



Interim Report  
2014



**京西重工國際有限公司**  
BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

Stock Code : 2339

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## CORPORATE INFORMATION

### Board of Directors

Xu Ning (*Chairman*)  
Jiang Yunan (*Managing Director*)  
Li Shaofeng (*Executive Director*)  
Zhang Yaochun (*Non-executive Director*)  
Craig Allen Diem (*Non-executive Director*)  
Tam King Ching, Kenny  
(*Independent Non-executive Director*)  
Leung Kai Cheung  
(*Independent Non-executive Director*)  
Yip Kin Man, Raymond  
(*Independent Non-executive Director*)

### Executive Committee

Jiang Yunan (*Chairman*)  
Li Shaofeng

### Audit Committee

Tam King Ching, Kenny (*Chairman*)  
Leung Kai Cheung  
Yip Kin Man, Raymond

### Nomination Committee

Xu Ning (*Chairman*)  
Zhang Yaochun  
Tam King Ching, Kenny  
Leung Kai Cheung  
Yip Kin Man, Raymond

### Remuneration Committee

Leung Kai Cheung (*Chairman*)  
Jiang Yunan  
Tam King Ching, Kenny  
Yip Kin Man, Raymond

### Company Secretary

Cheng Man Ching

### Auditor

ZHONGHUI ANDA CPA Limited

## CORPORATE INFORMATION (continued)

<b>Share Registrar</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY 1-1111, Cayman Islands
<b>Principal Place of Business in Hong Kong</b>	Rooms 1005-06, 10th Floor Harcourt House 39 Gloucester Road Wanchai, Hong Kong
<b>Stock Code</b>	2339
<b>Website</b>	<a href="http://www.irasia.com/listco/hk/bwi/">http://www.irasia.com/listco/hk/bwi/</a>

## INDEPENDENT REVIEW REPORT



### **TO THE BOARD OF DIRECTORS OF BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

We have reviewed the interim financial information of BeijingWest Industries International Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 7 to 29, which comprise the condensed consolidated statement of financial position of the Company as at 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a review conclusion on this interim financial information based on our review and to report our review conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

Except as explained in the basis for qualified review conclusion paragraphs, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# INDEPENDENT REVIEW REPORT (continued)

## BASIS FOR QUALIFIED REVIEW CONCLUSION

### 1. Gain on completion of the Group's restructuring

As explained in note 9 to the condensed consolidated financial statements, upon completion of the Group's restructuring on 23 January 2014, the Group recognised a gain on completion of the Group's restructuring of approximately RMB245,582,000 for the six months ended 30 June 2014.

No sufficient information has been provided to satisfy our review procedures as to certain liabilities of the Group being discharged under the Group's restructuring. As a result, we are unable to form our review conclusion as to the gain on completion of the Group's restructuring of approximately RMB245,582,000 included in the condensed consolidated statement of profit or loss and other comprehensive income.

### 2. Trade and other receivables

No sufficient information has been provided to satisfy our review procedures up to the date of this report in respect of the other receivables of approximately RMB9,625,000 (31 December 2013: presented as an amount due from an associate of approximately RMB9,625,000) as included in the trade and other receivables of approximately RMB58,391,000 in the condensed consolidated statement of financial position as at 30 June 2014.

### 3. Trade and other payables

No sufficient information has been provided to satisfy our review procedures up to the date of this report in respect of the other payables of approximately RMB6,938,000 (31 December 2013: presented as amounts due to an associate of approximately RMB6,929,000) as included in the trade and other payables of approximately RMB81,568,000 in the condensed consolidated statement of financial position as at 30 June 2014.

### 4. Obligations under finance leases

The Group had obligations under financial leases of approximately RMB12,070,000 as at 30 June 2014. No sufficient information has been provided to satisfy our review procedures to form the review conclusion as to the aforesaid balance.

Any adjustments that are found necessary in relation to matters as described in points 1 to 4 above might have a significant consequential effect on the Group's results and cash flows for the six months ended 30 June 2014 and the financial positions of the Group as at 30 June 2014, and the related disclosures thereof in the condensed consolidated financial statements.

## INDEPENDENT REVIEW REPORT (continued)

### QUALIFIED REVIEW CONCLUSION

Based on our review, except for the possible effects of the matter described in the basis for qualified review conclusion paragraphs, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### EMPHASIS OF MATTER – THE GOING CONCERN BASIS

Without further qualifying our review conclusion, we draw attention to note 2 to the condensed consolidated financial statements which mentions that as at 30 June 2014, the Group had net current liabilities of approximately RMB38,701,000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

### OTHER MATTERS

Without further qualifying our review conclusion, we draw attention to the fact that the comparative figures of the condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2014 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

