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

(Provisional Liquidators Appointed)

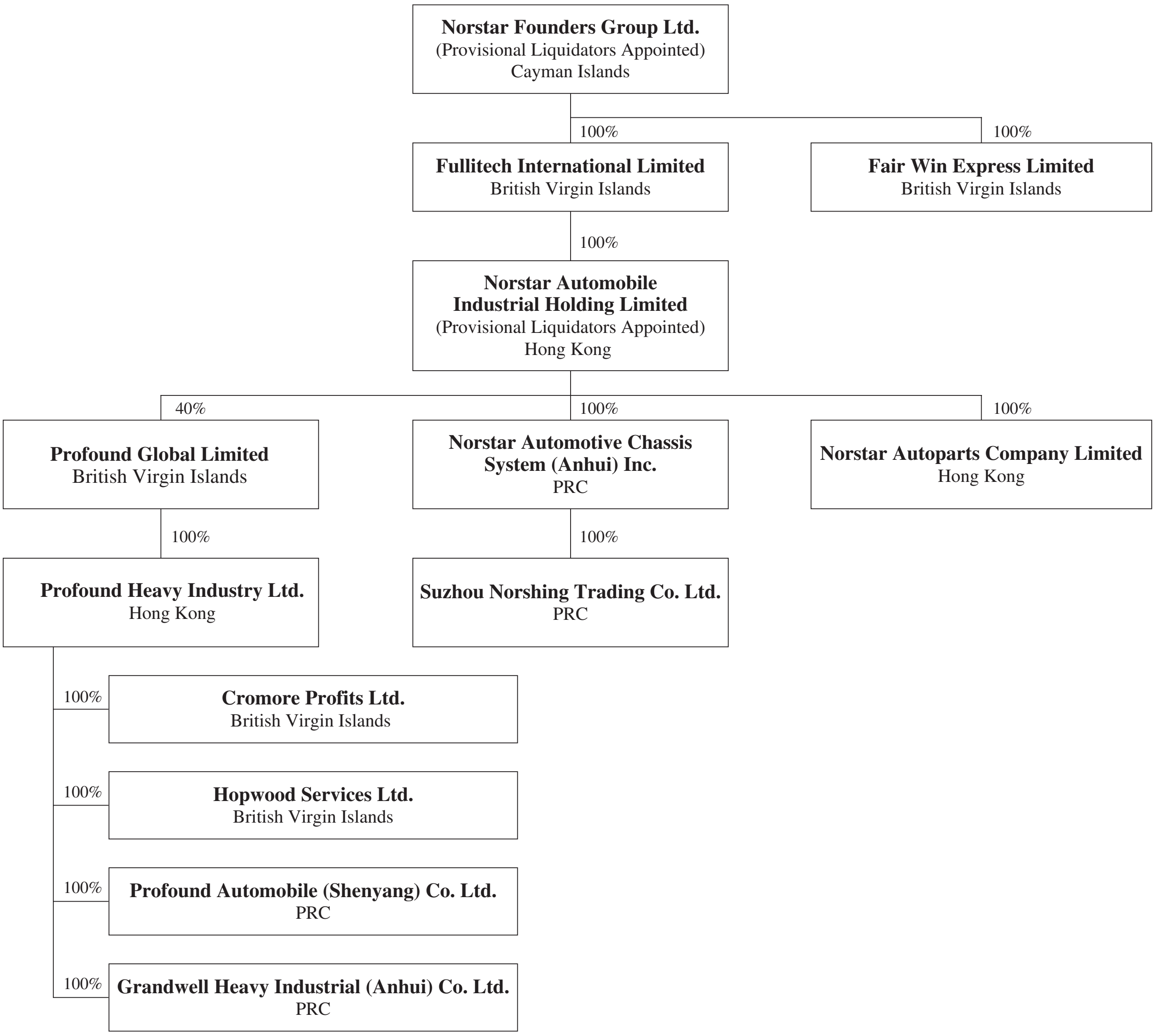
(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2339)

ANNUAL REPORT 2010

Contents

GROUP CHART AS AT 31 MARCH 2010



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)

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

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

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

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 2010.

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.

DIRECTORS' REPORT

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 advisor 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 2010 are set out in the consolidated statement of comprehensive income on page 26.

During FY2010, the Group recorded a turnover from sale and trading of auto parts of approximately RMB51 million, representing a decrease of approximately 54% from the financial year ended 31 March 2009 ("FY2009") of approximately RMB110 million. Notwithstanding, gross profit margin improved from approximately 8.9% in FY2009 to approximately 16.4% in FY2010. The profit attributable to owners of the Group was approximately RMB1,350 million for FY2010, as compared to a loss of approximately RMB4,855 million for FY2009.

The decrease in turnover is mainly due to the business reorganization undertaken by the management in consolidating and reorganising the operations and businesses of the Group, whereas the net profit for FY2010 was mainly attributable to the gain arising from the release of indebtedness of approximately RMB1,763 million as part of restructuring of the Group.

Basic earnings per share for the year ended 31 March 2010 was approximately RMB1.07 as compared with loss per share of RMB3.85 for the preceding year.

No dividend was paid or proposed during the year ended 31 March 2010, nor has any dividend been proposed since the end of the reporting period (FY2009: Nil).

Gain Arising from the Release of Indebtedness

As disclosed in note 2, the Schemes became effective on 19 March 2010. Pursuant to the Schemes, certain assets and liabilities of the Group, including the entire equity interests in New-Tech, Smooth Ride, were transferred to the Schemes. The Group recorded a gain arising from the release of indebtedness of approximately RMB1,763,355,000.

Financial Position

As at 31 March 2010, the Group had total net liabilities of approximately RMB377 million and net current liabilities of approximately RMB422 million, compared to total net liabilities of approximately RMB1,729 million and net current liabilities of approximately RMB2,105 million in FY2009.

RESULTS AND APPROPRIATIONS (CONTINUED)

Cash Flow

During the year under review, total cash flow from operations amounted to approximately a negative cash flow of RMB4.6 million compared to a negative of RMB96 million last year.

Liquidity and Financial Resources

As at 31 March 2010, bank balances and cash of the Group were approximately RMB0.4 million (FY2009: RMB10 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 March 2010 was Nil (FY2009: 296%).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

Pledge of assets

The Group's entire and 40% equity interests in Norstar Chassis and Profound respectively were pledged for the NAIH Repayment Obligation.

Capital Commitments

Details of the capital commitments of the Group are set out in note 33 to the consolidated financial statements.

Contingent Liabilities

The Group and the Company had the following contingent liabilities:

As at 31 March 2010, the Company provided the NFG Undertaking and Fullitech provided the Fullitech Corporate Guarantee for a sum up to the NAIH Repayment Obligation (FY2009: Nil).

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

RESULTS AND APPROPRIATIONS (CONTINUED)

Directors' Remuneration

Details of the remuneration of Directors pursuant to Appendix 16 of the Listing Rules are set out in note 14 to the consolidated financial statements.

Employment

As at 31 March 2010, the Group had 520 (2009: 38) 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 RMB9,793,000 (FY2009: RMB14,994,000). 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 32 to the consolidated financial statements.

Final Dividends

No dividend was paid or proposed during the year ended 31 March 2010, nor has any dividend been proposed since the end of the reporting period (FY2009: Nil).

Share Capital

Details of the movements in share capital of the Company are set out in note 30 to the consolidated financial statements.

Share Option Scheme

Particulars of the Company's share option scheme are set out in note 31 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 103 to 104.

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 2010.

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

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 2010, 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 (ie 1,259,461,601 shares) as at 31 March 2010.

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 2010.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, 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 (ie. 1,259,461,601 shares) of the Company as at 31 March 2010.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 78% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 37% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 64% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 29% 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 2010.

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 2010 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	1,100
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.

INDEPENDENT AUDITOR'S REPORT

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 were 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 102, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 presentation of the 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 about whether the consolidated financial statements are free from material misstatement. However, because of the significance of the matters as described in the basis of disclaimer of opinion paragraph 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 2010, we encountered significant scope limitations in respect of various areas as set out below:

1. Opening balances and comparative figures

Our auditor's opinion on the consolidated financial statements of the Group for the year ended 31 March 2009 (the "2009 Financial Statements"), which form the basis for the comparative figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our auditor's report dated 9 January 2013. Accordingly, we have not been able to form an opinion as to whether the 2009 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 March 2009 and 1 April 2009 and of the Group's loss and cash flows for the year ended 31 March 2009.

2. Corporate guarantee

As further explained in note 2 to the consolidated financial statements, the Company and Fullitech International Limited, a wholly-owned subsidiary of the Company, provided an undertaking and a corporate guarantee amounted to approximately HK$1,381,000,000 each to a special purpose company established pursuant to the scheme of arrangement (the "NAIH Scheme") of Norstar Automobile Industrial Holding Limited ("NAIH") (Provisional Liquidators Appointed), a wholly-owned subsidiary of the Company. In accordance with Hong Kong Accounting Standard ("HKAS") 39, the fair value of these financial guarantee contracts should be recognised as a financial liability. No amount in respect of these financial guarantees had been recognised as at 31 March 2010.

