



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)

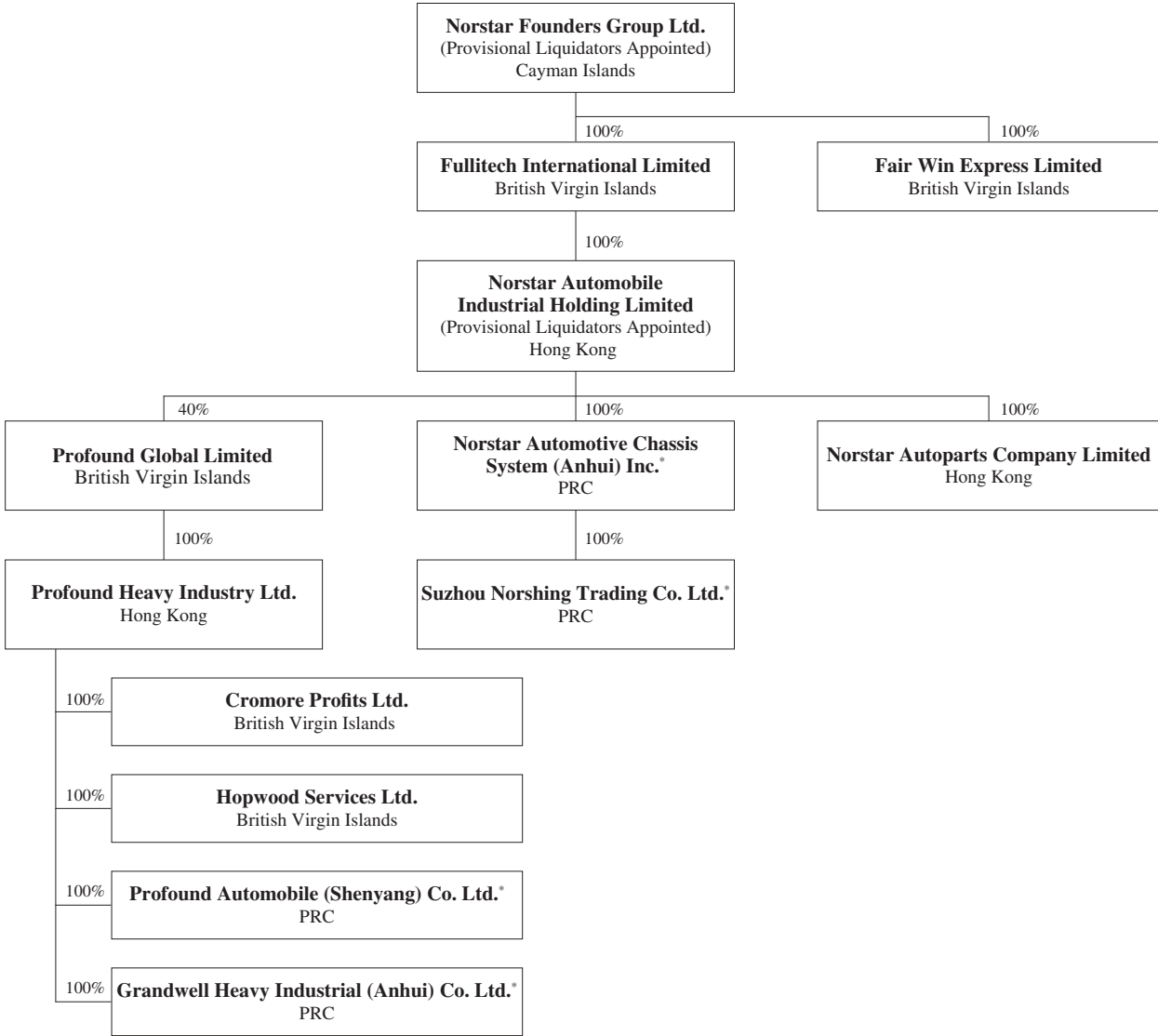
(Stock code: 2339)

