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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The board of directors (the "Board") of Norstar Founders Group Limited (Provisional Liquidators Appointed) (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2009 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	Notes	**6 months ended 30 September 2009 (Unaudited)** ***RMB'000***	6 months ended 30 September 2008 (Unaudited) *RMB'000*
Turnover	*4*	**9,228**	**2,244,126**
Cost of sales		**(7,550)**	**(1,882,575)**
Gross profit		**1,678**	**361,551**
Other income and gains		**2,658**	**63,089**
Distribution and selling expenses		**(477)**	**(25,379)**
Administrative expenses		**(9,354)**	**(140,773)**
Finance costs	*6*	**(27,948)**	**(24,338)**
Share of (loss)/profit an associate		**(6,719)**	**18,681**
(Loss)/profit before tax		**(40,162)**	**252,831**
Income tax expense	*7*	**–**	**(52,686)**
(Loss)/profit for the period	*8*	**(40,162)**	**200,145**
		RMB	*RMB*
(Loss)/earnings per share	*9*		
Basic		**(3.19) cents**	15.89 cents
Diluted		**(3.19) cents**	15.89 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2009

	Notes	**30 September 2009 (Unaudited) *RMB'000***	31 March 2009 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**40,107**	41,578
Deposits paid for acquisition of property, plant and equipment		**4,120**	4,120
Goodwill		**–**	–
Interest in an associate		**323,976**	330,695
Available-for sale investments	*11*	**–**	–
		368,203	376,393
Current assets			
Inventories		**3,327**	–
Amount due from an associate		**9,868**	–
Trade and other receivables	*12*	**50,232**	48,035
Amount due from deconsolidated subsidiaries		**59,316**	36,708
Bank balances and cash		**10,603**	10,119
		133,346	94,862
Current liabilities			
Trade and other payables	*13*	**793,322**	749,601
Amount due to an associate		**23,981**	23,981
Amount due to directors		**779**	779
Obligation under finance leases		**32,554**	32,591
Unsecured interest-bearing borrowings		**1,415,224**	1,392,736
Tax payables		**616**	616
		2,266,476	2,200,304
Net current liabilities		**(2,133,130)**	(2,105,442)
Net liabilities		**(1,764,927)**	(1,729,049)
Capital and reserves			
Share capital		**111,248**	132,383
Reserves		**(1,876,175)**	(1,861,432)
		(1,764,927)	(1,729,049)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

1. GENERAL INFORMATION

Norstar Founders Group Limited (Provisional Liquidators Appointed) (the “Company”) is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Trading in the shares of the Company has been suspended since 19 January 2009.

The principal activities of the Company and its subsidiaries (collectively referred as the “Group”) are the investment holding, manufacturing and sales of auto parts and construction decorative hardware products.

The functional currency of the Company for the year ended 31 March 2009 was United States Dollar (“US$”). As the Group’s business have, since 1 April 2009, been substantially conducted in the PRC (with sales and purchases denominated in Renminbi (“RMB”)), the directors have reassessed the functional currency of the Company and certain subsidiaries and determined that the functional currency of the Company and certain subsidiaries be changed from US$ to RMB with effect from 1 April 2009. The effect of a change in functional currency has been accounted for prospectively. The change in functional currency has no impact to the comparative figures presented as RMB was the Group’s presentation currency for the year ended 31 March 2009.

2. BASIS OF PREPARATION

(i) Financial results and position

The Group incurred a loss for the six months ended 30 September 2009 of approximately RMB40,162,000. The Group had net current liabilities and net liabilities of approximately RMB2,133,130,000 and RMB1,764,927,000 respectively as at 30 September 2009.

(ii) Filing of the petitions

On 19 January 2009, trading in the shares of the Company was suspended (at the request of the Company) following a number of announcements made since late December 2008, in relation to, amongst other matters, the resignation of certain directors and group financial controller of the Company, default in payment by Norstar Automobile Industrial Holding Limited (“NAIH”), a wholly owned subsidiary of the Company for treasury losses of approximately HK$44,000,000 and a creditor’s claim against the Group in the amount of RMB326,600,000.

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

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

(iii) Debt Restructuring

On 8 December 2009, two schemes of arrangement were approved by the respective creditors of the Company (the "NFG Scheme") and NAIH (the "NAIH Scheme") (collectively the "Schemes"). Messrs Lai Kar Yan (Derek), Darach E. Haughey and Yeung Lui Ming (Edmund) 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 of Hong Kong Special Administrative Region and became effective on 19 March 2010.

NFG Scheme

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

(i) A sum of HK$2,000,000 placed with the Company by Mr. Zhou Tian Bao ("Mr. Zhou"), a substantial shareholder of the Company;

(ii) A repayment obligation from the Company in favour of a special purpose company incorporated to facilitate the proposed debt restructuring of NFG under the NFG Scheme (the "NFG SPV") for a fixed sum of HK$200,000,000 under which the Company would repay the said sum within 12 months from the effective date of the NFG Scheme ('NFG Repayment Obligation"); and

(iii) Amounts recoverable from NAIH and Fullitech by way of distribution from the NAIH Scheme.

