



2016/2017
Interim Report

SIN  **STAR**

中國華星

中國華星集團有限公司

China Sinostar Group Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 485





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Wang Jing (Chairman)
Wang Xing Qiao (Chief Executive Officer)
Zhao Shuang

Independent Non-Executive Directors

Wang Ping
Cheng Tai Kwan Sunny
Song Wenke

COMPANY SECRETARY

Lam Wai Kei

AUDITOR

Deloitte Touche Tohmatsu

AUDIT COMMITTEE

Wang Ping (Chairman)
Cheng Tai Kwan Sunny
Song Wenke

REMUNERATION COMMITTEE

Song Wenke (Chairman)
Wang Ping
Cheng Tai Kwan Sunny

NOMINATION COMMITTEE

Wang Jing (Chairman)
Cheng Tai Kwan Sunny
Song Wenke

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank
DBS Bank (Hong Kong) Limited

SOLICITOR

Locke Lord

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE AND CONTACT INFORMATION

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South Tower,
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MANAGEMENT DISCUSSION & ANALYSIS

The board (the “Board”) of directors (the “Directors” and each a “Director”) of China Sinostar Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) is pleased to announce the unaudited condensed consolidated interim results of the Company for the six months ended 30 September 2016 which have been reviewed by the audit committee of the Company (the “Audit Committee”).

BUSINESS REVIEW

It has been the Group’s business strategy to diversify its business and to broaden the revenue streams of the Group and to enhance the shareholders’ value. For the six months ended 30 September 2016, the Group recorded a turnover of HK\$422,476,000, a significant increase of 97% compared to the turnover of HK\$214,034,000 for the corresponding period in 2015. As a result, the Group recorded a turnaround of its results by recording a net profit of HK\$11,349,000 for the six months ended 30 September 2016 as compared to a net loss of HK\$11,005,000 for the six months ended 30 September 2015. The gross profit margin for the six months ended 30 September 2016 was 24% and was maintained at the same level as the corresponding period in 2015.

Trading and related services

By enlarging and widening the scale and scope of the trading and related services business, the turnover of trading and related services business reached HK\$420,380,000 for the six months ended 30 September 2016 (for the six months ended 30 September 2015: HK\$214,034,000). The segment results increased from HK\$2,599,000 for the six months ended 30 September 2015 to HK\$41,535,000 for the six months ended 30 September 2016 by the increase in the product range.

Property investment

During the six months ended 30 September 2016, the result from property investment recorded a loss of HK\$10,333,000 (for the six months ended 30 September 2015: 2,307,000) which was mainly due to the decrease in the fair value of the investment properties.

Operation and management of hydroelectric power stations

During the period ended 30 September 2016, revenue and segment profit of HK\$2,096,000 and HK\$374,000 respectively were recorded by hydroelectric power station acquired during the year ended 31 March 2016.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 September 2016, cash and bank deposits amounted to HK\$23,013,000, as compared to HK\$249,130,000 as at 31 March 2016.

As at 30 September 2016, the gearing ratio of the Group, calculated as total borrowings (excluding the convertible bonds) divided by total equity, was 0.52 (31 March 2016: 0.35).

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 2016, the Group's total interest bearing borrowings were HK\$179,271,000 in which HK\$74,817,000 was repayable within a year.

The Group's borrowing was denominated in United States Dollar and Renminbi. The borrowing denominated in United States Dollar was secured by all tangible and intangible assets of a subsidiary of the Group and that the interest bearing of revolving credit facility is accrued at 2% per annum over PNC Bank, National Association's announced prime rate with an option for the Company to elect the 1, 2 or 3 month fully absorbed PNC LIBOR Rate plus 3.5% per annum with a default rate of 2% over the applicable rate. The borrowing denominated in Renminbi is a fixed-rate borrowing and bears interest at 8.5% per annum (31 March 2016: 8.5%). Such borrowing is secured by investment properties under construction.

