



# 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)

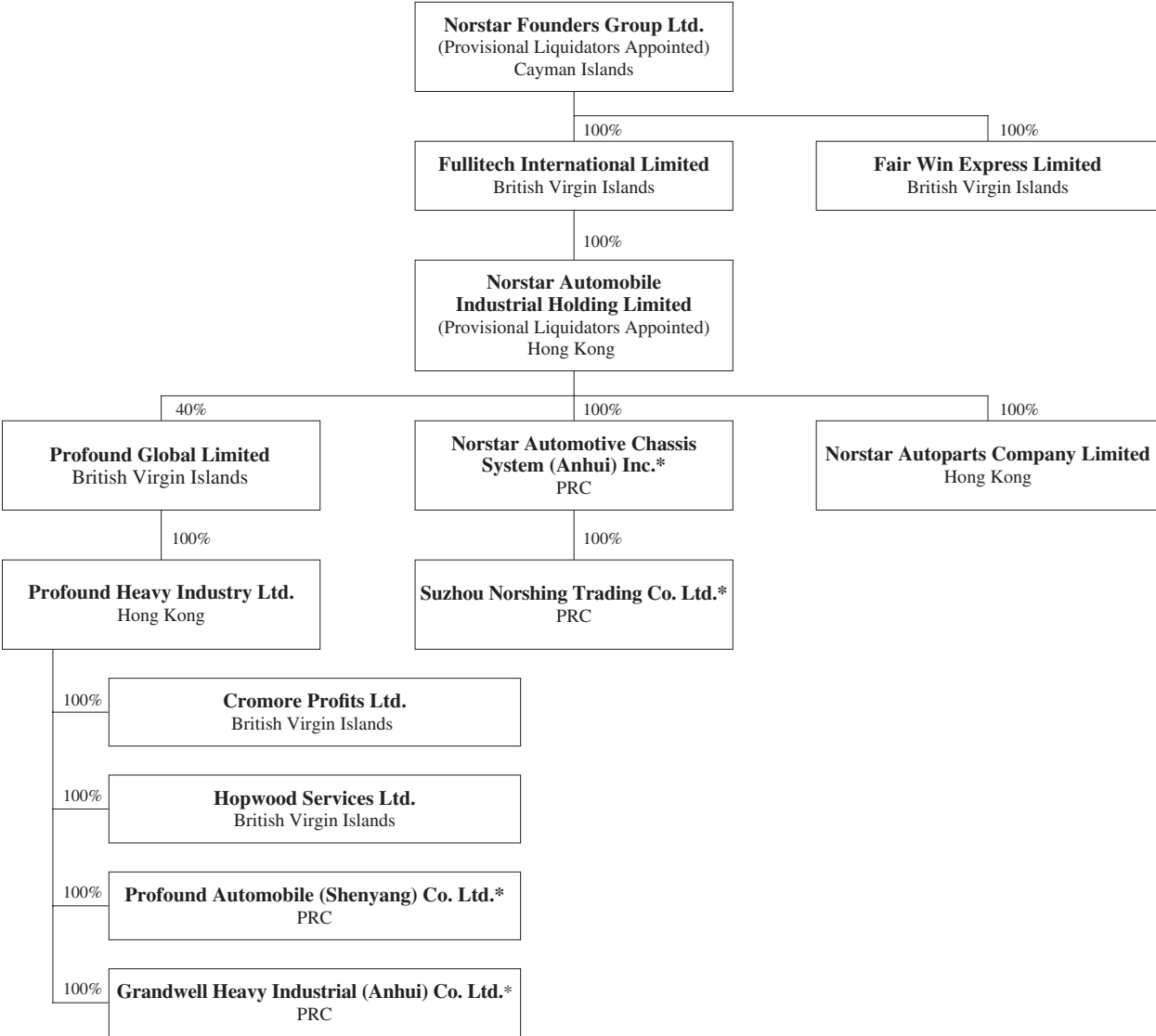
(Stock code: 2339)

INTERIM REPORT 2011

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**GROUP CHART AS AT 30 SEPTEMBER 2011**



\* For identification purpose only

## **CORPORATE INFORMATION**

### **EXECUTIVE DIRECTOR**

Ms. Lilly Huang

### **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**

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

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

### **STOCK CODE**

2339

## **DIRECTORS' REPORT**

The directors (the “Directors”) of Norstar Founders Group Limited (Provisional Liquidators Appointed) (the “Company”) hereby present their report and the unaudited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2011.

