Norstar Founders Group Limited
北泰創業集團有限公司

(Provisional Liquidators Appointed)

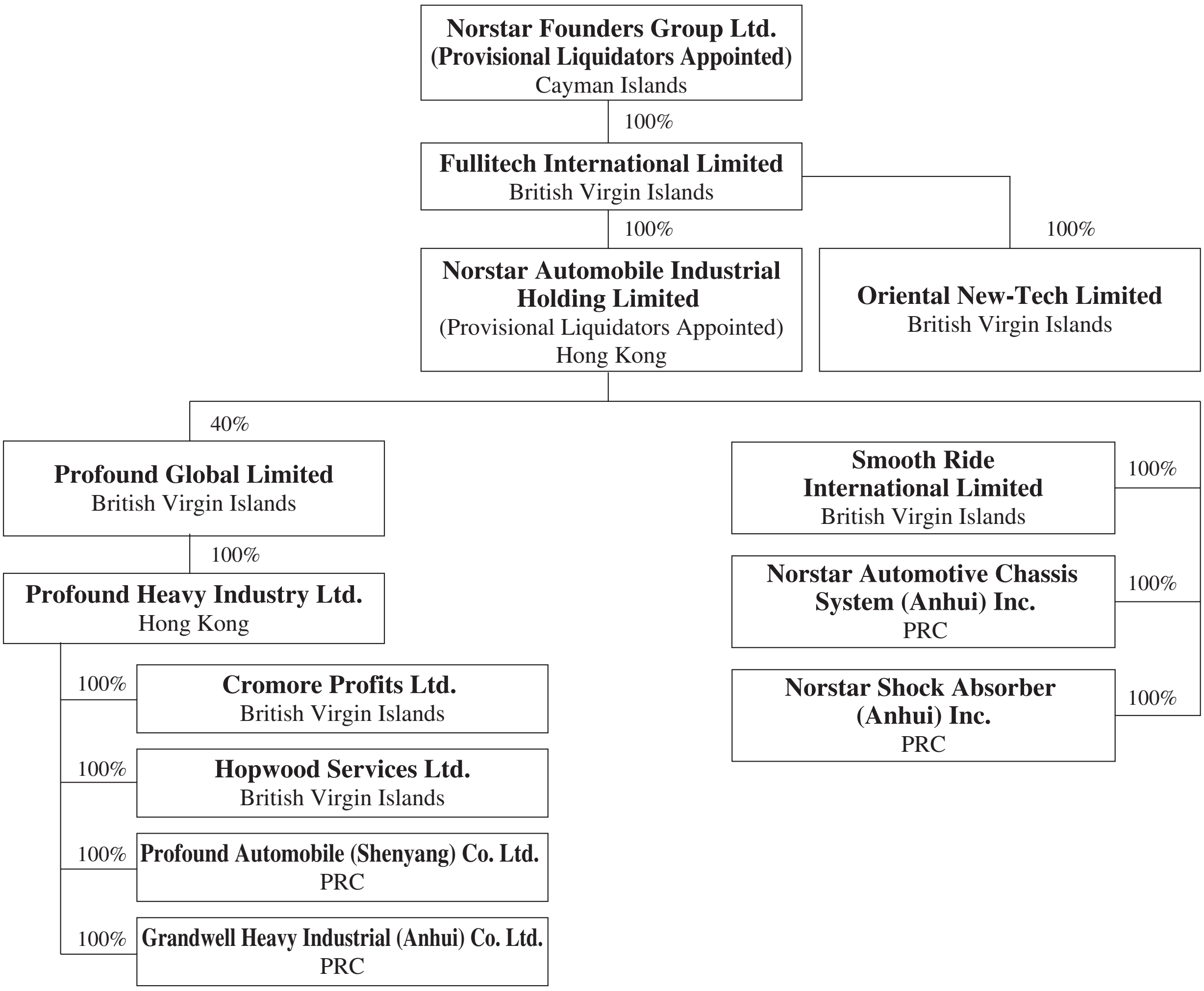
(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2339)

ANNUAL REPORT 2009

Contents

GROUP CHART AS AT 31 MARCH 2009



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Lilly Huang
Mr. Zhou Tian Bao –
(resigned on 25 November 2009)
Mr. Dai Wei –
(resigned on 25 November 2009)
Mr. Chen Xiang Dong –
(resigned on 25 November 2009)
Ms. Zhang Zhen Juan –
(resigned on 30 December 2008)
Mr. Yang Bin –
(resigned on 30 December 2008)

NON-EXECUTIVE DIRECTOR

Mr. Lee Cheuk Yin, Dannis –
(resigned on 15 January 2009)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choi Tat Ying, Jacky
Ms. Zhang Xin, Cindy –
(resigned on 10 May 2010)
Mr. Zhang Jian Chun –
(resigned on 10 May 2010)

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Mr. Lai Kar Yan (Derek)
Mr. Darach E. Haughey
Mr. Yeung Lui Ming (Edmund)

35th Floor, One Pacific Place
88 Queensway
Hong Kong

AUDITOR

Shinewing (HK) CPA Limited
43rd Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL PLACE OF BUSINESS

35th Floor, One Pacific Place
88 Queensway
Hong Kong

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

STOCK CODE

2339

DIRECTORS' REPORT

The directors (the "Directors") of Norstar Founders Group Limited (Provisional Liquidators Appointed) (the "Company") hereby present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture, sales and trading of auto parts and construction decorative hardware products in the Anhui Province, the PRC.

WINDING-UP PETITIONS AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

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

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

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

The hearing of winding-up petitions against the Company by the High Court is adjourned to 18 February 2013.

RESTRUCTURING OF THE GROUP

The restructuring of the Group was formulated in two parts (i.e. (i) the debt restructuring and (ii) the capital restructuring) to:

(i) address the indebtedness of NFG and NAIH as described below under the section headed "The Debt Restructuring"; and

(ii) regularise the financial position and capital needs of the Group after the restructuring (the "Restructured Group").

The Debt Restructuring

On 8 December 2009, two schemes of arrangement were approved by the respective creditors of the Company (the "NFG Scheme") and NAIH (the "NAIH Scheme") (collectively the "Schemes"). Messrs Lai Kar Yan (Derek), Darach E. Haughey and Yeung Lui Ming (Edmund) of Deloitte Touche Tohmatsu were appointed as the joint and several scheme administrators of each of the Schemes (the "Scheme Administrators"). The Schemes were subsequently sanctioned by the High Court and became effective on 19 March 2010.

The NFG Scheme

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

(i) Earnest money in the sum of HK$2,000,000 paid by Mr. Zhou Tian Bao ("Mr. Zhou"), a substantial shareholder of the Company;

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

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

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

RESTRUCTURING OF THE GROUP (CONTINUED)

The Debt Restructuring (Continued)

The NAIH Scheme

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

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

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

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

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

 The NAIH Repayment Obligation are secured by the following:

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

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

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

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

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

 Or

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

RESTRUCTURING OF THE GROUP (CONTINUED)

The Debt Restructuring (Continued)

The NAIH Scheme (Continued)

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

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

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

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

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

RESTRUCTURING OF THE GROUP (CONTINUED)

The Debt Restructuring (Continued)

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

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

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

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

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

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

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

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

RESTRUCTURING OF THE GROUP (CONTINUED)

The Capital Restructuring

As at 31 March 2009, the authorised share capital of the Company was HK$500,000,000 divided into 5,000,000,000 shares of which 1,259,461,601 shares had been issued and were fully paid or credited as fully paid.

As at the financial year ended 31 March 2009, 23,804,000 units of share options were outstanding. The outstanding share options at the end of the financial year ended 31 March 2009 have a remaining contractual life of 4.5 years with exercise price ranging from HK$2.29 to HK$2.57 each. The share options are currently out of money as the share price was HK$0.73 each immediately before the suspension of trading in the Company's shares.

It is proposed that the capital of the Company be reorganized by way of the proposed capital restructuring, which shall comprise, amongst others, the following:

(i) Capital reduction – As permitted by the laws of the Caymans Islands, it is proposed that the par value of each issued share will be reduced from HK$0.100 to HK$0.002, resulting in a reduction in share capital of approximately HK$123.4 million.

After the capital reduction, the share capital of the Company will reduce from approximately HK$125.9 million to approximately HK$2.5 million

(ii) Capital cancellation – After the capital reduction, all unissued authorised share capital of the Company shall be cancelled and diminished resulting in the authorised and issued share capital of the Company becoming approximately HK$2.5 million;

(iii) Share consolidation – consolidation of shares whereby every five issued shares of the Company with par value of HK$0.002 each will immediately upon the capital reduction be consolidated into one share with par value of HK$0.01 each;

(iv) Cancellation of all outstanding shares options; and

(v) The Company's authorised share capital will be increased to HK$100 million, divided into 10,000,000,000 new ordinary shares at par value of HK$0.01 each.

PROSPECTS

As mentioned above, the trading in the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 19 January 2009.

The Company submitted a resumption proposal dated 28 September 2010 and an revised proposal dated 17 August 2011 involving the restructuring of the Group (the "Resumption Proposal") to the Stock Exchange to seek resumption of trading of its shares on the Stock Exchange.

The Stock Exchange had, on 8 June 2012, informed the financial adviser of the Company by way of a letter that the Stock Exchange had decided to accept the Resumption Proposal, subject to the Company's compliance with the following conditions as set out in the same letter to the satisfaction of the Listing Division of the Stock Exchange by 28 February 2013:–

1. Completion of the transactions under the Resumption Proposal;

2. Inclusion in the circular to shareholders the following:

    (a) A profit forecast for the year ending 31 March 2013, together with the reports from the auditors and the financial adviser under paragraph 29(2) of Appendix 1b;

    (b) A statement from the Directors confirming working capital sufficiency for at least 12 months after resumption, and a comfort letter from the auditors and financial adviser on the Directors' statement;

    (c) A pro forma balance sheet upon completion of the Resumption Proposal, and a comfort letter from the auditors under Rule 4.29; and

    (d) Detailed disclosure of the Resumption Proposal and information about the Group comparable to prospectus standards;

3. Publication of all outstanding financial results with major audit qualifications properly addressed;

4. Provision of confirmation form the internal control reviewer of the Group that the Group has an adequate and effective internal control system; and

5. Withdrawal or dismissal of the winding-up petition and discharge of the Provisional Liquidators.

The Listing Division may modify the resumption conditions if the Company's situation changes.

The Provisional Liquidators and their respective advisors are working closely to proceed with the restructuring of the Company.

DIRECTORS' REPORT

WARNING STATEMENT

Shareholders and potential investors of the Company should note that, (1) the principal elements of the restructuring of the Group may be subject to further changes; (2) the resumption of trading of the Company's shares is subject to a number of resumption conditions set out by the Stock Exchange.

RESULTS AND APPROPRIATIONS

Financial Performance

The results of the Group for the year ended 31 March 2009 are set out in the consolidated statement of comprehensive income on page 26.

During FY2009, the Group recorded a turnover from sale and trading of auto parts of approximately RMB110 million, representing a decrease of approximately 97% from the financial year ended 31 March 2008 ("FY2008") of approximately RMB3,886 million. Gross profit margin decreased from approximately 16.4% in FY2008 to approximately 8.9% in FY2009. The loss attributable to owners of the Group was approximately RMB4,855 million for FY2009, as compared to a gain of approximately RMB510 million for FY2008.

