

SIN STAR

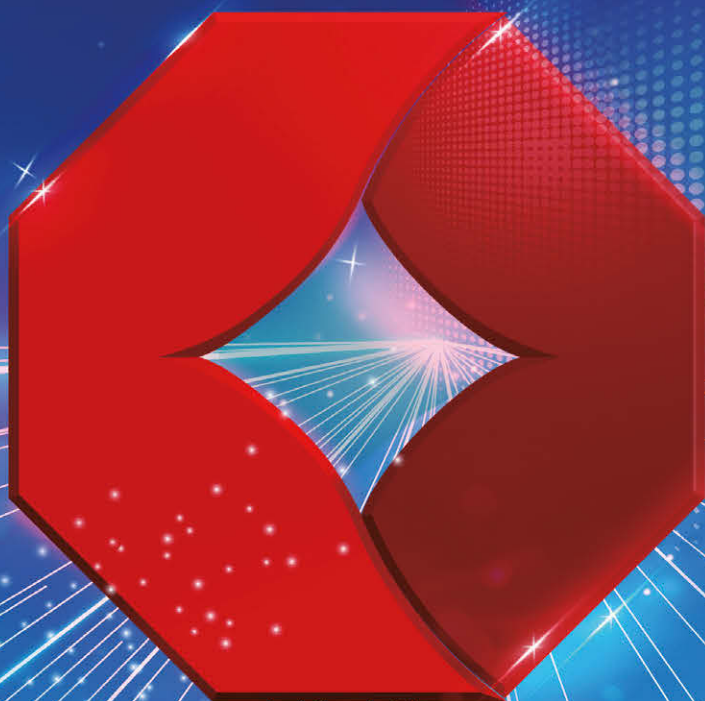
中國華星

中國華星集團有限公司

China Sinostar Group Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 485



2019/2020
Interim Report



CONTENTS

- 2 Corporate Information
- 3 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 5 Condensed Consolidated Statement of Financial Position
- 7 Condensed Consolidated Statement of Changes in Equity
- 8 Condensed Consolidated Statement of Cash Flows
- 9 Notes to the Condensed Consolidated Financial Statements
- 26 Proposed Disposal of Harvest Way Holdings Limited
- 27 Management Discussion & Analysis
- 31 Other Information

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 (resigned on
30 April 2019)
Song Wenke
Zeng Guanwei (appointed on 30 April
2019)

COMPANY SECRETARY

Lam Wai Kei

AUDITOR

ZHONGHUI ANDA CPA Limited

AUDIT COMMITTEE

Wang Ping (Chairman)
Song Wenke
Cheng Tai Kwan Sunny (resigned on
30 April 2019)
Zeng Guanwei (appointed on 30 April
2019)

REMUNERATION COMMITTEE

Song Wenke (Chairman)
Wang Ping
Cheng Tai Kwan Sunny (resigned on
30 April 2019)
Zeng Guanwei (appointed on 30 April
2019)

NOMINATION COMMITTEE

Wang Jing (Chairman)
Song Wenke
Cheng Tai Kwan Sunny (resigned on
30 April 2019)
Zeng Guanwei (appointed on 30 April
2019)

PRINCIPAL BANKERS

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

SOLICITOR

Loeb & Loeb LLP

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG AND CONTACT INFORMATION

Suites 2602-2603, 26/F
Tower 1, The Harbourfront
18 Tak Fung Street
Hung Hom, Kowloon
Hong Kong
Tel: (852) 2286 0728
Fax: (852) 2286 0727
Website: www.00485.hk
Email: office@00485.hk

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	NOTES	Six months ended	
		30 September 2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
CONTINUING OPERATIONS			
Revenue	3	41,716	5,280
Cost of sales		<u>(28,608)</u>	<u>(692)</u>
Gross profit		13,108	4,588
Other income	5	124	40
Administrative expenses		(13,015)	(9,633)
Finance costs		<u>(1,432)</u>	<u>–</u>
Loss before taxation	6	(1,215)	(5,005)
Taxation	7	<u>(3,568)</u>	<u>–</u>
		(4,783)	(5,005)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	8	<u>(4,211)</u>	<u>(1,515)</u>
Loss for the period		(8,994)	(6,520)
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>(22,532)</u>	<u>(28,884)</u>
Total comprehensive expense for the period		<u>(31,526)</u>	<u>(35,404)</u>

	NOTES	Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
Loss for the period attributable to:			
Owners of the Company			
Loss from continuing operations		(4,783)	(5,005)
Loss from discontinued operations		<u>(3,157)</u>	<u>(2,497)</u>
Loss attributable to owners of the Company		<u>(7,940)</u>	<u>(7,502)</u>
Non-controlling interests			
Profit from continuing operations		–	–
(Loss) profit from discontinued operations		<u>(1,054)</u>	<u>982</u>
(Loss) profit attributable to owners of non-controlling interests		<u>(1,054)</u>	<u>982</u>
		<u>(8,994)</u>	<u>(6,520)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(30,260)	(36,303)
Non-controlling interests		<u>(1,266)</u>	<u>899</u>
		<u>(31,526)</u>	<u>(35,404)</u>
Loss per share	10		
From continuing and discontinued operations			
– Basic and diluted		<u>(0.19)</u>	<u>(0.19)</u>
From continuing operations			
– Basic and diluted		<u>(0.11)</u>	<u>(0.13)</u>
From discontinued operations			
– Basic and diluted		<u>(0.08)</u>	<u>(0.06)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