Exposure to fluctuation in exchange rates

For the six months ended 30 September 2016, the Group's transactions were mostly denominated in US dollars, HK dollars, Renminbi and Canadian dollars. Having monitored the related foreign currencies closely by the management, the Group did not have significant exposure to foreign exchange fluctuation during the period. The management will also consider hedging if any significant foreign currency exposure arises.

Contingent liabilities

As at 30 September 2016, the Group had no contingent liabilities.



STAFF

For the six months ended 30 September 2016, the Group had a total of 50 staff. 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 employee 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.

MATERIAL ACQUISITION

During the six months ended 30 September 2016, the Group entered into an equity transfer agreement with a company established in the PRC to acquire the entire interest of a company, namely 本溪滿族自治縣付家水力發電有限公司 (Benxi Manchu Autonomous County Fujia Hydropower Company Limited*), which is engaged in the operation and management of a hydroelectric power station in Benxi City, Liaoning Province, the PRC. The acquisition was completed in September 2016.

Along with the acquisition by the Company of the entire equity interest of a company in the PRC, namely 本溪市威寧水力發電有限公司 (Benxi Weining Hydropower Company Limited*) (please refer to the announcement of the Company dated 24 March 2016 for further details), and having considered the substantial development in renewable energy business, the Board is of the view that the Group's expansion will be beneficial to the Company and its shareholders in the long run.

SIGNIFICANT INVESTMENT HELD

With reference to the annual report of the Company for the year ended 31 March 2016, the construction work of the property namely Shihua – Melian City and the site area located in front of the train station of Benxi City, Liaoning Province, the PRC is in progress. The leasing premises is undergoing renovation works and it is expected that the steady rental revenue will be generated in the coming quarters.

Save as disclosed above and in the section headed "MATERIAL ACQUISITION", the Group did not have any significant investment held as at 30 September 2016.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

During the six months ended 30 September 2016, the Company has actively sought for strategic business partners and opportunities in the development of the property investment business and renewable energy business. However, the Group has not executed any legally binding agreement in relation to material investment or acquisition of capital assets and did not have any further plans relating to material investment or capital asset as at the date of this interim report.

* for identification purposes only

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 September 2016 (30 September 2015: Nil).

PROSPECT

With a review on the development of the Group in the recent years, the Group has enlarged and widened its business scale into different sectors and has actively explored new business opportunities to achieve better results.

In light of the uncertainties towards the current foreign market conditions and the slower recovery of the overall economy, the Board has been leveraging on the extensive experience and connections of the controlling shareholder of the Company and in expanding its business in the trading and related services during the six months ended 30 September 2016. By the effort and contribution of the management and the employee, the turnover in the trading and related services reached HK\$420,380,000 for the six months ended 30 September 2016, representing a 97% increase as compared to the corresponding period of last fiscal year.

On the other hand, having considered the increasing concerns over the global warming, the risk of climate changes associated with the current energy generation, the demand of the renewable energy and the sustainable revenue generated from the operation and management of the hydroelectric power stations, the Board believes that the Group's investments in renewable and clean energy will create new and massive business opportunities for the Group in the long run.

Looking forward, the Group will make use of the foundation and experience gained in the current business and will also prudently explore new opportunities in other business sectors or streamline and fine tune the existing business model to generate a better result and prospect for the Group.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

		Six months ended 30 September	
	NOTES	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Turnover	3	422,476	214,034
Cost of sales		<u>(322,797)</u>	<u>(161,919)</u>
Gross profit		99,679	52,115
Other income	4	7	91
Distribution costs		(22,784)	(20,230)
Administrative expenses		(31,983)	(26,932)
Other gains and losses	5	(5,328)	(4,884)
Finance costs		(5,373)	(5,965)
Decrease in fair value of investment properties		(10,333)	(2,307)
Share of profits of an associate		<u>286</u>	<u>98</u>
Profit (loss) before taxation	6	24,171	(8,014)
Taxation	7	<u>(12,822)</u>	<u>(2,991)</u>
Profit (loss) for the period		11,349	(11,005)
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>(13,674)</u>	<u>(3,119)</u>
Total comprehensive expense for the period		<u>(2,325)</u>	<u>(14,124)</u>
Profit (loss) for the period attributable to:			
Owners of the Company		5,560	(12,978)
Non-controlling interests		<u>5,789</u>	<u>1,973</u>
		<u>11,349</u>	<u>(11,005)</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(8,144)	(16,218)
Non-controlling interests		<u>5,819</u>	<u>2,094</u>
		<u>(2,325)</u>	<u>(14,124)</u>
		HK cents	HK cents (Restated)
Earnings (loss) per share	9		
– Basic and diluted		<u>0.13</u>	<u>(1.19)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2016

