



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)

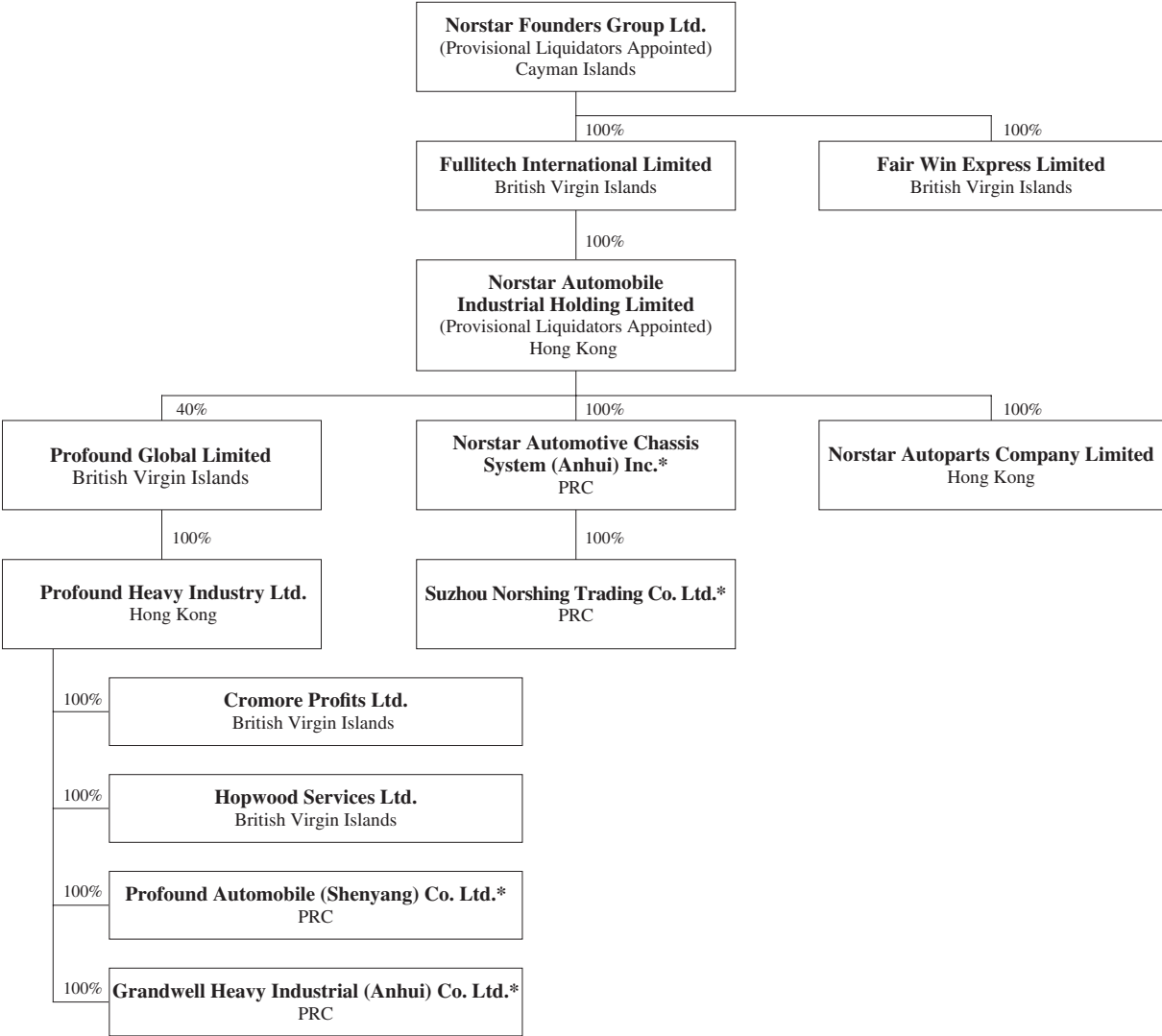
(Stock code: 2339)

INTERIM REPORT 2010

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GROUP CHART AS AT 30 SEPTEMBER 2010



* For identification purpose only

CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Ms. Lilly Huang

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor

Services Limited

Rooms 1712-1716, 17th Floor

Hopewell Centre

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Wan Chai, 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

REGISTERED OFFICE

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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 2010.

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 advisor 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 2010 ("FP2011" or the "Period") are set out in the consolidated statement of comprehensive income on page 17.