	NOTES	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Non-current assets			
Investment properties		19,897	21,126
Property, plant and equipment	11	43,172	53,295
Goodwill		1,232	8,512
Interest in an associate		–	3,524
Deferred tax assets		–	5,980
Prepaid land lease payments		–	42,146
Right-of-use assets		38,906	–
		<u>103,207</u>	<u>134,583</u>
Current assets			
Inventories		–	50,309
Debtors, deposits and other receivables	12	71,258	123,580
Contract assets		1,445	–
Properties for sale under development		72,754	–
Properties held for sale		163,716	201,524
Investments at fair value through profit or loss		–	187
Amount due from ultimate holding company	13	35,657	–
Amount due from a related company	13	–	6
Bank balances and cash		6,697	75,480
		<u>351,527</u>	<u>451,086</u>
Assets of a disposal group classified as held for sale	8	318,095	–
		<u>669,622</u>	<u>451,086</u>
Current liabilities			
Amount due to immediate holding company	13	33,776	33,050
Amount due to a director	13	53	58
Creditors and accrued charges	14	81,517	100,521
Contract liabilities		886	6,376
Amounts due to related companies	13	525	29,738
Current tax liabilities		7,977	6,812
Borrowings	15	–	1,049
Finance lease payables		–	112
		<u>124,734</u>	<u>177,716</u>
Liabilities directly associated with the assets classified as held for sale	8	251,774	–
		<u>376,508</u>	<u>177,716</u>

	NOTES	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Net current assets		<u>293,114</u>	<u>273,370</u>
Total assets less current liabilities		<u>396,321</u>	<u>407,953</u>
Non-current liabilities			
Borrowings	15	20,887	22,177
Bonds payable	16	10,500	1,000
Finance lease payables		–	136
		<u>31,387</u>	<u>23,313</u>
Net assets		<u>364,934</u>	<u>384,640</u>
Capital and reserves			
Share capital	17	42,568	39,768
Reserves		<u>289,538</u>	<u>311,000</u>
Equity attributable to owners of the Company		<u>332,106</u>	<u>350,768</u>
Non-controlling interests		<u>32,828</u>	<u>33,872</u>
Total equity		<u>364,934</u>	<u>384,640</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to owners of the Company							Non-controlling		
	Share capital	Share premium	Capital reserve	Translation reserve	Capital redemption reserve	Contributed surplus	Accumulated losses	Sub-total	interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019 (audited)	39,768	385,419	906	9,175	577,204	23,909	(685,613)	350,768	33,872	384,640
Exchange difference arising on translation of foreign operations	-	-	-	(22,532)	-	-	-	(22,532)	(212)	(22,744)
Loss for the period	-	-	-	-	-	-	(7,940)	(7,940)	(1,054)	(8,994)
Total comprehensive loss for the period	-	-	-	(22,532)	-	-	(7,940)	(30,472)	(1,266)	(31,738)
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	272	272
Deemed partial disposal of a subsidiary	-	-	50	-	-	-	-	50	(50)	-
Issue of shares (Note 18)	2,800	8,960	-	-	-	-	-	11,760	-	11,760
At 30 September 2019 (unaudited)	42,568	394,379	956	(13,357)	577,204	23,909	(693,553)	332,106	32,828	364,934
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 loss 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Six months ended 30 September	
	2019	2018
NOTES	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	<u>(43,259)</u>	<u>(85,061)</u>
Net cash (used in) generated from investing activities		
Dividend received from an associate	654	1,005
Interest received	24	10
Acquisition of subsidiaries	18 (3,131)	–
Advance from immediate holding company	726	5,154
Advance from related companies	9,519	12,615
Advance (to) from directors	(5)	36
Advance to ultimate holding company	(35,657)	–
Purchase of property, plant and equipment	<u>–</u>	<u>(2,592)</u>
	<u>(27,870)</u>	<u>16,228</u>
Net cash generated from financing activities		
New borrowings raised	33,575	51,974
Proceeds from bonds insurance	9,500	–
Capital contribution from non-controlling shareholders of a subsidiary	272	310
Interest on borrowings paid	(2,175)	(805)
Interest on bonds payable paid	(116)	–
Principal and interest elements of lease payments	<u>(2,649)</u>	<u>–</u>
	<u>38,407</u>	<u>51,479</u>
Net decrease in cash and cash equivalents	(32,722)	(17,354)
Cash and cash equivalents at beginning of the period	75,480	50,930
Cash and cash equivalents of disposal group classified as held for sale	(19,130)	–
Effect of foreign exchange rate changes	<u>(16,931)</u>	<u>(16,436)</u>
Cash and cash equivalents at end of the period	<u>6,697</u>	<u>17,140</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (“Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the 2019 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 2019 except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA effective as of 1 April 2019. Certain comparative figures have been reclassified to conform with the current period’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 HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. 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 condensed consolidated financial statements and amounts reported for the current and prior periods except as stated below.

Adoption of HKFRS 16 “Leases” (“HKFRS 16”)

HKFRS 16 replaces HKAS 17 “Leases” (“HKAS 17”), HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” (“HK(IFRIC)-Int 4”), HK(SIC)-Int 15 “Operating Leases – Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information was not restated and continues to be reported under HKAS 17.

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

The Group has lease contracts for various items of property and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of HK\$295,000 that were reclassified from property, plant and equipment.

For the leasehold land and buildings (that were held to earn rental income and for capital appreciation) previously included in investment properties, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- i. Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 (increase/(decrease)) are as follows:

	<i>HK\$'000</i> (unaudited)
Assets	
Property, plant and equipment	(295)
Prepaid land lease payments	(42,146)
Right-of-use assets	<u>51,965</u>
Total assets	<u>9,524</u>
Liabilities	
Creditors and accrued charges	(983)
Finance lease payables	(248)
Lease liabilities	<u>10,755</u>
Total liabilities	<u>9,524</u>

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	<i>HK\$'000</i> (unaudited)
Operating lease commitments disclosed as at 31 March 2019	16,267
Weighted average incremental borrowing rate as at 1 April 2019	<u>6.42%</u>
Discounted operating lease commitments as at 1 April 2019	14,703
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(4,196)
Add: Commitments relating to leases previously classified as finance leases	<u>248</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	<u>10,755</u>
Analysed as:	
Current	4,769
Non-current	<u>5,986</u>
	<u>10,755</u>

