disposal Agreement on or before the Disposal Completion; and;
- (e) the approval in writing from Achieve Prosper, in lieu of an approval from the Shareholders at the general meeting of the Company pursuant to the Listing Rules, approving the Disposal Agreement and the transactions contemplated thereunder, having been obtained.

If any of the conditions precedent of the Disposal Agreement has not been fulfilled on or before the date falling five (5) days from the date of the Disposal Agreement or such later date as Seasonal Bliss and the Purchaser may agree in writing, the Disposal Agreement shall be terminated and neither party shall have any claim against each other save for any antecedent breaches of the Disposal Agreement provided that Seasonal Bliss shall refund all the consideration and/or deposit (as the case may be) paid by the Purchaser (without interest) to the Purchaser.

If the transfer of the Sale Share and the Sale Loan does not take place on the date falling ten (10) days from the date of the Disposal Agreement (or such other date as may be agreed in writing between Seasonal Bliss and the Purchaser), the Disposal Agreement shall be terminated and neither party shall have any claim against each other save for any antecedent breaches of the Disposal Agreement provided that Seasonal Bliss shall refund all the consideration and/or deposit (as the case may be) paid by the Purchaser (without interest) to the Purchaser and all changes brought by the entering into of the Disposal Agreement shall be unwound.

LETTER FROM THE BOARD

As at the Latest Practicable Date, all the conditions precedent have been satisfied and the transfer of the Sale Share and the Sale Loan has been completed.

Disposal Completion

Seasonal Bliss shall cause or procure the transfer of the Sale Share and the Sale Loan to the Purchaser and complete all the necessary registration within five (5) Business Days following the signing of the Disposal Agreement.

After the transfer of the Sale Share, Tong Sheng Yuan shall cease to be a subsidiary of the Company.

Guarantee

The Guarantor undertakes to Seasonal Bliss that, upon fulfillment of all the conditions precedent, she shall deliver to Seasonal Bliss a deed of guarantee, pursuant to which she shall irrevocably and unconditionally guarantee the due and punctual payment of the Disposal Consideration.

INFORMATION OF THE PARTIES TO THE DISPOSAL AGREEMENT

Seasonal Bliss is an investment holding company incorporated in Samoa with limited liability and a direct wholly-owned subsidiary of the Company.

The Purchaser is an investment holding company incorporated in Samoa with limited liability.

The Guarantor is a PRC citizen and the sole owner of the Purchaser.

Save for the Disposal and the Acquisition, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser, the Guarantor and/or its ultimate beneficial owner(s) is an Independent Third Party.

INFORMATION OF TONG SHENG YUAN

Tong Sheng Yuan is an investment holding company incorporated in Samoa and an indirect wholly-owned subsidiary of the Company. Tong Sheng Yuan owns 100% of the issued share capital of Tong Sheng Yuan Limited, an investment holding company incorporated in Hong Kong with limited liability. Tong Sheng Yuan Limited in turn owns 100% equity interest in Benxi Tong Sheng Yuan Shiya* (本溪同盛遠實業有限公司), a wholly foreign owned enterprise established in the PRC with registered capital of RMB20 million and principally engaged in properties investment and sales and installation of elevators.

As at the Latest Practicable Date, Benxi Tong Sheng Yuan Shiya held Property 1 and Property 2, of market value of approximately RMB148,900,000 and RMB15,020,000 respectively, as at 26 September 2017, assuming all relevant title certificates have been obtained, the properties could be freely transferred in the market and the title of the properties are vested in the Group. For details, please refer to the valuation report included in Appendix II to this circular.

LETTER FROM THE BOARD

Property 1

Property 1, being various portions (Basement Level 1, portions of Levels 1 to 4 and Basement Level 3) of Commercial Podium (Land Lot No. 051-05-1-42) of Shihua Meilan City (實華 • 美蘭城), is located at Guangyu Road, Pingshan District, in Benxi City which is about 2 hours' driving distance to the airport in Shenyang City. The immediate locality is a residential and commercial area.

Property 1, with gross floor area of approximately 21,924 sq.m., comprises various portions of a commercial podium erected on a parcel of land with a site area of approximately 92,200 sq.m. which was completed in 2017. There is a mixed development, named "Shihua Meilan City", comprising various commercial and residential buildings, completed in around 2016 to 2017, erected on the site.

The land use rights of the Property 1 have been granted to Liaoning Shihua for terms expiring on 18 July 2047 and 18 July 2077 for commercial and residential uses respectively. The said land use rights will be transferred to Benxi Tong Sheng Yuan Shiya (or its nominee) upon completion inspection.

A portion of Property 1 with a gross floor area of approximately 14,643 sq.m. is subject to a tenancy, with Wal-Mart (Liaoning) Stores Co., Ltd. as the tenant, for a term expiring in 2036 whilst the remaining portion of the property is vacant.