	NOTES	30.9.2016 HK\$'000 (unaudited)	31.3.2016 HK\$'000 (audited)
Non-current assets			
Investment properties	10	201,469	208,631
Property, plant and equipment	11	53,616	39,140
Goodwill		17,665	17,665
Interest in an associate		6,778	6,792
Deferred tax assets		13,532	18,852
Prepaid lease payments	11	29,984	-
Long-term prepayments		79	309
Deposit paid for investments		-	106,714
Deposit paid for investment properties		12,488	12,902
Rental deposit		1,652	-
		337,263	411,005
Current assets			
Inventories		98,482	54,299
Debtors, deposits and prepayments	12	406,864	114,559
Prepaid lease payments	11	1,045	-
Investments held for trading		422	451
Amount due from immediate holding company	13	15,953	6,769
Bank balances and cash		23,013	249,130
		545,779	425,208
Current liabilities			
Creditors and accrued charges	14	221,482	73,434
Amount due to immediate holding company	13	12,871	182,319
Amount due to a director	13	172	172
Taxation payable		8,206	-
Convertible bonds	16	67,696	-
Borrowings	15	74,817	11,990
		385,244	267,915



	<i>NOTES</i>	30.9.2016 HK\$'000 (unaudited)	31.3.2016 <i>HK\$'000</i> (audited)
Net current assets		<u>160,535</u>	<u>157,293</u>
Total assets less current liabilities		<u>497,798</u>	<u>568,298</u>
Non-current liabilities			
Long-term creditors		15,011	15,011
Convertible bonds	16	–	64,399
Borrowings	15	104,454	107,913
Deferred tax liabilities		<u>1,231</u>	<u>2,098</u>
		<u>120,696</u>	<u>189,421</u>
Net assets		<u>377,102</u>	<u>378,877</u>
Capital and reserves			
Share capital	17	36,507	36,507
Reserves		<u>312,494</u>	<u>320,629</u>
Equity attributable to owners of the Company		349,001	357,136
Non-controlling interests		<u>28,101</u>	<u>21,741</u>
Total equity		<u>377,102</u>	<u>378,877</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to owners of the Company							Attributable to non-controlling interests					
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Share of net assets of subsidiaries HK\$'000	Share option reserve of a listed subsidiary HK\$'000	Sub-total HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	36,507	252,315	171	4,023	61,365	577,204	23,909	(598,358)	357,136	19,765	1,976	21,741	378,877
Exchange difference arising on translation of foreign operations	-	-	-	(13,704)	-	-	-	-	(13,704)	30	-	30	(13,674)
Profit for the period	-	-	-	-	-	-	-	5,560	5,560	5,789	-	5,789	11,349
Total comprehensive (expense) income for the period	-	-	-	(13,704)	-	-	-	5,560	(8,144)	5,819	-	5,819	(2,325)
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	339	-	339	339
Deemed partial disposal of a subsidiary	-	-	9	-	-	-	-	-	9	(9)	-	(9)	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	211	-	211	211
At 30 September 2016 (unaudited)	36,507	252,315	180	(9,681)	61,365	577,204	23,909	(592,798)	349,001	25,914	2,187	28,101	377,102
At 1 April 2015 (audited)	243,381	24,000	144	12,912	61,365	292,448	23,909	(576,115)	82,044	13,410	1,846	15,256	97,300
Exchange difference arising on translation of foreign operations	-	-	-	(3,240)	-	-	-	-	(3,240)	121	-	121	(3,119)
(Loss) profit for the period	-	-	-	-	-	-	-	(12,978)	(12,978)	1,973	-	1,973	(11,005)
Total comprehensive (expense) income for the period	-	-	-	(3,240)	-	-	-	(12,978)	(16,218)	2,094	-	2,094	(14,124)
Placing of shares	48,676	11,682	-	-	-	-	-	-	60,358	-	-	-	60,358
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	59	-	59	59
Deemed partial disposal of a subsidiary	-	-	13	-	-	-	-	-	13	(13)	-	(13)	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	37	-	37	37
At 30 September 2015 (unaudited)	292,057	35,682	157	9,672	61,365	292,448	23,909	(589,093)	126,197	15,550	1,883	17,433	143,630