Notes:

The carrying amounts of right-of-use assets and lease liabilities of HK\$9,819,000 and HK\$10,755,000 as at 1 April 2019, respectively, were related to the discontinued operations and have been classified as disposal group held for sale and are presented separately in the condensed consolidated statement of financial position as at 30 September 2019. (Note 8)

The accounting policy for leases as disclosed in the annual consolidated financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for properties for sale under development. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for investment properties.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

Continuing operations:	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Development and sale of properties	38,637	–
Properties management service and other services	30	–
Operation and management of hydroelectric power stations	2,405	4,611
Revenue from contracts with customers	41,072	4,611
Rental income	644	669
Total revenue	41,716	5,280

Disaggregation of revenue from contracts with customers:

Segments	Six months ended 30 September 2019			
	Development and sale of properties HK\$'000 (unaudited)	Properties management service and other services HK\$'000 (unaudited)	Operation and management of hydroelectric power stations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<i>Major products/service</i>				
Development and sale of properties	38,637	–	–	38,637
Properties management service and other services	–	30	–	30
Operation and management of hydroelectric power stations	–	–	2,405	2,405
Total	38,637	30	2,405	41,072
<i>Timing of revenue recognition</i>				
At a point in time	38,637	–	2,405	41,042
Over time	–	30	–	30
Total	38,637	30	2,405	41,072

Segments	Six months ended 30 September 2018			Total HK\$'000 (unaudited)
	Development and sale of properties HK\$'000 (unaudited)	Properties management service and other services HK\$'000 (unaudited)	Operation and management of hydroelectric power stations HK\$'000 (unaudited)	
<i>Major products/service</i>				
Development and sale of properties	-	-	-	-
Properties management service and other services	-	-	-	-
Operation and management of hydroelectric power stations	-	-	4,611	4,611
Total	-	-	4,611	4,611
<i>Timing of revenue recognition</i>				
At a point in time	-	-	4,611	4,611
Over time	-	-	-	-
Total	-	-	4,611	4,611

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

4. SEGMENT INFORMATION

The Group's operating divisions are as follows:

- a) Development and sale of properties ("**Properties development**")
- b) Properties investment
- c) Properties management service and other services ("**Properties management**")
- d) Operation and management of hydroelectric power stations ("**Hydroelectric power business**")

On 31 October 2019, the Company entered into a sale and purchase agreement with Fairy King Prawn Holdings Limited, pursuant to which the Company has conditionally agreed to sell and Fairy King Prawn Holdings Limited has conditionally agreed to purchase the entire equity interest in Harvest Way Holdings Limited, being a direct wholly-owned subsidiary of the Company, (the "**Disposal Company**") at a cash consideration of HK\$7,500,000 (the "**Disposal**"). The Disposal Company and its subsidiaries (the "**Disposal Group**") is engaged in the design and sale of electronic products and securities trading. Upon completion of the Disposal, the Group will cease to engage in the business of design and sale of electronic products and securities trading.

The business of design and sale of electronic products and securities trading of the Disposal Group were presented as discontinued operations in the condensed consolidated financial statements. The assets and liabilities attributable to the Disposal Group, which are expected to be sold within the next twelve months, have been classified as disposal group held for sale and are presented separately in the condensed consolidated statement of financial position. Analysis of the results, cash flows, assets and liabilities of the discontinued operations is presented in Note 8.

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 2019

	Continuing operations				Subtotal HK\$'000 (unaudited)	Discontinued operations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
	Properties development HK\$'000 (unaudited)	Properties investment HK\$'000 (unaudited)	Properties management HK\$'000 (unaudited)	Hydroelectric power business HK\$'000 (unaudited)			
REVENUE	<u>38,637</u>	<u>644</u>	<u>30</u>	<u>2,405</u>	<u>41,716</u>	<u>203,108</u>	<u>244,824</u>
SEGMENT RESULTS	<u>9,595</u>	<u>(652)</u>	<u>14</u>	<u>615</u>	<u>9,572</u>	<u>(3,736)</u>	<u>5,836</u>
Interest income					24	-	24
Unallocated expenses					(9,379)	-	(9,379)
Share of profits of an associate					-	274	274
Finance costs					<u>(1,432)</u>	<u>(1,175)</u>	<u>(2,607)</u>
Loss before taxation					<u>(1,215)</u>	<u>(4,637)</u>	<u>(5,852)</u>

For the six months ended 30 September 2018

	Continuing operations				Subtotal HK\$'000 (unaudited)	Discontinued operations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
	Properties development HK\$'000 (unaudited)	Properties investment HK\$'000 (unaudited)	Properties management HK\$'000 (unaudited)	Hydroelectric power business HK\$'000 (unaudited)			
REVENUE	<u>-</u>	<u>669</u>	<u>4,611</u>	<u>4,611</u>	<u>5,280</u>	<u>215,972</u>	<u>221,252</u>
SEGMENT RESULTS	<u>(466)</u>	<u>(519)</u>	<u>2,022</u>	<u>2,022</u>	<u>1,037</u>	<u>(516)</u>	<u>521</u>
Interest income					9	1	10
Unallocated expenses					(6,051)	(1)	(6,052)
Share of profits of an associate					-	206	206
Finance costs					<u>-</u>	<u>(805)</u>	<u>(805)</u>
Loss before taxation					<u>(5,005)</u>	<u>(1,115)</u>	<u>(6,120)</u>

5. OTHER INCOME

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Other income from continuing operations includes:		
Interest income	24	10
Others	100	30
	<u>124</u>	<u>40</u>

6. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Loss before taxation from continuing operations is arrived at after charging:		
Cost of inventories sold	28,608	692
Staff costs (including directors' remuneration):		
– wages and salaries	2,799	1,796
– pension scheme contributions – defined contribution scheme	83	55
Exchange losses, net	–	336
Depreciation of property, plant and equipment	2,220	2,320
Depreciation of right-of-use assets	811	–
Amortisation of prepaid land lease payments	–	854
Lease payments under operating leases in respect of rented premises:		
– short-term lease	3,089	–
– minimum lease payments	–	3,033
Interest expenses on:		
– bonds payable	116	–
– borrowings	1,316	–
	<u>1,316</u>	<u>–</u>

7. TAXATION

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current taxation		
PRC Enterprise Income Tax ("EIT")	1,561	–
PRC land appreciation tax ("LAT")	2,007	–
	<u>3,568</u>	<u>–</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.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% (six months ended 30 September 2018: no provision for EIT under Law of the PRC was made as the Group did not generate any assessable income in the PRC).