INTERIM REPORT 2013

Contents

3	Corporate Information
4	Directors' Report
15	Corporate Governance Report
16	Condensed Consolidated Statement of Profit or Loss and Comprehensive Income
17	Condensed Consolidated Statement of Financial Position
18	Condensed Consolidated Statement of Changes in Equity
19	Condensed Consolidated Statement of Cash Flows
20	Notes to the Consolidated Financial Statements

GROUP CHART AS AT 30 SEPTEMBER 2013



* For identification purpose only

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Choi Tat Ying, Jacky

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

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

35th Floor, One Pacific Place
88 Queensway
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

ZHONGHUI ANDA CPA Limited
21/F., Max Share Centre
373 King's Road
North Point, 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 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the year, the Group was principally engaged in the manufacturing, sales and trading of auto parts and construction decorative hardware products in the Anhui Province, the PRC.

WINDING-UP PETITIONS AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

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

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

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

The hearing of winding-up petitions against the Company by the High Court is adjourned to 13 January 2014.

DIRECTORS' REPORT

PROPOSED RESTRUCTURING OF THE GROUP

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

The Debt Restructuring

The Debt Restructuring is being effected through the NFG Scheme and the NAIH Scheme pursuant to Section 166 of the Companies Ordinance to address the indebtedness of the Company and NAIH, respectively. On 8 December 2009, two schemes of arrangement were approved by the respective creditors of the Company (the "NFG Scheme") and NAIH (the "NAIH Scheme") (collectively the "Schemes"). Messrs Lai Kar Yan (Derek), Darach E. Haughey and Yeung Lui Ming (Edmund) of Deloitte Touche Tohmatsu were appointed as the joint and several scheme administrators of each of the Schemes (the "Scheme Administrators"). The Schemes were subsequently sanctioned by the High Court and became effective on 19 March 2010. Further details of the Schemes were set out in the announcements of the Company dated 15 December 2009, 3 March 2010 and 24 March 2010 (the "Announcements"). Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Announcements.

NFG Scheme

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

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

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

DIRECTORS' REPORT

PROPOSED RESTRUCTURING OF THE GROUP (CONTINUED)

The Debt Restructuring (Continued)

NAIH Scheme

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

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

The NAIH Repayment Obligation are secured by the following:

- (1) A corporate guarantee issued by Fullitech in favour of the NAIH SPV for a sum up to the NAIH Repayment Obligation (the "Fullitech Corporate Guarantee");
 - (2) A corporate undertaking provided by the Company for a sum up to the NAIH Repayment Obligation (the "NFG Undertaking");
 - (3) First legal charge on Mr. Zhou's direct and indirect shareholdings in the Company;
 - (4) Share charge over NAIH's 100% interest in Norstar Automotive Chassis Systems (Anhui) Inc ("Norstar Chassis") for a sum up to the NAIH Repayment Obligation; and
 - (5) Share charge over NAIH's 40% interest in Profound for a sum up to the NAIH Repayment Obligation;
- Or
- (b) Net proceeds arising from the disposal of Norstar Suspension and 60% shareholding in Profound held by the NAIH SPV.
 - (iv) Net proceeds arising from the disposal of the equity interests in CX Tech Inc. and Sumitech Engineering Inc., independent third party companies (collectively the "US Companies"), if such shareholdings are disposed of within 5 years from the effective date of the NAIH Scheme; and
 - (v) Net proceeds arising from the disposal of Norstar Suspension after full settlement of the NAIH Repayment Obligation.

DIRECTORS' REPORT

PROPOSED RESTRUCTURING OF THE GROUP (CONTINUED)

The Debt Restructuring (Continued)

NAIH Scheme (Continued)

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

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

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

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

NFG Scheme

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

DIRECTORS' REPORT

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, 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.

