Norstar Founders Group Limited

Stock Code : 2339

2007/2008
Annual Report

CORPOARTE PROFILE

Norstar is principally engaged in the manufacture and sale of auto parts and modules under the automobile chassis system. The Group's production plants are located in Beijing and Anhui Province, the PRC. Currently, it has a sales network spanning the United States, Canada, Europe and China. The Group has a stable customer base comprising many leading international system integrators and renowned PRC automakers. Boasting unique production technologies, strong R&D capabilities, stringent quality control and a strong and diverse customer base, the Group is progressing towards the formation of a world-class auto parts manufacturer and system integrator.

CONTENTS

FINANCIAL HIGHLIGHTS

For the year ended 31 March

		2008	2007	2006
Operating results				
Turnover	RMB '000	3,886,485	3,497,159	2,658,993
Gross profit	RMB '000	636,772	615,245	493,775
EBITDA	RMB '000	658,502	522,729	420,333
Profit attributable to shareholders	RMB '000	509,881	404,150	347,313
Ratio				
Gross profit margin	%	16.4	17.6	18.6
Net profit margin	%	13.1	11.6	13.1
Return on average shareholders' funds	%	16.1	16.2	20.8
Interest cover	times	7.8	7.8	9.8
Current ratio	times	9.6	3.3	4.1
Net debt/equity ratio	%	net cash	net cash	net cash
Share data				
Shares in issue	Thousands	1,259,462	1,251,368	1,077,321
Share closing price (as at year end)	HK$	2.32	3.50	3.70
Market capitalization	HK$'000	2,921,952	4,379,788	3,986,088
Basic earnings per share	RMB cents	40.56	32.79	35.24
Interim dividend per share	HK cents	2.20	2.20	2.00
Final dividend per share	HK cents	6.50	6.50	5.70
Total dividend per share	HK cents	8.70	8.70	7.70
Net asset value per share	RMB	2.68	2.37	1.89

GLOSSARY

EBITDA = Earnings before associate, interest, tax, depreciation and amortisation

$$\text{Gross profit margin} = \frac{\text{Gross profit}}{\text{Turnover}}$$

$$\text{Net profit margin} = \frac{\text{Profit attributable to shareholders}}{\text{Turnover}}$$

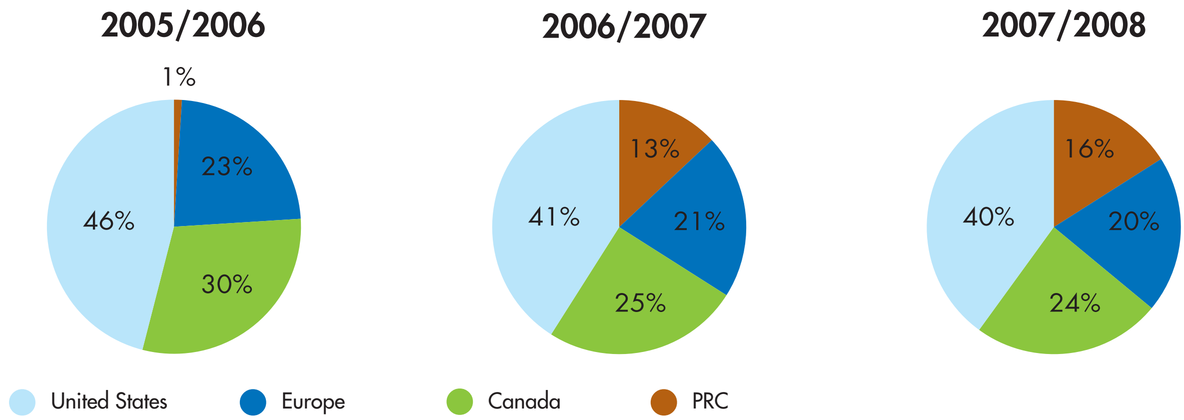
$$\text{Return on average shareholders' funds} = \frac{\text{Profit attributable to shareholders}}{\text{Average shareholders' funds}}$$

$$\text{Interest cover} = \frac{\text{Profit from operations}}{\text{Interest expenses}}$$

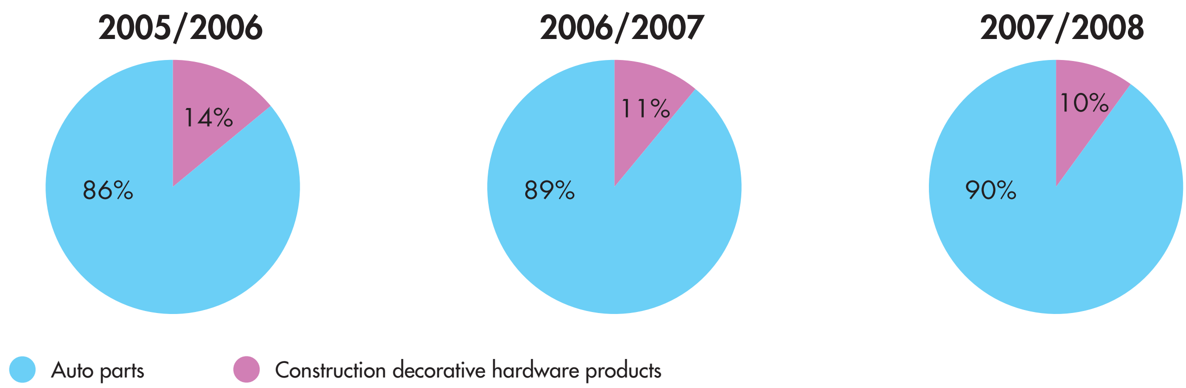
$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$\text{Net debt/equity ratio} = \frac{\text{Gross debt - cash and cash equivalents}}{\text{Shareholders' funds}}$$

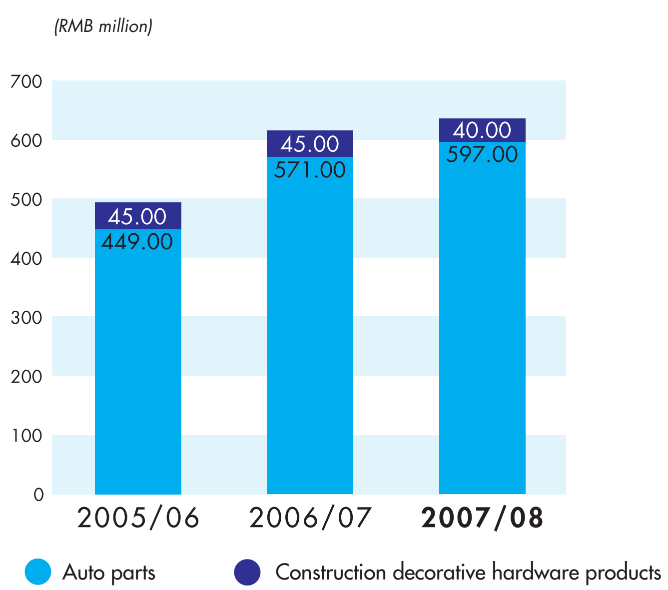
Turnover by Geogarphical Location



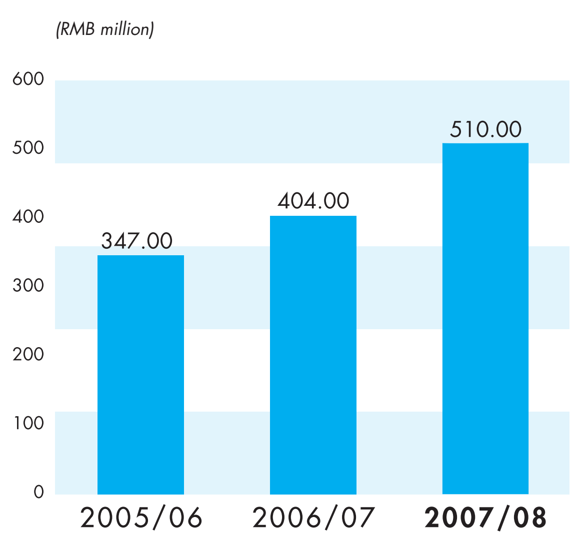
Turnover by Sector



Gross Profit by Sector



Profit Attributable to Shareholders



CORPORATE STRUCTURE

- **Norstar Founders Group Limited** (CAYMAN ISLANDS)
  - 100% **Fullitech International Limited** (BVI)
    - 100%
      - 100% **Oriental New-Tech Limited** (BVI)
      - 100% **Norstar Automobile Industrial Holding Limited** (HONG KONG)
        - 40% **Profound Global Limited** (BVI)
        - 100% **Norstar Shock Absorber (Anhui) Inc.** (PRC)
        - 100% **Norstar Automotive Chassis System (Anhui) Inc.**
        - 100% **Norstar Transmission System (Anhui) Inc.** (PRC)
        - 100%[1] **Norstar Automotive Industries Inc.** (PRC)
        - 100% **Norstar Auto Suspension Manufacturing (Beijing) Inc.** (PRC)

1 Norstar Automobile Industrial Holding Limited ("Norstar Automobile") acquired 10% stake of Norstar Automotive Industries Inc. from Smooth Ride International Limited, a wholly owned subsidiary of Norstar Automobile on 1 February 2008.

CORPORATE INFORMATION

Executive Directors
Ms. Lilly Huang (Chairman)
Mr. Zhou Tian Bao (Chief Executive Officer)
Ms. Zhang Zhen Juan
Mr. Yang Bin
Mr. Dai Wei
Mr. Chen Xiang Dong

Non-Executive Director
Mr. Lee Cheuk Yin, Dannis

Independent Non-Executive Directors
Mr. Choi Tat Ying, Jacky
Ms. Zhang Xin, Cindy
Mr. Zhang Jian Chun

Company Secretary
Mr. Chiu Ka Wing, Bong

Audit Committee
Mr. Choi Tat Ying, Jacky (Chairman)
Ms. Zhang Xin, Cindy
Mr. Zhang Jian Chun

Remuneration Committee
Mr. Choi Tat Ying, Jacky (Chairman)
Ms. Zhang Xin, Cindy
Mr. Zhang Jian Chun
Mr. Lee Cheuk Yin, Dannis

Nomination Committee
Mr. Lee Cheuk Yin, Dannis (Chairman)
Mr. Choi Tat Ying, Jacky
Ms. Zhang Xin, Cindy
Mr. Zhang Jian Chun

Auditor
RSM Nelson Wheeler

Principal Bankers
Bank of Tokyo-Mitsubishi UFJ Limited
The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
UniCredito-Italiano S.p.A - Hong Kong Branch
KBC Bank N.V.
Intesa Sanpaolo S.p.A
Oversea-Chinese Banking Corporation Limited
Wing Hang Bank Limited
Hua Xia Bank
Bank of Communications
State Bank of India
Commerzbank

Public Relations Consultant
Strategic Financial Relations Limited
Unit A, 29th Floor, Tower I, Admiralty Centre
18 Harcourt Road, Admiralty, Hong Kong
Website : www.sprg.com.hk

Principal Share Registrar and Transfer Office
Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street, George Town
Grand Cayman, Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY 1-1111
Cayman Islands

Head Office and Principal Place of Business In Hong Kong
19th Floor, Tower II, Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

Stock Code
HKEx : 2339

Website
www.norstar.com.hk

CORPORATE *Milestones*

Enterprise Growth:

October 2003

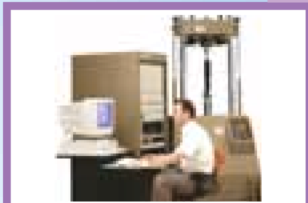
listed on the Mainboard of Hong Kong Stock Exchange.

September 2004

Production of friction materials commenced in Anhui plant

October 2005

Production of chassis assembly system factory commenced in Beijing plant



October 2005

Chassis research and development centers opened in Beijing

October 2007

Production of ball commenced operation

Business Cooperation:

July 2005

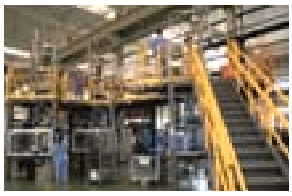
Reorganization of Beijing Benz-Daimlerchrysler Automotive Co., Ltd. chassis factory.

September 2006

Obtained the technology of friction materials with Delphi Technologies Inc. ("Delphi").

April 2007

Use our technology to supply brakes for the Buick series for Shanghai General Motors ("Shanghai GM"). Also, we became GMSPO supply chain partner of the North America General Motors.



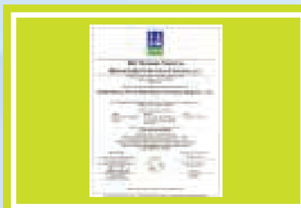
November 2007

Supply OE brake systems parts for Chrysler Group ("Chrysler")

March 2008

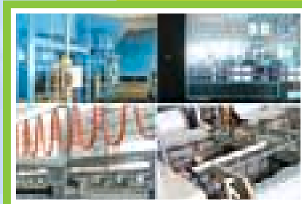
Supply OE shock assembly for Chrysler

Technical Certification:



August 2005

Accredited with ISO/TS 16949 certificate.



January 2008

Obtained OE supplying certificate from General Motor, Ford for surface treatment production line.

Trade Exchange:

September 2004

The China Auto Forum 2004 was first held with HSBC in Hong Kong

September 2005

The China Auto Parts Forum 2005 was held with Citigroup in Hong Kong

May 2006

The China Auto Parts Forum 2006 was held with HSBC in Hong Kong

April 2008

The China Auto Parts Forum 2008 was held with HSBC in Hong Kong

2007/08 CORPORATE MAJOR ACHIEVEMENTS

A. Cooperation with customers

Major customers and progress of cooperative projects in the year 2007/08 are as follows:

International customers:

1. Use our technologies to solve the brake judder of disc brake vehicle and noise problems of the Buick series for Shanghai GM. Also, we became GMSPO supply chain partner of the North America General Motors.
2. Cooperate with Chrysler for supplying brake system parts and developing the assembly of shock absorber, assembly of ball joint, assembly of pull rod and mould products, etc.
3. Contracted with Korea Hyundai Motor to develop driving axles products.
4. Cooperate with BOSCH for brake shoe OE products.
5. Cooperate with Delphi to develop chassis stamping products.

Domestic customers:

1. Cooperate with several automobile manufacturers to develop and optimize the chassis system.
2. Cooperate with Dongfeng Motor Corporation to develop the MPV shock absorbers, brakes, etc.
3. To supply suspension and steering auto parts to Chery Automobile Co. Ltd. ("Chery").
4. Cooperate with Anhui Jianghuai Automobile Co., Ltd ("JAC") to optimize the MPV brake system, suspension and steering auto parts products.
5. To develop the chassis system of Shanghai LTI Automobile Components Co., Ltd with Geely Automobile simultaneously.

B. R&D and core technologies

The Group embarked on the utilization of technologies and R&D in year 2007/08 included:

1. Implemented strategy to focus on enhancing passenger car's chassis system integration capability;
2. Application of CAE engineering technology on chassis system optimization;
3. Development of high-tech shock absorber modules;
4. Development of automobile assembly of suspension system core technology;
5. Development of surface cleaning technology to complement production of and open OE market for chassis system parts;
6. Advanced friction material NAO formula and DCM technique application in the world.

C. Development Project

Improvement in production capacities during the year:

1. Beijing

The Group completed the expansion production capacities of chassis systems as planned in this year, boosting capacity from 120,000 to 200,000 sets. In 08/09 financial year, it will expand to 300,000 sets to cater for simultaneous development of core parts and individual suspension systems, and shafts for major automobile brands.

2. Anhui

Ball joint assembly factory completed and began operation:

The factory adopts lean manufacturing and use pull-type production mode supported by world-leading equipment and testing systems. Its production lines are equipped with complete fault-proof technology and automatic online inspection and control solutions. The factory started production on October 2007.

Brake project:
Trial production of drum brake has begun and fine tuning of disc brake processing line is in progress. This project classified as key provincial-level "High profit, High tech, High R.O.I" significant projects.

Shock absorber project:
The shock absorber factory is installing and testing equipment which will focus on developing piston rod MICRO-CRACK CHROMIUM PLATING core technology simultaneously with Chrysler 09 series and fulfill the global OE market.