LAT is levied at progressive tax rates ranging from 30% to 60% on the appreciation of land value (six months ended 30 September 2018: not applicable).

8. DISCONTINUED OPERATIONS

On 31 October 2019, the Company entered into a sale and purchase agreement with Fairy King Prawn Holdings Limited, pursuant to which the Company has conditionally agreed to sell and Fairy King Prawn Holdings Limited has conditionally agreed to purchase the entire equity interest in the Disposal Company at a cash consideration of HK\$7,500,000. Upon completion of the Disposal, the Group will cease to engage in the business of design and sale of electronic products and securities trading.

The business of design and sale of electronic products and securities trading of the Disposal Group were presented as discontinued operations in the condensed consolidated financial statements. The assets and liabilities attributable to the Disposal Group, which are expected to be sold within the next twelve months, have been classified as disposal group held for sale and are presented separately in the condensed consolidated statement of financial position. The net proceeds of Disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The results for the reporting period of the Disposal Group is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to present the Disposal Group as discontinued operations.

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	203,108	215,972
Cost of sales	<u>(149,964)</u>	<u>(170,418)</u>
Gross profit	53,144	45,554
Other income	1,751	438
Distribution costs	(25,498)	(20,223)
Administrative expenses	(31,409)	(23,464)
Other gains and losses	(1,724)	(2,821)
Finance costs	(1,175)	(805)
Share of profits of an associate	<u>274</u>	<u>206</u>
Loss before taxation	(4,637)	(1,115)
Taxation	<u>426</u>	<u>(400)</u>
Loss for the period from discontinued operations	<u>(4,211)</u>	<u>(1,515)</u>

Loss for the period from discontinued operations includes the following:

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Cost of inventories sold	149,964	170,418
Staff costs (including directors' remuneration):		
– wages and salaries	14,032	12,669
– pension scheme contributions – defined contribution scheme	316	566
Exchange (gains) losses, net	(489)	336
Allowance for obsolete and slow-moving inventories (included in cost of sales)	2,492	974
Depreciation of property, plant and equipment	904	1,059
Depreciation of right-of-use assets	2,113	–
Allowance for doubtful debts	2,201	2,456
Lease payments under operating leases in respect of rented premises:		
– short-term lease	683	–
– minimum lease payments	–	2,926
Interest expenses on:		
– borrowings	859	805
– lease liabilities	<u>316</u>	<u>–</u>

The net cash flows incurred by the Disposal Group are as follows:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities	(41,561)	(58,257)
Investing activities	10,079	12,122
Financing activities	31,629	51,479
	<hr/>	<hr/>
Net cash inflow	147	5,344
	<hr/>	<hr/>

The major classes of assets and liabilities of the Disposal Group as at 30 September 2019, which have been presented separately in the consolidated statement of financial position, are as follows:

	30.9.2019
	HK\$'000
	(unaudited)
Property, plant and equipment	4,542
Goodwill	8,512
Interest in an associate	3,144
Deferred tax assets	6,406
Right-of-use assets	7,713
Inventories	108,771
Debtors, deposits and other receivables	159,702
Investments at fair value through profit or loss	175
Bank balances and cash	19,130
	<hr/>
Total assets of a disposal group classified as held for sale	318,095
	<hr/>
Amount due to immediate holding company	58,031
Creditors and accrued charges	155,766
Contract liabilities	12,946
Amounts due to related companies	38,726
Borrowings	35,914
Lease liabilities	8,422
	<hr/>
Total liabilities before intra-group elimination	309,805
Less: Intra-group elimination	(58,031)
	<hr/>
Total liabilities directly associated with the assets classified as held for sale	251,774
	<hr/>

9. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2019 (six months end 30 September 2018: nil). The Directors have determined that no dividend will be paid in respect of the six months ended 30 September 2019 (six months end 30 September 2018: nil).

10. LOSS PER SHARE

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

- (a) From continuing and discontinued operations

	Six months ended 30 September	
	2019	2018
	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>(7,940)</u>	<u>(7,502)</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>4,241,497,015</u>	<u>3,976,797,561</u>

- (b) From continuing operations

	Six months ended 30 September	
	2019	2018
	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>(4,783)</u>	<u>(5,005)</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>4,241,497,015</u>	<u>3,976,797,561</u>

- (c) From discontinued operations

	Six months ended 30 September	
	2019	2018
	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>(3,157)</u>	<u>(2,497)</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>4,241,497,015</u>	<u>3,976,797,561</u>

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group has not acquired any items of property, plant and equipment for the continuing operations (six months ended 30 September 2018: HK\$2,592,000 for both continuing and discontinued operations).

12. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

At 30 September 2019, debtors, deposits and other receivables includes trade debtors of HK\$49,423,000 (31 March 2019: HK\$100,184,000). 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:

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
0 – 30 days	2,807	85,822
31 – 60 days	526	3,068
61 – 90 days	–	827
Over 90 days	<u>46,090</u>	<u>10,467</u>
	<u>49,423</u>	<u>100,184</u>

The Group allows an average credit period ranging from 0 to 180 days to its trade customers (31 March 2019: 0 to 365 days).