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	NOTE	Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net cash used in operating activities		(159,819)	(65,428)
Net cash generated from (used in) investing activities			
Refund of deposit paid for investments		106,714	-
Dividend received from an associate		300	300
Interest received		6	17
Acquisition of a subsidiary	22	(15,126)	-
Prepaid lease payments made		(9,285)	-
Advance to immediate holding company		(9,184)	-
Purchase of investment properties		(4,695)	-
Purchase of property, plant and equipment		(610)	(972)
Deposits paid for a property		-	(36,250)
		68,120	(36,905)
Net cash (used in) generated from financing activities			
New borrowings raised		59,368	66,619
Capital contribution from non-controlling shareholders of a subsidiary		339	59
(Repayment to) advance from immediate holding company		(191,499)	3,672
Interest on bank and other borrowings paid		(2,076)	(2,346)
Proceeds from placing of shares		-	60,358
Repayment to long-term creditors		-	(5,070)
		(133,868)	123,292
Net (decrease) increase in cash and cash equivalents		(225,567)	20,959
Cash and cash equivalents at beginning of the period		249,130	36,718
Effect of foreign exchange rate changes		(550)	(27)
Cash and cash equivalents at end of the period, representing bank balances and cash		23,013	57,650

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards 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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measurement at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2016.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisition of interests in joint ventures
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating divisions are as follows:

- a) Trading and related services represented the operation for the trading of mechanical and electronic products and provision of related services
- b) Operation and management of hydroelectric power stations
- c) Property investment
- d) Others



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 2016

	Trading and related services HK\$'000 (unaudited)	Operation and management of hydroelectric power stations HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
TURNOVER	<u>420,380</u>	<u>2,096</u>	<u>-</u>	<u>-</u>	<u>422,476</u>
SEGMENT RESULTS	<u>41,535</u>	<u>374</u>	<u>(10,333)</u>	<u>(29)</u>	<u>31,547</u>
Interest income					6
Unallocated expenses					(2,295)
Share of profits of an associate					286
Interest expenses					<u>(5,373)</u>
Profit before taxation					<u>24,171</u>

For the six months ended 30 September 2015

	Trading and related services HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
TURNOVER	<u>214,034</u>	<u>-</u>	<u>-</u>	<u>214,034</u>
SEGMENT RESULTS	<u>2,599</u>	<u>(2,307)</u>	<u>48</u>	<u>340</u>
Interest income				17
Unallocated expenses				(2,504)
Share of profits of an associate				98
Interest expenses				<u>(5,965)</u>
Loss before taxation				<u>(8,014)</u>

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the results from each operating segment without allocation of central administration costs incurred by head office, amortisation of prepaid lease payments, share of results of an associate, interest income and interest expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. OTHER INCOME

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income includes:		
Interest income	6	17
Others	1	74
	<u>7</u>	<u>91</u>

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other (losses) gains comprise:		
Exchange loss, net	(3,485)	(4,365)
Allowance for doubtful debts	(1,814)	(567)
(Decrease) increase in fair value of investments held for trading	<u>(29)</u>	<u>48</u>
	<u>(5,328)</u>	<u>(4,884)</u>



6. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Allowance for obsolete and slow-moving inventories (included in cost of sales)	702	41
Depreciation of property, plant and equipment	1,253	544
Amortisation of prepaid lease payments	307	–
Interest expenses on:		
– borrowings	954	1,230
– convertible bonds	4,419	4,735
Minimum lease payments under operating leases in respect of rented premises	2,677	2,664
Staff costs including directors' remuneration and share-based payment	12,559	10,560
	12,559	10,560

7. TAXATION

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
The charge comprises:		
Current taxation		
The People's Republic of China Enterprise Income Tax	8,206	–
Deferred taxation	4,616	2,991
	12,822	2,991

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2015: 16.5%) of the estimated assessable profits for the period. No provision of Hong Kong Profits Tax has been made as the Group did not generate any assessable profits in Hong Kong for both periods.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 September 2015: 25%). No provision of Enterprise Income Tax was made in prior period as the Group did not generate any assessable income for the six months ended 30 September 2015.

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 of the Company have determined that no dividend will be paid in respect of the interim period.

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Earnings (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	<u>5,560</u>	<u>(12,978)</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>4,331,063,906</u>	<u>1,091,308,537</u>

For the six months ended 30 September 2016, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

For the six months ended 30 September 2015, the calculation of diluted loss per share did not assume the exercise of the conversion of the Company's outstanding convertible bonds as it would result in a decrease in the loss per share.

The weighted average number of shares for the purpose of basic and diluted loss per share for the period ended 30 September 2015 has been restated to reflect a consolidation of shares on 13 January 2016 on the basis of four shares being consolidated into one share.

10. INVESTMENT PROPERTIES

During the six months ended 30 September 2016, the Group purchased an investment property under construction at a consideration of HK\$4,695,000 (six months ended 30 September 2015: HK\$208,276,000).

11. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the six months ended 30 September 2016, the Group spent HK\$610,000 and HK\$31,336,000 (six months ended 30 September 2015: HK\$972,000 and nil) on purchase of property, plant and equipment and prepaid lease payments, respectively.



12. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 September 2016, debtors, deposits and prepayments includes trade debtors of HK\$302,642,000 (31 March 2016: HK\$17,273,000). 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:

	30.9.2016 HK\$'000 (unaudited)	31.3.2016 HK\$'000 (audited)
0 – 30 days	257,613	9,863
31 – 60 days	38,562	1,459
61 – 90 days	5,739	5,951
Over 90 days	728	–
	<u>302,642</u>	<u>17,273</u>

The credit period granted to certain customers of trading of mechanical and electronic products and provision of related services is 1 year. For other customers, the Group allows an average credit period ranging from 30 days to 90 days.

13. AMOUNTS DUE FROM (TO) IMMEDIATE HOLDING COMPANY AND A DIRECTOR

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

14. CREDITORS AND ACCRUED CHARGES

At 30 September 2016, creditors and accrued charges includes trade creditors of HK\$97,935,000 (31 March 2016: HK\$5,855,000). The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	30.9.2016 HK\$'000 (unaudited)	31.3.2016 HK\$'000 (audited)
0 – 30 days	74,094	5,154
31 – 60 days	7,187	9
61 – 90 days	15,226	153
Over 90 days	1,428	539
	<u>97,935</u>	<u>5,855</u>

The Group allows an average credit period on purchases of goods ranging from 30 days to 90 days.

15. BORROWINGS

	30.9.2016 HK\$'000	31.3.2016 HK\$'000
Other borrowings, secured	<u>179,271</u>	<u>119,903</u>
The borrowings are repayable as follows:		
	30.9.2016 HK\$'000	31.3.2016 HK\$'000
Within one year	74,817	11,990
More than one year but not exceeding two years	41,782	23,981
More than two years but not exceeding five years	<u>62,672</u>	<u>83,932</u>
	179,271	119,903
Less: Amount due within one year shown under current liabilities	<u>(74,817)</u>	<u>(11,990)</u>
Amount due after one year	<u>104,454</u>	<u>107,913</u>

16. CONVERTIBLE BONDS

On 30 July 2014, the Company issued 3% coupon convertible bonds (the "Bonds") at a principal amount of HK\$75,000,000 maturing on 30 July 2017 to Achieve Prosper Capital Limited, the immediate holding company of the Company, which was subsequently transferred to another shareholder of the Company on 30 December 2015. The Bonds are denominated in Hong Kong dollars and the Company agrees to guarantee payment of all sums payable in relation to the Bonds. Interest of 3% per annum will be paid semi-annually up until the settlement date.