STRIDES IN CHINA AND THE GLOBAL PLAYFIELD

Lilly Huang *(Chairman)*

CHAIRMAN'S STATEMENT

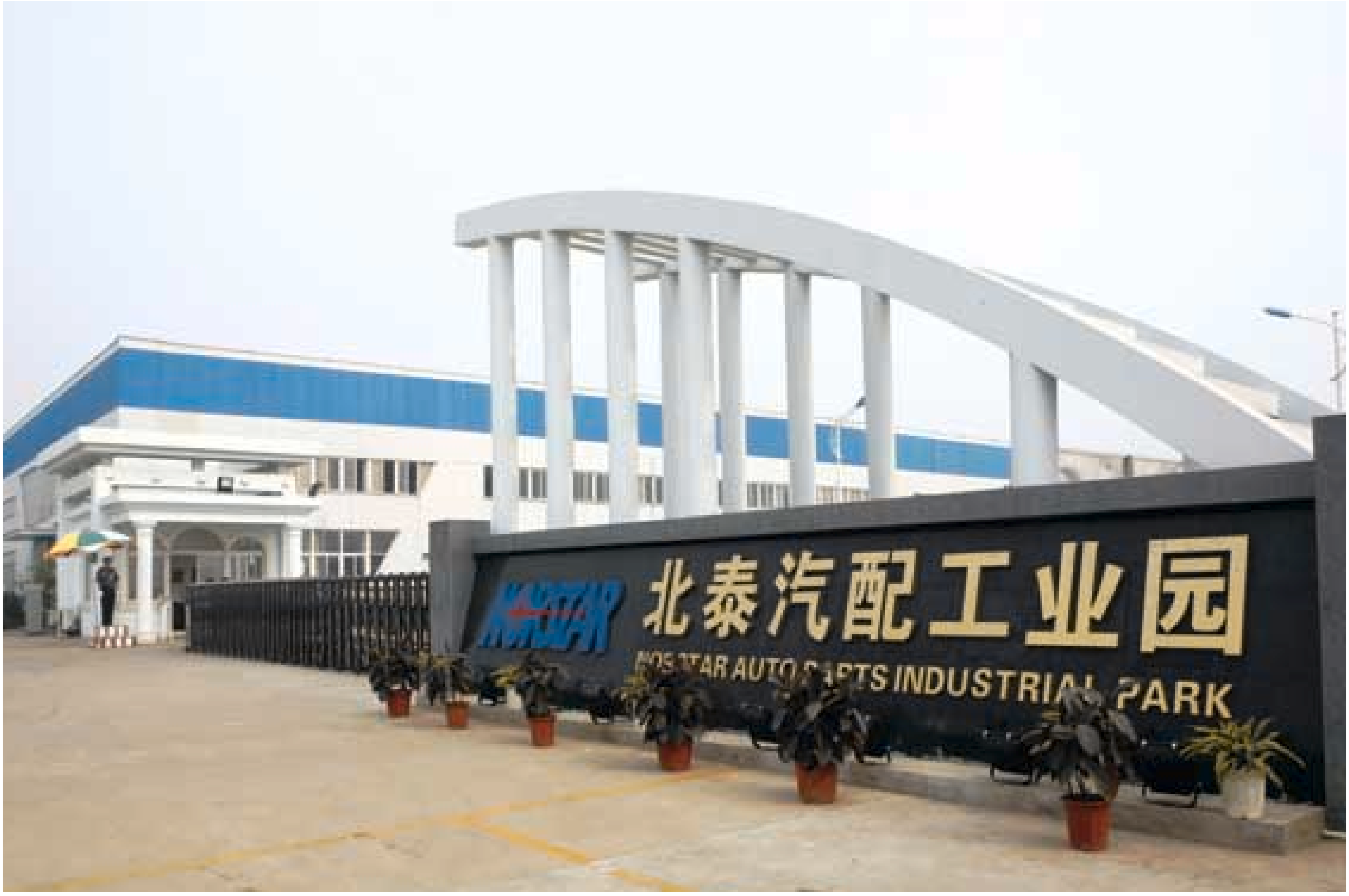
China automobile market has become one of the key growth driver of the global automobile industry. In the years to come, Norstar will focus on accelerating expansion in China, aiming to turn China into another major market in addition to North America and Europe.

CHAIRMAN'S STATEMENT

Overall Business

On behalf of the Board of Directors, I am delighted to present the annual results of Norstar Founders Group Limited ("Norstar", together with its subsidiaries, the "Group") for the financial year 2007/08. The Group delivered another set of record high results for the period under review with total turnover and profit attribute to shareholders up by 11.1% to RMB 3,886,485,000 and 26.2% to RMB 509,881,000 respectively.

I am pleased with the overall satisfactory performance of the Group for the year. The Group faced pressures from appreciation of the RMB and fluctuating material prices caused by inflation. However, at its dedicated efforts to technology innovation and development of high value added products, and braced by a steady global aftermarket, international automobile manufacturers increasing procurement in China and rapid growth of the China OE market, the Group continued to achieve satisfactory growth in sales.


北泰汽配工业园

Norstar and Delphi formed strategic partnership in September 2006 to work together on developing friction material technology. The partnership has enhanced the Group's production technology for disc brake pads friction materials and enabled it to increase sales of high value products during the year under review. Sales of suspension systems/axle modules remained the key driver of turnover growth for the Group.

Moreover, sales of suspension systems/axle modules and shock absorbers produced by the Group in Beijing improved during the year, resulting in increase in RMB income from the China market. It made up approximately 18.4% of the Group's total turnover against 14.2% last year, giving the Group an optimized turnover currency mix.

Market Overview

Enjoying an ever improving status in the global automobile market, the China automobile market has become a key growth driver of the global automobile industry. According to statistics of The Association of International Automobile Manufacturers, Inc., China produced 8,882,000 automobiles in 2007, making it the third largest automobile producing country in the world. Furthermore, China ranked second on the list of countries with the most demand for automobiles in 2006, climbing consistently from seventh place in 2001. According to industry forecast, China's total annual automobile output will grow to above 10,000,000 units in 2008 and reach 20,000,000 units between 2015 and 2020, putting it potentially on top of the list of largest automobile markets in the world.

Capitalizing on automobile manufacturing joint ventures in China localizing purchase of parts, Norstar, as a professional vehicle parts manufacturer and applying its R&D and production strengths, supplied OE products to famous domestic and foreign automobile enterprises, including Shanghai GM, Beijing Benz-Daimler Chrysler Automotive Co. Ltd., Delphi and Chrysler, Chery and JAC. It pledges to use its product mix and extensive sales network to serve all the global market customers.

Prospects

Accelerate expansion of OE market

To enlarge its share in the OE market in China, the Group will expand the supply capability of the chassis system assembly operation of its Beijing factory and of chassis system parts and modules of its Anhui factory. Its aim is to realize a supply system that seamlessly integrates R&D, manufacturing and sales. It will also continue to strengthen cooperation with domestic and international mainstream automobile manufacturers to guarantee provision of quality auto parts to the OE market. The Group also forged a new strategic partnership with international auto manufacturer Chrysler in April 2008 to develop and supply chassis system parts to Chrysler. The partnership serves as evidence that the quality of the Group's products and its development capabilities are deemed to have met international OE standards. The partnership is a continuation of OE frictional materials supply agreement signed between two companies in early 2008, and represents also an opportunity for Norstar to enhance its R&D on product diversification and a major breakthrough in its effort to tap the international OE market.

Expedite expansion of China market

We will speed up expansion of the China market in the next few years, targeting to increase the turnover contribution from the market to about 50% of the Group total within three to five years. By then, the China market will be another major market of the Group like North America and Europe. The Group will continue to develop higher value added products and produce and process key parts internally for its assembly business. The management is confident of effectively minimizing the pressure of RMB appreciation and fluctuating steel material price on the Group's profit margin by expanding production capacity to reap greater economies of scale, raising product prices to appropriate levels and exercising strict cost control.

Develop core light weight production technologies

Amid persisting high oil price and energy shortage, developing environmentally friendly and energy saving automobiles is set to become the trend of the automobile industry. Norstar will strive to develop core technologies for producing light weight automobiles through forging international strategic alliances and proprietary development effort. It will take part in helping major automobile manufacturers optimize the chassis systems of existing automobile models and develop new systems for new models. The Group aims to become a leading new generation manufacturer of chassis systems and modules.

Looking ahead, applying its world-leading technologies and excellent chassis system development and optimization capabilities, Norstar will seek to boost its chassis system assembly capabilities for serving the mid- to high-end passenger vehicle markets. We will continue to expand capacities and increase the utilization rate of production facilities to ensure that we are able to meet increasing orders. By boosting its R&D strengths and through international cooperation and mergers and acquisitions, the Group will push to enlarge the market and achieve vertical integration of its operations. We aspire to become a leading auto parts manufacturer and system integrator in China and the world.

On behalf of the Board, I would like to thank the management and all staff for their contribution and dedication in the past year. I would also like to thank our customers, suppliers, financial institutions, business associates and shareholders for their continuous support and trust in Norstar over the years.

Lilly Huang
Chairman
Hong Kong, 12 June 2008

SEIZE OPPORTUNITIES
EMBRACE CHALLENGES

INTERVIEW WITH THE CEO

Zhou Tian Bao *(Chief Executive Officer)*

Norstar Group will focus on the future automobile industry long-term development targets. To become the China automobile chassis system leader through the mature chassis system R&D and the manufacturing capacity, enhance the light weight automobile core technology. To participate the international division of labour, integrate the international mainstream market.

Q1 What does the Group do to mitigate the impacts of RMB appreciation and fluctuation in raw material prices on its operations?

CEO:

The Group's management implemented the following measures to help the Group combat the challenges from RMB appreciation and fluctuation in raw material prices:

1. Strengthen internal management, push at full force for lean manufacturing, improve and upgrade equipment, adopt leading manufacturing technologies and craftsmanship and optimize workflow and organization to enhance production efficiency.
2. Enhance the supply chain management system, apply advanced information technologies to integrate, coordinate and control procurement and allocation of raw materials, component supplies, transportation, manufacturing and delivery, and improve the quality of products and delivery capability of suppliers, in turn assure effective control on operational cost.
3. Negotiate with customers for gradual increase in the price of products for export as a way to share exchange loss.
4. Optimize product structure, enhance R&D of high added value and high technology products, boost sales of high value added products, enlarge market share in domestic and overseas OE markets and hasten sales in the China market.

Q2 What are you going to do to increase the proportion of turnover contribution from the China market in your overall turnover?

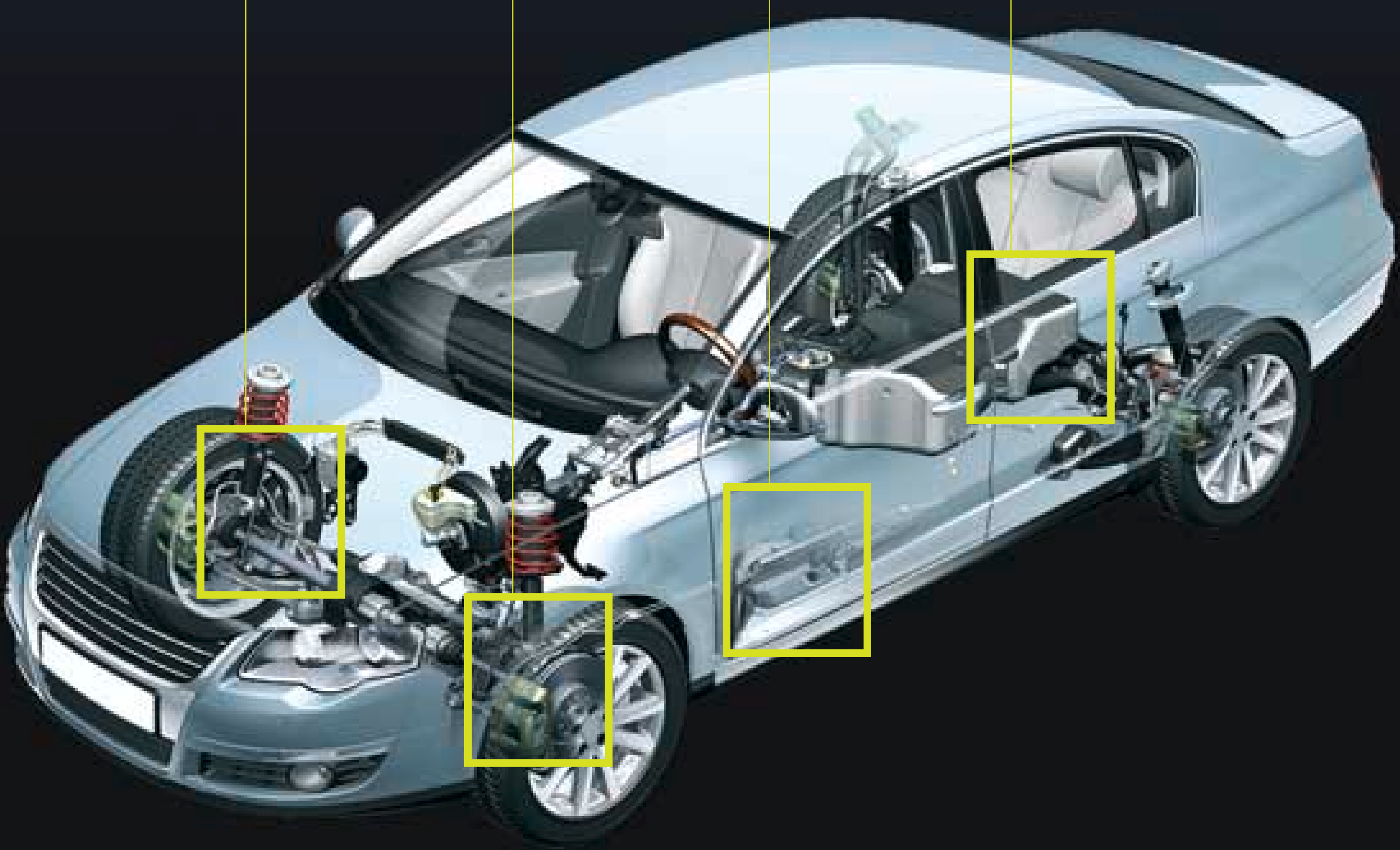
CEO:

The Group has the following strategies in place to enlarge the share of turnover from OE business in China in its overall turnover:

1. Capture opportunities arising in the rapidly developing China automobile industry and the huge demand of major manufacturers for high quality chassis systems, suspension systems modules by expanding the supply capability of the chassis system assembly operation of its Beijing factory to satisfy the market needs.
2. Expand the supply of chassis system parts from the Anhui factory, realizing a supply system that seamlessly integrates R&D, manufacturing and sales for from components and parts to assembly, and strengthen cooperation with mainstream automobile manufacturers in China to provide quality auto parts to the OE market.
3. Target to increase the proportion of sales from the China market to 50% of the total sales of the Group in three to five years.

CORE **PRODUCTS**

Produce full range of products for automotive chassis system servicing global OEM.



Q3 How does the strategic cooperation with Chrysler, an international automobile manufacturer, benefit the Group's business?

CEO:

The strategic cooperation with Chrysler, a famous international automobile manufacturer, has the following merits for the Group:

1. Allow Norstar to master technological requirements for chassis system products of the international OE market and enhance the Group's ability to serve international mainstream customers and technological R&D standard.
2. Enhance Norstar's quality and procedural control abilities and create more opportunities for the Group to attract other mainstream customers in the OE market.
3. Promote the Group's market position and brand influence
4. Speed up development of Norstar into a world-class auto parts manufacturer

Q4 What are you going to do to tap the opportunities arising in the development of energy saving and "light weight" automobiles?

CEO:

The corresponding development strategies we have laid down to help us tap those new opportunities arising in the development trend of energy saving and "light weight" technology are as follows:

1. Norstar has the ability to develop chassis systems for clients. Applying fin dings of structural analyses, it helps major domestic automobile manufacturers optimize their chassis systems.
2. Implement a strategy to focus on chassis systems, acquire and master core technology to produce "light weight" chassis systems, use new materials and new technologies to optimize chassis systems for automobile makers and provide solutions for development of chassis systems for new automobile models
3. Keep pace with development of the automobile industry, strive to contribute to the energy saving and environmental protection abilities of automobiles and in turn become a leading manufacturer of chassis systems and modules.

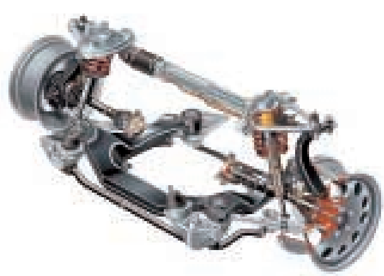
CHASSIS MODULES AND PARTS

Products include front and rear axle and suspension assembly for light van, SUV, MPV, sedan and key parts for differential, steering knuckle, half axle and reducer. We have 7 series and over 30 products.

rear axle

front axle

suspension



suspension


Cadillac-cts
rear suspension module
RAM630
differential assembly
reduction gear box
final drive casing
steering knuckle
honda-nsx

ASSEMBLY AND PARTS FOR BRAKE SYSTEM

Products include key parts for disc brake system, drum brake system, brake caliper, anchorage, finished friction pads and finished friction shoes for a full range of passenger vehicles.

Disc brake assembly

Drum brake assembly

disc caliper

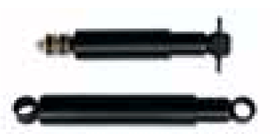
brake drum

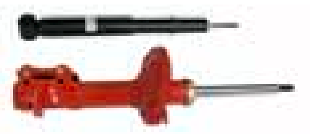
brake pads

brake shoes

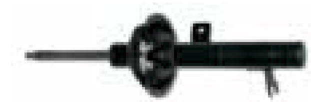
SHOCKS ASSEMBLY AND PARTS

Products include mono-tube and twin-tube shock absorber assembly and key parts such as cylinder, oil retainer and piston rod which match with full range of passenger vehicles.



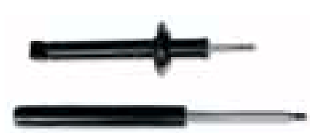


front and rear shock absorber



front shock absorber

front and rear shock absorber



BUSINESS AND FINANCIAL REVIEW

The Group recorded a turnover of approximately RMB 3,886,485,000 for the financial year ended 31 March 2008, an increase of 11.1% compared to last year's RMB 3,497,159,000. Gross profit amounted to approximately RMB 636,772,000, an increase of 3.5% against last year's RMB 615,245,000.