Property 2

Property 2, being Units 1 to 3 of Block 1 and Units 1 to 2 of Block 2 of a commercial podium, is located at Guangyu Road, Pingshan District, in Benxi City which is about 2 hours' driving distance to the airport in Shenyang City. The immediate locality is a residential and commercial area.

Property 2, with the total gross floor area and internal floor area of approximately 1,211.1 sq.m. and 1,162.11 sq.m. respectively, comprises 5 retail units on Level 1 of a commercial podium erected on a land parcel with a site area of around 92,200 sq.m. which was completed in about 2016. There is a mixed development, named "Shihua Meilan City", comprising various commercial and residential buildings, completed in around 2016 to 2017, erected on the site.

Property 2 is vacant.

For details of the properties, please refer to the valuation report included in Appendix II of this circular.

LETTER FROM THE BOARD

Property reconciliation

To comply with the Listing Rules, the Company has engaged Stirling Appraisals Limited, an independent valuer, to value the property interests. Details of the valuation report are set out in Appendix II of this circular. Disclosure of the reconciliation of the net book value and the valuation as required under Rule 5.07 of the Listing Rules is set out below:

	<i>RMB'000</i>
Net book value of the properties as at 31 March 2017	164,800
Less: Depreciation and amortization	–
Net book value of the properties as at 26 September 2017	<u>164,800</u>
Valuation deficit	880
Market value of the properties as at 26 September 2017, as set forth in the property valuation report in Appendix II (assuming all relevant title certificates have been obtained and the title of the property is vested in the Group)	<u>163,920</u>

The unaudited financial information of Tong Sheng Yuan prepared under Hong Kong Financial Reporting Standards is set out below:

	For the year ended 31 March 2017 (HK\$) (unaudited)	For the year ended 31 March 2016 (HK\$) (unaudited)
Turnover	170 million	Nil
Profit/(Loss) before taxation	19.5 million	1.8 million
Profit/(Loss) after taxation	8 million	1.8 million

Based on the unaudited financial statements of Tong Sheng Yuan, the net assets value of Tong Sheng Yuan as at 31 March 2017 was approximately HK\$150 million.

Valuation

According to the valuation report prepared by an independent valuer as set out in Appendix II to this circular, no commercial value was attributed to each of Property 1 and Property 2 respectively as the title of the properties are not vested in the Group since certain title certificates of the properties have not been obtained. However, for the reference purpose, the independent valuer is of the opinion that the market value of Property 1 and Property 2 would be in the sum of approximately RMB148,900,000 and RMB15,020,000 respectively, as at 26 September 2017, assuming all relevant title certificates have been obtained, the properties could be freely transferred in the market and the title of the properties are vested in the Group.

LETTER FROM THE BOARD

For Property 2 and a portion of Property 1 which are vacant, the Valuation is based on market basis by the comparison approach assuming sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have been made to account for the differences between the properties and the comparables in terms of location, size and other relevant factors. For the remaining portion of Property 1 which is subject to tenancy, the independent valuer has adopted the investment method by capitalising the net rental income of the property derived from the lease with due allowance for the reversionary value of the property.

The Valuation has been made on the assumption that the properties are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in the Valuation.

The independent valuer has been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, the independent valuer has not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to it. In the course of its valuations, it has relied upon the advice and information given by the Company's PRC legal advisor, Liaoning Xianghui Law Firm (遼寧湘輝律師事務所), regarding the title of the properties located in the PRC.

Further, no structural survey has been made by the independent valuer, and as such it is not able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of the valuations of the independent valuer, it has relied to a considerable extent on the information given by the Group and has accepted advice given to it on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the properties and other relevant information. It has not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to it are correct.

The independent valuer has no reason to doubt the truth and accuracy of the information provided to it by the Group and it has relied on the confirmation from the Group that no material facts have been omitted from the information provided.

No allowance has been made in the Valuation for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSAL

The Group is expected to record an unaudited gain on disposal of and the net assets of the Group is expected to be increased by approximately RMB0.82 million (equivalent to approximately HK\$0.96 million) with reference to (i) the unaudited net assets value of Tong Sheng Yuan as at 31 August 2017 of approximately HK\$183.7 million (excluding the Sale Loan); (ii) the Sale Loan in the amount of HK\$38.7 million; (iii) the Disposal Consideration of RMB125 million (equivalent to approximately HK\$146.46 million); and (iv) all relevant expenses of approximately HK\$0.5 million.

