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SIN  STAR

中國華星

China Sinostar Group Company Limited

中國華星集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

**UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2022**

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Sinostar Group Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2022 together with the comparative figures for 2021 as below.

For the reasons explained in the paragraph headed “Review of Unaudited Annual Results by the Audit Committee” in this announcement, the audit process for the annual results of the Group for the year ended 31 March 2022 has not been completed as at the date of this announcement.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (audited)
Revenue	3	38,939	29,542
Cost of sales		(27,923)	(20,498)
Gross profit		11,016	9,044
Loss on revaluation of investment properties		(7,056)	–
Loss on revaluation of property, plant and equipment upon transfer to investment properties		–	(1,447)
Loss on revaluation of right-of-use assets upon transfer to investment properties		–	(1,499)
Other gain and loss		98	97
Administrative expenses		(17,729)	(18,152)
Finance costs		(3,880)	(3,427)
Loss before tax	5	(17,551)	(15,384)
Income tax expenses	6	(56)	(44)
Loss for the year		(17,607)	(15,428)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		15,156	29,467
Total comprehensive (loss) income for the year		(2,451)	14,039
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	8	(8.27)	(7.25)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Non-current assets			
Investment properties	9	56,164	60,804
Property, plant and equipment		39,067	40,014
Right-of-use assets		634	942
		<u>95,865</u>	<u>101,760</u>
Current assets			
Trade receivables, deposits and other receivables	10	66,679	40,325
Properties for sale under development		118,997	103,121
Properties held for sale		118,268	135,432
Bank balances and cash		12,673	12,087
		<u>316,617</u>	<u>290,965</u>
Current liabilities			
Amount due to a director		193	177
Amount due to immediate holding company		2,420	2,244
Amounts due to related companies		–	66
Trade payables and accrued charges	11	33,831	27,642
Lease liabilities		363	1,205
Contract liabilities		6,840	7,433
Current tax liabilities		6,291	6,910
Borrowings		40,181	22,502
Bonds payable		11,500	–
		<u>101,619</u>	<u>68,179</u>
Net current assets		<u>214,998</u>	<u>222,786</u>
Total assets less current liabilities		<u>310,863</u>	<u>324,546</u>

	2022	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Non-current liabilities		
Lease liabilities	268	–
Bonds payable	–	11,500
	<u>268</u>	<u>11,500</u>
NET ASSETS	<u>310,595</u>	<u>313,046</u>
Capital and reserves		
Share capital	2,128	2,128
Reserves	308,467	310,918
	<u>310,595</u>	<u>313,046</u>
TOTAL EQUITY	<u>310,595</u>	<u>313,046</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The immediate holding company of the Company is Achieve Prosper Capital Limited, which was incorporated in Samoa, and the ultimate holding company of the Company is Liaoning Shihua (Group) Property Development Limited* (遼寧實華(集團)房地產開發有限公司), which was established in the People’s Republic of China (the “**PRC**”).

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020/2021 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest rate benchmark reform – phase 2
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Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows – a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

* *For identification purposes only*

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the Hong Kong Institute of Certified Public Accountants has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Annual Improvements to HKFRSs	2018–2020 Cycle ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
HKFRS 17	Insurance Contracts ²
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ The effective date to be determined

The Group is in the process of making a detailed assessment of the possible impact on the future adoption of the new/revised HKFRSs. So far the management is of the opinion that the adoption of the new/revised HKFRSs will not have any significant impact on the consolidated financial statements.

3. REVENUE

	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (audited)
<i>Revenue from contracts with customers within HKFRS 15:</i>		
Development and sale of properties	29,373	23,018
Properties management	564	461
Operation and management of hydroelectric power stations	7,704	5,144
	<u>37,641</u>	<u>28,623</u>
<i>Revenue from other sources:</i>		
Rental income from operating leases		
– Fixed lease payments	1,052	681
– Variable lease payments	246	238
	<u>1,298</u>	<u>919</u>
	<u>38,939</u>	<u>29,542</u>

4. SEGMENT INFORMATION

Information reported to the executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods and services delivered by each operating division.

