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SINOSTAR

中國華星

China Sinostar Group Company Limited

中國華星集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2024**

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Sinostar Group Company Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2024 together with the comparative figures for 2023 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

| | <i>Notes</i> | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|------------------------------------------------------------------|--------------|--------------------------------|-------------------------|
| Revenue | 4 | 31,917 | 23,764 |
| Cost of sales | | <u>(26,062)</u> | <u>(20,351)</u> |
| Gross profit | | 5,855 | 3,413 |
| Loss on revaluation of investment properties | | (7,304) | (16,157) |
| Other gain and loss | | 374 | 121 |
| Administrative expenses | | (13,384) | (34,588) |
| Finance costs | | <u>(3,201)</u> | <u>(3,954)</u> |
| Loss before tax | 6 | (17,660) | (51,165) |
| Income tax expenses | 7 | <u>(929)</u> | <u>(45)</u> |
| Loss for the year | | (18,589) | (51,210) |
| Other comprehensive loss: | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference arising on translation of foreign operations | | <u>(16,589)</u> | <u>(27,618)</u> |
| Total comprehensive loss for the year | | <u>(35,178)</u> | <u>(78,828)</u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Loss per share | | | |
| Basic and diluted | 9 | <u>(8.73)</u> | <u>(24.06)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

| | <i>Notes</i> | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---------------------------------------------------|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Investment properties | 10 | 26,577 | 35,831 |
| Property, plant and equipment | | 26,450 | 31,762 |
| Right-of-use assets | | 571 | 272 |
| | | <u>53,598</u> | <u>67,865</u> |
| Current assets | | | |
| Trade receivables, deposits and other receivables | 11 | 34,629 | 23,887 |
| Properties for sale under development | | 14,103 | 112,169 |
| Properties held for sale | | 155,224 | 99,112 |
| Bank balances and cash | | 4,571 | 4,196 |
| | | <u>208,527</u> | <u>239,364</u> |
| Current liabilities | | | |
| Amount due to a director | | – | 86 |
| Amount due to immediate holding company | | 963 | 7,728 |
| Trade payables and accrued charges | 12 | 26,919 | 26,296 |
| Lease liabilities | | 337 | 301 |
| Contract liabilities | | 4,289 | 5,749 |
| Current tax liabilities | | 5,338 | 5,304 |
| Borrowings | 13 | 20,493 | 21,716 |
| Bonds payable | 14 | 6,960 | 8,282 |
| | | <u>65,299</u> | <u>75,462</u> |
| Net current assets | | <u>143,228</u> | <u>163,902</u> |
| Total assets less current liabilities | | <u>196,826</u> | <u>231,767</u> |
| Non-current liabilities | | | |
| Lease liabilities | | <u>237</u> | – |
| NET ASSETS | | <u>196,589</u> | <u>231,767</u> |
| Capital and reserves | | | |
| Share capital | | 2,128 | 2,128 |
| Reserves | | 194,461 | 229,639 |
| TOTAL EQUITY | | <u>196,589</u> | <u>231,767</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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. BASIS OF PREPARATION

2.1 Basis of measurement

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Companies Ordinance.

The consolidated financial statements have been prepared on the historical basis except for the investment properties that are measured at fair value.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company.

2.2 Going concern

The Group incurred a net loss of approximately HK\$18,589,000 for the year ended 31 March 2024 and, at 31 March 2024, the Group had borrowings of approximately HK\$20,493,000 and bonds payable of approximately HK\$6,960,000 that are repayable within one year, while the Group had total bank balances and cash of approximately HK\$4,571,000 at the end of the reporting period.

The above conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In light of the above, the directors have prepared a cash flow projections covering the next twelve months from end of the reporting period (the “**Cash Flow Forecast**”) and have given due consideration to the matters that give rise to material doubt as to its ability to continue as a going concern, and accordingly, have proactively come up with debt solutions to alleviate the liquidity pressure.

- (i) The Petitioner (as defined in note 14) transferred the outstanding amount of certain bonds payable in an aggregate amount of HK\$3,902,000 to a third party on 28 June 2024 and agreed to withdraw the Petition (as defined in note 14);
- (ii) The Group has reached a supplemental agreement with the lender on the extension of borrowings, and up to the date of approval of the consolidated financial statements, the repayment of interest-bearing borrowings of HK\$20,493,000 has been extended to 2 May 2025 with all other terms remain unchanged;

* for identification purposes only.