Total profit attributable to shareholders increased by 26.2% to approximately RMB 509,881,000 from last year's RMB 404,150,000. Earnings per share were RMB 40.56 cents, 23.7% higher than that of last year.

The Board of Directors recommended payment of a final dividend of HK6.5 cents per share for 2007/08 payable to shareholders whose names appear on the Register of Members of the Company on 25 July 2008. Together with the interim dividend of HK2.2 cents per share already paid, the annual total dividend per share for the year amounted to HK8.7 cents which was same as last year.

During the year, the major challenge to the Group was inflation in China which increased the operating cost and other expenditure of PRC operations.

Although the US economy was generally considered as moving towards recession, our export business had not been affected as we are serving mainly the aftermarket of U.S.A.. The down trend of the economy which is dampening desire to consume motor cars is expected to translate into increase in demand for auto-parts in the aftermarket.

The continuing trend of international automobile manufacturers moving production process to China to reduce costs has been providing opportunities to us to expand OE business in the country.

NEW LABOUR LEGISLATION IN CHINA

With new labor legislation taking effect in China in year 2008, all industries and especially the labor intensive ones have been put in a tougher operational environment. The Group as a capital intensive industry with labor cost accounting for about 1.5% of its total cost of production was not affected materially by the risen labor cost.

PRODUCTION COSTS AND GROSS PROFIT MARGIN

During the year, the Group's overall gross profit margin was approximately 16.4%, while that of last year's was approximately 17.6%. Although the appreciating RMB and increase in raw material costs exerted pressure on production costs, the Group's effort to change its product mix increasing the proportion of higher value added products and control costs had helped to offset the negative impacts of the harsher operational conditions.

The Group adjusted its book exchange rate of USD to RMB from 7.9 to 7.6 in April 2007 to reflect the appreciated value of the RMB , which resulted in a drop in revenue exchanged from USD to RMB .

PRODUCT RESEARCH AND DEVELOPMENT

The Group invested RMB 121,900,000 (FY2006/07: RMB 115,635,000) in research and development ("R&D") expenditure during the year. The amount was approximately 3.1% of the Group's total sales revenue (FY2006/07: 3.3%). In this year, the Anhui research and development team developed over 450 product items including brake plates/shoes, disc brake pads and lined brake shoes, ball joints, shock absobers, brake systems and chassis stamping parts, etc., bringing the total number of auto part products it offers to over 1,600. The Beijing research and development team also developed 20 models of suspension systems and axle modules.

AUTO PARTS

The suspension system/axle module and shock absorber assembly lines have been in full operations with production capacity increased to 200,000 sets from 120,000 sets in the last financial year. Utilization rate was 77.5%. The Group expects its overall profit margin to grow continually after production of suspension system core parts and brake systems for use commences in the coming year and the added capacities bringing greater economies of scale.

MARKET ANALYSIS

Sales of suspension systems/axle modules and shock absorbers in the PRC surged markedly during the year, pointing to ample room for growth in the future. Export continued to make up the bulk of the Group's business and accounted for 81.6% of the turnover from auto parts business, with the US, Canada and Europe as major markets.

The major export markets in the US, Canada and Europe accounted for 37.2%, 21.9% and 22.5% respectively of the turnover from sales of auto parts against 38.6%, 23.5% and 23.7% last year. As for the China market, its share of contribution to the total turnover of sales of auto parts increased from about 14.2% in last year to this year's 18.4%. The Group expects to see stable growth for its markets in the US, Canada and Europe in the coming year, while focusing on developing the PRC market.

MANUFACTURING BUSINESS

During the year, the Group's auto parts manufacturing business reported stable growth, with sales up about 7.9% to approximately RMB 2,599,285,000, accounting for 74.4% of the total turnover from sales of auto parts.

Turnover from sales of disc brake pads and lined brake shoes increased approximately 8.2% compared with last financial year. Sales of brake plates/shoes also increased about 7.7%.

ASSEMBLY BUSINESS

During the year, the Group increased its annual capacity of suspension system/axle module for the business from 120,000 sets to 200,000 sets. Utilization rate of the production line was 77.5% compared to 74.7% of last year. Together with shock absorbers, turnover from assembly products rose to RMB 594,645,000 from RMB 424,492,000 in the previous financial year, and their contribution to total turnover from auto parts also increased from 13.6% in last financial year to 17.0% in this year. As more and more domestic automobile manufacturers are willing to use quality auto parts to enhance product quality and more joint-venture automobile manufacturers are replacing imported auto parts with locally made ones, the management sees huge demands for the Group's suspension systems/axle modules and shock absorbers. It believes that such products will become major turnover growth drivers of the Group. As sales of these products are denominated in RMB , it will also optimize the overall currency mix of the Group's turnover and help to mitigate the negative impact of RMB appreciation.

Ball joints are the new product of the Group's Anhui plant and recorded sales of RMB5.7 million during the year. Ball joint is a core auto part used in the integration of axle modules / suspension systems. The fact that ball joint production only commenced in October 2007 explains the low utilization rate for the year. The sale is expected to increase in the coming year.

TRADING BUSINESS

Compared with last year, income from trading of auto parts slightly increased 3.6% to RMB 293,963,000, accounting for approximately 8.4% of total auto parts sales for the year. During the year, universal joints and transmission shafts were the major auto parts products sourced by customers.

CONSTRUCTION DECORATIVE HARDWARE

In the year, construction decorative hardware products generated a turnover of approximately RMB 392,901,000, which was 3.2% higher than in the previous financial year. Its contribution to total sales of the Group dropped less than 1% to 10.1%. The segment's gross margin declined from last financial year's 11.8% to 10.1% mainly due to RMB appreciation.

PROSPECTS

To boost competitiveness and lower the costs of production of their products, international automobile enterprises have been looking to purchasing auto parts of assured quality at lower prices, which are the advantages possessed by China as one of their top sourcing markets. Many of these manufacturers have set up purchasing centers in China. Some of them are keen about involving in manufacturing of auto parts in form of partnership with domestic auto-parts manufacturers in China.

As a result, China's auto parts industry has been presented with substantial orders, new technologies and huge market opportunities. As a major player in the industry, the Group is also opened to the opportunity for growth to become a world-class system integrator of auto parts enterprise. After the co-operation with Chrysler, it will speed up to attain our goal.

Along with those opportunities comes also challenges and competition. Norstar has made sure it is all geared up to compete effectively. We have confidence to get the competitive advantages.

The Group will strive to expand through organic growth and mergers & acquisitions. It will seek to expand business scale through horizontal and vertical integration, hence speed up its transformation into a world-class automobile parts manufacturer and system integrator.

ORDER BOOK

In the first quarter of FY2008/09, the Group already received sales orders of worth totaling RMB 1,089,650,000 (exchange rate: USD1= RMB 6.9). Excluding the effect of RMB appreciation, the sales orders would amount to RMB 1,178,130,000 (exchange rate: USD1= RMB 7.6), 23.8% more than that in the same period last year.

The management believes, as various high value-added products in the pipeline move into production, the Group will be able to deliver continuous growth in the near future.

OPERATING COST

Distribution and Selling Expenses

The Group's total distribution and selling expenses decreased by 20.9% during the year. Such decrease due to some of the customers share part of the transportation costs.

Administrative Expenses

Total administrative expenses sharply decreased 43.5% during the year. It was mainly due to the net exchange gain RMB14.4 million in this year while there was net exchange loss RMB24.9 million in last year.

Other Revenues

Other revenues mainly consisted of sales of scrap metals and waste materials, fair value gains on derivative financial instruments and interest income for the year. Interest income soared by 131.5% during the year, mainly due to the increase in total cash balances which surged 60.5% compared with the year ended 31 March 2007. Further, the higher revenue from sale of scrap metals was mainly attributable to the increased scrap metal sales volume due to rising production volume.

Finance Costs

During the year, total finance costs rose by 42.2% compared with the last financial year. The interest on bank borrowings increased 26.5% compared with last year as huge increment in bank borrowings. On the other hand, there was approximately RMB15 million fair value losses on the derivative financial instruments.

SHARE OF PROFITS OF AN ASSOCIATE

The Group owns 40% stake in Profound Global Group, which manufactures and sales of metal ware products, trading of motor vehicle accessories as well as provision of electroplating subcontracting services. During the period between 1 April 2007 and 31 March 2008, Profound Global Group recorded total turnover of RMB 1,243,998,000 (FY2006/07: RMB 1,360,807,000), unaudited profit before taxation of RMB 96,524,000 (FY2006/07: RMB 113,093,000) and unaudited net profit of RMB 86,284,000 (FY2006/07: RMB 89,138,000), representing declines of 8.6%, 14.7% and 3.2% respectively, against the last financial year. Since the intensifying competition for motor vehicle accessories market in China and the rate of tax refund for the export decreased from 13% to 5%, the business of Profound Global Group was dragged down.

Profound Global Group declared a dividend of HKD 4,000,000 to the Group for the year.

IMPACT OF RMB APPRECIATION

During the year, export sales which were mostly denominated in US dollars accounted for 83.5% of the Group's total turnover. However, most of the cost of goods sold including raw materials, labor cost and administration expenditure were paid in RMB . Hence, the Group faces a great challenge during the year.

The Group has increased the price for part of the products which aim at mitigating the impact of RMB appreciation on its profits. In addition, the Group plans to increase its PRC turnover to approximately 50% within the next 3 to 5 years. In addition, the Group is maintaining a bank loan portfolio which is mainly denominated in foreign currencies, i.e. US dollars and HK dollars. The continual appreciation of RMB against both US and HK dollars has therefore resulted in foreign exchange gains upon revaluation of the Group's foreign currency loan portfolio.

THE GROUP'S FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

As at 31 March 2008, the Group had total net assets of approximately RMB 3,376,067,000 and net current assets of around RMB 3,187,932,000, compared to approximately RMB 2,964,298,000 and RMB 1,879,430,000 respectively as at 31 March 2007.

The average receivable turnover for the year was 54 days compared to 60 days for FY2006/07. The decrease in receivable turnover days for the year was mainly due to certain major customers speed up their settlement.

The average payable turnover for the year decreased slightly to 16 days from last year's 18 days. Average inventory turnover for the year decreased to 8 days from last year's 9 days.

During the year under review, total cashflow from operations amounted to approximately RMB 699,215,000 compared to RMB 564,492,000 last year. Total capital expenditure was RMB 220,025,000 (FY2006/07: RMB 167,651,000).

As at 31 March 2008, the Group's cash and cash equivalents decreased to approximately RMB 1,682,306,000 compared to RMB 1,727,085,000 as at 31 March 2007. Total borrowings for the Group increased from RMB 884,716,000 to RMB 1,548,187,000, resulting in a net cash position of approximately RMB 134,119,000 (31 March 2007: RMB 842,369,000).

Over 90% of the Group's cash and bank balances is denominated in RMB with a small portion in HK dollars and US dollars. Continuing RMB appreciation has prompted management to maintain most of the Group's cash and bank balances in RMB so as to minimize foreign exchange losses for the cash holdings. In addition, to mitigate the impact of RMB appreciation on its earnings, the Group's loan portfolio is principally denominated in foreign currencies such as HK dollars and US dollars. As at 31 March 2008, approximately 90.3% of the Group's total borrowings were denominated in foreign currencies, and almost all the borrowings bear floating interest at prevailing market rates.

Looking ahead, the Group's cash and bank balances will be principally used to finance operations, capital expenditures required for various green-field and capacity expansion projects. They will also form part of the "war chest" for the Group's potential acquisitions in the future.

Charge on assets

As at 31 March 2008, bank deposits of approximately RMB 15,439,000 (31 March 2007: RMB 16,450,000) were pledged as security for certain banking facilities of the Group.

Capital Commitments and Contingent Liabilities

As at 31 March 2008, the Group's total capital commitments amounted to RMB 142,490,000 (31 March 2007: RMB 148,068,000). There were no material contingent liabilities as at 31 March 2008 (31 March 2007: Nil).

Employees and Remuneration Policies

As at 31 March 2008, the Group had a total of approximately 1,986 employees. Total staff costs amounted to RMB 88,820,000 (FY2006/07: RMB 75,401,000) during the year. Remuneration packages of the Group are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by management with reference to market conditions and performance of the employee. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. As at 31 March 2008, the Group granted a total of 39,054,000 share options to directors and eligible staffs to reward them for their contribution to the Group.

Executive Directors

Ms. Lilly Huang

Aged 45, is an executive director and the Chairman of the Group. Ms. Huang graduated from 北京建築工程學院 (Beijing Construction Engineering Institute) in 1984 and holds a bachelor degree in city construction engineering. Ms. Huang is also a graduate from California State University, Los Angeles and obtained a master degree in civil engineering. Ms. Huang has experience in marketing and she is primarily involved in the Group's development planning, and business development in North America.

Mr. Zhou Tian Bao

Aged 57, is an executive director, managing director and the Chief Executive Officer of the Group. Mr. Zhou is primarily responsible for the Group's overall management, corporate planning and business development. Mr. Zhou graduated from Dorcas University in the United States with a master's degree in business administration. He founded a hardware manufacturing company in the PRC and has over 20 years' experience in production planning, sales and marketing. Mr. Zhou's supervision will lead the Group towards achieving its target of building a world-class auto parts corporation. Mr. Zhou Tian Bao is the father of Mr. Zhou Xiaochun, the global market vice president of Norstar Automotive Industry Co., Ltd.

Ms. Zhang Zhen Juan

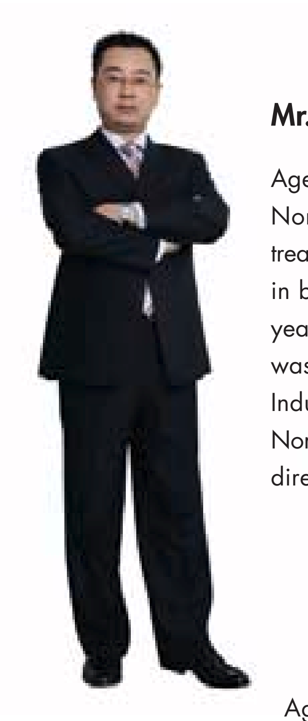
Aged 43, is an executive director and the financial controller of the Group. Ms. Zhang is primarily responsible for managing the finance and accounting function of the Group. Ms. Zhang has over 15 years' experience in financial management. She completed a professional course in economic management at 中共中央黨校函授學院 (Party School of the Central Committee of the Communist Party of China). She joined the Group in 1997.

Mr. Yang Bin

Aged 38, is an executive director of the Group. From 1997 to 1999, Mr. Yang held the position of assistant to the managing director of the Group. During the tenure, he was responsible for obtaining the international quality system ISO9002 and QS9000 certification of Norstar Automotive Industries Inc. Mr. Yang is now the director and general manager of Norstar Automotive Industries Inc. He will continue to supervise the production, technology and quality control of the Group.

Mr. Dai Wei

Aged 33, is an executive director of the Group. He holds a Master of Engineering from Liaoning Institute of Technology. He is responsible for the daily operations of Norstar Automobile Industrial Holding Limited. From 1997 to 1999, Mr. Dai was the head of the corporate planning department and the human resources department of Norstar Automotive Industries Inc. From 2000 to 2003, Mr. Dai was the deputy general manager of Norstar Automotive Industries Inc. Mr. Dai has been appointed as an executive director of the Group since 27 September 2005.



Mr. Chen Xiang Dong

Aged 38, is an executive director of the Group and the financial controller of Norstar Automotive Industries Inc., and he is also the person in charge of treasury department of the Group. Mr. Chen had worked as a financial supervisor in both state-owned and sino-foreign joint venture enterprises. He has many years of experience in financial management. From 1997 to 2000, Mr. Chen was the finance manager and deputy general manager of Norstar Automotive Industries Inc. From 2000 onwards, Mr. Chen was the financial controller of Norstar Automotive Industries Inc. Mr. Chen has been appointed as an executive director of the Group since 27 September 2005.

Non-Executive Directors

Mr. Lee Cheuk Yin, Dannis

Aged 37, is a non-executive director of the Group. Mr. Lee graduated from Texas A & M University in 1992 with a summa cum laude bachelor's degree in business administration majoring in accounting. He is qualified as a Certified Public Accountant in Texas, the United States. Mr. Lee is an associate member of the Hong Kong Institute of Certified Public Accountants, and a member of the American Institute of Certified Public Accountants. He previously worked as a manager in an international accounting firm and has many years of working experience in the PRC. Mr. Lee is currently the executive director of AMVIG Holdings Limited and the independent non-executive director of Geely Automobile Holdings Limited, all two companies are listed on the Stock Exchange of Hong Kong Limited.

Independent Non-Executive Directors

Mr. Choi Tat Ying, Jacky

Aged 39, is an independent non-executive director of the Group. Mr. Choi graduated from Hong Kong Baptist University in 1990 and obtained a bachelor's degree in business administration with first class honours. Mr. Choi is a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Choi is currently the Deputy President of AIG Retail Bank Public Limited Company in Thailand, and has been its director since October 2007. He is also the independent non-executive director of a Hong Kong listed company Dawnrays Pharmaceutical (Holdings) Limited, and a director of AIG Finance (Hong Kong) Limited.

