



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)

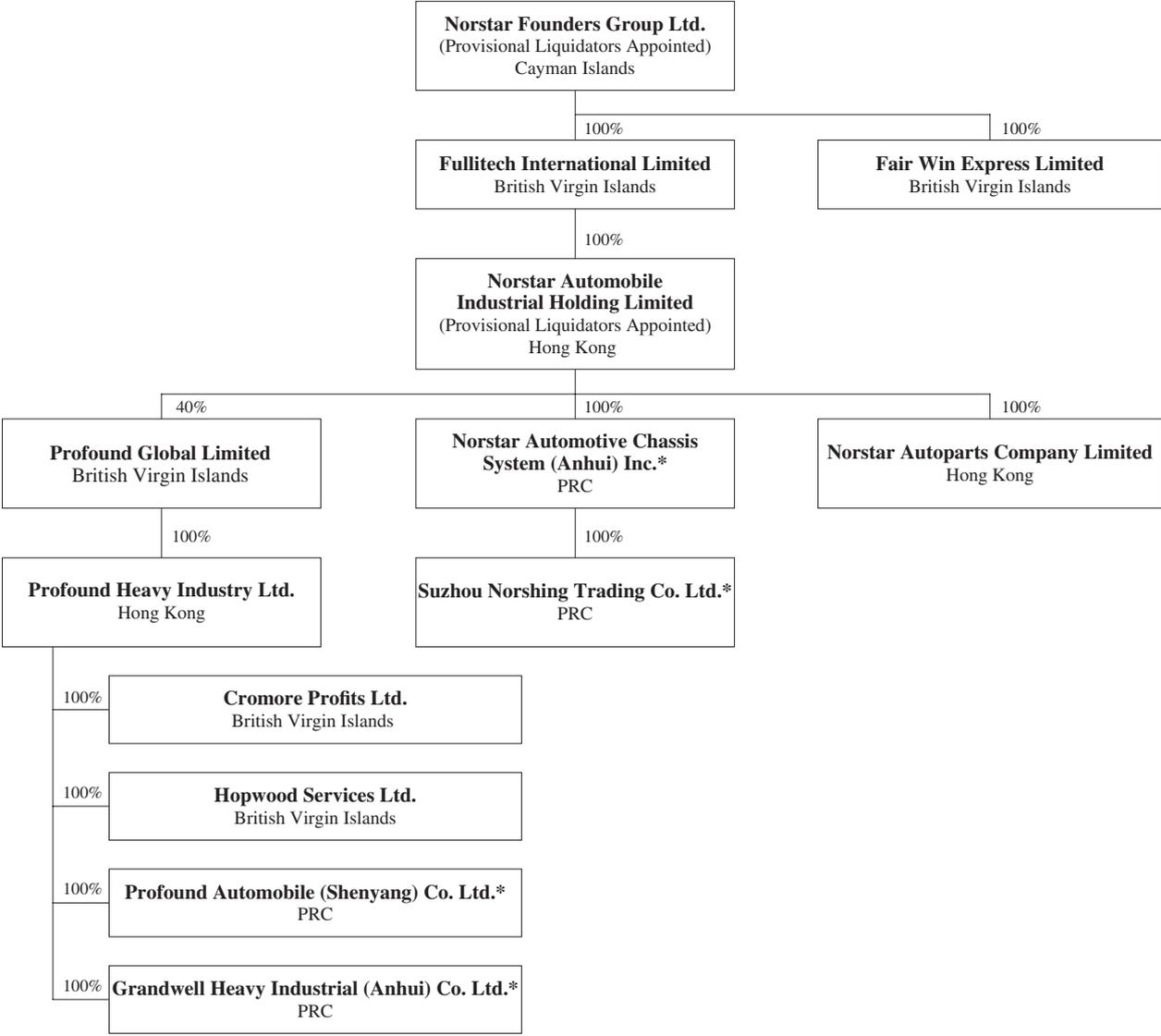
(Stock code: 2339)

INTERIM REPORT 2012

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GROUP CHART AS AT 30 SEPTEMBER 2012



* For identification purpose only

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Lilly Huang
Mr. Chin Chang Keng, Raymond
(appointed on 13 September 2013)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Choi Tat Ying, Jacky

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITOR

ZHONGHUI ANDA CPA Limited
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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 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the year, the Group was principally engaged in the manufacturing, 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 13 January 2014.

DIRECTORS' REPORT

PROPOSED RESTRUCTURING OF THE GROUP

The Group's proposed restructuring, which is to be carried out in two parts (i.e. the Debt Restructuring and the Capital Restructuring), was formulated to address the indebtedness of the Company and NAIH as described below under the section headed "The Debt Restructuring" and to regularise the financial position and capital needs of the Restructured Group.