- (iii) The Group has been seeking for legal advice to enhance the collection progress from customers;
- (iv) The Group has been actively communicating with the major constructor and local government authorities and met all of the necessary conditions to launch the presale of the properties for sale under development;
- (v) The Group will accelerate the presale and sale of its properties for sale under development and properties held for sales respectively; and
- (vi) The Group has implemented active measures to tighten cost controls over various operating expenses, in order to enhance its profitability and to improve the cash flow from its operation in future.

Based on the Cash Flow Forecast, after taking into account (i) the successful renewal of the supplemental agreement with the lender mentioned above, and (ii) assuming the other plans and measures mentioned above can be successfully implemented as scheduled notwithstanding the inherent uncertainties associated with the future outcome of the above plans and measures, the directors are of the opinion that the Group will have sufficient working capital to maintain its operations and to pay its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis. The uncertainties include but not limited to:

- (i) whether sufficient funds can be raised to repay the borrowings and bonds payable, or if unable to raise sufficient funds, whether it can successfully negotiate with the lenders and bond holders on the extension or deferral of the repayment of the Group's borrowings and bonds payable;
- (ii) whether the Group is able to collect the outstanding trade receivables in timely manner to improve the cashflows in future; and
- (iii) whether the sales strategy can be executed to ensure healthy development of its properties development segment and enhance the operating cash flow.

Should the Group be unable to achieve the above plans and measures, it might not be able to continue as a going concern, adjustments must be made to reduce the carrying amount of the Group's assets to recoverable amounts, to provide for any future liabilities that may arise, and to reclassify non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF REVISED HKFRSs

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022/2023 consolidated financial statements except for the adoption of the following revised HKFRSs that are relevant to the Group and effective from the current year:

| | |
|-----------------------|----------------------------------------------------------------------------------|
| Amendments to HKAS 1 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |

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

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

| | |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current ¹ |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ¹ |
| Amendments to HK Interpretation 5 | Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹ |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements ¹ |
| Amendment to HKAS 16 | Lease Liability in a Sale and Leaseback ¹ |
| Amendment to HKAS 21 | Lack of Exchangeability 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 2024

² Effective for annual periods beginning on or after 1 January 2025

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 revised HKFRSs. So far the management is of the opinion that the adoption of the revised HKFRSs will not have any significant impact on the consolidated financial statements.

4. REVENUE

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---------------------------------------------------------------|----------------------|----------------------|
| <i>Revenue from contracts with customers within HKFRS 15:</i> | | |
| Development and sale of properties | 25,833 | 13,392 |
| Properties management | 655 | 569 |
| Operation and management of hydroelectric power stations | 4,103 | 8,577 |
| | <u>30,591</u> | <u>22,538</u> |
| <i>Revenue from other sources:</i> | | |
| Rental income from operating leases | | |
| – Fixed lease payments | 1,096 | 1,016 |
| – Variable lease payments | 230 | 210 |
| | <u>1,326</u> | <u>1,226</u> |
| | <u><u>31,917</u></u> | <u><u>23,764</u></u> |

5. SEGMENT INFORMATION

Information reported to the executive Directors, 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 2024 | | | | |
|----------------------|----------------------------------------------|---------------------------------------------|---------------------------------------------|-------------------------------------------------------|--------------------------|
| | Properties development <i>HK\$'000</i> | Properties investment <i>HK\$'000</i> | Properties management <i>HK\$'000</i> | Hydroelectric power business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Revenue | <u>25,833</u> | <u>1,326</u> | <u>655</u> | <u>4,103</u> | <u>31,917</u> |
| Segment results | (1,091) | (7,298) | 174 | (197) | (8,412) |
| Interest income | | | | | 5 |
| Unallocated expenses | | | | | (6,052) |
| Finance costs | | | | | <u>(3,201)</u> |
| Loss before tax | | | | | <u>(17,660)</u> |
| | Year ended 31 March 2023 | | | | |
| | Properties development <i>HK\$'000</i> | Properties investment <i>HK\$'000</i> | Properties management <i>HK\$'000</i> | Hydroelectric power business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Revenue | <u>13,392</u> | <u>1,226</u> | <u>569</u> | <u>8,577</u> | <u>23,764</u> |
| Segment results | (25,053) | (18,369) | 34 | (288) | (43,676) |
| Interest income | | | | | 15 |
| Unallocated expenses | | | | | (3,550) |
| Finance costs | | | | | <u>(3,954)</u> |
| Loss before tax | | | | | <u>(51,165)</u> |