Upon the completion of the Disposal Agreement, Tong Sheng Yuan ceases to be subsidiary of the Company and its financial results, assets and liabilities shall no longer be included in the consolidated financial statements of the Group. The fair value of Property 1 and Property 2 has been decreasing over the past years. A decrease of approximately HK\$14.4 million, HK\$25.2 million and HK\$3.1 million of the fair value of Property 1 was recorded for the year ended 31 March 2016 and 31 March 2017 and approximately six months ended 26 September 2017 respectively. Further, a decrease of approximately HK\$5.1 million and HK\$0.6 million of the fair value of Property 2 was recorded for the year ended 31 March 2017 and approximately six months ended 26 September 2017 respectively. Having considered the continuous decrease in fair value of the properties held by Tong Sheng Yuan and its subsidiaries and the outstanding bank loan of Tong Sheng Yuan and its subsidiaries as at 31 March 2017, it is expected that the level of borrowing shall be reduced and it would result in a lower finance cost incurred by the Group following the completion of the Disposal Agreement. Moreover, since Benxi Tong Sheng Yuan Shiya, the subsidiary of Tong Sheng Yuan, is the only subsidiary in the Group engaged in the sales and installation of elevators, it is expected that the trading results of this business segment after the completion of the Disposal Agreement shall be faded out from the Group accordingly. Save as disclosed above, the Directors expect that the Disposal would not have a material impact on earnings of the Company.

REASONS FOR AND BENEFIT OF THE DISPOSAL

The principal activity of the Company is investment holding. Before the Disposal Completion, the Group was principally engaged in the design and sale of a wide range of electronic products, sales and installation of elevators, operation and management of hydroelectric power stations, properties investment and securities trading. After the Disposal Completion, the Group shall be no longer engaged in the sales and installation of elevators.

Taking into account (i) the considerable Disposal Consideration; (ii) the unaudited net assets value of the Tong Sheng Yuan and its subsidiaries as at 31 March 2017 of approximately HK\$150 million; (iii) the continuous decrease in fair value of the properties held by Tong Sheng Yuan and its subsidiaries (details of which are set out in the paragraph headed “Financial Effect of the Disposal” above), it is expected that the Disposal would decrease the liabilities of the Group, improve the financial position of the Group and provide the general working capital for the Group for further developments and funding for potential investments when opportunities arise.

Having considered the above, the Directors are of the view that the terms and conditions of the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

After deducting expenses relating to the Disposal, it is intended that the net proceeds from the Disposal shall be applied as the general working capital of the Group and to finance the investment opportunities as may be identified from time to time. Save as Acquisition and disclosed in this circular, as at the Latest Practicable Date, the Company has not identified any potential investment opportunities and has no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any disposal, termination and/or scaling-down of the business and major assets of the Group.

The Directors are of the view that the Disposal would not have any material adverse impact on the business operations and financial position of the Group.

WORKING CAPITAL

The Directors, are of opinion that, taking into account of the internal resources of the Group and the estimated net proceeds from the Disposal, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of the circular.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 25% but less than 75%, the entering into of Disposal Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval for the Disposal may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal; and (ii) written approval has been obtained from a Shareholder or a closely allied group of the Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Disposal.

The Directors confirm that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, the Guarantor and/or the ultimate beneficial owner(s) of the Purchaser are Independent Third Parties of the Company. As no Shareholder has material interest in the Disposal Agreement, as at the Latest Practicable Date, no Shareholder was required to abstain from voting on the resolution(s) approving the Disposal Agreement and the transactions contemplated thereunder. The Company has obtained an approval in writing from Achieve Prosper, which holds 2,171,827,290 Shares, representing 54.61% of the total issued shares of the Company as at the date of this circular. As Achieve Prosper holds more than 50% of the issued shares of the Company and no Shareholder is required to abstain from voting, no general meeting for the Shareholders' approval of the Disposal is required to be held.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
By order of the Board
China Sinostar Group Company Limited
Wang Jing
Chairman

FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 March 2015, 2016 and 2017 is disclosed in the annual reports of the Company for the three years ended 31 March 2015, 2016 and 2017 respectively, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.00485.hk).

1. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Before the Disposal Completion, the Group was principally engaged in the design and sale of a wide range of electronic products, sales and installation of elevators, operation and management of hydroelectric power stations, properties investment and securities trading. After the Disposal Completion, the Group shall be no longer engaged in the sales and installation of elevators.

Design and sale of electronic products

As one of the core businesses, the segment results of the design and sale of electronic products sector maintained healthy and were gradually improved, with an increase of approximately 7.60% in revenue for the year ended 31 March 2017. The segment results recorded a profit of HK\$8,313,000 as compared to the loss of HK\$2,683,000 for the year ended 31 March 2016. A large proportion of the electronic products were sold to the wholesalers in United States, Canada and Europe. Despite the slightly increase in the segment results, the Board has taken and will continue to take a cautious approach towards the current foreign market conditions and the uncertainties that may be raised.

Sales and installation of elevators

For the past three years, the Group has been actively seeking for potential opportunities to diversify its business portfolio by exploring various investment and development in different sectors so as to strengthen the revenue stream of the Group and to enhance the shareholders' value. For the year ended 31 March 2017, the Group further expanded its business into the sales and installation of elevators, specializing in residential and commercial projects. As a result, the Group recorded a revenue generated from the sales and installation of elevators of approximately HK\$169,990,000, accounting for approximately 27% of the total revenue of the Group. In addition, a segment profit of approximately HK\$33,069,000 was recorded for the year ended 31 March 2017.

