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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 2011

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 2011 together with the comparative figures for the year ended 31 March 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	**2011** ***RMB'000***	2010 *RMB'000*
Turnover	*4*	**247,049**	50,705
Cost of sales		**(222,853)**	(42,397)
Gross profit		**24,196**	8,308
Other income and gains	*6*	**23,865**	12,876
Gain arising from the release of indebtedness		–	1,763,355
Distribution and selling expenses		**(6,426)**	(3,276)
Administrative expenses		**(13,533)**	(25,496)
Finance costs	*7*	**(7,188)**	(59,605)
Impairment loss recognised on amounts due from deconsolidated subsidiaries		**–**	(14,683)
Share of loss of an associate		**–**	(21,813)
Impairment loss of interest in an associate		**–**	(308,882)

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Profit before tax		**20,914**	1,350,784
Income tax expense	*8*	**(5,655)**	(683)
Profit for the year	*9*	**15,259**	1,350,101
Other comprehensive income			
Exchange difference released on deconsolidation of subsidiaries		**–**	74
Total comprehensive income for the year attributable to owners of the Company		**15,259**	1,350,175
		RMB	*RMB*
Earnings per share			
Basic and diluted	*10*	**0.01**	1.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Plant and equipment		**41,526**	44,618
Interest in an associate		**–**	–
		41,526	44,618
Current assets			
Inventories		**20,222**	5,797
Trade and other receivables	*12*	**47,177**	22,443
Amount due from an associate		**2,705**	2,417
Amounts due from deconsolidated subsidiaries		**–**	12,889
Bank balances and cash		**1,435**	375
		71,539	43,921
Current liabilities			
Trade and other payables	*13*	**422,717**	435,393
Amount due to an associate		**1,175**	867
Obligations under finance leases		**26,784**	28,300
Senior note		**12,592**	–
Interest-bearing borrowings		**4,233**	–
Tax payables		**6,785**	1,299
		474,286	465,859
Net current liabilities		**(402,747)**	(421,938)
		(361,221)	(377,320)
Capital and reserves			
Share capital		**111,248**	111,248
Reserves		**(472,469)**	(488,568)
		(361,221)	(377,320)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

1. GENERAL INFORMATION

Norstar Founders Group Limited (Provisional Liquidators Appointed) (the "Company") is a public limited company incorporated in the 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 investment holding, manufacturing and sales of auto parts and auto suspension system, and construction decorative hardware products.

The consolidated financial statements are presented in Renminbi ("RMB") which is the functional currency of the Company and the major operating subsidiaries of the Company.

2. BASIS OF PREPARATION

The following conditions and events indicate material uncertainties relating to the Group's ability to act as a going concern.

(i) Financial position

As at 31 March 2011, the Group had net current liabilities and net liabilities of approximately RMB402,747,000 and RMB361,221,000 respectively.

(ii) Filing of 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 Administrator 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"). Messers 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 interests in four independent third party companies (the "Four Third Party Companies");

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

    (a) Net cash flow to be generated from Norstar Auto Suspension Manufacturing (Beijing) Inc ("Norstar Suspension"), a former subsidiary of the Company deconsolidated on 1 April 2008, and Profound Global Limited ("Profound"), an associate of the Group, over a period of 5 years in the total amount of HK$1,381,000,000 (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 creditors (the "Scheme Creditors") of the respective Schemes, convene a Scheme Creditors' meeting to consider, and if considered appropriate, resolve to approve such an offer.

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

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

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 the event the Schemes are terminated and in absence of other restructuring plan(s), the financial position of the Group may be materially affected, due to certain adjustments that might have to be made to the Group's financial statements, including but not limited to a reversal (in full or in part) of the assets and liabilities previously derecognised in the release of indebtedness and correspondingly the gain on release of the indebtedness.

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 debt 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvement to HKFRSs 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK (IFRIC)– Interpretation ("Int") 5	Presentation of Financial Statements– Classification by the Borrower of a Term Loan that Contains a Repayment on Demand clause
HK (IFRIC)– Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (Revised 2008) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised in 2008) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction or disposal of subsidiary during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised) HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
	Annual Improvements 2009-2011 Cycle[7]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
	Government Loans[7]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[4]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[7]
HKFRS 9	Financial Instruments[9]
HKFRS 7 and 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[9]
HKFRS 10	Consolidated Financial Statements[7]
HKFRS 11	Joint Arrangements[7]
HKFRS 12	Disclosure of Interests in Other Entities[7]
HKFRS 10,11 and 12 (Amendments)	Transition Guidance[7]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities[8]
HKFRS 13	Fair Value Measurement[7]
HKAS 1 (Revised)	Presentation of Financial Statement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 16 (Amendments)	Property, Plant and Equipment[7]
HKAS 19 (Revised)	Employee Benefits[7]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised in 2011)	Separate Financial Statements[7]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[7]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[8]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction[5]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[7]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 July 2011.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 July 2012.
7 Effective for annual periods beginning on or after 1 January 2013.
8 Effective for annual periods beginning on or after 1 January 2014.
9 Effective for annual periods beginning on or after 1 January 2015.