The Debt Restructuring

The Debt Restructuring is being effected through the NFG Scheme and the NAIH Scheme pursuant to Section 166 of the Companies Ordinance to address the indebtedness of the Company and NAIH, respectively. 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. Further details of the Schemes were set out in the announcements of the Company dated 15 December 2009, 3 March 2010 and 24 March 2010 (the "Announcements"). Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Announcements.

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;
- (ii) A repayment obligation from the Company in favour of a special purpose company incorporated to facilitate the proposed debt restructuring of the Company 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.

Items (i), (ii) and (iii) above are collectively referred to as the "NFG Scheme Assets".

DIRECTORS' REPORT

PROPOSED RESTRUCTURING OF THE GROUP (CONTINUED)

The 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 (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 interests 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 together with interest thereon (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.
 - (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.

DIRECTORS' REPORT

PROPOSED RESTRUCTURING OF THE GROUP (CONTINUED)

The Debt Restructuring (Continued)

NAIH Scheme (Continued)

Further to the above, an alternative mechanism 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 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 on the Company's announcements dated 21 October 2009 and 15 December 2009.

Subsequent to the Effective Date, certain proposals affecting the Schemes have been sought as follows:

NFG Scheme

- (a) a release or waiver of all amounts owing from Fullitech to the Company which was assigned to the NFG SPV pursuant to the terms of the NFG Scheme, save and except for the amount to which Fullitech is entitled as a creditor of NAIH which is to be distributed by the NAIH Scheme Administrators under the terms of the NAIH Scheme; and
- (b) an extension of time for the fulfilment of the NFG Repayment Obligation from within 12 months of the Effective Date to 31 December 2013, or on the completion of the subscription agreement entered into with the Investor, whichever is later.

NAIH Scheme

- (a) a release of Fullitech Corporate Guarantee;
- (b) a release of the share charge over NAIH's 100% shareholding interest in Norstar Chassis;
- (c) a release of the NFG Undertaking, and in consideration for and simultaneous upon that release, 377,838,480 Subscription Shares subscribed by the Investor shall be issued and allotted to the NAIH SPV, and shall form part of the Scheme Assets of the NAIH Scheme; and
- (d) a release or waiver of all amounts owing from Norstar Chassis to NAIH which was assigned to NAIH SPV pursuant to the terms of the NAIH Scheme.

DIRECTORS' REPORT

PROPOSED RESTRUCTURING OF THE GROUP (CONTINUED)

The Debt Restructuring (Continued)

NAIH Scheme (Continued)

Subject to obtaining all necessary consents, authorisations and/or sanctions from the High Court, the Grand Court of the Cayman Islands and any other relevant parties, it is expected that upon Completion, the above obligations shall be fully discharged and accordingly all financial obligations/claims made against the Company and NAIH shall be fully discharged.

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 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 with its maturity date on 6 September 2011 and the proceed raised was utilised to satisfy the NAIH obligation.

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:	6 September 2011*

* The maturity date of the Senior Note has been extended by the parties from 6 September 2011 to 30 November 2013 by way of various side letters dated 15 August 2011, 6 September 2012, 28 February 2013, 30 April 2013, 31 May 2013, 30 June 2013, 31 July 2013, 31 August 2013, 30 September 2013 and 31 October 2013. Further details of the Senior Note are set out in the Company's announcement dated 5 October 2010.

Pursuant to the Subscription Agreement, the Company has, in consideration of the subscription of the Senior Note by OSL, undertaken to OSL that it shall issue the warrants (the "Warrants"), free and clear of all and any encumbrances, to the Subscriber Shareholders (being the shareholders of OSL). The gross proceeds arising from the exercise of the Warrants amounting to approximately HK\$14.7 million will be utilised as working capital of the Restructured Group.

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.

DIRECTORS' REPORT

PROPOSED RESTRUCTURING OF THE GROUP (CONTINUED)

The Capital Restructuring

On 31 May 2013, the Company, the Provisional Liquidators and the Investor entered into the subscription agreement. The subscription agreement, among other matters, sets out the terms of the proposed issuance of subscription shares and the proposed issuance of non-voting convertible Class B shares (the "Share Subscription Agreement"), which form part of the restructuring of the Company.

Subject to the fulfillment of the conditions precedent under the Share Subscription Agreement, the Investor will subscribe for the following with a total cash consideration of approximately HK\$250 million:

- (i) 1,555,538,480 ordinary shares at the subscription price of HK\$0.1168 each (the "Subscription Shares"). Amongst the 1,555,538,480 Subscription Shares to be subscribed by the Investor, 377,838,480 of which shall be issued and allotted to the NAIH SPV, which is a special purpose vehicle of the NAIH Scheme, for the benefit of the NAIH Scheme Creditors; and
- (ii) 585,546,241 Class B shares, with par value HK\$0.01 each carrying the right to convert into ordinary shares at the ratio of one to one at the subscription price of HK\$0.1168 each.