During FP2011, the Group recorded a turnover from sale and trading of auto parts of approximately RMB126.6 million, representing an increase of approximately 54% from the financial year ended 30 September 2009 ("FP2010") of approximately RMB9.2 million. Notwithstanding, gross profit margin declined from approximately 18.2% in FP2010 to approximately 4.1% in FP2011. The profit attributable to owners of the Group was approximately RMB1,350 million for FY2010, as compared to a loss of approximately RMB4,855 million for FY2009.

The increase in turnover is mainly due to the commencement of the Group's auto parts trading business and growth in the manufacturing and sale of auto parts.

The profit from operations of the Company amounted to approximately RMB4.8 million for the Period, as compared to a profit of approximately -RMB5.5 million for FP2010. The profit from reportable segments (as disclosed in note 5 to the interim results announcement) was approximately RMB1.9 million for FP2011 (FP2010: RMB1.7 million).

Basic earnings per share for the Period ended 30 September 2010 was approximately RMB0.01 cents as compared with loss per share of RMB3.19 cents for the preceding year.

No dividend was paid or proposed during the Period ended 30 September 2010, nor has any dividend been proposed since the end of the reporting period (FP2010: Nil).

Financial Position

As at 30 September 2010, the Group had total net liabilities of approximately RMB375.4 million and net current liabilities of approximately RMB419 million, compared to total net liabilities of approximately RMB377.3 million and net current liabilities of approximately RMB421.9 million in FP2010.

Cash Flow

During the Period under review, total cash flow from operations amounted to approximately a negative cash flow of RMB8.7 million compared to a positive of RMB38.5 million last year.

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS (CONTINUED)

Liquidity and Financial Resources

As at 30 September 2010, bank balances and cash of the Group were approximately RMB1 million (FP2010: RMB0.4 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.

Pledge of assets

The Group's entire and 40% equity interests in Norstar Chassis and Profound respectively were pledged for the NAIH Repayment Obligation.

Contingent Liabilities

The Group and the Company had the following contingent liabilities:

As at 30 September 2010, the Company provided the NFG Undertaking and Fullitech provided the Fullitech Corporate Guarantee for a sum up to the NAIH Repayment Obligation (FP2010: Nil).

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 Director

Ms. Lilly Huang

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 2010, 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 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 2010.

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 2010.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2010, 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 2010.

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 2010.

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 2010 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 COMPREHENSIVE INCOME

For the six months ended 30 September 2010

<i>(RMB'000)</i>	<i>Notes</i>	Six months ended 30 September	
		2010	2009
		(unaudited)	(unaudited)
Turnover	4	126,564	9,228
Cost of sales		<u>(121,376)</u>	<u>(7,550)</u>
Gross profit		5,188	1,678
Other income		8,447	2,658
Distribution and selling expenses		(3,265)	(477)
Administrative expenses		(5,573)	(9,354)
Finance costs	6	(3,571)	(27,948)
Share of loss of an associate		<u>–</u>	<u>(6,719)</u>
Profit (loss) before tax		1,226	(40,162)
Tax	7	<u>(1,402)</u>	<u>–</u>
Loss for the period and total comprehensive expense for the period attributable to owners of the Company	8	<u>(176)</u>	<u>(40,162)</u>
Dividends	10	<u>–</u>	<u>–</u>
Loss per share	9		
Basic and diluted		<u>RMB(0.01) cents</u>	<u>RMB(3.19) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

<i>(RMB'000)</i>	<i>Notes</i>	30 September 2010 (unaudited)	31 March 2010 (unaudited)
Non-current assets			
Property, plant and equipment	<i>11</i>	43,668	44,618
Interest in an associate	<i>12</i>	—	—
		<u>43,668</u>	<u>44,618</u>
Current assets			
Inventories		11,372	5,797
Trade and other receivables	<i>13</i>	30,631	22,443
Amount due from an associate	<i>14</i>	113	2,417
Amount due from deconsolidated subsidiaries	<i>14</i>	11,555	12,889
Bank balances and cash		971	375
		<u>54,642</u>	<u>43,921</u>
Current liabilities			
Trade and other payables	<i>15</i>	429,820	435,393
Amount due to an associate	<i>14</i>	—	867
Obligation under finance leases		28,300	28,300
Senior note	<i>16</i>	12,945	—
Tax payables		2,641	1,299
		<u>473,706</u>	<u>465,859</u>
Net current liabilities		<u>(419,064)</u>	<u>(421,938)</u>
		<u>(375,396)</u>	<u>(377,320)</u>
Capital and reserves			
Share capital	<i>17</i>	111,248	111,248
Reserves	<i>18</i>	(486,644)	(488,568)
		<u>(375,396)</u>	<u>(377,320)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