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:

	2011	2010
	RMB'000	*RMB'000*
Auto parts *(note)*	**156,003**	50,055
Construction decorative hardware products	**91,046**	650
	247,049	50,705

Note:

During the year ended 31 March 2011, the Group incurred sales to the PRC Subsidiaries of approximately RMB6,070,000 (2010 : RMB2,074,000).

5. SEGMENT INFORMATION

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

– Auto parts; and

– Construction decorative hardware products.

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

For the year ended 31 March 2011

	Auto parts	**Construction decorative hardware products**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*
REVENUE			
External sales	156,003	91,046	247,049
Segment results	17,239	637	17,876
Finance costs			(7,188)
Unallocated income			15,518
Unallocated expenses			(5,292)
Profit before tax			20,914

For the year ended 31 March 2010

	Auto parts *RMB'000*	Construction decorative hardware products *RMB'000*	Consolidated *RMB'000*
REVENUE			
External sales	50,055	650	50,705
Segment results	2,815	57	2,872
Gain arising from the release of indebtedness			1,763,355
Share of loss of an associate			(21,813)
Impairment loss of interest in an associate			(308,882)
Finance costs			(59,605)
Impairment loss recognised on amounts due from deconsolidated subsidiaries			(14,683)
Unallocated income			10,005
Unallocated expenses			(20,465)
Profit before tax			1,350,784

Segment profit/(loss) represents the profit earned (loss recorded) by each segment without allocation of central administration costs, directors' salaries, share of loss of and impairment loss of interest in an associate, gain arising from the release of indebtedness, certain other income and finance costs. This is the measure reported to the chief operating decision maker(s) for the purposes of resource allocation and performance assessment.

Segment assets

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

Segment assets

	2011	2010
	RMB'000	*RMB'000*
Auto parts	**102,656**	88,164
Construction decorative hardware products	**8,974**	–
Total segment assets	**111,630**	88,164
Unallocated assets	**1,435**	375
Consolidated total assets	**113,065**	88,539

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

– all assets are allocated to reportable segments other than bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

6. OTHER INCOME AND GAINS

	2011	2010
	RMB'000	*RMB'000*
Net Exchange gain	**23,435**	9,922
Government grants *(note)*	**350**	2,871
Interest income	**6**	11
Sundry income	**74**	72
	23,865	12,876

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

	2011	2010
	RMB'000	*RMB'000*
Interest on:		
– bank borrowings wholly repayable within five years	**105**	54,859
– amounts due to the NAIH Scheme	**6,828**	–
– senior note	**95**	–
– discounted bills	**160**	–
– obligations under finance leases	**–**	4,746
	7,188	59,605

8. INCOME TAX EXPENSE

Income tax expense included in consolidated statement of comprehensive income comprised of:

	2011	2010
	RMB'000	*RMB'000*
PRC Enterprise Income Tax	**5,655**	683

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2011	2010
	RMB'000	*RMB'000*
Cost of inventories recognised as an expense	**221,066**	41,736
Depreciation of plant and equipment	**4,702**	5,373
Impairment losses in respect of trade and other receivables	**2,227**	200
Allowance for inventories (included in cost of sales)	**1,787**	661

10. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the year ended 31 March 2011 and 2010.

	2011	**2010**
Profit for the year attributable to owners of the Company *(RMB'000)*	**15,259**	1,350,101
Weighted average number of ordinary shares in issue	**1,259,461,601**	1,259,461,601

Diluted

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 computations of diluted earnings per share for the year ended 31 March 2011 and 2010 do not assume the exercise of the Company's outstanding share options.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

12. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade and bills receivables	**41,084**	20,386
Prepayments and other receivables	**6,093**	2,057
	47,177	22,443

Trade and bills receivables

The following is an ageing analysis of trade and bill receivables, net of impairment, presented based on the invoice date at the end of the reporting period.

	2011	2010
	RMB'000	*RMB'000*
0 to 90 days	**35,450**	18,426
91 to 180 days	**5,327**	549
181 to 365 days	**307**	1,411
	41,084	20,386

13. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**14,531**	6,664
Accruals and other payables	**22,105**	15,284
Amount due to the Schemes	**386,081**	413,445
	422,717	435,393

Trade payables

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

	2011	2010
	RMB'000	*RMB'000*
0 to 90 days	**10,584**	5,156
91 to 180 days	**1,844**	1,382
181 to 365 days	**1,449**	126
Over 365 days	**654**	–
	14,531	6,664

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Basis of disclaimer of opinion

During the course of our audit of the Group's consolidated financial statements for the year ended 31 March 2011, we encountered significant scope limitations in respect of various areas as set out below:

1. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2010 (the "2010 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our auditor's report dated 9 January 2013. Accordingly, we have not been able to form an opinion as to whether the 2010 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 March 2010 and 1 April 2010 and of the Group's profit and cash flows for the year ended 31 March 2010.

2. Corporate guarantee

As further explained in note 2 to the consolidated financial statements, the Company and Fullitech International Limited, a wholly-owned subsidiary of the Company, provided an undertaking and a corporate guarantee amounted to HK$1,381,000,000 each 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"). In accordance with Hong Kong Accounting Standard ("HKAS") 39, the fair value of these financial guarantee contracts should be recognised as a financial liability. No amount in respect of these financial guarantees had been recognised as at 31 March 2011.

