



Norstar Founders Group Limited 北泰創業集團有限公司

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

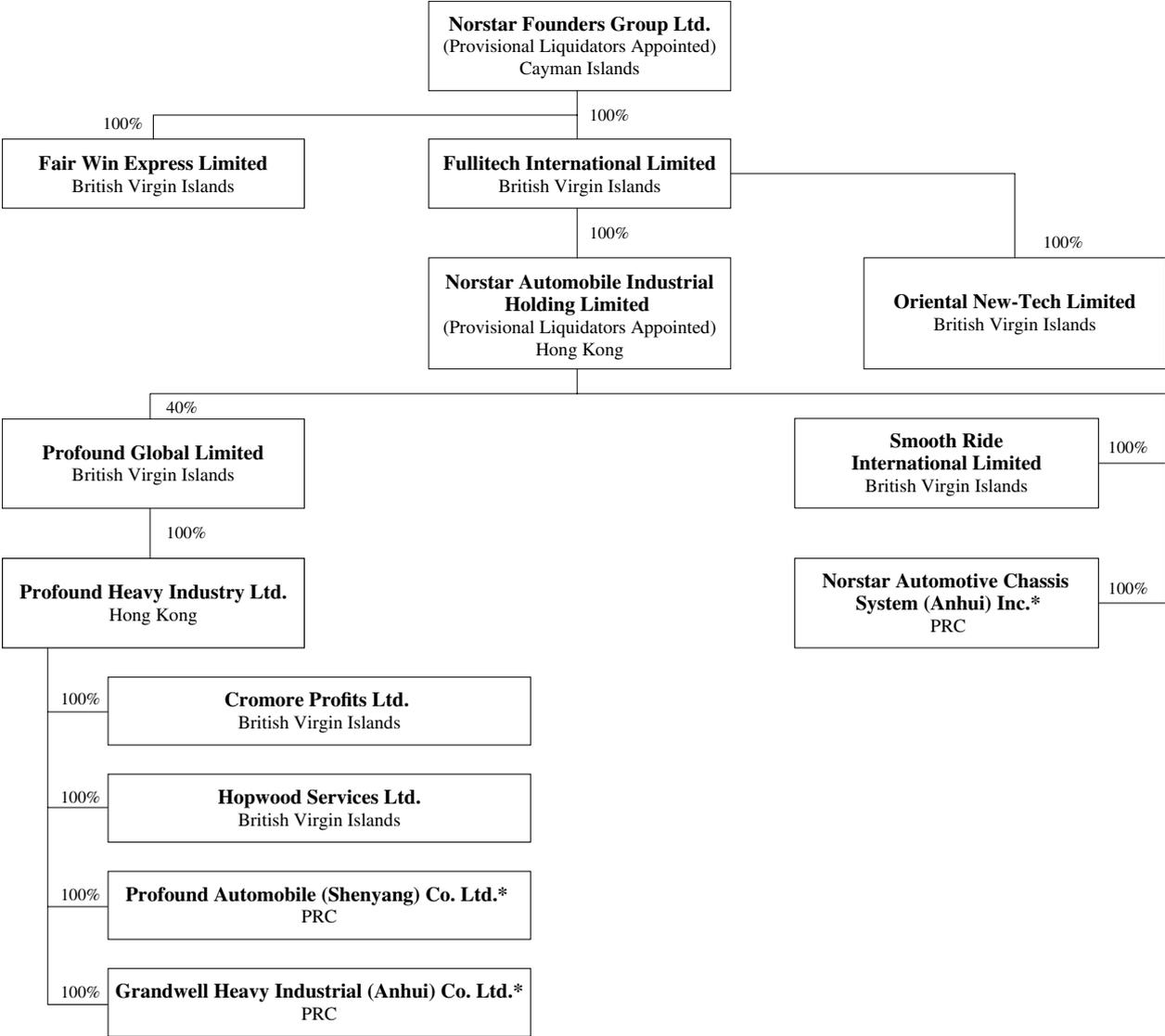
(Stock code: 2339)

INTERIM REPORT 2009

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GROUP CHART AS AT 30 SEPTEMBER 2009



* For identification purpose only

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Lilly Huang
Mr. Zhou Tian Bao –
(resigned on 25 November 2009)
Mr. Dai Wei –
(resigned on 25 November 2009)
Mr. Chen Xiang Dong –
(resigned on 25 November 2009)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choi Tat Ying, Jacky
Ms. Zhang Xin, Cindy –
(resigned on 10 May 2010)
Mr. Zhang Jian Chun –
(resigned on 10 May 2010)

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Mr. Lai Kar Yan (Derek)
Mr. Darach E. Haughey
Mr. Yeung Lui Ming (Edmund)

35th Floor, One Pacific Place
88 Queensway
Hong Kong

AUDITOR

Shinewing (HK) CPA Limited
43rd Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL PLACE OF BUSINESS

35th Floor, One Pacific Place
88 Queensway
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY 1-1111, Cayman Islands

STOCK CODE

2339

DIRECTORS' REPORT

The directors (the “Directors”) of Norstar Founders Group Limited (Provisional Liquidators Appointed) (the “Company”) hereby present their report and the unaudited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture, sales and trading of auto parts and construction decorative hardware products in the Anhui Province, the PRC.

WINDING-UP PETITIONS AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

On 19 January 2009, trading in the shares of the Company was suspended (at the request of the Company) following a number of announcements made in late December 2008, in relation to, amongst other matters, the resignation of certain Directors and group financial controller of the Company, default in payment by Norstar Automobile Industrial Holding Limited (“NAIH”), a wholly owned subsidiary of the Company for treasury losses of approximately HK\$44,000,000 and a creditor’s claim against the Group in the amount of RMB326,000,000.

On 6 February 2009, a petition to wind up the Company was presented to the High Court of the Hong Kong Special Administrative Region (the “High Court”) by Madam Lilly Huang, a major shareholder of the Company, chairman of the board of Directors and an Executive Director of the Company, and subsequently replaced by Century Founders Group Limited. On the same day, a petition to wind up NAIH was also presented to the High Court by Fullitech International Limited (“Fullitech”), the immediate holding company of NAIH and a wholly-owned subsidiary of the Company.

On the same day, the High Court appointed Messrs Lai Kar Yan (Derek), Darach E. Haughey and Yeung Lui Ming (Edmund) of Deloitte Touche Tohmatsu as the joint and several provisional liquidators (the “Provisional Liquidators”) of the Company and of NAIH.

The hearing of winding-up petitions against the Company by the High Court is adjourned to 18 February 2013.