Ms. Zhang Xin, Cindy

Aged 43, is an independent non-executive director of the Group. She graduated from 北京工業大學 (Beijing Polytechnic University) in 1989, majoring in environmental chemical engineering, and obtained a bachelor's degree in engineering. Later, she obtained her master's degree in law and master's degree in information engineering from 北京大學 (Beijing University) and University of Hawaii respectively. Ms. Zhang has over 10 years' experience in law and commercial management. She worked in 中國國家環境保護總局 (the PRC National Environmental Protection Agency), and acted as the chief operating officer of a Hong Kong-listed IT company, and was responsible for market development and project management.

Mr. Zhang Jian Chun

Aged 61, is a senior engineer and is currently the general manager of Nero Carbide (Beijing) Technology Company Limited. Mr. Zhang graduated from Beijing University of Chemical Technology (formerly known as Beijing College of Chemical Technology) in 1974 and completed a course in basic organic chemical technology. During the period 1974 to 1992, Mr. Zhang was an assistant lecturer and lecturer of Beijing University of Chemical Technology. He held the position of second secretary of the Embassy of the People's Republic of China in the Republic of Finland in 1992 and was promoted to the first secretary in 1996. From the end of 1996 to the early of 1998, Mr. Zhang acted as the secretary of Environmental Protection of Beijing Economic-Technology Development Area and became the secretary of Economic Development Bureau of Beijing Economic-Technology Development Area thereafter until 2002. Mr. Zhang has been appointed as an independent non-executive Director of the Group since 1 April 2006.

Senior Management

Mr. Zhou Xiaochun

Aged 28, is the global market vice president of Norstar Automotive Industry Co., Ltd. He is responsible for the worldwide sales planning and operations, organize working team to establish and implement the strategic planning of marketing development, develop the overseas markets, build the customer channels, and optimize the cooperation relationship with the customer, as well as the industry. Mr. Zhou graduated from the University of California, majored in Business Administration. He has a deep understanding of the development of the global auto industry, with strong marketing development and customer management skills, also familiar with the international market operations. Mr. Zhou Xiaochun is son of Mr. Zhou Tian Bao, an executive director, managing director and the Chief Executive officer of the Group.

Mr. Xuan Shou Zhao

Aged 38, is the deputy general manager and the head of marketing division of the Group. Mr. Xuan is primarily responsible for the Group's marketing and business development activities. Mr. Xuan has more than ten years of experience in corporate management and marketing. From 1997 to 1999, Mr. Xuan was the general manager of the international trade division and the head of the marketing division of Norstar Automotive Industries Inc. Mr. Xuan joined the Group in 1997.

Mr. Chiu Ka Wing, Bong

Aged 45, is the company secretary of the Group and financial controller of Norstar Automobile Industrial Holding Limited. Mr. Chiu graduated from The Hong Kong Polytechnic University, major in Accounting. Mr. Chiu is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate of The Chartered Institute of Management Accountants. Before joining the Group, Mr. Chiu worked as Financial Controller and company Secretary in several Hong Kong listed companies.

Mr. Wong Ho Yin, Aaron

Aged 32, is the assistant general manager of Norstar Automobile Industrial Holding Limited. Mr. Wong graduated from the Hong Kong University of Science and Technology with a master's degree in business administration. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants. He is also a CFA charterholder. Before joining the Group, Mr. Wong worked in auditing for an international accounting firm.

Mr. Han Baoming

Aged 55, is a vice president of Norstar Automotive. He is responsible for industrial operations and marketing. Mr. Han graduated from the Jilin Industry University, majored in automotive design. He has 30 years experience of automotive and parts development, plant operations and marketing. He was a former director of the Institute of Brilliance Automotive, the chief executive assistant of Jinbei Automobile Company, in charge of the new model development, planning and development as well as sales management. He was also the vice president and the chief engineer of Dandong Automobile Group, in charge of technology centers, planning and development and international operations. Mr. Han presided over a number of technical introduction and cooperation projects, have established good cooperative relations with a number of domestic and foreign automotive companies,

Mr. Jiang Kui Duo

Aged 69, is the chief engineer of the Group. Mr. Jiang graduated from the Dalian University of Technology (大連理工大學) in 1965, majoring in mechanical engineering. He has worked for various reputable domestic enterprises such as Beijing Automobile Works Co. Limited and Beijing Jeep Company Limited (currently the Beijing Benz-Daimler Chrysler Limited) and was responsible for product design and the set-up of production lines. Possessing well-rounded expertise, Mr. Jiang continuously introduced new technologies and technical improvements for production lines during his tenure at Beijing Jeep Company Limited, helping to lower production costs. Mr. Jiang joined the Group in 2005.

Mr. Liu Guan Li

Aged 56, is the deputy engineer of the Group. Mr. Liu graduated from Northeastern University (東北大學) in 1984. In 1993, he continued his training at the Business School of the University of California. He had previously worked at the Dandong Shuguang Axle Factory followed by tenures at several renowned companies – mainly responsible for technical research and product development. Mr. Liu joined the Group in 2007.

Company Secretary

Mr. Chiu Ka Wing, Bong

Details as above.

The Directors submit their report together with the audited financial statements for the year ended 31 March 2008.

Principal activities and geographical analysis of operations

The Company is an investment holding company. The principal activities of its principal subsidiaries and an associate are set out in Note 35 and Note 20 to the financial statements respectively.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 50.

The interim dividend of approximately RMB 25,951,000 was paid on 24 January 2008.

Subject to the approval of the Directors' recommendation by shareholders at the annual general meeting to be held on 25 July 2008, the final dividend will be paid on 31 July 2008.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 52 and Note 34 to the financial staements on page 101 respectively.

Distributable reserves

At 31 March 2008, the Company's share premium reserve of approximately RMB 1,719,525,000 (subject to Section 34 of the Cayman Islands Companies Law and the Article of Association of the Company) and retained profits of approximately RMB 272,242,000 were available for distribution to the Company's shareholders.

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Final Dividends

The Directors recommend the payment of a final dividend of HK$0.065 (2007: HK$0.065) per share to the shareholders on the register of members as of 25 July 2008 amounting to approximately HK$81,865,000 (2007: HK$81,655,000).

Property, plant and equipment

Additions to property, plant and equipment of the Group for the year totaled RMB 208,912,000 (2007: RMB 166,869,000), comprising principally construction in progress and machinery and equipment.

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the financial statements.

Share capital

Details of the movements in share capital of the Company are set out in Note 31 to the financial statements.

Share option scheme

The Company has a share option scheme which was adopted on 4 September 2003 whereby the Directors of the Company ("Directors") are authorized, at their discretion, to invite, inter alias, employees of the Group, including Directors of any company in the Group, to take up options to subscribe for shares of the Company. The exercise price of the options is the higher of (i) the closing price of the shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant and (ii) the average closing price of the shares as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of grant. The options are exercisable for a period to be notified by the Directors to each grantee. Such period will not exceed ten years from the date on which the option is granted.

The maximum number of shares which may be issued upon the exercise of all outstanding options and yet to be exercised under the share option scheme and any other scheme of the Company shall, subject to refreshment in accordance with the requirements set out in Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), shall not exceed 30% of the total issued share capital of the Company from time to time. Subject always to the above overall limit, the Directors may grant options under the share option scheme, generally and without further authority, in respect of a maximum of 83,000,000 shares (including options granted but excluding options lapsed).

In respect of the maximum entitlement of each participant under the scheme, the number of shares issued and to be issued upon the exercise of the options granted and to be granted in any 12-month period up to the date of grant to each participant is limited to 1% of the total issued share capital of the Company in issue.

A total of 39,054,000 share options were granted to eligible participants as at 31 March 2008 under the share option scheme of the Company. 1,125,000 share options lapsed due to the resignation of employees.

Details of the movements in share options of the Company are set out in Note 32 to the financial statements.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there were no pre-emptive rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 106 to 108.

Purchase, sale or redemption of securities

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

Directors

The Directors during the year and up to the date of this report are:

Executive Directors

Ms. Lilly Huang *(Chairman)*
Mr. Zhou Tian Bao *(Chief Executive Officer)*
Ms. Zhang Zhen Juan
Mr. Yang Bin
Mr. Dai Wei
Mr. Chen Xiang Dong

Non-Executive Director

Mr. Lee Cheuk Yin, Dannis

Independent Non-Executive Directors

Mr. Choi Tat Ying, Jacky
Ms. Zhang Xin, Cindy
Mr. Zhang Jian Chun

Each independent non-executive director provided an annual confirmation of his or her independence to the Company for the year ended 31 March 2008 and the Company confirmed that each of them was still considered to be independent.

In accordance with the Company's Articles of Association , Mr. Yang Bin, Mr. Lee Cheuk Yin, Dannis, and Mr. Zhang Jian Chun will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Directors' service contracts and letters of appointment

Each of the executive Directors and non-executive Directors of the Company entered into a service agreement with the Company. Each of these service agreements is for an initial term of 3 years renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term until terminated by either party for not less than three months' prior written notice and is subject to retirement by rotation and re-election at least once every three years at the annual general meeting pursuant to the Articles of Association of the Company. Each independent non-executive director entered into appointment letters with the Company for a term of 2 years from the date of the appointment letter and is subject to retirement by rotation and re-election at least once every three years at the annual general meeting pursuant to the Articles of Association thereafter. No Directors proposed for re-election at the forthcoming annual general meeting of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

Directors' emoluments

Details of the remuneration of the Directors pursuant to Appendix 16 of the Listing Rules are set out in Note 12 to the financial statements.

Directors' interests in contracts

Save for those transactions described in the note "Related Party Transactions" in Note 39 to the financial statements and the section "Continuing connected transactions" below, none of the Directors had any material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Biographical details of Directors and senior management

Brief biographical details of Directors and senior management are set out on pages 30 to 35.

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures

At 31 March 2008, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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 3)**
Ms. Lilly Huang *(Note 1)*	—	600,000,000	600,000,000	—	47.64%
Mr. Zhou Tian Bao *(Note 2)*	8,832,000	645,000,000	653,832,000	—	51.91%
Ms. Zhang Zhen Juan	—	—	—	10,000,000	—
Mr. Dai Wei	—	—	—	5,000,000	—
Mr. Chen Xiang Dong	—	—	—	5,000,000	—
Mr. Yang Bin	—	—	—	1,000,000	—
Mr. Lee Cheuk Yin, Dannis	—	—	—	500,000	—
Mr. Choi Tat Ying, Jacky	—	—	—	500,000	—

Details of share options granted to Directors are stated in the note "Share-based Payments" in Note 32 to the financial statements.

Interests in shares and underlying shares stated above represent long positions.

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) Mr. Zhou Tian Bao is interested and deemed to be interested in an aggregate of 653,832,000 shares in the Company. These shares are held in the following capacity:

i) 8,832,000 shares are held in his personal name;

ii) 45,000,000 shares are held by Mark Up Investments Limited which is a company wholly-owned by Mr. Zhou Tian Bao. Mr. Zhou Tian Bao is therefore deemed to be interested in the entire interest of Mark Up Investments Limited in the Company for the purpose of Part XV of the SFO;

iii) 600,000,000 shares are held by Century Founders Group Limited in which Mark Up Investments Limited own a 48% shareholding interest. Mr. Zhou Tian Bao 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.

(3) 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 2008.

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 2008.

Interest of substantial shareholders

So far as is known to any Directors of the Company, as at 31 March 2008, other than the interests of the Directors of the Company as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Name of shareholder	Number of shares held	Approximate percentage of shareholding (Note 3)
Century Founders Group Limited (Note 2)	600,000,000	47.64%
Mark Up Investments Limited	645,000,000	51.21%
Ms. Lilly Huang (Note 2)	600,000,000	47.64%
Mr. Zhou Tian Bao	653,832,000	51.91%
Sansar Capital Management, LLC	176,350,000	14.00%
UBS AG	113,530,700	9.01%
Tosca Asia	100,798,700	8.00%

Notes:

(1) Interests in shares stated above represent long positions.

(2) Century Founders Group Limited owns 600,000,000 Shares. Ms. Lilly Huang owns a 52% shareholding interest in Century Founders Group Limited and the remaining 48% shareholding interest is owned by Mark Up Investments Limited, a company wholly-owned by Mr. Zhou Tian Bao.

(3) The calculation is based on the number of shares as a percentage of the total number of issued shares (ie. 1,259,461,601 shares) of the Company as at 31 March 2008.

Save as disclosed above and so far as the Directors are aware, as at 31 March 2008, no other person (other than the Directors of the Company) had an interest or short position in the Company's shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of SFO.

Major customers and suppliers

During the year, the Group purchased 46.5% and 11.7% of its goods and services from its 5 largest suppliers and its largest supplier respectively. Also, the Group sold 38.7% and 8.3% of its goods and services to its 5 largest customers and its largest customer respectively.

Save as disclosed in Note 39 to the financial statements, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Related party transactions

Details of related party transactions undertaken in the normal course of business are set out in Note 39 to the financial statements.

Continuing connected transactions

During the year ended 31 March 2008, the Group had the following continuing connected transactions.

Annual expenditure for provision of services:

1.	Anhui Industries and Trading Corporation ("AITC"): rental of production machineries	RMB 3,960,000
2.	AITC: rental of factory complex	RMB 2,250,000

The Independent non-executive Directors have confirmed that the above continuing connected transactions for the year ended 31 March 2008 to which any member of the Group was a party were entered into by the Group:

1. in the ordinary and usual course of its business;
2. either (a) on normal commercial terms, or (b) where there was no available comparison, on terms no less favorable to the Group than those available to or from independent third parties; and
3. in accordance with the relevant agreements governing them on terms that were fair and reasonable so far as the shareholders of the Company were concerned and in the interests of the shareholders of the Company as a whole.

The Independent Non-executive Directors have further confirmed that for the year ended 31 March 2008:

1. the aggregate annual rental for leased production machineries paid to AITC under the Equipment Lease Agreements did not exceed the total annual cap of RMB3.96 million; and
2. the aggregate annual rental for leased factory complex paid to AITC under the Premises Leases Agreements did not exceed the annual cap of RMB2.25 million.

The auditor of the Group has reviewed the continuing connected transactions referred to above and confirmed to the Directors that:

1. the transactions had received the approval of the Directors;
2. the transactions had been entered into in accordance with the relevant agreements governing the transactions; and
3. the amounts of the transactions value had not exceeded the respective caps as disclosed in the announcements of the Company.

Please also refer to Note 39 to the financial statements on page 105 for a summary of the related party transactions which include the Group's connected transactions.

Directors' interest in competing business

None of the Directors of the Company had any interest, either direct or indirect, in any business, which may compete or constitute a competition with the business of the Group.

Retirement schemes

Details of the retirement schemes of the Group are set out in Note 13 to the financial statements.

Sufficiency of public float

According to the information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Auditor

The financial statements have been audited by RSM Nelson Wheeler who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Nelson Wheeler as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Norstar Founders Group Limited
Lilly Huang
Chairman

Hong Kong, 12 June 2008

CORPORATE GOVERNANCE REPORT

This corporate governance report is issued pursuant to Appendix 23 of Rules Governing the Listing of Securities in Hong Kong. The Company is firmly committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

Corporate governance practices

The Company has complied with code provisions and, to certain extent, the recommended best practices of the Code on Corporate Governance Practices (the "Code") which is set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2008.

The Board

The Board is responsible for preparing the financial statements, and is accountable to shareholders for the overall activities and financial performance of the Group. Certain functions and authorities are delegated to the management for implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group's business. The Board considers that the financial statements have been prepared in conformity with the generally accepted accounting principles in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board with an appropriate consideration to materiality. As at 31 March 2008, the Board, having made appropriate enquiries, is not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis. The statement of the auditor about their reporting responsibilities on the financial statements of the Group is set out in Independent Auditor's Report on page 48.

All Directors have full and timely access to all relevant information which is required for their discharge of their duties as Directors. Induction program has also been arranged for newly appointed Directors and opportunities to update and develop skills and knowledge are provided to them.

As at 31 March 2008, the Company's Board is composed of six executive Directors, one non-executive Director and three independent non-executive Directors. There is no relationship (including financial, business, family or other material or relevant relationships) among members of the Board.

Details of the terms of appointment of the Directors is set out in the Directors' report on page 38.

The independent non-executive Directors are all experienced individuals with diversified industry expertise. Their mix of skills and experience is an important element in the proper functioning of the Board and ensuring a high standard of financial and other mandatory reporting. Their participation provides adequate checks and balances for safeguarding the interests of both the Group and its shareholders. As at 31 March 2008, the Board consists of three independent non-executive Directors, representing nearly one-third of the Board. The Company has received written confirmation from each independent non-executive director of his independence to the Company. The Company considers all of them to be independent. One of the independent non-executive Directors, Mr. Choi Tat Ying, Jacky has the requisite financial and accounting background.

The Chairman of the Board is Ms. Lilly Huang and the chief executive officer of the Company is Mr. Zhou Tian Bao. The segregation of duties of the chairman of the Board and the chief executive officer ensures a clear distinction in the responsibility of the chairman, who is an executive director, responsible to oversee the functioning of the Board, and the chief executive officer's responsibility to manage the Group's business.

The company secretary is responsible to the Board and ensures that the Board complies with all applicable laws and regulations. The company secretary also keeps all minutes of meetings of the Board and the committees.