### **Pang Hon Chung**

Practising Certificate Number P05988

Hong Kong, 28 August 2014

## INTERIM RESULTS

The board of directors (the “Board”) of BeijingWest Industries International Limited (the “Company”) is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014. These interim results have been reviewed by the Company’s Audit Committee and its Auditor.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended	
		30 June 2014 RMB'000 (unaudited)	30 September 2013 RMB'000 (unaudited)
<b>Turnover</b>	4	<b>38,692</b>	62,773
Cost of inventories sold		<b>(37,422)</b>	(57,667)
<b>Gross profit</b>		<b>1,270</b>	5,106
Other income	6	<b>930</b>	8,965
Gain on completion of the Group's restructuring	9	<b>245,582</b>	–
Distribution and selling expenses		<b>(2,147)</b>	(2,968)
Administrative expenses		<b>(13,560)</b>	(4,966)
Restructuring costs incurred for the period		<b>(3,064)</b>	(952)
<b>Profit from operations</b>		<b>229,011</b>	5,185
Finance costs	7	<b>(1,314)</b>	(4,277)
<b>Profit before tax</b>		<b>227,697</b>	908
Income tax expenses	8	<b>–</b>	–
<b>Profit for the period attributable to equity holders of the Company</b>	10	<b>227,697</b>	908
<b>Other comprehensive income that may be subsequently reclassified to profit or loss:</b>			
Exchange differences on translating foreign operations		<b>(13)</b>	–
Exchange differences reclassified to profit or loss on derecognition of an associate		<b>(10,137)</b>	–
		<b>(10,150)</b>	–
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>		<b>217,547</b>	908
<b>Earnings per share</b>	12		
Basic and diluted (RMB cents per share)		<b>10.18</b>	0.36



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	13	74,766	78,016
Interest in an associate	14	–	–
		<b>74,766</b>	78,016
<b>Current assets</b>			
Inventories		19,199	20,974
Trade and other receivables	15	58,391	54,639
Amount due from a fellow subsidiary	16	2,536	–
Amount due from an associate		–	9,625
Bank and cash balances		4,319	284
		<b>84,445</b>	85,522
<b>Current liabilities</b>			
Trade and other payables	17	81,568	98,291
Amounts due to the Schemes	18	–	378,883
Amount due to a fellow subsidiary	16	1,212	–
Amounts due to an associate		–	6,929
Obligations under finance leases		12,070	25,328
Senior note		–	12,364
Borrowings		14,802	17,855
Tax payables		13,494	13,494
		<b>123,146</b>	553,144
<b>Net current liabilities</b>		<b>(38,701)</b>	(467,622)
<b>NET ASSETS/(LIABILITIES)</b>		<b>36,065</b>	(389,606)
<b>Capital and reserves</b>			
Share capital	19	20,044	2,225
Reserves		16,021	(391,831)
<b>TOTAL EQUITY</b>		<b>36,065</b>	(389,606)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000 (unaudited)	Share premium RMB'000 (unaudited)	Foreign currency translation reserve RMB'000 (unaudited)	Warrant reserve RMB'000 (unaudited)	Share option reserve RMB'000 (unaudited)	Merger reserve RMB'000 (unaudited)	Accumulated losses RMB'000 (unaudited)	Total equity RMB'000 (unaudited)
At 1 April 2013	111,248	1,462,047	74,085	-	7,967	(249,433)	(1,757,302)	(351,388)
Total comprehensive income for the period	-	-	-	-	-	-	908	908
Share options lapsed	-	-	-	-	(7,967)	-	7,967	-
At 30 September 2013	111,248	1,462,047	74,085	-	-	(249,433)	(1,748,427)	(350,480)
At 1 January 2014	2,225	1,462,047	74,085	-	-	(249,433)	(1,678,530)	(389,606)
Profit for the period	-	-	-	-	-	-	227,697	227,697
Other comprehensive income for the period	-	-	(10,150)	-	-	-	-	(10,150)
Total comprehensive income for the period	-	-	(10,150)	-	-	-	227,697	217,547
Issuance of Subscription Shares	12,227	130,578	-	-	-	-	-	142,805
Issuance of Class B Shares	4,602	49,154	-	-	-	-	-	53,756
Exercise of Warrants	990	10,573	-	-	-	-	-	11,563
At 30 June 2014	20,044	1,652,352	63,935	-	-	(249,433)	(1,450,833)	36,065

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June 2014 RMB'000 (unaudited)	30 September 2013 RMB'000 (unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<b>(2,206)</b>	30,785
<b>Net cash used in investing activities</b>	<b>(1,432)</b>	(27,971)
<b>Cash flows from financing activities</b>		
New borrowings raised	22,591	16,765
Proceeds from issuance of Subscription Shares	142,805	–
Proceeds from issuance of Class B Shares	53,756	–
Proceeds from exercise of Warrants	11,563	–
Repayment of NFG Repayment Obligation	(157,200)	–
Repayment of senior note	(12,402)	–
Repayment of accrued professional fees for the restructuring	(26,959)	–
Repayment of borrowings	(25,644)	(18,208)
Interest paid	(824)	(778)
<b>Net cash generated from/(used in) financing activities</b>	<b>7,686</b>	(2,221)
<b>Net increase in cash and cash equivalents</b>	<b>4,048</b>	593
Effect of foreign exchange rate changes	(13)	–
Cash and cash equivalents at beginning of period	284	162
<b>Cash and cash equivalents at end of period</b>	<b>4,319</b>	755

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

BeijingWest Industries International Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The addresses of its registered office and principal place of business in Hong Kong are disclosed in the section headed “Corporate Information” of this interim report. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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, construction decorative hardware products and wholesale of shock absorbers.