(b) Segment assets and liabilities

| | At 31 March 2024 | | | | |
|---------------------------------------|----------------------------------------------|---------------------------------------------|---------------------------------------------|-------------------------------------------------------|--------------------------|
| | Properties development <i>HK\$'000</i> | Properties investment <i>HK\$'000</i> | Properties management <i>HK\$'000</i> | Hydroelectric power business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Assets | | | | | |
| Segment assets | 203,135 | 33,004 | 971 | 24,279 | 261,389 |
| Unallocated corporate assets | | | | | 736 |
| Consolidated total assets | | | | | 262,125 |
| Liabilities | | | | | |
| Segment liabilities | 15,173 | 12,172 | 1,016 | 1,810 | 30,171 |
| Unallocated corporate liabilities | | | | | 35,365 |
| Consolidated total liabilities | | | | | 65,536 |
| | At 31 March 2023 | | | | |
| | Properties development <i>HK\$'000</i> | Properties investment <i>HK\$'000</i> | Properties management <i>HK\$'000</i> | Hydroelectric power business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Assets | | | | | |
| Segment assets | 234,789 | 41,963 | 641 | 29,386 | 306,779 |
| Unallocated corporate assets | | | | | 450 |
| Consolidated total assets | | | | | 307,229 |
| Liabilities | | | | | |
| Segment liabilities | 20,697 | 10,138 | 991 | 1,917 | 33,743 |
| Unallocated corporate liabilities | | | | | 41,719 |
| Consolidated total liabilities | | | | | 75,462 |

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

Unallocated corporate liabilities mainly represent amount due to immediate holding company, borrowings, bonds payable and liabilities incurred by head office and inactive subsidiaries (2023: amounts due to immediate holding company/a director, borrowings, bonds payable and liabilities incurred by head office and inactive subsidiaries).

(c) **Other segment information**

| | Year ended 31 March 2024 | | | | | Total HK\$'000 |
|------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|------------------------------------------------|------------------------------|-------------------|
| | Properties development HK\$'000 | Properties investment HK\$'000 | Properties management HK\$'000 | Hydroelectric power business HK\$'000 | Other segment HK\$'000 | |
| Amounts included in the measurement of segment results or segment assets: | | | | | | |
| Additions of property, plant and equipment | - | 459 | - | - | - | 459 |
| Additions of right-of-use assets | - | - | - | - | 685 | 685 |
| Depreciation of property, plant and equipment | 2 | 378 | - | 2,602 | - | 2,982 |
| Depreciation of right-of- use assets | - | - | - | - | 386 | 386 |
| Loss on revaluation of investment properties | - | 7,304 | - | - | - | 7,304 |
| | <u>-</u> | <u>7,304</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,304</u> |
| Year ended 31 March 2023 | | | | | | |
| | Year ended 31 March 2023 | | | | | Total HK\$'000 |
| | Properties development HK\$'000 | Properties investment HK\$'000 | Properties management HK\$'000 | Hydroelectric power business HK\$'000 | Other segment HK\$'000 | |
| Amounts included in the measurement of segment results or segment assets: | | | | | | |
| Additions of property, plant and equipment | 6 | 30 | - | 10 | - | 46 |
| Depreciation of property, plant and equipment | 4 | 423 | - | 2,719 | - | 3,146 |
| Depreciation of right-of- use assets | - | - | - | - | 362 | 362 |
| Loss on revaluation of investment properties | - | 16,157 | - | - | - | 16,157 |
| | <u>-</u> | <u>16,157</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,157</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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---------|-------------------------|-------------------------|
| The PRC | <u>31,917</u> | <u>23,764</u> |