### **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 restructured (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 the 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, 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 2011 ("FP2012" or the "Period") are set out in the consolidated statement of comprehensive income on page 17.

During FP2012, the Group recorded a turnover from sale and trading of auto parts of approximately RMB82.6 million, representing an decrease of approximately 34.7% from the six months ended 30 September 2010 ("FP2011") of approximately RMB126.6 million. Gross profit margin increased from approximately 4.1% in FP2011 to approximately 6.3% in FP2012. The profit attributable to owners of the Group was approximately RMB1.6 million for FP2012, as compared to a loss of approximately RMB0.2 million for FP2011.

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

Basic earnings per share for the Period ended 30 September 2011 was approximately RMB0.13 cents as compared with loss per share of RMB0.01 cents for the preceding year.

No dividend was paid or proposed during the Period ended 30 September 2011, nor has any dividend been proposed since the end of the reporting period (FP2011: Nil).

#### **Financial Position**

As at 30 September 2011, the Group had total net liabilities of approximately RMB359.6 million and net current liabilities of approximately RMB401.5 million, compared to total net liabilities of approximately RMB361.2 million and net current liabilities of approximately RMB402.7 million in FP2011.

## **DIRECTORS' REPORT**

### **RESULTS AND APPROPRIATIONS (CONTINUED)**

#### **Cash Flow**

During the Period under review, total cash flow from operations amounted to approximately a positive cash flow of RMB0.3 million compared to a negative of RMB8.7 million last year.

#### **Liquidity and Financial Resources**

As at 30 September 2011, bank balances and cash of the Group were approximately RMB1.5 million (FY2011: RMB1.4 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 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.

#### **Contingent Liabilities**

The Group and the Company had the following contingent liabilities:

As at 30 September 2011, the Company provided the NFG Undertaking and Fullitech provided the Fullitech Corporate Guarantee for a sum up to the NAIH Repayment Obligation.

## **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 Director*

Mr. Choi Tat Ying, Jacky

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 2011, 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 2011.

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 2011.

## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, 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 2011.

### 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 2011.

### **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 2011 have not been reviewed by the audit committee as there is no sufficient number of existing Independent Non-Executive Directors to constitute the audit committee.

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

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

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

*For the six months ended 30 September 2011*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2011</b>	<b>2010</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Turnover</b>	4	<b>82,612</b>	126,564
Cost of inventories sold		<u>(77,373)</u>	<u>(121,376)</u>
<b>Gross profit</b>		<b>5,239</b>	5,188
Other income	6	<b>8,876</b>	8,447
Distribution and selling expenses		<b>(2,670)</b>	(3,265)
Administrative expenses		<u>(4,389)</u>	<u>(5,573)</u>
<b>Profit from operations</b>		<b>7,056</b>	4,797
Finance costs	7	<u>(4,119)</u>	<u>(3,571)</u>
<b>Profit before tax</b>		<b>2,937</b>	1,226
Income tax	8	<u>(1,293)</u>	<u>(1,402)</u>
<b>Profit/(loss) and total comprehensive income for the period attributable to equity holders of the Company</b>	9	<u><b>1,644</b></u>	<u>(176)</u>
<b>Earnings/(loss) per share</b>	11		
Basic and diluted (RMB cents per share)		<u><b>0.13</b></u>	<u>(0.01)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

		At 30 September 2011 <i>RMB'000</i> (unaudited)	At 31 March 2011 <i>RMB'000</i> (audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	<i>12</i>	41,965	41,526
Interest in an associate	<i>13</i>	—	—
		<u>41,965</u>	<u>41,526</u>
<b>Current assets</b>			
Inventories		21,397	20,222
Trade and other receivables	<i>14</i>	72,158	55,467
Amount due from an associate		3,216	232
Bank and cash balances		1,509	1,435
		<u>98,280</u>	<u>77,356</u>
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	54,124	36,636
Amounts due to the Schemes	<i>16</i>	381,634	386,081
Amount due to an associate		6,956	6,992
Obligations under finance leases		26,375	26,784
Senior note		12,481	12,592
Interest-bearing borrowings		10,174	4,233
Tax payables		8,071	6,785
		<u>499,815</u>	<u>480,103</u>
<b>Net current liabilities</b>		<u>(401,535)</u>	<u>(402,747)</u>
<b>NET LIABILITIES</b>		<u>(359,570)</u>	<u>(361,221)</u>
<b>Capital and reserves</b>			
Share capital		111,248	111,248
Reserves		(470,818)	(472,469)
<b>TOTAL EQUITY</b>		<u>(359,570)</u>	<u>(361,221)</u>