In the opinion of the directors of the Company, as at 30 June 2014, Success Arrive Limited (“SAL”) is a company incorporated in the British Virgin Islands and the immediate parent. SAL is wholly-owned by BWI Company Limited which in turn is wholly-owned by BeijingWest Industries Co., Ltd. (“BWI”). BWI is held as to 55.45% by Shougang Corporation, which is the ultimate holding company.

On 27 January 2014, the board of directors of the Company has resolved to change the financial year end date of the Company and the Group from 31 March to 31 December. Accordingly, the condensed consolidated financial statements cover the period from 1 January 2014 to 30 June 2014. The corresponding comparative amounts shown for the condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows cover a period from 1 April 2013 to 30 September 2013 and therefore may not be comparable with amounts shown for current period.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the “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 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 period from 1 April 2013 to 31 December 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 period from 1 April 2013 to 31 December 2013.

#### **Resumption of trading in the shares of the Company**

Trading in the shares of the Company was suspended on the Main Board of the Stock Exchange at the request of the Company on 19 January 2009.

On 13 January 2014, the High Court of Hong Kong ordered that the winding up petitions against the Company and Norstar Automobile Industrial Holding Limited (“NAIH”), a wholly-owned subsidiary of the Company, be dismissed and the provisional liquidators be released and discharged, upon the publication of a resumption of trading notice by the Stock Exchange in respect of the shares of the Company.

### 2. BASIS OF PREPARATION (continued)

#### Resumption of trading in the shares of the Company (continued)

In relation to the completion of the Group's restructuring, including but not limited to, the following key elements (the "Key Elements") were executed by the Company:

- (a) issuance of 1,555,538,480 Subscription Shares on 23 January 2014 to SAL at the subscription price of HK\$0.1168 per Subscription Share with the par value of HK\$0.01 each (note 19);
- (b) issuance of 585,546,241 Class B Shares on 23 January 2014 to SAL at the subscription price of HK\$0.1168 per Class B Share with the par value of HK\$0.01 each (note 19);
- (c) issuance of 125,946,160 Warrants (one unit of Warrant carrying the right to subscribe for one whole new ordinary share) on 23 January 2014 to the Subscriber Shareholders in which 100,756,928 Warrants were exercised on 27 January 2014 and the remaining 25,189,232 Warrants were exercised on 24 February 2014, at the exercise price of HK\$0.1168 per Warrant with the underlying shares at par value of HK\$0.01 each (note 19);
- (d) settlement of the senior note on 24 January 2014;
- (e) settlement of NFG Repayment Obligation, the waiver of amounts due to NAIH Scheme and amounts due to NFG Scheme (note 18);
- (f) payment of accrued professional fees for the restructuring; and
- (g) release of corporate undertaking and guarantees with the principal amount of HK\$1,381,000,000 (equivalent to approximately RMB1,088,000,000) together with the related interest (note 20).

As all the revised resumption conditions have been fulfilled on 23 January 2014, the trading in the shares of the Company on the Stock Exchange has been resumed on 27 January 2014. Details of which are set out in the Company's announcements dated 24 January 2014 and 27 January 2014 respectively (the "Announcements"). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

### 2. BASIS OF PREPARATION (continued)

#### Going concern

As at 30 June 2014, the Group had net current liabilities of approximately RMB38,701,000 (31 December 2013: RMB467,622,000). This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of these circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The condensed consolidated financial statements have been prepared on a going concern basis. In the opinion of the Directors, the Group should be able to continue as a going concern in the coming years taking into consideration of various measures to improve its financial performance and position which include, but not limited to, the following:

- (a) The intermediate holding company of the Company has agreed to provide financial support to the Group to meet all the Group's financial obligations to the extent to enable the Group to meet those obligations and to sustain the Group's ability to continue as a going concern in the foreseeable future; and
- (b) The Directors will continue to seek new business opportunities to improve its profitability and business prospects, to consolidate or streamline its existing business, and to enhance its future business development and to strengthen its revenue base.

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to the Group to meet all the Group's financial obligations to the extent to enable the Group to meet those obligations and to sustain the Group's ability to continue as a going concern in the foreseeable future, the validity of which depends upon the implementation of the measures mentioned above, at a level sufficient to finance the working capital requirements of the Group. Accordingly, the Directors are of the opinion that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to these condensed consolidated 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 January 2014. 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.

**4. TURNOVER**

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

	<b>Six months ended</b>	
	<b>30 June 2014 RMB’000 (unaudited)</b>	30 September 2013 RMB’000 (unaudited)
Auto parts	<b>37,705</b>	46,269
Construction decorative hardware products	–	16,504
Wholesale of shock absorbers	<b>987</b>	–
	<b>38,692</b>	62,773



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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> <i>RMB'000</i> (unaudited)	<b>Construction decorative hardware products</b> <i>RMB'000</i> (unaudited)	<b>Wholesale of shock absorbers</b> <i>RMB'000</i> (unaudited)	<b>Total</b> <i>RMB'000</i> (unaudited)
<b>For the six months ended</b>				
<b>30 June 2014:</b>				
Revenue from external customers	37,705	–	987	38,692
Segment loss	(7,304)	–	(39)	(7,343)
<b>At 30 June 2014:</b>				
Segment assets – unaudited	146,087	–	1,121	147,208
<b>For the six months ended</b>				
<b>30 September 2013:</b>				
Revenue from external customers	46,269	16,504	–	62,773
Segment profit	849	101	–	950
<b>At 31 December 2013:</b>				
Segment assets – audited	151,442	9,974	–	161,416