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

As at 30 September 2019, the amounts are interest-free, unsecured and repayable on demand. (31 March 2019: the amounts due to related companies of HK\$979,000 were interest bearing at 6% per annum, unsecured and repayable within one year. The others are interest-free, unsecured and repayable on demand.)

14. CREDITORS AND ACCRUED CHARGES

At 30 September 2019, creditors and accrued charges includes trade creditors of HK\$16,674,000 (31 March 2019: HK\$34,885,000). The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
0 – 30 days	–	30,615
31 – 60 days	48	2,118
61 – 90 days	316	304
Over 90 days	<u>16,310</u>	<u>1,848</u>
	<u>16,674</u>	<u>34,885</u>

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

15. BORROWINGS

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Borrowings, secured	<u>20,887</u>	<u>23,226</u>
The borrowings are repayable as follows:		
Within one year	–	1,049
More than one year but not exceeding two years	20,887	–
More than two years but not exceeding five years	<u>–</u>	<u>22,177</u>
	20,887	23,226
Less: Amount due within one year shown under current liabilities	<u>–</u>	<u>(1,049)</u>
Amount due after one year	<u>20,887</u>	<u>22,177</u>

Notes:

- (a) As at 30 September 2019, borrowings at the amount of HK\$20,877,000 (31 March 2019: HK\$22,177,000) are secured by investment properties of the Group and interest bearing at 12% per annum.
- (b) As at 31 March 2019, borrowings at the amount of HK\$1,049,000 were interest bearing at 5.45% per annum.

16. BONDS PAYABLE

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Corporate bonds	<u>10,500</u>	<u>1,000</u>
Bonds payable is repayable as follows:		
Within one year	–	–
More than one year but not exceeding two years	–	–
More than two years but not exceeding five years	<u>10,500</u>	<u>1,000</u>
	10,500	1,000
Less: Amount due within one year shown under current liabilities	<u>–</u>	<u>–</u>
Amount due after one year	<u>10,500</u>	<u>1,000</u>

Note:

- (a) As at 30 September 2019, bonds payable are interest bearing at 6% to 6.5% (31 March 2019: 6.5%) per annum.

17. SHARE CAPITAL

	NOTE	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorized:				
At 1 April 2018, 31 March 2019 and 30 September 2019		0.01	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 April 2018 and 31 March 2019		0.01	3,976,797,561	39,768
Allotment and issue of shares for the acquisition of a subsidiary	(a)	0.01	<u>280,000,000</u>	<u>2,800</u>
At 30 September 2019		0.01	<u>4,256,797,561</u>	<u>42,568</u>

Note:

- (a) On 10 April 2019, the Company allotted and issued 280,000,000 consideration shares of HK\$0.01 each (the "Consideration Shares") for the acquisition of a subsidiary (Note 18). The closing market price per share of the Company was HK\$0.042 on 10 April 2019.

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

18. ACQUISITION OF SUBSIDIARIES

On 10 April 2019, the Group obtained control of Benxi Zhongfu Shiye Company Limited* (本溪中富實業有限公司) ("Zhongfu Shiye") by acquiring 100% of the issued share capital of Zhongfu Shiye for a consideration of RMB10,000,000, which was satisfied (i) as to RMB9,000,000 by the allotment and issue of the Consideration Shares; and (ii) as to RMB1,000,000 in cash. Zhongfu Shiye was engaged in the construction, sale of construction materials, property rental, education consultation, car parking services, advertising, and property management in the PRC.

On 29 September 2019, the Group obtained control of Benxi Zhongfu Property Development Company Limited* (本溪中富房地產開發有限公司) ("Zhongfu Property") by acquiring 100% of the issued share capital of Zhongfu Property for a consideration of RMB20,000,000, which was satisfied in cash. Zhongfu Property was engaged in property development and property sale, property rental, property advisory, property management and car parking services in the PRC.

The above acquisitions are part of the on-going expansion strategy of the Group with the aim of broadening its source of revenue. The fair value of the identifiable assets and liabilities of Zhongfu Shiye and Zhongfu Property acquired as at the respective dates of acquisition is as follows:

	Zhongfu Shiye HK\$'000	Zhongfu Property HK\$'000
Net assets acquired:		
Properties for sale under development	22,449	40,677
Debtors, deposits and other receivables	2,925	10,446
Bank and cash balances	173	55
Creditors and accrued charges	<u>(13,853)</u>	<u>(29,198)</u>
	11,694	21,980
Goodwill	<u>1,232</u>	<u>–</u>
	<u>12,926</u>	<u>21,980</u>
Satisfied by:		
Cash	1,166	21,980
280,000,000 ordinary shares of the Company (Note 17)	<u>11,760</u>	<u>–</u>
	<u>12,926</u>	<u>21,980</u>
Net cash outflow arising on acquisition:		
Cash consideration paid	1,166	2,193
Deferred consideration included in creditors and accrued charges	–	19,787
Cash and cash equivalents acquired	<u>(173)</u>	<u>(55)</u>
	<u>993</u>	<u>21,925</u>

The goodwill arising on the acquisition of Zhongfu Shiye is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

During the six months ended 30 September 2019, Zhongfu Shiye and Zhongfu Property did not have any significant contribution to the Group's revenue or results for the period.

* *The English name is for identification purposes only.*

19. CAPITAL COMMITMENT

	30.9.2019 <i>HK\$'000</i> (unaudited)	31.3.2019 <i>HK\$'000</i> (audited)
Contracted for but not provided in the condensed consolidated financial statements		
– property, plant and equipment	–	2,636
– properties for sale under development	<u>1,387</u>	<u>–</u>
	<u>1,387</u>	<u>2,636</u>

20. 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 of the Company during the period was as follows:

	Six months ended 30 September	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Salaries and other short term employee benefits	<u>2,249</u>	<u>1,440</u>

21. CONTINGENT LIABILITIES

As at 30 September 2019, banking facilities with an aggregate principal amount of approximately HK\$26,108,000 granted to third parties were secured by certain items of properties for sale under development of the Group (31 March 2019: nil).