Properties investment

As one of the core businesses, the sector of the properties investment performed weakly and recorded a loss of HK\$28,315,000 for the year ended 31 March 2017, as compared to the profit of HK\$4,348,000 for the year ended 31 March 2016. The decrease of the segment result was mainly due to the decrease in fair value of investment properties. The operating subsidiary of Tong Sheng Yuan, Benxi Tong Sheng Yuan Shiya* (本溪同盛遠實業有限公司), is principally engaged in properties investment and sales and installation of elevators.

Having considered (i) the considerable Disposal Consideration; (ii) the unaudited net assets value of the Tong Sheng Yuan and its subsidiaries (iii) the continuous decrease in fair value of the properties held by Tong Sheng Yuan and its subsidiaries (details of which are set out in the paragraph headed “Financial Effect of the Disposal” above), the Board are in the view that the Disposal would decrease the liabilities of the Group, improve the financial position of the Group and provide the general working capital for the Group for further developments and funding for potential investments when opportunities arise.

However, since Benxi Tong Sheng Yuan Shiya is the only subsidiary in the Group engaged in the sales and installation of elevators, it is expected that the trading results of this business segment after the completion of the Disposal Agreement shall be faded out from the Group accordingly.

Operation and management of hydroelectric power stations

As a result of the acquisition of the entire equity interest of two companies engaging in the operation and management of hydroelectric power stations in the PRC, for the year ended 31 March 2017, revenue of approximately HK\$4,167,000 and segment profit of approximately HK\$419,000 were recorded from the operation of the two hydroelectric power stations. In light of the increasing concerns towards the global warming, the frequency of extreme weather, and the demand of clean and renewable energy, the Board believes that the development in renewable energy will generate a steady and sustainable income for the Group in the long run.

Securities Trading

The Group recorded a segment profit of HK\$17,000 for the year ended 31 March 2017 due to the increase in fair value of investment held for trading.

Although there are uncertainties and challenges towards different industries and business environment, the management of the Company are confident with the further development of the Group. The Group will continuously make use of the foundation and experience gained in the current business and will also positively cope with any challenges and capture any possible business opportunities to generate better results and prospect for the Group.

Further, on 18 September 2017, Toys “R” Us, Inc. had filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia in Richmond, in order to, among others, use court-supervised proceedings to restructure its outstanding debt. Toys “R” Us, Inc. is one of the five largest customers of the Group for the financial year ended 31 March 2017. As at 30 September 2017, the Group had account receivables exposure of approximately HK\$36 million from Toys “R” Us, Inc.. The petition could affect the collectability of the said account receivables and the sales to it. For details, please refer to the announcement of the Company dated 29 September 2017.

2. INDEBTEDNESS

As at the close of business on 30 September 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding bank loan of approximately US\$12,433,000 (equivalent to HK\$96,977,000). The loan was secured by first priority security interests in all of the named borrowers' tangible and intangible assets as well as first priority security interests of 100% of member or ownership interests of any of its domestic existing or newly formed subsidiaries and first priority lien on up to 65% of the borrowers' domestic subsidiary's existing or subsequently formed or acquired foreign subsidiaries. The loan was also secured by a related-party through the debt subordination agreement in the amount of US\$2,500,000 (equivalent to HK\$19,500,000).

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 30 September 2017.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness of the Group since 30 September 2017, up to and including the Latest Practicable Date.

3. CONTINGENT LIABILITIES

There were no material contingent liabilities or guarantees as at 30 September 2017.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that they were not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 March 2017, being the date to which the latest published audited financial statements of the Group were made.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Stirling Appraisals Limited, an independent valuer, in connection with its valuations as at 26 September 2017 of the properties located in the People's Republic of China.



Stirling Appraisals Limited,
10 Floor, Pilkem Commercial Centre,
8 Pilkem Street, Jordan, Kowloon,
Hong Kong SAR

30 November 2017

The Directors
China Sinostar Group Company Limited,
Rooms 05-15, 13A/F, South Tower,
World Finance Centre,
Harbour City,
17 Canton Road,
Tsim Sha Tsui, Kowloon,
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from China Sinostar Group Company Limited (the “**Company**”) (together with its wholly-owned subsidiaries, the “**Group**”) for us to value the properties held by Benxi Tong Sheng Yuan Shiya Company Limited (本溪同盛遠實業有限公司) (“**Benxi Tong Sheng Yuan Shiya**”), an indirect wholly-owned subsidiary of Tong Sheng Yuan Holdings Limited (同盛遠控股有限公司), located in the People's Republic of China (the “**PRC**”). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 26 September 2017 (the “**valuation date**”).