The decrease in turnover is mainly due to the deconsolidation of the results of operations of certain subsidiaries, whereas the net loss for FY2009 was mainly attributable to the recognition of impairment loss in respect of investments and amounts due from the said deconsolidated subsidiaries and net loss from change in fair values of derivative financial instruments.

Basic loss per share for the year ended 31 March 2009 was approximately RMB3.85 as compared with earnings per share of RMB0.40 for the preceding year.

No dividend was paid or proposed during the year ended 31 March 2009, nor has any dividend been proposed since the end of the reporting period (FY2008: HK$0.065).

Financial Position

As at 31 March 2009, the Group had total net liabilities of approximately RMB1,729 million and net current liabilities of approximately RMB2,105 million, compared to total net assets of approximately RMB3,376 million and net current assets of approximately RMB3,188 million in FY2008.

Cash Flow

During the year under review, total cashflow from operations amounted to approximately a negative cashflow of RMB96 million compared to a positive cashflow of RMB768 million last year.

RESULTS AND APPROPRIATIONS (CONTINUED)

Liquidity and Financial Resources

As at 31 March 2009, bank balances and cash of the Group were approximately RMB10 million (FY2008: RMB2,782 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 March 2009 was 296% (FY2008: 4%).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

Capital Commitments

Details of the capital commitments of the Group are set out in note 37 to the consolidated financial statements.

Contingent Liabilities

The Group and the Company did not have any significant contingent liabilities as at 31 March 2009 and 2008.

Directors' Remuneration

Details of the remuneration of the Directors pursuant to Appendix 16 of the Listing Rules are set out in note 15 to the consolidated financial statements.

Employment

As at 31 March 2009, the Group had 38 (FY2008: 1,986) full-time employees, most of them were working in the Company subsidiaries in the PRC. During the year under review, the total employees' cost was approximately RMB14,994,000 (FY2008: RMB88,820 million). 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.

Reserves

Details of movements in reserves of the Group and the Company during the year are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS (CONTINUED)

Final Dividends

No dividend was paid or proposed during the year ended 31 March 2009, nor has any dividend been proposed since the balance sheet date, where as a final dividend of HK$0.065 per share is recommended by the Directors during the year ended 31 March 2008.

Share Capital

Details of the movements in share capital of the Company are set out in note 32 to the consolidated financial statements.

Share Option Scheme

Particulars of the Company's share option scheme are set out in note 33 to the consolidated financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on 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 107 to 108.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2009.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were:

Executive Directors

Ms. Lilly Huang	
Mr. Zhou Tian Bao	resigned on 25 November 2009
Mr. Dai Wei	resigned on 25 November 2009
Mr. Chen Xiang Dong	resigned on 25 November 2009
Ms. Zhang Zhen Juan	resigned on 30 December 2008
Mr. Yang Bin	resigned on 30 December 2008

Non-Executive Director

Mr. Lee Cheuk Yin, Dannis	resigned on 15 January 2009

Independent Non-Executive Directors

Mr. Choi Tat Ying, Jacky	
Ms. Zhang Xin, Cindy	resigned on 10 May 2010
Mr. Zhang Jian Chun	resigned on 10 May 2010

There is currently no Non-Executive Director.

A profile of the Directors is set out on page 19.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has any fixed term of service with the Company. They will hold office until the next annual general meeting of the Company.

As at the date of this annual report, the emoluments of the Directors have not yet been determined. Their emoluments will be determined later with reference to their responsibilities, remuneration policy of the Company and prevailing market conditions.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2009, the interests and short positions of the Director of the Company in the shares of the Company, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

	Number of shares held				
Name of Director	**Personal interest**	**Corporate interest**	**Total**	**Underlying shares of outstanding share options**	**Approximate aggregate percentage of interests** *(Note 3)*
Ms. Lilly Huang *(Note 1)*	–	600,000,000	600,000,000	–	47.64%
Mr. Choi Tat Ying, Jacky	–	–	–	500,000	–
Mr. Dai Wei	–	–	–	5,000,000	–
Mr. Chen Xiang Dong	–	–	–	5,000,000	–
Mr. Zhou Tian Bao *(Note 2)*	8,832,000	645,000,000	653,832,000	–	51.91%

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) 645,000,000 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 (i.e. 1,259,461,601 shares) as at 31 March 2009.

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 2009.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors of the Company, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Name of shareholder	Number of shares held	Approximate percentage of shareholding *(Note 4)*
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 & 3)*	600,000,000	47.64%
Mr. Zhou Tian Bao *(Note 3)*	653,832,000	51.91%

(1) Interest 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) 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) 645,000,000 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.

(4) The calculation is based on the number of shares as a percentage of the total number of issued shares (i.e. 1,259,461,601 shares) of the Company as at 31 March 2009.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2009, the largest customer of the Group accounted for approximately 78% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 95% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 77% of the Group's total purchases for the year.

As far as the Directors are aware, neither the Directors nor any of their associates nor any shareholders (which, to the best knowledge of the Director, own more than 5% of the Company's issued share capital) had any beneficial interests in any of the Group's five largest customers or five largest suppliers.

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.

SUFFICIENCY OF PUBLIC FLOAT

Up to the date of this annual report, the trading in the shares of the Company remains in suspension, the sufficiency of public float as required by the Listing Rules is not applicable.

AUDITOR

Messrs RSM Nelson Wheeler, the auditors of the Company for the year ended 31 March 2008, resigned on 21 January 2010. Messrs Shinewing (HK) CPA Limited was appointed as auditors of the Company on 27 January 2010.

The accompanying consolidated financial statements have been audited by Shinewing (HK) CPA Limited, who will retire at the forthcoming annual general meeting.

On behalf of the board

Lilly Huang
Executive Director
9 January 2013

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance report is issued pursuant to Appendix 23 of the Listing Rules. Due to the severe financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, the Directors are unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2009.

AUDIT COMMITTEE

The primary duties of the audit committee include the review of financial information, overseeing the financial reporting system and internal control procedures as well as maintaining a working relationship with the auditor of the Company.

The audited financial results and statements of the Company for the year ended 31 March 2009 have not been reviewed by the audit committee as there is no sufficient number of existing Independent Non-Executive Directors to constitute the audit committee.

AUDITOR

Shinewing (HK) CPA Limited has been appointed as auditor of the Company on 27 January 2010 by the Provisional Liquidators of the Company.

	HK$'000
Audit services	1,000
Non-audit services	200

NON-COMPLIANCE WITH RULES 3.10 AND 3.21 OF THE LISTING RULES

As at the date of this annual report, the Company has only one Executive Director and one Independent Non-Executive Director. The Company has been identifying suitable candidates for appointment of sufficient number of Executive Directors and Independent Non-Executive Directors and reconstitution of the audit committee in order to meet the requirements under Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PROFILE OF DIRECTORS

EXECUTIVE DIRECTOR

Ms. Lilly Huang ("Ms. Huang"), aged 50, is the Executive Director and the chairman of the Group. Ms. Huang graduated from 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.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Choi Tat Ying, Jacky ("Mr. Choi"), aged 44, is an Independent Non-Executive Director of the Group. Mr. Choi graduated from Hong Kong Baptist University in 1990 and obtained a bachelor degree in business administration with first class honours. Mr. Choi is a practicing member of the Hong Kong Institute of Certified Public Accountants. Mr. Choi is currently the chief financial officer of Hong Kong Mercantile Exchange Limited. He is also the Independent Non-Executive Director of Hong Kong listed company Dawnrays Pharmaceutical (Holdings) Limited.

CONFIRMATION OF INDEPENDENCE

Pursuant to Rule 3.13 of the Listing Rules, the Independent Non-Executive Director has confirmed with the Company in writing his independence from the Company in accordance with the relevant guidelines.

The Company therefore considers that the Independent Non-Executive Director to be independent.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF NORSTAR FOUNDERS GROUP LIMITED
(Provisional Liquidators Appointed)
(Incorporated in the Cayman Islands with limited liability)

We have been engaged to audit the consolidated financial statements of Norstar Founders Group Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 106, which comprise the consolidated balance sheet as at 31 March 2009, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair preparation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 the consolidated 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 the consolidated 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. Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, because of the significant matters as described in the basis of disclaimer of opinion paragraph as set out below, we have not been able to obtain sufficient and reliable appropriate audit evidence to provide a basis for an audit opinion.

BASIS OF DISCLAIMER OF OPINION

During the course of our audit of the Group's consolidated financial statements for the year ended 31 March 2009, we encountered significant scope limitations in respect of various areas as set out below:

1. Opening balances and corresponding figures

We were appointed as auditor of the Company on 27 January 2010 to report on the consolidated financial statements of the Group for the year ended 31 March 2009. The consolidated financial statements of the Group for the year ended 31 March 2008 were audited by another auditor who expressed an unqualified opinion on those statements on 12 June 2008. As detailed in note 11 to the consolidated financial statements, the Group's control over certain subsidiaries (the "PRC Subsidiaries") was lost since 1 April 2008, we have not been able to carry out satisfactory audit procedures in relation to the opening balances as at 31 March 2008 to satisfy ourselves if the opening balances as at 1 April 2008 contain misstatements that materially affect the consolidated financial statements for the year ended 31 March 2009.

2. Amounts due to directors and an associate and obligations under finance leases

As stated in notes 29 and 30 to the consolidated financial statements, the Group had amounts due to directors and an associate and obligations under finance leases of approximately RMB779,000, approximately RMB23,981,000 and approximately RMB32,591,000 as at 31 March 2009 respectively.

We have not been able to obtain direct audit confirmations in respect of the aforesaid balances and no sufficient evidence has been provided to satisfy ourselves as to the completeness and existence of the aforesaid balances as at 31 March 2009. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balances are fairly stated as at 31 March 2009.

BASIS OF DISCLAIMER OF OPINION (CONTINUED)

3. Deconsolidation of subsidiaries

As further explained in notes 2 and 11 to the consolidated financial statements, the PRC Subsidiaries of the Company were deconsolidated since 1 April 2008. However, the assets and liabilities, results of operations and cash flows of the PRC Subsidiaries were consolidated when the Group prepared its unaudited interim results for the six months ended 30 September 2008 dated 29 December 2008.

Furthermore, upon deconsolidation of the PRC Subsidiaries on 1 April 2008, the Group recorded investments in the PRC Subsidiaries at a deemed cost of approximately RMB2,294,119,000, being the consolidated net assets value of the PRC Subsidiaries as at 1 April 2008, and gross amounts due from the PRC Subsidiaries to the Group of approximately RMB1,628,434,000. As at 31 March 2009, the Group had gross amounts due from the PRC Subsidiaries of approximately RMB1,665,142,000 (before accumulated impairment loss of RMB1,628,434,000). Impairment loss on investments in and amounts due from the PRC Subsidiaries of approximately RMB2,294,119,000 and approximately RMB1,628,434,000 were recognised in the consolidated income statement during the year ended 31 March 2009.

We have not been able to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to whether:

i) the Group lost control over the PRC Subsidiaries on 1 April 2008; and

ii) it was appropriate to deconsolidate the assets and liabilities and cease to record the results of operations and cash flows of the PRC Subsidiaries from the consolidated financial statements of the Group since 1 April 2008.