PROPOSED DISPOSAL OF HARVEST WAY HOLDINGS LIMITED

On 31 October 2019, the Company entered into a sale and purchase agreement with Fairy King Prawn Holdings Limited, pursuant to which the Company has conditionally agreed to sell and Fairy King Prawn Holdings Limited has conditionally agreed to purchase the entire equity interest in the Disposal Company at a cash consideration of HK\$7,500,000. The Disposal Group is engaged in the business of design and sale of electronic products and securities trading.

The disposal agreement was entered into after having considered the ever-changing technological landscape and the subsequent shifts in the consumption of audio and video content that presented challenges for the audio and video equipment manufacturing industry over the past years. Many products in this industry may become obsolete as a result of the technological innovations and introduction of a variety of digital products. In addition, the Disposal Group's products are mainly sold through major mass merchandisers and warehouse clubs. The growth of ecommerce shopping steadily eats into the share of brick-and-mortar stores which in turn creates a negative impact on Disposal Group's business performance. The business of design and sale of electronic products may not contribute significant profit to the Group and is expected to present pressure on the Group's overall profitability in the near future.

In addition, the liquidation of Toys"R"Us, Inc., one of the major clients of the Group during the year ended 31 March 2018, resulted in negative impact on the Group's financial performance for the year ended 31 March 2019 and the six months ended 30 September 2019. Further, protectionist measures initiated by the United States and the trade war between the United States and the PRC could likely result in negative impact on the Disposal Group's exports to the United States.

Upon completion of the Disposal, the Group will cease to engage in the business of design and sale of electronic products and securities trading.

For further information, please refer to the announcements of the Company dated 31 October 2019 and 4 November 2019.

The business of design and sale of electronic products and securities trading of the Disposal Group were presented as discontinued operations in the condensed consolidated financial statements in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The assets and liabilities attributable to the Disposal Group, which are expected to be sold within the next twelve months, have been classified as disposal group held for sale and are presented separately in the condensed consolidated statement of financial position.

During the reporting period, the revenue from the Disposal Group decreased from approximately HK\$215,972,000 for the six months ended 30 September 2018 to approximately HK\$203,108,000 for the six months ended 30 September 2019, representing a decrease of 6%, whereas the segment loss increased from approximately HK\$516,000 for the six months ended 30 September 2018 to approximately HK\$3,736,000 for the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis together with the financial results will focus on the remaining business segments within the Group after the proposed Disposal, classified here as Continuing Operations. The Continuing Operations comprise of properties development, properties management, properties investment and hydroelectric power business.

BUSINESS REVIEW

During the period under review, the Group went through a business transformation process. In the view that the financial and business performance of the design and sale of electronic products business continued to scale down, the Group allocated its resources into properties development business and enlarged its business scale and business size in such sector.

For the six months ended 30 September 2019, the revenue of the Group was approximately HK\$41,716,000, representing a substantial increase as compared to the revenue of approximately HK\$5,280,000 for the corresponding period in 2018. The administrative expenses of the Group increased from approximately HK\$9,633,000 for the six months ended 30 September 2018 to approximately HK\$13,015,000 for the six months ended 30 September 2019 which was mainly due to the increasing staff costs and office rental. Finance costs of approximately HK\$1,432,000 was recorded for the six months ended 30 September 2019 while nil was recorded for the corresponding period in 2018. As a result, the Group recorded a loss for the period at the amount of approximately HK\$4,783,000 for the six months ended 30 September 2019, representing a decrease of 4% as compared to the loss for the period at the amount of approximately HK\$5,005,000 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 financial year of 2018. The Group completed the construction of commercial and residential properties on 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. (the “**Xiguan Project**”) during the financial year 2019, featuring 19 buildings that created 775 living and 30 commercial units. The Group sold 8% of the gross floor area and achieved total contract sales of approximately HK\$38,637,000 for the six months ended 30 September 2019 while nil was recorded for the six months ended 30 September 2018. A segment profit of approximately HK\$9,595,000 was recorded for the six months ended 30 September 2019, as compared to segment loss of approximately HK\$466,000 for the six months ended 30 September 2018.

The Group believes that quality land reserves guarantee its continuous growth and future performance. On 10 April 2019, the Group completed the acquisition of 100% equity interest of Zhongfu Shiye. The Group, through the acquisition, indirectly acquires the land use right of a parcel of land located at Bagua Town, Huanren County, Benxi, Liaoning Province, the PRC with a floor area of approximately 5,023 sq.m. and construction area of approximately 7,500 sq.m. for other commercial use (the “**Bagua Project I**”).

Further on 29 September 2019, the Group completed the acquisition of 100% equity interest of Zhongfu Property. The Company, through the acquisition, indirectly acquires the land use right of a parcel of land located at Bagua Town, Huanren County, Benxi, Liaoning Province, the PRC with a floor area of approximately 9,188.2 sq.m. and construction area of approximately 14,700 sq.m. and for other commercial use (the “**Bagua Project II**”). The land reserves of Bagua Project I and Bagua Project II are expected to generate continuous growth and enhance future performance of the Group.

The Board is optimistic towards the properties development business and will proactively follow and respond to the adjustment and calling of national policy, keeping in step with the policy trend and capture the potential opportunities in the properties development market in order to enhance the shareholder’s value.

Properties Management

During the six months ended 30 September 2019, the Group started to engage in properties management business and delivered comprehensive property management services for residential and commercial properties of Xiguan Project. At the initial stage, the Group focused on building up a professional properties management team by providing integrated training in properties management sectors to its front line and back office staff, acquiring and improving its properties management system. For the six months ended 30 September 2019, the Group recorded a revenue and segment profit of approximately HK\$30,000 and approximately HK\$14,000, respectively, while nil revenue and segment results were recorded for the six months ended 30 September 2018.

