

The directors submit their report together with the audited financial statements for the year ended 31 March 2004.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands.

Pursuant to a group reorganisation to rationalise the structure of the Company and its subsidiaries ("Group") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange, the Company became the holding company of the companies now comprising the Group on 26 September 2003. Details of the group reorganisation are set out in the Company's prospectus dated 29 September 2003.

The shares of the Company have been listed on The Stock Exchange since 10 October 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 13 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 39.

The directors declared an interim dividend of RMB24,700,000 which was paid on 6 October 2003.

The directors recommend the payment of a final dividend of HK\$0.024 per ordinary share, totalling RMB23,659,000.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on pages 42 and 69 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 22 to the financial statements.

Directors' Report

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 4 September 2003 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 exercise price of the options is the higher of (i) the closing price of the shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant and (ii) the average closing price of the shares as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of grant. The options are exercisable for a period to be notified by the directors to each grantee. Such period will not exceed ten years from the date on which the option is granted.

The maximum number of shares which may be issued upon the exercise of all outstanding options and yet to be exercised under the share option scheme and any other scheme of the Company shall not exceed 30% of the total issued share capital of the Company from time to time. Subject always to the above overall limit, the directors may grant options under the share option scheme, generally and without further authority, in respect of such number of shares which may be issued upon exercise of all options to be granted under the share option scheme not exceeding 83,000,000 shares.

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

As at 31 March 2004, no options have been granted or agreed to be granted under the share option scheme.

DISTRIBUTABLE RESERVES

As at 31 March 2004, the Company's share premium reserve of approximately RMB518,307,000 (subject to Section 34 of the Cayman Companies Law and the article of association of the Company), and retained earnings of approximately RMB24,956,000 were available for distribution to the Company's shareholders.

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 73.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period from 10 October 2003, the date of listing of the Company's shares, to 31 March 2004 (the "Listing Period"), the Company has not redeemed any of the Company's shares.

During the Listing Period, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

DIRECTORS

The directors during the year and up to the dates of this report are:

Executive Directors

Ms. Lilly Huang

Mr. Zhou Tian Bao

Ms. Zhang Zhen Juan (appointed on 1 October 2003)

Mr. Lee Cheuk Yin, Dannis (appointed on 1 October 2003)

Mr. Wong Lit Chor, Alexis (appointed on 1 October 2003 and resigned on 31 March 2004)

Mr. Yang Bin (appointed on 1 October 2003)

Independent Non-Executive Directors

Mr. Liu Zhong Liang (appointed on 1 October 2003)

Mr. Choi Tat Ying, Jacky (appointed on 1 October 2003)

In accordance with Article 108 of the company's Articles of Association, Mr. Lee Cheuk Yin, Dannis will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company received confirmation of independence in respect of the year ended 31 March 2004 from each of the independent non-executive directors pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). Up to and as at the date of this report, the Company still considers the independent non-executive directors to be independent.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive directors of the Company entered into a service agreement with the Company on 1 October 2003. Each of these service agreements is for a initial term of 3 years from 1 October 2003 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term. Each of the independent non-executive directors entered into appointment letters with the Company on 1 October 2003. Each of these appointment letters is for a term of 2 years from date of the appointment letter.

Directors' Report

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

Save for those transactions described in the note "Related Party Transactions" in note 25 to the financial statements and the section "Connected Transactions" below, none of the directors had material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 21.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2004, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Nature of interest	Number of shares	Approximate percentage of shareholding
Ms. Lilly Huang	Corporate	600,000,000 (L) (Note)	72.29

The letter "L" denotes a long position in shares of the Company.

Notes:

The entire issued share capital of Century Founders Group Limited is wholly and beneficially owned by Ms. Lilly Huang and therefore Ms. Lilly Huang is taken to be interested in the long position of these shares pursuant to Part XV of the SFO.

SHARES HELD BY SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors of the Company, as at 31 March 2004, other than the interests of the Directors of the Company as disclosed above, the following persons had interests in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or was otherwise, as at 31 March 2004, interested in 5% or more of any class of the then issued share capital of the Company, or was otherwise, as at 31 March 2004, a substantial shareholder (as defined in Listing Rule) of the Company:

Name	Number of shares held	Percentage of issued shares
Century Founders Group Limited	600,000,000 (Note 1)	72.29%
Ms. Lilly Huang	600,000,000 (Note 1)	72.29%
J.P. Morgan Chase & Co.	107,909,000 (Note 2)	13.00%

Notes:

1. The entire issued share capital of Century Founders Group Limited is wholly and beneficially owned by Ms. Lilly Huang and therefore Ms. Lilly Huang is taken to be interested in the long position of these shares pursuant to Part XV of the SFO.
2. According to the information as disclosed in the website of the Stock Exchange and so far as the Directors are aware, J.P. Morgan Chase & Co. held its interest in the Company in the manner as follows:
 - (a) 32,973,000 shares in a lending pool, representing approximately 3.97% of the Company's then total issued shares, were held by JPMorgan Chase Bank, which was 100% held by J.P. Morgan Chase & Co.; and
 - (b) 74,936,000 shares, representing approximately 9.03% of the Company's then total issued shares, were held in the capacity as investment manager by JF Asset Management Limited. JF Asset Management Limited was approximately 99.99% held by J.P. Morgan Fleming Asset Management (Asia) Inc., which, in turn, was ultimately 100% held by J.P. Morgan Chase & Co..