Had our auditor's opinion not qualified in respect of the date the Group lost control over the PRC Subsidiaries, our auditor's opinion would have been qualified for limitation of our scope in determining if the investments in the PRC Subsidiaries of approximately RMB2,294,119,000 was fairly stated.

In addition, no financial information of the PRC Subsidiaries were made available to us and we have not been able to satisfy ourselves that the impairment loss recognised on the investments in the PRC Subsidiaries of approximately RMB2,294,119,000 for the year ended 31 March 2009 was fairly stated.

Further, we have not been able to obtain direct audit confirmation in respect of certain of the amounts due from the PRC Subsidiaries of approximately RMB1,358,159,000 and RMB1,310,472,000 as at 1 April 2008 and 31 March 2009 respectively. Therefore, we have not been able to satisfy ourselves that the impairment loss recognised on amounts due from the PRC Subsidiaries of approximately RMB1,628,434,000 for the year ended 31 March 2009 was fairly stated.

BASIS OF DISCLAIMER OF OPINION (CONTINUED)

4. Impairment of trade receivables

As stated in note 26 to the consolidated financial statements, the Group had net trade receivables of approximately RMB30,517,000 as at 31 March 2009 for which no subsequent settlement was noted up to the date of this report. We have not been able to obtain sufficient evidence to evaluate the recoverability of these trade receivables. There was no practical alternative audit procedures that we could perform to satisfy ourselves that the trade receivables were fairly stated as at 31 March 2009.

5. Interest in an associate

As stated in note 23 to the consolidated financial statements, the Group had interest in an associate, Profound Global Limited ("Profound"), of approximately RMB330,695,000 as at 31 March 2009. In addition, the Group recorded share of loss of Profound of approximately RMB104,553,000 for the year ended 31 March 2009.

No sufficient evidence has been received by us up to the date of this report to verify the financial information of Profound. Accordingly, we have not been able to satisfy ourselves that the carrying amount of interest in Profound as at 31 March 2009, the Group's share of loss of Profound for the year ended 31 March 2009 and the related disclosures included in the consolidated financial statements were fairly stated.

6. Prepayments and other receivables

As stated in note 26 to the consolidated financial statement, the Group had prepayments and other receivables of approximately RMB17,518,000 as at 31 March 2009. We have not been able to obtain direct audit confirmations in relation to the aforesaid balances and no sufficient evidence has been provided to satisfy ourselves as to the ownership, completeness, existence and valuation of these balances as at 31 March 2009.

Accordingly, we have not been able to satisfy ourselves that prepayments and other receivables of the Group of approximately RMB17,518,000 as at 31 March 2009 were fairly stated. Also, we have not been able to verify whether there were any outstanding commitments in relation to the Group's prepayments and other receivables which need to be accounted for or disclosed in the consolidated financial statements.

BASIS OF DISCLAIMER OF OPINION (CONTINUED)

7. Impairment of property, plant and equipment

As stated in note 19 to the consolidated financial statements, the Directors of the Company had performed an impairment assessment on the Group's property, plant and equipment and concluded that there was no impairment over the Group's property, plant and equipment with a carrying amount of approximately RMB41,578,000 as at 31 March 2009. We have not been able to perform satisfactory audit procedures to verify the recoverable amount of the Group's property, plant and equipment as at 31 March 2009 and accordingly cannot satisfy ourselves whether any impairment loss should be recognised for the year ended 31 March 2009 in accordance with Hong Kong Accounting Standard ("HKAS") 36 "Impairment of Assets".

8. Related party transactions and balances

No disclosure of related party transactions have been made in the consolidated financial statements. We have not been able to satisfy ourselves as to the completeness of the disclosures of related party transactions and balances for the year ended 31 March 2009 as required by HKAS 24 (Revised) "Related Party Disclosures".

9. Commitments and contingent liabilities

As further detailed in paragraphs 3 and 6 above, we have not been able to satisfy ourselves whether the PRC Subsidiaries should be deconsolidated from the Group's consolidated financial statements and whether there were any outstanding commitments in relation to the Group's prepayments and other receivables as at 31 March 2009 respectively. Therefore, we have not been able to satisfy ourselves as to the existence and completeness of commitments and contingent liabilities of the Group as at 31 March 2009.

10. Directors' emoluments

We have not been able to obtain direct audit confirmations from certain Directors and sufficient audit evidence to satisfy ourselves as to whether the directors' emoluments for the year ended 31 March 2009 were fairly stated. Hence, we have not been able to determine whether the disclosures in respect of directors' emoluments set out in note 15 to the consolidated financial statements are appropriate and comply with the disclosure requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

Any adjustments that are found necessary in relation to the matters described in points 1 to 10 above might have a significant consequential effect on the Group's net liabilities/assets as at 31 March 2009 and 31 March 2008 and results, equity and cash flow for the year ended 31 March 2009 and 31 March 2008 and the related disclosures thereof in the consolidated financial statements for the year ended 31 March 2009.

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

Because of the significance of the matters described in the basis of disclaimer of opinion paragraphs above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. Except for the matter described in point 10 above, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which states that the Group incurred a loss of approximately RMB4,854,548,000 for the year ended 31 March 2009. The Group also had net current liabilities and net liabilities of approximately RMB2,105,442,000 and approximately RMB1,729,049,000 respectively as at 31 March 2009. These conditions, along with other matters as set out in note 2 to the consolidated financial statements of the Group, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

SHINEWING (HK) CPA Limited
Certified Public Accountants

Wong Chuen Fai
Practising Certificate Number: P05589
Hong Kong
9 January 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
Turnover	8	**110,570**	3,886,485
Cost of sales		**(100,737)**	(3,249,713)
Gross profit		**9,833**	636,772
Other income and gains	10	**19,468**	100,779
Impairment loss recognised on investments in deconsolidated subsidiaries	24	**(2,294,119)**	–
Impairment loss recognised on amounts due from deconsolidated subsidiaries	26	**(1,628,434)**	–
Net (loss) gain from change in fair values of derivative financial instruments		**(717,845)**	2,323
Distribution and selling expenses		**(1,356)**	(45,474)
Administrative expenses		**(78,761)**	(82,172)
Finance costs	12	**(58,165)**	(84,060)
Share of (loss) profit of an associate	23	**(104,553)**	34,514
(Loss) profit before tax		**(4,853,932)**	562,682
Income tax expense	13	**(616)**	(52,801)
(Loss) profit for the year	14	**(4,854,548)**	509,881
		RMB	*RMB*
(Loss) earnings per share	18		
Basic		**(3.85)**	0.40
Diluted		**(3.85)**	0.40

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	19	**41,578**	979,068
Deposits paid for acquisition of property, plant and equipment		**4,120**	–
Prepaid land lease payments	20	**–**	55,034
Goodwill	21	**–**	29,639
Intangible assets	22	**–**	10,823
Interest in an associate	23	**330,695**	435,248
Available-for-sale investments	24	**–**	–
		376,393	1,509,812
CURRENT ASSETS			
Inventories	25	**–**	62,290
Value-added tax receivable		**–**	75,009
Trade and other receivables	26	**48,035**	621,079
Amounts due from deconsolidated subsidiaries	26	**36,708**	–
Derivative financial instruments	27	**–**	4,261
Pledged bank deposits	28	**–**	15,439
Bank balances and cash	28	**10,119**	2,782,306
		94,862	3,560,384
CURRENT LIABILITIES			
Trade and other payables	29	**749,601**	112,676
Amount due to an associate	29	**23,981**	1,161
Amounts due to directors	29	**779**	596
Derivative financial instruments	27	**–**	15,212
Obligation under finance leases	30	**32,591**	16,858
Unsecured interest-bearing borrowings	31	**1,392,736**	209,652
Tax payables		**616**	16,297
		2,200,304	372,452

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	**2009**	2008
		RMB'000	*RMB'000*
			(Restated)
NET CURRENT (LIABILITIES) ASSETS		**(2,105,442)**	3,187,932
NON-CURRENT LIABILITIES			
Obligations under finance leases	*30*	**–**	20,209
Unsecured interest-bearing borrowings	*31*	**–**	1,301,468
		–	1,321,677
		(1,729,049)	3,376,067
CAPITAL AND RESERVES			
Share capital	*32*	**132,383**	132,383
Reserves	*35*	**(1,861,432)**	3,243,684
		(1,729,049)	3,376,067

The consolidated financial statements on pages 26 to 106 were approved and authorised for issue by the board of Directors on 9 January 2013 and are signed on its behalf by:

Director　　　　*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Share capital *RMB'000*	Share premium *RMB'000*	Convertible loan notes reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Share option reserve *RMB'000*	Merger reserve *RMB'000*	General reserve fund *RMB'000*	Enterprise expansion fund *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
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
Exchange differences arising on translation	–	–	–	(21,803)	–	–	–	–	–	(21,803)
Profit for the year	–	–	–	–	–	–	–	–	509,881	509,881
Issue of shares upon conversion of convertible loan notes	785	20,508	(442)	–	–	–	–	–	–	20,851
Redemption of convertible bonds	–	–	(748)	–	–	–	–	–	748	–
Recognition of equity-settled share-based payment expense	–	–	–	–	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

	Share capital *RMB'000*	**Share premium** *RMB'000*	**Foreign currency translation reserve** *RMB'000*	**Share option reserve** *RMB'000*	**Merger reserve** *RMB'000*	**General reserve fund** *RMB'000*	**Enterprise expansion fund** *RMB'000*	**Retained profits (accumulated losses)** *RMB'000*	**Total equity** *RMB'000*
At 1 April 2008	**132,383**	**1,719,525**	**5,181**	**11,828**	**(299,310)**	**185,597**	**185,597**	**1,435,266**	**3,376,067**
Exchange differences arising on translation	**–**	**–**	**(1,575)**	**–**	**–**	**–**	**–**	**–**	**(1,575)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,854,548)**	**(4,854,548)**
Recognition of share-based payment expenses	**–**	**–**	**–**	**2,950**	**–**	**–**	**–**	**–**	**2,950**
Share options lapsed	**–**	**–**	**–**	**(1,695)**	**–**	**–**	**–**	**1,695**	**–**
Deconsolidation of subsidiaries	**–**	**–**	**(180,058)**	**–**	**–**	**(185,597)**	**(185,597)**	**371,194**	**(180,058)**
2008 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(71,885)**	**(71,885)**
At 31 March 2009	**132,383**	**1,719,525**	**(176,452)**	**13,083**	**(299,310)**	**–**	**–**	**(3,118,278)**	**(1,729,049)**

