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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of China Sinostar Group Company Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2018 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		Six months ended 30 September	
	<i>NOTES</i>	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
CONTINUING OPERATIONS			
Revenue	3	221,252	305,949
Cost of sales		<u>(171,110)</u>	<u>(231,847)</u>
Gross profit		50,142	74,102
Other income	4	478	202
Distribution costs		(20,223)	(23,960)
Administrative expenses		(33,097)	(37,417)
Other gains and losses	5	(2,821)	606
Finance costs		(805)	(5,191)
Share of profits of an associate		<u>206</u>	<u>83</u>
(Loss) profit before taxation	6	(6,120)	8,425
Taxation	7	<u>(400)</u>	<u>(1,048)</u>
		(6,520)	7,377
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	19	<u>-</u>	<u>(2,723)</u>
(Loss) profit for the period		(6,520)	4,654
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		(28,884)	(4,018)
Release of translation reserve upon disposal of subsidiaries		<u>-</u>	<u>35,194</u>
Total comprehensive (expense) income for the period		<u>(35,404)</u>	<u>35,830</u>

		Six months ended	
		30 September	
	<i>NOTES</i>	2018	2017
		HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company			
(Loss) profit from continuing operations		(7,502)	5,976
Loss from discontinued operation		-	(2,723)
		<u> </u>	<u> </u>
(Loss) profit attributable to owners of the Company		<u>(7,502)</u>	<u>3,253</u>
Non-controlling interests			
Profit from continuing operations		982	1,401
Profit from discontinued operation		-	-
		<u> </u>	<u> </u>
Profit attributable to owners of non-controlling interests		<u>982</u>	<u>1,401</u>
		<u>(6,520)</u>	<u>4,654</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(36,303)	34,613
Non-controlling interests		899	1,217
		<u> </u>	<u> </u>
		<u>(35,404)</u>	<u>35,830</u>
		HK cents	<i>HK cents</i>
(Loss) earnings per share	9		
From continuing and discontinued operations			
- Basic and diluted		<u>(0.19)</u>	<u>0.09</u>
From continuing operations			
- Basic and diluted		<u>(0.19)</u>	<u>0.16</u>
From discontinued operation			
- Basic and diluted		<u>Not applicable</u>	<u>(0.07)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2018

	<i>NOTES</i>	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
Non-current assets			
Investment properties		20,607	22,620
Property, plant and equipment	<i>10</i>	55,042	62,127
Goodwill		8,512	8,512
Interest in an associate		2,968	3,767
Deferred tax assets		7,424	7,410
Prepaid land lease payments		41,925	46,916
		<u>136,478</u>	<u>151,352</u>
Current assets			
Inventories		109,857	77,354
Debtors, deposits and other receivables	<i>11</i>	263,118	90,709
Properties for sale under development		228,217	138,129
Investments held for trading		234	263
Amounts due from related companies	<i>12</i>	6	62
Amount due from a director	<i>12</i>	31	68
Bank balances and cash		17,140	50,930
		<u>618,603</u>	<u>357,515</u>
Current liabilities			
Creditors and accrued charges	<i>13</i>	195,119	39,575
Receipt in advance		56,078	-
Amount due to immediate holding company	<i>12</i>	27,237	22,083
Amounts due to related companies	<i>12</i>	39,414	25,876
Amount due to a director	<i>12</i>	8	9
Borrowings	<i>14</i>	56,681	3,925
		<u>374,537</u>	<u>91,468</u>
Net current assets		<u>244,066</u>	<u>266,047</u>
Total assets less current liabilities		<u>380,544</u>	<u>417,399</u>
Non-current liabilities			
Amounts due to related companies	<i>12</i>	-	979
Borrowings	<i>14</i>	193	975
		<u>193</u>	<u>1,954</u>
Net assets		<u>380,351</u>	<u>415,445</u>

	<i>NOTES</i>	30.9.2018 HK\$'000 (unaudited)	31.3.2018 <i>HK\$'000</i> (audited)
Capital and reserves			
Share capital	<i>15</i>	39,768	39,768
Reserves		308,332	<u>344,562</u>
Equity attributable to owners of the Company		348,100	384,330
Non-controlling interests		32,251	<u>31,115</u>
Total equity		<u>380,351</u>	<u>415,445</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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 (“**Listing Rules**”).