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

NAIH Scheme

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

(i) A total cash payment of HK$15,000,000 (the "NAIH Obligation") made by NAIH to a special purpose company incorporated pursuant to the NAIH Scheme (the "NAIH SPV");

(ii) Net proceeds arising from the disposal of equity interest in four independent third party companies (the "Four Third Party Companies");

(iii) Net cash flow to be generated/net proceeds arising from the following:

(a) Net cash flow to be generated from Norstar Auto Suspension Manufacturing (Beijing) Inc ("Norstar Suspension"), a former subsidiary of the Company deconsolidated on 1 April 2008, and Profound Global Limited ("Profound"), an associate of the Group, over a period of 5 years in the total amount of HK$1,381,000,000 (plus interest) (the "NAIH Repayment Obligation").

The NAIH Repayment Obligation are secured by the following:

1. A corporate guarantee issued by Fullitech in favour of the NAIH SPV for a sum up to the NAIH Repayment Obligation (the "Fullitech Corporate Guarantee");

2. A corporate undertaking provided by the Company for a sum up to the NAIH Repayment Obligation (the "NFG Undertaking");

3. First legal charge on Mr. Zhou's direct and indirect shareholdings in the Company;

4. Share charge over NAIH's 100% interest in Norstar Automotive Chassis Systems (Anhui) Inc ("Norstar Chassis") for a sum up to the NAIH Repayment Obligation; and

5. Share charge over NAIH's 40% interest in Profound for a sum up to the NAIH Repayment Obligation;

Or

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

(iv) Net proceeds arising from the disposal of the equity interests in CX Tech Inc. and Sumitech Engineering Inc. independent third party companies, (collectively the "US Companies"), if such shareholdings are disposed of within 5 years from the effective date of the NAIH Scheme; and

(v) Net proceeds arising from the disposal of Norstar Suspension after full settlement of the NAIH Repayment Obligation.

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

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

Issuance of HK$15,000,000 senior note (the "Senior Note")

To fulfill the NAIH Obligation, the Company, NAIH, the Provisional Liquidators and Omni Success Limited ("OSL" or the "Subscriber") had, on 6 September 2010, entered into a subscription agreement, (the "Subscription Agreement") pursuant to which (i) NAIH has agreed to issue, and the Subscriber has agreed to subscribe for, the Senior Note for an aggregate principal amount of HK$15 million with a maturity term of one year.

The maturity date of the Senior Note has been extended by the parties from 6 September 2011 to 28 February 2013 by way of side letters dated 15 August 2011 and 6 September 2012.

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

Principal amount:	HK$15,000,000
Interest rate:	HIBOR (3 months) plus 1.05%
Repayment of the principal of the Loan:	All outstanding loan together with all accrued and unpaid interest shall be repaid in one lump sum on the maturity date
Maturity date:	28 February 2013 (as extended by side letters entered into subsequent to the subscription agreement)

Further details of the Senior Note are set out in the Company's announcement dated 5 October 2010.

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

In view of the above, there are material uncertainties surrounding the Group's ability to act as a going-concern. However, these consolidated financial statements have been prepared on a going concern basis on the basis that the restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligation as and when they fall due in the foreseeable future.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009.

During the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA. Except as described below, the adoption of the new or revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which Group operates, and revenue from the Group's major customers. Due to the adoption of HKFRS 8 during the current year, certain comparative amounts have been revised to conform to current year's presentation.

4. TURNOVER

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

	6 months ended 30 September 2009 (Unaudited) *RMB'000*	6 months ended 30 September 2008 (Unaudited) *RMB'000*
Auto parts	**9,228**	2,013,829
Construction decorative hardware products	**–**	230,297
	9,228	2,244,126

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of HKFRS 8 has not changed the basis of measurement of segment profit or loss.

The Group's operating and reportable segments under HKFRS 8 based on the nature of businesses are as follows:

The Group's business is mainly categorised into two business segments:

– Auto parts; and,

– Construction decorative hardware products.