DIRECTORS' REPORT

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

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

The Capital Restructuring

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

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

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

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

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

DIRECTORS' REPORT

PROSPECTS

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

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

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

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

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

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

1. completion of the transactions under the Final Proposal;
2. inclusion in the circular to Shareholders the following:
 - (a) detailed disclosure of the Final Proposal and information about the Group;
 - (b) a statement from the Directors confirming working capital sufficiency for at least 12 months after Resumption, and a comfort letter from the auditors and financial adviser of the Company on the Directors' statement; and
 - (c) a pro forma balance sheet upon completion of the Final Proposal, and a comfort letter from the auditors under Rule 4.29 of the Listing Rules;
3. publication of all outstanding financial results with major audit qualifications properly addressed;
4. provision of confirmation from the internal control reviewer of the Group that the Group has an adequate and effective internal control system; and
5. withdrawal or dismissal of the winding-up petition and discharge of the Provisional Liquidators.

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

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

DIRECTORS' REPORT

WARNING STATEMENT

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

RESULTS AND APPROPRIATIONS

Financial Performance

During the financial period under review (the "Period"), the Group is principally engaged in the manufacturing, sale and trading of auto parts and construction decorative hardware products.

For the six months ended 30 September 2013 ("FP2014"), the Group's turnover was approximately RMB63 million, representing an increase of approximately 11.2% comparing with the six months ended 30 September 2012 ("FP2013") of approximately RMB56 million. Gross profit margin decreased from approximately 14.8% for FP2013 to 8.1% for FP2014. The decrease in the overall gross profit margin for the Period was mainly due to the increase in sales of construction decorative hardware products, which generally enjoyed a lower gross profit margin than the auto parts.

The profit from operations of the Company amounted to approximately RMB5.2 million for the Period, as compared to a profit of approximately RMB0.04 million for FP2013. The profit from reportable segments (as disclosed in note 5 to the interim results announcement) was approximately RMB1 million for FP2014 (FP2013: -RMB1.7 million). The variance between the profit from operations of the Company and the profit from reportable segments for FP2014 was mainly attributable to (i) extraordinary loss arose from the restructuring and amounts due to the Schemes of approximately RMB3.7 million; (ii) other income arose from exchange gains of approximately RMB8.9 million; and (iii) the professional fees and expenses related to restructuring of approximately RMB1 million.

Based on the Group's historical performances, the results of the Group are affected by seasonal trend and that the profitability of Group is generally lower during the first half of the financial year than the remaining half.

The seasonality of the Group's business is mainly caused by the characteristics of the auto part market in the PRC and the sales trends of the Group's customers, including the original equipment manufacturers ("OEM") and aftermarket dealers. Based on the historical results, the Group's sales tends to increase during the second half of the year, as OEM customers/car makers increase their orders to meet the production and delivery schedule ahead of the anticipated sales peak (which expected to start, customarily during the end of a year and towards Lunar New Year), whilst after market dealers in the PRC, increase their orders before long festive breaks, where demand for auto parts replacements are generally higher, due to overhaul repairs and inspections.

The interim results for FP2014 were broadly in line with the results for FP2013, and the amount of confirmed orders, indicative orders and framework agreements currently in place are similar compared to the same period in the prior financial year. In this regard, the management of the Company is of the view that the interim results for FP2014 were not an indication of a material adverse change of the Group's business.

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS (CONTINUED)

Financial Performance (continued)

Taking into consideration the subscription by the Investor and the entering of the continuing connected transactions after the resumption (as detailed in the announcement of the Company dated 13 November 2013), the management of the Company considers that the Group's business is viable and sustainable.

Basic earnings per share for the Period ended 30 September 2013 was approximately RMB0.07 cents as compared with loss per share of RMB0.33 cents for the preceding year.

No dividend was paid or proposed during the Period ended 30 September 2013, nor has any dividend been proposed since the end of the reporting period (FY2013: Nil).

Financial Position

As at 30 September 2013, the Group had total net liabilities of approximately RMB350.5 million and net current liabilities of approximately RMB422.4 million, compared to total net liabilities of approximately RMB351.4 million and net current liabilities of approximately RMB420.4 million in FY2013.