These condensed consolidated financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2018. Certain comparative figures have been reclassified to conform with the current year’s presentation.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the impact of these standards on the financial performance and position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group’s operating divisions are as follows:

- a) Design and sale of electronic products (representing consumer electronic audio and video equipment, karaoke equipment and accessories) (“**Electronic products business**”)
- b) Operation and management of hydroelectric power stations (“**Hydroelectric power business**”)
- c) Properties investment
- d) Properties development
- e) Securities trading

3. REVENUE AND SEGMENT INFORMATION - continued

Discontinued operation represented sales and installation of elevators and the properties investment business of Tong Sheng Yuan Holdings Limited, Tong Sheng Yuan Limited and Benxi Tong Sheng Yuan Shiya Company Limited* (本溪同盛遠實業有限公司) (together referred to as “TSY Group”), which ceased to be subsidiaries of the Group upon disposal of TSY Group on 26 September 2017. (note 19)

Segment revenue and results

An analysis of the Group’s revenue and results by reportable and operating segments is as follows:

For the six months ended 30 September 2018

	Electronic products business HK\$’000 (unaudited)	Hydroelectric power business HK\$’000 (unaudited)	Properties investment HK\$’000 (unaudited)	Properties development HK\$’000 (unaudited)	Securities trading HK\$’0000 (unaudited)	Total HK\$’000 (unaudited)
REVENUE	<u>215,972</u>	<u>4,611</u>	<u>669</u>	<u>-</u>	<u>-</u>	<u>221,252</u>
SEGMENT RESULTS	<u>(487)</u>	<u>2,022</u>	<u>(519)</u>	<u>(466)</u>	<u>(29)</u>	<u>521</u>
Interest income						10
Unallocated expenses						(6,052)
Share of profits of an associate						206
Finance costs						<u>(805)</u>
Loss before taxation						<u>(6,120)</u>

For the six months ended 30 September 2017

	Continuing operations				Subtotal HK\$’000 (unaudited)	Discontinued operation HK\$’000 (unaudited)	Total HK\$’000 (unaudited)
	Electronic products business HK\$’000 (unaudited)	Hydroelectric power business HK\$’0000 (unaudited)	Properties investment HK\$’000 (unaudited)	Securities trading HK\$’000 (unaudited)			
REVENUE	<u>302,045</u>	<u>3,575</u>	<u>329</u>	<u>-</u>	<u>305,949</u>	<u>-</u>	<u>305,949</u>
SEGMENT RESULTS	<u>4,716</u>	<u>1,193</u>	<u>(996)</u>	<u>3</u>	4,916	(3,808)	1,108
Interest income					2	1	3
Unallocated income					8,615	-	8,615
Share of profits of an associate					83	-	83
Gain on deregistration of a subsidiary					-	3	3
Gain on disposal of subsidiaries					-	1,081	1,081
Finance costs					<u>(5,191)</u>	<u>-</u>	<u>(5,191)</u>
Profit (loss) before taxation					<u>8,425</u>	<u>(2,723)</u>	<u>5,702</u>

* For identification purpose only.

4. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income includes:		
Interest income	10	3
Others	468	200
	<u>478</u>	<u>203</u>
Representing:		
- Continuing operations	478	202
- Discontinued operation	-	1
	<u>478</u>	<u>203</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other gains (losses) comprise:		
Exchange (losses) gains, net	(336)	18,778
Allowance for doubtful debts	(2,456)	(18,175)
(Decrease) increase in fair value of investments held for trading	(29)	3
Gain on deregistration of a subsidiary	-	3
	<u>(2,821)</u>	<u>609</u>
Representing:		
- Continuing operations	(2,821)	606
- Discontinued operation	-	3
	<u>(2,821)</u>	<u>609</u>

6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit before taxation is arrived at after charging (crediting):		
Continuing operations:		
Exchange losses (gains), net	336	(18,778)
Allowance for obsolete and slow-moving inventories (included in cost of sales)	974	1,701
Depreciation of property, plant and equipment	3,379	2,406
Amortisation of prepaid land lease payments	854	843
Allowance for doubtful debts	2,456	18,175
Interest expenses on:		
- borrowings	805	1,067
- convertible bonds	-	4,124
Minimum lease payments under operating leases in respect of rented premises	5,959	3,974
Staff costs including directors' remuneration and share-based payments	<u>15,086</u>	<u>14,045</u>
Discontinued operation:		
Gain on disposal of subsidiaries	-	(1,081)
Gain on deregistration of a subsidiary	<u>-</u>	<u>(3)</u>

7. TAXATION

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current taxation		
Taxation in other jurisdictions	414	-
Deferred taxation	(14)	1,048
	400	1,048
Representing:		
- Continuing operations	400	1,048
- Discontinued operation	-	-
	400	1,048

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits in Hong Kong for both periods.

No provision for Enterprise Income Tax under the Law of the People's Republic of China (the "PRC") was made as the Group did not generate any assessable income in the PRC for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period.