The Group's operating divisions are as follows:

- (1) Development and sale of properties (“**Properties development**”)
- (2) Properties investment
- (3) Properties management
- (4) Operation and management of hydroelectric power stations (“**Hydroelectric power business**”)

(a) Segment revenue and results

	Year ended 31 March 2022				Total <i>HK\$'000</i> (unaudited)
	Properties development <i>HK\$'000</i> (unaudited)	Properties investment <i>HK\$'000</i> (unaudited)	Properties management <i>HK\$'000</i> (unaudited)	Hydroelectric power business <i>HK\$'000</i> (unaudited)	
Revenue	<u>29,373</u>	<u>1,298</u>	<u>564</u>	<u>7,704</u>	<u>38,939</u>
Segment results	(6,189)	(6,602)	(139)	3,486	(9,444)
Interest income					25
Unallocated expenses					(4,252)
Finance costs					<u>(3,880)</u>
Loss before tax					<u>(17,551)</u>
	Year ended 31 March 2021				Total <i>HK\$'000</i> (audited)
	Properties development <i>HK\$'000</i> (audited)	Properties investment <i>HK\$'000</i> (audited)	Properties management <i>HK\$'000</i> (audited)	Hydroelectric power business <i>HK\$'000</i> (audited)	
Revenue	<u>23,018</u>	<u>919</u>	<u>461</u>	<u>5,144</u>	<u>29,542</u>
Segment results	(3,170)	(4,639)	(143)	1,232	(6,720)
Interest income					22
Unallocated expenses					(5,259)
Finance costs					<u>(3,427)</u>
Loss before tax					<u>(15,384)</u>

(b) Segment assets and liabilities

	At 31 March 2022				
	Properties development <i>HK\$'000</i> (unaudited)	Properties investment <i>HK\$'000</i> (unaudited)	Properties management <i>HK\$'000</i> (unaudited)	Hydroelectric power business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Assets					
Segment assets	303,594	67,885	1,626	38,273	411,378
Unallocated corporate assets					1,104
Consolidated total assets					412,482
Liabilities					
Segment liabilities	31,543	7,902	1,131	1,942	42,518
Unallocated corporate liabilities					59,369
Consolidated total liabilities					101,887

	At 31 March 2021				
	Properties development <i>HK\$'000</i> (audited)	Properties investment <i>HK\$'000</i> (audited)	Properties management <i>HK\$'000</i> (audited)	Hydroelectric power business <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
Assets					
Segment assets	286,664	67,514	377	36,597	391,152
Unallocated corporate assets					1,573
Consolidated total assets					392,725
Liabilities					
Segment liabilities	29,453	4,680	1,354	1,918	37,405
Unallocated corporate liabilities					42,274
Consolidated total liabilities					79,679

Unallocated corporate assets mainly represent assets held by head office and inactive subsidiaries.

Unallocated corporate liabilities mainly represent amounts due to immediate holding company/a director/related companies, borrowings, bonds payable and liabilities incurred by head office and inactive subsidiaries.

(c) **Other segment information**

	Year ended 31 March 2022					
	Properties development <i>HK\$'000</i> (unaudited)	Properties investment <i>HK\$'000</i> (unaudited)	Properties management <i>HK\$'000</i> (unaudited)	Hydroelectric power business <i>HK\$'000</i> (unaudited)	Other segment <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Amounts included in the measurement of segment results or segment assets:						
Additions of property, plant and equipment	-	24	-	-	-	24
Additions of right-of-use assets	-	-	-	-	724	724
Depreciation of property, plant and equipment	5	452	-	2,875	-	3,332
Depreciation of right-of-use assets	-	-	-	-	1,032	1,032
Loss on revaluation of investment properties	-	7,056	-	-	-	7,056
	<u>-</u>	<u>7,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,056</u>
	Year ended 31 March 2021					
	Properties development <i>HK\$'000</i> (audited)	Properties investment <i>HK\$'000</i> (audited)	Properties management <i>HK\$'000</i> (audited)	Hydroelectric power business <i>HK\$'000</i> (audited)	Other segment <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
Amounts included in the measurement of segment results or segment assets:						
Additions of property, plant and equipment	14	-	-	-	-	14
Depreciation of property, plant and equipment	3	582	-	2,785	13	3,383
Depreciation of right-of-use assets	-	1,642	-	-	1,257	2,899
Loss on revaluation of property, plant and equipment upon transfer to investment properties	-	1,447	-	-	-	1,447
Loss on revaluation of right-of-use assets upon transfer to investment properties	-	1,499	-	-	-	1,499
	<u>-</u>	<u>1,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,499</u>