Properties Investment

Revenue generated from properties investment was mainly derived from the leasing of several parcels of land in the PRC. For the six months ended 30 September 2019, the revenue was approximately HK\$644,000, representing a decrease of 4% as compared to approximately HK\$669,000 for the six months ended 30 September 2018. A segment loss of approximately HK\$652,000 and approximately HK\$519,000 for each of the six months ended 30 September 2019 and 2018 was recorded, respectively.

Hydroelectric Power Business

The Group has started to engage in the business of clean and renewable energy since the financial year of 2016. During the six months ended 30 September 2019, the revenue and profit generated were from the operation and management of two hydroelectric power stations located in the northern PRC and are connected to the national power grid. The revenue and segment profit for the six months ended 30 September 2019 were approximately HK\$2,405,000 and approximately HK\$615,000, respectively, whereas the revenue and segment profit for the six months ended 30 September 2018 were approximately HK\$4,611,000 and approximately HK\$2,022,000, respectively.

Sustainable development in clean and renewable energy is the world trend. The Group is confident that investments in renewable energy business will benefit the Group in the long run.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2019, bank balances amounted to approximately HK\$6,697,000 as compared to approximately HK\$75,480,000 as at 31 March 2019.

As at 30 September 2019, gearing ratio was 0.09 (31 March 2019: 0.06), which was calculated based on the total borrowings and bonds payable divided by total equity.

The increase in the Group's gearing ratio was resulted from the increase in borrowing level of the Group for the six months ended 30 September 2019. The Group will continue to monitor and manage its financial structure and their potential risks in the course of development.

As at 30 September 2019, the current ratio was 1.78 (31 March 2019: 2.54). The current ratio of the Group was maintained at a healthy level.

Financing and Capital Structure

The Group finances its operations by a combination of equity and borrowings. As at 30 September 2019, the Group had borrowings of approximately HK\$20,887,000 (31 March 2019: HK\$23,226,000) and bonds payable of approximately HK\$10,500,000 (31 March 2019: HK\$1,000,000), which were for the Group's refinancing and general corporate purpose. As at 30 September 2019, the Group's borrowings and bonds payable were interest bearing at 12% (31 March 2019: 5.45% to 12%) and from 6% to 6.5% (31 March 2019: 6.5%), respectively.

Exposure to Fluctuation in Exchange Rates

For the six months ended 30 September 2019, the Group's transactions were mostly denominated in United States dollars, Hong Kong dollars, Renminbi and Canadian dollars. No foreign currency hedge was made during the reporting period. The Group did not have significant exposure to foreign exchange fluctuation as the management monitors the related foreign currencies closely and will consider hedging for significant foreign currency exposure, if necessary.

Pledge of Assets

Details regarding the pledge of assets of the Group are set out in Note 15 and Note 21 to the condensed consolidated financial statements.

Contingent Liabilities

Details regarding the contingent liabilities of the Group are set out in Note 21 to the condensed consolidated financial statements.

STAFF

As at 30 September 2019, the Group had a total of 105 employees (31 March 2019: 60), of which 91 (31 March 2019: 46) were employed overseas. The total amount of staff costs of the Group (for both continuing and discontinued operations) for the six months end 30 September 2019 was approximately HK\$17,230,000 (for the six months ended 30 September 2018: HK\$15,086,000). The employees' remuneration, promotion and salary increments are assessed based on both individual's and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. In addition, the Group also provides employee benefits such as employee insurance, retirement scheme and training programs.

MATERIAL ACQUISITION AND DISPOSALS

Save as disclosed in the paragraphs headed "Properties Development" in this section, the Group did not have any material acquisitions or disposals during the reporting period.

SIGNIFICANT INVESTMENT HELD

Save as disclosed in the paragraphs headed "Business Review" in this section, the Group did not have any significant investment held as at 30 September 2019.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 September 2019 (for the six months ended 30 September 2018: nil).

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in the paragraphs headed "Proposed Disposal of Harvest Way Holdings Limited" in this section, the Group had no material event after the reporting period.

PROSPECT

Looking forward, it is believed that the forthcoming year remains challenging in terms of political, economy, global trade war all over the markets. The Group will maintain its prudent investment strategy and will adhere to its strategy of focusing on the business in properties development as well as clean energy development in the PRC and other thriving sectors. Furthermore, the Group will continue to seek for possible investment opportunities in different industries and to expand the revenue streams of the Group in order to generate better results and prospect for the Group.

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 2019, 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 (the "SFO") which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

(i) Long Position in the shares of the Company (the "Shares")

Name of Directors	Long Position/ Short Position	Capacity	Number of Shares held	Approximate percentage of issued share capital in the Company
Executive Director Wang Jing	Long Position	Interest of controlled corporation	2,171,827,290 (Note 1)	51.02% (Note 2)
Wang Xing Qiao	Long Position	Beneficial owner	3,275,000	0.08% (Note 2)
Independent non-executive Director Zeng Guanwei	Long Position	Beneficial owner	5,510,000	0.13% (Note 2)

Notes:

- 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 Limited* (遼寧實華(集團)房地產開發有限公司) (the "Liaoning Shihua"). Mr. Wang Jing is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in these 2,171,827,290 Shares.
- Based on 4,256,797,561 Shares in issue as at 30 September 2019.

* The English name is for identification purposes only.

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

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

Note:

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, Mr. Wang Jing is deemed to be interested in these 1,000,000 shares of Achieve Prosper Capital Limited.

