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## Norstar Founders Group Limited

(Provisional Liquidators Appointed)

北泰創業集團有限公司

(已委任臨時清盤人)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2339)

### ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

The board of directors (the “Board”) of Norstar Founders Group Limited (Provisional Liquidators Appointed) (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2012 together with the comparative figures for the year ended 31 March 2011 as follows:

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 RMB'000	2011 RMB'000
<b>Turnover</b>	4	<b>201,953</b>	247,049
Cost of inventories sold		<b>(180,835)</b>	(222,853)
<b>Gross profit</b>		<b>21,118</b>	24,196
Other income	5	<b>14,782</b>	23,865
Distribution and selling expenses		<b>(5,493)</b>	(6,426)
Administrative expenses		<b>(10,721)</b>	(13,533)
<b>Profit from operations</b>		<b>19,686</b>	28,102
Finance costs	7	<b>(8,776)</b>	(7,188)
<b>Profit before tax</b>		<b>10,910</b>	20,914
Income tax	8	<b>(4,250)</b>	(5,655)
<b>Profit and total comprehensive income for the year attributable to equity holders of the Company</b>	9	<b><u>6,660</u></b>	<u>15,259</u>
<b>Earnings per share</b>	11		
Basic and diluted (RMB cents per share)		<b><u>0.53</u></b>	<u>1.21</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2012**

	<i>Notes</i>	<b>2012</b> <b>RMB'000</b>	2011 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>40,584</b>	41,526
Interest in an associate		—	—
		<u><b>40,584</b></u>	<u>41,526</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>24,403</b>	20,222
Trade and other receivables	<i>12</i>	<b>118,515</b>	55,467
Amount due from an associate		<b>9,831</b>	232
Bank and cash balances		<b>1,484</b>	1,435
Current tax assets		<b>7</b>	—
		<u><b>154,240</b></u>	<u>77,356</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>13</i>	<b>103,956</b>	36,636
Amounts due to the Schemes		<b>379,983</b>	386,081
Amount due to an associate		<b>6,961</b>	6,992
Obligations under finance leases		<b>26,065</b>	26,784
Senior note		<b>12,417</b>	12,592
Interest-bearing borrowings		<b>10,070</b>	4,233
Tax payables		<b>9,926</b>	6,785
		<u><b>549,378</b></u>	<u>480,103</u>
<b>NET CURRENT LIABILITIES</b>		<u><b>(395,138)</b></u>	<u>(402,747)</u>
<b>NET LIABILITIES</b>		<u><b>(354,554)</b></u>	<u>(361,221)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>111,248</b>	111,248
Reserves		<u><b>(465,802)</b></u>	<u>(472,469)</u>
<b>TOTAL EQUITY</b>		<u><b>(354,554)</b></u>	<u>(361,221)</u>

## NOTES

### 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 KY1-1111, 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 year, 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

#### **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 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 30 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 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.

### **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".

## *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.
- (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 in the Company's announcements dated 21 October 2009 and 15 December 2009.

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

#### ***NFG Scheme***

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

#### ***NAIH Scheme***

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

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

### ***Issuance of HK\$15,000,000 senior note (the “Senior Note”)***

To fulfill the NAIH Obligation, the Company, NAIH, the Provisional Liquidators and Omni Success Limited (“OSL” or the “Subscriber”) had, on 6 September 2010, entered into a subscription agreement (the “Subscription Agreement”) pursuant to which NAIH has agreed to issue, and the Subscriber has agreed to subscribe for, the Senior Note for an aggregate principal amount of HK\$15 million with a maturity term of one year. The Senior Note was issued on 8 September 2010 with its maturity date on 6 September 2011 and the proceed raised was utilised to satisfy the NAIH obligation.

The principal terms of the Senior Note are summarised as follow:

Principal amount:	HK\$15,000,000
Interest rate:	HIBOR (3 months) plus 1.05%
Repayment of the principal of the Loan:	All outstanding loan together with all accrued and unpaid interest shall be repaid in one lump sum on the maturity date
Maturity date:	6 September 2011*

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

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

### ***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:

- (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.

