

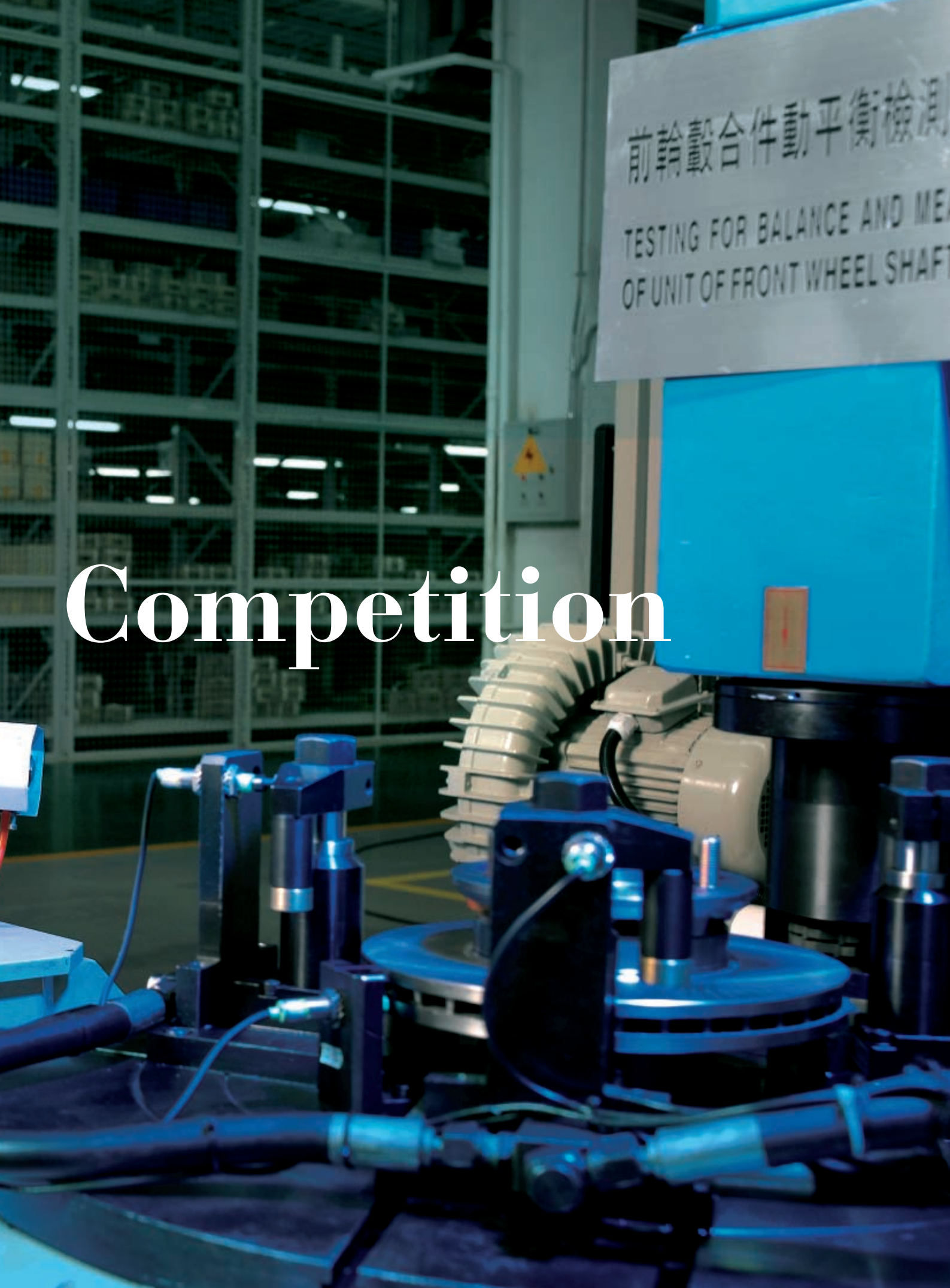


Staying Ahead of the

Norstar will seek to forge ahead with its growth strategy, stay ahead of the competition in the coming years, capitalize on the immense opportunities in the market and bring fruitful returns to shareholders.

前輪轂合件動平衡檢測
TESTING FOR BALANCE AND ME
OF UNIT OF FRONT WHEEL SHAFT

Competition





A Great Leap Forward

Chairman's Statement

Norstar will further strengthen its R&D capabilities and know-how, and strive to transform from a 'manufacturing-focused' company into a 'R&D-focused' enterprise.