The Board meets regularly to discuss the operation and financial performance of the Group. Matters discussed in Board meetings include internal control procedures, continuing connected transactions, relevant announcement and circulars, annual and interim results of the Group, and recommendation on Directors' appointment and resignation. The Board members had met two times during the year:

Member of the Board	Number of meetings attended	Members' average attendance rate
Executive Directors:		
Ms. Lilly Huang *(Chairman)*	2	100%
Mr. Zhou Tian Bao *(Chief Executive Officer)*	2	100%
Ms. Zhang Zhen Juan	2	100%
Mr. Yang Bin	2	100%
Mr. Dai Wei	2	100%
Mr. Chen Xiang Dong	2	100%
Non-Executive Director:		
Mr. Lee Cheuk Yin, Dannis	2	100%
Independent Non-Executive Directors:		
Mr. Choi Tat Ying, Jacky	2	100%
Ms. Zhang Xin, Cindy	2	100%
Mr. Zhang Jian Chun	2	100%

In accordance with the Company's articles, one-third of the Directors, including both executive and non-executive Directors, are required to retire from office at the Annual General Meeting in each year. A retiring director is eligible for re-election.

Remuneration committee

The primary duties of the remuneration committee are to make recommendation to the Board on the remuneration of executive Directors and senior management and the fees and emoluments of non-executive Directors.

The main elements of the Company's emolument policy are that no individual should determine his or her own remuneration, remuneration should reflect performance, complexity and responsibility of the individual, and the remuneration package will be structured to include salary, bonus and share options to provide incentives to Directors and senior management to improve their individual performance.

During the year, the committee reviewed the remuneration package of executive Directors and made recommendation to the Board. As at 31 March 2008, the remuneration committee comprised three independent non-executive Directors, Mr. Choi Tat Ying, Jacky (Chairman), Mr. Zhang Jian Chun, Ms. Zhang Xin, Cindy, and one non-executive Director, Mr. Lee Cheuk Yin, Dannis.

The remuneration committee met once during the year, and the meeting was held on 12 June 2008.

Member of the committee	Number of meetings attended	Members' average attendance rate
Mr. Choi Tat Ying, Jacky *(Chairman)*	1	100%
Mr. Zhang Jian Chun	1	100%
Ms. Zhang Xin, Cindy	1	100%
Mr. Lee Cheuk Yin, Dannis	1	100%

Nomination committee

The primary duties of the nomination committee are to consider and assess the qualifications and character of candidates for Directorships on the Board, if any. The recommendations of the nomination committee are then put forward for consideration and adoption by the Board. The selection of individual to become Director is based on assessment of their professional qualifications and experience.

As at 31 March 2008, the nomination committee comprised one non-executive Director, Mr. Lee Cheuk Yin, Dannis (Chairman) and three independent non-executive Directors, Mr. Choi Tat Ying, Jacky, Mr. Zhang Jian Chun and Ms. Zhang Xin, Cindy.

Audit committee

The primary duties of the audit committee are to review and supervise the accounting principles adopted by the Group, and the financial reporting process and internal control systems of the Group. It also monitors the appointment and function of the Group's external auditor.

During the year, it reviewed the Group's interim results and annual results. As at 31 March 2008, the audit committee comprised three independent non-executive Directors, namely, Mr. Choi Tat Ying, Jacky (Chairman), Mr. Zhang Jian Chun and Ms. Zhang Xin, Cindy. The audit committee met two times during the year, and the meetings were held on 13 December 2007 and 12 June 2008 respectively.

Member of the committee	Number of meetings attended	Members' average attendance rate
Mr. Choi Tat Ying, Jacky *(Chairman)*	2	100%
Mr. Zhang Jian Chun	2	100%
Ms. Zhang Xin, Cindy	2	100%

External auditor

The Group's external auditor is RSM Nelson Wheeler. The non-audit functions to the Group, if any, were reviewed by the audit committee. The audit committee also considers in advance whether such non-audit functions would lead to any potential material conflict of interest.

During the year, the services provided by RSM Nelson Wheeler to the Group were as follows:

	HK$'000
Audit Service	1,150
Non-Audit Services	—

Internal control and risk management

The Board of the Company is granted full authority to maintain the soundness and effectiveness of the internal control system and risk management procedures of the Group, including setting an internal review team composed of members from various department to ensure efficient and effective use of the Group's resources to assist the Group in achieving its operation objectives, safeguarding the Group's assets against any unauthorized use or disposal, ensuring an appropriate maintenance of accounting records and the availability of reliable financial information for internal use or external release, and ensuring compliance of all operating activities with laws and regulations. The control system is intended to have in place reasonable safeguards against material misrepresentation or loss, and to ensure safeguard on shareholders' interests.

The Board intends to further improve its internal control and risk management with a view to achieve a better work flow in future.

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") contained in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by Directors. The Company has made specific enquiry of all Directors, and the Directors confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by Directors.

Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company for the year ended 31 March 2008.

Investor relations

The Company uses two-way communication channels to account to shareholders and investors for the performance of the Company. All the shareholders have 21 days' notice of annual general meeting at which Directors are available to answer questions on the business. Extensive information about the Group's activities is provided in its Annual Report and Interim Report which are sent to shareholders and investors.

The Company conducts briefings with analysts and press to apprise them of the Group's operating results, business strategies and outlook right after reporting its interim or annual results. Highlights of the Group's operating performance are also released on a quarterly basis. Other than those regular updates, the Company issues announcements or press releases where appropriate to comply with the Listing Rules requirement or keeps the public informed of the Company's latest development. In order to further enhance communication with the investment community, the Group's management holds regular roadshows, and participates actively in company visits and investors' conferences.

RSM! Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
NORSTAR FOUNDERS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Norstar Founders Group Limited (the "Company") set out on pages 50 to 105, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

12 June 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	**2008 RMB '000**	2007 RMB '000
Turnover	6	**3,886,485**	3,497,159
Cost of goods sold		**(3,249,713)**	(2,881,914)
Gross profit		**636,772**	615,245
Other income	7	**103,932**	48,568
Distribution and selling expenses		**(45,474)**	(57,508)
Administrative expenses		**(66,019)**	(116,929)
Profit from operations		**629,211**	489,376
Finance costs	9	**(101,043)**	(71,046)
		528,168	418,330
Share of profits of an associate	20	**34,514**	35,655
Profit before tax		**562,682**	453,985
Income tax expense	10	**(52,801)**	(49,835)
Profit for the year attributable to equity holders of the Company	11	**509,881**	404,150
Dividends	14	**99,687**	108,644
Earnings per share	15		
Basic		**RMB 40.56 cents**	RMB 32.79 cents
Diluted		**RMB 40.35 cents**	RMB 32.29 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	**2008**	2007
		RMB '000	RMB '000
Non-current assets			
Property, plant and equipment	16	**979,068**	854,567
Prepaid land lease payments	17	**55,034**	56,282
Goodwill	18	**29,639**	29,639
Other intangible assets	19	**10,823**	743
Investment in an associate	20	**435,248**	423,357
		1,509,812	1,364,588
Current assets			
Inventories	21	**62,290**	81,202
VAT receivable	22	**75,009**	145,625
Trade and other receivables	23	**621,079**	715,059
Derivative financial instruments	24	**4,261**	—
Pledged bank deposits	25	**15,439**	16,450
Cash and bank balances	25	**2,782,306**	1,727,085
		3,560,384	2,685,421
Current liabilities			
Trade and other payables	26	**114,433**	186,867
Derivative financial instruments	24	**15,212**	—
Short-term borrowings	27	**186,946**	186,978
Current portion of non-current borrowings	28	**39,564**	361,265
Convertible bonds	30	**—**	56,753
Current tax liabilities		**16,297**	14,128
		372,452	805,991
Net current assets		**3,187,932**	1,879,430
Total assets less current liabilities		**4,697,744**	3,244,018
Non-current liabilities			
Non-current borrowings	28	**1,321,677**	279,720
NET ASSETS		**3,376,067**	2,964,298
Capital and reserves			
Share capital	31	**132,383**	131,598
Reserves		**3,243,684**	2,832,700
Equity attributable to equity holders of the Company		**3,376,067**	2,964,298

Approved by the Board of Directors on 12 June 2008

Lilly Huang
Chairman

Zhou Tian Bao
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to equity holders of the Company									
	Share capital RMB '000	Share premium RMB '000	Capital reserve RMB '000	Foreign currency translation reserve RMB '000	Share-based payment reserve RMB '000	Merger reserve RMB '000	General reserve fund RMB '000	Enterprise expansion fund RMB '000	Retained profits RMB '000	Total RMB '000
At 1 April 2006	113,940	1,099,998	1,411	15,927	—	(299,310)	98,592	98,592	901,080	2,030,230
Translation difference	—	—	—	11,057	—	—	—	—	—	11,057
Share issue expenses paid	—	(19,453)	—	—	—	—	—	—	—	(19,453)
Net expense recognised directly in equity	—	(19,453)	—	11,057	—	—	—	—	—	(8,396)
Profit for the year	—	—	—	—	—	—	—	—	404,150	404,150
Total recognised income and expense for the year	—	(19,453)	—	11,057	—	—	—	—	404,150	395,754
Issue of shares *(note 31(a))*	17,255	608,239	—	—	—	—	—	—	—	625,494
Issue of shares upon conversion of convertible bonds *(note 31(b))*	403	10,233	(221)	—	—	—	—	—	—	10,415
Recognition of share-based payments	—	—	—	—	3,554	—	—	—	—	3,554
Transfer to statutory reserves	—	—	—	—	—	—	37,712	37,712	(75,424)	—
2006 final dividend paid	—	—	—	—	—	—	—	—	(73,278)	(73,278)
2007 interim dividend paid	—	—	—	—	—	—	—	—	(27,871)	(27,871)
At 31 March 2007	131,598	1,699,017	1,190	26,984	3,554	(299,310)	136,304	136,304	1,128,657	2,964,298
At 1 April 2007	131,598	1,699,017	1,190	26,984	3,554	(299,310)	136,304	136,304	1,128,657	2,964,298
Translation difference	—	—	—	(21,803)	—	—	—	—	—	(21,803)
Net expense recognised directly in equity	—	—	—	(21,803)	—	—	—	—	—	(21,803)
Profit for the year	—	—	—	—	—	—	—	—	509,881	509,881
Total recognised income and expense for the year	—	—	—	(21,803)	—	—	—	—	509,881	488,078
Issue of shares upon conversion of convertible bonds *(note 31(b))*	785	20,508	(442)	—	—	—	—	—	—	20,851
Redemption of convertible bonds	—	—	(748)	—	—	—	—	—	748	—
Recognition of share-based payments	—	—	—	—	8,274	—	—	—	—	8,274
Transfer to statutory reserves	—	—	—	—	—	—	49,293	49,293	(98,586)	—
2007 final dividend paid	—	—	—	—	—	—	—	—	(79,483)	(79,483)
2008 interim dividend paid	—	—	—	—	—	—	—	—	(25,951)	(25,951)
At 31 March 2008	**132,383**	**1,719,525**	**—**	**5,181**	**11,828**	**(299,310)**	**185,597**	**185,597**	**1,435,266**	**3,376,067**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 RMB '000	2007 RMB '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**562,682**	453,985
Adjustments for:		
Depreciation of property, plant and equipment	**71,847**	51,452
Net loss on disposals of property, plant and equipment	**4,615**	—
Property, plant and equipment written off	**1,117**	—
Amortisation of prepaid land lease payments	**1,248**	1,248
Amortisation of other intangible assets	**1,033**	39
Share-based payments	**8,274**	3,554
Share of profits of an associate	**(34,514)**	(35,655)
Amortisation of loan arrangement fee of convertible bonds	**757**	1,072
Redemption premium on convertible bonds	**1,448**	3,073
Finance charges	**2,052**	2,737
Interest expenses	**79,803**	63,110
Interest income	**(53,111)**	(22,940)
Net fair value gains on derivative financial instruments	**(2,323)**	(941)
Operating profit before working capital changes	**644,928**	520,734
Decrease/(increase) in inventories	**18,912**	(36,352)
Decrease/(increase) in trade receivables	**128,872**	(128,201)
(Increase)/decrease in prepayments and other receivables	**(33,274)**	125,682
Decrease in due from related companies	**—**	1,554
(Increase)/decrease in pledged bank deposits	**(460)**	220
(Decrease)/increase in trade payables	**(40,515)**	52,100
(Decrease)/increase in due to directors	**(617)**	971
Increase in due to an associate	**1,161**	—
(Decrease)/increase in accruals and other payables	**(19,792)**	27,784
Cash generated from operations	**699,215**	564,492
Interest received	**53,111**	22,940
PRC enterprises income tax paid	**(50,632)**	(49,037)
Value-added tax refund/(paid), net	**66,689**	(12,029)
Net cash generated from operating activities	**768,383**	526,366

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Note	2008 RMB '000	2007 RMB '000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(178,328)**	(165,128)
Acquisition of other intangible assets		**(11,113)**	(782)
Dividend received from an associate		**—**	8,280
Proceeds from disposal of property, plant and equipment		**6,682**	—
Increase in non-pledged time deposits with more than three months to maturity		**(1,100,000)**	—
Proceeds from derivative financial instruments		**13,274**	941
Net cash used in investing activities		**(1,269,485)**	(156,689)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of convertible bonds		**(35,520)**	—
Repayment of finance lease payables		**(19,250)**	(21,897)
Proceeds from new short-term borrowings		**379,206**	235,449
Repayment of short-term borrowings		**(374,140)**	(223,201)
Net proceeds from issuance of shares		**—**	606,041
Net proceeds from syndicated loan		**1,292,883**	—
Repayment of syndicated loan		**(565,146)**	(162,475)
Proceeds from other bank loans		**—**	46,747
Repayment of other bank loans		**(15,407)**	(460)
Dividends paid		**(105,434)**	(101,149)
Interest paid		**(76,427)**	(59,973)
Finance lease charges paid		**(2,052)**	(2,737)
Net cash generated from financing activities		**478,713**	316,345
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(22,389)**	686,022
Effect of foreign exchange rate changes		**(22,390)**	(22,100)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,727,085**	1,063,163
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,682,306**	1,727,085
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	25	**1,682,306**	1,727,085

1. GENERAL INFORMATION

The Company 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 located at Cricket Square, Hutchins Drive, P.O.Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room B,19th Floor, Tower II Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 35 to the financial statements.

2. ADOPTION 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 2007. 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 substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective.

The Group has already commenced an assessment of the impact of these new 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.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB "), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives of property, plant and equipment are as follows:

Buildings	20 years
Moulds	3 years
Machinery and equipment	5 - 10 years
Office equipment and fixtures	5 - 10 years
Motor vehicles	5 - 10 years

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Leases

(i) *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset is recognised only if all of the following conditions are met:

— An asset is created that can be identified (such as software and new processes);

— It is probable that the asset created will generate future economic benefits; and

— The development cost of the asset can be measured reliably.

Internally-generated intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

(h) License right

Expenditure on acquiring license for production technology and cost of technical assistance and training is initially recognised and measured at cost, which represent the capitalisation and unavoidable license fee and training cost payments in accordance with the license agreement. Cost of license and training assistance is amortised over a period of ten years or the remaining life of the relevant license agreement, whichever is the shorter.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognition in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(m) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Convertible bonds

Convertible bonds that consist of a liability and an equity component are regarded as compound instruments. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as capital reserves. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

If the convertible bond is converted, the capital reserves, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issue. If the convertible bond is redeemed, the capital reserve is released directly retained profits.

(q) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(s) Derivative financial instruments

Derivatives are initially recognised at fair value on the contract date and are subsequently measured at fair value. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement as they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of finished goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

(u) Employee benefits

Employee leave entitlements

(i) Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(v) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(w) Borrowing costs

All borrowing costs are recognised in income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credtis can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, prepaid land lease payments, goodwill, other intangible assets, inventories and trade and other receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

In respect of geographical segment reporting, sales are based on the countries in which customers are located. Total assets and capital expenditure are based on where the assets are located.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, derivative financial instruments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(bb) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(cc) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(c) Share-based payment expenses

The fair value of the share options granted to the directors and employees determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the Binomial option pricing model (the "Binomial Model") was used. The Binomial Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Binomial Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

(d) Fair value of derivatives financial instruments

The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods, such as discounted cash flows method, marking-to-market approach and binominal model, quoted forward exchange rates at the balance sheet date and makes assumptions that are based on market conditions existing at each balance sheet date. Any changes in these assumptions can significantly affect the estimate of the fair value of the derivatives.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group is exposed to foreign currency risk primarily through its sales transactions are denominated in United States dollars ("USD"). Except for certain borrowings denominated in Japanese Yen ("JPY") and Euro ("EUR"), all the Group's borrowings are denominated in the functional currency of the entity taking out the loan, or in case of Group entities whose functional currency is Hong Kong dollars ("HKD"), in either HKD or USD. Given this, the management does not expect that there will be any significant foreign currency risk associated with the Group's borrowings.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table indicates the approximate change in the Group's consolidated profit after tax in response to reasonably possible change in the foreign exchange rates, with all other variables held constant, to which the Group has significant exposure at the balance sheet date. A positive number below indicates an increase in consolidated profit after tax, while negative number represents an opposite impact on the consolidated profit after tax.