### **Going concern**

As at 31 March 2012, the Group had net current liabilities of approximately RMB395,138,000 (2011: RMB402,747,000) and net liabilities of approximately RMB354,554,000 (2011: RMB361,221,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated 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 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 year, 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 year beginning on 1 April 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

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 and construction decorative hardware products for the year. An analysis of the Group's revenue for the year is as follows:

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Auto parts	<b>125,766</b>	156,003
Construction decorative hardware products	<b>76,187</b>	91,046
	<b><u>201,953</u></b>	<u>247,049</u>

#### 5. OTHER INCOME

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Net exchange gains	<b>14,198</b>	23,435
Government grants ( <i>note</i> )	<b>68</b>	350
Interest income	<b>4</b>	6
Others	<b>512</b>	74
	<b><u>14,782</u></b>	<u>23,865</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.

#### 6. 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. During the year ended 31 March 2012, the Group's revenue are derived from the segment of auto parts and construction decorative hardware products.

Segment profits or losses do not include finance costs and other unallocated corporate income and expenses. Segment assets do not include bank and cash balances and other unallocated corporate assets. Segment liabilities do not include amounts due to the Schemes, amount due to an associate, obligations under finance leases, senior note, interest-bearing borrowings and other unallocated corporate liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Information about reportable segment profit or loss, assets and liabilities:

	<b>Auto parts</b> <i>RMB'000</i>	<b>Construction decorative hardware products</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Year ended 31 March 2012:</b>			
Revenue from external customers	125,766	76,187	201,953
Segment profit/(loss)	16,939	(875)	16,064
Depreciation	4,333	6	4,339
Other material non-cash items:			
Impairment of trade receivables	369	–	369
Impairment of inventories	8	–	8
Additions to segment non-current assets	3,397	–	3,397
<b>At 31 March 2012:</b>			
Segment assets	141,754	51,579	193,333
Segment liabilities	<u>49,283</u>	<u>46,942</u>	<u>96,225</u>
<b>Year ended 31 March 2011:</b>			
Revenue from external customers	156,003	91,046	247,049
Segment profit	17,239	637	17,876
Depreciation	4,699	3	4,702
Other material non-cash items:			
Impairment of trade and other receivables	2,227	–	2,227
Impairment of inventories	1,787	–	1,787
Additions to segment non-current assets	1,534	–	1,534
<b>At 31 March 2011:</b>			
Segment assets	108,473	8,974	117,447
Segment liabilities	<u>32,182</u>	<u>3,939</u>	<u>36,121</u>

Reconciliations of reportable segment revenue, profit and loss, assets and liabilities:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
<b>Revenue:</b>		
Total turnover of reportable segments disclosed as consolidated turnover	<u>201,953</u>	<u>247,049</u>
<b>Profit or loss:</b>		
Total profit of reportable segments	16,064	17,876
Corporate and unallocated profit or loss	<u>3,622</u>	<u>10,226</u>
Consolidated total profit from operations	<u>19,686</u>	<u>28,102</u>
<b>Assets:</b>		
Total assets of reportable segments	193,333	117,447
Corporate and unallocated assets:		
Bank and cash balances	1,484	1,435
Current tax assets	<u>7</u>	<u>–</u>
Consolidated total assets	<u>194,824</u>	<u>118,882</u>
<b>Liabilities:</b>		
Total liabilities of reportable segments	96,225	36,121
Corporate and unallocated liabilities:		
Obligations under finance leases	26,065	26,784
Senior note	12,417	12,592
Interest-bearing borrowings	10,070	4,233
Tax payables	9,926	6,785
Amounts due to the Schemes	379,983	386,081
Amount due to an associate	6,961	6,992
Others	<u>7,731</u>	<u>515</u>
Consolidated total liabilities	<u>549,378</u>	<u>480,103</u>
Geographical information:		
	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
<b>Revenue:</b>		
People's Republic of China	198,104	242,393
United States of America	2,884	1,141
Netherlands	<u>965</u>	<u>3,515</u>
	<u>201,953</u>	<u>247,049</u>

Information about revenue from the Group's four (2011: three) customers individually contributing over 10% of total revenue of the Group as follows:

	<i>Notes</i>	<b>2012</b> <b><i>RMB'000</i></b>	2011 <i>RMB'000</i>
Customer A	3	<b>Note 1</b>	85,991
Customer B	4	<b>31,898</b>	64,434
Customer C	2	<b>27,785</b>	35,648
Customer D	3	<b>34,593</b>	Note 1
Customer E	2	<b>32,505</b>	Note 1

*Notes:*

- 1 No revenue was contributed to the Group in respective year.
- 2 Attributable to the auto parts business.
- 3 Attributable to the construction decorative hardware business.
- 4 Attributable to the both auto parts and construction decorative hardware business.

In presenting the geographical information, revenue is based on the locations of the customers. At the end of the reporting period, all non-current assets of the Group were located in the People's Republic of China.