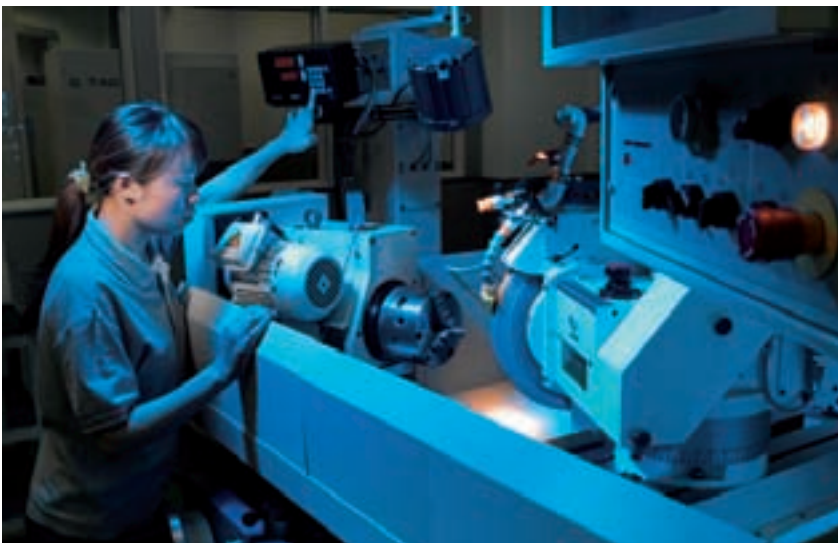
On behalf of the Board of Directors (the “**Board**”), I am delighted to present the annual results of Norstar Founders Group Limited (“**Norstar**”, or together with its subsidiaries, the “**Group**”) for the financial year 2005/06. Continuing the good performance in the previous year, the Group’s business grew with total turnover rising 20.5% to RMB2,658,993,000, and profit attributable to shareholders surging 27% to RMB347,313,000. These impressive achievements were the fruits of the Group’s aggressive strategy to develop and launch products of high added value, vertically integrated production model and effective cost control. The overall margin surged to a satisfactory 18.6% for the year.

I am delighted with the Group recording strong results again this year. During the review period, Norstar’s core auto parts business saw notable growth attributable mainly to the steady increase of sales of the division’s high value-added products. Furthermore, our continued efforts to improve the quality

and production utilization for existing products during the year resulted in increased orders from existing and new customers. Our new plant in the Beijing Economic-Technology Development Area was completed and has commenced operation. It is principally engaged in the production of high value-added products such as suspension systems, axle modules and shock absorbers that target mainly the domestic market. Norstar has signed supply agreements with many automakers including Beijing Benz-Daimler Chrysler Automotive Co., Ltd (“BBDC”), marking its entry into the league of tier-1 suppliers for PRC automobile manufacturers.

Regarding production costs, our efforts to develop high value-added products saw the proportion of steel cost come down in the Group’s total production cost, cost pressure from steel price has therefore been gradually alleviated. The cost advantages from vertical integration and benefits from heightened economies of scale became

Our continued efforts to improve the quality and production utilization for existing products during the year resulted in increased orders from existing and new customers.



R&D centre for moulds - grinding machine from Switzerland

Chairman's Statement



R&D centre for moulds - grinding machine from Switzerland

It is Norstar's long-term goal to become a world leading autoparts manufacturer and system integrator.

more apparent as our production scale continued to expand. That plus strict cost control and the expected stabilizing steel price will post positive effects on the Group's profit margins.

Being one of the largest auto parts manufacturers in the PRC, Norstar has been dedicated to the development of China's auto parts industry. The Group has organized the China Auto Parts Forum in Hong Kong for the third consecutive year, providing a platform for industry players, the financial and investment sectors, and the financial media in Hong Kong and overseas to gain better understanding of the PRC

automobile industry. At the "Norstar-HSBC China Auto Parts Forum" held on 17th May 2006, the various speakers shared the view that the PRC is going to play an increasingly important role in the global automobile market. As the worldwide auto parts industry gradually shifts focus on to high value-added products and economies of scale, China's auto parts industry has what it takes to become the next major export sector of the country. Quality auto parts manufacturers will stand to benefit from this prospect.

Having to face global competition, major international automobile enterprises have been shifting their production to low cost countries. This trend has seen China become the world's auto parts production base. As a leading auto parts manufacturer in China, seeing development opportunities emerging in the global automobile production chain, Norstar will further strengthen its R&D capabilities and know-how, and strive to transform from a 'manufacturing-focused' company into a 'R&D-focused' enterprise. It will also seek to shift from producing mainly parts and components to offering system integration and modules, thereby strengthen its competitiveness in the global market for seizing new business opportunities.

Looking ahead, to enlarge its market share and develop new markets, Norstar will continue to develop new products with higher profit margins and expand production capacities for existing products. It is Norstar's long-term goal to become a world leading auto parts manufacturer and system integrator. To this end, we will continue to identify suitable opportunities including investing in new plants and through mergers and acquisitions to expand operation, strengthen our customer network and production expertise. Furthermore, we will accelerate penetration of the PRC market as we see surging demand for quality auto parts. We hope to grow the PRC market into the Group's third major market after North America and Europe. We

will seek to forge ahead with our growth strategy aiming for steady strides in the coming years capitalizing on the immense opportunities in the market and bring fruitful returns to our shareholders.

On behalf of the Board, I would like to thank our management and staff for their contribution and dedicated efforts in the past year. I would also like to thank our customers, suppliers, financial institutions, business associates as well as shareholders for their continued support and confidence in Norstar.

Lilly Huang

Chairman

Hong Kong, 22 June 2006



Multi-process moulds



Rear axle products