## 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 2010	111,248	1,462,047	74,085	8,161	(249,433)	(1,783,428)	(377,320)
Total comprehensive loss for the period	-	-	-	-	-	(176)	(176)
Equity settled share-based payments	-	-	-	2,100	-	-	2,100
At 30 September 2010	<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>
At 1 April 2011	<b>111,248</b>	<b>1,462,047</b>	<b>74,085</b>	<b>9,001</b>	<b>(249,433)</b>	<b>(1,768,169)</b>	<b>(361,221)</b>
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><b>111,248</b></u>	<u><b>1,462,047</b></u>	<u><b>74,085</b></u>	<u><b>7,967</b></u>	<u><b>(249,433)</b></u>	<u><b>(1,765,484)</b></u>	<u><b>(359,570)</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net cash generated from operating activities	349	(8,742)
Net cash used in investing activities	(2,609)	(2,740)
Net cash generated from financing activities	2,334	12,078
Net increase in cash and cash equivalents	74	596
Cash and cash equivalents at beginning of period	1,435	375
Cash and cash equivalents at end of period	<u>1,509</u>	<u>971</u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2011*

## 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 2011.

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 2011.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2011*

## 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 2011*

### 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.

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.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2011*

## 2. BASIS OF PREPARATION (CONTINUED)

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

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 2011

### 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 2011

### 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.
- (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

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

## 2. BASIS OF PREPARATION (CONTINUED)

### Proposed restructuring of the Group (Continued)

#### *The Debt Restructuring (Continued)*

##### *NAIH Scheme (Continued)*

- (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:

##### *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.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 2. BASIS OF PREPARATION (CONTINUED)

#### Proposed restructuring of the Group (Continued)

##### *The Debt Restructuring (Continued)*

###### *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.

###### *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.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 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") (Continued)*

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.

##### *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.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2011*

## 2. BASIS OF PREPARATION (CONTINUED)

### **Going concern**

As at 30 September 2011, the Group had net current liabilities of approximately RMB401,535,000 (31 March 2011: RMB402,747,000) and net liabilities of approximately RMB359,570,000 (31 March 2011: RMB361,221,000) 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.

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 2011. 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 2011

### 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Auto parts	<b>54,141</b>	58,846
Construction decorative hardware products	<b>28,471</b>	67,718
	<b><u>82,612</u></b>	<u>126,564</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:

	<b>Auto parts</b>	<b>Construction decorative hardware products</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>For the six months ended 30 September 2011:</b>			
Revenue from external customers	<b>54,141</b>	<b>28,471</b>	<b>82,612</b>
Segment profit/(loss)	<b>926</b>	<b>(666)</b>	<b>260</b>
<b>At 30 September 2011:</b>			
Segment assets – unaudited	<b><u>123,925</u></b>	<b><u>14,451</u></b>	<b><u>138,376</u></b>
<b>For the six months ended 30 September 2010:</b>			
Revenue from external customers	58,846	67,718	126,564
Segment profit	1,198	725	1,923
<b>At 31 March 2011:</b>			
Segment assets – audited	<b><u>108,473</u></b>	<b><u>8,974</u></b>	<b><u>117,447</u></b>



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 5. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment profit and loss:

	Six months ended 30 September	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Total profit of reportable segments	260	1,923
Corporate and unallocated profit or loss	<u>6,796</u>	<u>2,874</u>
Consolidated total profit from operations	<u><u>7,056</u></u>	<u><u>4,797</u></u>

### 6. OTHER INCOME

	Six months ended 30 September	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Net exchange gains	8,571	8,192
Government grants ( <i>note</i> )	50	50
Interest income	2	3
Others	<u>253</u>	<u>202</u>
	<u><u>8,876</u></u>	<u><u>8,447</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 2011