DIRECTORS' REPORT

RESTRUCTURING OF THE GROUP

The restructuring of the Group was formulated in two parts (i.e. (i) the debt restructuring and (ii) the capital restructuring) to:

- (i) address the indebtedness of NFG and NAIH as described below under the section headed “The Debt Restructuring”; and
- (ii) regularise the financial position and capital needs of the Group after the restructuring (the “Restructured Group”).

The Debt Restructuring

On 8 December 2009, two schemes of arrangement were approved by the respective creditors of the Company (the “NFG Scheme”) and NAIH (the “NAIH Scheme”) (collectively the “Schemes”). Messrs Lai Kar Yan (Derek), Darach E. Haughey and Yeung Lui Ming (Edmund) of Deloitte Touche Tohmatsu were appointed as the joint and several scheme administrators of each of the Schemes (the “Scheme Administrators”). The Schemes were subsequently sanctioned by the High Court and became effective on 19 March 2010.

The NFG Scheme

It is proposed under the NFG Scheme that the indebtedness of the Company will be settled via the following:

- (i) Earnest money in the sum of HK\$2,000,000 paid by Mr. Zhou Tian Bao (“Mr. Zhou”), a substantial shareholder of the Company;
 - (ii) A repayment obligation from the Company in favour of a special purpose company incorporated to facilitate the proposed debt restructuring of NFG under the NFG Scheme (the “NFG SPV”) for a fixed sum of HK\$200,000,000 under which the Company would repay the said sum within 12 months from the effective date of the NFG Scheme (“NFG Repayment Obligation”); and
 - (iii) Amounts recoverable from NAIH and Fullitech by way of distribution from the NAIH Scheme.
- (i), (ii) and (iii) collectively referred to as the “NFG Scheme Assets”.

DIRECTORS' REPORT

RESTRUCTURING OF THE GROUP (CONTINUED)

The Debt Restructuring (Continued)

The NAIH Scheme

It is proposed under the NAIH Scheme that the indebtedness of NAIH will be settled via the following:

- (i) A total cash payment of HK\$15,000,000 (the "NAIH Obligation") made by NAIH to a special purpose company incorporated pursuant to the NAIH Scheme (the "NAIH SPV");
- (ii) Net proceeds arising from the disposal of equity interest in four independent third party companies (the "Four Third Party Companies");
- (iii) Net cash flow to be generated/net proceeds arising from the following:
 - (a) Net cash flow to be generated from Norstar Auto Suspension Manufacturing (Beijing) Inc ("Norstar Suspension"), a former subsidiary of the Company deconsolidated on 1 April 2008, and Profound Global Limited ("Profound"), an associate of the Group, over a period of 5 years in the total amount of HK\$1,381,000,000 (plus interest) (the "NAIH Repayment Obligation").

The NAIH Repayment Obligation are secured by the following:

- 1. A corporate guarantee issued by Fullitech in favour of the NAIH SPV for a sum up to the NAIH Repayment Obligation (the "Fullitech Corporate Guarantee");
- 2. A corporate undertaking provided by the Company for a sum up to the NAIH Repayment Obligation (the "NFG Undertaking");
- 3. First legal charge on Mr. Zhou's direct and indirect shareholdings in the Company;
- 4. Share charge over NAIH's 100% interest in Norstar Automotive Chassis Systems (Anhui) Inc ("Norstar Chassis") for a sum up to the NAIH Repayment Obligation; and
- 5. Share charge over NAIH's 40% interest in Profound for a sum up to the NAIH Repayment Obligation;

Or

- (b) Net proceeds arising from the disposal of Norstar Suspension and 60% shareholding in Profound held by the NAIH SPV.

DIRECTORS' REPORT

RESTRUCTURING OF THE GROUP (CONTINUED)

The Debt Restructuring (Continued)

The NAIH Scheme (Continued)

- (iv) Net proceeds arising from the disposal of the equity interests in CX Tech Inc. and Sumitech Engineering Inc., independent third party companies (collectively the "US Companies"), if such shareholdings are disposed of within 5 years from the effective date of the NAIH Scheme; and
- (v) Net proceeds arising from the disposal of Norstar Suspension after full settlement of the NAIH Repayment Obligation.

Further to the above, an alternative mechanism is proposed under the NAIH Scheme, where in the event of a receipt of a lump sum cash offer for all/part of the assets, including shareholding interests in the Four Third Party Companies, Profound and NAIH's shareholding interest in Norstar Chassis together with the discharge of all relevant securities, pledges and undertakings, the Scheme Administrator of NAIH, after the NAIH Scheme becomes effective, may with the consent of the committee (the "Scheme Creditors Committee") of the creditors (the "Scheme Creditors") of the respective Schemes, convene a Scheme Creditors' meeting to consider, and if considered appropriate, resolve to approve such an offer.

As part of the implementation of the NFG Scheme and the NAIH Scheme (both of which became effective on 19 March 2010), the Group's entire equity interests in Norstar Automotive Industries Inc. ("Norstar Automotive BJ"), Norstar Suspension, Oriental New-Tech Limited ("New-Tech") and Smooth Ride International Limited ("Smooth Ride") were transferred to the NAIH SPV or NFG SPV. Norstar Automotive BJ and Norstar Suspension (collectively the "PRC Subsidiaries") were the main operating subsidiaries of the Group prior to their deconsolidation on 1 April 2008.

Further details of the Schemes are set out in the Company's announcements dated 21 October 2009 and 15 December 2009.

DIRECTORS' REPORT

RESTRUCTURING OF THE GROUP (CONTINUED)

The Debt Restructuring (Continued)

Issuance of HK\$15,000,000 senior note (the "Senior Note")

To fulfill the NAIH Obligation, the Company, NAIH, the Provisional Liquidators and Omni Success Limited ("OSL" or the "Subscriber") had, on 6 September 2010, entered into a subscription agreement, (the "Subscription Agreement") pursuant to which (i) NAIH has agreed to issue, and the Subscriber has agreed to subscribe for, the Senior Note for an aggregate principal amount of HK\$15 million with a maturity term of one year. The Senior Note was issued on 8 September 2010 and the proceed raised was utilised to repay the NAIH Obligation.

The maturity date of the Senior Note has been extended by the parties from 6 September 2011 to 28 February 2013 by way of side letters dated 15 August 2011 and 6 September 2012.

The principal terms of the Senior Note are summarized as follow:

Principal amount:	HK\$15,000,000
Interest rate:	HIBOR (3 months) plus 1.05%
Repayment of the principal:	All outstanding loan together with all accrued and unpaid interest shall be repaid in one lump sum on the maturity date
Maturity date:	28 February 2013 (as extended by side letters entered into subsequent to the Subscription Agreement)

Further details of the Senior Note are set out in the Company's announcement dated 5 October 2010.