CONSOLIDATED CASH FLOW STATEMENT

As at 31 March 2009

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
OPERATING ACTIVITIES		
(Loss) profit before tax	**(4,853,932)**	562,682
Adjustments for:		
Impairment loss recognised on investments in deconsolidated subsidiaries	**2,294,119**	–
Impairment loss recognised on amounts due from deconsolidated subsidiaries	**1,628,434**	–
Exchange gains	**(12,845)**	–
Net loss (gain) arising from change in fair value on derivative financial instruments	**717,845**	(2,323)
Finance costs	**58,165**	84,060
Share of loss (profit) of an associate	**104,553**	(34,514)
Share-based payments expenses	**2,950**	8,274
Interest income	**(5,127)**	(53,111)
Impairment loss recognised in respect of trade receivables	**11,472**	–
Depreciation of property, plant and equipment	**1,429**	71,847
Loss on disposal of property, plant and equipment	**334**	4,615
Amortisation of prepaid land lease payments	**–**	1,248
Property, plant and equipment written off	**–**	1,117
Amortisation of intangible assets	**–**	1,033
Operating cash flows before working capital changes	**(52,603)**	644,928
Decrease in inventories	**–**	18,912
(Increase) decrease in trade and other receivables	**(15,478)**	95,598
Decrease in value-added tax receivable	**–**	66,689
Decrease in trade and other payables	**(32,653)**	(60,188)
Cash (used in) generated from operations	**(100,734)**	765,939
Interest received	**5,127**	53,111
PRC enterprises income taxes paid	**–**	(50,632)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(95,607)**	768,418

CONSOLIDATED CASH FLOW STATEMENT

As at 31 March 2009

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
INVESTING ACTIVITIES		
Withdrawal of non-pledged time deposits with original maturity more than three months	**1,100,000**	–
Withdrawal of pledged bank deposits	**15,439**	–
Proceeds from disposal of property, plant and equipment	**991**	6,682
Placement of pledged bank deposits	**–**	(460)
Deposits paid for property, plant and equipment	**(4,120)**	–
Acquisition of intangible assets	**–**	(11,113)
Acquisition of property, plant and equipment	**(7,187)**	(178,328)
Advance to deconsolidated subsidiaries	**(27,317)**	–
Placement of non-pledged time deposits with original maturity more than three months	**–**	(1,100,000)
Net payments for derivative financial instruments	**–**	13,274
Net cash outflow arising from deconsolidation of subsidiaries	**(2,582,035)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(1,504,229)**	(1,269,945)
FINANCING ACTIVITIES		
New borrowings raised	**81,499**	1,672,089
Advance from an associate	**22,820**	1,161
Advance from (repayment to) directors	**183**	(736)
Repayment of obligations under finance leases	**(3,760)**	–
Repayment of bank and other borrowings	**(72,948)**	(973,943)
Redemption of convertible loan notes	**–**	(35,520)
Interest paid	**(58,165)**	(78,479)
Dividends paid	**(71,885)**	(105,434)

CONSOLIDATED CASH FLOW STATEMENT

As at 31 March 2009

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(102,256)**	479,138
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,702,092)**	(22,389)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,682,306**	1,727,085
Effect of foreign exchange rate changes	**(2,122)**	(22,390)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**(21,908)**	1,682,306
Represented by:		
Bank balance and cash	**10,119**	1,682,306
Bank overdrafts	**(32,027)**	–
	(21,908)	1,682,306

1. GENERAL INFORMATION

Norstar Founders Group Limited (Provisional Liquidators Appointed) (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Trading in shares of the Company has been suspended since 19 January 2009. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report.

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

The functional currency of the Company is United States Dollars ("US$"). Since the Group's major operations were located in the PRC, the Group's consolidated financial statements for the prior years were presented in Renminbi ("RMB"). For purpose of consistency, despite the change in operations of the Group during the current year, the consolidated financial statements are still presented in RMB.

2. BASIS OF PREPARATION

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

(i) Financial results and position

The Group incurred a loss of approximately RMB4,854,548,000 for the year ended 31 March 2009. As at 31 March 2009, the Group also had net current liabilities and net liabilities of approximately RMB2,105,442,000 and RMB1,729,049,000 respectively.

(ii) Filing of the petitions

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

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

2. BASIS OF PREPARATION (CONTINUED)

(ii) Filing of the petitions (Continued)

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

(iii) Debt Restructuring

On 8 December 2009, two schemes of arrangement were approved by the respective creditors of the Company (the "NFG Scheme") and NAIH (the "NAIH Scheme") (collectively the "Schemes"). Messrs Lai Kar Yan (Derek), Darach E. Haughey and Yeung Lui Ming (Edmund) of Deloitte Touche Tohmatsu were appointed as the joint and several scheme administrators of each of the Schemes (the "Scheme Administrators"). The Schemes were subsequently sanctioned by the High Court of Hong Kong Special Administrative Region and became effective on 19 March 2010.

NFG Scheme

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

(i) Earnest money in the sum of HK$2,000,000 paid by Mr. Zhou Tian Bao ("Mr. Zhou"), a substantial shareholder of the Company;

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

(iii) Debt Restructuring (Continued)

NAIH Scheme

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

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

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

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

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

The NAIH Repayment Obligation are secured by the following:

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

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

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

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

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

Or

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

2. BASIS OF PREPARATION (CONTINUED)

(iii) Debt Restructuring (Continued)

NAIH Scheme (Continued)

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

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

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

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

(iii) Debt Restructuring (Continued)

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

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

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

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

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

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

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

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

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

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation ("INT") 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK– INT 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
	Improvements to HKFRSs issued in 2008[3]
	Improvements to HKFRSs issued in 2009[2]
	Improvements to HKFRSs issued in 2010[13]
	Annual Improvements 2009-2011 Cycle[17]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[9]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[12]
	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[14]
	First-time Adoption of Hong Kong Financial Reporting Standards[17]
	Government Loans[17]
	Additional Exemptions for First-time Adopters[10]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]

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

HKFRS 2	Group Cash-settled Share-based Payment Transaction[10]
HKFRS 3	Business Combination[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
	Disclosures – Transfer of Financial Assets[11]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[17]
HKFRS 8	Operating Segments[3]
HKFRS 9	Financial Instruments[19]
HKFRS 7 and 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[19]
HKFRS 10	Consolidated Financial Statements[17]
HKFRS 11	Joint Arrangements[17]
HKFRS 12	Disclosure of Interests in Other Entities[17]
HKFRS 10, 11 and 12 (Amendments)	Transition Guidance[17]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities[18]
HKFRS 13	Fair Value Measurement[17]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[16]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[15]
HKAS 19 (Revised)	Employee Benefits[17]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 24 (Revised)	Related Party Disclosures[13]
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements[1]
HKAS 27 (Revised in 2011)	Separate Financial Statements[4]
HKAS 28 (Revised in 2011)	Investment in Associates and Joint Ventures[17]
HKAS 32 (Amendments)	Classification of Rights Issues[11]
	Offsetting Financial Assets and Financial Liabilities[18]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[6]
HK(IFRIC) – INT 14	Prepayments of a Minimum Funding Requirement[13]
(Amendment)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction[16]

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

HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) – INT 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC) – INT 18	Transfers of Assets from Customers[8]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[12]
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine[17]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for annual periods beginning on or after 1 July 2008
7 Effective for annual periods beginning on or after 1 October 2008
8 Effective for transfers of assets from customers received on or after 1 July 2009
9 Effective for annual periods beginning on or after 1 July 2009
10 Effective for annual periods beginning on or after 1 January 2010
11 Effective for annual periods beginning on or after 1 February 2010
12 Effective for annual periods beginning on or after 1 July 2010
13 Effective for annual periods beginning on or after 1 January 2011
14 Effective for annual periods beginning on or after 1 July 2011
15 Effective for annual periods beginning on or after 1 January 2012
16 Effective for annual periods beginning on or after 1 July 2012
17 Effective for annual periods beginning on or after 1 January 2013
18 Effective for annual periods beginning on or after 1 January 2014
19 Effective for annual periods beginning on or after 1 January 2015

HKFRS 3 (Revised) Business Combinations

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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

Amendments to HKFRS 7 Disclosures – transfers of financial assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Directors of the Company anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures – offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required. The Directors of the Company anticipate that the application of the amendments to HKAS 32 and HKFRS 7 will have no material impact on the Group's presentation of financial assets and financial liabilities and disclosures in the future.

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

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

– HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

– The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of the liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 April 2015, with earlier application permitted.

The Directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2015 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12.

These above standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of above standards are applied early at the same time.

The Directors of the Company anticipate that above standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these above standards will have significant impact on amounts reported and the disclosures in the consolidated financial statements. The Directors of the Company have not yet performed a detailed analysis of the impact of the application of these above standards and hence have not yet quantified the extent of the impact on the results and financial position of the Group.

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 April 2014 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired, disposed of or deconsolidated due to loss of control of subsidiaries during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal or deconsolidation, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investment in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying value of the unit, the impairment loss is allocated to reduce the carrying value of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying value of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interest in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of the acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying value of the investment and is not tested for impairment separately. Instead, the entire carrying value of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying value of the investment in an associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in an associate (Continued)

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, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Prepaid land lease payments

Prepaid land lease payments represent interest in land held under operating lease arrangements and are amortised on a straight-line basis over the lease terms. Prepaid land lease payments are measured at cost, less subsequent accumulated amortisation and subsequent accumulated impairment losses, if any.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the each balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in as a separate component of equity (the foreign currency translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is deconsolidated.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commence when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the item) is included in profit or loss in the period in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

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 arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated;

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible assets during its development.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying value of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and deposits that are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which form an integral part of the Group's cash management.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying value on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from deconsolidated subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group designated unlisted equity securities as available-for-sale financial assets.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment loss of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

For certain financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from deconsolidated subsidiaries, where the carrying value is reduced through the use of an allowance account. Changes in the carrying value of the allowance account are recognised in the profit and loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, the shorter period.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability other is classified as held for trading if:

– it has been incurred principally for the purpose of repurchasing in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at fair value through profit or loss (Continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to an associate and directors, obligations under finance leases and unsecured interest-bearing borrowings) are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument in which event the timing of the recognising in profit or loss depends on the nature of the hedge relationship.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying value 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 profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying value of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value on initial recognition.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 temporary differences between the carrying values of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying value of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in the income statement or directly in equity, in which case, the deferred tax is also recognised in the income statement or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payments

Equity-settled share-based payments transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option payment reserve will be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment loss on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the balance sheet date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying value of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying value does not exceed the carrying value that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 4, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the entity's accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern

The assessment of the going concern assumption involves making a judgment by the Directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors of the Company consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in note 2.

Deconsolidation of subsidiaries

The Directors of the Company exercise their critical judgement when determining whether the Group has control over an entity by evaluating, among other things: (i) whether the Group has the legal rights to govern financial and operating policies of that entity; (ii) the ability to demonstrate effective control during that entity's board meetings; and (iii) the extent of involvement of directors of that entity nominated by the Group in its operational and financial policy setting and decision making. Based on the above consideration, the Directors of the Company considered that the Group had lost control over the PRC Subsidiaries and accordingly deconsolidated their assets and liabilities, results of operations and cash flows from the Group's consolidated financial statements since 1 April 2008.

Key sources of estimation uncertainty

The followings are 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 values of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment

During the year ended 31 March 2009, no impairment loss (2008: Nil) on property, plant and equipment was recognised in the consolidated income statement. Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

As at 31 March 2009, the carrying amounts of property, plant and equipment were approximately RMB41,578,000 (2008: RMB979,068,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimated impairment loss of trade and other receivables and amounts due from deconsolidated subsidiaries

The policy for making impairment loss on trade and other receivables and amounts due from deconsolidated subsidiaries of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor.