		2008		2007	
		Increase/ (decrease) in values of foreign currencies	**Effect on profit after tax higher/(lower) RMB '000**	Increase/ (decrease) in values of foreign currencies	Effect on profit after tax higher/(lower) RMB '000
HKD against foreign currencies:					
RMB	(i)	**5%**	**20,830**	5%	14,850
		(5%)	**(20,830)**	(5%)	(14,850)
EUR	(ii)	**10%**	**(712)**	10%	(1,203)
		(10%)	**712**	(10%)	1,203
JPY	(iii)	**10%**	**(1,181)**	N/A	N/A
		(10%)	**1,181**	N/A	N/A
RMB against foreign currencies:					
HKD	(iv)	**5%**	**(21,746)**	5%	—
		(5%)	**21,746**	(5%)	—
USD	(v)	**5%**	**13,400**	5%	21,641
		(5%)	**(13,400)**	(5%)	(21,641)

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Foreign currency risk (continued)

Sensitivity analysis (continued)

Arising of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit after tax measured in the respective functional currencies, and mainly as a result of:

(i) RMB dividend receivable from Group companies at year end;

(ii) long term other bank loans denominated in EUR;

(iii) short term bank borrowings denominated in JPY;

(iv) Intra group loan balances denominated in HKD; and

(v) outstanding USD receivables at year end.

The sensitivity analysis includes balances between Group entities where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower, but excludes the derivative financial instruments. Further sensitivity analysis disclosure in respect of derivative financial instruments is set out in note 24 to the financial statements.

(b) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables and derivative financial instruments included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on cash and bank balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet dates) is as follows:

	Less than 1 year RMB '000	Between 1 and 2 years RMB '000	Between 2 and 5 years RMB '000	Over 5 years RMB '000
At 31 March 2008				
Derivative financial instruments				
Outflow	**15,212**	**—**	**—**	**—**
Inflow	**(4,252)**	**(9)**	**—**	**—**
	10,960	**(9)**	**—**	**—**
Non derivative financial instruments				
Trade and other payables	**114,433**	**—**	**—**	**—**
Short term borrowings	**188,286**	**—**	**—**	**—**
Syndicated loan	**35,262**	**607,265**	**737,038**	**—**
Other bank loans	**23,312**	**5,312**	**—**	**—**
Finance lease payables	**18,123**	**11,237**	**9,861**	**—**
	379,416	**623,814**	**746,899**	**—**
At 31 March 2007				
Non-derivative financial instruments				
Trade and other payables	186,867	—	—	—
Short term borrowings	187,803	—	—	—
Convertible bonds	58,584	—	—	—
Syndicated loan	349,228	249,319	—	—
Other bank loans	21,087	24,313	5,949	—
Finance lease payables	20,786	8,437	632	—
	824,355	282,069	6,581	—

5. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk

The Group's exposure to interest rate risk arises from the Group's interest-bearing bank deposits, bank borrowings and finance lease payables. Deposits placed or borrowings issued at variable rates, varied with the then prevailing market condition, and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

Sensitivity analysis

At 31 March 2008, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB 5,915,000 higher (2007: RMB 1,677,000 lower), arising mainly as a result of higher interest income (2007: higher interest expense) on net balances on variable-rate bank deposits and borrowings and finance lease payables. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB 5,915,000 lower (2007: RMB 1,677,000 higher), arising mainly as a result of lower interest income (2007: lower interest expense) on net balances on variable-rate bank deposits and borrowings and finance lease payables.

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

As at 31 March 2008, the Group has a net cash, of approximately RMB 19,686,000 (2007: RMB 655,502,000). The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the Group may adjust the payment of dividends, raise new debts or redeem existing debts.

The Group's strategy is to maintain a solid base to support the operations and develop of its business in the long term. No changes were made in the objectives, policies or processes during the years ended 31 March 2007 and 31 March 2008.

The debt-to-capital ratios at 31 March 2008 and at 31 March 2007 were as follows:

	2008 **RMB '000**	2007 RMB '000
Total debts	**1,662,620**	1,071,583
Less: cash and cash equivalents	**(1,682,306)**	(1,727,085)
Net cash	**(19,686)**	(655,502)
Total equity	**3,376,067**	2,964,298
Debt-to-capital ratios	**(0.6%)**	(22.1%)

5. FINANCIAL RISK MANAGEMENT (continued)

(e) Capital management (continued)

The increase in the debt-to-capital ratio during 2008 resulted primarily from the issue of new syndicated loan.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2008, 48.09% (2007: 47.74%) of the shares were in public hands.

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. TURNOVER

The Group is principally engaged in the manufacture and sale of auto parts and construction decorative hardware products. The Group's turnover which represents the sales of goods to customers are as follows:

	2008 **RMB '000**	2007 RMB '000
Auto parts	**3,493,584**	3,116,595
Construction decorative hardware products	**392,901**	380,564
	3,886,485	3,497,159

7. OTHER INCOME

	2008 **RMB '000**	2007 RMB '000
Fair value gains on derivative financial instruments	**17,535**	941
Gain on disposals of property, plant and equipment	**183**	—
Gain on trading of machineries	**3,455**	—
Interest income	**53,111**	22,940
Income from scrap sales	**25,475**	22,277
Rental income	**3,600**	1,950
Sundry income	**573**	460
	103,932	48,568

8. SEGMENT INFORMATION

Primary reporting format – geographical segments

The Group operates within one geographical segment in the People's Republic of China (the "PRC"). All segment assets, liabilities and capital expenditure are located in the PRC and therefore no geographical segments are presented, except for the segment revenue and segment results. Segment revenue and segment results are presented based on the geographical location of customers.

Secondary reporting format – business segments

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

— Auto parts; and

— Construction decorative hardware products.

(i) Primary reporting format – geographical segments

For the year ended 31 March 2008

	United States RMB '000	**Canada RMB '000**	**Europe RMB '000**	**The PRC and others RMB '000**	**Total RMB '000**
Segment revenue	**1,537,055**	**918,955**	**787,470**	**643,005**	**3,886,485**
Segment results	**250,124**	**158,035**	**130,723**	**97,890**	**636,772**

For the year ended 31 March 2007

	United States RMB '000	Canada RMB '000	Europe RMB '000	The PRC and others RMB '000	Total RMB '000
Segment revenue	1,430,245	886,027	739,096	441,791	3,497,159
Segment results	252,976	164,930	131,293	66,046	615,245

8. SEGMENT INFORMATION (continued)

(ii) Secondary reporting format – business segments

For the year ended 31 March 2008

	Revenue RMB '000	Carrying amount of segment assets RMB '000	Capital expenditure RMB '000
Auto parts	**3,493,584**	**1,403,671**	**212,537**
Construction decorative hardware products	**392,901**	**78,774**	**—**
	3,886,485	**1,482,445**	**212,537**
Unallocated assets		**3,587,751**	**7,488**
		5,070,196	**220,025**

For the year ended 31 March 2007

	Revenue RMB '000	Carrying amount of segment assets RMB '000	Capital expenditure RMB '000
Auto parts	3,116,595	1,371,061	149,625
Construction decorative hardware products	380,564	146,005	14,155
	3,497,159	1,517,066	163,780
Unallocated assets		2,532,943	3,871
		4,050,009	167,651

9. FINANCE COSTS

	2008 RMB '000	2007 RMB '000
Bank charges	**1,771**	1,054
Finance charges on obligations under finance leases	**2,052**	2,737
Fair value losses on derivative financial instruments	**15,212**	—
Interest on bank borrowings	**79,803**	63,110
Interest on convertible bonds	**2,205**	4,145
	101,043	71,046

10. INCOME TAX EXPENSE

(a) Income tax expense included in income statement is comprised of:

	2008	2007
	RMB '000	RMB '000
Current tax – PRC		
Provision for the year	**52,801**	49,835

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits in Hong Kong during the year (2007: 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 new PRC enterprise income tax law (the "New Tax Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The New Tax Law was effective from 1 January 2008. The Enterprises Income Tax Law Implementation Rules was also issued in December 2007 by the State Council.

Norstar Automotive Industries, Inc. ("Norstar Automotive") and Norstar Auto Suspension Manufacturing (Beijing) Inc. ("Norstar Auto Suspension"), the principal subsidiaries of the Group, are incorporated in the PRC, locates in Beijing Economic-Technological Development Area. According to 國法 [2007] 第 39 號 (Guofa[2007]39) issued by the State Council dated 26 December 2007 regarding enterprises established and operating in Beijing Economic-Technological Development Area, the applicable PRC enterprises income tax rates ("EIT rate") are as follows:

Year	EIT rate
2008	18%
2009	20%
2010	22%
2011	24%
2012	25%

Pursuant to the approval document dated 15 June 2007 and 28 May 2008 issued by local tax bureau and based on existing legislation, Norstar Automotive was granted tax relief, and the applicable tax rate was 11.5% for the calendar years ended 31 December 2006 and 2007. From 2008 onwards, the above tax relief would be cancelled and with the effect of the New Tax Law, Norstar Automotive is subject to PRC enterprise income tax of 18% for the three months ended 31 March 2008.

Pursuant to relevant laws and regulations in the PRC, Norstar Auto Suspension is exempted from PRC enterprise income tax for the two years from its first profit-making year and thereafter is entitled to a 50% relief from PRC enterprise income tax for the following three years. Norstar Auto Suspension was in its second profit-making year for the calendar year ended 31 December 2007 and therefore entitled to a 50% relief from PRC enterprise income tax for the three months ended 31 March 2008. The tax rate applicable to Norstar Auto Suspension, after the 50% relief and the New Tax Law, was 9%, for the three months ended 31 March 2008.

10. INCOME TAX EXPENSE (continued)

(b) The reconciliation between the income tax expense and the product of profit before tax (excluding share of profits of an associate) multiplied by the PRC enterprise income tax rate is as follows:

	2008 RMB '000	2007 RMB '000
Profit before tax (excluding share of profits of an associate)	**528,168**	418,330
Tax at the PRC enterprise income tax rate of 11.5% (2007: 11.5%)	**60,739**	48,108
Tax effect of income that is not taxable	**(22,577)**	(2,511)
Tax effect of expenses that are not deductible	**4,254**	2,738
Tax effect of temporary differences not recognised	**(432)**	(96)
Tax effect of unrecognised tax losses	**10,918**	10,191
Tax effect of profit exempted from income tax	**(4,603)**	(7,633)
Effect of different tax rates of subsidiaries	**4,502**	(962)
Income tax expense	**52,801**	49,835

(c) No provision for deferred taxation has been made in the financial statements as the tax effect of taxable temporary differences is immaterial to the Group.

At the balance sheet date the Group has estimated unused tax losses of RMB 166,382,000 (2007: RMB 116,268,000) available for offset against future profits. Unused tax losses of approximately RMB 155,381,000 are not yet to be agreed by the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised (2007: RMB Nil) due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

11. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2008 RMB '000	2007 RMB '000
Auditors' remuneration	**1,424**	1,660
Cost of inventories sold *(note (a))*	**3,249,713**	2,881,914
Depreciation	**71,847**	51,452
Property, plant and equipment written off	**1,117**	—
Loss on disposals of property, plant and equipment	**4,798**	—
Gain on disposals of property, plant and equipment	**(183)**	—
Amortisation of other intangible assets (included in administrative expenses)	**1,033**	39
Research and development costs *(note (b))*	**121,900**	115,635
Operating lease charges in respect of:		
– Land leases	**1,248**	1,248
– Factory and office premises	**8,241**	7,164
– Plant and machinery	**3,960**	5,100
Net exchange (gains)/losses	**(14,382)**	24,941
Staff costs including directors' emoluments:		
Salaries, bonus and allowances	**73,179**	62,178
Share-based payments	**8,274**	3,554
Retirement benefit scheme contributions	**7,367**	9,669
	88,820	75,401

Notes:

(a) Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately RMB 106,336,000 (2007: RMB 86,759,000) which are included in the amounts disclosed separately above.

(b) Research and development costs are included in staff costs, cost of inventories sold and amortisation of other intangible assets which are disclosed separately above.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of emoluments of the directors of the Company disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance are as follows:

For the year ended 31 March 2008

	Fees RMB '000	Basic salaries, other allowances and benefits in kind RMB '000	Discretionary bonus RMB '000	Share-based payments RMB '000	Retirement benefit scheme contributions RMB '000	Total RMB '000
Executive directors						
Lilly Huang	—	224	—	—	—	224
Zhou Tian Bao	—	1,863	—	—	8	1,871
Zhang Zhen Juan	—	645	—	2,123	8	2,776
Yang Bin	—	240	—	212	8	460
Dai Wei	—	539	—	1,062	8	1,609
Chen Xiang Dong	—	566	—	1,062	8	1,636
Non-executive director						
Lee Cheuk Yin, Dannis	248	—	—	106	—	354
Independent non-executive directors						
Choi Tat Ying, Jacky	96	—	—	106	—	202
Zhang Jian Chun	96	—	—	—	—	96
Zhang Xin, Cindy	96	—	—	—	—	96
Total for 2008	536	4,077	—	4,671	40	9,324

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended 31 March 2007

	Fees RMB '000	Basic salaries, other allowances and benefits in kind RMB '000	Discretionary bonus RMB '000	Share-based payments RMB '000	Retirement benefit scheme contributions RMB '000	Total RMB '000
Executive directors						
Lilly Huang	—	305	—	—	—	305
Zhou Tian Bao	—	1,980	—	—	8	1,988
Zhang Zhen Juan	—	660	—	900	8	1,568
Yang Bin	—	300	—	90	8	398
Dai Wei	—	528	—	450	8	986
Chen Xiang Dong	—	528	—	450	8	986
Non-executive director						
Lee Cheuk Yin, Dannis	264	—	—	45	—	309
Independent non-executive directors						
Choi Tat Ying, Jacky	101	—	—	45	—	146
Zhang Jian Chun	101	—	—	—	—	101
Zhang Xin, Cindy	101	—	—	—	—	101
Total for 2007	567	4,301	—	1,980	40	6,888

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2007: RMB Nil).

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The five (2007: six) highest paid employees in the Group included four (2007: four) directors whose emoluments were reflected in the analysis presented above. The emoluments of the remaining one (2007: two) employee are set out below:

	2008 RMB '000	2007 RMB '000
Basic salaries, other allowances and benefits in kind	**497**	2,112
Share-based payments	**1,056**	314
Retirement benefit scheme contributions	**8**	24
	1,561	2,450

The emoluments fell within the following band:

	2008 Number of employees	2007 Number of employees
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	2
HK$1,500,001 to HK$2,000,000	**1**	—

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

The above emoluments include the value of share options granted to certain directors and employees under the Company's share option scheme as estimated at the date of grant. Further details are disclosed under the section "Share Option Scheme" in the Directors' Report and in note 32 to the financial statements.

13. RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme ("the MPF Scheme") under the Hong Kong Mandatory Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on the applicable basis and rates with the relevant government regulations.

14. DIVIDENDS

	2008	2007
	RMB '000	RMB '000
Interim of HK$0.022 per ordinary share (2007: HK$0.022 per ordinary share)	**25,951**	27,871
Proposed final of HK$0.065 per ordinary share (2007: HK$0.065 per ordinary share)	**73,736**	80,773
	99,687	108,644

A final dividend of HK$0.065 per ordinary share will be proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 March 2009.

Dividends to equity holders of the Company attributable to the previous financial year, approved and paid during the year:

	2008	2007
	RMB '000	RMB '000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.065 per ordinary share (2007: HK$0.057 per ordinary share)	**79,483**	73,278

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2008 RMB '000	2007 RMB '000
Earnings		
Earnings for the purpose of calculating basic earnings per share	**509,881**	404,150
Finance costs saving on exercise of convertible bonds	**2,205**	1,839
Earnings for the purpose of calculating diluted earnings per share	**512,086**	405,989

	2008	2007
Number of shares		
Issued ordinary shares at beginning of year	**1,251,367,851**	1,077,320,976
Effect of issue of shares	**—**	154,164,384
Effect of conversion of convertible bonds	**5,816,000**	911,378
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,257,183,851**	1,232,396,738
Effect of dilutive potential ordinary shares arising from convertible bonds outstanding	**11,964,111**	21,853,125
Effect of dilutive potential ordinary shares in respect of share options	**117,722**	3,110,917
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,269,265,684**	1,257,360,780

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB '000	Moulds RMB '000	Machinery and equipment RMB '000	Office equipment and fixtures RMB '000	Motor vehicles RMB '000	Construction in progress RMB '000	Total RMB '000
Cost							
At 1 April 2006	271,023	6,610	224,896	13,024	9,528	285,219	810,300
Reclassification	206,624	—	26,453	—	—	(233,077)	—
Additions	—	—	97,441	3,456	36	65,936	166,869
Exchange differences	—	—	—	(13)	(72)	—	(85)
At 31 March 2007	477,647	6,610	348,790	16,467	9,492	118,078	977,084
Reclassification	86,817	—	30,336	—	—	(117,153)	—
Additions	—	—	105,767	3,983	3,260	95,902	208,912
Disposal/written off	—	(6,610)	(20,311)	(41)	(2,620)	(1,117)	(30,699)
Exchange differences	—	—	—	(52)	(154)	—	(206)
At 31 March 2008	**564,464**	**—**	**464,582**	**20,357**	**9,978**	**95,710**	**1,155,091**
Accumulated depreciation							
At 1 April 2006	4,996	5,898	51,592	3,849	4,767	—	71,102
Charge for the year	15,170	712	31,808	2,351	1,411	—	51,452
Exchange differences	—	—	—	(6)	(31)	—	(37)
At 31 March 2007	20,166	6,610	83,400	6,194	6,147	—	122,517
Charge for the year	27,520	—	40,169	3,027	1,131	—	71,847
Disposal/written off	—	(6,610)	(9,854)	(32)	(1,789)	—	(18,285)
Exchange differences	—	—	—	(18)	(38)	—	(56)
At 31 March 2008	**47,686**	**—**	**113,715**	**9,171**	**5,451**	**—**	**176,023**
Carrying amount							
At 31 March 2008	**516,778**	**—**	**350,867**	**11,186**	**4,527**	**95,710**	**979,068**
At 31 March 2007	457,481	—	265,390	10,273	3,345	118,078	854,567

The Group leases machinery and equipment and motor vehicles under finance leases expiring from one to five years. At the end of each lease term the Group has the option to purchase the machinery and equipment and motor vehicles at a price deemed to be a bargain purchase option. None of the leases included contingent rentals.