9. (LOSS) EARNINGS PER SHARE

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

(a) From continuing and discontinued operations

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) earnings for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	<u>(7,502)</u>	<u>3,253</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>3,976,797,561</u>	<u>3,670,311,460</u>

(b) From continuing operations

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) earnings for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	<u>(7,502)</u>	<u>5,976</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>3,976,797,561</u>	<u>3,670,311,460</u>

(c) From discontinued operation

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>-</u>	<u>(2,723)</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>Not applicable</u>	<u>3,670,311,460</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with a cost of HK\$2,592,000 (six months ended 30 September 2017: HK\$2,059,000).

11. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

At 30 September 2018, debtors, deposits and other receivables includes trade debtors of HK\$181,243,000 (31 March 2018: HK\$25,011,000). The aged analysis of trade debtors net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective recognition dates, is as follows:

	30.9.2018	31.3.2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 - 30 days	137,610	12,023
31 - 60 days	37,232	1,307
61 - 90 days	3,505	2,060
Over 90 days	<u>2,896</u>	<u>9,621</u>
	<u>181,243</u>	<u>25,011</u>

The Group allows an average credit period ranging from 0 to 365 days to its trade customers.

12. AMOUNTS DUE FROM (TO) IMMEDIATE HOLDING COMPANY, RELATED COMPANIES AND A DIRECTOR

The amounts due to related companies of HK\$6,357,000 are interest bearing at 6% per annum, unsecured and repayable within one year. (31 March 2018: the amounts due to related companies of HK\$3,635,000 and HK\$979,000 were repayable within and after one year, respectively, and were unsecured and interest bearing at 6% per annum.)

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

13. CREDITORS AND ACCRUED CHARGES

At 30 September 2018, creditors and accrued charges includes trade creditors of HK\$149,175,000 (31 March 2018: HK\$15,086,000). The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	30.9.2018 HK\$'000 (unaudited)	31.3.2018 <i>HK\$'000</i> (audited)
0 - 30 days	106,252	7,174
31 - 60 days	40,971	1,135
61 - 90 days	125	1,984
Over 90 days	1,827	4,793
	<u>149,175</u>	<u>15,086</u>

The Group allows an average credit period on purchases of goods of 90 days.

14. BORROWINGS

	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
Borrowings, secured	<u>56,874</u>	<u>4,900</u>

The borrowings are repayable as follows:

	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
Within one year	56,681	3,925
More than one year but not exceeding two years	<u>193</u>	<u>975</u>
	56,874	4,900
Less: Amount due within one year shown under current liabilities	<u>(56,681)</u>	<u>(3,925)</u>
Amount due after one year	<u>193</u>	<u>975</u>

As at 30 September 2018, the Group's borrowings are secured by certain assets of the Group (31 March 2018: nil) and interest bearing at 5.75%-6.75% per annum (31 March 2018: 5.45%).

15. SHARE CAPITAL

	<i>NOTE</i>	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:				
At 1 April 2017, 31 March 2018 and 30 September 2018		0.01	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 April 2017		0.01	3,650,710,605	36,507
Issue of shares upon conversion of convertible bonds	(a)	0.01	<u>326,086,956</u>	<u>3,261</u>
At 31 March 2018 and 30 September 2018		0.01	<u>3,976,797,561</u>	<u>39,768</u>

Note:

- (a) On 20 September 2017, the Company allotted 326,086,956 ordinary shares of HK\$0.01 each at the conversion price of HK\$0.23 per conversion share by the conversion of convertible bonds.

All shares issued rank pari passu in all respects with the then existing shares.

16. CAPITAL COMMITMENT

	30.9.2018 HK\$'000 (unaudited)	31.3.2018 <i>HK\$'000</i> (audited)
Contracted for but not provided in the condensed consolidated financial statements		
- property, plant and equipment	-	780
- properties for sale under development	<u>5,199</u>	<u>-</u>
	<u>5,199</u>	<u>780</u>

17. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transaction:

Compensation of key management personnel

The remuneration of directors and other member of key management during the period was as follows:

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Salaries and other short term employee benefits	<u>1,440</u>	<u>796</u>

18. CONTINGENT LIABILITIES

There were no significant contingent liabilities as at 30 September 2018 and 31 March 2018.

19. DISCONTINUED OPERATION

The Group's discontinued operation for the six months ended 30 September 2017 represented the sales and installation of elevators and the properties investment business operated by TSY Group.

On 26 September 2017, the Group entered into a sale and purchase agreement to dispose of the entire equity interest in TSY Group. The disposal was completed on 26 September 2017, the date on which the control of TSY Group was passed to the acquirer.