(i) **The following is an analysis of the Group's revenue and results by reportable segment.**

For the six months ended 30 September 2009 (unaudited)

	Auto parts	**Construction decorative hardware products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment Turnover			
Segment Revenue	9,228	–	9,228
Segment results	1,678	–	1,678
Distribution expenses			(477)
Administrative expenses			(9,354)
Unallocated income			2,658
Finance costs			(27,948)
Share of loss of an associate			(6,719)
Consolidated loss before tax			(40,162)

For the six months ended 30 September 2008 (unaudited and restated)

	Auto parts	**Construction decorative hardware products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment turnover			
Segment Revenue	2,013,829	230,297	2,244,126
Segment results	335,480	26,071	361,551
Distribution expenses			(25,379)
Administrative expenses			(140,773)
Unallocated income			63,089
Finance costs			(24,338)
Share of profit of an associate			18,681
Consolidated profit before tax			252,831

Segment assets

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

Segment assets

	30 September 2009 (Unaudited) *RMB'000*	31 March 2009 (Audited) *RMB'000*
Auto parts	**110,615**	73,335
Construction decorative hardware products	**–**	–
Total segment assets	**110,615**	73,335
Unallocated assets	**390,934**	397,920
Consolidated total assets	**501,549**	471,225

For the purposes of monitoring segmented performance and allocating resources between each segment:

– All assets are allocated to reportable segments other than interest in an associate, bank balances and cash and certain prepayment and other receivables. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

6. FINANCE COSTS

	6 months ended 30 September 2009 (Unaudited) *RMB'000*	6 months ended 30 September 2008 (Unaudited) *RMB'000*
Interest on bank borrowings	**26,349**	22,727
Finance charges on obligations under finance leases	**1,432**	916
Bank charges	**167**	695
	27,948	24,338

7. INCOME TAX EXPENSE

Income tax expense included in the consolidated income statement is comprised of:

	6 months ended 30 September 2009 (Unaudited) ***RMB'000***	6 months ended 30 September 2008 (Unaudited) *RMB'000*
PRC Enterprise Income Tax	**–**	52,686

8. LOSS FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging:

	6 months ended 30 September 2009 ***RMB'000*** **(Unaudited)**	6 months ended 30 September 2008 *RMB'000* (Unaudited)
Staff costs	**1,155**	44,795
Cost of inventories sold	**7,550**	1,882,575
Depreciation	**1,729**	40,432
Gain on disposals of property, plant and equipment	**–**	272
Net exchange loss	**–**	8,151

9. (LOSS)/EARNINGS PER SHARE

Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the six months period attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the six months ended 30 September 2009 and 2008.

	6 months ended 30 September 2009 (Unaudited)	6 months ended 30 September 2008 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company *(RMB'000)*	**(40,162)**	200,145
Weighted average number of ordinary shares in issue	**1,259,461,601**	1,259,461,601

Diluted

Trading in the shares of the Company had been suspended since 19 January 2009 and no information of the average market price per share for the period is available. As the exercise price of the outstanding share options is higher than the market price for shares immediately before the suspension of trading in the Company's shares, the computation of diluted earnings per share for the six months ended 30 September 2009 does not assume the exercise of the Company's outstanding share options. The computations of diluted earnings per share for the six months ended 30 September 2009 do not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for the six months ended 30 September 2009.

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2009.

11. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2009	31 March 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted equity investments in the PRC, at cost	**2,294,119**	2,294,119
Impairment	**(2,294,119)**	(2,294,119)
	–	–

12. TRADE AND OTHER RECEIVABLES

	30 September 2009	31 March 2009
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade receivables	**32,233**	30,517
Prepayments and other receivables	**17,999**	17,518
	50,232	48,035

Trade receivables

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.

	30 September 2009	31 March 2009
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
0 – 90 days	**1,516**	–
91 – 180 days	**234**	13,244
181 – 365 days	**13,229**	17,253
Over 365 days	**17,254**	20
	32,233	30,517

13. TRADE AND OTHER PAYABLES

	30 September 2009 (Unaudited) *RMB'000*	31 March 2009 (Audited) *RMB'000*
Trade payables	**14,708**	11,143
Accruals and other payables	**92,531**	54,154
Payable arising from financial instruments	**686,083**	684,304
	793,322	749,601

Trade payables

The following is an ageing analysis of trade payable presented based on the invoice date at the end of the reporting period.

	30 September 2009 (Unaudited) *RMB'000*	31 March 2009 (Audited) *RMB'000*
0 – 90 days	**545**	7,398
91 – 180 days	**1,879**	885
181 – 365 days	**9,178**	1,100
Over 365 days	**3,106**	1,760
	14,708	11,143

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the six months ended 30 September 2009, the Group's turnover was approximately RMB9,228,000 (30 September 2008: RMB2,244,126,000) with gross profit margin of approximately 18.2% (30 September 2008: 16.1%). The consolidated loss attributable to owners of the Company amounted to approximately RMB40,162,000 for the period (30 September 2008: RMB200,145,000).

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 six months ended 30 September 2009.

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 auditors of the Company.

The audited financial results and statements of the Company for the six months period ended 30 September 2009 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 six months ended 30 September 2009.

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)
Lilly Huang
Executive Director

Hong Kong, 17 January 2013

As at the date of this announcement, the Board comprises Ms. Lilly Huang as executive director, 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.