At 31 March 2008 the net carrying amount of machinery and equipment and motor vehicles held by the Group under finance leases amounted to RMB 112,996,000 (2007: RMB 141,637,000).

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2008 RMB '000	2007 RMB '000
Within one year	**3,600**	3,600
In the second to fifth years inclusive	**3,300**	6,900
	6,900	10,500

17. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent payments for land use rights situated in the PRC under medium-term leases.

18. GOODWILL

Goodwill acquired through business combination has been allocated to the auto parts cash-generating unit, which is a reportable segment, for impairment testing.

The recoverable amount of the auto parts cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a period of five years. The discount rate applied to cash flow projects is 12.18% and cash flows beyond five year period are extrapolated using a growth rate of 3% which is determined with reference to the prevailing inflation rate in the PRC. Senior management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is before tax and reflects specific risks relating to the auto parts cash-generating unit.

19. OTHER INTANGIBLE ASSETS

Other intangible assets represent the cost of acquiring license for production technology and technical assistance and training in relating to auto parts business. The average remaining amortisation period is 9.5 years (2007: 10 years).

	License for production technology RMB '000	Technical assistance and training RMB '000	Total RMB '000
Cost			
At 1 April 2006	—	—	—
Additions	—	782	782
At 31 March 2007	—	782	782
Additions	10,358	755	11,113
At 31 March 2008	**10,358**	**1,537**	**11,895**
Accumulated amortisation			
At 1 April 2006	—	—	—
Charge for the year	—	39	39
At 31 March 2007	—	39	39
Charge for the year	942	91	1,033
At 31 March 2008	**942**	**130**	**1,072**
Carrying amount			
At 31 March 2008	**9,416**	**1,407**	**10,823**
At 31 March 2007	—	743	743

20. INVESTMENT IN AN ASSOCIATE

	2008 RMB '000	2007 RMB '000
Unlisted investments outside Hong Kong:		
Share of net assets	**435,248**	423,357

Details of the Group's associate at 31 March 2008 are as follows:

Company	Form of business structure	Place of incorporation and operation	Class of shares	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activities
Profound Global Limited	Incorporated	British Virgin Islands	Ordinary	40%	40%	Investment holding

Profound Global Limited is an investment holding company and its principal subsidiary is engaged in manufacturing and distribution of metal hardware products. Details of the principal subsidiary of the associate as at 31 March 2008 are as follows:

Company	Form of business structure	Place of incorporation and operation	Proportion of registered capital held by the associate: Direct	Proportion of registered capital held by the associate: Indirect	Principal activities
Grand Well Heavy Industries (Anhui) Co. Ltd.	Incorporated	The PRC	—	100%	Manufacture and distribution of metal hardware products

Summarised consolidated financial information in respect of the Group's associate is set out below:

	2008 RMB '000 (unaudited)	2007 RMB '000 (unaudited)
At 31 March		
Total assets	**1,175,692**	1,154,394
Total liabilities	**(87,571)**	(96,001)
Net assets	**1,088,121**	1,058,393
Group's share of an associate's net assets	**435,248**	423,357
Year ended 31 March		
Revenue	**1,243,998**	1,360,807
Profit after tax for the year	**86,284**	89,138
Group's share of an associate's profit for the year	**34,514**	35,655

21. INVENTORIES

	2008 RMB '000	2007 RMB '000
Raw materials	**31,696**	32,516
Work in progress	**4,262**	5,217
Finished goods	**26,332**	43,469
	62,290	81,202

22. VAT RECEIVABLE

VAT receivable represented PRC value-added tax recoverable at the balance sheet dates.

23. TRADE AND OTHER RECEIVABLES

	2008 RMB '000	2007 RMB '000
Trade receivables	**512,242**	641,509
Dividend receivable	**10,808**	7,914
Prepayments and other receivables	**98,029**	65,636
	621,079	715,059

(a) The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2008 RMB '000	2007 RMB '000
0 - 90 days	**508,394**	641,005
91 - 180 days	**3,464**	504
181 - 365 days	**364**	—
Over one year	**20**	—
	512,242	641,509

Normally, 30 to 90 days credit term is granted to customers.

(b) The carrying amounts of the trade receivables are denominated in the following currencies:

	2008 RMB '000	2007 RMB '000
USD	**424,244**	562,953
HKD	**12,140**	4,414
RMB	**75,858**	74,142
	512,242	641,509

23. TRADE AND OTHER RECEIVABLES (continued)

(c) As of 31 March 2008, trade receivables of approximately RMB 6,444,000 (2007: RMB 504,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2008	2007
	RMB '000	RMB '000
0 - 90 days	**2,596**	—
91 - 180 days	**3,464**	504
181 - 365 days	**364**	—
Over one year	**20**	—
	6,444	504

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
	RMB '000	**RMB '000**	RMB '000	RMB '000
Foreign currency forward contracts and swap	**4,261**	**(15,212)**	—	—

Major terms of the derivative financial instruments are as follows:

Notional amount	**Maturity**	**Contracted exchange rates**
12 contracts to buy US$500,000 or US$1,500,000 per contract *(note)*	Within 1 to 2 years	HK$7.723/US$1
12 contracts to buy US$700,000 or US$2,100,000 per contract *(note)*	Within 1 to 2 years	HK$7.715/US$1 with a knock-out point of HK$7.825/US$1
8 contracts to buy US$300,000 or US$900,000 per contract *(note)*	Within 1 year	HK$7.710/US$1
9 contracts to buy US$300,000 or US$900,000 per contract *(note)*	Within 1 year	HK$7.7225/US$1 with a knock-out point of HK$7.83/US$1
10 contracts to buy US$1,000,000 or US$3,000,000 per contract *(note)*	Within 1 year	HK$7.718/US$1 with a knock-out point of HK$7.825/US$1
15 contracts to buy US$1,000,000 or US$3,000,000 per contract *(note)*	Within 1 to 2 years	HK$7.726/US$1
12 contracts to buy US$600,000 or US$1,200,000 per contract *(note)*	Within 1 year	JPY95.5/US$1
3 contracts to buy US$1,500,000 or US$3,000,000 *(note)*	Within 1 year	RMB 7.0695/US$1 to RMB 7.357/US$1

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Major terms of the derivative financial instruments are as follows: (continued)

Notional amount	Maturity	Contracted exchange rates
1 contract to buy NZD2,000,000	Within 1 year	JPY77.39/NZD1
25 contracts to buy NZD1,000,000 or NZD2,000,000 per contract *(note)*	Within 1 year	JPY70.4/NZD1
24 contracts to buy US$1,000,000 or US$2,000,000 per contract *(note)*	Within 1 year	JPY95.0/US$1
8 contracts of US$1,500,000 per contract	Within 1 year	Receives fixed coupon rate of 2.5% per annum and pays floating coupon rate when spot price below strike price of RMB 6.65/US$1
9 contracts of US$2,000,000 per contract	Within 1 year	Receives fixed rate of 2.75% per annum and pays at floating rate when spot price below strike price of RMB 6.53/US$1
10 contracts of US$4,000,000 per contract	Within 1 year	Receives fixed rate of 4% per annum and pays at floating rate when spot price below strike price of RMB 6.4/US$1
7 contracts of US$3,000,000 per contract	Within 1 year	Receives fixed rate of 2.2% per annum and pays at floating rate when spot price below strike price of RMB 6.85/US$1
11 contracts of US$5,000,000 per contract	Within 1 year	Receives fixed rate of 0% per annum and pays at floating rate when spot price below strike price of RMB 6.615/US$1
4 contracts of US$6,000,000 per contract	Within 1 year	Receives fixed rate of 5.43% per annum and pays at floating rate when spot price below strike price of HK$7.718/US$1
6 contracts of US$5,000,000 per contract	Within 1 year	Receives fixed rate of 2.90% per annum and pays at floating rate when spot price below strike price of HK$7.73/US$1

Note: The amount to be purchased by the Group will be determined based on the market exchange rate at each maturity date as compared with the contracted exchange rate.

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following table details the sensitivity to the Group's consolidated profit after tax in response to change in the relevant foreign currencies had occurred at the balance sheet date and had been applied to the exposure to the currency risk for the above derivative financial instruments with all other variables held constants. The percent increase and decrease represents the management's assessment of a reasonably possible change in foreign exchange rates over the period until the next annual balance sheet date.

	Effect on profit after tax higher/ (lower)	
	2008	2007
	RMB '000	RMB '000
2% increase in RMB against USD	**(1,239)**	N/A
2% decrease in RMB against USD	**(38,516)**	N/A
1% increase in HKD against USD	**5,617**	N/A
1% decrease in HKD against USD	**(5,207)**	N/A
5% increase in JPY against USD	**606**	N/A
5% decrease in JPY against USD	**(5,585)**	N/A
5% increase in JPY against NZD	**544**	N/A
5% decrease in JPY against NZD	**(499)**	N/A

25. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	2008	2007
	RMB '000	RMB '000
Pledged bank deposits	**15,439**	16,450
Cash at bank and in hand	**823,975**	965,592
Non-pledged time deposits with three months or less to maturity	**858,331**	761,493
Cash and cash equivalents for the purpose of cash flow statement	**1,682,306**	1,727,085
Non-pledged time deposits with more than three months to maturity	**1,100,000**	—
Cash and bank balances	**2,782,306**	1,727,085

(a) As at 31 March 2008, the pledged bank deposits were used as security for certain banking facilities. The deposits are in HKD and at fixed interest rates ranging from 1% to 1.88% per annum (2007: 2.75% to 4% per annum), and therefore are subject to fair value interest rate risk.

25. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES (continued)

(b) As at 31 March 2008, approximately RMB 2,732,501,000 (2007: RMB 1,653,940,000) of the Group's cash and bank balances were denominated in RMB . The conversion of RMB denominated balances into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The carrying amounts of the remaining balances are denominated in the following currencies:

	2008	2007
	RMB '000	RMB '000
USD	**37,632**	40,181
HKD	**12,173**	31,597
EUR	**—**	1,367
	49,805	73,145

(c) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made depending on the immediate cash requirement of the Group, and earn interest at the fixed time deposit rates ranged from 0.9% to 5.31% per annum (2007: 2.75% to 5.31% per annum).

26. TRADE AND OTHER PAYABLES

	2008 RMB '000	2007 RMB '000
Trade payables *(note (a))*	**48,059**	94,303
Accruals and other payables	**62,116**	84,804
VAT payables	**2,501**	6,428
Due to an associate *(note (b))*	**1,161**	—
Due to directors *(note (c))*	**596**	1,332
	114,433	186,867

(a) Aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2008 RMB '000	2007 RMB '000
0 - 90 days	**39,168**	84,946
91 - 180 days	**6,812**	7,573
181 - 365 days	**1,625**	—
Over one year	**454**	1,784
	48,059	94,303

(b) The amount due is trade nature, unsecured, interest-free and repayable within 60 days.

(c) The amounts due are unsecured, interest-free and have no fixed repayment terms.

27. SHORT-TERM BORROWINGS

	2008 RMB '000	2007 RMB '000
Bank loans, wholly repayable within one year		
– Guaranteed by the Company (a)	**36,946**	56,978
– Guaranteed by a related party (b)	**150,000**	130,000
	186,946	186,978

(a) Denominated in HKD and JPY with carrying amounts of approximately RMB 22,625,000 and RMB 14,321,000 respectively (2007: RMB 56,978,000 denominated in HKD). The loans bear variable interest ranging from 1.8% to 5.0% per annum (2007: 4.2% to 6.4% per annum), and therefore subject the Group to cash flow interest rate risk.

(b) Denominated in RMB and bears floating interest rate at 90% of The People's Bank of China benchmark interest rate, and therefore subject the Group to cash flow interest rate risk. Interest of 6.7% per annum (2007: 5.5% per annum) is charged on the outstanding loan balance.

28. NON-CURRENT BORROWINGS

	2008 RMB '000	2007 RMB '000
Bank loans		
Syndicated loan	**1,296,259**	565,146
Other bank loans	**27,915**	47,579
	1,324,174	612,725
Finance lease payables *(note 29)*	**37,067**	28,260
	1,361,241	640,985
Current portion of non-current borrowings	**(39,564)**	(361,265)
	1,321,677	279,720
The bank loans are repayable as follows:		
Within one year	**22,706**	341,734
In the second year	**575,904**	265,214
In the third to fifth years, inclusive	**725,564**	5,777
	1,324,174	612,725

The syndicated loan is denominated in HKD (2007: USD), and other bank loans are denominated in the following currencies:

	2008 RMB '000	2007 RMB '000
Other bank loans	**USD993**	USD1,737
	EUR943	EUR1,650
	HKD11,856	HKD17,535

The interest rates per annum of bank loans are as follows:

	2008	2007
Syndicated loan	**HIBOR plus 1.05%**	LIBOR plus 1.05%
Other bank loans	**LIBOR plus 1.75% to 2%**	LIBOR plus 1.75% to 2%

The syndicated loan and other bank loans are arranged at floating interest rates and expose the Group to cash flow interest rate risk.

Other bank loans are secured by a charge over the Group's certain bank deposits (note 25(a)) and corporate guarantee given by the Company. The syndicated loan was secured by the following:

(i) continuing guarantee given by the Company; and

(ii) compliance with certain financial covenants throughout term life of the facilities.

29. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	RMB '000	RMB '000	**RMB '000**	RMB '000
Within one year	**18,123**	20,786	**16,858**	19,531
In the second to fifth years, inclusive	**21,098**	9,069	**20,209**	8,729
	39,221	29,855	**37,067**	28,260
Less: Future finance charges	**(2,154)**	(1,595)	**N/A**	N/A
Present value of lease obligations	**37,067**	28,260	**37,067**	28,260
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(16,858)**	(19,531)
Amount due for settlement after 12 months			**20,209**	8,729

It is the Group's policy to lease certain of its machinery and equipment and motor vehicles under finance leases. The average lease terms are 3 years and 5 years respectively. As at 31 March 2008, the effective borrowing rate was ranged 3.6% to 8.0% per annum (2007: 2.75% to 8.25% per annum). Finance lease payables of approximately RMB 4,764,000 (2007: RMB 12,990,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Interest rates of the remaining finance lease payables are floating and determined at the contract dates and thus expose the Group to cash flow interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the machinery and equipment at nominal prices.

All finance lease payables are denominated in HKD.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

30. CONVERTIBLE BONDS

On 16 December 2004, the Company issued USD40 million worth of zero coupon Convertible Bonds with maturity date on 16 December 2007 (the "Maturity Date"). The bonds are convertible, at the option of their holders, into ordinary shares of the Company, par value HK$0.1 per share, at the conversion price of the equivalent of HK$2.70 per share at any time on or after 15 June 2005 and prior to 6 December 2007. On 16 December 2005, the conversion price was adjusted to HK$2.43 per share in accordance with the terms of the indenture. On 4 May 2006, the conversion price was further adjusted to HK$2.40 per share. Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed in USD at 112.4864% of their principal amount on the Maturity Date.

The fair value of the liability component of the convertible notes was determined at the issuance date, using the prevailing market interest rate for similar debt without a conversion option of 4.75% and is carried as a long term liability. The remaining portion was allocated to the conversion option that was recognised and included in shareholders' equity.

The interest charged for the year is calculated by applying an effective interest rate of 4.75% per annum to the liability component for the 36 month period since the loan notes were issued.

During the year, all the remaining convertible bonds have been either converted into shares or redeemed on the Maturity Date. No convertible bonds were remained as at 31 March 2008.

31. SHARE CAPITAL

		Number of shares		Ordinary share of HK$0.1 each			
		2008	2007	**2008**	**2008**	2007	2007
		(in millions)	(in millions)	**HK$'000**	**RMB '000**	HK$'000	RMB '000
Authorised:							
At the beginning and at the end of year		**5,000**	5,000	**500,000**		500,000	
Issued and fully paid:							
At the beginning of year		**1,251**	1,077	**125,137**	**131,598**	107,732	113,940
Shares issued	**(a)**	**—**	170	**—**	**—**	17,000	17,255
Shares issued upon conversion of convertible bonds	**(b)**	**8**	4	**809**	**785**	405	403
At the end of year		**1,259**	1,251	**125,946**	**132,383**	125,137	131,598

Notes:

(a) Century Founders Group Limited ("the Vendor") was the controlling shareholder of the Company holding 600,000,000 shares representing 55.69% of the Company's issued share capital as at 24 April 2006. The Vendor and the Company had entered into a placing and subscription agreement ("Placing and Subscription Agreement") dated 24 April 2006 with The Hongkong and Shanghai Banking Corporation Limited ("the Placing Agent"), pursuant to which the Placing Agent procured, on an underwritten basis, purchasers to acquire, and the Vendor sold, 170,000,000 existing shares of the Company at the placing price of HK$3.625 per share. Pursuant to the Placing and Subscription Agreement, the Vendor had conditionally agreed to subscribe for 170,000,000 new shares at the placing price. Immediately after the placing and subscription, the Vendor's shareholding in the Company's shares was reduced to 48.1% and the total number of issued share of the Company was increased from 1,077,320,976 to 1,247,320,976. The Vendor remained as the major substantial shareholder of the Company after completion of the Placing and Subscription Agreement. Net proceeds from the subscription was approximately HK$597 million (RMB 606 million).