If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

As at 31 March 2009, the carrying amounts of trade and other receivables (net of accumulated impairment losses of approximately RMB11,472,000 (2008: Nil)) and amounts due from deconsolidated subsidiaries (net of accumulated impairment losses of approximately RMB1,628,434,000 (2008: Nil)) were approximately RMB48,035,000 (2008: RMB621,079,000) and approximately RMB36,708,000 (2008: Nil) respectively.

Impairment of interest in an associate

In determining whether the Group's interests in an associate is impaired requires an estimation of the future cash flows expected to arise and expected dividend yield from the associates and a suitable discount rate in order to calculate the present value. Where the estimated future cash flows are less than expected, a material impairment loss may arise. Impairment assessment had been carried out at the end of the reporting period on the associate in its entirety.

In the opinion of the Directors of the Company, no impairment is considered necessary. The carrying amount of the Company's interests in an associate as at 31 March 2009 was approximately RMB330,695,000 (2008: RMB435,248,000) (note 23).

Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 Financial Instruments – Recognition and Measurement in determining when an available-for-sale investments is impaired. This determination requires significant judgment and estimation. In making this judgement and estimation, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. As at 31 March 2009, the carrying amount of available-for-sale financial assets was Nil (2008: Nil), net of accumulated impairment loss of approximately RMB2,294,119,000 (2008: Nil).

6. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure.

The capital structure of the Group consists of net debt, which includes pledged bank deposit, bank balances and cash, trade and other payables, amounts due to an associate and directors, obligations under finance leases, unsecured interest-bearing borrowings and equity attributable to owners of the Company, comprising share capital and reserves. The debt-to-capital ratio of the Group at 31 March 2008 was as follows:

	2008
	RMB'000
Total debts	1,662,620
Less cash and bank balances	(1,682,306)
Net cash	(19,686)
Total equity	3,376,067
Debt-to-capital ratio	(0.6%)

As the Group has capital deficiencies as at 31 March 2009, debt-to-capital ratio is not presented.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2009	2008
	RMB'000	*RMB'000*
Financial Assets		
Derivative financial instrument	–	4,261
Loan and receivables (including pledged bank deposits and bank and cash balances)	**94,862**	3,418,824
Financial Liabilities		
Derivative financial instrument	–	15,212
Other financial liabilities at amortised cost	**2,194,682**	1,662,620

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from deconsolidated subsidiaries, derivative financial instruments, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to an associate and directors, obligations under finance leases, and unsecured interest-bearing borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group does not enter into derivative financial instruments for hedging purpose. There has been no significant change to the manner in which the Group manages and measures its exposures to these risks. These risks are limited by the Group's financial management policies and practices described below.

7. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk

At each balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group was arising from the carrying value of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has policies in order to ensure that services are made to customers with appropriate credit history. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 March 2009, the Group had certain concentration of credit risk as 99% (2008: 42%) of the Group's total trade receivables was due from the Group's largest five customers.

As at 31 March 2009, the Group's concentration of credit risk by geographical locations is mainly in the United States (2008: United States), which accounted for 99% (31 March 2008: 43%) of the total trade receivables.

As at 31 March 2009, the Group had credit risk on amounts due from deconsolidated subsidiaries of RMB36,708,000 (2008: Nil) (net of accumulated impairment losses of approximately RMB1,628,434,000) (2008: Nil).

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by the international credit-rating agencies.

7. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk

For the year ended 31 March 2009, except for certain borrowings denominated in Euro ("EUR"), all the Group's borrowings are denominated in the functional currency of the entity taking out the loan. 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 loss (2008: 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 exposures to non-derivative monetary assets and liabilities at the balance sheet date. A positive number below indicates a decrease (2008: increase) in consolidated loss (2008: profit) after tax, while negative number represents and opposite impact on the consolidated loss (2008: profit) after tax.

	2009		2008	
	Change in values of foreign currencies	**Effect on profit after tax *RMB'000***	Change in values of foreign currencies	Effect on profit after tax *RMB'000*
US$ against foreign currencies:				
RMB	**5%**	**43**	5%	20,830
EUR	**10%**	**(182)**	10%	(712)
Japanese Yen ("JPY")	**10%**	**–**	10%	(1,181)
RMB against foreign currencies:				
HK$	**5%**	**–**	5%	(21,746)
US$	**5%**	**–**	5%	13,400

7. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk (Continued)

Sensitivity analysis (Continued)

The following table details the sensitivity to the Group's consolidated profit after tax in response to change in the relevant foreign currencies at the balance sheet date and had been applied to the exposure to the currency risk for the 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)	
	2009	2008
	RMB'000	*RMB'000*
2% increase in RMB against US$	–	(1,239)
2% decrease in RMB against US$	–	(38,516)
1% increase in HK$ against US$	–	5,617
1% decrease in HK$ against US$	–	(5,207)
5% increase in JPY against US$	–	606
5% decrease in JPY against US$	–	(5,585)
5% increase in JPY against NZD	–	544
5% decrease in JPY against NZD	–	(499)

As at 31 March 2009, the Group did not have any outstanding derivative financial instruments and thus no sensitivity analysis was presented above.

Interest rate risk

As at 31 March 2009 and 2008, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

As at 31 March 2009 and 2008, the Group is also exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases (note 30) and interest-bearing bank deposits (note 28).

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and LIBOR.

7. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at each balance sheet date were outstanding for the whole year. A 100 (2008: 100) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 (2008: 100) basis points higher/lower and all other variables were held constant, the Group's loss (2008: profit) after tax would increase/decrease (2008: decrease/increase) by approximately RMB13,830,000 (2008: RMB12,712,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk and does not reflect the exposure during reporting periods.

Liquidity risk

The Group is exposed to liquidity risk as at the respective balance sheet dates as its financial assets due within one year was less than its financial liabilities due within one year and had net current liabilities. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

As at 31 March 2009, the Group had breached certain covenant clauses of its bank borrowings (note 31) and obligations under finance leases (note 30). As a result, unsecured interest-bearing borrowings of RMB739,349,000 and obligations under finance leases of RMB18,190,000 respectively as at 31 March 2009 become repayable on demand. The unsecured interest-bearing borrowings were transferred to the Schemes subsequent to the balance sheet date on 19 March 2010 and no demand of immediate full repayment of the obligations under finance leases had been received by the Group.

7. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement.

When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at each balance sheet date. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Within 1 year or on demand *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying value *RMB'000*
As at 31 March 2009					
Non-derivative financial liabilities					
Trade and other payables	**744,595**	**–**	**–**	**744,595**	**744,595**
Amount due to an associate	**23,981**	**–**	**–**	**23,981**	**23,981**
Amounts due to directors	**779**	**–**	**–**	**779**	**779**
Obligations under finance leases	**33,175**	**–**	**–**	**33,175**	**32,591**
Unsecured interest-bearing borrowings	**1,442,617**	**–**	**–**	**1,442,617**	**1,392,736**
	2,245,147	**–**	**–**	**2,245,147**	**2,194,682**

7. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Within 1 year or on demand *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying value *RMB'000*
As at 31 March 2008					
Non-derivative financial liabilities					
Trade and other payables	112,676	–	–	112,676	112,676
Amount due to an associate	1,161	–	–	1,161	1,161
Amounts due to directors	596	–	–	596	596
Obligations under finance leases	18,123	11,237	9,861	39,221	37,067
Unsecured interest–bearing borrowings	264,983	612,577	737,038	1,614,598	1,511,120
	397,539	623,814	746,899	1,768,252	1,662,620
Derivative financial instruments					
Outflow	15,212	–	–	15,212	15,212
Inflow	(4,252)	(9)	–	(4,261)	(4,261)
	10,960	(9)	–	10,951	10,951
	408,499	623,805	746,899	1,779,203	1,673,571

Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of derivative instruments is calculated using discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

8. TURNOVER

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

	2009	2008
	RMB'000	*RMB'000*
Auto parts	**23,758**	3,493,584
Construction decorative hardware products	**86,812**	392,901
	110,570	3,886,485

9. 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.

9. SEGMENT INFORMATION (CONTINUED)

(i) Primary reporting format – geographical segments

For the year ended 31 March 2009

	United States *RMB'000*	Canada *RMB'000*	Europe *RMB'000*	The PRC and others *RMB'000*	Total *RMB'000*
Segment revenue	108,969	–	1,601	–	110,570
Segment results	10,013	–	160	–	10,173
Impairment loss recognised on investments in deconsolidated subsidiaries					(2,294,119)
Impairment loss recognised on amounts due from deconsolidated subsidiaries					(1,628,434)
Finance costs					(58,165)
Share of loss of an associate					(104,553)
Net loss arising from change in fair value of derivative financial instruments					(717,845)
Unallocated income					7,209
Unallocated expenses					(68,198)
Loss before tax					(4,853,932)

9. SEGMENT INFORMATION (CONTINUED)

(i) Primary reporting format – geographical segments (Continued)

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
Finance costs					(85,831)
Share of profit of an associate					34,514
Net loss arising from change in fair value of derivative financial instrument					2,323
Unallocated income					100,779
Unallocated expenses					(125,875)
Profit before tax					562,682

(ii) Secondary reporting format – business segments

For the year ended 31 March 2009

	Revenue ***RMB'000***	**Segment assets** ***RMB'000***	**Capital expenditure** ***RMB'000***
Auto parts	**23,758**	**73,335**	**7,051**
Construction decorative hardware products	**86,812**	**–**	**–**
	110,570	**73,335**	**7,051**
Unallocated		**397,920**	**136**
		471,255	**7,187**

9. SEGMENT INFORMATION (CONTINUED)

(ii) Secondary reporting format – business segments (Continued)

For the year ended 31 March 2008

	Revenue *RMB'000*	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		3,587,751	7,488
		5,070,196	220,025

10. OTHER INCOME AND GAINS

	2009 *RMB'000*	2008 *RMB'000* (Restated)
Gain on disposals of property, plant and equipment	**–**	183
Gain on trading of machineries *(note)*	**2,079**	3,455
Interest income	**5,127**	53,111
Income from scrap sales	**–**	25,475
Net exchange gain	**12,259**	14,382
Rental income	**–**	3,600
Sundry income	**3**	573
	19,468	100,779

Note: Included in the balance was RMB2,079,000 (2008: Nil) derived from machineries sold to the PRC Subsidiaries.

11. DECONSOLIDATION OF SUBSIDIARIES

The Directors of the Company considered that the Group's control over the PRC Subsidiaries was lost since 1 April 2008. As such, all assets and liabilities, results of operations and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since 1 April 2008. Upon deconsolidation of the PRC Subsidiaries, the net asset value of the PRC Subsidiaries of RMB2,294,119,000 as at 1 April 2008 was recorded as the cost of investments in the PRC Subsidiaries and the investments were classified as available-for-sale investments.

