NORSTAR FOUNDERS GROUP LIMITED
北 泰 創 業 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2339)

ANNOUNCEMENT OF FINAL RESULTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

HIGHLIGHTS	**2008**	2007	
	RMB'000	*RMB'000*	**Changes**
Turnover	**3,886,485**	3,497,159	11.1%
Profit attributable to equity holders	**509,881**	404,150	26.2%
Earnings per share — basic (RMB cents)	**40.56**	32.79	23.7%
Final dividend per share (HK$)	**0.065**	0.065	—

The board of directors (the "**Board**") is pleased to announce the audited consolidated results of Norstar Founders Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") for the year ended 31 March 2008, in particular that the audited consolidated profit attributable to equity holders for the year ended 31 March 2008 was RMB509,881,000, representing an increase of 26.2% over the corresponding year in 2007. The Board has declared the payment of final dividend of HK$0.065 per ordinary share for the year ended 31 March 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	**2008**	2007
		RMB'000	*RMB'000*
Turnover	2	**3,886,485**	3,497,159
Cost of goods sold		**(3,249,713)**	(2,881,914)
Gross profit		**636,772**	615,245
Other income	3	**103,932**	48,568
Distribution and selling expenses		**(45,474)**	(57,508)
Administrative expenses		**(66,019)**	(116,929)
Profit from operations		**629,211**	489,376
Finance costs	5	**(101,043)**	(71,046)
		528,168	418,330
Share of profits of an associate		**34,514**	35,655
Profit before tax		**562,682**	453,985
Income tax expense	6	**(52,801)**	(49,835)
Profit for the year attributable to equity holders of the Company	7	**509,881**	404,150
Dividends	8	**99,687**	108,644
Earnings per share	9		
Basic		**RMB40.56 cents**	RMB32.79 cents
Diluted		**RMB40.35 cents**	RMB32.29 cents

CONSOLIDATED BALANCE SHEET
At 31 March 2008

	Note	**2008** *RMB'000*	2007 *RMB'000*
Non-current assets			
Property, plant and equipment		**979,068**	854,567
Prepaid land lease payments		**55,034**	56,282
Goodwill		**29,639**	29,639
Other intangible assets		**10,823**	743
Investment in an associate		**435,248**	423,357
		1,509,812	1,364,588
Current assets			
Inventories		**62,290**	81,202
VAT receivable		**75,009**	145,625
Trade and other receivables	10	**621,079**	715,059
Derivative financial instruments		**4,261**	—
Pledged bank deposits		**15,439**	16,450
Cash and bank balances		**2,782,306**	1,727,085
		3,560,384	2,685,421
Current liabilities			
Trade and other payables	11	**114,433**	186,867
Derivative financial instruments		**15,212**	—
Short-term borrowings		**186,946**	186,978
Current portion of non-current borrowings		**39,564**	361,265
Convertible bonds		**—**	56,753
Current tax liabilities		**16,297**	14,128
		372,452	805,991
Net current assets		**3,187,932**	1,879,430
Total assets less current liabilities		**4,697,744**	3,244,018
Non-current liabilities			
Non-current borrowings		**1,321,677**	279,720
NET ASSETS		**3,376,067**	2,964,298
Capital and reserves			
Share capital		**132,383**	131,598
Reserves		**3,243,684**	2,832,700
Equity attributable to equity holders of the Company		**3,376,067**	2,964,298

Notes to the financial statements

For the year ended 31 March 2008

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2. TURNOVER

The Group is principally engaged in the manufacture and sale of auto parts and construction decorative hardware products. The Group's turnover which represents the sales of goods to customers are as follows:

	2008	2007
	RMB'000	*RMB'000*
Auto parts	**3,493,584**	3,116,595
Construction decorative hardware products	**392,901**	380,564
	3,886,485	3,497,159

3. OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
Fair value gains on derivative financial instruments	**17,535**	941
Gain on disposals of property, plant and equipment	**183**	—
Gain on trading of machineries	**3,455**	—
Interest income	**53,111**	22,940
Income from scrap sales	**25,475**	22,277
Rental income	**3,600**	1,950
Sundry income	**573**	460
	103,932	48,568

4. **SEGMENT INFORMATION**

Primary reporting format - geographical segments

The Group operates within one geographical segment in the People's Republic of China ("PRC"). All segment assets, liabilities and capital expenditure are located in the PRC and therefore no geographical segments are presented, except for the segment revenue and segment results. Segment revenue and segment results are presented based on the geographical location of customers.

Secondary reporting format – business segments

The Group's business is mainly categorised into two business segments:

— Auto parts; and

— Construction decorative hardware products.

