



Chairman's Statement



On behalf of the Board of Directors (the "Directors"), I am pleased to present the first annual results of Norstar Founders Group Limited ("Norstar", together with its subsidiaries, the "Group") after its listing on the Main Board of The Stock Exchange of Hong Kong Limited (The "Stock Exchange") on 10 October 2003. The satisfactory response to the initial public offering and the placement showed that the Group has the support and confidence of both institutional and individual investors. After the listing, the Group has been aggressively expanding its overseas and domestic markets, developing diversified and high value added products, and improved its productivity. As a result, the Group recorded substantial gains in turnover and profits during the year. It recorded profits of about RMB163,521,000, an increase of 24% compared to the same period last year and higher than the profit estimate of no less than RMB150 million in the prospectus.

The successful listing has been a major driving force for Norstar and has provided sufficient financial resources for its future development. To provide comprehensive automotive spare parts and services to our customers, Norstar will continue to expand its business, strengthen its production facilities and research and development technology, and improve its manufacturing standards. We believe the experience and expertise we accumulated over the years will provide a strong foundation for us to develop new products in the future. Furthermore, with the expansion of the Anhui production plant and construction of the new production plant and administrative building in the Beijing Economic and Technological Development ("BETD") Zone due to be completed in the near future, the Group is poised to capture the immense business opportunities in both the domestic and overseas markets.

Apart from boosted internal operations and production capacity, the Group's sales strategy and strong customer base are also major contributors to its success. The Group's sales and service network now spans the United States, Canada and Europe. We will continue to extend our sales and service network, and are planning to establish our own direct sales centers and branches in major markets in the near future. Building an international logistics and delivery network will enable us to fulfill the demand of the global markets.

Since early 2003, the Group has begun to trade and distribute automotive spare parts for independent third parties. In the future, to meet increasing customer demands, we will extend the business to cover a wider range of automotive spare parts.

As China develops to become one of the world's leading auto parts production and procurement centers, Norstar is looking at a larger market. In the past year, despite the surge in raw material prices, with strong supplier relations and on-going strategy to reduce steel wastage, there was minimal effect on the Group's operating costs. Besides, the Group has sufficient funds that HK\$283,000,000 and HK\$229,000,000 were raised respectively from the listing last year and the placement in April this year; a syndicated loan facility of HK\$380,000,000 was arranged in May 2004, providing it with ample capital for future developments.

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Looking ahead, the Group hopes to develop a comprehensive automotive spare part business, adding new items especially high-end value-added products into its product portfolio. As for project development, the Group will focus on the vertical integration and extension of its automotive spare parts business, enhancing the operation of a comprehensive supply chain of automotive spare parts and assembly units, and developing substantial capabilities in producing automobile chassis system parts. The Group will also, through merger and acquisition, draw in and integrate quality manufacturing and product resources both from within and outside the PRC. These efforts will be instrumental for the Group in meeting overseas market demands and expanding the PRC market while adding value to its products and creating increasing revenue.

The *Automobile Industry Policy* recently promulgated by the PRC government is evidence of the importance of the industry to the economy. It includes a number of measures to promote the healthy development of China's automobile industry, such as streamlining the administrative approval procedures on technology standards, encouraging manufacturers to develop patent products and establish brand-names and service systems, facilitating merger and reorganization efforts of existing manufacturers, and creating a better spending environment. Driven by the booming automobile industry in the PRC, the demand for quality automotive spare parts is expected to increase remarkably. Leveraging the Group's years of experience and good reputation, the management is confident of Norstar's growth in the PRC market. We strongly believe that our carefully mapped out yet flexible operation strategy and stable dividend policy will enable us to bring satisfactory returns to our shareholders.

On behalf of the directors, I would like to thank our customers, suppliers, bankers, business associates and shareholders for their continuous support. I would also like to thank our management and our staff for their hard work over the years, and we will continue to work closely towards a brighter future.

On behalf of the Board

Lilly Huang

Chairman

Hong Kong, 23 June 2004