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 Directors, chief executive of the Company 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 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 2019, 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” in this interim report, 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 2019
Achieve Prosper Capital Limited	Beneficial owner	2,171,827,290	51.02%
Hong Kong Shihua Holdings Limited	Interest of controlled corporation	2,171,827,290	51.02%
Liaoning Shihua	Interest of controlled corporation	2,171,827,290	51.02%
Hu Bao Qin	Spouse interest	2,171,827,290	51.02%
Lushan Investment Holding Limited (Note)	Person having a security interest in shares	2,917,914,246	68.55%
China Huarong Asset Management Co., Ltd (Note)	Interest of controlled corporation	2,917,914,246	68.55%
China Huarong International Holdings Ltd (Note)	Interest of controlled corporation	2,917,914,246	68.55%
Chu Xue Feng	Beneficial owner	280,000,000	6.58%

Note:

These 2,917,914,246 Shares are held by Lushan Investment Holding Limited and wholly and beneficially owned by China Huarong International Holdings Ltd.

As at 30 September 2019, 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, the spouse of Mr. Wang Jing, 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 of the Company which are conversion Shares of the Company and are issuable upon the exercise of the convertible bonds to Lushan Investment Holding Limited. During the year ended 31 March 2018, the convertible bonds have been fully converted and a total of 326,086,956 conversion Shares of the Company was 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 the sale and purchase agreement entered 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). China Huarong International Holdings Ltd owns 100% of Lushan Investment Holding Limited, which is owned as to 88.1% by Huarong Real Estate Co., Ltd, which is in turn wholly-owned by China Huarong Asset Management Co., Ltd. By virtue of the SFO, both China Huarong International Holdings Ltd and China Huarong Asset Management Co., Ltd are deemed to be interested in the 2,917,914,246 Shares held by Lushan Investment Holding Limited.

Save as disclosed above, as at 30 September 2019, 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 maintaining good corporate governance standard and procedures. The Company adopted all the code provisions in Corporate Governance Code (the “Code Provisions”) as set out in Appendix 14 of the Listing Rules and met the Code Provisions thereof during the six months ended 30 September 2019 except for the following:

Pursuant to Code Provision E.1.2, the chairman of the board should attend the annual general meeting. Mr. Wang Jing, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 5 September 2019 (the “2019 AGM”) due to his other engagement. Mr. Wang Xing Qiao, the executive Director who took the chair of the 2019 AGM, together with other members of the Board who attended the 2019 AGM, were of sufficient caliber for answering questions at the 2019 AGM and answered questions at the 2019 AGM competently.

Pursuant to Code Provision A.6.7, independent non-executive director and other non-executive director should attend general meeting and develop a balanced understanding of the views of shareholders. Mr. Song Wenke and Mr. Zeng Guanwei, the independent non-executive Directors, were unable to attend the 2019 AGM due to other business commitments.

Pursuant to Code Provision A.5.5(2), a listed issuer proposes to elect an individual as independent non-executive director at a general meeting and the individual will be holding his seventh (or more) listed company directorship, it must explain why the board believes the individual would still be able to devote sufficient time to the board in the relevant shareholder circular and/or explanatory statement accompanying the meeting notice.

With reference to the circular of the Company dated 29 July 2019 (the “**Circular**”), Mr. Wang Ping (“**Mr. Wang**”) was proposed to be re-elected as an independent non-executive Director at the 2019 AGM and he held eight directorship as at the latest practicable date of the Circular. Due to an initial misinterpretation that listed companies in the rule concerned refers to listed companies in Hong Kong and the seventh position in the rule concerned refers to the latest appointment as director, the aforementioned consideration was not included in the Circular.

When considering re-election of Mr. Wang, the Board considered whether he could devote sufficient time to the Board. Mr. Wang had disclosed to the Company the number and nature of offices held in public companies or organisations and other significant commitments each year with time involved and the Company is satisfied that he is competent, professional and good at time management and believed that he has sound knowledge and skills to effectively handle seven or more directorships at listed companies considering his lengthy cooperation with the Company. The Board therefore considered that Mr. Wang could devote sufficient time to the Board. Mr. Wang was re-elected as an independent non-executive Director at the 2019 AGM and held six listed company directorship (including the directorship with the Company) as at the date of the 2019 AGM.

Completion of acquisition and the issuance of consideration shares

With reference to the announcements of the Company dated 26 March 2019 and 10 April 2019 in relation to the acquisition of 100% equity interest of Zhongfu Shiye, the acquisition was completed on 10 April 2019 and a total of 280,000,000 Consideration Shares were allotted to the vendor pursuant to the acquisition agreement.

Change of address of the principal place of business in Hong Kong and telephone and facsimile numbers

With reference to the announcement of the Company dated 31 May 2019, the address of the principal place of business in Hong Kong of the Company was changed to Suites 2602-2603, 26/F., Tower 1, The Harbourfront, 18 Tak Fung Street, Hung Hom, Kowloon, Hong Kong and the telephone and facsimile numbers of the Company were changed to (852) 2286 0728 and (852) 2286 0727 respectively.

Change of address of Hong Kong Branch Share Registrar and Transfer Office

With reference to the announcement of the Company dated 27 June 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Secretaries Limited (the “**Branch Share Registrar**”), changed its address from Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong to Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Change of registered office

With reference to the announcement of the Company dated 10 July 2019, the registered office of the Company in Bermuda was changed to Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

Change of address of principal share registrar and transfer office

With reference to the announcement of the Company dated 18 July 2019, the Principal Share Registrar and Transfer Office of the Company in Bermuda, MUFG Fund Services (Bermuda) Limited, was changed its address to 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopts the Model Code as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, they all confirmed that they had complied with the Model Code throughout the six months ended 30 September 2019.

AUDIT COMMITTEE

The Company has established the Audit Committee currently comprising Mr. Wang Ping, Mr. Song Wenke and Mr. Zeng Guanwei. Terms of reference of the Audit Committee have been updated in compliance with the Model Code. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of this interim report.

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

During the six months ended 30 September 2019, 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 2019, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao and Mr. Zhao Shuang as executive Directors; and Mr. Wang Ping, Mr. Song Wenke and Mr. Zeng Guanwei as independent non-executive Directors.

For and on behalf of
China Sinostar Group Company Limited
Wang Xing Qiao
Executive Director and Chief Executive Officer

Hong Kong, 28 November 2019