Net assets of the PRC Subsidiaries as at 1 April 2008 deconsolidated were as follows:

	RMB'000
Property, plant and equipment	941,888
Prepaid land lease payments	55,034
Goodwill	29,639
Intangible assets	10,823
Inventories	62,290
Trade and other receivables	577,050
Value-added tax receivables	75,009
Bank and cash balances	2,582,035
Trade and other payables	(64,860)
Unsecured interest-bearing borrowings	(150,000)
Tax payables	(16,297)
Gross amounts due from the PRC Subsidiaries to the Group	(1,628,434)
Net assets deconsolidated	2,474,177
Release of foreign currency translation reserve	(180,058)
Investments in the PRC Subsidiaries classified as available-for-sale investments *(note 24)*	2,294,119
Net cash outflow from deconsolidation of subsidiaries	2,582,035

12. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Interest on:		
– borrowing wholly repayable within five years	**56,428**	79,803
– obligations under finance leases	**1,737**	2,052
Effective interest on convertible bonds	**–**	2,205
	58,165	84,060

13. INCOME TAX EXPENSE

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

	2009	2008
	RMB'000	*RMB'000*
PRC Enterprise Income Tax	**616**	52,801

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5%, which is effective from the year of assessment 2008/2009. No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2009 as the Group did not generate any assessable profits arising from Hong Kong during the year (2008: Nil).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except for the PRC Subsidiaries.

Norstar Automotive BJ and Norstar Suspension, the principal subsidiaries of the Group for the year ended 31 March 2008 that were deconsolidated on 1 April 2008, were incorporated in the PRC and operating within the Beijing Economic-Technological Development Area. According to Guofa[2007]39 issued by the State Council dated 26 December 2007 regarding enterprises established and operating in the Beijing Economic-Technological Development Area, the applicable PRC enterprises income tax rates ("EIT rate") are as follows:

13. INCOME TAX EXPENSE (CONTINUED)

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

Norstar Automotive BJ was subject to reduced PRC enterprise income tax of 18% for the three months ended 31 March 2008.

Pursuant to relevant laws and regulations in the PRC, Norstar Suspension was 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 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 and the applicable tax rate was 9%.

Income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated income statement as follows:

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
(Loss) profit before tax	**(4,853,932)**	562,682
Tax at rates applicable to (loss) profit in the jurisdictions concerned	**(801,586)**	70,935
Tax effect of income that is not taxable	**(2,869)**	(22,577)
Tax effect of expenses that are not deductible	**776,832**	4,254
Tax effect of share of result of an associate	**17,251**	(5,694)
Tax effect of temporary differences not recognised	**–**	(432)
Tax effect of preferential tax rate	**–**	(4,603)
Tax effect of unrecognised tax losses	**10,988**	10,918
Income tax expense	**616**	52,801

As at 31 March 2009, the Group has estimated unused tax losses of RMB232,976,000 (2008: RMB166,382,000) available for offset against future profits. No deferred tax asset has been recognised for both years due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

14. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived after charging:

	2009	2008
	RMB'000	*RMB'000*
Auditor's remuneration	**900**	1,424
Cost of inventories sold *(note)*	**100,737**	3,249,713
Depreciation of property, plant and equipment	**1,429**	71,847
Property, plant and equipment written off	**–**	1,117
Loss on disposals of property, plant and equipment	**334**	4,615
Amortisation of intangible assets (included in administrative expenses)	**–**	1,033
Research and development costs	**–**	121,900
Operating lease charges in respect of:		
– Land leases	**–**	1,248
– Factory and office premises	**1,591**	8,241
– Plant and machinery	**–**	3,960
Impairment loss recognised in respect of trade receivables	**11,472**	–
Staff costs including directors' emoluments:		
– Salaries, bonus and allowances	**11,877**	73,179
– Share-based payments	**2,950**	8,274
– Retirement benefit scheme contributions	**167**	7,367

Note: Included in the balance was purchases from the PRC Subsidiaries of RMB11,750,000 (2008: Nil) for the year ended 31 March 2009.

15. DIRECTORS' 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 2009

	Fees	Basic salaries, other allowances and benefits in kind	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
Ms. Lilly Huang	–	177	–	–	–	177
Mr. Zhou Tian Bao[3]	–	1,458	–	–	8	1,466
Mr. Zhang Zhen Juan[1]	–	486	–	2,070	5	2,561
Mr. Yang Bin[1]	–	–	–	207	–	207
Mr. Dai Wei[3]	–	389	–	1,321	8	1,718
Mr. Chen Xiang Dong[3]	–	389	–	1,321	8	1,718
Non-Executive Director						
Mr. Lee Cheuk Yin, Dannis[2]	201	–	–	113	–	314
Independent Non-Executive Directors						
Mr. Choi Tat Ying, Jacky	76	–	–	132	–	208
Mr. Zhang Jian Chun[4]	76	–	–	–	–	76
Ms. Zhang Xin, Cindy[4]	76	–	–	–	–	76
Total	429	2,899	–	5,164	29	8,521

1 Resigned on 30 December 2008
2 Resigned on 15 January 2009
3 Resigned on 25 November 2009
4 Resigned on 10 May 2010

15. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 March 2008

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

No emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office for the two years ended 31 March 2009 and 2008.

No director or senior executives waived or agreed to waive his/her emoluments in the two years ended 31 March 2009 and 2008.

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2008: four) are directors of the Company whose emoluments are included in note 15 above. The emoluments of the remaining two (2009: one) individuals were as follows:

	2009	2008
	RMB'000	*RMB'000*
Basic salaries, other allowances and benefits in kind	**1,999**	497
Share-based payments	**1,598**	1,056
Retirement benefit scheme contributions	**18**	8
	3,615	1,561

	2009	2008
	Number of employees	*Number of employees*
Nil to HK$1,000,000 (equivalent to Nil to RMB883,000)	**–**	–
HK$1,000,001 to HK$1,500,000 (equivalent to RMB883,00 to RMB1,325,000)	**1**	–
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,325,000 to RMB1,767,000)	**–**	1
HK$2,500,001 to HK$3,000,000 (equivalent to RMB2,209,000 to RMB2,651,000)	**1**	–
	2	1

During the year ended 31 March 2009 and 2008, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

17. DIVIDENDS

The 2008 interim dividend of HK$0.022 per share amounting to RMB25,951,000 in total and the final dividend in respect of the year ended 31 March 2007 of HK$0.865 per share amounting to RMB79,483,000 in total were paid and recognised during the year ended 31 March 2008.

The final dividend in respect of the year ended 31 March 2008 of HK$0.065 per share amounting to RMB71,885,000 in total was paid and recognised during the year ended 31 March 2009.

No final dividend was proposed by the Directors of the Company in respect of the year ended 31 March 2009, nor has any dividend been proposed since the balance sheet date.

18. (LOSS) EARNINGS PER SHARE

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

	2009	2008
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share	**(4,854,548)**	509,881
Finance costs saving on exercise of convertible bonds	**–**	2,205
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(4,854,548)**	512,086
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,259,461,601**	1,257,183,851
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**–**	11,964,111
– Share options	**–**	117,722
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,259,461,601**	1,269,265,684

Trading in the shares of the Company had been suspended since 19 January 2009. The computation of diluted loss per share for the year ended 31 March 2009 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the period from 1 April 2008 to 19 January 2009 and the market price for shares immediately before the suspension of trading in the Company's shares.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Moulds	Machinery and equipment	Office equipment and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 April 2007	477,647	6,610	348,790	16,467	9,492	118,078	977,084
Reclassification upon completion	86,817	–	30,336	–	–	(117,153)	–
Additions	–	–	105,767	3,983	3,260	95,902	208,912
Disposals/written off	–	(6,610)	(20,311)	(41)	(2,620)	(1,117)	(30,699)
Exchange realignment	–	–	–	(52)	(154)	–	(206)
At 31 March 2008 and 1 April 2008	564,464	–	464,582	20,357	9,978	95,710	1,155,091
Reclassification upon completion	–	–	32,054	–	–	(32,054)	–
Additions	–	–	6,887	136	–	164	7,187
Disposals	–	–	–	(333)	(1,539)	–	(1,872)
Deconsolidation of subsidiaries	(564,464)	–	(462,607)	(19,727)	(8,309)	(62,375)	(1,117,482)
Exchange realignment	–	–	–	(11)	(32)	–	(43)
At 31 March 2009	–	–	40,916	422	98	1,445	42,881
Accumulated depreciation and impairment							
At 1 April 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
Write back on disposals/written off	–	(6,610)	(9,854)	(32)	(1,789)	–	(18,285)
Exchange realignment	–	–	–	(18)	(38)	–	(56)
At 31 March 2008 and 1 April 2008	47,686	–	113,715	9,171	5,451	–	176,023
Charge for the year	–	–	1,095	103	231	–	1,429
Write back on disposals	–	–	–	(154)	(393)	–	(547)
Written back on deconsolidation of subsidiaries	(47,686)	–	(113,692)	(8,931)	(5,285)	–	(175,594)
Exchange realignment	–	–	–	(4)	(4)	–	(8)
At 31 March 2009	–	–	1,118	185	–	–	1,303
Carrying amounts							
At 31 March 2009	–	–	39,798	237	98	1,445	41,578
At 31 March 2008	516,778	–	350,867	11,186	4,527	95,710	979,068

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of their estimated residual values and useful lives as follows:

	Useful life
Buildings	20 years
Moulds	3 years
Machinery and equipment	5 – 10 years
Office equipment and fixtures	5 – 10 years
Motor vehicles	5 – 10 years

All buildings of the Group as at 31 March 2008 were located in the PRC and held under medium-term leases.

The carrying amounts of machinery and equipment held under finance leases as at 31 March 2009 amounted to approximately RMB20,723,000 (2008: RMB22,616,000).

In light of the significant operating losses recorded by the Group during the year ended 31 March 2009, an impairment assessment has been performed by the Directors of the Company to determine the recoverable amount of the property, plant and equipment. The recoverable amounts of the property, plant and equipment have been determined by the Directors of the Company based on their value in use.

Having regard to the future plan of the Group and the assessment made by the Directors of the Company, no impairment was made to the carrying amounts of the property, plant and equipment as at 31 March 2009.

20. PREPAID LAND LEASE PAYMENTS

	RMB'000
Carrying amount	
At 1 April 2007	56,282
Amortisation charge for the year	(1,248)
At 31 March 2008 and 1 April 2008	55,034
Deconsolidation of subsidiaries *(note 11)*	(55,034)
At 31 March 2009	–

21. GOODWILL

	RMB'000
Cost	
At 1 April 2007, 31 March 2008 and 1 April 2008	117,717
Deconsolidation of subsidiaries *(note 11)*	(29,639)
At 31 March 2009	88,078
Accumulated impairment	
At 1 April 2007, 31 March 2008, 1 April 2008 and 31 March 2009	88,078
Carrying values	
At 31 March 2009	–
At 31 March 2008	29,639

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 as at 31 March 2008 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.

22. INTANGIBLE ASSETS

	License for production technology *RMB'000*	Technical assistance and training *RMB'000*	Total *RMB'000*
Cost			
At 1 April 2007	–	782	782
Additions	10,358	755	11,113
At 31 March 2008 and 1 April 2008	10,358	1,537	11,895
Deconsolidation of subsidiaries	(10,358)	(1,537)	(11,895)
At 31 March 2009	–	–	–
Accumulated amortisation			
At 1 April 2007	–	39	39
Charge for the year	942	91	1,033
At 31 March 2008 and 1 April 2008	942	130	1,072
Deconsolidation of subsidiaries	(942)	(130)	(1,072)
At 31 March 2009	–	–	–
Carrying amounts			
At 31 March 2009	–	–	–
At 31 March 2008	9,416	1,407	10,823

As at 31 March 2008, the above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over a period of ten years or the remaining life of the relevant license agreement, whichever is the shorter.