Non-current assets

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|-----------|-------------------------|-------------------------|
| Hong Kong | 571 | 272 |
| The PRC | <u>53,027</u> | <u>67,593</u> |
| | <u>53,598</u> | <u>67,865</u> |

(e) **Information about major customers**

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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|-------------------------------------------|-------------------------|-------------------------|
| Customer A (Hydroelectric power business) | <u>4,103</u> | <u>8,577</u> |

6. LOSS BEFORE TAX

This is stated after charging:

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--------------------------------------------------|-------------------------|-------------------------|
| Staff costs (including directors' remuneration): | | |
| – Wages and salaries | 1,921 | 1,601 |
| – Contribution to defined contribution schemes | 298 | 350 |
| | <u>2,219</u> | <u>1,951</u> |
| Other items: | | |
| Auditors' remuneration | | |
| – Audit services | 820 | 820 |
| – Other services | 20 | 20 |
| Cost of inventories sold | 24,986 | 12,204 |
| Depreciation | | |
| – Property, plant and equipment | 2,982 | 3,146 |
| – Right-of-use assets | 386 | 362 |
| Legal and professional fee | 3,309 | 1,351 |
| Marketing and promotion expenses | 1,514 | 10,150 |
| Repairs and maintenance | | |
| – Anti-epidemic facilities | – | 7,830 |
| – Environmental afforestation | – | 2,934 |
| | <u>–</u> | <u>–</u> |

7. INCOME TAX EXPENSES

Hong Kong Profits Tax is calculated at 16.5 % (2023:16.5%) 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 2024 and 2023.

The PRC Enterprise Income Tax (“EIT”) in respect of operations in the PRC is calculated at a rate 25% (2023: 25%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| EIT | | |
| – Current year | 51 | 31 |
| – Under provision in prior year | – | 14 |
| LAT | | |
| – Current year | 878 | – |
| | <u>929</u> | <u>45</u> |

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 31 March 2024 and 2023.

9. LOSS PER SHARE

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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|-------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Loss for the year | <u>(18,589)</u> | <u>(51,210)</u> |
| | Number of shares | Number of shares |
| 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>(8.73)</u> | <u>(24.06)</u> |

Diluted loss per share is the same as the basic loss per share for the years ended 31 March 2024 and 2023. The Company did not have any dilutive potential ordinary shares during the years ended 31 March 2024 and 2023.

10. INVESTMENT PROPERTIES

| | <i>HK\$'000</i> |
|----------------------------------------------|----------------------|
| At fair value | |
| At 1 April 2022 | 56,164 |
| Loss on revaluation of investment properties | (16,157) |
| Exchange realignment | <u>(4,176)</u> |
| At 31 March 2023 and 1 April 2023 | 35,831 |
| Loss on revaluation of investment properties | (7,304) |
| Exchange realignment | <u>(1,950)</u> |
| At 31 March 2024 | <u>26,577</u> |

11. 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:

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 0–30 days | 46 | 542 |
| 31–60 days | 710 | 12 |
| 61–90 days | 14 | 267 |
| Over 90 days | <u>12,718</u> | <u>5,735</u> |
| | <u><u>13,488</u></u> | <u><u>6,556</u></u> |

12. 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:

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| Over 90 days | <u>2,620</u> | <u>7,790</u> |

13. BORROWINGS

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--------------------------------------------------------|-------------------------|-------------------------|
| Other borrowings, secured Repayable within one year | <u>20,493</u> | <u>21,716</u> |

The borrowings of HK\$20,493,000 (2023: HK\$21,716,000) as at 31 March 2024 are interest-bearing at 12% per annum, secured by investment properties of HK\$17,603,000 (2023: HK\$20,059,000) and repayable on 2 May 2024 (2023: 2 May 2023). Subsequent to end of the reporting period, the repayment date of the borrowings are extended for one year to 2 May 2025 with all other terms remain unchanged.