Upon completion of the Share Subscription Agreement, the Investor shall become the controlling shareholder of the Company.

Further details of the capital restructuring are set out in the Company's announcement dated 13 September 2013.

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.

With a view to resume trading in its shares on the Stock Exchange, the Company submitted a resumption proposal dated 28 September 2010 and a revised proposal dated 17 August 2011 (the "Resumption Proposal") to the Stock Exchange in respect of the proposed restructuring of the Group. Further details of the Resumption Proposal were set out in the announcements of the Company dated 21 October 2009, 15 December 2009 and 13 June 2012. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the respective public announcements made by the Company.

The Stock Exchange had, on 8 June 2012, informed the Company's financial adviser by way of a letter that it had decided to allow the Company to proceed with the Resumption Proposal, subject to the Company's fulfillment of the conditions as set out in the same letter to the satisfaction of the Stock Exchange by 28 February 2013.

Notwithstanding, as additional time is required for the satisfaction of the Resumption Conditions, on 27 February 2013, the Company applied to the Stock Exchange for an extension of time for the purpose of implementing the proposed restructuring and fulfilling the Resumption Conditions.

DIRECTORS' REPORT

PROSPECTS (CONTINUED)

On 27 May 2013 and 29 May 2013, the Company submitted to the Stock Exchange further revised resumption proposal (the "Final Proposal") which included the terms of the subscription agreement entered into between the Investor, the Company and the Provisional Liquidators.

On 4 June 2013, the Stock Exchange informed the Company's financial adviser in writing that the Stock Exchange had decided to allow the Company to proceed with the Final Proposal, subject to the satisfaction of Revised Resumption Conditions by 31 December 2013:

1. completion of the transactions under the Final Proposal;
2. inclusion in the circular to Shareholders the following:
 - (a) detailed disclosure of the Final Proposal and information about the Group;
 - (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 of the Company on the Directors' statement; and
 - (c) a pro forma balance sheet upon completion of the Final Proposal, and a comfort letter from the auditors under Rule 4.29 of the Listing Rules;
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 Stock Exchange may modify the resumption conditions if the Company's situation changes.

The Provisional Liquidators and their respective advisors are working towards in fulfilling the conditions imposed by the Stock Exchange.

WARNING STATEMENT

Shareholders and potential investors of the Company should note that (1) the principal elements of the proposed 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.

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS

Financial Performance

During the six months ended 30 September 2012 (“FP2013” or the “Period”), the Group was principally engaged in the manufacturing, sale and trading of auto parts and construction decorative hardware products.

For the FP2013, the Group recorded a turnover from sale and trading of auto parts of approximately RMB56.5 million, representing an decrease of approximately 31.6% from the financial year ended 30 September 2011 (“FP2012”) of approximately RMB82.6 million. Gross profit margin increased from approximately 6.3% in FP2012 to approximately 14.8% in FP2013. The loss attributable to equity holders of the Company was approximately RMB4.1 million for FP2013, as compared to a profit of approximately RMB1.6 million for FP2012.

The decrease in turnover is mainly due to the scaled down trading business of the Group, which despite having a significant turnover, has insignificant profit contribution to the Group due to its minuscule margin.

Basic loss per share for the Period ended 30 September 2012 was approximately RMB0.33 cents as compared with earnings per share of RMB0.13 cents for the preceding year.

No dividend was paid or proposed during the Period ended 30 September 2012, nor has any dividend been proposed since the end of the reporting period (FP2012: Nil).

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS (CONTINUED)

Financial Position

As at 30 September 2012, the Group had total net liabilities of approximately RMB358.7 million and net current liabilities of approximately RMB425.8 million, compared to total net liabilities of approximately RMB354.6 million and net current liabilities of approximately RMB395.1 million in FP2012.

Cash Flow

During the Period under review, total cash flow from operations amounted to approximately a positive cash flow of RMB27.4 million compared to a positive cash flow of RMB0.3 million last year.

Liquidity and Financial Resources

As at 30 September 2012, bank balances and cash of the Group were approximately RMB1.6 million (FP2012: RMB1.5 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 12 to the consolidated financial statements.

Pledge of assets

The Group's entire and 40% equity interests in Norstar Chassis and Profound respectively were pledged for the NAIH Repayment Obligation as set out in note 2 to the consolidated financial statements.

Contingent Liabilities

The Group and the Company had the following contingent liabilities:

As at 30 September, the Company provided the NFG Undertaking and Fullitech provided the Fullitech Corporate Guarantee for a sum up to the NAIH Repayment Obligation.