The Bonds are convertible, at the option of the bond holder, into ordinary shares of HK\$0.1 each of the Company at a conversion price of HK\$0.23 per share, subject to anti-dilutive adjustments, at any time on or after 30 July 2014 up to and including the maturity date. Unless previously redeemed, converted or purchased and cancelled, the outstanding Bonds will be redeemed by the Company at 100% of its principal amount on the maturity date.

At initial recognition, the Bonds are split into an equity component of HK\$61,480,000 and a liability component of HK\$52,056,000. The liability component is determined based on the present value of the estimated future cash flows discounted at an effective interest rate of 16.21% per annum, being the average yield of similar financial instruments with similar credit rating and structure but without the call conversion option, which incorporated appropriate adjustments to reflect possible impact of country factors, firm specific risk and liquidity risk.



The equity component is presented as convertible bonds reserve in equity, whereas the liability component is classified under current liabilities at 30 September 2016 and non-current liabilities at 31 March 2016, respectively.

The movement of the liability component of the Bonds for the current and prior period is set out below:

	<i>HK\$'000</i> (unaudited)
At 1 April 2015	56,875
Imputed interest expense for the year	9,774
Coupon interest paid	<u>(2,250)</u>
At 31 March 2016	64,399
Imputed interest expense for the period	4,419
Coupon interest paid	<u>(1,122)</u>
At 30 September 2016	<u>67,696</u>

None of the Bonds has been converted into ordinary shares of the Company during both periods.

17. SHARE CAPITAL

	<i>NOTES</i>	Nominal value per share <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised:				
At 1 April 2015		0.10	5,000,000,000	500,000
Consolidation of shares	<i>b(i)</i>		<u>(3,750,000,000)</u>	<u>–</u>
Reduction of share capital	<i>b(iii)</i>	0.40	1,250,000,000	500,000
			<u>–</u>	<u>(487,500)</u>
At 31 March 2016 and 30 September 2016		0.01	<u>1,250,000,000</u>	<u>12,500</u>
Issued and fully paid:				
At 1 April 2015		0.10	2,433,808,485	243,381
Placing of shares	<i>(a)</i>	0.10	<u>486,760,000</u>	<u>48,676</u>
			2,920,568,485	292,057
Consolidation of shares	<i>b(i)</i>		<u>(2,190,426,364)</u>	<u>–</u>
Reduction of share capital	<i>b(ii)</i>	0.40	730,142,121	292,057
			<u>–</u>	<u>(284,756)</u>
Issue of shares upon open offer	<i>(c)</i>	0.01	730,142,121	7,301
			<u>2,920,568,484</u>	<u>29,206</u>
At 31 March 2016 and 30 September 2016		0.01	<u>3,650,710,605</u>	<u>36,507</u>

Notes:

- (a) On 30 July 2015, the Company issued 486,760,000 ordinary shares of HK\$0.1 at HK\$0.124 per shares by way of placing.
- (b) As detailed in the Company's circular dated 27 November 2015, the Company proposed to effect (i) a share consolidation pursuant to which every four issued and unissued then existing shares of HK\$0.10 each were consolidated into one consolidated share of HK\$0.40 each; (ii) the reduction of the nominal value of each issued consolidated share from HK\$0.40 to HK\$0.01 by cancelling HK\$0.39 paid up share capital for each consolidated share; (iii) the reduction of the par value of all shares in the authorised share capital of the Company from HK\$0.40 each to HK\$0.01 each, resulting in the reduction of the authorised share capital from HK\$500,000,000 divided into 1,250,000,000 consolidated shares of par value of HK\$0.40 each to HK\$12,500,000 divided into 1,250,000,000 shares of par value HK\$0.01 each, and (iv) the transfer of the credit arising from the capital reduction to the capital redemption reserve of the Company. A special resolution was passed by the shareholders at the special general meeting of the Company held on 13 January 2016.
- (c) On 23 February 2016, the Company allotted 2,920,568,484 ordinary shares of HK\$0.01 each at a subscription price of HK\$0.086 per offer share on the basis of four offer shares for every share.