14. BONDS PAYABLE

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Corporate bonds | | |
| Current liabilities | <u>6,960</u> | <u>8,282</u> |

As at 31 March 2024, the Company had corporate bonds with principal amount of HK\$6,960,000 (2023: HK\$8,282,000) issued under the placing agreement dated 13 November 2018 for bonds issuance with an aggregate principal amount of up to HK\$200,000,000. Pursuant to the placing agreement, the bonds carry fixed interest rates ranging from 6% to 6.5% per annum. The bonds are with a maturity period ranging from three to five years from the issue date, and the interests are paid semiannually in arrears on 30 June and 31 December in each year and on the maturity date.

On 10 November 2022, the Company received writs of summons with statements of claims from certain bond holders for certain outstanding principal and interest payables. Please refer to the announcement of the Company dated 11 November 2022 for details. The Company has reached settlements agreements with these bond holders for extension of the repayment of the outstanding amounts by instalments by December 2023.

As at 31 March 2023, bonds payable was interest-free and repayable in accordance with the repayment schedule pursuant to the respective settlement agreements. In addition, bonds payable amounting to HK\$6,460,000 was guaranteed by a director of the Company as at 31 March 2023.

On 1 March 2024, the Company received statutory demands from certain bond holders for certain outstanding principal amount and interest payables. Please refer to the announcement of the Company dated 21 March 2024 for details.

The Company has been actively communicating and maintaining constructive dialogue with the bond holders and is in the process of amicable negotiation with the bond holders in respect of the repayment plans. As at 31 March 2024, all bonds payable were overdue and unsecured. Certain bonds payable amounting to HK\$6,187,000 was interest bearing at judgement interest rate ranging from 8.53% to 8.58% as determined by order by the Chief Justice of Hong Kong, whereas the remaining bonds payable amounting to HK\$773,000 was interest free.

On 17 May 2024, the Company received a winding-up petition (the “**Petition**”) which was filed against the Company on the same date at the High Court of the Hong Kong Special Administrative Region (the “**Hong Kong High Court**”) by a bond holder (the “**Petitioner**”) for the winding up of the Company under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Petition is relating to the outstanding amount of certain bonds payable in an aggregate amount of HK\$3,902,000 (the “**Outstanding Amount**”) and will be heard before the High Court at 10:00 a.m. on Wednesday, 31 July 2024. Please refer to the announcements of the Company dated 20 May 2024 and 24 May 2024 for details.

On 28 June 2024, the Petitioner has entered into an agreement with a third party and completed the transfer of the Outstanding Amount to such third party who is independent of and not connected with the Company and its connected person and not otherwise a connected person of the Company. As at the date hereof, the Petitioner has ceased to be a bondholder of the Company and has agreed to withdraw the Petition. Please refer to the announcement of the Company dated 28 June 2024 for details.

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 2024, 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.

During the year ended 31 March 2024, the market sentiments stayed far from recovery and the sluggish market trading remained, the national real estate development investment, sales area and volume continued to decline. According to the National Bureau of Statistics in the PRC, in 2023, the national investment in real estate development amounted to approximately RMB11,091 billion, representing a decrease of 10% over the previous year; of which approximately RMB8,382 billion was invested in residential housing, representing a decrease of 9% over the previous year; and all major indicators declined. The sales of commodity housing in the PRC were approximately RMB11,662 billion, representing a decrease of 7% over the previous year, of which the sales of residential housing decreased by 6%; and the sales area of commodity housing in the PRC was approximately 1,117 million sq.m., representing a year-on-year decrease of 9%, of which the sales area of residential housing decreased by 8%. As a result, the operations and financial performance of the Group were inevitably affected.

For the year ended 31 March 2024, the Group recorded a revenue of approximately HK\$31,917,000, representing an increase of approximately 34% as compared to the revenue of approximately HK\$23,764,000 for the year ended 31 March 2023. Administrative expenses decreased from approximately HK\$34,588,000 for the year ended 31 March 2023 to approximately HK\$13,384,000 for the year ended 31 March 2024, the larger administrative expenses during the year ended 31 March 2023 was mainly contributed to the extensive marketing and promotion activities and anti-epidemic facilities and environmental afforestation work on properties sales. 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\$7,304,000 was recorded for the year ended 31 March 2024, while a loss on revaluation of investment properties of approximately HK\$16,157,000 was recorded for the year ended 31 March 2023. Further, the Group recorded finance costs of approximately HK\$3,201,000 for the year ended 31 March 2024, representing a decrease of approximately 19% as compared to that of approximately HK\$3,954,000 for the year ended 31 March 2023 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\$18,589,000 for the year ended 31 March 2024, representing a decrease of approximately 64% as compared to that of approximately HK\$51,210,000 for the year ended 31 March 2023.