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. Chin Chang Keng, Raymond (appointed on 13 September 2013)

Independent Non-Executive Director

Mr. Choi Tat Ying, Jacky

There is currently no Non-Executive Director.

DIRECTORS' REPORT

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' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2012, 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 2)
	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	–

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) 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 2012.

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 2012.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, 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 <i>(Note 4)</i>
Century Founders Group Limited <i>(Note 2)</i>	600,000,000	47.64%
Mark Up Investments Limited	645,000,000	51.21%
Ms. Lilly Huang <i>(Note 2&3)</i>	600,000,000	47.64%
Mr. Zhou Tian Bao <i>(Note 3)</i>	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 2012.

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 six months ended 30 September 2012.

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 six months ended 30 September 2012 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 two Executive Directors 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 2012

		Six months ended	
		30 September	
		2012	2011
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
Turnover	4	56,474	82,612
Cost of inventories sold		<u>(48,107)</u>	<u>(77,373)</u>
Gross profit		8,367	5,239
Other income	6	113	8,876
Distribution and selling expenses		(2,344)	(2,670)
Administrative expenses		<u>(6,095)</u>	<u>(4,389)</u>
Profit from operations		41	7,056
Finance costs	7	<u>(4,180)</u>	<u>(4,119)</u>
(Loss)/profit before tax		(4,139)	2,937
Income tax	8	<u>–</u>	<u>(1,293)</u>
(Loss)/profit and total comprehensive income for the period attributable to equity holders of the Company	9	<u><u>(4,139)</u></u>	<u><u>1,644</u></u>
(Loss)/earnings per share	11		
Basic and diluted (RMB cents per share)		<u><u>(0.33)</u></u>	<u><u>0.13</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	<i>Notes</i>	At 30 September 2012 <i>RMB'000</i> (unaudited)	At 31 March 2012 <i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment	12	67,103	40,584
Interest in an associate	13	—	—
		67,103	40,584
Current assets			
Inventories		26,675	24,403
Trade and other receivables	14	73,522	118,515
Amount due from an associate		9,582	9,831
Bank and cash balances		1,581	1,484
Current tax assets		14	7
		111,374	154,240
Current liabilities			
Trade and other payables	15	83,929	103,956
Amounts due to the Schemes	16	385,159	379,983
Amount due to an associate		6,956	6,961
Obligations under finance leases		26,224	26,065
Senior note		12,572	12,417
Interest-bearing borrowings		12,404	10,070
Tax payables		9,926	9,926
		537,170	549,378
Net current liabilities		(425,796)	(395,138)
NET LIABILITIES		(358,693)	(354,554)
Capital and reserves			
Share capital		111,248	111,248
Reserves		(469,941)	(465,802)
TOTAL EQUITY		(358,693)	(354,554)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i> (unaudited)	Share premium <i>RMB'000</i> (unaudited)	Foreign currency translation reserve <i>RMB'000</i> (unaudited)	Share option reserve <i>RMB'000</i> (unaudited)	Merger reserve <i>RMB'000</i> (unaudited)	Accumulated losses <i>RMB'000</i> (unaudited)	Total equity <i>RMB'000</i> (unaudited)
At 1 April 2011	111,248	1,462,047	74,085	9,001	(249,433)	(1,768,169)	(361,221)
Total comprehensive profit for the period	-	-	-	-	-	1,644	1,644
Share options lapsed	-	-	-	(1,041)	-	1,041	-
Equity settled share-based payments	-	-	-	7	-	-	7
At 30 September 2011	<u>111,248</u>	<u>1,462,047</u>	<u>74,085</u>	<u>7,967</u>	<u>(249,433)</u>	<u>(1,765,484)</u>	<u>(359,570)</u>
At 1 April 2012	111,248	1,462,047	74,085	7,967	(249,433)	(1,760,468)	(354,554)
Total comprehensive loss for the period	-	-	-	-	-	(4,139)	(4,139)
At 30 September 2012	<u>111,248</u>	<u>1,462,047</u>	<u>74,085</u>	<u>7,967</u>	<u>(249,433)</u>	<u>(1,764,607)</u>	<u>(358,693)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net cash generated from operating activities	27,426	349
Net cash used in investing activities	(29,226)	(2,609)
Net cash generated from financing activities	<u>1,897</u>	<u>2,334</u>
Net increase in cash and cash equivalents	97	74
Cash and cash equivalents at beginning of period	<u>1,484</u>	<u>1,435</u>
Cash and cash equivalents at end of period	<u><u>1,581</u></u>	<u><u>1,509</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. GENERAL INFORMATION

Norstar Founders Group Limited (Provisional Liquidators Appointed) (“the Company” or “NFG”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY 1-1111, Cayman Islands and principal place of business is 35th Floor One Pacific Place, 88 Queensway, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the trading in shares of the Company has been suspended since 19 January 2009.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively “the Group”) were principally engaged in manufacturing, sale and trading of auto parts and construction decorative hardware products.