No sufficient evidence had been provided to us and there are no other satisfactory audit procedures that we can carry out to satisfy ourselves as to the fair value of these financial guarantees as at 19 March 2010 (the effective date of the NAIH Scheme) and 31 March 2010 and the resulting fair value change for the year ended 31 March 2010.

3. Deconsolidation of subsidiaries

As set out in note 35 to the consolidated financial statements, during the year ended 31 March 2009, certain subsidiaries (the "PRC Subsidiaries") of the Company were deconsolidated since 1 April 2008.

BASIS OF DISCLAIMER OF OPINION (CONTINUED)

3. Deconsolidation of subsidiaries (Continued)

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.

Our auditor's report for the 2009 Financial Statements was disclaimed in such respect.

As further explained in note 2 to the consolidated financial statements, the equity interests in the PRC Subsidiaries held by the Group are required to be transferred to the NAIH Scheme on 19 March 2010. The Group ceased to have the power to exercise controls over the PRC Subsidiaries from 19 March 2010. The Company's consolidated financial statements for the year ended 31 March 2010 did not include the results of the PRC Subsidiaries. As no sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control over the PRC Subsidiaries on 1 April 2008 or any other date between 1 April 2008 and 19 March 2010, we have therefore not been able to satisfy ourselves as to whether it was appropriate to not recording the results of operations and cash flows of the PRC Subsidiaries from the consolidated financial statements of the Group during the period from 1 April 2009 to 19 March 2010.

4. Other expenses

Our auditor's opinion for the 2009 Financial Statements was disclaimed because of possible effect of the limitation on the scope of our audit on the nature of prepayments and other receivables of approximately RMB17,518,000, of which approximately RMB6,182,000 was transferred to the scheme of arrangement of the Company and the NAIH Scheme (collectively the "Schemes") during the year ended 31 March 2010, and the Group recognised the remaining of these prepayments and other receivables of approximately RMB11,336,000 as other expenses under "Administrative expenses" in the consolidated statement of comprehensive income. No sufficient evidence has been provided to satisfy ourselves as to the nature of and the basis of recognising such expenses.

5. Gain arising from the release of indebtedness

As further explained in note 34 to the consolidated financial statements, upon effective of the Schemes, majority of the assets and liabilities of the Company and NAIH were transferred to the Schemes on 19 March 2010. The Group recognised gain arising from the release of indebtedness of approximately RMB1,763,355,000 for the year ended 31 March 2010.

BASIS OF DISCLAIMER OF OPINION (CONTINUED)

5. Gain arising from the release of indebtedness (Continued)

Any adjustments that are found necessary in relation to the matters described in points 1 to 4 above would have a consequential impact on the gain arising from the release of indebtedness of approximately RMB1,763,355,000 included in the consolidated statement of comprehensive income. We have not been able to carry out any audit procedures to satisfy ourselves that the gain arising from the release of indebtedness included in the consolidated statement of comprehensive income for the year ended 31 March 2010 and the related disclosures thereof are free from material misstatement.

6. Impairment of interest in and amount due from an associate

As stated in note 22 to the consolidated financial statements, the Group had interest in an associate, Profound Global Limited ("Profound"), of approximately RMB308,882,000 (before accumulated impairment loss of approximately RMB308,882,000) as at 31 March 2010. In addition, the Group recorded share of loss of and impairment of interest in Profound of approximately RMB21,813,000 and approximately RMB308,882,000 for the year ended 31 March 2010 respectively.

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 gross carrying amount of interest in Profound as at 31 March 2010, the Group's share of loss of and impairment of interest in Profound for the year ended 31 March 2010 and the related disclosures included in the consolidated financial statements were fairly stated.

In addition, as stated in note 25 to the consolidated financial statements, the Group had amount due from an associate of approximately RMB2,417,000 as at 31 March 2010. No subsequent settlement in respect of such amount was noted up to the date of this report and no impairment had been recognised in respect of such amount. We have not been able to obtain sufficient evidence to evaluate the recoverability of such amount. There were no practical alternative audit procedures that we could perform to satisfy ourselves that the amount due from an associate was fairly stated as at 31 March 2010.

7. Related party transactions and balances

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of related party transactions and balances for the year ended 31 March 2010 as required by HKAS 24 "Related Party Disclosures", as set out in note 37 to the consolidated financial statements.

BASIS OF DISCLAIMER OF OPINION (CONTINUED)

8. Impairment of property, plant and equipment

As stated in note 18 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 RMB44,618,000 as at 31 March 2010. 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 2010 and accordingly cannot satisfy ourselves whether any impairment loss should be recognised for the year ended 31 March 2010 in accordance with HKAS 36 "Impairment of Assets".

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

As stated in notes 27 and 29 to the consolidated financial statements, the Group had amount due to an associate and obligations under financial leases of approximately RMB867,000 and approximately RMB28,300,000 as at 31 March 2010 respectively.

We have not been able to obtain direct audit confirmations in respect of the aforesaid balances and no sufficient audit evidence has been provided to satisfy ourselves as to the completeness and existence of the aforesaid balances as at 31 March 2010. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balances are fairly stated at 31 March 2010.

10. Directors' emoluments

We have not been able to obtain sufficient 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 2010 were fairly stated. Hence, we have not been able to determine whether the disclosures in respect of directors' emoluments set out in note 14 to the consolidated financial statements are appropriate and comply with the disclosure requirements of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited 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 results for the year ended 31 March 2010, the consolidated financial position of the Group as at 31 March 2010, and the related disclosures thereof in the consolidated financial statements for the year ended 31 March 2010.

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 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. Except for the matter described in point 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 RMB413,254,000 (excluding the gain arising from the release of indebtedness of approximately RMB1,763,355,000) for the year ended 31 March 2010. The Group also had net current liabilities and net liabilities of approximately RMB421,938,000 and approximately RMB377,320,000 as at 31 March 2010 respectively. These conditions, along with other matters as set out in note 2 to the consolidated financial statements of the Group, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

SHINEWING (HK) CPA Limited
Certified Public Accountants

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	8	**50,705**	110,570
Cost of sales		**(42,397)**	(100,737)
Gross profit		**8,308**	9,833
Other income and gains	10	**12,876**	19,468
Gain arising from the release of indebtedness	34	**1,763,355**	–
Impairment loss recognised on investments in deconsolidated subsidiaries	23	**–**	(2,294,119)
Impairment loss recognised on amounts due from deconsolidated subsidiaries	25	**(14,683)**	(1,628,434)
Net loss from change in fair values of derivative financial instruments		**–**	(717,845)
Distribution and selling expenses		**(3,276)**	(1,356)
Administrative expenses		**(25,496)**	(78,761)
Finance costs	11	**(59,605)**	(58,165)
Share of loss of an associate	22	**(21,813)**	(104,553)
Impairment loss of interest in an associate	22	**(308,882)**	–
Profit (loss) before tax		**1,350,784**	(4,853,932)
Income tax expense	12	**(683)**	(616)
Profit (loss) for the year	13	**1,350,101**	(4,854,548)
Other comprehensive income (expense)			
Exchange difference arising on translation		**–**	(1,575)
Exchange difference released on deconsolidation of subsidiaries		**74**	(180,058)
Other comprehensive income (expense) for the year, net of tax		**74**	(181,633)
Total comprehensive income (expense) for the year attributable to owners of the Company		**1,350,175**	(5,036,181)
		RMB	*RMB*
Earnings (loss) per share			
Basic and diluted	17	**1.07**	(3.85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**44,618**	41,578
Deposits paid for acquisition of property, plant and equipment		**–**	4,120
Prepaid land lease payments	19	**–**	–
Goodwill	20	**–**	–
Intangible assets	21	**–**	–
Interest in an associate	22	**–**	330,695
Available-for-sale investments	23	**–**	–
		44,618	376,393
CURRENT ASSETS			
Inventories	24	**5,797**	–
Trade and other receivables	25	**22,443**	48,035
Amount due from an associate	25	**2,417**	–
Amounts due from deconsolidated subsidiaries	25	**12,889**	36,708
Bank balances and cash	26	**375**	10,119
		43,921	94,862
CURRENT LIABILITIES			
Trade and other payables	27	**435,393**	749,601
Amount due to an associate	27	**867**	23,981
Amounts due to directors	27	**–**	779
Unsecured interest-bearing borrowings	28	**–**	1,392,736
Obligations under finance leases	29	**28,300**	32,591
Tax payables		**1,299**	616
		465,859	2,200,304
NET CURRENT LIABILITIES		**(421,938)**	(2,105,442)
		(377,320)	(1,729,049)
CAPITAL AND RESERVES			
Share capital	30	**111,248**	132,383
Reserves	32	**(488,568)**	(1,861,432)
		(377,320)	(1,729,049)