Properties Development

Leveraging on 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 2024, 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 2024, 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 2024, the Group sold approximately 8% of the gross floor area and achieved total contracted sales of approximately HK\$25,833,000, while approximately 3% of the gross floor area was sold and total contracted sales of approximately HK\$13,392,000 was recorded for the year ended 31 March 2023.

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 7,543 sq.m. for other commercial use. Bagua Town Project I comprises 3 main buildings and 38 commercial units that creates a marketplace for the community. The construction work of Bagua Town Project I was completed during the year ended 31 March 2024.

The sale of Bagua Town Project I commenced in mid-2023 but yet to contribute any revenue to the Group during the year ended 31 March 2024.

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.

For the year ended 31 March 2024, the property market in the PRC remained under downward pressure and the housing supply and prices dragged down by the weakened demands. The buyers were adopting a conservative and wait-and-see attitude on the property purchases in the PRC. The operations of the Group, especially properties sales and construction progress, were inevitably affected.

With the extensive marketing and promotion activities and anti-epidemic facilities and environmental afforestation work on properties sales during the prior year, the segment loss decreased from approximately HK\$25,053,000 for the year ended 31 March 2023 to approximately HK\$1,091,000 for the year ended 31 March 2024.

Sales performance has not witnessed significant improvement yet, however, policy relaxations and support measures for both supply and demand sides are expecting to take effect. Stability in real estate, economy and growth still remained the keynote of the macro-policy advocated by the state. The government of the PRC continued to adhere to the national strategies that “houses are built to be inhabited, not for speculation”, implement city-specific policies to achieve the “three stabilities” of “stabilising land prices”, “stabilising housing prices” and “stabilizing expectations”, as well as the financial support policies launched by the People’s Bank of China and the China Banking and Insurance Regulatory Commission, thereby promoting the positive and healthy development of the real estate industry. 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. Further, the Group will also enhance its portfolio of the existing projects and strive to generate a better result for the Group.

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.

For the year ended 31 March 2024, revenue was approximately HK\$1,326,000, representing an increase of 8% as compared to approximately HK\$1,226,000 for the year ended 31 March 2023. 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\$7,304,000 was recorded for the year ended 31 March 2024, while a loss on revaluation of investment properties of approximately HK\$16,157,000 was recorded for the year ended 31 March 2023. In addition, the operating costs for properties investment business decreased due to reduced anti-epidemic facilities and maintenance work on certain investment properties during the year ended 31 March 2024. Thus, the segment loss decreased from approximately HK\$18,369,000 for the year ended 31 March 2023 to approximately HK\$7,298,000 for the year ended 31 March 2024.

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 profit for the year ended 31 March 2024 were approximately HK\$655,000 and approximately HK\$174,000, respectively, whereas the revenue and segment profit for the year ended 31 March 2023 were approximately HK\$569,000 and approximately HK\$34,000, 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 for the year ended 31 March 2024 was approximately HK\$4,103,000, representing a decrease of 52% as compared to approximately HK\$8,577,000 for the year ended 31 March 2023. River dredging work for the purpose of smooth construction of various citywide infrastructure in the river areas resulted in reduced power generation during the year ended 31 March 2024. As a result, segment loss of approximately HK\$197,000 was recorded during the year ended 31 March 2024, whereas segment loss of approximately HK\$288,000 was recorded during the year ended 31 March 2023 due to the increased maintenance costs incurred for the hydroelectric power stations during the year ended 31 March 2023.

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 generate sustainable revenue to the Group.

Prospect

Looking forward, the Group will adhere to 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 2024, bank balances and cash denominated mainly in Hong Kong dollars and Renminbi amounted to approximately HK\$4,571,000 as compared to approximately HK\$4,196,000 as at 31 March 2023.