Reconciliations of reportable segment profit and loss:

	<b>Six months ended</b>	
	<b>30 June 2014</b> <i>RMB'000</i> (unaudited)	30 September 2013 <i>RMB'000</i> (unaudited)
Total (loss)/profit of reportable segments	(7,343)	950
Gain on completion of the Group's restructuring	245,582	–
Corporate and unallocated profit or loss	(9,228)	4,235
Consolidated total profit from operations	229,011	5,185

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. OTHER INCOME

	Six months ended	
	30 June 2014 RMB'000 (unaudited)	30 September 2013 RMB'000 (unaudited)
Net exchange gains	198	8,903
Government grants (note)	535	2
Others	197	60
	<b>930</b>	<b>8,965</b>

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.

### 7. FINANCE COSTS

	Six months ended	
	30 June 2014 RMB'000 (unaudited)	30 September 2013 RMB'000 (unaudited)
Interest expenses on borrowings that are wholly repayable within five years:		
Amounts due to the NAIH Scheme	477	3,414
Senior note	13	85
Discounted bills	824	778
	<b>1,314</b>	<b>4,277</b>

### 8. INCOME TAX EXPENSES

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 June 2014 and 30 September 2013. As at 30 June 2014, subject to the agreements with the tax authorities, the Group has unused tax losses of approximately RMB232,976,000 (31 December 2013: RMB232,976,000) for a subsidiary incorporated in Hong Kong available for offset against future profits of approximately RMB232,976,000 (31 December 2013: RMB232,976,000) which 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9. GAIN ON COMPLETION OF THE GROUP'S RESTRUCTURING

Upon completion of the Group's restructuring on 23 January 2014, the amounts due to the Schemes, certain amounts of obligation under finance leases, senior note, accrued professional fees for restructuring and 40% equity interest in an associate were released or settled by the proceeds from the issuance of Subscription Shares and Class B Shares.

	<b>Six months ended 30 June 2014 RMB'000 (unaudited)</b>
Debts discharged:	
Amounts due to the Schemes	<b>379,234</b>
Obligations under finance leases	<b>13,411</b>
Senior note	<b>12,402</b>
Accrued professional fees for the restructuring	<b>26,959</b>
<b>Total debts discharged</b>	<b>432,006</b>
Release of foreign currency translation reserve on derecognition of an associate	<b>10,137</b>
	<b>442,143</b>
Satisfied by:	
Proceeds from the issuance of Subscription Shares	<b>142,805</b>
Proceeds from the issuance of Class B Shares	<b>53,756</b>
	<b>196,561</b>
<b>Gain on completion of the Group's restructuring</b>	<b>245,582</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging the following:

	<b>Six months ended</b>	
	<b>30 June 2014 RMB'000 (unaudited)</b>	30 September 2013 RMB'000 (unaudited)
Cost of inventories sold	<b>37,422</b>	57,667
Depreciation	<b>4,682</b>	5,082
Staff costs	<b>4,211</b>	2,909
Minimum lease payments under operating leases in respect of		
Factory and office premises	<b>1,848</b>	1,098
Plant and machinery	<b>1,382</b>	1,395
	<b>3,230</b>	2,493
Directors' emoluments:		
Fees	<b>245</b>	–
Equity settled share-based payments	<b>–</b>	–
	<b>245</b>	–

### 11. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for each of the six months ended 30 June 2014 and 30 September 2013.

### 12. EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period of approximately RMB227,697,000 (six months ended 30 September 2013: RMB908,000) attributable to equity holders of the Company for the period and the weighted average number of 2,236,692,469 (six months ended 30 September 2013: 251,892,320 ordinary shares as adjusted to reflect the impact of share consolidation on 30 December 2013) ordinary shares in issue during the period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. EARNINGS PER SHARE (continued)

#### (b) Diluted earnings per share

No diluted earnings per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during the period.

During the last period, 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 was available. As the exercise price of the outstanding share options was higher than the market price for shares immediately before the suspension of trading in the Company's shares, the computation of diluted earnings per share for the six months ended 30 September 2013 did not assume the exercise of the Company's outstanding share options.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Six months ended	
	30 June 2014 RMB'000 (unaudited)	30 September 2013 RMB'000 (unaudited)
Carrying amounts at the beginning of reporting period – audited	78,016	69,026
Additions	1,432	27,971
Depreciation for the period	(4,682)	(5,082)
Carrying amounts at the end of reporting period – unaudited	74,766	91,915

At 30 June 2014, the carrying amount of machinery and equipment held by the Group under finance leases amounted to approximately RMB5,088,000 (31 December 2013: RMB13,100,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. INTEREST IN AN ASSOCIATE

	<b>At 30 June 2014 RMB'000 (unaudited)</b>	At 31 December 2013 RMB'000 (audited)
Cost of unlisted equity investment	–	160,461
Share of post-acquisition profits and losses	–	148,421
	–	308,882
Less: Impairment loss	–	(308,882)
	–	–