Save as disclosed above and so far as the Directors are aware, as at 31 March 2004, no other person (other than the Directors of the Company) had an interest or short position in the Company's shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial shareholder of the Company.

Directors' Report

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 68% of its goods and services from its 5 largest suppliers and sold less than 40% of its goods and services to its 5 largest customers.

Save as disclosed in Note 25 to the financial statements, none of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

The following connected transactions were entered into by members of the Group during the year:

1. Pursuant to a lease agreement dated 6 August 2000 (the "Premises Lease Agreement") entered into between Anhui Industries and Trading Corporation ("Anhui Industries") and Beijing Norstar Automotive Industries, Inc. ("Beijing Norstar"), a sino-foreign equity joint venture in which the Group had an equity interest of 90% as at 31 March 2004, Anhui Industries has leased to Beijing Norstar a factory complex at 68 Shanxiang Road, Bengbu, Anhui Province, the PRC (the "Premises") for a term of five years commencing from 6 August 2000 to 5 August 2005 at an annual rent of RMB2.3 million. By a supplemental agreement dated 24 August 2002 (the "Supplemental Premises Lease Agreement") entered into between the parties, the term of the lease agreement was extended for a further five years up to 5 August 2010 with any increase in rent to be agreed between the parties on the basis that the increased rent for each of the five years during the extended term shall not be more than 120% of the rent payable immediately before the extension.

During the year ended 31 March 2004, the amount of rent paid by the Group to Anhui Industries for the Premises was approximately RMB2.3 million.

2. Pursuant to a lease agreement dated 20 December 1997 (the "First Equipment Lease Agreement") entered into between Anhui Industries and Beijing Norstar, Anhui Industries has leased to Beijing Norstar certain pressure machineries ("Pressure Machineries") for a term of eight years commencing from 20 December 1997 to 19 December 2005 at an annual rent of RMB3.1 million.

During the year ended 31 March 2004, the amount of rent paid by the Group to Anhui Industries for the Pressure Machineries was approximately RMB3.1 million.

3. Pursuant to a lease agreement dated 6 August 2000 (the "Second Equipment Lease Agreement") entered into between Anhui Industries and Beijing Norstar, Anhui Industries has leased to Beijing Norstar certain production machineries ("Production Machineries") for a term of five years commencing from 6 August 2000 to 5 August 2005 at an annual rent of RMB5.4 million.

During the year ended 31 March 2004, the amount of rent paid by the Group to Anhui Industries for the Production Machineries was approximately RMB5.4 million.

The directors, including the independent non-executive Directors, have reviewed the connected transactions and confirmed that:

- (i) the connected transactions have been entered into by the Group in the ordinary and usual course of business;
- (ii) the connected transactions have been entered into on an arm's length basis and, where there are comparable transaction, on normal commercial terms which are no less favourable than terms available to (or from) independent third party (to the extent that there are comparable transactions);
- (iii) the connected transactions are fair and reasonable so far as the shareholders of the Company are concerned;
- (iv) the connected transactions have been entered into in accordance with the respective terms of the agreements relating to such transactions; and
- (v) the connected transactions are within the applicable upper limits as follows:
 - i. in the financial year ended 31 March 2004, the annual aggregate consideration payable in respect of the Premises Lease Agreement (as supplemented by the Supplemental Premises Lease Agreement) did not exceed RMB2.3 million
 - ii. in the financial year ended 31 March 2004, the annual aggregate consideration payable in respect of the First Equipment Lease Agreement and the Second Equipment Lease Agreement did not exceed RMB8.5 million
 - iii. in the financial year ended 31 March 2004, the amount of the Group Guarantee did not exceed RMB380 million; and

Directors' Report

- iv. in the financial year ended 31 March 2004, the annual aggregate consideration payable (i) in respect of the Premises Lease Agreement and (ii) in respect of the First Equipment Agreement and Second Equipment Lease Agreement did not exceed the higher of either HK\$10,000,000 or 3% of the latest published net tangible assets of the Group from time to time.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the Directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules since the listing of its shares on the Main Board of the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by officers of the Group on terms no less exacting than the Model code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the paragraph 14 of Code of Best Practice. The primary duties of the audit committee are to review and supervise the accounting principles and practices adopted by the Group, the financial reporting process and internal controls systems of the Group.

The audit committee comprises two independent non-executive directors, namely Mr. Liu Zhong Liang and Mr. Choi Tat Ying, Jacky. The audit committee held a meeting on 23 June 2004 to review the annual report of the Company and to give opinion and advice to the board of directors of the Company.

The audit committee has also reviewed the terms and conditions of connected transactions of the Company which took place during the year ended 31 March 2004.

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.

POST BALANCE SHEET DATE EVENTS

Details of major post balance sheet date events are set out in Note 28 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

On behalf of the Board

Lilly Huang

Chairman

Hong Kong, 23 June 2004