The consolidated financial statements on pages 26 to 102 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 2010

	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
Loss for the year	–	–	–	–	–	–	–	(4,854,548)	(4,854,548)
Exchange difference arising on translation	–	–	(1,575)	–	–	–	–	–	(1,575)
Deconsolidation of subsidiaries	–	–	(180,058)	–	–	(185,597)	(185,597)	371,194	(180,058)
Total comprehensive expense for the year	–	–	(181,633)	–	–	(185,597)	(185,597)	(4,483,354)	(5,036,181)
Recognition of share-based payment expenses	–	–	–	2,950	–	–	–	–	2,950
Share options lapsed	–	–	–	(1,695)	–	–	–	1,695	–
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)

	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***	**Accumulated losses** ***RMB'000***	**Total equity** ***RMB'000***
At 1 April 2009	**132,383**	**1,719,525**	**(176,452)**	**13,083**	**(299,310)**	**-**	**-**	**(3,118,278)**	**(1,729,049)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,350,101**	**1,350,101**
Other comprehensive income for the year	**-**	**-**	**74**	**-**	**-**	**-**	**-**	**-**	**74**
Total comprehensive income for the year	**-**	**-**	**74**	**-**	**-**	**-**	**-**	**1,350,101**	**1,350,175**
Change in functional currency	**(21,135)**	**(257,478)**	**250,463**	**(1,088)**	**49,877**	**-**	**-**	**(20,639)**	**-**
Recognition of share-based payment expenses	**-**	**-**	**-**	**1,554**	**-**	**-**	**-**	**-**	**1,554**
Share options lapsed	**-**	**-**	**-**	**(5,388)**	**-**	**-**	**-**	**5,388**	**-**
At 31 March 2010	**111,248**	**1,462,047**	**74,085**	**8,161**	**(249,433)**	**-**	**-**	**(1,783,428)**	**(377,320)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 *RMB'000*	2009 *RMB'000*
OPERATING ACTIVITIES		
Profit (loss) before tax	**1,350,784**	(4,853,932)
Adjustments for:		
Gain arising from the release of indebtedness	**(1,763,355)**	–
Finance costs	**59,605**	58,165
Share of loss of an associate	**21,813**	104,553
Impairment loss of interest in an associate	**308,882**	–
Share-based payment expenses	**1,554**	2,950
Exchange gains	**(9,922)**	(12,845)
Government grant	**(2,871)**	–
Allowance for inventories	**661**	–
Depreciation of property, plant and equipment	**5,373**	1,429
Loss on disposal of property, plant and equipment	**–**	334
Interest income	**(11)**	(5,127)
Impairment loss recognised in respect of trade and other receivable	**200**	11,472
Impairment loss recognised on investments in deconsolidated subsidiaries	**–**	2,294,119
Impairment loss recognised on amounts due from deconsolidated subsidiaries	**14,683**	1,628,434
Net fair value loss on derivative financial instruments	**–**	717,845
Operating cash flows before movements in working capital	**(12,604)**	(52,603)
Increase in inventories	**(6,458)**	–
Increase in trade and other receivables	**(7,697)**	(15,478)
Increase (decrease) in trade and other payables	**22,126**	(32,653)
Cash used in operations	**(4,633)**	(100,734)
Interest received	**11**	5,127
NET CASH USED IN OPERATING ACTIVITIES	**(4,622)**	(95,607)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010	2009
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(4,560)**	(7,187)
Advance to an associate	**(2,417)**	–
Deposits paid for property, plant and equipment	**–**	(4,120)
Withdrawal of non-pledged time deposits with original maturity more than three months	**–**	1,100,000
Repayment from (advance to) deconsolidated subsidiaries	**9,136**	(27,317)
Net cash outflow arising from deconsolidation of subsidiaries	**–**	(2,582,035)
Withdrawal of pledged bank deposits	**–**	15,439
Proceeds from disposal of property, plant and equipment	**–**	991
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**2,159**	(1,504,229)
FINANCING ACTIVITIES		
New borrowings raised	**3,000**	81,499
Government grants received	**2,871**	–
Advance from an associate	**777**	22,820
Repayment of bank borrowings	**(16,339)**	(72,948)
Interest paid	**(6,238)**	(58,165)
Dividends paid	**–**	(71,885)
Advance from directors	**–**	183
Repayment of obligations under finance leases	**–**	(3,760)
Net cash inflow arising from the release of indebtedness *(note 34)*	**40,493**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**24,564**	(102,256)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**22,101**	(1,702,092)
CASH AND CASH EQUIVALENTS AT 1 APRIL	**(21,908)**	1,682,306
Effect of foreign exchange rate changes	**182**	(2,122)
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances and cash	**375**	(21,908)
Represented by:		
Bank balance and cash	**375**	10,119
Bank overdrafts	**–**	(32,027)
	375	(21,908)

1. GENERAL INFORMATION

Norstar Founders Group Limited (Provisional Liquidators Appointed) (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Trading in the shares of the Company has been suspended since 19 January 2009. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of this 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 for the year ended 31 March 2009 was United States Dollar ("US$"). As the Group's business have, since 1 April 2009, been substantially conduced in the PRC (with sales and purchases denominated in Renminbi ("RMB")), the Directors of the Company have reassessed the functional currency of the Company and certain subsidiaries and determined that the functional currency of the Company and certain subsidiaries be changed from US$ to RMB with effect from 1 April 2009. The effect of a change in functional currency has been accounted for prospectively. The change in functional currency has no impact to the comparative figures presented as RMB was the Group's presentation currency for the year ended 31 March 2009.

2. BASIS OF PREPARATION

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 loss of approximately RMB413,254,000 (excluding the gain arising from the release of indebtedness of RMB1,763,355,000) for the year ended 31 March 2010. As at 31 March 2010, the Group had net current liabilities and net liabilities of approximately RMB421,938,000 and RMB377,320,000 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.

2. BASIS OF PREPARATION (CONTINUED)

(ii) Filing of the petitions (Continued)

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

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

(iii) Debt Restructuring

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

NFG Scheme

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

(i) 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 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;

2. BASIS OF PREPARATION (CONTINUED)

(iii) Debt Restructuring (Continued)

NAIH Scheme (Continued)

Or

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

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

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

Further to the above, an alternative mechanism 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 on the Company's announcements dated 21 October 2009 and 15 December 2009.

2. BASIS OF PREPARATION (CONTINUED)

(iii) 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 satisfy 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 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 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 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.

2. BASIS OF PREPARATION (CONTINUED)

(iii) Debt Restructuring (Continued)

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

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

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation ("INT") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – INT 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

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

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

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

HKFRS 8 Operating Segments

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

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

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 2008[1]
	Improvements to HKFRSs 2009[2]
	Improvements to HKFRSs 2010[3]
	Annual Improvements 2009-2011 Cycle[11]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
	Severe Hyperinflation and Removal of Fixed Dates for First-term Adopters[8]
	Government Loans[11]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[8]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[11]
HKFRS 9	Financial Instruments[11]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[13]
HKFRS 7 and 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[13]
HKFRS 10	Consolidated Financial Statements[11]
HKFRS 11	Joint Arrangements[11]
HKFRS 12	Disclosure of Interests in Other Entities[11]
HKFRS 10,11,12 (Amendments)	Transition Guidance[11]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities[12]
HKFRS 13	Fair Value Measurement[11]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[10]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[9]
HKAS 19 (Revised)	Employee Benefits[11]

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

HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised 2011)	Separate Financial Statements[11]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[11]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities[12]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HK(IFRIC) – INT 14	Prepayments of a Minimum Funding Requirement[7]
(Amendment)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction[9]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[6]
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine[11]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
4 Effective for annual periods beginning on or after 1 January 2010.
5 Effective for annual periods beginning on or after 1 February 2010.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2011.
8 Effective for annual periods beginning on or after 1 July 2011.
9 Effective for annual periods beginning on or after 1 January 2012.
10 Effective for annual periods beginning on or after 1 July 2012.
11 Effective for annual periods beginning on or after 1 July 2013.
12 Effective for annual periods beginning on or after 1 January 2014.
13 Effective for annual periods beginning on or after 1 January 2015.

HKFRS 3 (Revised) Business combination

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

Amendments to HKFRS 7 Disclosures – transfer 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.

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.

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

HKFRS 9 Financial instruments (Continued)

- 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 that 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.

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).

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures (Continued)

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

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures (Continued)

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.

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.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (Continued)

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. Historical cost is generally based on the fair value of the consideration given in exchange for 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 or disposed of or deconsolidated due to loss of control of subsidiaries during the year are included in the consolidated statement of comprehensive income 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.

Investments in subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of financial position.

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

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

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

Interest 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, investment 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest in an associate (Continued)

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. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount 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 amount 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 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.

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;

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

– 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 amount on initial recognition.

Property, plant and equipment

Property, plant and equipment 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 recognised 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 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 plant and equipment when completed and ready for intended use. Depreciation of these assets commences 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 statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

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

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 the end of the reporting period, 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.