- (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 31 December 2013 were 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 Global Limited was pledged for the NAIH Repayment Obligation under the NAIH Scheme. On 23 January 2014, upon completion of the transactions contemplated under the subscription agreement in respect of the restructuring of the Company, all the repayment obligations including the NAIH Repayment Obligation was fully discharged by transferring the 40% equity interest in Profound Global Limited to the NAIH Scheme. Further details of which are described in the Company's announcements dated 13 September 2013 and 25 November 2013 and the Company's circular dated 20 November 2013.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2014 RMB'000 (unaudited)</b>	At 31 December 2013 RMB'000 (audited)
Trade receivables	<b>27,498</b>	29,670
Bills receivables	<b>16,360</b>	19,345
Prepayments and other receivables	<b>14,533</b>	5,624
	<b>58,391</b>	54,639

#### 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.

	<b>At 30 June 2014 RMB'000 (unaudited)</b>	At 31 December 2013 RMB'000 (audited)
0 to 90 days	<b>20,260</b>	23,552
91 to 180 days	<b>3,727</b>	3,603
181 to 365 days	<b>2,838</b>	1,537
Over 1 year	<b>673</b>	978
	<b>27,498</b>	29,670

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. TRADE AND OTHER RECEIVABLES (continued)

#### Bills receivables

The following is an aged analysis of bills receivables:

	<b>At 30 June 2014 RMB'000 (unaudited)</b>	At 31 December 2013 RMB'000 (audited)
0 to 90 days	<b>9,565</b>	9,274
91 to 180 days	<b>6,795</b>	10,071
	<b>16,360</b>	19,345

### 16. AMOUNT DUE FROM/TO A FELLOW SUBSIDIARY

The amount due from/to a fellow subsidiary is unsecured, interest-free and have no fixed repayment terms.

### 17. TRADE AND OTHER PAYABLES

	<b>At 30 June 2014 RMB'000 (unaudited)</b>	At 31 December 2013 RMB'000 (audited)
Trade payables	<b>30,086</b>	28,809
Accruals and other payables	<b>51,482</b>	69,482
	<b>81,568</b>	98,291



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17. TRADE AND OTHER PAYABLES (continued)

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

	<b>At 30 June 2014 RMB'000 (unaudited)</b>	At 31 December 2013 RMB'000 (audited)
0 to 90 days	8,964	10,295
91 to 180 days	3,489	3,621
181 to 365 days	1,135	3,112
over 365 days	16,498	11,781
	<b>30,086</b>	28,809

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

### 18. AMOUNTS DUE TO THE SCHEMES

	<b>At 30 June 2014 RMB'000 (unaudited)</b>	At 31 December 2013 RMB'000 (audited)
NFG Repayment Obligation	-	157,600
Amounts due to NAIH Scheme	-	161,497
Amounts due to NFG Scheme	-	59,786
	<b>-</b>	378,883

The NFG Repayment Obligation was settled by part of the cash proceeds from the issuance of Subscription Shares and Class B Shares to SAL. Pursuant to the supplementary proposals approved by the scheme creditors on 23 November 2013, the amounts due to NAIH Scheme and amounts due to NFG Scheme were waived upon completion of the Group's restructuring.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 19. SHARE CAPITAL

	Notes	Number of shares of HK\$0.01 each	Amount RMB'000
<b>Authorised:</b>			
<i>Ordinary shares:</i>			
At 30 June 2014 and 31 December 2013		9,414,453,759	74,426
<i>Class B Shares:</i>			
At 30 June 2014 and 31 December 2013		585,546,241	4,614
<b>Total</b>		<b>10,000,000,000</b>	<b>79,040</b>
<b>Issued and fully paid:</b>			
<i>Ordinary shares:</i>			
At 31 December 2013 – audited		251,892,320	2,225
Issuance of Subscription Shares	(a)	1,555,538,480	12,227
Exercise of Warrants	(b)	125,946,160	990
Conversion of Class B Shares	(d)	585,546,241	4,602
At 30 June 2014 – unaudited		2,518,923,201	20,044
<i>Class B Shares:</i>			
Issuance of Class B Shares	(c)	585,546,241	4,602
Conversion of Class B Shares	(d)	(585,546,241)	(4,602)
At 30 June 2014 – unaudited		–	–
<b>Total</b>		<b>2,518,923,201</b>	<b>20,044</b>

### 19. SHARE CAPITAL (continued)

Notes:

(a) Issuance of Subscription Shares

Completion of the issuance of Subscription Shares took place on 23 January 2014 pursuant to which 1,555,538,480 Subscription Shares were issued to SAL at the subscription price of HK\$0.1168 per Subscription Share with par value of HK\$0.01 each. Accordingly, the Company's ordinary share capital was increased by approximately HK\$15,555,000 (equivalent to approximately RMB12,227,000) and the share premium account was increased by approximately HK\$166,132,000 (equivalent to approximately RMB130,578,000).

(b) Exercise of Warrants

Completion of the issuance of Warrants took place on 23 January 2014 pursuant to which 125,946,160 Warrants (one unit of warrant carrying the right to subscribe for one whole new ordinary share) were issued to the Subscriber Shareholders at the exercise price of HK\$0.1168 per warrant with the underlying shares at par value of HK\$0.01 each. On 27 January 2014, 100,756,928 Warrants were exercised and the remaining 25,189,232 Warrants were exercised on 24 February 2014. Accordingly, the Company's ordinary share capital was increased by approximately HK\$1,259,000 (equivalent to approximately RMB990,000) and the share premium account was increased by approximately HK\$13,451,000 (equivalent to approximately RMB10,573,000).