No sufficient evidence had been provided to us and there are no other satisfactory audit procedures that we can carry out to satisfy ourselves as to the fair value of the financial guarantees as at 31 March 2011 and the resulting fair value changes for the year ended 31 March 2011.

3. ***Related party transactions and balances***

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of related party transactions and balances for the year ended 31 March 2011 as required by HKAS 24 "Related Party Disclosures" as set out in note 33 to the consolidated financial statements.

4. ***Impairment of plant and equipment***

The directors of the Company had conducted an impairment assessment on the Group's plant and equipment and concluded that there is no impairment over the Group's plant and equipment of approximately RMB41,526,000 as at 31 March 2011. We have not been able to perform satisfactory audit procedures to verify the recoverable amount of the Group's plant and equipment as at 31 March 2011 and accordingly cannot determine whether any impairment loss should be recognised during the year in accordance with HKAS 36 "Impairment of Assets".

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

As detailed in note 19 to the consolidated financial statements, the Group had 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 2011. No sufficient evidence has been received by us up to the date of this report to verify the financial information of Profound. Accordingly, we had not been able to verify whether the gross and net carrying amount of the interest in Profound as at 31 March 2011, the Group's share of result of Profound for the year ended 31 March 2011 and the related note disclosures as included in the consolidated financial statements were fairly stated.

In addition, as stated in note 21 to the consolidated financial statements, the Group had amount due from an associate of approximately RMB2,705,000 as at 31 March 2011. No subsequent settlement in respect of such amount was noted up to the date of this report and no impairment had been recognised in respect of such amount. We have not been able to obtain sufficient evidence to evaluate the recoverability of such amount. There were no practical alternative audit procedures that we could perform to satisfy ourselves that the amount due form an associate was fairly stated as at 31 March 2011.

6. ***Allowance for inventories***

Included in the inventories of the Group as at 31 March 2011 was raw materials of approximately RMB3,240,000 that remained unutilised up to the date of this report and for which no provision had been recognised. There were no practical alternative audit procedures that we could perform to satisfy ourselves that these raw materials were fairly stated as at 31 March 2011.

7. Amount due to an associate and obligations under finance leases

As stated in notes 23 and 24 to the consolidated financial statements, the Group had amounts due to an associate and obligations under financial leases of approximately RMB1,175,000 and approximately RMB26,784,000 as at 31 March 2011 respectively.

We have not been able to obtain direct audit confirmations 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 balances.

8. Directors' emoluments

We have not been able to obtain direct audit confirmations from certain directors and sufficient audit evidence to satisfy ourselves as to whether the directors' emoluments for the year ended 31 March 2011 were fairly stated. Hence, we have not been able to determine whether the disclosures of directors' emoluments set out in note 14 to the consolidated financial statements are appropriate and comply with the disclosure requirements of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Companies Ordinance.

Any adjustments that are necessary in relation to the matters described in points 1 to 8 above might have a significant consequential effect on the Group's results for the year ended 31 March 2011, the consolidated financial position of the Group as at 31 March 2011, and the related disclosures thereof in the consolidated financial statements for the year ended 31 March 2011.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY THE FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs 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 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. Except for the matter described in point 8 above, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which states that the Group had net current liabilities and net liabilities of approximately RMB402,747,000 and RMB361,221,000 at 31 March 2011 respectively. These conditions, along with other matters as set out in note 2 to the consolidated financial statements of the Group, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year ended 31 March 2011 ("FY2011"), the Group is principally engaged in the manufacturing, sale and trading of auto parts and construction decorative hardware products.

For the FY2011, the Group recorded a turnover from sale and trading of auto parts of approximately RMB247 million, representing an increase of approximately 384% from the financial year ended 31 March 2010 ("FY2010") of approximately RMB51 million. Gross profit margin decreased from approximately 16.4% in FY2010 to approximately 9.8% in FY2011. The profit attributable to owners of the Group was approximately RMB15 million for FY2011, as compared to a loss of approximately RMB1,350 million for FY2010.

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

Liquidity And Financial Resources

As at 31 March 2011, bank balances and cash of the Group were approximately RMB1.4 million (FY2010: RMB0.4 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 March 2011 was 3.7% (FY2010: Nil).

Capital Structure

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

Capital Commitments

The Group and the Company had the following capital commitment:

	2011	2010
	RMB'000	*RMB'000*
Contracted for but not provided in the consolidated financial statements in respect of the acquisition of plant and equipment	**–**	807

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.

Contingent Liabilities

The Group and the Company had the following contingent liabilities:

As at 31 March 2010 and 2011, 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 2011, the interests and short positions of the Director 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:

	Number of shares held				
Name of director	**Personal interest**	**Corporate interest**	**Total**	**Underlying shares of outstanding share options**	**Approximate aggregate percentage of interests** *(Note 2)*
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 2011.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31 March 2011.

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 2011.

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 2011 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 2011.

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 2011 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.