2. BASIS OF PREPARATION

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

These condensed consolidated interim financial statements (the “Interim Financial Statements”) do not include all the information and disclosures required in the full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards, and should be read in conjunction with the annual financial statements for the year ended 31 March 2012.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

2. BASIS OF PREPARATION (CONTINUED)

Winding-up petitions and appointment of provisional liquidators

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”), a wholly owned subsidiary of the Company for treasury losses of approximately HK\$44 million and a creditor’s claim against the Group in the amount of approximately RMB326 million, the trading in the shares of the Company has been suspended since 19 January 2009 at the request of the NFG.

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, 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 13 January 2014.

Suspension of trading in the shares of the Company

As mentioned above, the trading in the Company’s shares on the Stock Exchange has been suspended since 19 January 2009.

With a view to resume trading in its shares on the Stock Exchange, the Company submitted a resumption proposal dated 28 September 2010 and a revised proposal dated 17 August 2011 (the “Resumption Proposal”) to the Stock Exchange in respect of the proposed restructuring of the Group. Further details of the Resumption Proposal were set out in the announcements of the Company dated 21 October 2009, 15 December 2009 and 13 June 2012. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the respective public announcements made by the Company.

The Stock Exchange had, on 8 June 2012, informed the Company’s financial adviser by way of a letter that it had decided to allow the Company to proceed with the Resumption Proposal, subject to the Company’s fulfilment of the conditions as set out in the same letter to the satisfaction of the Stock Exchange by 28 February 2013.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

2. BASIS OF PREPARATION (CONTINUED)

Suspension of trading in the shares of the Company (Continued)

Notwithstanding, as additional time is required for the satisfaction of the Resumption Conditions, on 27 February 2013, the Company applied to the Stock Exchange for an extension of time for the purpose of implementing the proposed restructuring and fulfilling the Resumption Conditions.

On 27 May 2013 and 29 May 2013, the Company submitted to the Stock Exchange further revised resumption proposal (the "Final Proposal") which included the terms of the subscription agreement entered into between the Investor, the Company and the Provisional Liquidators.

On 4 June 2013, the Stock Exchange informed the Company's financial adviser in writing that the Stock Exchange had decided to allow the Company to proceed with the Final Proposal subject to fulfillment of the following revised resumption conditions by 31 December 2013:

- (a) Completion of the transactions under the Final Proposal;
- (b) Inclusion in the circular to Shareholders the following:
 - (i) Detailed disclosure of the Final Proposal and information about the Group;
 - (ii) 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 of the Company on the Directors' statement; and
 - (iii) A pro forma balance sheet upon completion of the Final Proposal, and a comfort letter from the auditors under Rule 4.29 of the Listing Rules;
- (c) Publication of all outstanding financial results with major audit qualifications properly addressed;
- (d) Provision of confirmation from the internal control reviewer of the Group that the Group has an adequate and effective internal control system; and
- (e) Withdrawal or dismissal of the winding-up petition and discharge of the Provisional Liquidators.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

2. BASIS OF PREPARATION (CONTINUED)

Suspension of trading in the shares of the Company (Continued)

The Stock Exchange may modify the resumption conditions if the Company's situation changes.

The Provisional Liquidators and their respective advisors are now working towards in fulfilling the conditions imposed by the Stock Exchange.

On 20 November 2013, the circular in relation to, inter alia, the proposed restructuring of the Company involving (i) Debt Restructuring; (ii) Proposed Capital Restructuring; (iii) Proposed Issuance of Subscription Shares; (iv) Proposed Issuance of Class B Shares; (v) Proposed Issuance of Warrants; (vi) application for Whitewash Waiver; (vii) proposed adoption of amended and restated Memorandum and Articles; (viii) appointment of Directors; (ix) Change of Company Name; and (x) Continuing Connected Transactions was despatched to the shareholders. Further details of the circular were set out in the announcement of the Company dated 20 November 2013.

Proposed restructuring of the Group

The Group's proposed restructuring, which is to be carried out in two parts (i.e. the Debt Restructuring and the Capital Restructuring), was formulated to address the indebtedness of the Company and NAIH as described below under the section headed "The Debt Restructuring" and to regularise the financial position and capital needs of the Restructured Group.