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 end of the reporting period, 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 consolidated statement of comprehensive income and accumulated in 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss 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.

Government grant

Government grants that are receivable for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 statement of comprehensive income 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 end of the reporting period.

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 difference 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 end of the reporting period.

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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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.

Financial assets

The Group's financial assets are classified into one of the two categories, including 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 amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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, amount due from an associate, 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 of financial assets below).

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 of financial assets below).

Impairment loss of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

For financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest and 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.

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, an 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 amount 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 amount 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 and an associate where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss. When a trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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.

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 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, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to an associate and directors, unsecured interest-bearing borrowings and obligations under finance leases) 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.

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 amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income 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.

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 the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share-based payment 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 reserve will be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At the end of the reporting period, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of 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 or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or a cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised 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 amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or a cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

5. CRITICAL ACCOUNTING JUDGEMENT 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 judgement in applying the entity's accounting policies

The following is the critical judgement, 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.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment

During the year ended 31 March 2010, no impairment loss (2009: Nil) on property, plant and equipment was recognised in the consolidated statement of comprehensive income. 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 2010, the carrying amounts of property, plant and equipment were approximately RMB44,618,000 (2009: RMB41,578,000).

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

The policy for making impairment loss on trade and other receivables, and amounts due from deconsolidated subsidiaries and an associate 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.

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, amounts due from deconsolidated subsidiaries and an associate (Continued)

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 2010, the carrying amounts of trade and other receivables (net of accumulated impairment losses of RMB200,000 (2009: RMB11,472,000)), amounts due from deconsolidated subsidiaries (net of accumulated impairment losses of RMB479,705,000 (2009: RMB1,628,434,000) and an associate (net of accumulated impairment losses of Nil (2009: Nil)) were approximately RMB22,443,000 (2009: RMB48,035,000), RMB12,889,000 (2009: RMB36,708,000) and RMB2,417,000 (2009: Nil) respectively.

Impairment of interest in an associate

In determining whether the Group's interest in an associate is impaired requires an estimation of the future cash flows expected to arise and expected dividend yield from the associate 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.

During the year ended 31 March 2010, impairment of interest in an associate of approximately RMB308,882,000 (2009: Nil) was recognised as the Directors of the Company are in the opinion that the expected future cash flow and dividend yield from the associate are remote. The carrying amount of the Company's interest in an associate as at 31 March 2010 was Nil (2009: RMB330,695,000) (net of accumulated impairment losses of RMB308,882,000 (2009: Nil)) (note 22).

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 bank balances and cash, unsecured interest-bearing borrowings, trade and other payables, amounts due to an associate and directors, obligations under finance leases and equity attributable to owners of the Company, comprising share capital and reserves.

Debt-to-capital ratio is not presented as the Group had capital deficiencies as at 31 March 2010 and 2009.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2010	2009
	RMB'000	*RMB'000*
Financial Assets		
Loan and receivables (including cash and cash equivalents)	**36,314**	94,862
Financial Liabilities		
Amortised cost	**462,458**	2,194,682

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from deconsolidated subsidiaries and an associate, 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 include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk

The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Foreign currency				
RMB	**–**	1,033	**–**	–
HK$	**–**	–	**442,613**	–
EUR	**–**	–	**–**	2,181

Sensitivity analysis

The following table details the Group's sensitivity to increase and decrease in the functional currency of the respective group entities against the relevant foreign currencies. The sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates with reference to historical fluctuation of foreign exchange rates during the year. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at 31 March 2010 for a corresponding change in foreign currencies rates. A negative number below indicates a decrease (2009: decrease) in post-tax profit (2009: post-tax loss) for the year where the functional currency weakens against the relevant foreign currencies. For a strengthening of functional currency against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax results for the year.

	2010		2009	
	Change in values of foreign currencies	**Effect on profit after tax**	Change in values of foreign currencies	Effect on profit after tax
		RMB'000		*RMB'000*
RMB (2009: US$) against foreign currencies:				
RMB	**5%**	**–**	5%	43
EUR	**10%**	**–**	10%	(182)
HK$	**5%**	**(20,590)**	5%	–

7. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk (Continued)

Sensitivity analysis (Continued)

The balance of monetary assets and liabilities denominated in foreign currencies fluctuated throughout the year and in management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the reporting periods.

Interest rate risk

As at 31 March 2010, the Group is exposed to fair value interest rate risk in relation to certain fixed-rate amount due to the Schemes of RMB123,270,000 (note 27) while the Group is not exposed to cash flow interest rate risk.

As at 31 March 2009, the Group was exposed to cash flow interest rate risk in relation to variable-rate unsecured interest-bearing borrowings (note 28). 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.

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's cash flow interest rate risk was mainly concentrated on the fluctuation of HIBOR.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 (2009: 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 (2009: 100) basis point higher/lower and all other variables were held constant, the Group's profit after (2009: loss) tax would decrease/increase (2009: increase/decrease) by approximately RMB4,000 (2009: RMB13,830,000). 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 the reporting periods.

7. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk

At each reporting 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 amount 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 place 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 reporting 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 2010, the Group had certain concentration of credit risk as 46% (2009: 99%) and 95% (2009: 99%) of the Group's total trade receivables was due from the Group's largest and largest five customers.

As at 31 March 2010, the Group's concentration of credit risk by geographical locations is mainly in the PRC (2009: United States), which accounted for 100% (2009: 99%) of the total trade receivables.

As at 31 March 2010, the Group had credit risk on amounts due from deconsolidated subsidiaries (net of accumulated impairment losses of approximately RMB479,705,000 (2009: RMB1,628,434,000)) of RMB12,889,000 (2009: RMB36,708,000).

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

Liquidity risk

The Group is exposed to liquidity risk as at the respective reporting dates as its financial assets due within one year was less than its financial liabilities due within one year and had net amount 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.

7. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

As at 31 March 2009, the Group had breached certain covenants of its interest-bearing borrowings (note 28). As a result, unsecured interest-bearing borrowings of RMB739,349,000 as at 31 March 2009 become repayable on demand. The unsecured interest-bearing borrowings were transferred to the Schemes on 19 March 2010.

As at 31 March 2010 and 2009, the Group had breached certain covenants of its obligations under finance leases (note 29). As a result, obligations under finance lease of RMB7,209,000 at 31 March 2010 (2009: RMB18,190,000) become repayable on demand. No demand of full immediate repayment of the obligations under finance lease had been received by the Group.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities 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.

To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

2010

	Within 1 year or on demand *RMB'000*	**Total undiscounted cash flows** *RMB'000*	**Carrying amount** *RMB'000*
Trade and other payables	**440,514**	**440,514**	**433,291**
Amount due to an associate	**867**	**867**	**867**
Obligations under finance leases	**28,300**	**28,300**	**28,300**
Financial guarantee contracts *(note)*	**1,215,280**	**1,215,280**	**–**
	1,684,961	**1,684,961**	**462,458**

7. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

2009

	Within 1 year or on demand *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
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
Unsecured interest-bearing borrowings	1,442,617	1,442,617	1,392,736
Obligations under finance leases	33,175	33,175	32,591
	2,245,147	2,245,147	2,194,682

Note: The amount included above for financial guarantee contract is the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Fair value

The fair value of 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 during the year. An analysis of the Group's turnover for the year is as follows:

	2010	2009
	RMB'000	*RMB'000*
Auto parts *(note)*	**50,055**	23,758
Construction decorative hardware products	**650**	86,812
	50,705	110,570

Note: During the year ended 31 March 2010, the Group incurred sales to the PRC Subsidiaries of RMB2,074,000 (2009: Nil).

9. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Directors of the Company, being the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of HKFRS 8 has not changed the basis of measurement of segment profit or loss.

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

– Auto parts; and

– Construction decorative hardware products.

9. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

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

For the year ended 31 March 2010

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

9. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

For the year ended 31 March 2009

	Auto parts *RMB'000*	Construction decorative hardware products *RMB'000*	Consolidated *RMB'000*
REVENUE			
External sales	23,758	86,812	110,570
Segment results	2,257	7,916	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			(104,543)
Net loss arising from change in fair value of derivative financial instruments			(717,845)
Unallocated income			7,209
Unallocated expenses			(68,208)
Loss before tax			(4,853,932)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of central administration costs, directors' salaries, share of result of and impairment of interest in an associate, gain arising from the release of indebtedness, net loss arising from change in fair value of derivative financial instruments, impairment loss recognised on investments in and amounts due from deconsolidated subsidiaries, certain other income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

9. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

Segment assets

	2010	2009
	RMB'000	*RMB'000*
Auto parts	**88,164**	73,335
Construction decorative hardware products	**–**	–
Total segment assets	**88,164**	73,335
Unallocated assets	**375**	397,920
Consolidated total assets	**88,539**	471,255

Segment liabilities

	2010	2009
	RMB'000	*RMB'000*
Auto parts	**25,306**	27,422
Construction decorative hardware products	**–**	–
Total segment liabilities	**25,306**	27,422
Unallocated liabilities	**440,553**	2,172,882
Consolidated total liabilities	**465,859**	2,200,304

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

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

– all liabilities are allocated to reportable segments other than tax payables, certain accruals and other payables, unsecured interest-bearing borrowings and obligations under finance leases. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

9. SEGMENT INFORMATION (CONTINUED)

Other segment information

For the year ended 31 March 2010

	Auto parts *RMB'000*	Construction decorative hardware products *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	5,373	–	–	5,373
Capital expenditure in respect of property, plant and equipment	8,680	–	–	8,680
Impairment loss in respect of other receivables	200	–	–	200
Allowance for inventories	661	–	–	661
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:				
Interest income	(11)	–	–	(11)
Impairment loss recognised on amounts due from deconsolidated subsidiaries	14,683	–	–	14,683
Share of loss of an associate	–	–	21,813	21,813
Impairment loss of interest in an associate	–	–	308,882	308,882
Finance costs	–	–	59,605	59,605

9. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

For the year ended 31 March 2009

	Auto parts *RMB'000*	Construction decorative hardware products *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	1,326	–	103	1,429
Capital expenditure in respect of property, plant and equipment	7,057	–	136	7,193
Impairment loss in respect of trade receivables	–	11,472	–	11,472
Loss on disposal of property, plant and equipment	334	–	–	334
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:				
Interest income	(5,127)	–	–	(5,127)
Interest in an associate	–	–	330,695	330,695
Share of loss of an associate	–	–	104,543	104,543
Impairment loss recognised on investments in deconsolidated subsidiaries	2,294,119	–	–	2,294,119
Impairment loss recognised on amounts due from deconsolidated subsidiaries	1,628,434	–	–	1,628,434
Finance costs	–	–	58,165	58,165

9. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operation is located in the PRC (2009: Hong Kong) (country of domicile of the subsidiaries conducting the operations).

The Group's revenue from external customers by geographical location is detailed below:

	2010	2009
	RMB'000	*RMB'000*
PRC	**50,705**	–
United States	**–**	108,969
Europe	**–**	1,601
	50,705	110,570

An analysis of non-current assets excluding interest in associate by geographical area based on the location of the assets has not been presented as the Group's non-current assets are all located in the PRC.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010	2009
	RMB'000	*RMB'000*
Customer A[2]	**17,950**	N/A[1]
Customer B[2]	**10,467**	N/A[1]
Customer C[2]	**5,852**	N/A[1]
Customer D[3]	**N/A**[1]	86,812
Customer E[2]	**N/A**[1]	22,157

1 No revenue was contributed to the Group in respective year.
2 Attributable to the auto parts business.
3 Attributable to the construction decorative hardware business.

10. OTHER INCOME AND GAINS

	2010	2009
	RMB'000	*RMB'000*
Net exchange gain	**9,922**	12,259
Government grants *(note i)*	**2,871**	–
Interest income	**11**	5,127
Gain on trading of machineries *(note ii)*	**–**	2,079
Sundry income	**72**	3
	12,876	19,468

Notes:

(i) Government grants are awarded to the Group by certain local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development.

(ii) Included in the balance for the year ended 31 March 2009 was RMB2,079,000 derived from machineries sold to the PRC Subsidiaries.

11. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest on:		
– borrowings wholly repayable within five years	**54,859**	56,428
– obligations under finance leases	**4,746**	1,737
	59,605	58,165

12. INCOME TAX EXPENSE

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

	2010	2009
	RMB'000	*RMB'000*
PRC Enterprise Income Tax	**683**	616

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profits arising from Hong Kong during the reporting period (2009: Nil).

12. INCOME TAX EXPENSE (CONTINUED)

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.

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

	2010	2009
	RMB'000	*RMB'000*
Profit (loss) before tax	**1,350,784**	(4,853,932)
Tax at rates applicable to profit (loss) in the jurisdictions concerned	**221,112**	(801,586)
Tax effect of share of result of interest in an associate	**3,599**	17,251
Tax effect of income not taxable for tax purpose	**(291,834)**	(2,869)
Tax effect of expenses not deductible for tax purpose	**66,923**	776,832
Tax effect of tax losses not recognised	**883**	10,988
Income tax expense	**683**	616

According to the EIT Law, the profits of the PRC subsidiaries of the Company derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at a rate of 10% for other foreign investors.

As at 31 March 2010, the Group has estimated unused tax losses of approximately RMB236,508,000 (2009: RMB232,976,000) available for offset against future profits of which RMB3,532,000 (2009: Nil) will begin to expire in 2015 and RMB232,976,000 (2009: RMB232,976,000) may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams. As at 31 March 2010 and 2009, the Group's subsidiaries in the PRC did not have any profits available for distribution.

13. PROFIT (LOSS) FOR THE YEAR

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

	2010	2009
	RMB'000	*RMB'000*
Auditor's remuneration	**1,015**	900
Cost of inventories recognised as an expense *(note i)*	**41,736**	100,737
Depreciation of property, plant and equipment	**5,373**	1,429
Loss on disposal of property, plant and equipment	**–**	334
Operating lease charges in respect of office premises *(note ii)*	**889**	1,591
Impairment loss recognised in respect of trade and other receivables	**200**	11,472
Allowance for inventories (included in cost of sales)	**661**	–
Staff costs (including directors' emoluments):		
– Salaries, bonus and allowances	**8,239**	11,877
– Share-based payments	**1,554**	2,950
– Retirement benefits scheme contributions	**–**	167

Notes:

i) Included in the balance was purchases from the PRC Subsidiaries of Nil (2009: RMB11,750,000).

ii) During the year ended 31 March 2010, the Group leased certain production premises and machinery from the PRC Subsidiaries and a subsidiary of an associate at free.

14. 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 2010

	Fees	Basic salaries, other allowances and benefits in kind	Share-based payments	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Ms. Lilly Huang	–	–	–	–	–
Mr. Zhou Tian Bao (resigned on 25 November 2009)	–	–	–	–	–
Mr. Dai Wei (resigned on 25 November 2009)	–	–	665	–	665
Mr. Chen Xiang Dong (resigned on 25 November 2009)	–	–	665	–	665
Independent Non-Executive Directors					
Mr. Choi Tat Ying, Jacky	–	–	86	–	86
Mr. Zhang Jian Chun (resigned on 10 May 2010)	–	–	–	–	–
Ms. Zhang Xin, Cindy (resigned on 10 May 2010)	–	–	–	–	–
	–	–	1,416	–	1,416

14. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 March 2009

	Fees	Basic salaries, other allowances and benefits in kind	Share-based payments	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Ms. Lilly Huang	–	177	–	–	177
Mr. Zhou Tian Bao (resigned on 25 November 2009)	–	1,458	–	8	1,466
Ms. Zhang Zhen Juan (resigned on 30 December 2008)	–	486	2,070	5	2,561
Mr. Yang Bin (resigned on 30 December 2008)	–	–	207	–	207
Mr. Dai Wei (resigned on 25 November 2009)	–	389	1,321	8	1,718
Mr. Chen Xiang Dong (resigned on 25 November 2009)	–	389	1,321	8	1,718
Non-Executive Director					
Mr. Lee Cheuk Yin, Dannis (resigned on 15 January 2009)	201	–	113	–	314
Independent Non-Executive Directors					
Mr. Choi Tat Ying, Jacky	76	–	132	–	208
Mr. Zhang Jian Chun (resigned on 10 May 2010)	76	–	–	–	76
Ms. Zhang Xin, Cindy (resigned on 10 May 2010)	76	–	–	–	76
	429	2,899	5,164	29	8,521

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 two years ended 31 March 2010 and 2009.

No director or senior executives waived or agreed to waive his emoluments in the two years ended 31 March 2010 and 2009.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2009: three) are director(s) of the Company whose emoluments are included in note 14 above. The emoluments of the remaining two (2009: two) individuals were as follows:

	2010	2009
	RMB'000	*RMB'000*
Basic salaries, other allowances and benefits in kind	**113**	1,999
Share-based payments	**–**	1,598
Retirement benefit scheme contributions	**–**	18
	113	3,615

Their emoluments were within the following bands:

	2010	2009
	Number of employees	*Number of employees*
Nil to HK$1,000,000 (equivalent Nil to RMB882,000)	**2**	–
HK$1,000,001 to HK$1,500,000 (equivalent to RMB882,001 to RMB1,323,000)	**–**	1
HK$2,500,001 to HK$3,000,000 (equivalent to RMB2,205,001 to RMB2,646,000)	**–**	1
	2	2

During the years ended 31 March 2010 and 2009, 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.

16. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

17. EARNINGS (LOSS) PER SHARE

Basic

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the year ended 31 March 2010 and 2009.