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

18. NON-CASH TRANSACTION

During the six months ended 30 September 2016, the Group spent HK\$31,336,000 (six months ended 30 September 2015: nil) on prepaid lease payments. Out of this amount, HK\$22,051,000 was settled through current account with immediate holding company (six months ended 30 September 2015: nil).

19. COMMITMENT

	30.9.2016 HK\$'000 (unaudited)	31.3.2016 HK\$'000 (audited)
Capital commitment in respect of acquisition of property, plant and equipment and investment properties contracted for but not provided in the condensed consolidated financial statements	<u>23,469</u>	<u>5,084</u>
Other commitment in respect of prepaid lease payments contracted for but not provided in the condensed consolidated financial statements	<u>15,088</u>	<u>-</u>



20. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions:

- (a) As at 30 September 2016 and 31 March 2016, Mr. Wang Jing, a director of the Company, and his wife have provided personal guarantees to a bank in respect of the Group's borrowing as at 30 September 2016 and 31 March 2016.
- (b) As at 30 September 2016 and 31 March 2016, ultimate holding company of the Company has provided corporate guarantee to a bank in respect of the Group's borrowing as at 30 September 2016 and 31 March 2016.
- (c) During the six months ended 30 September 2016, the Company paid coupon interest of HK\$1,122,000 to a shareholder of the Company, as a holder of the Bonds (six months ended 30 September 2015: HK\$1,116,000 to the immediate holding company of the Company).
- (d) During the six months ended 30 September 2015, the Group purchased an investment property under construction at a consideration of HK\$208,276,000 from 遼寧實華(集團)房地產開發有限公司, the ultimate holding company of the Company, by way of issue of promissory note (six months ended 30 September 2016: nil).
- (e) **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	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Salaries and other short term employee benefits	<u>905</u>	<u>312</u>

21. CONTINGENT LIABILITIES

There are no significant contingent liabilities as at 30 September 2016 and 31 March 2016.

22. ACQUISITION OF A SUBSIDIARY

In September 2016, the Company acquired the entire equity interest in 本溪滿族自治縣付家水力發電有限公司 (“Benxi Fujia”) from an independent third party for a cash consideration of RMB36,000,000 (equivalent to HK\$42,261,000). Benxi Fujia is currently engaged in operation and management of a hydroelectric power station in the PRC. The transaction has been accounted for using the acquisition method. The acquisition is part of the on-going expansion strategy of the Group with the aim of broadening its source of revenue.

	Amounts recognised at the date of acquisition (provisional basis) <i>HK\$'000</i>
Net identifiable assets acquired at the date of obtaining control was as follows:	
Non-current assets	17,013
Current assets	27,018
Current liabilities	(1,770)
	<hr/> 42,261 <hr/>
Consideration transferred, satisfied by cash	15,500
Deferred consideration included in other payables in current liabilities	26,761
	<hr/> 42,261 <hr/>
An analysis of net outflow of cash and cash equivalents in respect of acquisition of Benxi Fujia:	
Cash consideration paid	(15,500)
Bank balances and cash acquired	374
	<hr/> (15,126) <hr/>

The fair value of the assets and liabilities acquired have been determined on a provisional basis, awaiting the completion of valuation of the identifiable assets and liabilities.

During the six months ended 30 September 2016, Benxi Fujia did not have any significant contribution to the Group's revenue or profit for the period.