As of the date of this report, the NFG Repayment Obligation and the NAIH Repayment Obligation had not been settled. However, after due consideration and having regard to the status of the overall restructuring of the Group, the Scheme Creditors Committee and certain major Scheme Creditors of the respective companies, agreed that for the benefit of the general body of the Scheme Creditors, the Schemes continue to remain in effect.

In view of the above, there are material uncertainties surrounding the Group's ability to act as a going concern. However, the consolidated financial statements have been prepared on a going concern basis on the basis that the restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligation as and when they fall due in the foreseeable future.

DIRECTORS' REPORT

RESTRUCTURING OF THE GROUP (CONTINUED)

The Capital Restructuring

As at 31 March 2009, the authorised share capital of the Company was HK\$500,000,000 divided into 5,000,000,000 shares of which 1,259,461,601 shares had been issued and were fully paid or credited as fully paid.

As at the financial year ended 31 March 2009, 23,804,000 units of share options were outstanding. The outstanding share options at the end of the financial year ended 31 March 2009 have a remaining contractual life of 4.5 years with exercise price ranging from HK\$2.29 to HK\$2.57 each. The share options are currently out of money as the share price was HK\$0.73 each immediately before the suspension of trading in the Company's shares.

It is proposed that the capital of the Company be reorganized by way of the proposed capital restructuring, which shall comprise, amongst others, the following:

- (i) Capital reduction – As permitted by the laws of the Caymans Islands, it is proposed that the par value of each issued share will be reduced from HK\$0.100 to HK\$0.002, resulting in a reduction in share capital of approximately HK\$123.4 million.

After the capital reduction, the share capital of the Company will reduce from approximately HK\$125.9 million to approximately HK\$2.5 million

- (ii) Capital cancellation – After the capital reduction, all unissued authorised share capital of the Company shall be cancelled and diminished resulting in the authorised and issued share capital of the Company becoming approximately HK\$2.5 million;
- (iii) Share consolidation – consolidation of shares whereby every five issued shares of the Company with par value of HK\$0.002 each will immediately upon the capital reduction be consolidated into one share with par value of HK\$0.01 each;
- (iv) Cancellation of all outstanding shares options; and
- (v) The Company's authorised share capital will be increased to HK\$100 million, divided into 10,000,000,000 new ordinary shares at par value of HK\$0.01 each.

DIRECTORS' REPORT

PROSPECTS

As mentioned above, the trading in the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 19 January 2009.

The Company submitted a resumption proposal dated 28 September 2010 and an revised proposal dated 17 August 2011 involving the restructuring of the Group (the "Resumption Proposal") to the Stock Exchange to seek resumption of trading of its shares on the Stock Exchange.

The Stock Exchange had, on 8 June 2012, informed the financial adviser of the Company by way of a letter that the Stock Exchange had decided to accept the Resumption Proposal, subject to the Company's compliance with the following conditions as set out in the same letter to the satisfaction of the Listing Division of the Stock Exchange by 28 February 2013:–

1. Completion of the transactions under the Resumption Proposal;
2. Inclusion in the circular to shareholders the following:
 - (a) A profit forecast for the year ending 31 March 2013, together with the reports from the auditors and the financial adviser under paragraph 29(2) of Appendix 1b;
 - (b) A statement from the Directors confirming working capital sufficiency for at least 12 months after resumption, and a comfort letter from the auditors and financial adviser on the Directors' statement;
 - (c) A pro forma balance sheet upon completion of the Resumption Proposal, and a comfort letter from the auditors under Rule 4.29; and
 - (d) Detailed disclosure of the Resumption Proposal and information about the Group comparable to prospectus standards;
3. Publication of all outstanding financial results with major audit qualifications properly addressed;
4. Provision of confirmation from the internal control reviewer of the Group that the Group has an adequate and effective internal control system; and
5. Withdrawal or dismissal of the winding-up petition and discharge of the Provisional Liquidators.

The Listing Division may modify the resumption conditions if the Company's situation changes.

The Provisional Liquidators and their respective advisors are working closely to proceed with the restructuring of the Company.

DIRECTORS' REPORT

WARNING STATEMENT

Shareholders and potential investors of the Company should note that, (1) the principal elements of the restructuring of the Group may be subject to further changes; (2) the resumption of trading of the Company's shares is subject to a number of resumption conditions set out by the Stock Exchange.

RESULTS AND APPROPRIATIONS

Financial Performance

The results of the Group for the six months ended 30 September 2009 ("FP2010" or the "Period") are set out in the consolidated statement of profit or loss and comprehensive income on page 17.

During FP2010, the Group recorded a turnover from sale and trading of auto parts of approximately RMB9.2 million, representing a decrease of approximately 99.6% from the financial period ended 30 September 2008 ("FP2009") of approximately RMB2,244 million. Gross profit margin increased from approximately 16.1% in FP2009 to approximately 18.2% in FP2010. The loss attributable to owners of the Group was approximately RMB40.2 million for FP2010, as compared to a gain of approximately RMB196.2 million for FP2009.

The decrease in turnover is mainly due to the business reorganization undertaken by the management in consolidating and reorganizing the operations and businesses of the Group.

The profit from operations of the Company amounted to approximately -RMB5.5 million for the Period, as compared to a profit of approximately RMB258.5 million for FP2009. The profit from reportable segments (as disclosed in note 5 to the interim results announcement) was approximately RMB1.7 million for FP2010 (FP2009: RMB361.6 million).

Basic loss per share for the Period ended 30 September 2009 was approximately RMB3.19 cents as compared with earnings per share of RMB15.89 cents for the preceding year.

No dividend was paid or proposed during the Period ended 30 September 2009, nor has any dividend been proposed since the end of the reporting period (FP2009: Nil).

Financial Position

As at 30 September 2009, the Group had total net liabilities of approximately RMB1,764.9 million and net current liabilities of approximately RMB2,133.1 million, compared to total net liability of approximately RMB1,729 million and net current assets of approximately RMB2,105.4 million in FP2009.

Cash Flow

During the Period under review, total cashflow from operations amounted to approximately a positive cashflow of RMB38.5 million compared to a positive cashflow of RMB120 million last year.

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS (CONTINUED)

Liquidity and Financial Resources

As at 30 September 2009, bank balances and cash of the Group were approximately RMB10.6 million (FP2009: RMB10.1 million).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the Period are set out in note 11 to the consolidated financial statements.