(d) **Geographical segments**

The Group's revenue from external customers (based on location of customers) and information about its non-current assets by geographical location of the assets are detailed below:

Revenue from external customers

	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (audited)
The PRC	<u>38,939</u>	<u>29,542</u>

Non-current assets

	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (audited)
Hong Kong	634	942
The PRC	<u>95,231</u>	<u>100,818</u>
	<u>95,865</u>	<u>101,760</u>

(e) **Information about major customers**

Revenue from customers contributing 10% or more of the total revenue of the Group is as follows:

	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (audited)
Customer A (Hydroelectric power business)	<u>7,704</u>	<u>5,144</u>

5. LOSS BEFORE TAX

This is stated after charging:

	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (audited)
Staff costs (including directors' remuneration):		
– Wages and salaries	1,348	1,480
– Contribution to defined contribution schemes	<u>199</u>	<u>132</u>
	<u>1,547</u>	<u>1,612</u>
Auditors' remuneration	800	770
Cost of inventories sold	27,923	20,498
Depreciation		
– Property, plant and equipment	3,332	3,383
– Right-of-use assets	1,032	2,899
Legal and professional fee	971	1,865
Marketing and promotion expenses	<u>5,451</u>	<u>4,448</u>

6. INCOME TAX EXPENSES

Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the years ended 31 March 2022 and 2021.

The PRC Enterprise Income Tax (“EIT”) in respect of operations in the PRC is calculated at a rate 25% (2021: 25%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

The PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value.

	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (audited)
Current year EIT	<u>56</u>	<u>44</u>

7. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the years ended 31 March 2022 and 2021.

8. LOSS PER SHARE

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

	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (audited)
Loss for the year	<u>(17,607)</u>	<u>(15,428)</u>
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the basic and diluted loss per share	<u>212,839,878</u>	<u>212,839,878</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted loss per share	<u>(8.27)</u>	<u>(7.25)</u>

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share has been retrospectively adjusted for the effect of share consolidation effective on 17 September 2020.

Diluted loss per share is same as the basic loss per share for the years ended 31 March 2022 and 2021. The Company did not have any dilutive potential ordinary shares during the years ended 31 March 2022 and 2021.

9. INVESTMENT PROPERTIES

HK\$'000

At fair value

At 1 April 2020 (audited)	19,760
Transfer from right-of-use assets	37,819
Transfer from property, plant and equipment	1,549
Exchange realignment	1,676

At 31 March 2021 and 1 April 2021 (audited)	60,804
Loss on revaluation of investment properties	(7,056)
Exchange realignment	2,416

At 31 March 2022 (unaudited) **56,164**

10. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

The ageing analysis of trade receivables, net of loss allowance, based on invoice dates which approximate the respective recognition dates, at the end of the reporting period is as follows:

	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
0–30 days	1,214	368
31–60 days	6	5
61–90 days	8	10
Over 90 days	4,639	3,066
	5,867	3,449

11. TRADE PAYABLES AND ACCRUED CHARGES

The ageing analysis of trade payables based on invoice dates at the end of the reporting period is as follows:

	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
0–30 days	–	415
31–60 days	–	–
61–90 days	493	–
Over 90 days	8,332	8,052
	8,825	8,467

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

To align with the Group's business strategies and directions, the Group has reallocated its resources and reorganised its asset portfolio to enlarge its business scale in properties development and related services sectors in the past years. For the year ended 31 March 2022, most of the Group's revenue were derived from properties development and hydroelectric power business, with a small proportion of revenue derived from properties investment and properties management business.

The prolonged COVID-19 constantly changed and caused various new variants of virus, from Alpha to Omicron, during the year ended 31 March 2022. Although many countries, including the PRC, implemented vaccination programmes as one of the core strategies to fight against the unprecedented pandemic and reached the highest levels of vaccination, governments all over the countries have still been facing for rebooting the local economy and absorbing and eliminating the impact of additional waves of the virus.