	2010	2009
Profit (loss) for the year attributable to owners of the Company *(RMB'000)*	**1,350,101**	(4,854,548)
Weighted average number of ordinary shares in issue	**1,259,461,601**	1,259,461,601

Diluted

Trading in the shares of the Company had been suspended since 19 January 2009 and no information of the average market price per share for the year is available. As the exercise price of the outstanding share options is higher than the market price for shares immediately before the suspension of trading in the Company's shares, the computation of diluted earnings per share for the year ended 31 March 2010 does not assume the exercise of the Company's outstanding share options.

The computations of diluted earnings per share for the year ended 31 March 2009 do not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for the year ended 31 March 2009.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	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*
Cost						
At 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 and 1 April 2009	–	40,916	422	98	1,445	42,881
Reclassification upon completion	–	1,445	–	–	(1,445)	–
Additions	–	8,621	–	59	–	8,680
Release to the Schemes	–	–	(398)	(97)	–	(495)
At 31 March 2010	–	50,982	24	60	–	51,066
Accumulated depreciation and impairment						
At 1 April 2008	47,686	113,715	9,171	5,451	–	176,023
Provided for the year	–	1,095	103	231	–	1,429
Written 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 and 1 April 2009	–	1,118	185	–	–	1,303
Provided for the year	–	5,307	61	5	–	5,373
Written back on release to the Schemes	–	–	(228)	–	–	(228)
At 31 March 2010	–	6,425	18	5	–	6,448
Carrying amounts						
At 31 March 2010	–	44,557	6	55	–	44,618
At 31 March 2009	–	39,798	237	98	1,445	41,578

18. 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
Machinery and equipment	10 years
Office equipment and fixtures	10 years
Motor vehicles	10 years

The carrying amounts of machinery and equipment held under finance leases as at 31 March 2010 amounted to approximately RMB18,780,000 (2009: RMB20,723,000).

In light of the continuing loss making of certain products in the auto parts segment, an impairment assessment has been performed by the Directors of the Company to determine the recoverable amount of related property, plant and equipment. The recoverable amounts of the relevant assets have been determined by the Directors of the Company on the basis of 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 at 31 March 2010.

19. PREPAID LAND LEASE PAYMENTS

	RMB'000
Carrying amount	
At 1 April 2008	55,034
Deconsolidation of subsidiaries *(note 35)*	(55,034)
At 31 March 2009, 1 April 2009 and 31 March 2010	–

20. GOODWILL

	RMB'000
Cost	
At 1 April 2008	117,717
Deconsolidation of subsidiaries *(note 35)*	(29,639)
At 31 March 2009 and 1 April 2009	88,078
Derecognition on transfer of subsidiaries to the Schemes *(note 34)*	(88,078)
At 31 March 2010	–
Accumulated impairment	
At 1 April 2008, 31 March 2009 and 1 April 2009	88,078
Derecognition on transfer of subsidiaries to the Schemes *(note 34)*	(88,078)
At 31 March 2010	–
Carrying amounts	
At 31 March 2010	–
At 31 March 2009	–

21. INTANGIBLE ASSETS

	License for production technology *RMB'000*	**Technical assistance and training** *RMB'000*	**Total** *RMB'000*
Cost			
At 1 April 2008	10,358	1,537	11,895
Deconsolidation of subsidiaries *(note 35)*	(10,358)	(1,537)	(11,895)
At 31 March 2009, 1 April 2009 and 31 March 2010	–	–	–
Accumulated amortisation			
At 1 April 2008	942	130	1,072
Deconsolidation of subsidiaries *(note 35)*	(942)	(130)	(1,072)
At 31 March 2009, 1 April 2009 and 31 March 2010	–	–	–
Carrying amounts			
At 31 March 2010	–	–	–
At 31 March 2009	–	–	–

22. INTEREST IN AN ASSOCIATE

	2010 ***RMB'000***	2009 *RMB'000*
Cost of investment in associate – unlisted equity interest	**160,461**	160,461
Share of post-acquisition profits and losses	**148,421**	170,234
	308,882	330,695
Less: Impairment	**(308,882)**	–
	–	330,695

22. INTEREST IN AN ASSOCIATE (CONTINUED)

As at 31 March 2010 and 2009, the Group had interest in the following associate:

Name of entity	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	40%	40%	Investment holding

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

	2010	2009
	RMB'000	*RMB'000*
Total assets	**1,166,734**	1,185,549
Total liabilities	**(127,872)**	(358,812)
Net assets	**1,038,862**	826,737
Group's share of net assets of associate	**415,545**	330,695
Revenue	**174,630**	930,749
Loss for the year	**(54,662)**	(256,032)
Share of loss of an associate for the year	**(21,813)**	(104,553)

The Directors of the Company reviewed the carrying amount of the interest in the associate as at 31 March 2010. In view of the continuing losses of the associate, the Directors of the Company were of the opinion that the recoverable amount of the interest in associate is less than its carrying amount as at 31 March 2010, and accordingly an impairment loss of approximately RMB308,882,000 (2009: Nil) was recognised during the year ended 31 March 2010.

23. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	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.

As at 31 March 2009, the Directors of the Company carried out a review of the recoverable amount of the available-for-sale investments. The review led to the recognition of an impairment loss of approximately RMB2,294,119,000, which had been recognised in the consolidated statement of comprehensive income for the year ended 31 March 2009. The recoverable amount of the available-for-sale investments had been determined on the basis of their value in uses.

Pursuant to the Schemes, Group's entire equity interests in the PRC Subsidiaries were transferred to the Schemes on 19 March 2010, being the effective date of the Schemes.

Movements in impairment of available-for-sale investments

	2010	2009
	RMB'000	*RMB'000*
At the beginning of the year	**2,294,119**	–
Impairment losses recognised	**–**	2,294,119
Write-back on transfer of the investments to the Schemes	**(2,294,119)**	–
At the end of the year	**–**	2,294,119

24. INVENTORIES

	2010	2009
	RMB'000	*RMB'000*
Raw materials	**82**	–
Finished goods	**5,715**	–
	5,797	–

25. TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM DECONSOLIDATED SUBSIDIARIES AND AN ASSOCIATE

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**20,386**	41,989
Less: Impairment	**–**	(11,472)
Trade receivables (net of impairment)	**20,386**	30,517
Prepayments and other receivables	**2,257**	17,518
Less: Impairment	**(200)**	–
Prepayments and other receivables (net of impairment)	**2,057**	17,518
Trade and other receivables	**22,443**	48,035
Amounts due from an associate	**2,417**	–
Amounts due from deconsolidated subsidiaries	**492,594**	1,665,142
Less: Impairment	**(479,705)**	(1,628,434)
Amounts due from deconsolidated subsidiaries (net of impairment)	**12,889**	36,708

25. TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM THE DECONSOLIDATED SUBSIDIARIES AND AN ASSOCIATE (CONTINUED)

Trade receivables

The Group allows an average credit period of 30 – 90 days to its trade customers. The following is an aged analysis of trade receivables, net of impairment, presented based on the invoice date at the end of the reporting period.

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**18,426**	–
91 to 180 days	**549**	13,244
181 to 365 days	**1,411**	17,253
Over 365 days	**–**	20
	20,386	30,517

Included in the Group's trade receivables as at 31 March 2010 are debtors with aggregate carrying amount of approximately RMB1,960,000 (2009: RMB30,517,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2010	2009
	RMB'000	*RMB'000*
91 to 180 days	**549**	13,244
181 to 365 days	**1,411**	17,253
Over 365 days	**–**	20
	1,960	30,517

25. TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM THE DECONSOLIDATED SUBSIDIARIES AND AN ASSOCIATE (CONTINUED)

Trade receivables (Continued)

Movements in impairment of trade receivables

	2010	2009
	RMB'000	*RMB'000*
At the beginning of the year		
1 April	**11,472**	–
Impairment losses recognised	**–**	11,472
Write-back on transfer of trade receivables to the Schemes	**(11,472)**	–
At the end of the year	**–**	11,472

Included in the trade receivables as at 31 March 2009 are individually impaired debtors with an aggregate balance of RMB11,472,000. The Group does not hold any collateral over these balances.

Pursuant to the Schemes, trade receivables of RMB30,517,000 were transferred to the Schemes on 19 March 2010.

Pursuant to the Schemes, prepayment and other receivables of RMB2,572,000 were transferred to the Schemes on 19 March 2010.

Movements in impairment of prepayments and other receivables

	2010	2009
	RMB'000	*RMB'000*
At the beginning of the year	**–**	–
Impairment losses recognised	**200**	–
At the end of the year	**200**	–

Included in the impairment of prepayments and other receivables are individually impaired balances with aggregate balance of RMB200,000 (2009: Nil). The Group does not hold collateral over the balances.

25. TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM THE DECONSOLIDATED SUBSIDIARIES AND AN ASSOCIATE (CONTINUED)

Amounts due from deconsolidated subsidiaries and an associate

The amount due from deconsolidated subsidiaries (the PRC Subsidiaries) and an associate are unsecured, non-interest-bearing and repayable on demand.