The Debt Restructuring

The Debt Restructuring is being effected through the NFG Scheme and the NAIH Scheme pursuant to Section 166 of the Hong Kong Companies Ordinance to address the indebtedness of the Company and NAIH, respectively. 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 "Effective Date"). Further details of the Schemes were set out in the announcements of the Company dated 15 December 2009, 3 March 2010 and 24 March 2010 (the "Announcements"). Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Announcements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

2. BASIS OF PREPARATION (CONTINUED)

Proposed restructuring of the Group (Continued)

The Debt Restructuring (Continued)

NFG Scheme

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

- (a) A sum of HK\$2,000,000 placed with the Company by Mr. Zhou Tian Bao (“Mr. Zhou”), a substantial shareholder of the Company;
- (b) A repayment obligation from the Company in favour of a special purpose company incorporated to facilitate the proposed debt restructuring of the Company 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
- (c) Amounts recoverable from NAIH and Fullitech by way of distribution from the NAIH Scheme.

Items (a), (b) and (c) above are collectively referred to as the “NFG Scheme Assets”.

NAIH Scheme

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

- (a) 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”);
- (b) Net proceeds arising from the disposal of equity interests in four independent third party companies (the “Four Third Party Companies”);

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

2. BASIS OF PREPARATION (CONTINUED)

Proposed restructuring of the Group (Continued)

The Debt Restructuring (Continued)

NAIH Scheme (Continued)

(c) Net cash flow to be generated/net proceeds arising from the following:

- (i) 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 principal amount of HK\$1,381,000,000 together with the related interest thereon (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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

2. BASIS OF PREPARATION (CONTINUED)

Proposed restructuring of the Group (Continued)

The Debt Restructuring (Continued)

NAIH Scheme (Continued)

- (d) 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
- (e) Net proceeds arising from the disposal of Norstar Suspension after full settlement of the NAIH Repayment Obligation.

Further to the above, an alternative mechanism under the NAIH Scheme was also included, 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 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 on the Company’s announcements dated 21 October 2009 and 15 December 2009.

Subsequent to the Effective Date, certain proposals affecting the Schemes have been sought as follows:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

2. BASIS OF PREPARATION (CONTINUED)

Proposed restructuring of the Group (Continued)

The Debt Restructuring (Continued)

NFG Scheme

- (a) a release or waiver of all amounts owing from Fullitech to the Company which was assigned to the NFG SPV pursuant to the terms of the NFG Scheme, save and except for the amount to which Fullitech is entitled as a creditor of NAIH which is to be distributed by the NAIH Scheme Administrators under the terms of the NAIH Scheme; and
- (b) an extension of time for the fulfilment of the NFG Repayment Obligation from within 12 months of the Effective Date to 31 December 2013, or on the completion of the subscription agreement entered into with the Investor, whichever is later.

NAIH Scheme

- (a) a release of Fullitech Corporate Guarantee;
- (b) a release of the share charge over NAIH's 100% shareholding interest in Norstar Chassis;
- (c) a release of the NFG Undertaking, and in consideration for and simultaneous upon that release, 377,838,480 Subscription Shares subscribed by the Investor shall be issued and allotted to the NAIH SPV, and shall form part of the Scheme Assets of the NAIH Scheme; and
- (d) a release or waiver of all amounts owing from Norstar Chassis to NAIH which was assigned to NAIH SPV pursuant to the terms of the NAIH Scheme.

Subject to obtaining all necessary consents, authorisations and/or sanctions from the High Court, the Grand Court of the Cayman Islands and any other relevant parties, it is expected that upon completion of the Restructuring, the above obligations shall be fully discharged and accordingly all financial obligations/claims made against the Company and NAIH shall be fully discharged.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

2. BASIS OF PREPARATION (CONTINUED)

Proposed 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 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 with its maturity date on 6 September 2011 and the proceed raised was utilised to satisfy the NAIH obligation.

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:	6 September 2011*

* The maturity date of the Senior Note has been extended by the parties from 6 September 2011 to 30 November 2013 by way of various side letters dated 15 August 2011, 6 September 2012, 28 February 2013, 30 April 2013, 31 May 2013, 30 June 2013, 31 July 2013, 31 August 2013, 30 September 2013 and 31 October 2013. Further details of the Senior Note are set out in the Company’s announcement dated 5 October 2010.

Pursuant to the Subscription Agreement, the Company has agreed to issue the warrants (the “Warrants”) to OSL as the Subscriber Shareholders for its subscription of the NAIH Senior Note. The Company, the Subscriber Shareholders and the Provisional Liquidators shall enter into the Warrants Deed for the issue of the warrants. The gross proceeds arising from the exercise of the Warrants amounting to approximately HK\$14.7 million will be utilised as working capital of the Restructured Group.

As of the date of these Interim 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

2. BASIS OF PREPARATION (CONTINUED)

Proposed restructuring of the Group (Continued)

The Capital Restructuring

On 31 May 2013, the Company, the Provisional Liquidators and the Investor entered into the subscription agreement. The subscription agreement sets out, amongst other matters, the terms of the proposed issuance of subscription shares and the proposed issuance of non-voting convertible Class B shares (the “Share Subscription Agreement”), which form part of the restructuring of the Company.