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 30 September 2016, 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 Securities and Futures Ordinance ("SFO")) which are required (a) to be notified to the Company and the Stock Exchange of Hong Kong Limited ("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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

(i) Long Position in the Shares

Name of Directors	Long Position/ Short Position	Capacity	Number of Shares held	Approximate percentage of issued share capital in the Company
Wang Jing	Long Position	Interest of controlled corporation	2,171,827,290 (Note)	59.49%
Wang Xing Qiao	Long Position	Beneficial Owner	3,275,000	0.09%

Note: These 2,171,827,290 shares are held by Achieve Prosper Capital Limited ("Achieve Prosper") which is a company incorporated in Samoa and wholly and beneficially owned by Hong Kong Shihua Holdings Limited (a company incorporated in Hong Kong), which is in turn wholly and beneficially owned by 遼寧實華(集團)房地產開發有限公司 (Liaoning Shihua (Group) Property Development Company Limited*) ("Liaoning Shihua Property"). Mr. Wang Jing is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua Property. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in these 2,171,827,290 shares.

* for identification purposes only

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

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

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 date of this interim report, 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.



SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, the following persons, other than the interest disclosed in the section headed "Directors' and chief executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company or any other associated corporation", had 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 30 September 2016
Achieve Prosper	Beneficial owner	2,171,827,290	59.49%
Hong Kong Shihua	Interest of controlled corporation	2,171,827,290	59.49%
Liaoning Shihua Property	Interest of controlled corporation	2,171,827,290	59.49%
Hu Bao Qin	Spouse Interest	2,171,827,290	59.49%
Lushan Investment Holding Limited	Custodian corporation/Approved lending agent	2,917,914,246	79.93%

As at 30 September 2016, Achieve Prosper is wholly and beneficially owned by Hong Kong Shihua, which is in turn wholly and beneficially owned by Liaoning Shihua Property. Mr. Wang Jing is the sole director and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua Property. By virtue of the SFO, Hong Kong Shihua, Liaoning Shihua Property, 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.

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 to Lushan Investment Holding Limited.

On 14 March 2016, Achieve Prosper entered into a share charge with Lushan Investment Holding Limited, pursuant to which Achieve Prosper has pledged 2,171,827,290 Shares in favour of Lushan Investment Holding Limited. In addition, further 420,000,000 Shares held by Achieve Prosper was transferred to Lushan Investment Holding Limited pursuant to the sale and purchase agreement entered by the Achieve Prosper and Lushan Investment Holding Limited (please refer to the announcement of the Company dated on 16 March 2016 for further details).

Save as disclosed above, as at 30 September 2016, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other interests, short positions or long positions in shares of the Company.



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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 September 2016 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 held on 31 August 2016 (the “AGM”). 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 AGM. Mr. Wang Jing, the chairman of the Board, was unable to attend the AGM due to personal reason. Mr. Wang Xing Qiao, an executive Director and the chief executive officer of the Company, was responsible for chairing the AGM and 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. Li Jun, the non-executive Director, and Mr. Song Wenke, the independent non-executive Director, were unable to attend the AGM due to their other business commitments.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company on 31 August 2016, the name of the Company was changed from “Shihua Development Company Limited” to “China Sinostar Group Company Limited” and the Chinese name “中國華星集團有限公司” as the secondary name of the Company has been adopted with effect from 7 September 2016. The registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) took effect from 17 October 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 have complied with the Model Code throughout the six months period ended 30 September 2016.

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

During the six months ended 30 September 2016, there was no purchase, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

AUDIT COMMITTEE

The Company has established 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 has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the interim report for the six months ended 30 September 2016.

BOARD OF DIRECTORS

As at the date of 30 September 2016, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao and Mr. Zhao Shuang as executive Directors; Mr. Wang Ping, Mr. Cheng Tai Kwan Sunny and Mr. Song Wenke as independent non-executive Directors.

By Order of the Board
China Sinostar Group Company Limited
Wang Jing
Chairman

Hong Kong, 28 November 2016