Movement in impairment of amounts due from deconsolidated subsidiaries

	2010	2009
	RMB'000	*RMB'000*
At the beginning of the year	**1,628,434**	–
Write-back on transfer of amounts to the Schemes	**(1,163,412)**	–
Impairment losses recognised	**14,683**	1,628,434
At the end of the year	**479,705**	1,628,434

Included in the impairment of amounts due from deconsolidated subsidiaries are individually impaired amounts with aggregate balance of RMB479,705,000 (2009: RMB1,628,434,000). The Group does not hold collateral over the balances.

26. BANK BALANCES AND CASH

At 31 March 2009, bank balances of approximately RMB544,000 and RMB8,462,000 were denominated in US$ and HK$ respectively.

At 31 March 2010, all bank balances and cash of the Group are denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Bank balances carry interest at market rates which ranged from 0.01% to 0.36% per annum (2009: 0.01% to 4.14% per annum).

Pursuant to the Schemes, bank balances and cash of RMB5,137,000 were transferred to the Schemes on 19 March 2010.

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

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**6,664**	11,143
Accruals and other payable	**15,284**	54,154
Amounts due to the Schemes	**413,445**	–
Payable arising from terminations of derivative financial instruments	**–**	684,304
Trade and other payables	**435,393**	749,601
Amount due to an associate	**867**	23,981
Amounts due to directors	**–**	779

Pursuant to the Schemes, trade and other payables of RMB746,930,000 were transferred to the Schemes on 19 March 2010.

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

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**5,156**	7,398
91 to 180 days	**1,382**	885
181 to 365 days	**126**	1,100
Over 365 days	**–**	1,760
	6,664	11,143

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

27. TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO AN ASSOCIATE AND DIRECTORS (CONTINUED)

Amounts due to the Schemes

The amounts represented the NFG Repayment Obligation, the NAIH Obligation and amounts due by the Group to the subsidiaries that were transferred to the NFG SPV and the NAIH SPV pursuant to the Schemes.

Except for an amount of RMB123,270,000 as at 31 March 2010 which bears interest at 5% per annum, all balances are unsecured, non-interest bearing, and are repayable on demand or within 1 year from the end of the reporting period.

Amounts due to an associate and directors

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

Pursuant to the Schemes, amounts due to an associate and directors of RMB23,891,000 and RMB779,000 respectively were transferred to the Schemes on 19 March 2010.

28. UNSECURED INTEREST-BEARING BORROWINGS

	2010	2009
	RMB'000	*RMB'000*
Bank borrowings	–	1,355,264
Bank overdrafts	–	32,027
Trust receipts loans	–	5,445
	–	1,392,736
Repayable on demand	–	1,392,736

The unsecured interest-bearing borrowings carried variable interest ranged from 1.6% to 4.6% per annum during the year ended 31 March 2009. As at 31 March 2009, borrowings of approximately RMB62,961,000, RMB38,258,000 were denominated in HK$ and US$ respectively.

During the year ended 31 March 2009, the Group breached certain covenant clauses in respect of its bank borrowings in relation to default in repayments. As a result, unsecured interest-bearing borrowings of RMB739,439,000 as at 31 March 2009 that were originally not repayable within twelve months from the end of the reporting period had became repayable on demand and were therefore presented as current liabilities. Unsecured interest-bearing borrowings (including bank overdrafts) of RMB1,435,058,000 were transferred to the Schemes on 19 March 2010.

29. OBLIGATIONS UNDER FINANCE LEASES

It was the Group's policy to lease certain of its machinery and equipment under finance leases. The average lease term was 3 to 5 years and the effective borrowing rate was ranged 1.91% to 5.1% per annum during the year ended 31 March 2009 and the period from 1 April 2009 to 19 March 2010.

Pursuant to the terms of the NAIH Scheme, the Group's obligations under finance leases will be divided into secured and unsecured portion on 19 March 2010. The secured portion will be determined with reference to valuation of the relevant leased assets. Any claims, including interest costs, arising from obligations under finance leases in excess of the secured portion will be borne by the NAIH Scheme. As a result, the obligations under finance leases as at 31 March 2010 became non-interest bearing. On 19 March 2010, obligations under finance leases of RMB7,723,000 was treated as unsecured portion and transferred to the NAIH Scheme.

	Minimum lease payments		**Present value of lease payments**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable under finance leases				
On demand	**28,300**	33,175	**28,300**	32,591
Less: future finance charges	**–**	(584)	**–**	–
Present value of lease obligations	**28,300**	32,591	**28,300**	32,591
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(28,300)**	(32,591)
Amount due for settlement after 12 months			**–**	–

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 2010, the Group had breach certain covenant clauses in respect of its obligations under finance lease. As a result, obligations under finance leases of RMB7,209,000 as at 31 March 2010 that are originally not repayable within twelve months from the end of the reporting period had become repayable on demand and were therefore presented as current liabilities as at 31 March 2010.

30. SHARE CAPITAL

	Number of shares	*HK$'000*	**2010** ***RMB'000***	2009 *RMB'000*
Ordinary shares of HK$0.1 each				
Authorised:				
At 1 April 2008, 31 March 2009, 1 April 2009 and 31 March 2010	5,000,000,000	500,000		
Issued and fully paid:				
At 1 April	1,259,461,601	125,946	**132,383**	132,383
Change in functional currency	–	–	**(21,135)**	–
At 31 March	1,259,461,601	125,946	**111,248**	132,383

As further explained in note 1 to the consolidated financial statements, due to the change in the functional currency of the Company, the share capital of the Company was retranslated to RMB at the exchange rate ruling on 1 April 2009.

31. SHARE-BASED PAYMENT 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".

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 3 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 3 September 2013	HK$2.57

31. SHARE-BASED PAYMENTS TRANSACTIONS (CONTINUED)

	Date of grant	Number of options granted	Vesting period	Exercise period	Exercise price
1st Batch C	26 September 2006	7,017,000	26 September 2006 to 25 September 2010	26 September 2010 to 3 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 3 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 3 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 3 September 2013	HK$2.29

	Number of share options				
Share option holders	**Outstanding at 1 April 2009**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31 March 2010**
Directors					
Mr. Dai Wei (retired on 25 November 2009)	**5,000,000**	–	–	**(5,000,000)**	–
Mr. Chen Xiang Dong (retired on 25 November 2009)	**5,000,000**	–	–	**(5,000,000)**	–
Mr. Choi Tat Ying, Jacky	**500,000**	–	–	–	**500,000**
Sub-total	**10,500,000**	–	–	**(10,000,000)**	**500,000**
Employees of the Group	**13,304,000**	–	–	**(1,004,000)**	**12,300,000**
Total	**23,804,000**	–	–	**(11,004,000)**	**12,800,000**
Exercisable at end of the year	–				**6,394,000**
Weighted average exercise price *(HK$)*	**2.43**	–	–	**2.43**	**2.43**

31. SHARE-BASED PAYMENTS TRANSACTIONS (CONTINUED)

	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 (retired on 30 December 2008)	10,000,000	–	–	(10,000,000)	–
Mr. Dai Wei (retired on 25 November 2009)	5,000,000	–	–	–	5,000,000
Mr. Chen Xiang Dong (retired on 25 November 2009)	5,000,000	–	–	–	5,000,000
Mr. Yang Bin (retired on 30 December 2008)	1,000,000	–	–	(1,000,000)	–
Mr. Lee Cheuk Yin, Dannis (retired on 15 January 2009)	500,000	–	–	(500,000)	–
Mr. Choi Tat Ying, Jacky	500,000	–	–	–	500,000
Sub-total	22,000,000	–	–	(11,500,000)	10,500,000
Employees of the Group	17,054,000	–	–	(3,750,000)	13,304,000
Total	39,054,000	–	–	(15,250,000)	23,804,000
Exercisable at end of the year	–				3,963,000
Weighted average exercise price *(HK$)*	2.43	–	–	2.43	2.43

The options outstanding as at 31 March 2010 have a remaining contractual life of 3.5 years (2009: 4.5 years) and the exercise prices range from HK$2.29 to HK$2.57 (2009: HK$2.29 to HK$2.57).

31. SHARE-BASED PAYMENTS TRANSACTIONS (CONTINUED)

Options are forfeited if the employee leaves the Group, no matter the options have vested or not. All the options forfeited before expiry of the options will be treated as lapsed options under the Share Option Scheme.

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 statement of comprehensive income for share options during the year ended 31 March 2010 was approximately RMB1,554,000 (2009: RMB2,950,000).

32. 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.

(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 Group's subsidiaries 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. These subsidiaries did not have any profit available for appropriation to the general reserve fund and the enterprise expansion fund for the years ended 31 March 2010 and 2009.

33. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

Certain office premises of the Group are leased under operating lease arrangement. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating which fall due as follows:

	2010	2009
	RMB'000	*RMB'000*
Within one year	**–**	890
In the second to fifth years inclusive	**–**	530
	–	1,420

(b) Capital commitments

	2010	2009
	RMB'000	*RMB'000*
Contracted for but not provided in the consolidated financial statements in respect of the acquisition of machinery and equipment	**807**	1,373

34. GAIN ARISING FROM THE RELEASE OF INDEBTEDNESS

As disclosed in note 2 to the financial statements, the Schemes became effective on 19 March 2010. Pursuant to the Schemes, certain assets and liabilities of the Group, including the entire equity interests in New-Tech, Smooth Ride, were transferred to the Schemes. The Group recorded a gain arising from the release of indebtedness of RMB1,763,355,000. The consolidated assets and liabilities deconsolidated at 19 March 2010 were as follows:

34. GAIN ARISING FROM THE RELEASE OF INDEBTEDNESS (CONTINUED)

	RMB'000
Property, plant and equipment	267
Goodwill	–
Available-for-sale investments	–
Trade and other receivables	33,089
Bank balances and cash	5,137
Trade and other payables	(746,930)
Amounts due to directors	(779)
Amount due to an associate	(23,891)
Unsecured interest-bearing borrowings (excluding bank overdrafts)	(1,389,428)
Bank overdrafts	(45,630)
Obligations under finance leases	(7,723)
Net liabilities deconsolidated	(2,175,888)
Release of foreign currency translation reserve	74
Amounts due to the Schemes	412,459
Gain arising from the release of indebtedness	(1,763,355)
Amounts due to the Schemes comprised of:	
Net balances with New-Tech, Smooth Ride, Fullitech and Norstar Chassis transferred to the Schemes	223,603
Amounts due to the Schemes arising from the debt restructuring *(note 2)*	188,856
	412,459
Net cash inflow from the release of indebtedness:	
Bank balances and cash	(5,137)
Bank overdrafts	45,630
	40,493

35. 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 was 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 treated 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	652,059
Bank balances and cash	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 23)*	2,294,119
Net cash outflow from deconsolidation of subsidiaries	2,582,035

36. CONTINGENCIES

(i) As at 31 March 2010, the Company provided the NFG Undertaking and Fullitech provided the Fullitech Corporate Guarantee for a sum up to the NAIH Repayment Obligation (2009: Nil).

(ii) As further detailed in note 2 to the consolidated financial statements, the Group may be required to resume the indebtedness of RMB2,214,381,000 that were transferred to the Schemes should the Schemes be revoked by the creditors of the Schemes under the consent from the High Court.

37. RELATED PARTIES TRANSACTIONS

(i) Further balances and transactions with related parties are disclosed elsewhere in the consolidated financial statements.

(ii) The emoluments of the Directors of the Company (representing key management personnel) during the year are set out in note 14.

38. PLEDGE OF ASSETS

The Group's entire and 40% equity interests in Norstar Chassis and Profound Global respectively were pledged for the NAIH Repayment Obligation as set out in note 2.

39. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2010	2009
	RMB'000	*RMB'000*
Non-current asset		
Investment in a subsidiary	**–**	–
Current assets		
Amounts due from subsidiaries	**–**	–
Other receivables	**–**	239
Bank balances and cash	**–**	131
	–	370
Current liabilities		
Amount due to the NFG Scheme	**(176,100)**	–
Other payables	**(231)**	(32,785)
	(176,331)	(32,785)
Net current liabilities	**(176,331)**	(32,415)
	(176,331)	(32,415)
Capital and reserves		
Share capital	**111,248**	132,383
Reserves	**(287,579)**	(164,798)
	(176,331)	(32,415)

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at 31 March 2010 and 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 share capital	Proportion ownership interest and voting power held by the Company	Principal activities
NAIH	Hong Kong	Ordinary shares	HK$100,000,000	100%	Investment holding
Norstar Chassis*	PRC	Contributed capital	US$49,000,000	100%	Design, development, manufacturing and sale of auto brakes, shock absorbers, suspension and transmission

* Wholly foreign-owned enterprises registered in the PRC.

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

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

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 8 September 2010, as disclosed in note 2, the Company issued the Senior Note of HK$15,000,000 and the proceeds were utilised to repay the NAIH Obligation.

On 15 August 2011 and 6 September 2012, the Company and the holder of the Senior Note entered into the side letters in relation to the Senior Note, pursuant to which both parties agreed to extend the maturity date of the Senior Note to 8 September 2012 and 28 February 2013 respectively.

(b) 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 be 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)	**2010**	2009	2008	2007	2006
Turnover	**50,705**	110,570	3,886,485	3,497,159	2,658,993
Cost of good	**(42,397)**	(100,737)	(3,249,713)	(2,881,914)	(2,165,218)
Gross profit	**8,308**	9,833	636,772	615,245	493,775
Other income	**12,876**	19,468	100,779	48,568	21,067
Distribution and selling expense	**(3,276)**	(1,356)	(45,474)	(57,508)	(49,135)
Administrative Expense	**(25,496)**	(78,761)	(82,172)	(116,929)	(59,909)
Operating Profit	**(7,588)**	(50,816)	609,905	489,376	405,798
Finance Expense	**(59,605)**	(58,165)	(84,060)	(71,046)	(66,389)
Gain arising from the release of indebtedness	**1,763,355**	–	–	–	–
Impairment loss recognised on investments in deconsolidated subsidiaries	**–**	(2,294,119)	–	–	–
Impairment loss recognised on amounts due from deconsolidated subsidiaries	**(14,683)**	(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	**(308,882)**	–	–	–	–
Share of profits of an associate	**(21,813)**	(104,553)	34,514	35,655	42,755
Profit before tax	**1,350,784**	(4,853,932)	562,682	453,985	382,164
Income tax expense	**(683)**	(616)	(52,801)	(49,835)	(34,851)
Profit for the year	**1,350,101**	(4,854,548)	509,881	404,150	347,313
Exchange difference arising on translation	**–**	(1,575)	–	–	–
Exchange difference released on deconsolidation of subsidiaries	**74**	(180,058)	–	–	–
	1,350,175	(5,036,181)	509,881	404,150	347,313
Attributable to:					
Equity holders of the Company	**1,350,175**	(5,036,181)	509,881	404,150	347,313
Minority Interests	**–**	–	–	–	–
	1,350,175	(5,036,181)	509,881	404,150	347,313

FIVE YEAR FINANCIAL SUMMARY

(RMB'000)	**2010**	2009	2008	2007	2006
Non-Current Assets					
Property, plant and equipment	**44,618**	41,578	979,068	854,567	739,198
Deposits paid for acquisition of property, plant and equipment	**–**	4,120	–	–	–
Prepaid land lease payments	**–**	–	55,034	56,282	57,530
Goodwill	**–**	–	29,639	29,639	29,639
Other intangible assets	**–**	–	10,823	743	–
Investment in associate	**–**	330,695	435,248	423,357	396,690
	44,618	376,393	1,509,812	1,364,588	1,223,057
Current Assets					
Inventories	**5,797**	–	62,290	81,202	44,850
VAT receivable	**–**	–	75,009	145,625	127,168
Trade and other receivables	**22,443**	48,035	621,079	715,059	715,532
Amount due from an associate	**2,417**	–	–	–	–
Amounts due from deconsolidated subsidiaries	**12,889**	36,708	–	–	–
Derivative financial instruments	**–**	–	4,261	–	–
Pledged bank deposits	**–**	–	15,439	16,450	16,670
Cash and bank balances	**375**	10,119	2,782,306	1,727,085	1,063,163
	43,921	94,862	3,560,384	2,685,421	1,967,383
Current Liabilities					
Trade and other payables	**(435,393)**	(749,601)	(112,676)	(186,867)	(99,584)
Amount due to an associate	**(867)**	(23,981)	(1,161)	–	–
Amounts due to directors	**–**	(779)	(596)	–	–
Derivative financial instruments	**–**	–	(15,212)	–	–
Obligations under finance leases	**(28,300)**	(32,591)	(16,858)	–	–
Senior note	**–**	–	–	–	–
Unsecured interest-bearing borrowings	**–**	(1,392,736)	(209,652)	(186,978)	(175,875)
Current portion of non-current borrowings	**–**	–	–	(361,265)	(188,440)
Notes payable	**–**	–	–	–	–
Convertible bonds	**–**	–	–	(56,753)	–
Current tax liabilities	**(1,299)**	(616)	(16,297)	(14,128)	(13,330)
	(465,859)	(2,200,304)	(372,452)	(805,991)	(477,229)
Net Current Assets	**(421,938)**	(2,105,442)	3,187,932	1,879,430	1,490,154
Non-Current Liabilities					
Convertible bonds	**–**	–	–	–	(66,645)
Obligation under finance leases	**–**	–	(20,209)	–	–
Unsecured interest-bearing borrowings	**–**	–	(1,301,468)	(279,720)	(616,336)
	–	–	(1,321,677)	(279,720)	(682,981)
Net Asset (Liability)	**(377,320)**	(1,729,049)	3,376,067	2,964,298	2,030,230