### 7. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest expenses on borrowings that are wholly repayable within five years:		
– Bank borrowings	–	123
– Amounts due to the NAIH Scheme	3,414	3,414
– Senior note	82	–
– Discounted bills	623	34
	<u>4,119</u>	<u>3,571</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 2011 and 2010. As at 30 September 2011, subject to the agreements with the tax authorities, the Group has unused tax losses of approximately RMB232,976,000 (31 March 2011: RMB232,976,000) for a subsidiary incorporated in Hong Kong available for offset against future profits of approximately RMB232,976,000 (31 March 2011: 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. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 September	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Cost of inventories sold	77,373	121,376
Depreciation	2,170	7,328
Staff costs	1,941	1,931
Directors' emoluments:		
Fees	–	–
Equity settled share-based payments	7	2,100
	<u>7</u>	<u>2,100</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 10. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for each of the six months ended 30 September 2011 and 2010.

### 11. EARNINGS/(LOSS) PER SHARE

#### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit of approximately RMB1,644,000 (six months ended 30 September 2011: loss of approximately RMB176,000) 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 2010: 1,259,461,601) ordinary shares in issue during the period.

#### (b) Diluted earnings/(loss) 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 2011 and 2010 do not assume the exercise of the Company's outstanding share options.

### 12. PROPERTY, PLANT AND EQUIPMENT

	<b>2011</b> <i>RMB'000</i> (unaudited)	2010 <i>RMB'000</i> (unaudited)
Carrying amounts at 1 April – audited	<b>41,526</b>	44,618
Additions	<b>2,609</b>	4,236
Depreciation for the period	<b>(2,170)</b>	(7,328)
Carrying amounts at 30 September – unaudited	<b><u>41,965</u></b>	<u>41,526</u>

At 30 September 2011, the carrying amount of machinery and equipment held by the Group under finance leases amounted to approximately RMB16,200,000 (31 March 2011: RMB16,936,000).

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 13. INTEREST IN AN ASSOCIATE

	At 30 September 2011 <i>RMB'000</i> (unaudited)	At 31 March 2011 <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>

(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 2011

### 14. TRADE AND OTHER RECEIVABLES

	At 30 September 2011 <i>RMB'000</i> (unaudited)	At 31 March 2011 <i>RMB'000</i> (audited)
Trade receivables	41,324	36,851
Bills receivables	12,314	4,233
Prepayments and other receivables	18,520	14,383
	<u>72,158</u>	<u>55,467</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 2011 <i>RMB'000</i> (unaudited)	At 31 March 2011 <i>RMB'000</i> (audited)
0 to 90 days	28,477	31,217
91 to 180 days	3,903	5,327
181 to 365 days	8,779	307
Over 1 year	165	–
	<u>41,324</u>	<u>36,851</u>

#### Bills receivables

The following is an aged analysis of bills receivables:

	At 30 September 2011 <i>RMB'000</i> (unaudited)	At 31 March 2011 <i>RMB'000</i> (audited)
0 to 90 days	6,355	4,233
91 to 180 days	5,959	–
	<u>12,314</u>	<u>4,233</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 15. TRADE AND OTHER PAYABLES

	At 30 September 2011 <i>RMB'000</i> (unaudited)	At 31 March 2011 <i>RMB'000</i> (audited)
Trade payables	24,181	14,531
Accruals and other payables	29,943	22,105
	<u>54,124</u>	<u>36,636</u>

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

	At 30 September 2011 <i>RMB'000</i> (unaudited)	At 31 March 2011 <i>RMB'000</i> (audited)
0 to 90 days	13,509	10,584
91 to 180 days	4,358	1,844
181 to 365 days	6,314	1,449
over 365 days	-	654
	<u>24,181</u>	<u>14,531</u>

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

### 16. AMOUNTS DUE TO THE SCHEMES

	At 30 September 2011 <i>RMB'000</i> (unaudited)	At 31 March 2011 <i>RMB'000</i> (audited)
NFG Repayment Obligation	164,120	166,660
Amounts due to NAIH Scheme	155,254	156,198
Amounts due to NFG Scheme	62,260	63,223
	<u>381,634</u>	<u>386,081</u>

## **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 September 2011*

### **17. CONTINGENT LIABILITIES**

As at 31 March 2011 and 30 September 2011, 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.