Apart from the vaccination programmes, the central government of the PRC continuously adopted proactive epidemic control measures, city and regional specific policies and quarantine arrangements, fiscal policies as well as prudent monetary policies to stabilise the public health situations and restore the economic activities in the PRC. Certain achievement has been reached but, the process, time and speed of the recovery of local economics were relatively slow and fluctuated by additional waves of COVID-19 pandemic.

Faced with impacts from the pandemic and macroeconomic downward pressure, the construction progress and properties sales of the Group were inevitably affected by the COVID-19 pandemic during the year ended 31 March 2022.

For the year ended 31 March 2022, the Group recorded a revenue of approximately HK\$38,939,000, representing an increase of approximately 32% as compared to the revenue of approximately HK\$29,542,000 for the year ended 31 March 2021. Administrative expenses decreased from approximately HK\$18,152,000 for the year ended 31 March 2021 to approximately HK\$17,729,000 for the year ended 31 March 2022, which was mainly due to the implementation of cost saving measures by the Group. In addition, the fair value of investment properties was affected by the overall economy and properties leasing market of the PRC, a loss on revaluation of investment properties of approximately HK\$7,056,000 was recorded for the year ended 31 March 2022, while loss on revaluation of property, plant and equipment and loss on revaluation of right-of-use assets upon transfer to investment properties of an aggregate amount of approximately HK\$2,946,000 were recorded for the year ended 31 March 2021. Further, the Group recorded finance costs of approximately HK\$3,880,000 for the year ended 31 March 2022, representing an increase of approximately 13% as compared to that of approximately HK\$3,427,000 for the year ended 31 March 2021, which was resulted from the borrowings and bonds payable for the Group's refinancing and general corporate purpose.

As a result, the Group recorded a loss for the year at the amount of approximately HK\$17,607,000 for the year ended 31 March 2022, representing an increase of approximately 14% as compared to that of approximately HK\$15,428,000 for the year ended 31 March 2021.

Properties Development

Leveraging the experience and connection of the management and following the business directions of the Company, the Group started to engage in properties development business since the financial year of 2018. During the year ended 31 March 2022, the Group owned three properties development projects in the PRC, namely Xiguan Project, Bagua Town Project I and Bagua Town Project II. For the year ended 31 March 2022, revenue from properties development were derived from the sale of remaining completed properties of the Xiguan Project.

Xiguan Project

It is 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.. Xiguan Project contained 19 buildings that created 775 residential and 30 commercial units and 121 parking units. The construction work of the Xiguan Project was completed during the financial year of 2019.

For the year ended 31 March 2022, the Group sold approximately 7% of the gross floor area and achieved total contracted sales of approximately HK\$29,373,000, while approximately 6% of the gross floor area was sold and total of contracted sales of approximately HK\$23,018,000 was recorded for the year ended 31 March 2021.

Bagua Town Project I

It is located at Bagua Town, Huanren County, Benxi, Liaoning Province, the PRC, with a floor area of approximately 5,023 sq.m. and a construction area of approximately 7,500 sq.m. for other commercial use. Although the preparation work for construction of properties on this parcel of land has been commenced since the financial year of 2020, the construction schedule has been delayed due to the outbreak and spread of COVID-19 pandemic during the past years. The construction work of Bagua Town Project I has been substantially completed as at 31 March 2022. Bagua Town Project I comprises 3 main buildings and 38 commercial units that creates a marketplace for the community. It is expected that the sale of Bagua Town Project I will commence in the third quarter of 2022.

Bagua Town Project II

It is located at Bagua Town, Huanren County, Benxi, Liaoning Province, the PRC, with a floor area of approximately 9,188.2 sq.m. and a construction area of approximately 14,700 sq.m. for other commercial use. The Bagua Town Project II is at the preliminary stage of preparation ahead of construction.

The Bagua Town Project I and the Bagua Town Project II are important parts of the only restoration and reconstruction project of the Taiji Bagua Town in the PRC, with strong ethnic characteristics and historical significance, located in the Central Community of Huanren Manchu Autonomous County, Liaoning Province, the PRC. The two projects are a combination of work, life, education and tourism, located near the government square of Huanren Manchu Autonomous County, Liaoning Province, the PRC. The two projects are planned to include pedestrian streets, office buildings, retail stores, shopping malls, and tourism, historical and cultural facilities. The Bagua Town Project I and the Bagua Town Project II are expected to generate continuous growth and enhance future business performance of the Group.