(c) Issuance of Class B Shares

Completion of the issuance of Class B Shares took place on 23 January 2014 pursuant to which 585,546,241 Class B Shares were issued to SAL at the subscription price of HK\$0.1168 per Class B Share with par value of HK\$0.01 each. Accordingly, the Company's Class B Share capital was increased by approximately HK\$5,855,000 (equivalent to approximately RMB4,602,000) and the share premium account was increased by approximately HK\$62,536,000 (equivalent to approximately RMB49,154,000).

The holders of Class B Shares is not entitled to (i) the distributable profits of the Company available for dividend distribution; and (ii) any voting right at any general meeting of the shareholders by reason of being a holder of Class B Share. Each fully paid and outstanding Class B Share shall be convertible, at the option of the holder thereof at any time, into one ordinary share of the Company.

(d) Conversion of Class B Shares

On 8 May 2014, all Class B Shares were converted into ordinary shares. Accordingly, the Company's ordinary share capital was increased by approximately HK\$5,855,000 (equivalent to approximately RMB4,602,000).

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 20. CONTINGENT LIABILITIES

As at 31 December 2013, the Company provided a corporate undertaking and Fullitech International Limited, a wholly-owned subsidiary of the Company, provided a corporate guarantee with the principal amount of HK\$1,381,000,000 (equivalent to approximately RMB1,088,000,000) together with the related interest. The corporate undertaking and guarantees were released upon completion of the Group's restructuring. Further details of which are stated in Key Elements of note 2 to the condensed consolidated financial statements.

### 21. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of certain office premises and machinery are analysed as follows:

	Six months ended	
	30 June 2014 RMB'000 (unaudited)	30 September 2013 RMB'000 (unaudited)
Within one year	2,264	7,482
In the second to fifth year inclusive	2,046	6,562
	<b>4,310</b>	14,044

### 22. CAPITAL COMMITMENTS

The directors were not aware of any significant capital commitments of the Group at the end of the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 23. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these condensed financial statements, the Group entered into the following material related party transactions.

	Six months ended	
	30 June 2014 RMB'000 (unaudited)	30 September 2013 RMB'000 (unaudited)
Rental expenses paid to deconsolidated companies	–	2,073
Rental expenses paid to a fellow subsidiary	3	–
Sales to a fellow subsidiary	9,836	–
Purchases from a fellow subsidiary	911	–

### 24. LITIGATIONS

Save as disclosed below, the directors are not aware of any litigation or claims of material importance pending or threatened by or against the members of the Group at the end of the reporting period:

- (a) On 23 December 2010, the Company, NAIH, 北泰汽車底盤系統(安徽)有限公司 (Norstar Automotive Chassis System (Anhui) Inc.) (“Norstar Chassis”) and one other company received judgements from the High People’s Court of Anhui Province in relation to its default in payment under the respective finance lease agreements entered into between NAIH and the plaintiff. The plaintiff’s claims are to be dealt with in manner stipulated under the terms of the Schemes.
- (b) On 31 July 2013, Norstar Chassis received judgment from the Intermediate People’s Court of Bengbu, Anhui Province in relation to the claims filed by the bankruptcy administrators of the Scheme Companies for payment of outstanding rentals of factory premises and/or machineries leased by Norstar Chassis. Pursuant to the equipment lease agreement(s), all rental/lease payments should be set-off against the amounts due from the lessor/landlord. Accordingly, on 22 August 2013, an appeal was filed by Norstar Chassis to the relevant court. Based on the current assessment of the management of Norstar Chassis and their discussions with the plaintiffs to date, the business and operations of Norstar Chassis are not expected to be adversely affected by the claims.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 24. LITIGATIONS (continued)

At the end of the reporting period, adequate provisions have been made against liabilities of the Group's potential obligations under above claims. Having considered the nature of the litigations, and the recognition of liabilities relating thereto, the Directors consider that the outstanding litigations would not have material impacts to the Group and its related business.

### 25. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 5 August 2014, Billion Million (HK) Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, the Company, BWI Company Limited (the "Vendor"), a wholly-owned subsidiary of BWI, and BWI entered into an agreement pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of BWI Europe Company Limited S.A. (the "Sales Shares"). The consideration for the acquisition of the Sale Shares is HK\$997 million and will be settled as follows:

- (a) as to HK\$697 million, by the allotment and issue by the Company to the Vendor (or to its nominee as the Vendor may direct in writing) 1,787,179,487 new ordinary shares at the issue price of HK\$0.39; and
- (b) as to the balance of HK\$300 million, by (i) cash payment, (ii) the issue by the Company to the Vendor (or to its nominee as the Vendor may direct in writing) of convertible bonds, or (iii) a combination of (i) and (ii), to be agreed between the Purchaser and the Vendor.

Details of which are set out in the Company's announcement dated 5 August 2014.

### 26. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 28 August 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATIONAL AND FINANCIAL REVIEW

Due to the change of financial year end date, this reporting period covered results for six months period from 1 January 2014 to 30 June 2014. The corresponding comparative amounts shown covered six months period from 1 April 2013 to 30 September 2013, and therefore may not be entirely comparable with the amounts shown for the current period.