<i>(RMB'000)</i>	Attributable to equity holders of the Company						Total
	Share capital	Share premium	Foreign currency translation reserve	Share option reserve	Merger reserve	Accumulated losses	
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>(3,179,079)</u>	<u>(1,764,927)</u>
At 1 April 2010 (audited)	111,248	1,462,047	74,085	8,161	(249,433)	(1,783,428)	(377,320)
Loss and total comprehensive expense for the period	-	-	-	-	-	(176)	(176)
Recognition of share-based payments expenses	-	-	-	2,100	-	-	2,100
At 30 September 2010 (unaudited)	<u>111,248</u>	<u>1,462,047</u>	<u>74,085</u>	<u>10,261</u>	<u>(249,433)</u>	<u>(1,783,604)</u>	<u>(375,396)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

<i>(RMB'000)</i>	Six months ended	
	30 September 2010 (unaudited)	2009 (unaudited)
Net cash (used in) from operating activities	(8,742)	38,548
Net cash used in investing activities	(2,740)	(32,734)
Net cash from (used in) financing activities	<u>12,078</u>	<u>(5,330)</u>
Net increase/(decrease) in cash and cash equivalents	596	484
Cash and cash equivalents at 1 April	<u>375</u>	<u>10,119</u>
Cash and cash equivalents at 30 September	<u><u>971</u></u>	<u><u>10,603</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

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 condensed consolidated financial statements are presented in Renminbi (“RMB”) which is the functional currency of the Company and the major subsidiaries of the Company.

2. BASIS OF PREPARATION

(i) Financial results and position

The Group incurred loss of approximately RMB176,000 for the six months ended 30 September 2010. As at 30 September 2010, the Group also had net current liabilities and net liabilities of approximately RMB419,064,000 and RMB375,396,000 respectively.

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

2. BASIS OF PREPARATION (CONTINUED)

(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”.

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”);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

2. BASIS OF PREPARATION (CONTINUED)

(iii) Debt Restructuring (Continued)

NAIH Scheme (Continued)

(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;

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

2. BASIS OF PREPARATION (CONTINUED)

(iii) Debt Restructuring (Continued)

NAIH Scheme (Continued)

- (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 2010

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 2010

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

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

Except as described below, 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 2010.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised in 2008) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no acquisition or disposal of subsidiary during the current period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated interim financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

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 2010 (unaudited)	2009 (unaudited)
Turnover		
Auto parts	58,846	9,228
Construction decorative hardware products	67,718	—
	<u>126,564</u>	<u>9,228</u>

5. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of Directors of the Company, being the chief operating decision maker ("CODM") for the purpose of resource allocation and assessment of segment performance focus on types of goods delivered.

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 2010

5. SEGMENT INFORMATION (CONTINUED)

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

Segment revenue and results

For the six months ended 30 September 2010 (unaudited)

<i>(RMB'000)</i>	Auto parts	Construction decorative hardware products	Total
Turnover	<u>58,846</u>	<u>67,718</u>	<u>126,564</u>
Segment results	<u>1,198</u>	<u>725</u>	1,923
Unallocated income			8,447
Administrative expenses			(5,573)
Finance costs			<u>(3,571)</u>
Consolidated profit before tax			<u>1,226</u>

For the six months ended 30 September 2009 (unaudited)

<i>(RMB'000)</i>	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>	1,678
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>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

5. SEGMENT INFORMATION (CONTINUED)

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

Segment assets

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

Segment assets

	30 September 2010 (unaudited) RMB'000	31 March 2010 (unaudited) RMB'00
Auto parts	97,339	88,164
Construction decorative hardware products	—	—
Total segment assets	97,339	88,164
Unallocated assets	971	375
Consolidated total assets	<u>98,310</u>	<u>88,539</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.

- (ii) **Geographic information**

No geographical information is presented as all revenue from external customers of the Group are derived in and all non-current assets of the Group are located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

6. FINANCE COSTS

(RMB'000)	Six months ended	
	2010	2009
	(unaudited)	(unaudited)
Interest on bank borrowings	123	26,349
Interest on outstanding amount due to Schemes	3,414	–
Finance charges on obligations under finance leases	–	1,432
Bank charges	34	167
	<u>3,571</u>	<u>27,948</u>

7. TAX

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

(RMB'000)	Six months ended	
	2010	2009
	(unaudited)	(unaudited)
Current:		
PRC enterprise income tax	<u>1,402</u>	<u>–</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended	
	30 September	
(RMB'000)	2010	2009
	(unaudited)	(unaudited)
Staff costs	1,931	1,155
Cost of inventories sold	121,376	7,550
Depreciation	7,328	1,729
	<u>130,635</u>	<u>10,434</u>

9. LOSS PER SHARE

Basic

Basic earnings (loss) per share is calculated by dividing the profit (loss) 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 2010 and 2009.