Needless to say, the COVID-19 pandemic has lasted for two years and resulted in the continued and inevitable delay in the construction progress and sales planning on Bagua Town Project I and Bagua Town Project II. Regardless of the COVID-19 pandemic ramifications, the Group barely kept up with the pace of economic recovery and realised a slight growth in properties sales by reallocating its resources onto marketing and promotions of the Xiguan Project during the year ended 31 March 2022.

Since more marketing and promotion activities had been carried out to boost properties sales during the year ended 31 March 2022, a segment loss of approximately HK\$6,189,000 was recorded for the year ended 31 March 2022, representing an increase of 95% as compared to a segment loss of approximately HK\$3,170,000 for the year ended 31 March 2021.

The government of the PRC continued to adhere to the national strategies that “houses are built to be inhabited, not for speculation” and promulgated the long-term control policies such as “three red lines” for real estate developers and “two red lines” for property loans to promote steady and healthy development of the real estate industry in the coming year. Following the national strategies, the Board is positive towards the properties development industry in the PRC and will proactively align and respond to the adjustment and calling of such policies and capture the potential opportunities in the properties development market in order to enhance shareholder’s value.

Properties Investment

Revenue generated from properties investment was mainly derived from the leasing of several parcels of land and rights-of-use assets located in Benxi City, Liaoning Province, the PRC for commercial use. The revenue was approximately HK\$1,298,000 for the year ended 31 March 2022, representing an increase of approximately 41% as compared to approximately HK\$919,000 for the year ended 31 March 2021. However, the fair value of investment properties was affected by the overall economy and properties leasing market of the PRC, a loss on revaluation of investment properties of approximately HK\$7,056,000 was recorded for the year ended 31 March 2022, while an aggregate amount of approximately HK\$2,946,000 loss on revaluation of property, plant and equipment and loss on revaluation of right-of-use assets upon transfer to investment properties was recorded for the year ended 31 March 2021. As a result, segment loss of approximately HK\$6,602,000 and approximately HK\$4,639,000 for each of the year ended 31 March 2022 and 31 March 2021, respectively, were recorded.

Properties Management

To complement the properties development business, the Group started to engage in properties management business and delivered comprehensive property management services for residential and commercial properties of the Xiguan Project since the financial year of 2020. The Group is committed to delivering the highest service standard and providing user-oriented services to its customers. Following the completion of construction work of the Bagua Town Project I and the Bagua Town Project II, it is expected that the Group will put more resources to build 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 and services to meet the increasing demand.

The revenue and segment loss for the year ended 31 March 2022 were approximately HK\$564,000 and approximately HK\$139,000, respectively, whereas the revenue and segment loss for the year ended 31 March 2021 were approximately HK\$461,000 and approximately HK\$143,000, respectively.

Hydroelectric Power Business

The Group started to engage in the business of clean and renewable energy since the financial year of 2016. Revenue was generated from the operation and management of two hydroelectric power stations located in the northern PRC which are connected to the national power grid and mainly for industrial use. The business of clean and renewable energy contributed to the stable income of the Group during the year.

The revenue and segment profit for the year ended 31 March 2022 were approximately HK\$7,704,000 and approximately HK\$3,486,000, respectively, whereas the revenue and segment profit for the year ended 31 March 2021 were approximately HK\$5,144,000 and approximately HK\$1,232,000, respectively.

Needless to say, the sustainable development in clean and renewable energy is the global trend. The Group believes that continued investments in renewable energy business will benefit the Group in the long run and generated sustainable revenue towards to the Group.

PROSPECT

Looking forward, it is expected that the post pandemic era will be full of uncertainties and challenges. The Group will adhere its business orientation and reinforce its product brand and industry positioning and continue to upgrade its products and services qualities and capabilities in the northern PRC. Further, the Group will continue to maintain its prudent investment and business strategies and will adhere to its strategy to diversify its business models into different business sectors and to strengthen and expand its revenue streams and generate better results and prospect for the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2022, bank balances and cash denominated mainly in Hong Kong dollars and Renminbi amounted to approximately HK\$12,673,000 as compared to approximately HK\$12,087,000 as at 31 March 2021.

