



2018 / 2019

Interim Report

SINOSTAR

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

ZHONGHUI ANDA CPA Limited

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

Loeb & Loeb LLP

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

Rooms 05-15, 13A/F.,
South Tower,
World Finance Centre,
Harbour City, 17 Canton Road,
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MANAGEMENT DISCUSSION AND 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 2018 which have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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 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**”) 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 People’s Republic of China (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..

**for identification purpose only*

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.

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.

Exposure to Fluctuation in Exchange Rates

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.

Contingent Liabilities

As at 30 September 2018, the Group had no contingent liabilities.

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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the reporting period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

With reference to the subsection headed “Properties Development”, 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. Save as disclosed above, the Group had no significant investment held in the reporting period.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

Save as disclosed in the subsection headed “Properties Development”, the Group has not executed any legally binding agreement in relation to material investment or acquisition of capital asset and did not have any further plans relating to material investment or capital asset as at the date of this interim report.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil).

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	NOTES	Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
CONTINUING OPERATIONS			
Revenue	3	221,252	305,949
Cost of sales		(171,110)	(231,847)
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		206	83
(Loss) profit before taxation	6	(6,120)	8,425
Taxation	7	(400)	(1,048)
		(6,520)	7,377
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	19	-	(2,723)
(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		-	35,194
Total comprehensive (expense) income for the period		(35,404)	35,830

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (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)
(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	-	-
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>(35,404)</u>	<u>35,830</u>
	<i>HK cents</i>	<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

	NOTES	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	10	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
		136,478	151,352
Current assets			
Inventories		109,857	77,354
Debtors, deposits and other receivables	11	263,118	90,709
Properties for sale under development		228,217	138,129
Investments held for trading		234	263
Amounts due from related companies	12	6	62
Amount due from a director	12	31	68
Bank balances and cash		17,140	50,930
		618,603	357,515
Current liabilities			
Creditors and accrued charges	13	195,119	39,575
Receipt in advance		56,078	-
Amount due to immediate holding company	12	27,237	22,083
Amounts due to related companies	12	39,414	25,876
Amount due to a director	12	8	9
Borrowings	14	56,681	3,925
		374,537	91,468

		30.9.2018	31.3.2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
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	12	-	979
Borrowings	14	<u>193</u>	<u>975</u>
		<u>193</u>	<u>1,954</u>
Net assets		<u>380,351</u>	<u>415,445</u>
Capital and reserves			
Share capital	15	39,768	39,768
Reserves		<u>308,332</u>	<u>344,562</u>
Equity attributable to owners of the Company		348,100	384,330
Non-controlling interests		<u>32,251</u>	<u>31,115</u>
Total equity		<u>380,351</u>	<u>415,445</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Attributable to owners of the Company										
	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	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2018 (audited)	39,768	385,419	830	28,864	-	577,204	23,909	(671,664)	384,330	31,115	415,445
Exchange difference arising on translation of foreign operations	-	-	-	(28,801)	-	-	-	-	(28,801)	(83)	(28,884)
Loss for the period	-	-	-	-	-	-	-	(7,502)	(7,502)	982	(6,520)
Total comprehensive expense for the period	-	-	-	(28,801)	-	-	-	(7,502)	(36,303)	899	(35,404)
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	310	310
Deemed partial disposal of a subsidiary	-	-	73	-	-	-	-	-	73	(73)	-
At 30 September 2018 (unaudited)	39,768	385,419	903	63	-	577,204	23,909	(679,166)	348,100	32,251	380,351
At 1 April 2017 (audited)	36,507	252,315	327	(21,870)	61,365	577,204	23,909	(644,413)	285,344	29,520	314,864
Exchange difference arising on translation of foreign operations	-	-	-	(3,834)	-	-	-	-	(3,834)	(184)	(4,018)
Release of translation reserve upon disposal of subsidiaries	-	-	-	35,194	-	-	-	-	35,194	-	35,194
Profit for the period	-	-	-	-	-	-	-	3,253	3,253	1,401	4,654
Total comprehensive income for the period	-	-	-	31,360	-	-	-	3,253	34,613	1,217	35,830
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	902	902
Deemed partial disposal of a subsidiary	-	-	446	-	-	-	-	-	446	(446)	-
Issue of shares upon conversion of convertible bonds	3,261	133,104	-	-	(61,365)	-	-	-	75,000	-	75,000
At 30 September 2017 (unaudited)	39,768	385,419	773	9,490	-	577,204	23,909	(641,160)	395,403	31,193	426,596

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	NOTES	Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Net cash used in operating activities		(85,061)	(78,848)
Net cash generated (used in) from investing activities			
Net cash inflow from disposal of subsidiaries	19	-	93,730
Net cash inflow from disposal of investments held for trading		-	144
Dividend received from an associate		1,005	300
Interest received		10	3
Net cash outflow from acquisition of a subsidiary		-	(23,499)
Advance from (to) immediate holding company		5,154	(40,291)
Advance from (to) related companies		12,615	(32,113)
Advance from directors		36	-
Purchase of property, plant and equipment		(2,592)	(2,059)
Deposits paid for investment properties		-	(23,512)
		16,228	(27,297)
Net cash generated from financing activities			
New borrowings raised		51,974	103,065
Capital contribution from non-controlling shareholders of a subsidiary		310	902
Interest on borrowings paid		(805)	(2,365)
		51,479	101,602
Net decrease in cash and cash equivalents		(17,354)	(4,543)
Cash and cash equivalents at beginning of the period		50,930	34,442
Effect of foreign exchange rate changes		(16,436)	(19,352)
Cash and cash equivalents at end of the period, representing bank balances and cash		17,140	10,547