	Six months ended	
	30 September	
(RMB'000)	2009	2008
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to owners of the Company	<u>176</u>	<u>(40,162)</u>
Weighted average number of ordinary shares	<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 2010 and 2009 does not assume the exercise of the Company's outstanding share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

10. DIVIDENDS

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2010 (2009: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

<i>(RMB'000)</i>	<i>(unaudited)</i>
Net book value at 1 April 2010	44,618
Additions	6,378
Depreciation	<u>(7,328)</u>
Net book value at 30 September 2010	<u><u>43,668</u></u>

12. INTEREST IN AN ASSOCIATE

	30 September	31 March
	2010	2010
<i>(RMB'000)</i>	(unaudited)	<i>(unaudited)</i>
Cost of investment in associate – unlisted equity interest	160,461	160,461
Share of post-acquisition profits and losses	148,421	<u>148,421</u>
	308,882	308,882
Less: Impairment	(308,882)	<u>(308,882)</u>
	<u><u>–</u></u>	<u><u>–</u></u>

13. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2010	2010
<i>(RMB'000)</i>	(unaudited)	<i>(unaudited)</i>
Trade receivables	13,579	20,386
VAT receivables	671	–
Prepayments and other receivables	16,381	<u>2,057</u>
	30,631	<u><u>22,443</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging analysis of trade receivables is as follows:

<i>(RMB'000)</i>	30 September 2010 (unaudited)	31 March 2010 (unaudited)
0 – 90 days	10,983	18,426
91 – 180 days	1,685	549
181 – 365 days	621	1,411
Over 1 year	290	–
	<u>13,579</u>	<u>20,386</u>

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

14. AMOUNTS DUE FROM (TO) DECONSOLIDATED SUBSIDIARIES AND ASSOCIATES

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

15. TRADE AND OTHER PAYABLES

<i>(RMB'000)</i>	30 September 2010 (unaudited)	31 March 2010 (unaudited)
Trade payables	15,925	6,664
Accruals and other payables	18,077	15,284
Payable arising from financial instruments	395,818	413,445
	<u>429,820</u>	<u>435,393</u>

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

15. TRADE AND OTHER PAYABLES (CONTINUED)

Aging analysis of trade payables is as follows:

<i>(RMB'000)</i>	30 September 2010 (unaudited)	31 March 2010 (unaudited)
0 – 90 days	11,296	5,156
91 – 180 days	3,072	1,382
181 – 365 days	1,448	126
Over 1 year	109	–
	<u>15,925</u>	<u>6,664</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.

16. SENIOR NOTE

The senior note with a principal amount of HK\$15,000,000 raised during the current period is unsecured and carrying interest at HIBOR plus 1.05% and repayable on 8 September 2011. The maturity date of the senior note was extended to 28 February 2013 subsequent to the end of reporting period.

17. SHARE CAPITAL

	No. of shares In millions	Ordinary share capital	
		HK\$'000	RMB'000
Authorised:			
At 1 April and 30 September 2010	<u>1,259</u>	<u>500,000</u>	
Issued and fully paid:			
At 1 April and 30 September 2010	<u>1,259</u>	<u>125,946</u>	<u>111,248</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

19. CAPITAL COMMITMENTS

<i>(RMB'000)</i>	30 September 2010 (unaudited)	31 March 2010 (unaudited)
Contracted but not provided for in respect of the acquisition of machinery and equipment	<u> -</u>	<u> 807</u>

20. CONTINGENCIES

As at 31 March 2010 and 30 September 2010, the Company provided the NFG Undertaking and Fullitech provided the Fullitech Corporate Guarantee for a sum up to the NAIH Repayment Obligation.

21. EVENTS AFTER THE REPORTING PERIOD

- (a) On 15 August 2011 and 6 September 2012, the Company and the holder of the Senior Note entered into the side letters in relation to the Senior Note, pursuant to which both parties agreed to extend the maturity date of the Senior Note to 8 September 2012 and 28 February 2013 respectively.
- (b) 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 be adjourned to 16 May 2011, 5 September 2011, 14 May 2012, 17 September 2012 and 18 February 2013 respectively.