Contingent Liabilities

The Group and the Company did not have any significant contingent liabilities as at 30 September 2009.

Reserves

Details of movements in reserves of the Group and the Company during the Period are set out in note 18 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 17 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the Period and up to the date of this interim report were:

Executive Directors

Ms. Lilly Huang	
Mr. Zhou Tian Bao	resigned on 25 November 2009
Mr. Dai Wei	resigned on 25 November 2009
Mr. Chen Xiang Dong	resigned on 25 November 2009

Independent Non-Executive Directors

Mr. Choi Tat Ying, Jacky	
Ms. Zhang Xin, Cindy	resigned on 10 May 2010
Mr. Zhang Jian Chun	resigned on 10 May 2010

There is currently no Non-Executive Director.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has any fixed term of service with the Company. They will hold office until the next annual general meeting of the Company.

As at the date of this interim report, the emoluments of the Directors have not yet been determined. Their emoluments will be determined later with reference to their responsibilities, remuneration policy of the Company and prevailing market conditions.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2009, the interests and short positions of the Director of the Company in the shares of the Company, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Name of Director	Number of shares held			Underlying shares of outstanding share options	Approximate aggregate percentage of interests (Note 3)
	Personal interest	Corporate interest	Total		
Ms. Lilly Huang (Note 1)	–	600,000,000	600,000,000	–	47.64%
Mr. Choi Tat Ying, Jacky	–	–	–	500,000	–
Mr. Dai Wei	–	–	–	5,000,000	–
Mr. Chen Xiang Dong	–	–	–	5,000,000	–
Mr. Zhou Tian Bao (Note 2)	8,832,000	645,000,000	653,832,000	–	51.91%

Notes:

- (1) The shares are held by Century Founders Group Limited in which Ms. Lilly Huang owns a 52% shareholding interest. Ms. Lilly Huang is therefore deemed to be interested in the entire interest of Century Founders Group Limited in the Company for the purpose of Part XV of the SFO.
- (2) Mr. Zhou Tian Bao is interested and deemed to be interested in an aggregate of 653,832,000 shares in the Company. These shares are held in the following capacity:
 - (i) 8,832,000 shares are held in his personal name;
 - (ii) 645,000,000 shares are held by Mark Up Investments Limited which is a company wholly-owned by Mr. Zhou Tian Bao. Mr. Zhou Tian Bao is therefore deemed to be interested in the entire interest of Mark Up Investments Limited in the Company for the purpose of Part XV of the SFO;
 - (iii) 600,000,000 shares are held by Century Founders Group Limited in which Mark Up Investments Limited own a 48% shareholding interest. Mr. Zhou Tian Bao is therefore deemed to be interested in the entire interest of Century Founders Group Limited in the Company for the purpose of Part XV of the SFO.
- (3) The calculation is based on the number of shares as a percentage of the total number of issued shares of the Company (i.e. 1,259,461,601 shares) as at 30 September 2009.

Save as disclosed above, none of the Directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2009.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors of the Company, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Name of shareholder	Number of shares held	Approximate percentage of shareholding (Note 4)
Century Founders Group Limited (Note 2)	600,000,000	47.64%
Mark Up Investments Limited	645,000,000	51.21%
Ms. Lilly Huang (Note 2 & 3)	600,000,000	47.64%
Mr. Zhou Tian Bao (Note 3)	653,832,000	51.91%

- (1) Interest in shares stated above represent long positions.
- (2) Century Founders Group Limited owns 600,000,000 shares. Ms. Lilly Huang owns a 52% shareholding interest in Century Founders Group Limited and the remaining 48% shareholding interest is owned by Mark Up Investments Limited, a company wholly-owned by Mr. Zhou Tian Bao.
- (3) Mr. Zhou Tian Bao is interested and deemed to be interested in an aggregate of 653,832,000 shares in the Company. These shares are held in the following capacity:
 - (i) 8,832,000 shares are held in his personal name;
 - (ii) 645,000,000 shares are held by Mark Up Investments Limited which is a company wholly-owned by Mr. Zhou Tian Bao. Mr. Zhou Tian Bao is therefore deemed to be interested in the entire interest of Mark Up Investments Limited in the Company for the purpose of Part XV of the SFO;
 - (iii) 600,000,000 shares are held by Century Founders Group Limited in which Mark Up Investments Limited own a 48% shareholding interest. Mr. Zhou Tian Bao is therefore deemed to be interested in the entire interest of Century Founders Group Limited in the Company for the purpose of Part XV of the SFO.
- (4) The calculation is based on the number of shares as a percentage of the total number of issued shares (i.e. 1,259,461,601 shares) of the Company as at 30 September 2009.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors of the Company had any interest, either direct or indirect, in any business, which may compete or constitute a competition with the business of the Group.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance report is issued pursuant to Appendix 23 of the Listing Rules. Due to the severe financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, the Directors are unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the Period ended 30 September 2009.

AUDIT COMMITTEE

The primary duties of the audit committee include the review of financial information, overseeing the financial reporting system and internal control procedures as well as maintaining a working relationship with the auditor of the Company.

The unaudited financial results and statements of the Company for the Period ended 30 September 2009 have not been reviewed by the audit committee as there is no sufficient number of existing Independent Non-Executive Directors to constitute the audit committee.

NON-COMPLIANCE WITH RULES 3.10 AND 3.21 OF THE LISTING RULES

As at the date of this interim report, the Company has only one Executive Director and one Independent Non-Executive Director. The Company has been identifying suitable candidates for appointment of sufficient number of Executive Directors and Independent Non-Executive Directors and reconstitution of the audit committee in order to meet the requirements under Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Trading in the securities of the Company has been suspended since 19 January 2009 and the Directors are of the opinion that since the date of suspension in trading of the Company's securities, the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules is not applicable.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 30 September 2009

<i>(RMB'000)</i>	<i>Notes</i>	Six months ended 30 September	
		2009	2008
		(unaudited)	(unaudited)
Turnover	4	9,228	2,244,126
Cost of sales		(7,550)	(1,882,575)
Gross profit		1,678	361,551
Other income		2,658	63,089
Distribution and selling expenses		(477)	(25,379)
Administrative expenses		(9,354)	(140,773)
Finance costs	6	(27,948)	(24,338)
Share of profit of an associate		(6,719)	18,681
(Loss) profit before tax		(40,162)	252,831
Tax	7	–	(52,686)
(Loss) profit for the period	8	(40,162)	200,145
Other comprehensive expense			
Exchange difference arising on translation		–	(3,898)
Total comprehensive (expense) income for the period attributable to owners of the Company		<u>(40,162)</u>	<u>196,247</u>
Dividends	10	<u>–</u>	<u>–</u>
(Loss) Earnings per share	9		
Basic and diluted		<u>RMB(3.19) cents</u>	<u>RMB15.89 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