As at 31 March 2022, gearing ratio was 0.17 (31 March 2021: 0.11), which was calculated based on the total borrowings and bonds payable divided by total equity. The Group's gearing ratio was stable and remained at a healthy level. The Group will continue to monitor and manage its financial structure and their potential risks in the course of development.

As at 31 March 2022, the current ratio was 3.12 (31 March 2021: 4.27). The decrease in current ratio was due to the classification of bonds payable that were due within the next twelve months under current liabilities. The current ratio of the Group was maintained at a healthy level.

Financing Structure

The Group finances its operations by a combination of equity and borrowings. As at 31 March 2022, the Group had borrowings of approximately HK\$40,181,000 (31 March 2021: HK\$22,502,000) and bonds payable of approximately HK\$11,500,000 (31 March 2021: HK\$11,500,000), which were for the Group's refinancing and general corporate purpose. As at 31 March 2022, the Group's borrowings and bond payable were interest bearing at 12% (31 March 2021: 12%), and 6% to 6.5% (31 March 2021: 6% to 6.5%), respectively.

Capital Structure

As detailed in the Company's circular dated 21 August 2020, the Company proposed to effect a capital reorganisation involving, among others, (i) the share consolidation of every twenty issued and unissued ordinary shares of HK\$0.01 each in the authorised share capital of the Company into one consolidated share of HK\$0.20 each; (ii) the capital reduction of the nominal value of each issued consolidated share from HK\$0.20 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.19 on each of the issued consolidated shares; (iii) the share subdivision of each unissued consolidated share of HK\$0.20 each into twenty ordinary shares of HK\$0.01 each; and (iv) the transfer of the credit arising from the capital reduction to the contributed surplus account of the Company ("**Capital Reorganisation**"). Before the Capital Reorganisation became effective, the Company had total of 50,000,000,000 ordinary shares of HK\$0.01 each in issue. A special resolution was passed by the shareholders at the special general meeting of the Company held on 14 September 2020. The Capital Reorganisation became effective on 17 September 2020 and the authorised share capital of the Company is HK\$500,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.01 each since then.

Exposure to Fluctuation in Exchange Rates

For the year ended 31 March 2022, the Group's transactions were mostly denominated in Hong Kong dollars and Renminbi. No foreign currency hedge was made during the year ended 31 March 2022. 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

As at 31 March 2022, borrowings of approximately HK\$23,433,000 (31 March 2021: HK\$22,502,000) granted to the Group are secured by investment properties of the Group of approximately HK\$21,854,000 (31 March 2021: HK\$21,436,000) and repayable on 2 May 2022 (31 March 2021: 3 May 2021). On 2 May 2022, the term of borrowings was extended for one year to 2 May 2023 with all other terms remained unchanged.

Properties for sale under development of approximately HK\$16,126,000 as at 31 March 2022 (31 March 2021: HK\$15,391,000) were pledged to secure banking facility with an aggregate principal amount of approximately HK\$29,291,000 (31 March 2021: HK\$28,127,000) granted to third parties.

Contingent Liabilities

As at 31 March 2022, the Group had no material contingent liabilities (31 March 2021: Nil).

Employee

As at 31 March 2022, the Group had a total of 16 employees (31 March 2021: 21), of which 13 (31 March 2021: 18) were employed in the PRC. The total amount of staff costs of the Group for the year ended 31 March 2022 was approximately HK\$1,547,000 (2021: HK\$1,612,000).

The employees' remuneration, promotion, salary increments and discretionary bonus 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 programmes.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal during the year ended 31 March 2022.

SIGNIFICANT INVESTMENT HELD

Save as disclosed in the paragraphs headed “Business Review”, the Group did not have any significant investment held for the year ended 31 March 2022.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

Save as disclosed in the paragraphs headed “Business Review”, “Prospect” and “Material Acquisition and Disposal” in this section, the Group will actively seek 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 announcement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2022 (2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2022, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

The Company adopted all the code provisions in Corporate Governance Code (the “**Code Provisions**”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange) as its own code on corporate governance practices and guidance. During the year ended 31 March 2022 and up to the date of this announcement, the Company has complied with the Code Provisions except the following:

1. Pursuant to Code Provision B.2.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company was incorporated in Bermuda and enacted by private act, the Starlight International Holdings Limited Company Act, 1989 of Bermuda (the “**1989 Act**”). Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting as provided in the bye-laws of the Company (the “**Bye-laws**”). As the Company is bounded by the provisions of the 1989 Act, the Bye-laws cannot be amended to fully reflect the requirements of Code Provision B.2.2.