Cash Flow

During the Period under review, total cash flow from operations amounted to approximately a positive cash flow of RMB30.8 million compared to a positive cash flow of RMB27.4 million last year.

Liquidity and Financial Resources

As at 30 September 2013, bank balances and cash of the Group were approximately RMB0.8 million (FY2013: RMB0.2 million).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the Period are set out in note 12 to the consolidated financial statements.

Pledge of assets

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

Contingent Liabilities

The Group and the Company had the following contingent liabilities:

As at 30 September 2013, 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 Directors

Ms. Lilly Huang

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

Independent Non-Executive Director

Mr. Choi Tat Ying, Jacky

There is currently no Non-Executive Director.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTEREST IN CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2013, 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				Approximate percentage of interests (Note 2)
	Personal interest	Corporate interest	Total	Underlying shares of outstanding share options	
Ms. Lilly Huang (Note 1)	–	600,000,000	600,000,000	–	47.64%

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 2013.

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES (CONTINUED)

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 2013.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2013, 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 2013.

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 Company's code on corporate governance practices was adopted by reference to the provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules.

However, since the Company currently does not have a sufficient number of independent non-executive directors, the CG Code is not fully complied with. Notwithstanding the existing non-compliance, arrangements will be made to comply with the CG Code upon the resumption of the trading in the shares of the Company.

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 2013 have not been reviewed by the audit committee as there is no sufficient number of existing Independent Non-Executive Directors to constitute the audit committee.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (as set out in appendix 10 to the listing rules), and that all Directors have confirmed that they complied with the required standards as set out in the Model Code for the six months ended 30 September 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 30 September 2013

		Six months ended	
		30 September	
		2013	2012
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
Turnover	4	62,773	56,474
Cost of inventories sold		<u>(57,667)</u>	<u>(48,107)</u>
Gross profit		5,106	8,367
Other income	6	8,965	113
Distribution and selling expenses		(2,968)	(2,344)
Administrative expenses		<u>(5,918)</u>	<u>(6,095)</u>
Profit from operations		5,185	41
Finance costs	7	<u>(4,277)</u>	<u>(4,180)</u>
Profit/(loss) before tax		908	(4,139)
Income tax	8	<u>–</u>	<u>–</u>
Profit/(loss) and total comprehensive income or the period attributable to equity holders of the Company	9	<u>908</u>	<u>(4,139)</u>
Earnings/(loss) per share	11		
Basic and diluted (RMB cents per share)		<u>0.07</u>	<u>(0.33)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	<i>Notes</i>	At 30 September 2013 <i>RMB'000</i> (unaudited)	At 31 March 2013 <i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment	12	91,915	69,026
Interest in an associate	13	—	—
		91,915	69,026
Current assets			
Inventories		25,053	27,820
Trade and other receivables	14	49,909	84,881
Amount due from an associate		9,582	9,582
Bank and cash balances		755	162
Current tax assets		18	14
		85,317	122,459
Current liabilities			
Trade and other payables	15	73,866	82,363
Amounts due to the Schemes	16	379,564	384,115
Amount due to an associate		6,935	6,957
Obligations under finance leases		25,466	25,961
Senior note		12,389	12,542
Interest-bearing borrowings		15,980	17,423
Tax payables		13,512	13,512
		527,712	542,873
Net current liabilities		(442,395)	(420,414)
NET LIABILITIES		(350,480)	(351,388)
Capital and reserves			
Share capital		111,248	111,248
Reserves		(461,728)	(462,636)
TOTAL EQUITY		(350,480)	(351,388)