<i>(RMB'000)</i>	<i>Notes</i>	30 September 2009 (unaudited)	31 March 2009 (audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	40,107	41,578
Deposit paid for acquisition of property, plant and equipment		4,120	4,120
Goodwill		–	–
Interest in an associate	<i>12</i>	323,976	330,695
Available-for sale investments	<i>13</i>	–	–
		368,203	376,393
Current assets			
Inventories		3,327	–
Trade and other receivables	<i>14</i>	50,232	48,035
Amount due from an associate	<i>15</i>	9,868	–
Amount due from deconsolidated subsidiaries	<i>15</i>	59,316	36,708
Bank balances and cash		10,603	10,119
		133,346	94,862
Current liabilities			
Trade and other payables	<i>16</i>	793,322	749,601
Amount due to an associate	<i>15</i>	23,981	23,981
Amount due to directors	<i>15</i>	779	779
Obligation under finance lease		32,554	32,591
Unsecured interest-bearing borrowings		1,415,224	1,392,736
Tax payable		616	616
		2,266,476	2,200,304
Net current liabilities		(2,133,130)	(2,105,442)
		(1,764,927)	(1,729,049)
Capital and reserve			
Share capital	<i>17</i>	111,248	132,383
Reserves	<i>18</i>	(1,876,175)	(1,861,432)
		(1,764,927)	(1,729,049)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

(RMB'000)	Attributable to equity holders of the Company								
	Share capital	Share premium	Foreign currency translation reserve	Share option reserve	Merger reserve	General reserve fund	Enterprise expansion fund	Retained profits	Total
At 1 April 2008 (audited)	132,383	1,719,525	5,181	11,828	(299,310)	185,597	185,597	1,435,266	3,376,067
Profit for the period	-	-	-	-	-	-	-	200,145	200,145
Exchange difference arising on translation	-	-	(3,898)	-	-	-	-	-	(3,898)
Total comprehensive (expense) income for the period	-	-	(3,898)	-	-	-	-	200,145	196,247
Recognition of share-based payments expenses	-	-	-	5,679	-	-	-	-	5,679
2008 Final dividend paid	-	-	-	-	-	-	-	(71,885)	(71,885)
At 30 September 2009 (unaudited)	<u>132,383</u>	<u>1,719,525</u>	<u>1,283</u>	<u>17,507</u>	<u>(299,310)</u>	<u>185,597</u>	<u>185,597</u>	<u>1,563,626</u>	<u>3,506,108</u>
At 1 April 2009 (audited)	132,383	1,719,525	(176,452)	13,083	(299,310)	-	-	(3118,278)	(1,729,049)
Loss and total comprehensive expense for the period	-	-	-	-	-	-	-	(40,162)	(40,162)
Change in functional currency	(21,135)	(257,478)	250,463	(1,088)	49,877	-	-	(20,639)	-
Recognition of share-based payments expenses	-	-	-	4,284	-	-	-	-	4,284
At 30 September 2009 (unaudited)	<u>111,248</u>	<u>1,462,047</u>	<u>74,011</u>	<u>16,279</u>	<u>(249,433)</u>	<u>-</u>	<u>-</u>	<u>(3,179,079)</u>	<u>(1,764,927)</u>

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

For the six months ended 30 September 2009

<i>(RMB'000)</i>	Six months ended	
	30 September	2008
	2009	2008
	(unaudited)	(unaudited)
Net cash from operating activities	38,548	119,967
Net cash (used in) from investing activities	(32,734)	12,971
Net cash used in financing activities	(5,330)	(210,432)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	484	(77,494)
Effect of foreign exchange rate changes	–	(29,817)
Cash and cash equivalents at 1 April	10,119	2,782,306
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	<u>10,603</u>	<u>2,674,995</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

1. GENERAL INFORMATION

Norstar Founders Group Limited (Provisional Liquidators Appointed) (the “Company”) is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Trading in the shares of the Company has been suspended since 19 January 2009.

The principal activities of the Company and its subsidiaries (collectively referred as the “Group”) are the investment holding, marketing, trading and distribution of auto parts and auto suspension system, and construction decorative hardware products.

The functional currency of the Company for the year ended 31 March 2009 was United States Dollar (“US\$”). As the Group’s business have, since 1 April 2009, been substantially conducted in the PRC (with sales and purchases denominated in Renminbi (“RMB”)), the directors have reassessed the functional currency of the Company and certain subsidiaries and determined that the functional currency of the Company and certain subsidiaries be changed from US\$ to RMB with effect from 1 April 2009. The effect of a change in functional currency has been accounted for prospectively. The change in functional currency has no impact to the comparative figures presented as RMB was the Group’s presentation currency for the year ended 31 March 2009.

2. BASIS OF PREPARATION

(i) Financial results and position

The Group incurred a loss for the six months ended 30 September 2009 of approximately RMB40,162,000. The Group had net current liabilities and net liabilities of approximately RMB2,133,130,000 and RMB1,764,927,000 respectively as at 30 September 2009.

(ii) Filing of the petition

On 19 January 2009, trading in the shares of the Company was suspended (at the request of the Company) following a number of announcements made since late December 2008, in relation to, amongst other matters, the resignation of certain directors and group financial controller of the Company, default in payment by Norstar Automobile Industrial Holding Limited (“NAIH”) for treasury losses of approximately Hong Kong Dollars (“HK\$”) 44,000,000 and a creditor’s claim against the Group in the amount of RMB326,000,000.

On 6 February 2009, a petition to wind up the Company was presented to the High Court of the Hong Kong SAR (the “High Court”) by Madam Lilly Huang, a major shareholder of the Company, chairman of its board of directors and an executive director of the Company. On the same day, a petition to wind up the Company’s wholly-owned subsidiary, NAIH was also presented to the High Court by Fullitech International Limited (“Fullitech”), the immediate holding company of NAIH and a wholly-owned subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

2. BASIS OF PREPARATION (CONTINUED)

(ii) Filing of the petition (Continued)

On the same day, the High Court appointed Messrs Lai Kar Yan (Derek), Darach E. Haughey and Yeung Lui Ming (Edmund) of Deloitte Touche Tohmatsu as the joint and several provisional liquidators (the “Provisional Liquidators”) of the Company and of NAIH.