Subject to the fulfillment of the conditions precedent under the Share Subscription Agreement, the Investor will subscribe for the following with a total cash consideration of approximately HK\$250 million:

- (a) 1,555,538,480 ordinary shares at the subscription price of HK\$0.1168 each (the “Subscription Shares”). Amongst the 1,555,538,480 Subscription Shares to be subscribed by the Investor, 377,838,480 of which shall be issued and allotted to the NAIH SPV, which is a special purpose vehicle of the NAIH Scheme, for the benefit of the NAIH Scheme Creditors; and
- (b) 585,546,241 Class B shares, with par value HK\$0.01 each carrying the right to convert into ordinary shares at the ratio of one to one at the subscription price of HK\$0.1168 each.

Upon completion of the Share Subscription Agreement, the Investor shall become the controlling shareholder of the Company.

Further details of the capital restructuring are set out in the Company’s announcement dated 13 September 2013.

Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately RMB4,139,000 for the six months ended 30 September 2012 and as at 30 September 2012, the Group had net current liabilities of approximately RMB425,796,000 (31 March 2012: RMB395,138,000) and net liabilities of approximately RMB358,693,000 (31 March 2012: RMB354,554,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

2. BASIS OF PREPARATION (CONTINUED)

Going concern (Continued)

The Interim Financial Statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the financial restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the Interim Financial Statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on 1 April 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's Interim Financial Statements and amounts reported for the current period and prior periods.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

4. TURNOVER

Turnover represents revenue arising from manufacturing, sale and trading of auto parts and construction decorative hardware products for the period. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 September	
	2012 <i>RMB'000</i> (unaudited)	2011 <i>RMB'000</i> (unaudited)
Auto parts	53,094	54,141
Construction decorative hardware products	3,380	28,471
	<u>56,474</u>	<u>82,612</u>

5. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

An analysis of the Group's turnover and results by operating segments is as follows:

	Auto parts <i>RMB'000</i> (unaudited)	Construction decorative hardware products <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
For the six months ended 30 September 2012:			
Revenue from external customers	53,094	3,380	56,474
Segment loss	(1,552)	(118)	(1,670)
At 30 September 2012:			
Segment assets – unaudited	<u>166,766</u>	<u>10,116</u>	<u>176,882</u>
For the six months ended 30 September 2011:			
Revenue from external customers	54,141	28,471	82,612
Segment profit/(loss)	926	(666)	260
At 31 March 2012:			
Segment assets – audited	<u>141,754</u>	<u>51,579</u>	<u>193,333</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

5. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment profit and loss:

	Six months ended 30 September	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Total (loss)/profit of reportable segments	(1,670)	260
Corporate and unallocated profit or loss	<u>1,711</u>	<u>6,796</u>
Consolidated total profit from operations	<u><u>41</u></u>	<u><u>7,056</u></u>

6. OTHER INCOME

	Six months ended 30 September	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Net exchange gains	–	8,571
Government grants (<i>note</i>)	–	50
Interest income	2	2
Others	<u>111</u>	<u>253</u>
	<u><u>113</u></u>	<u><u>8,876</u></u>

Note: Government grants are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

7. FINANCE COSTS

	Six months ended 30 September	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest expenses on borrowings that are wholly repayable within five years:		
– Amounts due to the NAIH Scheme	3,414	3,414
– Senior note	80	82
– Discounted bills	686	623
	<u>4,180</u>	<u>4,119</u>

8. INCOME TAX

No provision for profits tax has been made as the Group did not generate any assessable profits for each of the six months ended 30 September 2012 and 2011. As at 30 September 2012, subject to the agreements with the tax authorities, the Group has unused tax losses of approximately RMB232,976,000 (31 March 2012: RMB232,976,000) for a subsidiary incorporated in Hong Kong available for offset against future profits of approximately RMB232,976,000 (31 March 2012: RMB232,976,000) may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams of that subsidiary.

9. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is stated after charging the following:

	Six months ended 30 September	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Cost of inventories sold	48,107	77,373
Depreciation	2,707	2,170
Staff costs	2,870	1,941
Directors' emoluments:		
Fees	–	–
Equity settled share-based payments	–	7
	<u>–</u>	<u>7</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

10. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for each of the six months ended 30 September 2012 and 2011.

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss of approximately RMB4,139,000 (six months ended 30 September 2011: profit of approximately RMB1,644,000) attributable to equity holders of the Company for the period and the weighted average number of 1,259,461,601 (six months ended 30 September 2011: 1,259,461,601) ordinary shares in issue during the period.