BASIS OF VALUATION

Our valuations of the properties represent the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

For Property 2 and a portion of Property 1 which are vacant, we have valued such portions on market basis by the comparison approach assuming sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have been made to account for the differences between the properties and the comparables in

terms of location, size and other relevant factors. For the remaining portion of Property 1 which is subject to tenancy, we have adopted the investment method by capitalising the net rental income of the property derived from the lease with due allowance for the reversionary value of the property.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Company's PRC legal advisor, Liaoning Xianghui Law Firm (遼寧湘輝律師事務所), regarding the title of the properties located in the PRC. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

The properties were inspected by Mr. Anson Ma (Master Degree in Commerce) in October 2017. We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the properties and other relevant information.

Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on its confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the RICS Valuation, Global Standards 2017 published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

Our valuations has been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfers.

We hereby certify that we neither have any present nor any prospective interest in the Group or the appraised properties or the values reported.

Our summary of values and the valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
Stirling Appraisals Limited

Kenneth Ma
Associate Director
MRICS CFA

Note: Mr. Kenneth Ma is a Registered Valuer of the Royal Institute of Chartered Surveyors who has over 4 years' experience in valuations of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

Properties held for investment in the PRC

No.	Property	Market Value in existing state as at 26 September 2017 RMB
1.	Various portions (Basement Level 1, portions of Levels 1 to 4 and Basement Level 3) of Commercial Podium (Land Lot No. 051-05-1-42) of Shihua Meilan City (實華•美蘭城) located at Guangyu Road, Pingshan District, Benxi City, Liaoning Province, The PRC	No commercial value
2.	Units 1 to 3 of Block 1 and Units 1 to 2 of Block 2 of a commercial podium, No. 83 Guangyu Road, Pingshan District, Benxi City, Liaoning Province, The PRC	No commercial value
Total:		<hr/> <hr/> Nil

VALUATION CERTIFICATE

Properties held for investment in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 26 September 2017 RMB
1.	Various portions (Basement Level 1, portions of Levels 1 to 4 and Basement Level 3) of Commercial Podium (Land Lot No. 051-05-1-42) of Shihua Meilan City (實華•美蘭城) located at Guangyu Road, Pingshan District, Benxi City, Liaoning Province, The PRC	<p>The property comprises various portions of a commercial podium erected on a parcel of land with a site area of approximately 92,200 sq.m. which was completed in 2017. There is a mixed development, named “Shihua Meilan City”, comprising various commercial and residential buildings, completed in around 2016 to 2017, erected on the site. As advised by the Group, the site is fully developed with the said commercial and residential buildings and could not be further developed.</p> <p>As advised by the Group, the gross floor area of the property is approximately 21,924 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 18 July 2047 and 18 July 2077 for commercial and residential uses respectively.</p>	A portion of the property with a gross floor area of approximately 14,643 sq.m. is subject to a tenancy for a term expiring in 2036 whilst the remaining portion of the property is vacant.	No commercial value (Please refer to Note 9)

Notes:

1. The property is located at Guangyu Road in Benxi City which is about 2 hours' driving distance to the airport in Shenyang City. The immediate locality is a residential and commercial area.
2. Pursuant to a State-owned Land Use Rights Certificate, Ben Guo Yong (2010) No. 85 (本國用(2010)第85號), the land use rights of the property have been granted to Liaoning Shihua (Group) Property Development Limited (遼寧實華(集團)房地產開發有限公司) (“**Liaoning Shihua**”) for terms expiring on 18 July 2047 and 18 July 2077 for commercial and residential uses respectively. As advised by the Group, the said land use rights will be transferred to Benxi Tong Sheng Yuan Shiya (or its nominee) upon completion inspection as stated in Note 8.

3. Pursuant to a Construction Works Planning Permit, No. 2010-25 dated 31 May 2010, the construction work of the property was approved.
4. Pursuant to a Construction Works Commencement Permit, No. 210502201005310014001 dated in May 2010, Liaoning Shihua was approved to commence the construction works of the property.
5. Pursuant to a purchase agreement entered into between Liaoning Shihua and Benxi Tong Sheng Yuan Shiya, dated 17 March 2015, Liaoning Shihua had agreed to sell and Benxi Tong Sheng Yuan Shiya had agreed to acquire the property together with some other areas within the same commercial podium with a total gross floor area of approximately 23,700 sq.m. at a consideration of HK\$208,276,000.
6. Pursuant to a property transfer agreement entered into between Benxi Tong Sheng Yuan Shiya and an independent third party, dated 8 September 2016, Benxi Tong Sheng Yuan Shiya had agreed to sell a portion of the property (i.e. the some other areas stated in Note 5) with a gross floor area of approximately 1,775.86 sq.m. to the latter at a consideration of RMB20,000,000.
7. Pursuant to a premises lease agreement entered into between Liaoning Shihua and Wal-Mart (Liaoning) Stores Co., Ltd., dated 12 June 2014, a portion of the property with a gross floor area of approximately 14,643 sq.m. is leased to Wal-Mart (Liaoning) Stores Co., Ltd. for a term expiring in 2036, with an option to renew, at a monthly rental of RMB22 per sq.m. for the first two years, which shall be increased by 3% biennially thereafter. The monthly rental is inclusive of property management fee and exclusive of other utility charges. Final consent of Wal-Mart (Liaoning) Stores Co., Ltd. with regard to the transfer of the property under the purchase agreement as stated in Note 5 has been obtained on 27 July 2015.
8. As advised by the Group, the completion inspection of the property is being processed. The building ownership certificates of the property will be applied upon completion of the completion inspection.
9. In the valuation of this property, we have attributed no commercial value to the property as the title of the property is not vested in the Group as the Group is still in the process of obtaining the title certificate of the property. However, for your reference purpose, we are of the opinion that the market value of the property as at the valuation date would be in the sum of approximately RMB148,900,000 assuming all relevant title certificates have been obtained, the property could be freely transferred in the market and the title of the property is vested in the Group.
10. In the course of our valuation, we have made reference to various asking prices of similar property within the locality which have the similar characteristics comparable to the property. The unit rate of these comparable ranges from about RMB10,000 to RMB14,000 per sq.m.