(iii) Debt Restructuring

On 8 December 2009, two schemes of arrangement were approved by the respective creditors of the Company (the “NFG Scheme”) and NAIH (the “NAIH Scheme”) (collectively the “Schemes”). Messrs Lai Kar Yan (Derek), Darach E. Haughey and Yeung Lui Ming (Edmund) were appointed as the joint and several scheme administrators of the respective Schemes (the “Scheme Administrators”). The Schemes were subsequently sanctioned by the High Court of Hong Kong Special Administrative Region and became effective on 19 March 2010.

NFG Scheme

It is proposed under the NFG Scheme that the indebtedness of the Company will be settled via the following:

- (i) A sum of HK\$2,000,000 placed with the Company by Mr. Zhou Tian Bao (“Mr. Zhou”), a substantial shareholder of the Company, for settlement of any debt, liability and obligation of the Company as at 19 March 2010;
- (ii) A repayment obligation from the Company (after restructuring) in favour of a special purpose company incorporated to facilitate the proposed debt restructuring of NFG under the NFG Scheme (the “NFG SPV”) for a fixed sum of HK\$200,000,000 under which the Company would repay the said sum within 12 months from the effective date of the NFG Scheme, i.e. 19 March 2010 (“NFG Repayment Obligation”); and
- (iii) Amounts recoverable from NAIH and Fullitech by way of distribution from the NAIH Scheme.

(i), (ii) and (iii) collectively referred to as the “NFG Scheme Assets”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

2. BASIS OF PREPARATION (CONTINUED)

(iii) Debt Restructuring (Continued)

NAIH Scheme

It is proposed under the NAIH Scheme that the indebtedness of NAIH will be settled via the following:

- (i) A total cash payment of HK\$15,000,000 made by NAIH to a special purpose company incorporated pursuant to the NAIH Scheme (the “NAIH SPV”);
- (ii) Net proceeds arising from the disposal of equity interest in four independent third party companies (the “Four 3rd Party Companies”);
- (iii) Net cash flow to be generated/net proceeds arising from the following:
 - (a) Net cash flow to be generated from Norstar Auto Suspension Manufacturing (Beijing) Inc (“Norstar Suspension”), a former subsidiary of the Company deconsolidated on 1 April 2008, and Profound Global Limited (“Profound”), an associate of the Group, over a period of 5 years in the total amount of HK\$1,381,000,000 (plus interest) (the “NAIH Repayment Obligation”), where the yearly minimum payment (“NAIH Minimum Yearly Payment”) is fixed as follows:

The NAIH Repayment Obligation are secured against the following:

- 1. A corporate guarantee issued by Fullitech in favour of the NAIH SPV for a sum up to the NAIH Repayment Obligation (the “Fullitech Corporate Guarantee”);
- 2. A corporate undertaking provided by the Company for a sum up to the NAIH Repayment Obligation (the “NFG Undertaking”);
- 3. First legal charge on Mr. Zhou’s direct and indirect shareholdings in the Company;
- 4. Share charge over NAIH’s 100% interest in Norstar Automotive Chassis Systems (Anhui) Inc (“Norstar Chassis”) for a sum up to the NAIH Repayment Obligation; and
- 5. Share charge over NAIH’s 40% interest in Profound for a sum up to the NAIH Repayment Obligation;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

2. BASIS OF PREPARATION (CONTINUED)

(iii) Debt Restructuring (Continued)

Or

- (b) Net proceeds arising from the disposal of Norstar Suspension and 60% shareholding in Profound.
- (iv) Net proceeds arising from the disposal of the shareholding in CX Tech Inc. and Sumitech Engineering Inc. independent third party companies, (collectively the “US Companies”), if such shareholdings are disposed of within 5 years from the effective date of the NAIH Scheme; and
- (v) Net proceeds arising from the disposal of Norstar Suspension after full settlement of the NAIH Repayment Obligation.

Further to the above, an alternative mechanism is proposed under the NAIH Scheme, where in the event of a receipt of a lump sum cash offer for all/part of the assets, including shareholding interests in the Four Third Party Companies, Profound and NAIH’s shareholding interest in Norstar Chassis together with the discharge of all relevant securities, pledges and undertakings, the Scheme Administrator of NAIH, after the NAIH Scheme becomes effective, may with the consent of the committee (the “Scheme Creditors Committee”) of the creditors (the “Scheme Creditors”) of the respective Schemes, convene a Scheme Creditors’ meeting to consider, and if considered appropriate, resolve to approve such an offer.

As part of the implementation of the NFG Scheme and the NAIH Scheme (both of which became effective on 19 March 2010), the Group’s entire equity interests in Norstar Automotive Industries Inc. (“Norstar Automotive BJ”), Norstar Suspension, Oriental New-Tech Limited (“New-Tech”) and Smooth Ride International Limited (“Smooth Ride”) were transferred to the NAIH SPV or the NFG SPV. Norstar Automotive BJ and Norstar Suspension (collectively the “PRC Subsidiaries”) were the main operating subsidiaries of the Group prior to their deconsolidation on 1 April 2008.

Further details of the Schemes are set out in the Company’s announcements dated 21 October 2009 and 15 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

2. BASIS OF PREPARATION (CONTINUED)

(iii) Debt Restructuring (Continued)

Issuance of HK\$15,000,000 senior note (the “Senior Note”)

To fulfill the obligation, the Company, NAIH, the Provisional Liquidators and Omni Success Limited (“OSL” or the “Subscriber”) had, on 6 September 2010, entered into a subscription agreement, (the “Subscription Agreement”) pursuant to which (i) NAIH has agreed to issue, and the Subscriber has agreed to subscribe for, the Senior Note for an aggregate principal amount of HK\$15 million with a maturity term of one year.

The principal terms of the Senior Note are summarised as follow:

Principal amount:	HK\$15,000,000
Interest rate:	HIBOR (3 months) plus 1.05%
Repayment of the principal of the Loan:	All outstanding loan together with all accrued and unpaid interest shall be repaid in one lump sum on the maturity date
Maturity date:	28 February 2013 (as extended by side letters entered into subsequent to the subscription agreement)

Further details of the Senior Note are set out in the Company’s announcement dated 5 October 2010.

As of the date of these consolidated financial statements, the NFG Repayment Obligation and the NAIH Repayment Obligation had not been settled. However, after due consideration and having regard to the status of the overall restructuring of the Group, the Scheme Creditors Committee and certain major Scheme Creditors of the respective companies, agreed that for the benefit of the general body of the Scheme Creditors, the Schemes continue to remain in effect.