During the financial period under review, the Group is principally engaged in the manufacturing, sale and trading of auto parts and construction decorative hardware products. The Group has also commenced wholesale of shock absorbers business with BWI in May 2014 with the aim of improving the operating results of the Group.

#### Turnover

For the six months ended 30 June 2014, the Group recorded revenue from the auto parts and construction decorative hardware business of RMB37.71 million, representing a decrease of 39.92% over last period (six months ended 30 September 2013: RMB62.77 million). The decrease in turnover in the auto parts and construction decorative hardware businesses were mainly due to keen competition in the industry.

Despite the decline in the turnover of the construction decorative hardware business, the wholesale of shock absorbers business brings in new revenue source to the Group. For the six months ended 30 June 2014, the Group recorded revenue of RMB0.99 million in this sector.

Overall revenue of the Group for the six months ended amounted to RMB38.70 million, representing a decrease of 38.35% over last period (six months ended 30 September 2013: RMB62.77 million).

#### Gross profit and gross profit margin

The gross profit of the auto parts and construction decorative hardware businesses for the six months ended 30 June 2014 decreased by 76.71% to RMB1.19 million (six months ended 30 September 2013: RMB5.11 million). The gross profit margin of the auto parts and construction decorative hardware businesses for the six months ended 30 June 2014 significant decreased to 3.16% (six months ended 30 September 2013: 8.14%). Such significant decrease was mainly due to certain fixed costs that were absorbed in the cost of inventories sold, when the turnover dropped, the profit margin was also affected adversely. The effect was compounded by the increases in material and labour costs.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Gross profit and gross profit margin (continued)

The gross profit and gross profit margin of the wholesale of shock absorbers business for the six months ended 30 June 2014 amounted to RMB0.08 million and 8.08% respectively.

The overall gross profit and gross profit margin for the six months ended 30 June 2014 were RMB1.27 million and 3.28% respectively.

### Other income

Other income of the Group for the six months ended 30 June 2014 decreased by 89.63% to RMB0.93 million (six months ended 30 September 2013: RMB8.97 million), the decrease was mainly due to decrease in exchange gain.

### Distribution and selling expenses

Distribution and selling expenses of the Group for the six months ended 30 June 2014 decreased by 27.61% to RMB2.15 million (six months ended 30 September 2013: RMB2.97 million), the decrease was mainly due to decrease in transportation expense.

### Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2014 increased by 172.84% to RMB13.56 million (six months ended 30 September 2013: RMB4.97 million). The increase in administrative expenses was mainly due to the increase in legal and professional fees in respect of the resumption of trading of shares of the Company, company secretarial fee and rental and office expenses for Hong Kong office.

### Profit attributable to equity holders of the Company

For the six months ended 30 June 2014, the Group recorded a profit attributable to equity holders of the Company of approximately RMB227.70 million (for the six months ended 30 September 2013: RMB0.91 million). The increase of the Group's gain was mainly attributable to the restructuring gain of RMB242.52 million (net of restructuring costs incurred for the period of RMB3.06 million).



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Prospects

A wholly-owned subsidiary of the Company (the “Purchaser”), the Company, a wholly owned subsidiary of BWI (the “Vendor”) and BWI entered into a sale and purchase agreement on 5 August 2014 (the “SPA”) pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of BWI Europe Company Limited S.A. (the “Sales Shares”), the consideration for the acquisition of the Sale Shares is HK\$997 million and will be settled as follows:

- (1) as to HK\$697 million, by the allotment and issue by the Company to the Vendor (or to its nominee as the Vendor may direct in writing) 1,787,179,487 new shares at the issue price of HK\$0.39 per share;
- (2) as to the balance of HK\$300 million, by (i) cash payment, (ii) the issue by the Company to the Vendor (or to its nominee as the Vendor may direct in writing) of convertible bonds, or (iii) a combination of (i) and (ii), to be agreed between the Purchaser and the Vendor.

Because the above acquisition has not yet been completed up to the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition contemplated by the SPA to take place on the completion date. Certain details of the acquisition have been set out in the Company’s announcement dated 5 August 2014.

The Group will continue to seek new business opportunities to improve its profitability and business prospects, consolidate or streamline its existing business, enhance its future business development and strengthen its revenue base.

### Liquidity and Financial Resources

As at 30 June 2014, bank balances and cash of the Group were RMB4.32 million (as at 31 December 2013: RMB0.28 million). The Group’s gearing ratio (measured as total borrowings over total assets) as at 30 June 2014 was 9.30% (as at 31 December 2013: 10.92%)

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Employees and Remuneration Policy

As at 30 June 2014, the Group had approximately 440 (as at 30 September 2013: 570) full-time employees, most of them were working in the Company's subsidiaries in the People's Republic of China ("PRC"). During the period under review, the total employees' cost was RMB4.46 million (six months ended 30 September 2013: RMB2.91 million). Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. The Group has adopted a provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong.

### Pledge of Assets

As at 30 June 2014, the carrying amount of plant and machinery held by the Group under finance leases amounted to RMB5.09 million (31 December 2013: RMB13.1 million). Also as at 31 December 2013, the Group's entire equity interest in Norstar Automotive Chassis System (Anhui) Inc. and 40% equity interest in Profound Global Limited were pledged for the Group's restructuring.

### Contingent Liabilities

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities.

## INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2014 (for the six months ended 30 September 2013: Nil).

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the period under review.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, none of the then Directors or chief executives of the Company, or their respective associates had any personal, family, corporate and other interests or short positions in the shares, underlying shares or 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 or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

No right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2014.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2014, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests or short positions in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 30.06.2014	Notes
Success Arrive Limited ("SAL")	Beneficial owner	1,462,478,156 (L)	58.05%	1, 2
		231,231,915 (S)	9.17%	
BWI Company Limited ("BWI HK")	Interest of a controlled corporation	1,462,478,156 (L)	58.05%	1, 2
		231,231,915 (S)	9.17%	
北京京西重工有限公司 (BeijingWest Industries Co., Ltd.) <sup>#</sup> ("BWI")	Interests of controlled corporations	1,462,478,156 (L)	58.05%	1, 2
		231,231,915 (S)	9.17%	
北京房山國有資產經營有限 責任公司 (Beijing Fangshan State-owned Assets Management Co. Ltd.) <sup>#</sup> ("Beijing Fangshan")	Interests of controlled corporations	1,462,478,156 (L)	58.05%	1, 2
		231,231,915 (S)	9.17%	
首鋼總公司 (Shougang Corporation)	Interests of controlled corporations	1,462,478,156 (L)	58.05%	1, 2
		231,231,915 (S)	9.17%	
VMS Investment Group Limited ("VMS")	Beneficial owner	321,131,915 (L)	12.74%	1, 3
Mak Siu Hang Viola ("Ms. Mak")	Interest of a controlled corporation	321,131,915 (L)	12.74%	1, 3

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Notes:

- # For identification purpose only
1. The letter "L" denotes a long position in the shares and/or underlying shares of the Company; and the letter "S" denotes a short position in the shares and/or underlying shares of the Company.
  2. SAL was a wholly owned subsidiary of BWI HK which in turn was wholly owned by BWI. BWI was held as to 55.45% by Shougang Corporation and as to 44.55% by Beijing Fangshan. Accordingly, the interests held by SAL, BWI HK, BWI, Shougang Corporation and Beijing Fangshan were the same block of shares of the Company.
  3. Ms. Mak indicated in her disclosure form dated 25 June 2014 (being the latest disclosure form filed up to 30 June 2014) that as at 24 June 2014, her interests included derivative interests in 231,231,915 shares of the Company and were the interests held by VMS, a company which was wholly-owned by Ms. Mak. Ms. Mak was therefore deemed to be interested in the shares of the Company which VMS was interested in.

Save as disclosed above, as at 30 June 2014, the Company has not been notified of any other person who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTIONS

On 6 June 2014, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme"), which would be valid for a period of ten years and became effective on 18 June 2014 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the Scheme.

No share option has been granted under the Scheme since its adoption. Accordingly, as at 30 June 2014, there was no share option outstanding under the Scheme.

## AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2014 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 19 August 2014 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2014.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Since 19 January 2009, trading in the shares of the Company on the Stock Exchange had been suspended. A winding-up petition against the Company was presented to the High Court of Hong Kong (the “High Court”) and provisional liquidators (the “Provisional Liquidators”) were appointed by the High Court to the Company on 6 February 2009 to preserve the assets of the Company and safeguard the interests of the Company. Subsequent to the debt restructuring and the capital restructuring of the Company, trading in the shares of the Company had been resumed since 27 January 2014 (the “Resumption Date”). The winding-up petition was dismissed and the Provisional Liquidators were discharged on the Resumption Date.

Prior to the Resumption Date, due to the financial difficulties of the Group before the restructuring and the prolonged suspension in trading of the shares of the Company, the Company was unable to comply with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules. Notwithstanding, the Board which was formed on the Resumption Date is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Board has already taken various actions for compliance with the CG Code, details of which were set out in the section headed “Corporate Governance Report” of the 2013 Annual Report of the Company. The Company has complied with the code provisions of the CG Code during the period from 27 January 2014 to 30 June 2014, except for the following deviation:

- Under the first part of code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

The Chairman of the Board, who is also the chairman of the Nomination Committee of the Company, did not attend the annual general meeting of the Company held on 6 June 2014 (the “2014 AGM”) as he had another business engagement. The then Managing Director of the Company, who took the chair of the 2014 AGM, and other members of the Board together with the chairmen of the Audit and Remuneration Committees and most of the members of each of the Audit, Remuneration and Nomination Committees attended the 2014 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2014 AGM were already of sufficient calibre and number for answering questions at the 2014 AGM.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions on the Resumption Date. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the period from the Resumption Date to 30 June 2014.

## DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following are the changes in the information of Directors since the date of the 2013 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (a) Mr. Li Shaofeng, an Executive Director of the Company, serves as a non-executive director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. The company name of Sinocop Resources (Holdings) Limited had been changed to China Dynamics (Holdings) Limited from 15 May 2014.
- (b) Mr. Tam King Ching, Kenny, an Independent Non-executive Director of the Company, is a member of the Institute of Chartered Accountants of Ontario, Canada. The registered name of such Institute changed to Chartered Professional Accountants of Ontario, Canada upon unification of the accounting professions in Ontario.

## APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period.

By Order of the Board  
**Jiang Yunan**  
*Managing Director*

28 August 2014