23. INTEREST IN AN ASSOCIATE

	2009	2008
	RMB'000	*RMB'000*
Cost of investment in associate – unlisted equity interest	**160,461**	160,461
Share of post acquisition profits and losses	**170,234**	274,787
	330,695	435,248

As at 31 March 2009 and 2008, the Group had interest in the following associate:

Company	Form of entity	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities
Profound Global Limited	Incorporated	British Virgin Islands	Ordinary shares capital	40%	40%	Investment holding

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

	2009	2008
	RMB'000	*RMB'000*
Total assets	**1,185,549**	1,175,692
Total liabilities	**(358,812)**	(87,571)
Net assets	**826,737**	1,088,121
Group's share of an associate's net assets	**330,695**	435,248
Revenue	**930,749**	1,243,998
(Loss) profit after tax for the year	**(256,032)**	86,284
Share of (loss) profit of an associate for the year	**(104,553)**	34,514

24. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	RMB'000	*RMB'000*
Unlisted equity investments in the PRC, at cost	**2,294,119**	–
Impairment	**(2,294,119)**	–
	–	–

The Group's available-for-sale investments represented the Group's equity interests in the PRC Subsidiaries. These equity interests are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that the fair values cannot be measured reliably.

During the year, the Directors of the Company carried out an impairment assessment on the available-for-sale investments. In view of the deteriorating financial position of and the involvements in varies litigations by the PRC Subsidiaries, an impairment loss of approximately RMB2,294,119,000 was recognised in the consolidated income statement in current year.

Movements in impairment of available-for-sale investments

	2009	2008
	RMB'000	*RMB'000*
At the beginning of the year	**–**	–
Impairment losses recognised	**2,294,119**	–
At the end of the year	**2,294,119**	–

25. INVENTORIES

	2009	2008
	RMB'000	*RMB'000*
Raw materials	**–**	31,696
Work in progress	**–**	4,262
Finished goods	**–**	26,332
	–	62,290

26. TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM DECONSOLIDATED SUBSIDIARIES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**41,989**	512,242
Less: Impairment	**(11,472)**	–
Trade receivables (net of impairment)	**30,517**	512,242
Dividend receivable	**–**	10,808
Prepayments and other receivables	**17,518**	98,029
Trade and other receivables	**48,035**	621,079
Amounts due from deconsolidated subsidiaries	**1,665,142**	–
Less: Impairment	**(1,628,434)**	–
Amounts due from deconsolidated subsidiaries (net of impairment)	**36,708**	–

Trade receivables

The Group allows are average credit period of 30 – 90 days to its trade customers. The aged analysis of trade receivables, net of impairment, presented based on the invoice date at the balance sheet date is as follows:

	2009	2008
	RMB'000	*RMB'000*
0 – 90 days	**–**	508,394
91 – 180 days	**13,244**	3,464
181 – 365 days	**17,253**	364
Over 365 days	**20**	20
	30,517	512,242

26. TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM DECONSOLIDATED SUBSIDIARIES (CONTINUED)

Trade receivables (Continued)

Included in the Group's trade receivables as at 31 March 2009 are debtors with aggregate carrying amount of approximately RMB30,517,000 (2008: RMB6,444,000) which are past due as at the balance sheet date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Movements in impairment of trade receivables

	2009	2008
	RMB'000	*RMB'000*
At the beginning of the year	**–**	–
Impairment losses recognised	**11,472**	–
At the end of the year	**11,472**	–

Included in the impairment of trade receivables are individually impaired debtors with an aggregate balance of RMB11,472,000 (2008: Nil). The Group does not hold any collateral over these balances.

Amounts due from deconsolidated subsidiaries

The amounts due from deconsolidated subsidiaries (the PRC Subsidiaries) are unsecured, interest-free and repayable on demand.

Movements in impairment of amounts due from deconsolidated subsidiaries

	2009	2008
	RMB'000	*RMB'000*
As at beginning of the year	–	–
Impairment losses recognised	**1,628,434**	–
At the end of the year	**1,628,434**	–

Included in the impairment of amounts due from deconsolidated subsidiaries are individually impaired amounts with an aggregate balance of RMB1,628,434,000 (2008: Nil). The Group does not hold any collateral over these balances.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2009		2008	
	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 as at 31 March 2008 were 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	RMB7.0695/US$1 to RMB7.357/US$1
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 RMB6.65/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 RMB6.53/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 RMB6.4/US$1

27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 RMB6.85/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 RMB6.615/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.

28. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits as at 31 March 2008 of approximately RMB15,439,000 represented deposits pledged to a bank to secure certain bank facilities. This deposits were denominated in HK$ and carried interest at fixed rate ranging from 1% – 1.88% per annum.

Bank balances

Bank balances carry interest at market rates which ranged from 0.01% to 4.14% per annum (2008: 0.9% – 5.31% per annum).

As at 31 March 2009, the Group did not have non-pledged time deposits with original maturity more than three months (2008: RMB1,100,000,000).

At 31 March 2009, bank balances of approximately RMB544,000 (2008: RMB37,632,000) and RMB8,462,000 (2008: RMB12,173,000) were denominated in US$ and HK$ respectively.

29. TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO AN ASSOCIATE AND DIRECTORS

	2009	2008
	RMB'000	*RMB'000*
Trade payables	**11,143**	48,059
Accruals and other payables	**54,154**	62,116
Payable arising from terminations of derivative financial instruments	**684,304**	–
VAT payables	**–**	2,501
Trade and other payables	**749,601**	112,676
Amount due to an associate	**23,981**	1,161
Amounts due to directors	**779**	596

Trade payables

The following is an aged analysis of trade payable presented based on the invoice date at the balance sheet date.

	2009	2008
	RMB'000	*RMB'000*
0 – 90 days	**7,398**	39,168
91 – 180 days	**885**	6,812
181 – 365 days	**1,100**	1,625
Over 365 days	**1,760**	454
	11,143	48,059

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

Payable arising from terminations of derivative financial instruments

The amount is unsecured, interest-free and repayable on demand.

Amounts due to an associate and directors

The amounts are unsecured, interest-free and repayable on demand.

30. OBLIGATION UNDER FINANCE LEASES

It is the Group's policy to lease certain of its machinery and equipment under finance leases. At 31 March 2009, the average lease term is 3 to 5 years (2008: 3 to 5 years). The effective borrowing rates ranged from 1.91% to 5.1% (2008: 3.6% to 8.0%) per annum.

Amounts payable under finance leases:

	Minimum lease payments		**Present value of minimum lease payments**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
On demand	**33,175**	18,123	**32,591**	16,858
In the second to fifth years, inclusive	**–**	21,098	**–**	20,209
	33,175	39,221	**32,591**	37,067
Less: Future finance charges	**(584)**	(2,154)	**N/A**	N/A
Present value of lease obligations	**32,591**	37,067	**32,591**	37,067
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(32,591)**	(16,858)
Amount due for settlement after 12 months			**–**	20,209

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and are denominated in HK$.

As at 31 March 2009, the Group had breached certain covenant clauses in respect of its obligations under finance leases in relation to default in repayments. As a result, obligations under finance leases of RMB18,190,000 that are originally not repayable within twelve months from the balance sheet date had become repayable on demand and were therefore presented as current liabilities as at 31 March 2009.

31. UNSECURED INTEREST-BEARING BORROWINGS

	2009	2008
	RMB'000	*RMB'000*
Bank borrowings	**1,355,264**	1,511,120
Bank overdrafts	**32,027**	–
Trust receipts loans	**5,445**	–
	1,392,736	1,511,120
Repayable:		
On demand or within one year	**1,392,736**	209,652
More than one year but not exceeding two years	**–**	575,904
More than two years but not more than five years	**–**	725,564
	1,392,736	1,511,120
Less: Amount repayable on demand or due within one year shown under current liabilities	**(1,392,736)**	(209,652)
Amount due after one year	**–**	1,301,468

The borrowings were subject to variable interest ranging from 1.6% to 4.6% (2008: 1.6% to 6.7%) per annum.

At 31 March 2009, short-term borrowings of approximately RMB62,961,000 (2008: approximately RMB22,625,000), RMB38,258,000 (2008: Nil) and Nil (2008: approximately RMB14,321,000) were denominated in HK$, US$ and JPY respectively.

During the year ended 31 March 2009, the Group breached certain covenant clauses in respect of its bank borrowings in relation to the default in repayments. As a result, unsecured interest-bearing borrowings of RMB739,349,000 that are originally not repayable within twelve months from the balance sheet date had become repayable on demand and are therefore presented as current liabilities as at 31 March 2009.

32. SHARE CAPITAL

	Number of shares	*HK$'000*	**Equivalent to** *RMB'000*
Ordinary share of HK$0.1 each			
Authorised:			
At 1 April 2007, 31 March 2008, 1 April 2008 and 31 March 2009	5,000,000,000	500,000	
Issued and fully paid:			
At 1 April 2007	1,251,367,851	125,137	131,598
Shares issued upon conversion of convertible bonds	8,093,750	809	785
At 31 March 2008, 1 April 2008 and 31 March 2009	1,259,461,601	125,946	132,383

During the year ended 31 March 2008, convertible bonds with total nominal value of US$2,500,000 were converted into ordinary shares of the Company. The conversions were conducted on predetermined exchange rate and conversion price of HK$2.40 per ordinary share of the Company. Totally 8,093,750 new ordinary shares of HK$0.1 each were issued as a result of the conversions.

33. SHARE-BASED PAYMENTS TRANSACTIONS

The Company adopted a share option scheme on 4 September 2003 (the "Share Option 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 Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of the Share Option Scheme are disclosed in the Directors' Report under the heading of "Share option scheme".

33. SHARE-BASED PAYMENTS TRANSACTIONS (CONTINUED)

Details of the share options granted under the Share Option Scheme are as follows:

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

	Number of share options				
Share option holders	**Outstanding at 1 April 2008**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31 March 2009**
Directors					
Ms. Zhang Zhen Juan	**10,000,000**	**–**	**–**	**(10,000,000)**	**–**
Mr. Dai Wei	**5,000,000**	**–**	**–**	**–**	**5,000,000**
Mr. Chen Xiang Dong	**5,000,000**	**–**	**–**	**–**	**5,000,000**
Mr. Yang Bin	**1,000,000**	**–**	**–**	**(1,000,000)**	**–**
Mr. Lee Cheuk Yin, Dannis	**500,000**	**–**	**–**	**(500,000)**	**–**
Mr. Choi Tat Ying, Jacky	**500,000**	**–**	**–**	**–**	**500,000**
	22,000,000	**–**	**–**	**(11,500,000)**	**10,500,000**
Employees of the Group					
In aggregate	**17,054,000**	**–**	**–**	**(3,750,000)**	**13,304,000**
Total for all categories	**39,054,000**	**–**	**–**	**(15,250,000)**	**23,804,000**
Exercisable at beginning/end of the year	**–**				**3,963,000**
Weighted average exercise price *(HK$)*	**2.43**	**–**	**–**	**2.43**	**2.43**

33. SHARE-BASED PAYMENTS TRANSACTIONS (CONTINUED)

	Number of share options				
Share option holders	**Outstanding at 1 April 2007**	**Granted During the year**	**Exercised During the year**	**Lapsed During the year**	**Outstanding at 31 March 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
Exercisable at beginning/end of the year	–				–
Weighted average exercise price *(HK$)*	2.57	2.29	–	2.57	2.43

The options outstanding as at 31 March 2009 have a remaining contractual life of 4.5 years (2008: 5.5 years) and the exercise prices range from HK$2.29 to HK$2.57 (2008: from HK$2.29 to HK$2.57).