## 7. FINANCE COSTS

	<b>2012</b> <b><i>RMB'000</i></b>	2011 <i>RMB'000</i>
Interest expenses on borrowings that are wholly repayable within five years:		
– Bank borrowings	–	105
– Amounts due to the NAIH Scheme	<b>6,828</b>	6,828
– Senior note	<b>166</b>	95
– Discounted bills	<b>1,782</b>	160
	<u><b>8,776</b></u>	<u>7,188</u>

## 8. INCOME TAX

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Current tax:		
– Provision for the PRC enterprise income tax	<u>4,250</u>	<u>5,655</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profits arising from Hong Kong during the reporting period (2011: Nil). Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax and the profit before tax are as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Profit before tax	<u>10,910</u>	<u>20,914</u>
Notional tax on profit before tax calculated at the PRC statutory rate	2,728	5,229
Effect of different tax rates in other tax jurisdictions	(293)	(1,151)
Tax effect of utilisation of tax losses not previously recognised	–	(883)
Tax effect of non-deductible expenses	2,385	5,020
Tax effect of non-taxable income	<u>(570)</u>	<u>(2,560)</u>
	<u>4,250</u>	<u>5,655</u>

According to the EIT Law, the profits of the PRC subsidiaries of the Company derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at a rate of 10% for other foreign investors. During the year ended 31 March 2012, no deferred tax has been recognised for withholding taxes of such profit of approximately RMB8,961,000 (2011: RMB16,125,000) that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the directors, the Group is able to control the timing of the reversal of the temporary differences and it is not probable that these subsidiaries will distribute their earnings accrued after 1 January 2008 in the foreseeable future.

As at 31 March 2012, subject to the agreements with the tax authorities, the Group has unused tax losses of approximately RMB232,976,000 (2011: RMB232,976,000) for a subsidiary incorporated in Hong Kong available for offset against future profits of approximately RMB232,976,000 (2011: RMB232,976,000) may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams of that subsidiary.

## 9. PROFIT FOR THE YEAR

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Auditor's remuneration	645	892
Cost of inventories sold	180,827	221,066
Depreciation	4,339	4,702
Minimum lease payments under operating leases in respect of:		
Factory and office premises	3,480	1,874
Plant and machinery	15,360	7,900
Impairment of trade receivables	369	2,227
Impairment of inventories (included in cost of inventories sold)	8	1,787
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	17,697	19,931
Equity settled share-based payments	7	840
	<u>17,704</u>	<u>20,771</u>

## 10. DIVIDENDS

The directors do not recommend the payment of any dividend for each of the years ended 31 March 2012 and 2011.

## 11. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year of approximately RMB6,660,000 (2011: RMB15,259,000) attributable to equity holders of the Company and the weighted average number of 1,259,461,601 (2011: 1,259,461,601) ordinary shares in issue during the year.

### (b) Diluted earnings per share

Trading in the shares of the Company was suspended since 19 January 2009 and no information of the average market price per share for the year 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 years ended 31 March 2012 and 2011 do not assume the exercise of the Company's outstanding share options.

## 12. TRADE AND OTHER RECEIVABLES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Trade receivables	102,125	39,051
Less: impairment losses	(369)	(2,200)
	<u>101,756</u>	<u>36,851</u>
Bills receivables:		
Bills receivable on hand	400	–
Discounted bills	10,070	4,233
	<u>10,470</u>	<u>4,233</u>
Prepayment and other receivables	6,289	14,610
Less: impairment losses	–	(227)
	<u>6,289</u>	<u>14,383</u>
	<u><u>118,515</u></u>	<u><u>55,467</u></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.

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
0 to 90 days	96,899	31,217
91 to 180 days	3,235	5,327
181 to 365 days	1,138	307
Over 1 year	484	–
	<u>101,756</u>	<u>36,851</u>



### Bills receivables

The following is an aged analysis of bills receivables:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
0 to 90 days	5,298	4,233
91 to 180 days	5,172	–
	<u>10,470</u>	<u>4,233</u>

### 13. TRADE AND OTHER PAYABLES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Trade payables	69,268	14,531
Accruals and other payables	34,688	22,105
	<u>103,956</u>	<u>36,636</u>

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
0 to 90 days	52,227	10,584
91 to 180 days	10,131	1,844
181 to 365 days	2,548	1,449
over 365 days	4,362	654
	<u>69,268</u>	<u>14,531</u>

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

### 14. 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 this announcement.

### 15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**

The Company's auditor has qualified the report on the Group's consolidated financial statements for the year ended 31 March 2012, an extract of which is as follows:

### **Basis for disclaimer of opinion**

#### **1. *Opening balances and corresponding figures***

The consolidated financial statements of the Company for the year ended 31 March 2011 were audited by another auditors whose report was dated 17 January 2013 and the opinion of which was disclaimed. We were unable to obtain sufficient reliable evidence to satisfy ourselves the existence, accuracy, presentation, and completeness of the opening balances and the related disclosures which form the basis for the corresponding figures shown in the current year's consolidated financial statements.