In view of the above, there are material uncertainties surrounding the Group’s ability to act as a going-concern. However, these consolidated financial statements have been prepared on a going concern basis on the basis that the restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligation as and when they fall due in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

The condensed consolidated interim financial statements have been prepared under the historical cost convention.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2009.

During the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA. Except as described below, the adoption of the new or revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which Group operates, and revenue from the Group’s major customers. Due to the adoption of HKFRS 8 during the current year, certain comparative amounts have been revised to conform to current year’s presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

4. TURNOVER

The Group is principally engaged in the manufacture and sale of auto parts and construction decorative hardware products. An analysis of the Group's turnover, which represents the sales of goods to customers, is as follows:

(RMB'000)	Six months ended	
	30 September 2009 (unaudited)	2008 (unaudited)
Turnover		
Auto parts	9,228	2,013,829
Construction decorative hardware products	—	230,297
	<u>9,228</u>	<u>2,244,126</u>

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of HKFRS 8 has not changed the basis of measurement of segment profit or loss.

The Group's operating and reportable segments under HKFRS 8 based on the nature of businesses are as follows:

The Group's business is mainly categorised into two business segments:

- Auto parts; and
- Construction decorative hardware products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

5. SEGMENT INFORMATION (CONTINUED)

- (i) The following is an analysis of the Group's revenue, results and assets by reportable segments

Segment revenue and results

For the six months ended 30 September 2009 (unaudited)

(RMB'000)	Auto parts	Construction decorative hardware products	Total
Turnover	<u>9,228</u>	<u>-</u>	<u>9,228</u>
Segment results	<u>1,678</u>	<u>-</u>	<u>1,678</u>
Distribution expenses			(477)
Administrative expenses			(9,354)
Unallocated income			2,658
Finance costs			(27,948)
Share of loss of an associate			<u>(6,719)</u>
Consolidated loss before tax			<u>(40,162)</u>

For the six months ended 30 September 2008 (unaudited)

(RMB'000)	Auto parts	Construction decorative hardware products	Total
Turnover	<u>2,013,829</u>	<u>230,297</u>	<u>2,244,126</u>
Segment results	<u>335,480</u>	<u>26,071</u>	<u>361,551</u>
Distribution expenses			(25,379)
Administrative expenses			(140,773)
Unallocated income			63,089
Finance costs			(24,338)
Share of profit of an associate			<u>18,681</u>
Consolidated profit before tax			<u>252,831</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

5. SEGMENT INFORMATION (CONTINUED)

- (i) The following is an analysis of the Group's revenue, results and assets by reportable segments (Continued)

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	30 September 2009 (Unaudited) RMB'000	30 September 2008 (unaudited) RMB'000
Auto parts	110,615	73,335
Construction decorative hardware products	—	—
Total segment assets	110,615	73,335
Unallocated assets	390,934	397,920
Consolidated total assets	<u>501,549</u>	<u>471,225</u>

For the purposes of monitoring segmented performance and allocating resources between each segment:

- All assets are allocated to reportable segments other than interest in an associate, bank balances and cash and certain prepayment and other receivables. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

5. SEGMENT INFORMATION (CONTINUED)

(ii) Geographic information

The following is an analysis of the Group's revenue by geographical locations:

For the six months ended 30 September 2009 (unaudited)

The Group's turnover for the period ended 30 September 2009 are all derived in the PRC.

For the six months ended 30 September 2008 (unaudited)

<i>(RMB'000)</i>	United States	Canada	Europe	Others	Total
Segment turnover	<u>876,665</u>	<u>486,044</u>	<u>416,348</u>	<u>465,069</u>	<u>2,244,126</u>
Segment results	<u>135,822</u>	<u>82,061</u>	<u>66,156</u>	<u>77,512</u>	<u>361,551</u>

6. FINANCE COSTS

<i>(RMB'000)</i>	Six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
Interest on bank borrowings	26,349	22,727
Finance charges on obligations under finance leases	1,432	916
Bank charges	167	695
	<u>27,948</u>	<u>24,338</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

7. TAX

The amount of tax charged to the condensed consolidated statement of comprehensive income represents:

<i>(RMB'000)</i>	Six months ended	
	30 September 2009 (unaudited)	2008 (unaudited)
Current		
PRC enterprise income tax	—	52,686

No provision for Hong Kong profits tax has been made for the current and prior period as the Group had no assessable profits in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25% from 1 January 2008 onwards.

8. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging:

<i>(RMB'000)</i>	Six months ended	
	30 September 2009 (unaudited)	2008 (unaudited)
Staff costs	1,155	44,795
Cost of inventories sold	7,550	1,882,575
Depreciation	1,729	40,432
Gain on disposal of property, plant and equipment	—	272
Net exchange loss	—	8,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

9. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated by dividing the (loss) profit for the six months period attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the six months ended 30 September 2009 and 2008.

	Six months ended	
	30 September	
	2009	2008
	(unaudited)	(unaudited)
(Loss) profit for the period attributable to owners of the Company	<u>(40,162)</u>	<u>220,145</u>
Weighted average number of ordinary shares in issue	<u>1,259,491,601</u>	<u>1,259,491,601</u>

Diluted

Trading in the shares of the Company had been suspended since 19 January 2009 and no information of the average market price per share for the period is available. As the exercise price of the outstanding share options is higher than the market price for shares immediately before the suspension of trading in the Company's shares, the computation of diluted earnings per share for the six months ended 30 September 2009 does not assume the exercise of the Company's outstanding share options.

The computations of diluted earnings per share for the period ended 30 September 2008 did not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for the period ended 30 September 2008.

10. DIVIDENDS

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2009 (2008: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

<i>(RMB'000)</i>	<i>(unaudited)</i>
Net book value at 1 April 2009	41,578
Additions	258
Depreciation	<u>(1,729)</u>
Net book value at 30 September 2009	<u><u>40,107</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

12. INTEREST IN AN ASSOCIATE

<i>(RMB'000)</i>	30 September 2009 (unaudited)	31 March 2009 (audited)
Cost of investment in associate – unlisted equity interest	160,461	160,461
Share of post-acquisition profits and losses	163,515	170,234
	<u>323,976</u>	<u>330,695</u>

13. AVAILABLE-FOR-SALE INVESTMENTS

<i>(RMB'000)</i>	30 September 2009 (unaudited)	31 March 2009 (audited)
Unlisted equity investments in the PRC, at cost	2,294,119	2,294,119
Impairment	<u>(2,294,119)</u>	<u>(2,294,119)</u>
	<u>–</u>	<u>–</u>

The Group's available-for-sale investments represented the Group's equity interests in the PRC Subsidiaries. These equity interests are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that the fair values cannot be measured reliably.