The unit rate adopted by us is consistent with the said comparable asking prices after due adjustments. Due adjustments to the unit rate have been made to reflect factors including but not limited to size, floor and location of the property.

11. The opinion of the PRC legal advisor to the Group contains, inter alia, the following:
 - a. Benxi Tong Sheng Yuan Shiya has the rights to occupy, use, lease, receive income from, transfer or otherwise dispose of the property;
 - b. The purchase agreement stated in Note 5 is valid;
 - c. The property transfer agreement stated in Note 6 is valid; and
 - d. The premises lease agreement and the final consent stated in Note 7 are valid.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 26 September 2017 RMB
2.	Units 1 to 3 of Block 1 and Units 1 to 2 of Block 2 of a commercial podium, No. 83 Guangyu Road, Pingshan District, Benxi City, Liaoning Province, The PRC	<p>The property comprises 5 retail units on Level 1 of a commercial podium erected on a land parcel with a site area of around 92,200 sq.m. which was completed in about 2016. There is a mixed development, named “Shihua Meilan City”, comprising various commercial and residential buildings, completed in around 2016 to 2017, erected on the site. As advised by the Group, the site is fully developed with the said commercial and residential buildings and could not be further developed.</p> <p>As advised by the Group, the total gross floor area and internal floor area of the property are approximately 1,211.1 sq.m. and 1,162.11 sq.m. respectively.</p>	The property is vacant.	No commercial value (Please refer to Note 3)

Notes:

1. The property is located at Guangyu Road in Benxi City which is about 2 hours’ driving distance to the airport in Shenyang City. The immediate locality is a residential and commercial area.
2. Pursuant to a sale and purchase agreement entered into between an independent third party and Benxi Tong Sheng Yuan Shiya dated 26 August 2016, the independent third party had agreed to sell and Benxi Tong Sheng Yuan Shiya had agreed to acquire the property at a consideration of RMB20,000,000.
3. In the valuation of this property, we have attributed no commercial value to the property as relevant title certificates of the property have not been obtained. However, for your reference purpose, we are of the opinion that the market value of the property as at the valuation date would be in the sum of approximately RMB15,020,000 assuming all relevant title certificates have been obtained, the property could be freely transferred in the market and the title of the property is vested in the Group.

4. In the course of our valuation, we have made reference to various asking prices of similar property within the locality which have the similar characteristics comparable to the property. The unit rate of these comparable ranges from about RMB10,000 to RMB14,000 per sq.m.

The unit rate adopted by us is consistent with the said comparable asking prices after due adjustments. Due adjustments to the unit rate have been made to reflect factors including but not limited to size, floor and location of the property.

5. The opinion of the PRC legal advisor to the Group contains, inter alia, the following:
- a. Benxi Tong Sheng Yuan Shiya has the rights to occupy, use, receive income from, transfer, lease, or otherwise dispose of the property; and
 - b. The sale and purchase agreement stated in Note 2 is valid.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executive in the Shares, underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares and share options of the Company and its associated corporations (within the meaning of Part XV of the SFO which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of issued share capital in the Company
Wang Jing <i>Executive Director</i>	Interest of controlled corporation	2,171,827,290 ^(Note 1)	54.61% ^(Note 2)
Wang Xing Qiao <i>Executive Director</i>	Beneficial Owner	3,275,000	0.08% ^(Note 2)

Notes:

- These 2,171,827,290 Shares are held by Achieve Prosper and wholly and beneficially owned by Hong Kong Shihua Holdings Limited, which is in turn wholly and beneficially owned by Liaoning Shihua. Mr. Wang Jing is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in these 2,171,827,290 Shares.
- Based on 3,976,797,561 Shares of the Company in issue as at the Latest Practicable Date.