#### **2. *Inventories***

We were initially appointed as auditor of the Company subsequent to the end of the Company's reporting period of 31 March 2012. In consequence, we were unable to attend the physical count of the Group's inventories as at that date. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the existence, quantities and conditions of these inventories included in the consolidated statement of financial position of approximately RMB24,403,000 as at 31 March 2012.

#### **3. *Corporate undertaking and guarantees***

As further explained in note 2 to the consolidated financial statements, the Company and Fullitech International Limited, a wholly-owned subsidiary of the Company, had given the corporate undertaking and guarantees with the principal amount of HK\$1,381,000,000 (equivalent to approximately RMB1,120 million) together with the related interest thereon (to be calculated at 3-month HIBOR+1.05% on the principal amount) to a special purpose company established pursuant to the scheme of arrangement (the "NAIH Scheme") of Norstar Automobile Industrial Holding Limited (Provisional Liquidators Appointed), a wholly-owned subsidiary of the Company ("NAIH"). These corporate undertaking and guarantees are disclosed as contingent liabilities and are not recognised in the consolidated financial statements. Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Measurement" requires a financial guarantee contract be recognised initially at its fair value and subsequently, at the higher of (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to and there are no other satisfactory audit procedures that we could adopt to determine whether the respective corporate undertaking and guarantees are fairly stated as at 31 March 2012.

**4. *Impairment of interest in and amount due from an associate***

As stated in note 17 to the consolidated financial statements, the Group had an interest in an associate, Profound Global Limited (“Profound”), of approximately RMB308,882,000 (before accumulated impairment loss of approximately RMB308,882,000) as at 31 March 2012. No sufficient evidence has been received by us up to the date of this report to verify the financial information of Profound. Accordingly, we have not been able to verify whether the carrying amount of the Group’s interest in Profound as at 31 March 2012, the Group’s share of result of Profound for the year ended 31 March 2012 and the related note disclosures as included in the consolidated financial statements were fairly presented.

In addition, as stated in note 20 to the consolidated financial statements, the Group had an amount due from an associate of approximately RMB9,831,000 as at 31 March 2012. We have not been able to obtain direct audit confirmation in respect of the aforesaid balance and no sufficient evidence has been provided to satisfy ourselves as to the completeness and existence of the aforesaid balance. No subsequent settlement in respect of such amount was noted up to the date of this report and no impairment loss had been made in respect of such amount. We have not been able to obtain sufficient evidence to evaluate the recoverability of such amount. There were no other satisfactory audit procedures that we could perform to satisfy ourselves that the amount due from an associate were fairly stated as at 31 March 2012.

**5. *Amount due to an associate***

As stated in note 20 to the consolidated financial statements, the Group had an amount due to an associate of approximately RMB6,961,000 as at 31 March 2012.

We have not been able to obtain direct audit confirmation in respect of the aforesaid balance and no sufficient evidence has been provided to satisfy ourselves as to the completeness and existence of the aforesaid balance. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balance was fairly stated as at 31 March 2012.

**6. *Obligations under finance leases***

As stated in note 24 to the consolidated financial statements, the Group had obligations under financial leases of approximately RMB26,065,000 as at 31 March 2012.

We have not been able to obtain direct audit confirmation in respect of the aforesaid balance and no sufficient evidence has been provided to satisfy ourselves as to the completeness and existence of the aforesaid balance. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balance was fairly stated as at 31 March 2012.

**7. *Related party transactions and balances***

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the year ended 31 March 2012 and the balances as at that date as required by HKAS 24 “Related Party Disclosures”.

**8. *Commitments and contingent liabilities***

No sufficient evidence has been provided to satisfy ourselves as to the completeness of the disclosures of commitments and contingent liabilities as at 31 March 2012.

Any adjustments that are found necessary in relation to matters as described in points 1 to 8 above might have a significant consequential effect on the Group’s results and cash flows for the two years ended 31 March 2012 and 2011 and the financial positions of the Group as at 31 March 2012 and 2011, and the related disclosures thereof in the consolidated financial statements.