The results of the discontinued operation for the period from 1 April 2017 to 26 September 2017, which have been included in consolidated profit or loss, are as follows:

	Period from 1 April 2017 to 26 September 2017
	<i>HK\$'000</i>
	(unaudited)
Revenue	-
Cost of sales	-
	<hr/>
Gross profit	-
Other income	1
Decrease in fair value of investment properties	(3,692)
Administrative expenses	(116)
Other gain and loss	3
	<hr/>
Loss before tax for the period	(3,804)
Income tax expense	-
	<hr/>
Loss for the period	(3,804)
Gain on disposal of subsidiaries	1,081
	<hr/>
Loss for the period from discontinued operation	<u>(2,723)</u>

19. DISCONTINUED OPERATION - continued

	<i>HK\$'000</i> (unaudited)
Net assets at the date of disposal were as follows:	
Investment properties	192,681
Bank balances and cash	4
Trade and note receivables	202,769
Prepayments, deposits and other receivables	54,889
Trade and note payables	(31,542)
Other payables and accruals	(191,339)
Current tax liabilities	(11,689)
Borrowings	<u>(105,588)</u>
Net assets of subsidiaries	110,185
Release of foreign currency translation reserve	35,194
Gain on disposal of subsidiaries	<u>1,081</u>
	<u>146,460</u>
Total consideration:	
Satisfied by cash	93,734
Deferred consideration included in other receivables in current assets	<u>52,726</u>
	<u>146,460</u>
Net cash inflow arising on the disposal:	
Cash consideration received	93,734
Bank balances and cash disposed of	<u>(4)</u>
	<u>93,730</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2018, the Group recorded a revenue of HK\$221,252,000, representing a decrease of 27.68% as compared to the revenue of HK\$305,949,000 for the corresponding period in 2017. Other loss at the amount of HK\$2,821,000 was recorded for the six months ended 30 September 2018 which was mainly derived from the changes of foreign currency exchange rate, especially the continued depreciation of Renminbi during the reporting period, as compared to other gains at the amount of HK\$606,000 for the six months ended 30 September 2017. In addition, the finance costs of the Group decreased significantly from HK\$5,191,000 for the six months ended 30 September 2017 to HK\$805,000 for the six months ended 30 September 2018, which was mainly due to the disposal of TSY Group during the year ended 31 March 2018 that released the financial burden on the borrowings towards the Group. As a result, the Group recorded a loss at the amount of HK\$6,520,000 for the six months ended 30 September 2018, whereas a profit at the amount of HK\$4,654,000 was recorded for the six months ended 30 September 2017.

Design and Sale of Electronic Products

With reference to the announcement of the Company dated 29 September 2017 and the annual report of the Company for the year ended 31 March 2018, Toys“R”Us, Inc., being one of the top five customers of the Group which accounted for approximately 13% of the sales of the Group for the year ended 31 March 2018, filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court and subsequently turned into liquidation in April 2018. During the reporting period, the Group experienced a sales slow down and revenue decreased from HK\$302,045,000 for the six months ended 30 September 2017 to HK\$215,972,000 for the corresponding period in 2018. The Group also recorded a segment loss at the amount of HK\$487,000 for the six months ended 30 September 2018, while a segment profit at the amount of HK\$4,716,000 was recorded for the six months ended 30 September 2017. Furthermore, the trade war and new tariffs between the PRC and the United States and the foreign currency fluctuation made the business environment for trading business tougher and more difficult. As such, the management of the Group has been revisiting its business model on the trading business and positioning itself for further growth through expanding and diversifying its core business and adding new distribution channels in the United States and abroad, so as to minimise the negative impact from the bankruptcy and liquidation of Toys“R”Us, Inc..

Operation and Management of Hydroelectric Power Stations

Starting from the year of 2016, the Group relocated its resources into the development of renewable energy business. Over the past two financial years, the Group acquired two companies in the PRC which engaged in the operation and management of hydroelectric power stations that are connected to the national power grid in the northern China. The revenue and profit generated from the operation and management of hydroelectric power stations gradually increased over the years. The revenue for the six months ended 30 September 2018 was HK\$4,611,000, representing an increase of 28.98% as compared to the amount of HK\$3,575,000 for the six months ended 30 September 2017. In addition, the segment profit for the six months ended 30 September 2018 was HK\$2,022,000, representing an increase of 69.49% as compared to the amount of HK\$1,193,000 for the six months ended 30 September 2017.