(b) Directors' interests in the shares of associated corporations

Name of associated corporation	Name of Director	Capacity	Long/Short position	Number of ordinary shares in associated corporation	Approximate percentage of issued share capital in associated corporation
Achieve Prosper	Wang Jing	Interest of controlled corporation	Long position	1,000,000 ^(Note)	100%

Note: These 2,171,827,290 Shares are held by Achieve Prosper and wholly and beneficially owned by Hong Kong Shihua Holdings Limited, which is in turn wholly and beneficially owned by Liaoning Shihua. Mr. Wang Jing is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in these 2,171,827,290 Shares.

Save as disclosed above and other than certain nominee Shares in subsidiaries held by Directors in trust for the Company or its subsidiaries, as at the Latest Practicable Date, none of the Company's Directors, chief executive nor their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Interests of Substantial Shareholders

As at the Latest Practicable Date, the following persons, other than the interest disclosed in the section headed "2. Disclosure of interests – (i) Interests of Directors and chief executive in the Shares, underlying Shares", having interest 5% or more in the shares and underlying shares of the Company have notified to the Company and have been recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under section 336 of Part XV of the SFO:–

Name of Shareholders	Nature of interest	Number of shares and underlying shares	Aggregate percentage of issued share capital as at the Latest Practicable Date
Achieve Prosper ^(Note 2)	Beneficial owner	2,171,827,290	54.61% ^(Note 1)
Hong Kong Shihua Holdings Limited ^(Note 2)	Interest of controlled corporation	2,171,827,290	54.61% ^(Note 1)
Liaoning Shihua ^(Note 2)	Interest of controlled corporation	2,171,827,290	54.61% ^(Note 1)
Hu Bao Qin ^(Notes 2, 3)	Spouse Interest	2,171,827,290	54.61% ^(Note 1)
Lushan Investment Holdings Limited ^(Note 4)	Custodian corporation/ Approved lending agent/Beneficial owner	2,917,914,246	73.37% ^(Note 1)

Notes:

- Based on 3,976,797,561 Shares of the Company in issue as at the Latest Practicable Date.
- Achieve Prosper is wholly and beneficially owned by Hong Kong Shihua Holdings Limited, which is in turn wholly and beneficially owned by Liaoning Shihua. Mr. Wang Jing is the sole director and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua. By virtue of the SFO, Hong Kong Shihua Holdings Limited, Liaoning Shihua, Mr. Wang Jing and Ms. Hu Bao Qin were deemed to be interest in the said 2,171,827,290 Shares held by Achieve Prosper.
- Ms. Hu Bao Qin is the spouse of Mr. Wang Jing, and is therefore deemed to be interested in the shares of the Company held by Mr. Wang Jing. Please refer to the above disclosure of interests in this section for further details.
- On 30 December 2015, Achieve Prosper transferred the 326,086,956 underlying Shares which are the conversion shares and are issuable upon the exercise of the convertible bonds due 2017 to Lushan Investment Holdings Limited, all of which are converted fully on 20 September 2017 (please refer to the announcement of the Company dated 18 September 2017 for further details). On 14 March 2016, Achieve Prosper entered into a share charge with Lushan Investment Holdings Limited, pursuant to which Achieve Prosper has pledged 2,171,827,290 Shares in favour of Lushan Investment Holdings Limited. In addition, further 420,000,000 Shares held by Achieve Prosper was transferred to Lushan Investment Holdings Limited pursuant to the sale and purchase agreement entered by the Achieve Prosper and Lushan Investment Holdings Limited (please refer to the announcement of the Company dated 16 March 2016 for further details).

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person, other than the interest disclosed in the section headed “2. Disclosure of interests – (i) Interests of Directors and chief executive in the Shares, underlying Shares”, having interest 5% or more in the shares and underlying shares of the Company who have notified to the Company and have been recorded in the register of substantial shareholders’ interests in shares and short positions required to be kept under section 336 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors, the controlling Shareholder and their respective associates is considered by the Company to have interests in business which compete with, or might compete with, either directly or indirectly, with the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

None of the Directors has any interest, either directly or indirectly, in any assets which has since 31 March 2017 (being the date to which the latest published audited accounts of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

Further, there is no contract of significance in relation to the business of the Group, to which the Company, any of its controlling entities or its subsidiaries was a party, and in which a Director had a material interest, directly or indirectly, subsisting as at the Latest Practicable Date.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract or a proposed service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

6. MATERIAL CONTRACTS

Set out below are summary of the principal contents of the material contracts (not being contracts entered into in the ordinary course of business) entered into by any members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the land use rights grant contract dated 11 December 2015 entered into between Benxi Zunhe Industrial Limited* (本溪尊赫實業有限公司) and the Land and Resources Bureau of Benxi City in respect of the acquisition of the land use rights of a parcel of land at a consideration of RMB9,400,000. Please refer to the announcement of the Company dated 14 December 2015 for details;
- (ii) three side letters dated 25 November 2015, 21 December 2015 and 22 December 2015 respectively entered into between the Company as the issuer and Achieve Prosper Capital Limited and Kingston Securities Limited as the underwriters in relation to the proposed amendments to the underwriting agreement entered into between the parties dated 20 August 2015 (as supplemented by a side letter dated 7 October 2015) regarding the underwriting of 1,832,192,916 offer shares under an open offer. Please refer to the prospectus of the Company dated 27 January 2016 for details;