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

Discontinued operation represented sales and installation of elevators and the properties investment business of TSY Group which ceased to be subsidiaries of the Group upon disposal of TSY Group on 26 September 2017. (note 19)

3. REVENUE AND SEGMENT INFORMATION - CONTINUED

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\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE	215,972	4,611	669	-	-	221,252
SEGMENT RESULTS	(487)	2,022	(519)	(466)	(29)	521
Interest income						10
Unallocated expenses						(6,052)
Share of profits of an associate						206
Finance costs						(805)
Loss before taxation						(6,120)

For the six months ended 30 September 2017

	Continuing operations					Discontinued operation HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
	Electronic products business HK\$'000 (unaudited)	Hydroelectric power business HK\$'000 (unaudited)	Properties investment HK\$'000 (unaudited)	Securities trading HK\$'000 (unaudited)	Subtotal HK\$'000 (unaudited)		
REVENUE	302,045	3,575	329	-	305,949	-	305,949
SEGMENT RESULTS	4,716	1,193	(996)	3	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					(5,191)	-	(5,191)
Profit (loss) before taxation					8,425	(2,723)	5,702

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 deregistratoin 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
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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
	<u>400</u>	<u>1,048</u>

Representing:

- Continuing operations	400	1,048
- Discontinued operation	-	-
	<u>400</u>	<u>1,048</u>

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 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
(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
(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>

9. (LOSS) EARNINGS PER SHARE - CONTINUED

(c) From discontinued operations

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

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 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (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	2,896	9,621
	181,243	25,011

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	31.3.2018
	HK\$'000	HK\$'000
	(unaudited)	(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
	149,175	15,086

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

14. BORROWINGS

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

The borrowings are repayable as follows:

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

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

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>

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S 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 2018, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures 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 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 of the Company (the "Shares") held	Approximate percentage of issued share capital in the Company
Wang Jing <i>Executive Director</i>	Long position	Interest of controlled corporation	2,171,827,290 (Note 1)	54.61% (Note 2)
Wang Xing Qiao <i>Executive Director</i>	Long position	Beneficial Owner	3,275,000	0.08% (Note 2)

Notes:

1. These 2,171,827,290 Shares are held by Achieve Prosper Capital Limited and wholly and beneficially owned by Hong Kong Shihua Holdings Limited, which is in turn wholly and beneficially owned by Liaoning Shihua (Group) Property Development Company Limited* (遼寧實華(集團)房地產開發有限公司) ("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.
2. Based on 3,976,797,561 Shares in issue as at 30 September 2018.

* 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 associated corporation	Approximate percentage of issued share capital in associated corporation
Achieve Prosper Capital Limited	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 2018, the following persons, other than the interest disclosed in the section headed "Directors' and chief executive's 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 of 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 2018
Achieve Prosper Capital Limited	Beneficial owner	2,171,827,290	54.61%
Hong Kong Shihua Holdings Limited	Interest of controlled corporation	2,171,827,290	54.61%
Liaoning Shihua	Interest of controlled corporation	2,171,827,290	54.61%
Hu Bao Qin	Spouse Interest	2,171,827,290	54.61%
Lushan Investment Holding Limited	Person having a security interest in shares	2,917,914,246	73.37%
China Huarong Asset Management Company Limited* (中國華融資產管理股份有限公司)	Interest of controlled corporation	2,917,914,246	73.37%
China Huarong International Holdings Limited	Interest of controlled corporation	2,917,914,246	73.37%

**for identification purpose only*

As at 30 September 2018, Achieve Prosper Capital Limited 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 of 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 interested in the said 2,171,827,290 Shares held by Achieve Prosper Capital Limited.

On 30 December 2015, Achieve Prosper Capital Limited transferred the 326,086,956 underlying Shares which are the conversion Shares and are issuable upon the exercise of the convertible bonds of the Company to Lushan Investment Holding Limited. During the year ended 31 March 2018, the such convertible bonds have been fully converted and a total of 326,086,956 conversion Shares were allotted and issued, credited as fully paid, to Lushan Investment Holding Limited.

On 14 March 2016, Achieve Prosper Capital Limited entered into a share charge with Lushan Investment Holding Limited, pursuant to which Achieve Prosper Capital Limited 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 Capital Limited was transferred to Lushan Investment Holding Limited pursuant to a sale and purchase agreement entered into by Achieve Prosper Capital Limited and Lushan Investment Holding Limited (please refer to the announcement of the Company dated 16 March 2016 for further details).

Save as disclosed above, as at 30 September 2018, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other interests, short positions or long positions in the Shares.

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 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 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 report 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 Shares.

BOARD OF DIRECTORS

As at the date of 30 September 2018, 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.

For and on behalf of
China Sinostar Group Company Limited
Wang Jing
Chairman

Hong Kong, 30 November 2018



2018 / 2019

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