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 2012	111,248	1,462,047	74,085	7,967	(249,433)	(1,760,468)	(354,554)
Total comprehensive loss for the period	—	—	—	—	—	(4,139)	(4,139)
At 30 September 2012	<u>111,248</u>	<u>1,462,047</u>	<u>74,085</u>	<u>7,967</u>	<u>(249,433)</u>	<u>(1,764,607)</u>	<u>(358,693)</u>
At 1 April 2013	111,248	1,462,047	74,085	7,967	(249,433)	(1,757,302)	(351,388)
Total comprehensive profit for the period	—	—	—	—	—	908	908
Share options lapsed	—	—	—	(7,967)	—	7,967	—
At 30 September 2013	<u>111,248</u>	<u>1,462,047</u>	<u>74,085</u>	<u>—</u>	<u>(249,433)</u>	<u>(1,748,427)</u>	<u>(350,480)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net cash generated from operating activities	30,785	27,426
Net cash used in investing activities	(27,971)	(29,226)
Net cash (used in)/generated from financing activities	(2,221)	1,897
Net increase in cash and cash equivalents	593	97
Cash and cash equivalents at beginning of period	162	1,484
Cash and cash equivalents at end of period	<u>755</u>	<u>1,581</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

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 2013.

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 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

2. BASIS OF PREPARATION (CONTINUED)

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

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

On 4 June 2013, the Stock Exchange informed the Company’s financial adviser in writing that the Stock Exchange had decided to allow the Company to proceed with the Final Proposal subject to 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

2. BASIS OF PREPARATION (CONTINUED)

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.

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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

2. BASIS OF PREPARATION (CONTINUED)

Proposed restructuring of the Group (Continued)

The Debt Restructuring (Continued)

NAIH Scheme

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

- (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”);
- (c) Net cash flow to be generated/net proceeds arising from the following:
 - (i) Net cash flow to be generated from Norstar Auto Suspension Manufacturing (Beijing) Inc (“Norstar Suspension”), a former subsidiary of the Company deconsolidated on 1 April 2008, and Profound Global Limited (“Profound”), an associate of the Group, over a period of 5 years in the principal amount of HK\$1,381,000,000 together with the related interest thereon (the “NAIH Repayment Obligation”).

The NAIH Repayment Obligation are secured by the following:

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

Or

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

2. BASIS OF PREPARATION (CONTINUED)

Proposed restructuring of the Group (Continued)

The Debt Restructuring (Continued)

NAIH Scheme (Continued)

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

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

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

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

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

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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

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*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

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)

* The maturity date of the Senior Note has been extended by the parties from 6 September 2011 to 31 December 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, 31 October 2013 and 30 November 2013. Further details of the Senior Note are set out in the Company's announcement dated 5 October 2010.

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

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

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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

2. BASIS OF PREPARATION (CONTINUED)

Going concern

As at 30 September 2013, the Group had net current liabilities of approximately RMB442,395,000 (31 March 2013: RMB420,414,000) and net liabilities of approximately RMB350,480,000 (31 March 2013: RMB351,388,000) 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 2013. 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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

4. TURNOVER

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

	Six months ended	
	30 September	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Auto parts	46,269	53,094
Construction decorative hardware products	16,504	3,380
	<u>62,773</u>	<u>56,474</u>

5. SEGMENT INFORMATION

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

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

	Auto parts	Construction decorative hardware products	Total
	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)
For the six months ended 30 September 2013:			
Revenue from external customers	46,269	16,504	62,773
Segment profit	849	101	950
At 30 September 2013:			
Segment assets – unaudited	<u>166,380</u>	<u>10,097</u>	<u>176,477</u>
For the six months ended 30 September 2012:			
Revenue from external customers	53,094	3,380	56,474
Segment loss	(1,552)	(118)	(1,670)
At 31 March 2013:			
Segment assets – audited	<u>181,711</u>	<u>9,598</u>	<u>191,309</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

5. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment profit and loss:

	Six months ended 30 September	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Total profit/(loss) of reportable segments	950	(1,670)
Corporate and unallocated profit or loss	4,235	1,711
	<hr/>	<hr/>
Consolidated total profit from operations	<u>5,185</u>	<u>41</u>

6. OTHER INCOME

	Six months ended 30 September	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Net exchange gains	8,903	–
Government grants (<i>note</i>)	2	–
Interest income	–	2
Others	60	111
	<hr/>	<hr/>
	<u>8,965</u>	<u>113</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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

7. FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest expenses on borrowings that are wholly repayable within five years:		
– Amounts due to the NAIH Scheme	3,414	3,414
– Senior note	85	80
– Discounted bills	778	686
	<u>4,277</u>	<u>4,180</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 2013 and 2012. As at 30 September 2013, subject to the agreements with the tax authorities, the Group has unused tax losses of approximately RMB232,976,000 (31 March 2013: RMB232,976,000) for a subsidiary incorporated in Hong Kong available for offset against future profits of approximately RMB232,976,000 (31 March 2013: 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	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Cost of inventories sold	57,667	48,107
Depreciation	5,082	2,707
Staff costs	2,909	2,870
Directors' emoluments:		
Fees	–	–
Equity settled share-based payments	–	–
	<u>–</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

10. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for each of the six months ended 30 September 2013 and 2012.

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 RMB908,000 (six months ended 30 September 2012: loss of approximately RMB4,139,000) 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 2012: 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 2013 and 2012 do not assume the exercise of the Company's outstanding share options.

12. PROPERTY, PLANT AND EQUIPMENT

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Carrying amounts at 1 April – audited	69,026	40,584
Additions	27,971	29,226
Depreciation for the period	(5,082)	(2,707)
	<hr/>	<hr/>
Carrying amounts at 30 September – unaudited	<u>91,915</u>	<u>67,103</u>

At 30 September 2013, the carrying amount of machinery and equipment held by the Group under finance leases amounted to approximately RMB14,000,000 (31 March 2013: RMB14,600,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

13. INTEREST IN AN ASSOCIATE

	At 30 September 2013 <i>RMB'000</i> (unaudited)	At 31 March 2013 <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 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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

14. TRADE AND OTHER RECEIVABLES

	At 30 September 2013 <i>RMB'000</i> (unaudited)	At 31 March 2013 <i>RMB'000</i> (audited)
Trade receivables	29,290	61,348
Bills receivables	16,765	17,856
Prepayments and other receivables	3,854	5,677
	<u>49,909</u>	<u>84,881</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 2013 <i>RMB'000</i> (unaudited)	At 31 March 2013 <i>RMB'000</i> (audited)
0 to 90 days	22,701	31,910
91 to 180 days	3,507	27,408
181 to 365 days	3,082	1,166
Over 1 year	–	864
	<u>29,290</u>	<u>61,348</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Bills receivables

The following is an aged analysis of bills receivables:

	At 30 September 2013 <i>RMB'000</i> (unaudited)	At 31 March 2013 <i>RMB'000</i> (audited)
0 to 90 days	8,969	7,940
91 to 180 days	7,796	9,916
	<u>16,765</u>	<u>17,856</u>

15. TRADE AND OTHER PAYABLES

	At 30 September 2013 <i>RMB'000</i> (unaudited)	At 31 March 2013 <i>RMB'000</i> (audited)
Trade payables	29,563	35,208
Accruals and other payables	44,303	47,155
	<u>73,866</u>	<u>82,363</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 2013 <i>RMB'000</i> (unaudited)	At 31 March 2013 <i>RMB'000</i> (audited)
0 to 90 days	9,331	7,583
91 to 180 days	2,863	10,404
181 to 365 days	7,568	5,606
over 365 days	9,801	11,615
	<u>29,563</u>	<u>35,208</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

16. AMOUNTS DUE TO THE SCHEMES

	At 30 September 2013 <i>RMB'000</i> (unaudited)	At 31 March 2013 <i>RMB'000</i> (audited)
NFG Repayment Obligation	158,460	161,540
Amounts due to NAIH Scheme	160,992	161,294
Amounts due to NFG Scheme	<u>60,112</u>	<u>61,281</u>
	<u><u>379,564</u></u>	<u><u>384,115</u></u>

17. CONTINGENT LIABILITIES

As at 31 March 2013 and 30 September 2013, 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.