- (iii) the sale and purchase agreement dated 6 March 2016 entered into between the Company as vendor and the Purchaser as purchaser in relation to the disposal of one share of Shi Hua Development Holdings Limited, being its entire issued share capital, at a consideration of RMB118,000,000. Please refer to the announcement of the Company dated 7 March 2016 for details;
- (iv) the supplemental agreement dated 9 March 2016 entered into between SIH Limited as supplier and Treasure Green Holdings Limited as purchaser in relation to the proposed amendments to the framework purchase agreement entered into between the parties dated 16 September 2015 regarding supply of certain electronic products, pursuant to which, the annual cap for the period from 21 July 2015 to 31 March 2016 was increased from HK\$56 million to HK\$57 million. Please refer to the announcements of the Company dated 17 September 2015 and 9 March 2016 for details;
- (v) the equity transfer agreement dated 24 March 2016 entered into between Liaoning Duoyi Hydropower Company Limited* (遼寧多益水電有限公司) as the vendor and Fu Jia Hong Kong Holding Limited (富佳香港控股有限公司) as the purchaser in relation to the entire equity interest in Benxi Weining Hydropower Company Limited* (本溪市威寧水力發電有限公司), at a consideration of RMB30,000,000. Please refer to the announcement of the Company dated 24 March 2016 for details;
- (vi) the equity transfer agreement dated 23 August 2016 entered into between Liaoning Duoyi Hydropower Company Limited* (遼寧多益水電有限公司) as the vendor and Hong Kong Shi Hua Fu Jia Holdings Limited (香港實華富佳控股有限公司) as the purchaser in relation to the entire equity interest in Benxi Manchu Autonomous County Fujia Hydropower Company Limited* (本溪滿族自治縣付家水力發電有限公司), at a consideration of RMB36,000,000. Please refer to the announcement of the Company dated 23 August 2016 for details;
- (vii) the amendment deed (the “**Amendment Deed**”) dated 4 August 2017 entered into between the Company and Lushan Investment Holdings Limited in relation to the proposed amendments to the 3% convertible bonds in the aggregate principal amount of HK\$75,000,000 issued by the Company, pursuant to which, among others, the maturity date and the expiry date of the conversion period shall be extended to 30 October 2017. Please refer to the announcements of the Company dated 28 July 2017 and 4 August 2017 and the circular of the Company dated 22 August 2017 for details;
- (viii) the revised convertible notes dated 8 September 2017 issued by the Company to Lushan Investment Holdings Limited with the terms and conditions attaching thereto incorporating all of the amendments contemplated under the Amendment Deed;
- (ix) the Disposal Agreement; and
- (x) the sale and purchase agreement dated 25 September 2017 entered into between Benxi Dongfang Industrial Limited* (本溪東方實業有限公司) as purchaser and Shi Na and Hu Dan as the vendors in relation to the Acquisition at a consideration of RMB20.05 million.

7. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Stirling Appraisals Limited	Independent Professional Valuer

Stirling Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 30 November 2017 and references to its name in the form and context in which they appear.

As at the Latest Practicable Date,

- (a) Stirling Appraisals Limited did not have any direct or indirect interest in any asset which had since 31 March 2017, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) Stirling Appraisals Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member in the Group.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Lam Wai Kei who is a practising member of The Hong Kong Institute of Certified Public Accountants.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (d) The principal place of business in Hong Kong of the Company is situated at Rooms 05-15, 13A/F., South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by prior telephone appointment (tel. number: (852) 2208 6008) at the Company's principal place of business in Hong Kong at Rooms 05-15, 13A/F., South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong during 10:00 a.m. to 5:00 p.m. on any Business Day from the date of this circular up to and including 15 December 2017:

- (a) the memorandum and articles of association and Bye-laws of the Company;
- (b) the letter from the Board, the text of which is set out on pages 5 to 14 of this circular;
- (c) the annual reports of the Company for the two years ended 31 March 2016 and 31 March 2017;
- (d) the circular of the Company dated 22 August 2017 in relation to the proposed amendments contemplated under the Amendment Deed, the circular of the Company dated 28 August 2017 in relation to the general mandate to repurchase Shares and the issue Shares, re-election of Directors and notice of annual general meeting and this circular;
- (e) the material contracts referred to in the paragraph headed "6. Material Contracts" of this Appendix;
- (f) the valuation report of Property 1 and Property 2, being all of the properties held by Benxi Tong Sheng Yuan Shiya from Stirling Appraisals Limited, the text of which is set out in Appendix II to this circular; and
- (g) the written consent of expert referred to in the paragraph headed "7. Expert's qualification and consent" of this Appendix.