(b) During the year, convertible bonds with total nominal value of USD2,500,000 (2007: USD1,250,000) were converted into ordinary shares of the Company. The conversions were conducted on predetermined exchange rate and conversion price of HK$2.40 (2007: HK$2.40) per ordinary share of the Company. Totally 8,093,750 (2007: 4,046,875) new ordinary shares of HK$0.1 each were issued as a result of the conversions.

32. SHARE-BASED PAYMENTS

The Company adopted a share option scheme on 4 September 2003 (the "Scheme") whereby the directors of the Company are authorised, at their discretion, to invite, inter alia, employees of the Group (including directors of any company in the Group) to take up options to subscribe for shares of the Company. The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of the Scheme are disclosed in the Directors' Report under the heading of "Share option scheme".

	Number of share options				
Share option holders	**As at 1.4.2007**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**As at 31.3.2008**
Directors					
Ms. Zhang Zhen Juan	5,000,000	5,000,000	—	—	10,000,000
Mr. Dai Wei	2,500,000	2,500,000	—	—	5,000,000
Mr. Chen Xiang Dong	2,500,000	2,500,000	—	—	5,000,000
Mr. Yang Bin	500,000	500,000	—	—	1,000,000
Mr. Lee Cheuk Yin, Dannis	250,000	250,000	—	—	500,000
Mr. Choi Tat Ying, Jacky	250,000	250,000	—	—	500,000
	11,000,000	11,000,000	—	—	22,000,000
Employees of the Group					
In aggregate	10,025,000	8,154,000	—	(1,125,000)	17,054,000
Total for all categories	21,025,000	19,154,000	—	(1,125,000)	39,054,000

Details of the options are as follows:

	Date of grant	Number of options granted	Vesting period	Exercise period	Exercise price
1st Batch A	26/9/2006	7,004,000	26/9/2006 - 25/9/2008	26/9/2008 - 03/9/2013	HK$2.57
1st Batch B	26/9/2006	7,004,000	26/9/2006 - 25/9/2009	26/9/2009 - 03/9/2013	HK$2.57
1st Batch C	26/9/2006	7,017,000	26/9/2006 - 25/9/2010	26/9/2010 - 03/9/2013	HK$2.57
2nd Batch A	14/12/2007	6,380,000	14/12/2007 - 25/9/2009	26/9/2009 - 03/9/2013	HK$2.29
2nd Batch B	14/12/2007	6,380,000	14/12/2007 - 25/9/2010	26/9/2010 - 03/9/2013	HK$2.29
2nd Batch C	14/12/2007	6,394,000	14/12/2007 - 25/9/2011	26/9/2011 - 03/9/2013	HK$2.29

32. SHARE-BASED PAYMENTS *(continued)*

Details of the share options outstanding during the year are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
	'000	**HK$**	'000	HK$
Outstanding at the beginning of the year	**21,025**	**2.57**	—	—
Granted during the year	**19,154**	**2.29**	21,025	2.57
Lapsed during the year	**(1,125)**	**2.57**	—	—
Exercised during the year	**—**	**—**	—	—
Outstanding at the end of the year	**39,054**	**2.43**	21,025	2.57
Exercisable at the end of the year	**—**	**—**	—	—

Notes:

(a) Consideration paid to the Company for each grantee of options was HK$1.00.

(b) In current year, options were granted on 14 December 2007, the estimated fair value of the options is approximately HK$15,667,000. For the year ended 31 March 2007, options were granted on 26 September 2006, the estimated fair value of the options granted was approximately HK$19,095,000.

The closing prices of the shares of the Company quoted on the Stock Exchange on 25 September 2006 and 13 December 2007, being the trading dates immediately before the date on which the share options were granted, were HK$2.55 and HK$2.24 respectively.

(c) There was no exercisable share option at the end of both years. The options outstanding at the end of the year have a remaining contractual life of 5.5 years (2007: 6.5 years) and the exercise prices range from HK$2.29 to HK$2.57 (2007: HK$2.57).

(d) Options are forfeited if the employee leaves the Group before the options vest. All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share option scheme.

32. SHARE-BASED PAYMENTS (continued)

Notes: (continued)

(e) The Binomial model was applied to estimate the fair value of share options granted by the Company. This pricing model requires the input of highly subjective assumptions, including the volatility of the share price and expected life of option. Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, effective exercise price, exercise restrictions and behavioural considerations. The changes in input assumptions can materially affect the fair value estimate. The following significant assumptions were used to deliver the fair value.

	1st Batch	2nd Batch
Date of grant:	26 September 2006	14 December 2007
Share price at the grant date:	HK$2.56	HK$2.29
Exercise price:	HK$2.57	HK$2.29
Expected life:	4.0-6.3 years	4.1-5.4 years
Expected volatility:	43.7%	45%
Expected dividend yield:	1.5% on semi-annual basis	2.99% per annum
Risk free interest rate:	3.816%	2.997%
Exit rate:	0% for Directors; 20% for employees	0% for Directors; 5% for employees
Trigger price multiple:	2 times for Directors; 1.5 times for employees	2 times for Directors; 1.5 times for employees

Based on the above assumptions, the computed fair values under the options granted in 1st Batch and 2nd Batch were approximately HK$0.908 per option and HK$0.818 per option respectively. The expenses recognised in the consolidated income statement for share options during the year ended 31 March 2008 was approximately RMB 8,274,000 (2007: RMB 3,554,000).

33. BALANCE SHEET OF THE COMPANY

	2008	2007
	RMB '000	RMB '000
Investment in subsidiaries	**263,247**	289,112
Due from subsidiaries	**1,596,167**	1,682,451
Other current assets	**1,000**	1,925
Convertible bonds	**—**	(56,753)
Other current liabilities	**(356)**	(895)
NET ASSETS	**1,860,058**	1,915,840
Share capital	**132,383**	131,598
Reserves	**1,727,675**	1,784,242
TOTAL EQUITY	**1,860,058**	1,915,840

34. RESERVES

(a) Company

	Share premium RMB '000	Capital reserve RMB '000	Foreign currency translation reserve RMB '000	Share-based payment reserve RMB '000	Retained profits RMB '000	Total RMB '000
At 1 April 2006	1,099,998	1,411	(24,148)	—	115,797	1,193,058
Issue of shares	608,239	—	—	—	—	608,239
Share issue expenses paid	(19,453)	—	—	—	—	(19,453)
Issue of shares upon conversion of convertible bonds	10,233	(221)	—	—	—	10,012
Recognition of share-based payments	—	—	—	3,554	—	3,554
Profit for the year	—	—	—	—	163,955	163,955
Dividend paid	—	—	—	—	(101,149)	(101,149)
Translation difference	—	—	(73,974)	—	—	(73,974)
At 31 March 2007	1,699,017	1,190	(98,122)	3,554	178,603	1,784,242
At 1 April 2007	1,699,017	1,190	(98,122)	3,554	178,603	1,784,242
Issue of shares upon conversion of convertible bonds	20,508	(442)	—	—	—	20,066
Redemption of convertible bonds	—	(748)	—	—	748	—
Recognition of share-based payments	—	—	—	8,274	—	8,274
Profit for the year	—	—	—	—	198,325	198,325
Dividend paid	—	—	—	—	(105,434)	(105,434)
Translation difference	—	—	(177,798)	—	—	(177,798)
At 31 March 2008	**1,719,525**	**—**	**(275,920)**	**11,828**	**272,242**	**1,727,675**

34. RESERVES (continued)

(b) Nature and purpose of reserves

(i) *Share premium*

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) *Capital reserve*

This represents the value of the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds in note 3(p) to the financial statements.

(iii) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(d)(iii) to the financial statements.

(iv) *Share-based payment reserve*

This represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 3(v) to the financial statements.

(v) *Merger reserve*

The merger reserve represents the difference between the aggregate net assets of the subsidiaries acquired by the Group and the nominal amount of the Company's shares issued at the date of reorgansiation as set out in the prospectus of the Company dated 29 September 2003.

(vi) *General reserve fund and enterprise expansion fund*

Two subsidiaries of the Group established in the PRC, being foreign investment enterprises, are required to appropriate an amount from the net profit reported in their statutory accounts to two statutory reserves, namely general reserve fund and enterprise expansion fund. Both funds are designated for specific purposes. Based on directors' resolutions, the PRC subsidiaries appropriated 10% of its statutory net profit to the general reserve fund and the enterprise expansion fund respectively for the years ended 31 March 2007 and 2008.

35. SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2008 are as follows:

Name	Date and place of incorporation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities/ place of operation
			Direct	Indirect	
Fullitech International Limited	2 April 2001 British Virgin Islands	US$100	100%	—	Investment holding/ Hong Kong
Norstar Automobile Industrial Holding Limited ("Norstar Holding")	17 March 1994 Hong Kong	HK$100,000,000	—	100%	Investment holding, marketing, trading and distribution of auto parts and construction decorative hardware products/Hong Kong
北泰汽車工業有限公司 * ("Norstar Automotive")	11 June 1997 The PRC	RMB 710,000,000	—	100%	Manufacturing and sale of auto parts and construction decorative hardware products/The PRC
北泰底盤系統（安徽）有限公司 *	19 June 2004 The PRC	US$49,000,000	—	100%	Not yet commenced business
北泰汽車懸架製造（北京）有限公司 * ("Norstar Auto Suspension")	29 June 2004 The PRC	HK$400,000,000	—	100%	Design, development, and sales of auto suspension system/The PRC

* *These subsidiaries are registered as wholly-foreign owned enterprise under the PRC law.*

36. MAJOR NON-CASH TRANSACTIONS

(i) During the year the Group entered into finance leases in respect of machinery and equipment and motor vehicles amounted to approximately RMB 30,584,000 (2007: RMB 1,741,000).

(ii) During the year, 8,093,750 (2007: 4,046,875) ordinary shares of the Company of HK$0.1 each were issued as a result of conversion of convertible bonds (note 31(b)).

37. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet dates are as follows:

	2008	2007
	RMB '000	RMB '000
Contracted but not provided for		
– purchases of machinery and equipment	**52,020**	144,217
– construction in progress	**88,717**	3,851
– license fee of production technology	**1,753**	—
	142,490	148,068

38. LEASE COMMITMENTS

At 31 March 2008, the total future minimum lease payments under non-cancellable operating leases in respect of plant and office building and machinery and equipment are payable as follows:

	2008	2007
	RMB '000	RMB '000
Within one year	**4,620**	8,250
In the second to fifth years inclusive	**2,880**	7,800
	7,500	16,050

The Group also had the future minimum lease payments under non-cancellable operating leases in respect of its office premises and staff quarters located in the PRC and Hong Kong as follows:

	2008	2007
	RMB '000	RMB '000
Within one year	**1,557**	1,800
In the second to fifth years inclusive	**584**	2,328
	2,141	4,128

The Group leases a number of properties and items of plant, machinery and equipment under operating leases. The leases run for an initial period from one to three years, with an option to renew the lease and renegotiate. The terms at the expiring date or dates as mutually agreed between the Group and respective lessors. None of these include contingent rentals.

39. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2008 **RMB '000**	2007 RMB '000
Rental for leased office building, manufacturing premises and plant and machinery and equipment paid to AITC (a)	**6,210**	7,800
Rent for leased office building and staff quarters paid to related companies (b)	**1,720**	1,488
Subcontracting charges paid to an associate	**113,793**	—
Sale of raw materials to an associate	**3,423**	—

Notes:

(a) Pursuant to lease agreements entered into between Norstar Automotive and Anhui Industries and Trading Corporation ("AITC"), AITC has leased to Norstar Automotive certain office buildings, manufacturing premises and plant and machinery. AITC, a company established in the PRC, is jointly owned and managed by Mr. Zhou Tian Bao, a director of the Company, and his spouse.

(b) Those premises are beneficially owned by Mr. Zhou Tian Bao.

A related company provided corporate guarantee of up to a maximum amount of RMB200 million (2007: RMB200 million) in respect of short-term banking facilities given to the Group (note 27(b)).

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 12 June 2008.

FINANCIAL SUMMARY

The following is a summary of the consolidated income statements and balance sheets of the Group.

Consolidated income statements

For the year ended 31 March

(RMB '000)	2004	2005 (Restated)	2006	2007	**2008**
Turnover	1,711,442	2,206,041	2,658,993	3,497,159	**3,886,485**
Cost of goods sold	(1,427,025)	(1,837,349)	(2,165,218)	(2,881,914)	**(3,249,713)**
Gross profit	284,417	368,692	493,775	615,245	**636,772**
Other income	14,962	11,196	21,067	48,568	**103,932**
Distribution and selling expenses	(55,597)	(36,653)	(49,135)	(57,508)	**(45,474)**
Administrative expenses	(29,292)	(38,380)	(59,909)	(116,929)	**(66,019)**
Profit from operations	214,490	304,855	405,798	489,376	**629,211**
Finance costs	(17,246)	(33,697)	(66,389)	(71,046)	**(101,043)**
	197,244	271,158	339,409	418,330	**528,168**
Share of profits of an associate	—	12,024	42,755	35,655	**34,514**
Profit before tax	197,244	283,182	382,164	453,985	**562,682**
Income tax expense	(14,841)	683	(34,851)	(49,835)	**(52,801)**
Profit for the year	182,403	283,865	347,313	404,150	**509,881**
Attributable to:					
Equity holders of the Company	163,521	273,487	347,313	404,150	**509,881**
Minority interests	18,882	10,378	—	—	**—**
	182,403	283,865	347,313	404,150	**509,881**

Consolidated balance sheets

At 31 March

(RMB '000)	2004	2005 (Restated)	2006	2007	**2008**
Non-current assets:					
Property, plant and equipment	327,187	660,209	739,198	854,567	**979,068**
Prepaid land lease payments	13,171	58,778	57,530	56,282	**55,034**
Goodwill	—	29,639	29,639	29,639	**29,639**
Other Intangible assets	—	—	—	743	**10,823**
Investment in an associate	—	206,539	396,690	423,357	**435,248**
	340,358	955,165	1,223,057	1,364,588	**1,509,812**
Current assets:					
Inventories	48,212	32,846	44,850	81,202	**62,290**
VAT receivable	57,461	117,541	127,168	145,625	**75,009**
Trade and other receivables	373,883	515,912	715,532	715,059	**621,079**
Derivative financial instruments	—	—	—	—	**4,261**
Pledged bank deposits	—	—	16,670	16,450	**15,439**
Cash and bank balances	326,821	754,918	1,063,163	1,727,085	**2,782,306**
	806,377	1,421,217	1,967,383	2,685,421	**3,560,384**
Current liabilities:					
Trade and other payables	34,051	99,171	99,584	186,867	**114,433**
Derivative financial instruments	—	—	—	—	**15,212**
Short-term borrowings	260,000	146,800	175,875	186,978	**186,946**
Current portion of non-current borrowings	—	203,633	188,440	361,265	**39,564**
Notes payable	20,000	—	—	—	**—**
Convertible bonds	—	—	—	56,753	**—**
Current tax liabilities	35,118	6,688	13,330	14,128	**16,297**
	349,169	456,292	477,229	805,991	**372,452**
Net current assets	457,208	964,925	1,490,154	1,879,430	**3,187,932**
Total assets less current liabilities	797,566	1,920,090	2,713,211	3,244,018	**4,697,744**

Consolidated balance sheets (continued)

At 31 March

(RMB '000)	2004	2005 (Restated)	2006	2007	**2008**
Non-current liabilities:					
Non-current borrowings	—	280,568	616,336	279,720	**1,321,677**
Convertible bonds	—	327,541	66,645	—	**—**
	—	608,109	682,981	279,720	**1,321,677**
Net assets	797,566	1,311,981	2,030,230	2,964,298	**3,376,067**
Capital and reserves:					
Share capital	87,980	103,350	113,940	131,598	**132,383**
Reserve	658,087	1,208,631	1,916,290	2,832,700	**3,243,684**
Attributable to equity holders of the Company	746,067	1,311,981	2,030,230	2,964,298	**3,376,067**
Minority interests	51,499	—	—	—	**—**
	797,566	1,311,981	2,030,230	2,964,298	**3,376,067**

Financial calendar

Deadline for lodging share transfer document for final dividend entitlement:
21 July 2008 at 4:30 p.m.

Closure of register of members:
22 July 2008 to 25 July 2008

Annaul General Meeting:
25 July 2008

Dividend

Proposed final dividend:
HK$0.065 per share payable on 31 July 2008

Shareholders' enquiries

Any matters relating to your shareholding, such as transfer of shares, change of address, loss of share certificates, should be addressed to the Hong Kong Branch Share Registrar, contact details of which are set out as follows:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2865 0990

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