(b) Diluted (loss)/earnings per share

Trading in the shares of the Company was 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 presentation of diluted earnings per share for the six months ended 30 September 2012 and 2011 do not assume the exercise of the Company's outstanding share options.

12. PROPERTY, PLANT AND EQUIPMENT

	2012 <i>RMB'000</i> (unaudited)	2011 <i>RMB'000</i> (unaudited)
Carrying amounts at 1 April – audited	40,584	41,526
Additions	29,226	2,609
Depreciation for the period	(2,707)	(2,170)
	<hr/>	<hr/>
Carrying amounts at 30 September – unaudited	<u>67,103</u>	<u>41,965</u>

At 30 September 2012, the carrying amount of machinery and equipment held by the Group under finance leases amounted to approximately RMB16,000,000 (31 March 2012: RMB15,478,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

13. INTEREST IN AN ASSOCIATE

	At 30 September 2012 <i>RMB'000</i> (unaudited)	At 31 March 2012 <i>RMB'000</i> (audited)
– Cost of unlisted equity investment	160,461	160,461
– Share of post-acquisition profits and losses	148,421	148,421
	<u>308,882</u>	<u>308,882</u>
Less: Impairment loss	<u>(308,882)</u>	<u>(308,882)</u>
	<u><u>–</u></u>	<u><u>–</u></u>

(a) As a result of the persistent operating losses and insolvent financial position of the associate's subsidiaries to be transferred to the NAIH Scheme, the Directors considered that it is unlikely to recover any amount from the carrying amount of approximately RMB308,882,000 as at 31 March 2010, and a full provision for impairment had been made for the year ended 31 March 2010.

(b) Particulars of the Group's associate at the end of the reporting period is as follows:

Name of entity	Place of establishment/ operation	Nominal value of issued ordinary share capital	Proportion equity interests held by the Group	Principal activity
Profound Global Limited	British Virgin Islands	20,000 ordinary shares of US\$1 each	40%	Investment holding

(c) The Group's 40% equity interest in Profound was pledged for the NAIH Repayment Obligation as set out in note 2.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

14. TRADE AND OTHER RECEIVABLES

	At 30 September 2012 <i>RMB'000</i> (unaudited)	At 31 March 2012 <i>RMB'000</i> (audited)
Trade receivables	57,046	101,756
Bills receivables	13,304	10,470
Prepayments and other receivables	3,172	6,289
	<u>73,522</u>	<u>118,515</u>

Trade receivables

The Group allows an average credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of impairment, presented based on the invoice date at the end of the reporting period.

	At 30 September 2012 <i>RMB'000</i> (unaudited)	At 31 March 2012 <i>RMB'000</i> (audited)
0 to 90 days	35,352	96,899
91 to 180 days	3,665	3,235
181 to 365 days	17,480	1,138
Over 1 year	549	484
	<u>57,046</u>	<u>101,756</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Bills receivables

The following is an aged analysis of bills receivables:

	At 30 September 2012 <i>RMB'000</i> (unaudited)	At 31 March 2012 <i>RMB'000</i> (audited)
0 to 90 days	6,123	5,298
91 to 180 days	<u>7,181</u>	<u>5,172</u>
	<u>13,304</u>	<u>10,470</u>

15. TRADE AND OTHER PAYABLES

	At 30 September 2012 <i>RMB'000</i> (unaudited)	At 31 March 2012 <i>RMB'000</i> (audited)
Trade payables	50,257	69,268
Accruals and other payables	<u>33,672</u>	<u>34,688</u>
	<u>83,929</u>	<u>103,956</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

15. TRADE AND OTHER PAYABLES (CONTINUED)

An aging analysis of the trade payables at the end of the reporting period, based on invoice dates, is as follows:

	At 30 September 2012 <i>RMB'000</i> (unaudited)	At 31 March 2012 <i>RMB'000</i> (audited)
0 to 90 days	34,307	52,227
91 to 180 days	2,808	10,131
181 to 365 days	11,219	2,548
over 365 days	1,923	4,362
	<u>50,257</u>	<u>69,268</u>

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

16. AMOUNTS DUE TO THE SCHEMES

	At 30 September 2012 <i>RMB'000</i> (unaudited)	At 31 March 2012 <i>RMB'000</i> (audited)
NFG Repayment Obligation	163,180	162,190
Amounts due to NAIH Scheme	160,076	156,266
Amounts due to NFG Scheme	61,903	61,527
	<u>385,159</u>	<u>379,983</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

17. CONTINGENT LIABILITIES

As at 31 March 2012 and 30 September 2012, the Company provided the NFG Undertaking and Fullitech provided the Fullitech Corporate Guarantee for a sum up to the NAIH Repayment Obligation.

18. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's proposed restructuring in progress, and further details of which are stated in note 2 to the Interim Financial Statements.

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 31 October 2013.