As at 31 March 2024, gearing ratio was 0.14 (2023: 0.13), which was calculated based on the total borrowings and bonds payable divided by total equity. The Group will continue to monitor and manage its financial structure and their potential risks in the course of development.

As at 31 March 2024, the current ratio was 3.19 (2023: 3.17), which was calculated by dividing the total current assets by the total current liabilities.

Financing and Capital Structure

The Group finances its operations by a combination of equity and borrowings. As at 31 March 2024, the Group had borrowings of approximately HK\$20,493,000 (2023: HK\$21,716,000) and bonds payable of approximately HK\$6,960,000 (2023: HK\$8,282,000), which were for the Group's refinancing and general corporate purpose. Details regarding the borrowings and bond payable of the Group are set out in notes 13 and 14 to the consolidated financial statements.

Exposure to Fluctuation in Exchange Rates

For the year ended 31 March 2024, 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 2024. 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

Saved as disclosed in note 13 to the consolidated financial statements, properties for sale under development of approximately HK\$14,103,000 as at 31 March 2024 (2023: HK\$14,945,000) were pledged to secure banking facility with an aggregate principal amount of approximately HK\$25,617,000 (2023: HK\$27,145,000) granted to third parties.

Contingent Liabilities

As at 31 March 2024, the Group had no material contingent liabilities (2023: Nil).

Employee

As at 31 March 2024, the Group had a total of 17 employees (2023: 21), of which 13 (2023: 18) were employed in the PRC. Details regarding the total amount of staff costs of the Group are set out in note 6 to the consolidated financial statements.

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 2024.

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 2024.

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 2024 (2023: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2024, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities.

EVENT AFTER REPORTING PERIOD

Save as disclosed, the Board is not aware of any important event affecting the Group which occurred after the end of the reporting period and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company adopted all the code provisions in Corporate Governance Code (the “**Code Provisions**”) set out in Appendix C1 to the Listing Rules as its own code on corporate governance practices and guidance. During the year ended 31 March 2024 and up to the date of this announcement, the Company has complied with the Code Provisions except the following:

1. 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 27 September 2023 (the “**2023 AGM**”) due to his other engagement. Mr. Wang Xing Qiao, the executive Director acted as the chairman of the 2023 AGM, and attended the 2023 AGM with other members of the management. At the 2023 AGM, there was sufficient caliber for answering questions at the 2023 AGM and answered questions at the 2023 AGM competently.

2. 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 2023 AGM due to other business commitments.

In order to comply with the Code Provisions, the Company will continue to furnish all the 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 the 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 2024 and, where appropriate, the applicable recommended best practices of the Code Provisions.

ADOPTION OF THE AMENDED AND RESTATED BYE-LAWS OF THE COMPANY

By passing a special resolution at the 2023 AGM, the Company adopted the amended and restated Bye-laws of the Company. An up-to-date version of the Company's Bye-laws is available on the websites of the Company and the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”), as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all the Directors that they have complied with the Model Code throughout the year ended 31 March 2024.

AUDIT COMMITTEE

The audit committee of the Company (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. The Audit Committee has reviewed the annual results of the Group for the year ended 31 March 2024.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in this announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2024. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars CPA Limited on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 March 2024.

“Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Basis for Disclaimer of Opinion

Material uncertainty related to going concern

As described in “Going concern” section in note 3 to the consolidated financial statements, the Group incurred a net loss of approximately HK\$18,589,000 for the year ended 31 March 2024 and, at 31 March 2024, the Group had borrowings of approximately HK\$20,493,000 and bonds payable of approximately HK\$6,960,000 that are repayable within one year, while the Group had total bank balances and cash of approximately HK\$4,571,000 at the end of the reporting period. These conditions, along with other matters as set forth in note 3 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 3 to the consolidated financial statements. The directors of the Company are of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 March 2024. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.”

The aforesaid ““Going concern” section in note 3 to the consolidated financial statements” in the extract from the independent auditor’s report is disclosed as note 2.2 to the consolidated financial statements in this results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The 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. The annual report of the Company for the year ended 31 March 2024 containing all information required by the Listing Rules will be despatched to the shareholders of the Company and published on above websites in due course.

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

Hong Kong, 28 June 2024

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.