**Material uncertainty relating to the going concern basis**

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that the Investor has decided to pursue a restructuring of the Company.

The consolidated 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 restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

## **Disclaimer of opinion**

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 March 2012 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

During the financial year ended 31 March 2012 ("FY2012"), the Group is principally engaged in the manufacturing, sale and trading of auto parts and construction decorative hardware products.

For the FY2012, the Group recorded a turnover from sale and trading of auto parts of approximately RMB202 million, representing a decrease of approximately 18.3% from the financial year ended 31 March 2011 ("FY2011") of approximately RMB247 million. Gross profit margin increased from approximately 9.8% in FY2011 to approximately 10.5% in FY2012. The profit attributable to equity holders of the Company was approximately RMB6.7 million for FY2012, as compared to a profit of approximately RMB15 million for FY2011.

The profit before gain/loss arising from non-recurring and extraordinary events/items, such as gain arising from the Restructuring and restructuring costs net off income tax (the "NP before Extraordinary Items") was approximately RMB10.9 million for FY2012. The variances between the profit attributable to equity holders of the Company of RMB6.7 million and NP before Extraordinary Items of RMB10.9 million for FY2012 are mainly attributable to (i) finance costs in connection with amounts due to the Schemes (which shall be waived subject to the Scheme Creditors' Committee/Scheme Creditors' approval) of approximately RMB6.8 million, (ii) restructuring related expenses of approximately RMB3.1 million, (iii) exchange gains (net of relevant losses/expenses) of approximately RMB10.6 million, and (iv) net loss/expense arising from non-recurring items of RMB4.9 million.

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

## **Liquidity And Financial Resources**

As at 31 March 2012, bank balances and cash of the Group were approximately RMB1.5 million (FY2011: RMB1.4 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 March 2012 was 5.2% (FY2011: 3.6%).

## Capital Structure

There was no change in the Company's share capital during the year.

## Capital Commitments

The Group and the Company had no capital commitment during the year ended 31 March 2012 (FY2011: Nil).

## 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 this announcement.

## Contingent Liabilities

The Group and the Company had the following contingent liabilities:

As at 31 March 2011 and 2012, the Company provided the NFG Undertaking and Fullitech provided the Fullitech Corporate Guarantee for a sum up to the NAIH Repayment Obligation.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2012, the interests and short positions of the directors of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Name of director	Number of shares held			Underlying shares of outstanding Total share options	Approximate aggregate percentage of interests (Note 2)
	Personal interest	Corporate interest			
Ms. Lilly Huang (Note 1)	–	600,000,000	600,000,000	–	47.64%
Mr. Choi Tat Ying, Jacky	–	–	–	500,000	–

*Notes:*

- (1) The shares are held by Century Founders Group Limited in which Ms. Lilly Huang owns a 52% shareholding interest. Ms. Lilly Huang is therefore deemed to be interested in the entire interest of Century Founders Group Limited in the Company for the purpose of Part XV of the SFO.
- (2) The calculation is based on the number of shares as a percentage of the total number of issued shares of the Company (ie. 1,259,461,601 shares) as at 31 March 2012.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31 March 2012.

### **COMPETING INTEREST**

None of the directors or the management shareholders of the Company had an interest in a business which competes or may compete with the business of the Group.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2012.

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

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

### **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 audited financial results and statements of the Company for the year ended 31 March 2012 have not been reviewed by the audit committee as there is no sufficient number of independent non-executive directors to constitute the audit committee.

## **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 Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

However, due to the severe financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, the directors are unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2012.

## **SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED**

The figures above in respect of this annual results announcement for the year ended 31 March 2012 have been agreed with the Company's auditor, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by ZHONGHUI ANDA in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA on this announcement.

## **SUSPENSION OF TRADING**

**At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 10:00 a.m. on 19 January 2009 and shall remain suspended until further notice.**

By Order of the Board, for  
**Norstar Founders Group Limited**  
**(Provisional Liquidators Appointed)**  
**Chin Chang Keng, Raymond**  
*Executive Director*

Hong Kong, 31 October 2013

*As at the date of this announcement, the Board comprises Ms. Lilly Huang and Mr. Chin Chang Keng, Raymond as executive directors, and Mr. Choi Tat Ying, Jacky as independent non-executive director.*

*Please also refer to the published version of this announcement on the Company's website: [www.norstar.com.hk](http://www.norstar.com.hk).*