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)

CLARIFICATION ANNOUNCEMENT IN RELATION TO THE INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

Reference is made to the announcement of the Company dated 13 December 2013 in relation to the interim results for the six months ended 30 September 2013 (the "Results Announcement"). Unless otherwise defined, capitalised terms in this announcement shall have the same meanings as those defined in the Results Announcement.

Set out below are certain clarifications in relation to the Results Announcement under paragraphs headed "Management Discussion and Analysis", "Compliance with the Model Code for Securities Transactions by Directors", and "Compliance with the Code on Corporate Governance Practices".

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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.

For and on behalf of
Norstar Founders Group Limited
(Provisional Liquidators Appointed)
Lai Kar Yan (Derek)
Darach E. Haughey
Yeung Lui Ming (Edmund)
Joint and Several Provisional Liquidators
Acting as agents without personal liability

Hong Kong, 2 January 2014

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.