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.

33. SHARE-BASED PAYMENTS TRANSACTIONS (CONTINUED)

The fair value of the share options at the date of grant was calculated using the Binomial Option pricing model. The inputs into the model were as follows:

	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 of the options:	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 weighted-average fair values of the options granted under 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 2009 was approximately RMB2,950,000 (2008: RMB8,274,000).

34. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2009	2008
	RMB'000	*RMB'000*
Non-current asset		
Investment in a subsidiary	–	263,247
Current assets		
Amounts due from subsidiaries *(note)*	–	1,596,167
Bank balances and cash	**131**	–
Other receivables	**239**	1,000
	370	1,597,167
Current liability		
Other payables	**(32,785)**	(356)
Net current liabilities	**(32,415)**	1,596,811
	(32,415)	1,860,058
Capital and reserves		
Share capital	**132,383**	132,383
Reserves	**(164,798)**	1,727,675
	(32,415)	1,860,058

Note: The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

35. RESERVES

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.

35. RESERVES (CONTINUED)

Nature and purpose of reserves (Continued)

(ii) 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 4 to the consolidated financial statements.

(iii) Share option 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 4 to the consolidated financial statements.

(iv) 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 reorganisation as set out in the prospectus of the Company dated 29 September 2003.

(v) General reserve fund and enterprise expansion fund

The 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, these 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 2008. For the year ended 31 March 2009, the Group's subsidiary established in the PRC did not have any net profit available for appropriation.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at 31 March 2009, the Company has indirect equity interests in the following principal subsidiaries:

Name of subsidiary	Place/ country of incorporation or registration/ operations	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion ownership interest and voting power held by the Company	Principal activities
NAIH	Hong Kong	Ordinary	HK$100,000,000	100%	Investment holding, marketing, trading and distribution of auto parts and construction decorative hardware products
Norstar Chassis *	PRC	Contributed capital	US$49,000,000	100%	Design, development, manufacturing and sale of auto brakes, shock absorbers, suspension and transmission
Norstar BJ *#	PRC	Contributed capital	RMB710,000,000	(2008: 100%)	Manufacturing and sale of auto parts and construction decorative hardware products
Norstar Auto Suspension *#	PRC	Contributed capital	HK$400,000,000	(2008: 100%)	Design, development, and sales of auto suspension system

The above table lists the subsidiaries of the Group that principally affected the results or assets of the Group.

None of the subsidiaries had issued any debt securities subsisting at the end of the years or any time during the year.

* Wholly foreign-owned enterprises registered in the PRC.
\# Deconsolidated since 1 April 2008.

37. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

Certain office premises, machinery and equipment of the Group were leased under operating lease arrangements. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	2008
	RMB'000	*RMB'000*
Within one year	**890**	6,177
In the second to fifth years inclusive	**530**	3,464
	1,420	9,641

(b) Capital commitments

	2009	2008
	RMB'000	*RMB'000*
Contracted for but not provided for in the consolidated financial statements in respect of the acquisition of:		
– machinery and equipment	**1,373**	52,020
– construction in progress	**–**	88,717
– license fee of production technology	**–**	1,753
	1,373	142,490

38. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 March 2008, the Group entered into finance leases in respect of machinery and equipment amounted to approximately RMB30,584,000.

(b) During the year ended 31 March 2008, 8,093,750 ordinary shares of the Company of HK$0.1 each were issued as a result of conversion of convertible bonds.

39. RETIREMENT BENEFIT SCHEMES

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.

40. COMPARATIVES

Certain comparative figures have been reclassified to conform to the presentation of the current year for the purpose of better representation of the Group's activities.

(a) Exchange gain of approximately RMB14,382,000 which had previously been recorded under "Administrative expenses" in the consolidated financial statements of 2008, was reclassified to "Other income".

(b) Bank charge of approximately RMB1,771,000 which had previously been recorded under "Finance cost" in the consolidated financial statements of 2008, was reclassified to "Administrative expenses".

(c) Fair value gain and losses on derivative financial instruments of approximately RMB17,535,000 and RMB15,212,000 which had previously been recorded under "other revenue" and "finance costs" in the consolidated financial statements of 2008 respectively, were reclassified to "Net (loss) gain from change in fair values on derivative financial instruments".

(d) Obligations under finance leases of approximately RMB16,858,000 and RMB20,209,000, which had been previously recorded under "Unsecured interest-bearing borrowings" under current liabilities and non-current liabilities respectively in the consolidated financial statements of 2008, were presented separately on the consolidated balance sheet.

(e) Amounts due to an associate and directors of approximately RMB1,161,000 and RMB596,000 respectively which had been previously recorded under "Trade and other payables" in the consolidated financial statements of 2008, were presented separately on the consolidated balance sheet.

(f) Increase in pledged bank deposits of approximately RMB460,000 which had been previously presented under "Operating activities" in the consolidated cash flow statement for 2008, were reclassified to "Investing activities".

41. EVENTS AFTER REPORTING PERIOD

(a) On 8 December 2009, the NFG Scheme and NAIH Scheme were approved by the respective creditors of the Company and NAIH. The Schemes were subsequently sanctioned by the High Court and became effective on 19 March 2010. Pursuant to the Schemes, certain assets and liabilities of the Group were transferred to the Schemes. Details of the Schemes are set out in the Company's announcements dated 21 October 2009 and 15 December 2009.

(b) On 8 September 2010, the Company issued the Senior Note and raised HK$15,000,000. On 15 August 2011 and 6 September 2012, the Company and the holder of the Senior Note entered into side letters, pursuant to which both parties agreed to extend the maturity date of the Senior Note to 8 September 2012 and 28 February 2013 respectively.

(c) On 17 September 2012, the High Court ordered that the hearing of the winding up petitions against the Company and NAIH be adjourned to 18 February 2013.

On 10 January 2011, 17 May 2011, 6 September 2011, 14 May 2012 and 17 September 2012, the High Court ordered that the hearing of the winding up petitions against the Company and NAIH was adjourned to 16 May 2011, 5 September 2011, 14 May 2012, 17 September 2012 and 18 February 2013 respectively.

FIVE YEAR 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)	**2009**	2008	2007	2006	2005
					(restated)
Turnover	**110,570**	3,886,485	3,497,159	2,658,993	2,206,041
Cost of good	**(100,737)**	(3,249,713)	(2,881,914)	(2,165,218)	(1,837,349)
Gross profit	**9,833**	636,772	615,245	493,775	368,692
Other income	**19,468**	100,779	48,568	21,067	11,196
Distribution and selling expense	**(1,356)**	(45,474)	(57,508)	(49,135)	(36,653)
Administrative Expense	**(78,761)**	(82,172)	(116,929)	(59,909)	(38,380)
Operating Profit	**(50,816)**	609,905	489,376	405,798	304,855
Finance Expense	**(58,165)**	(84,060)	(71,046)	(66,389)	(33,697)
Gain arising from the release of indebtedness	**–**	–	–	–	–
Impairment loss recognised on investments in deconsolidated subsidiaries	**(2,294,119)**	–	–	–	–
Impairment loss recognised on amounts due from deconsolidated subsidiaries	**(1,628,434)**	–	–	–	–
Net (loss) gain arising from change in fair values of derivative financial instruments	**(717,845)**	2,323	–	–	–
Impairment loss of interest in an associate	**–**	–	–	–	–
Share of profits of an associate	**(104,553)**	34,514	35,655	42,755	12,024
Profit before tax	**(4,853,932)**	562,682	453,985	382,164	283,182
Income tax expense	**(616)**	(52,801)	(49,835)	(34,851)	683
Profit for the year	**(4,854,548)**	509,881	404,150	347,313	283,865
Exchange difference arising on translation	**(1,575)**	–	–	–	–
Exchange difference released on deconsolidation of subsidiaries	**(180,058)**	–	–	–	–
	(5,036,181)	509,881	404,150	347,313	283,865
Attributable to:					
Equity holders of the Company	**(5,036,181)**	509,881	404,150	347,313	273,487
Minority Interests	**–**	–	–	–	10,378
	(5,036,181)	509,881	404,150	347,313	283,865

FIVE YEAR FINANCIAL SUMMARY

(RMB'000)	**2009**	2008	2007	2006	2005
					(restated)
Non-Current Assets					
Property, plant and equipment	**41,578**	979,068	854,567	739,198	660,209
Deposits paid for acquisition of property, plant and equipment	**4,120**	–	–	–	–
Prepaid land lease payments	**–**	55,034	56,282	57,530	58,778
Goodwill	**–**	29,639	29,639	29,639	29,639
Other intangible assets	**–**	10,823	743	–	–
Investment in associate	**330,695**	435,248	423,357	396,690	206,539
	376,393	1,509,812	1,364,588	1,223,057	955,165
Current Assets					
Inventories	**–**	62,290	81,202	44,850	32,846
VAT receivable	**–**	75,009	145,625	127,168	117,541
Trade and other receivables	**48,035**	621,079	715,059	715,532	515,912
Amount due from an associate	**–**	–	–	–	–
Amounts due from deconsolidated subsidiaries	**36,708**	–	–	–	–
Derivative financial instruments	**–**	4,261	–	–	–
Pledged bank deposits	**–**	15,439	16,450	16,670	–
Cash and bank balances	**10,119**	2,782,306	1,727,085	1,063,163	754,918
	94,862	3,560,384	2,685,421	1,967,383	1,421,217
Current Liabilities					
Trade and other payables	**(749,601)**	(112,676)	(186,867)	(99,584)	(99,171)
Amount due to an associate	**(23,981)**	(1,161)	–	–	–
Amounts due to directors	**(779)**	(596)	–	–	–
Derivative financial instruments	**–**	(15,212)	–	–	–
Obligations under finance leases	**(32,591)**	(16,858)	–	–	–
Senior note	**–**	–	–	–	–
Unsecured interest-bearing borrowings	**(1,392,736)**	(209,652)	(186,978)	(175,875)	(146,800)
Current portion of non-current borrowings	**–**	–	(361,265)	(188,440)	(203,633)
Notes payable	**–**	–	–	–	–
Convertible bonds	**–**	–	(56,753)	–	–
Current tax liabilities	**(616)**	(16,297)	(14,128)	(13,330)	(6,688)
	(2,200,304)	(372,452)	(805,991)	(477,229)	(456,292)
Net Current Assets	**(2,105,442)**	3,187,932	1,879,430	1,490,154	964,925
Non-Current Liabilities					
Convertible bonds	**–**	–	–	(66,645)	(327,541)
Obligation under finance leases	**–**	(20,209)	–	–	–
Unsecured interest-bearing borrowings	**–**	(1,301,468)	(279,720)	(616,336)	(280,568)
	–	(1,321,677)	(279,720)	(682,981)	(608,109)
Net Asset (Liability)	**(1,729,049)**	3,376,067	2,964,298	2,030,230	1,311,981