To comply with Code Provision B.2.2, all the Directors will voluntarily retire from his directorship at the annual general meetings of the Company at least once every three years, and the retired Directors, being eligible, will offer themselves for re-election at the annual general meeting.

2. Pursuant to Code Provision F.2.2, 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 24 September 2021 (the “**2021 AGM**”) due to his other engagement. Mr. Wang Xing Qiao, the executive Director acted as the chairman of the 2021 AGM, and attended the 2021 AGM with other members of the management. At the 2021 AGM, there was sufficient caliber for answering questions at the 2021 AGM and answered questions at the 2021 AGM competently.
3. Pursuant to Code Provision C.1.6, independent non-executive director and other non-executive director should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Su Bo, Mr. Tang Shengzhi and Mr. Zeng Guanwei, the independent non-executive Directors, were unable to attend the 2021 AGM due to the travel restrictions arising from the COVID-19 pandemic.

In order to comply with the Code Provisions, the Company will continue to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a caution that may enable all Directors to attend the general meeting as far as possible.

Save as disclosed above, in the opinion of the Directors, the Company has complied with all Code Provisions during the year ended 31 March 2022 and, where appropriate, the applicable recommended best practices of the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as the code of conduct regarding Director’s securities transactions. Having made specific enquiry to all Directors, all of them confirmed that they have complied with the Model Code throughout the year ended 31 March 2022.

REVIEW OF UNAUDITED ANNUAL RESULTS BY THE AUDIT COMMITTEE

Due to the persistent outbreak of the COVID-19 pandemic in Liaoning Province, the PRC, the audit process has been adversely affected by the implementation of the tightened prevention, control and quarantine measures and restrictions in certain cities in Liaoning Province where the Group’s major subsidiaries and operations are located, including but not limited to the delay in obtaining necessary documents, sending and receiving audit confirmations, performing site visits. The audit process for the annual results of the Company for the year ended 31 March 2022 has not been completed and the Directors are not aware of any key audit issues, as indicated by the auditor of the Company, as at the date of this announcement.

The unaudited annual results contained herein have not been agreed by the Auditor as required under Rule 13.49(1) and 13.49(2) of the Listing Rules. A further announcement relating to the annual results as agreed with the Auditor and the material differences (if any) as compared with the unaudited annual results contained herein will be made when the audit process has been completed. The Company expects that an agreement from the Auditor will be obtained on or before 31 July 2022 and a further announcement will be published as and when appropriate.

The unaudited annual results for the year ended 31 March 2022 contained herein have been reviewed by the audit committee of the Company (the “**Audit Committee**”). The Audit Committee comprises three independent non-executive Directors and reports directly to the Board. The Audit Committee meets regularly with the Group’s senior management and the external auditor to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company.

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022 AND DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

Publication of the annual report of the Group for the year ended 31 March 2022 (the “**Annual Report**”) containing all the information required by the Listing Rules and the audited annual results for the year ended 31 March 2022 will be delayed due to the persistent outbreak of the COVID-19 pandemic which caused a disruption in the audit process.

Following the completion of the audit process, the Company will issue further announcement(s) in relation to the audited consolidated annual results for the year ended 31 March 2022 as agreed by the Auditor and the material differences (if any) as compared with the unaudited consolidated annual results contained herein.

In addition, the Company will issue further announcement(s) when necessary if there are other material developments in the completion of the audit process. The Company expects the audit process will be completed on or before 31 July 2022.

PUBLICATION OF THE UNAUDITED ANNUAL RESULTS AND ANNUAL REPORT

The unaudited annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company’s website at www.00485.hk. Any further announcement(s) relating to the Company’s annual results will also be published on the same websites in due course. The Annual Report containing all information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 June 2022

As at the date of this announcement, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao and Mr. Zhao Shuang as executive Directors; and Mr. Su Bo, Mr. Zeng Guanwei and Mr. Tang Shengzhi as independent non-executive Directors.