The city design and the formulation of regulations in the PRC in respect of environmental protection and renewable energy business are constantly improving and there is increasing demand for green and renewable energy over the years. The Group is confident that the continued development in renewable energy business can strengthen the revenue stream of the Group in the long run.

Properties Investment

During the reporting period, the revenue was mainly derived from the leasing of several parcels of land in the PRC. For the six months ended 30 September 2018, the revenue was HK\$669,000, representing an increase of 103.34% as compared to HK\$329,000 for the six months ended 30 September 2017. The segment loss also decreased from HK\$996,000 for the six months ended 30 September 2017 to HK\$519,000 for the six months ended 30 September 2018.

Properties Development

Leveraging on the experience and connection of the management, the Group started to engage in properties development business since the third quarter of 2017. The Group currently holds the land use right of a parcel of land located at Xiguan Village, Huanren County, Benxi, Liaoning Province, the PRC with a floor area of 46,242.6 sq.m. and a construction area of 80,462 sq.m. for commercial and residential use. Construction of properties on such parcel of land has been commenced during the reporting period and advanced deposits of HK\$56,078,000 in relation to the pre-sale of certain construction units have been received as at 30 September 2018. It is expected that the construction work will be completed next year. As a result, the Group recorded a segment loss of HK\$466,000 for the six months ended 30 September 2018 and nil was recorded for the six months ended 30 September 2017.

In order to promote a positive development in the industry of properties development in the PRC, it is believed that the government in the PRC will launch different measures under the macroeconomic control policy on the property market and may implement category-based regulations by adopting different policies for different cities to fit for the entire development in the industry. As such, the Board is optimistic on the properties development business and will proactively seek for potential opportunities in the near future.

Prospect

Looking forward, the Group will continue integrating all resources so as to achieve better results for the Group and its shareholders. Further, the Group will make use of the foundation and experience gained in the current business and adhere its development strategy to explore potential business opportunities and expand the revenue streams of the Group.

Financial Review

Liquidity and financial resources

As at 30 September 2018, cash and bank deposits amounted to HK\$17,140,000 as compared to HK\$50,930,000 as at 31 March 2018.

As at 30 September 2018, the gearing ratio was 0.15 which was calculated based on the total borrowings divided by total equity (31 March 2018: 0.01).

In the management of liquidity risk, the Group monitors and maintains its level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Financing and capital structure

The Group finances its operations by a combination of equity and borrowings. As at 30 September 2018, the Group's total borrowings were HK\$56,874,000 (31 March 2018: HK\$4,900,000) in which the amount of HK\$56,681,000 (31 March 2018: HK\$3,925,000) was repayable within a year.

For the six months ended 30 September 2018, the Group's transactions were mostly denominated in US dollars, HK dollars, Renminbi and Canadian dollars. The management of the Group will consider hedging if any significant foreign currency exposure arises.

Staff

As at 30 September 2018, the Group had a total of 63 (31 March 2018: 64) staff members. Staff remuneration packages are maintained at a competitive level and reviewed on a regular basis. Apart from the remuneration packages, discretionary bonus may be granted to senior management and employees by reference to the Group's performance as well as the individual performance. In addition, the Group also provides employee benefits such as staff insurance, retirement scheme and training programs.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Group is committed to maintain good corporate governance standard and procedures. The Company has adopted the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 of the Listing Rules and met the code provisions thereof during the six months ended 30 September 2018 except for the following:

Code provision E.1.2 stipulates that the chairman of the Board should attend and invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, he should invite another member of the committees or failing this, his duly appointed delegate, to attend. These persons should be available to answer questions at 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 21 September 2018 (the “**AGM**”) due to personal reason. Mr. Zhao Shuang, an executive Director, chaired the AGM and was responsible for answering questions raised by shareholders.

Code provision A.6.7 stipulates that independent non-executive directors and non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wang Ping and Mr. Song Wenke, two of the independent non-executive Directors, were unable to attend the AGM due to their other business commitments.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules 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 2018.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) currently comprising Mr. Wang Ping, Mr. Cheng Tai Kwan Sunny and Mr. Song Wenke. Terms of reference of the Audit Committee have been updated in compliance with the 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 the unaudited condensed consolidated interim results for the six months ended 30 September 2018.

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

During the six months ended 30 September 2018, there was no purchase, sales or redemption by the Company, or any of its subsidiaries, of the Company’s listed shares.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.00485.hk) and the Stock Exchange (www.hkex.com.hk). The interim report of the Company for the six months ended 30 September 2018 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 Jing
Chairman

Hong Kong, 30 November 2018

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. Wang Ping, Mr. Cheng Tai Kwan Sunny and Mr. Song Wenke as independent non-executive Directors.

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