As at 31 March 2009 and 30 September 2009, the Directors of the Company carried out a review of the recoverable amount of the available-for-sale investments and considered that the available –for-sale investments were fully impaired. The recoverable amount of the available-for-sale investments had been determined on the basis of their value in uses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

14. TRADE AND OTHER RECEIVABLES

<i>(RMB'000)</i>	30 September 2009 (unaudited)	31 March 2009 (audited)
Trade receivables	32,233	30,517
Prepayments and other receivables	17,999	17,518
	<u>50,232</u>	<u>48,035</u>

Aging analysis of trade receivables is as follows:

<i>(RMB'000)</i>	30 September 2009 (unaudited)	31 March 2009 (audited)
0 – 90 days	1,516	–
91 – 180 days	234	13,244
181 – 365 days	13,229	17,253
Over 1 year	17,254	20
	<u>32,233</u>	<u>30,517</u>

Normally, 30 to 90 days' credit terms are granted to customers.

15. AMOUNTS DUE FROM (TO) DECONSOLIDATED SUBSIDIARIES/ASSOCIATES/DIRECTORS

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

16. TRADE AND OTHER PAYABLES

<i>(RMB'000)</i>	30 September 2009 (unaudited)	31 March 2009 (audited)
Trade payables	14,708	11,143
Accruals and other payables	92,531	54,154
Payable arising from termination of derivative financial instruments	686,083	684,304
	<u>793,322</u>	<u>749,601</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

16. TRADE AND OTHER PAYABLES (CONTINUED)

- (a) The amount due is trade nature, unsecured, interest-free and repayable within 60 days.
- (b) The amounts due are unsecured, interest-free and have no fixed repayment terms.

Aging analysis of trade payables is as follows:

	30 September	31 March
	2009	2009
(RMB'000)	(unaudited)	(audited)
0 – 90 days	545	7,398
91 – 180 days	1,879	885
181 – 365 days	9,178	1,100
Over 1 year	3,106	1,760
	<u>14,708</u>	<u>11,143</u>

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

17. SHARE CAPITAL

	No. of shares	Ordinary share capital	
	<i>In millions</i>	<i>HK\$'000</i>	<i>RMB'000</i>
Authorized:			
At 1 April and 30 September 2009	<u>1,259</u>	<u>500,000</u>	
Issued and fully paid:			
At 1 April and 30 September 2009	<u>1,259</u>	<u>125,946</u>	<u>132,383</u>

18. RESERVES

Nature and purpose of reserves

(i) *Share premium*

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

18. RESERVES (CONTINUED)

(ii) *Capital reserve*

This represents the value of the unexercised equity component of convertible bonds issued by the Group recognised.

(iii) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iv) *Share-based payment reserve*

This represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group.

(v) *Merger reserve*

The merger reserve represents the difference between the aggregate net assets of the subsidiaries acquired by the Group and the nominal amount of the Company's shares issued at the date of reorganisation as set out in the prospectus of the Company dated 29 September 2003.

(vi) *General reserve fund and enterprise expansion fund*

Two subsidiaries of the Group established in the PRC, being foreign investment enterprises, are required to appropriate an amount from the net profit reported in their statutory accounts to two statutory reserves, namely general reserve fund and enterprise expansion fund. Both funds are designated for specific purposes. Based on directors' resolutions, the Group's subsidiaries in the PRC appropriated 10% of its statutory net profit to the general reserve fund and the enterprise expansion fund respectively.

19. CAPITAL COMMITMENTS

	30 September 2009 (unaudited)	31 March 2009 (audited)
(RMB'000)		
Contracted but not provided for in respect of the acquisition of property, plant and equipment	<u><u>807</u></u>	<u><u>1,373</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

20. OPERATING LEASE COMMITMENTS

The Group as lessee

As the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating which fall due as follows:

<i>(RMB'000)</i>	30 September 2009 (unaudited)	31 March 2009 (audited)
Within one year	209	890
In the second to fifth years inclusive	<u>–</u>	<u>530</u>
	<u>209</u>	<u>1,420</u>

Operating lease payments represented rentals payable by the Group for certain building, machinery and equipment. Lease are negotiated for an average term of 1-2 years (31 March 2009: 1-2 years).

21. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2009, the Group had significant related party transactions as summarized below:

<i>(RMB'000)</i>	Six months ended 30 September 2009 (unaudited)	2008 (unaudited)
Rental for leased office building, manufacturing premises and plant and machinery paid to AITC (<i>Note a</i>)	–	2,310
Rental for office building and staff quarters paid to related Companies (<i>Note b</i>)	–	797
Sale of raw materials to an associate	<u>–</u>	<u>178,438</u>

Notes:

- (a) Pursuant to lease agreements entered into between Norstar Automotive and Anhui Industries and Trading Corporation (“AITC”), AITC has leased to Norstar Automotive certain office building, manufacturing premises and plant and machinery. AITC, a company established in the PRC, is jointly owned and managed by Mr. Zhou Tian Bao, a director of the Company, and his spouse.
- (b) Those premises are beneficially owned by Mr. Zhou Tian Bao.
- (c) A related company provided corporate guarantee of up to a maximum amount of RMB200 million in respect of short-term banking facilities given to the Group on normal commercial terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

22. CONTINGENT LIABILITIES

As at 30 September 2009, the Group had no significant contingent liabilities (31 March 2009: Nil).

23. EVENTS AFTER THE REPORTING PERIOD

- (a) On 8 December 2009, the NFG Scheme and NAIH Scheme were approved by the respective creditors of the Company and NAIH. The Schemes were subsequently sanctioned by the High Court and became effective on 19 March 2010. Pursuant to the Schemes, certain assets and liabilities of the Group were transferred to the Schemes. Details of the Schemes are set out in the Company's announcements dated 21 October 2009 and 15 December 2009.
- (b) On 8 September 2010, the Company issued the Senior Note and raised HK\$15,000,000. On 15 August 2011 and 6 September 2012, the Company and the holder of the Senior Note entered into side letters, pursuant to which both parties agreed to extend the maturity date of the Senior Note to 8 September 2012 and 28 February 2013 respectively.
- (c) On 17 September 2012, the High Court ordered that the hearing of the winding up petitions against the Company and NAIH be adjourned to 18 February 2013.

On 10 January 2011, 17 May 2011, 6 September 2011, 14 May 2012 and 17 September 2012, the High Court ordered that the hearing of the winding up petitions against the Company and NAIH was adjourned to 16 May 2011, 5 September 2011, 14 May 2012, 17 September 2012 and 18 February 2013 respectively.