(i) Primary reporting format – geographical segments

For the year ended 31 March 2008

	United States	Canada	Europe	The PRC and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,537,055	918,955	787,470	643,005	3,886,485
Segment results	250,124	158,035	130,723	97,890	636,772

For the year ended 31 March 2007

	United States	Canada	Europe	The PRC and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,430,245	886,027	739,096	441,791	3,497,159
Segment results	252,976	164,930	131,293	66,046	615,245

(ii) Secondary reporting format - business segments

For the year ended 31 March 2008

	Revenue	**Carrying amount of segment assets**	**Capital expenditure**
	RMB'000	*RMB'000*	*RMB'000*
Auto parts	3,493,584	1,403,671	212,537
Construction decorative hardware products	392,901	78,774	—
	3,886,485	1,482,445	212,537
Unallocated assets		3,587,751	7,488
		5,070,196	220,025

For the year ended 31 March 2007

	Revenue	**Carrying amount of segment assets**	**Capital expenditure**
	RMB'000	*RMB'000*	*RMB'000*
Auto parts	3,116,595	1,371,061	149,625
Construction decorative hardware products	380,564	146,005	14,155
	3,497,159	1,517,066	163,780
Unallocated assets		2,532,943	3,871
		4,050,009	167,651

5. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Bank charges	**1,771**	1,054
Finance charges on obligations under finance leases	**2,052**	2,737
Fair value losses on derivative financial instruments	**15,212**	—
Interest on bank borrowings	**79,803**	63,110
Interest on convertible bonds	**2,205**	4,145
	101,043	71,046

6. INCOME TAX EXPENSE

	2008	2007
	RMB'000	*RMB'000*
Current tax – PRC		
Provision for the year	**52,801**	49,835

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits in Hong Kong during the year (2007: Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The new PRC enterprise income tax law (the "New Tax Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprise at 25%. The New Tax Law was effective from 1 January 2008. The Enterprises Income Tax Law Implementation Rules was also issued in December 2007 by the State Council.

Norstar Automotive Industries, Inc. ("Norstar Automotive") and Norstar Auto Suspension Manufacturing (Beijing) Inc. ("Norstar Auto Suspension"), the principal subsidiaries of the Group, are incorporated in the PRC, locates in Beijing Economic-Technological Development Area. According to 國法 [2007] 第39號 (Guofa[2007]39) issued by the State Council dated 26 December 2007 regarding enterprises established and operating in Beijing Economic-Technological Development Area, the applicable PRC enterprises income tax rates ("EIT rate") are as follows:

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

Pursuant to the approval document dated 15 June 2007 and 28 May 2008 issued by local tax bureau and based on existing legislation, Norstar Automotive was granted tax relief, and the applicable tax rate was 11.5% for the calendar years ended 31 December 2006 and 2007. From 2008 onwards, the above tax relief would be cancelled and with the effect of the New Tax Law, Norstar Automotive is subject to PRC enterprise income tax of 18% for the three months ended 31 March 2008.

Pursuant to relevant laws and regulations in the PRC, Norstar Auto Suspension is exempted from PRC enterprise income tax for the two years from its first profit-making year and thereafter is entitled to a 50% relief from PRC enterprise income tax for the following three years. Norstar Auto Suspension was in its second profit-making year for the calendar year ended 31 December 2007 and therefore entitled to a 50% relief from PRC enterprise income tax for the three months ended 31 March 2008. The tax rate applicable to Norstar Auto Suspension, after the 50% relief and the New Tax Law, was 9%, for the three months ended 31 March 2008.

7. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2008	2007
	RMB'000	*RMB'000*
Auditors' remuneration	**1,424**	1,660
Cost of inventories sold *(note (a))*	**3,249,713**	2,881,914
Depreciation	**71,847**	51,452
Property, plant and equipment written off	**1,117**	—
Loss on disposals of property, plant and equipment	**4,798**	—
Gain on disposals of property, plant and equipment	**(183)**	—
Amortisation of other intangible assets (included in administrative expenses)	**1,033**	39
Research and development costs *(note (b))*	**121,900**	115,635
Operating lease charges in respect of:		
– Land leases	**1,248**	1,248
– Factory and office premises	**8,241**	7,164
– Plant and machinery	**3,960**	5,100
Net exchange (gains)/losses	**(14,382)**	24,941
Staff costs including directors' emoluments:		
Salaries, bonus and allowances	**73,179**	62,178
Share-based payments	**8,274**	3,554
Retirement benefit scheme contributions	**7,367**	9,669
	88,820	75,401

Notes:

(a) Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately RMB106,336,000 (2007: RMB86,759,000) which are included in the amounts disclosed separately above.

(b) Research and development costs are included in staff costs, cost of inventories sold and amortisation of other intangible assets which are disclosed separately above.

8. DIVIDENDS

	2008	2007
	RMB'000	*RMB'000*
Interim of HK$0.022 per ordinary share (2007: HK$0.022 per ordinary share)	**25,951**	27,871
Proposed final of HK$0.065 per ordinary share (2007: HK$0.065 per ordinary share)	**73,736**	80,773
	99,687	108,644

A final dividend of HK$0.065 per ordinary share will be proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 March 2009.

Dividends to equity holders of the Company attributable to the previous financial year, approved and paid during the year:

	2008	2007
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.065 per ordinary share (2007: HK$0.057 per ordinary share)	**79,483**	73,278

9. EARNINGS PER SHARE

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

	2008	2007
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share	**509,881**	404,150
Finance costs saving on exercise of convertible bonds	**2,205**	1,839
Earnings for the purpose of calculating diluted earnings per share	**512,086**	405,989

	2008	2007
Number of shares		
Issued ordinary shares at beginning of year	**1,251,367,851**	1,077,320,976
Effect of issue of shares	**—**	154,164,384
Effect of conversion of convertible bonds	**5,816,000**	911,378
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,257,183,851**	1,232,396,738
Effect of dilutive potential ordinary shares arising from convertible bonds outstanding	**11,964,111**	21,853,125
Effect of dilutive potential ordinary shares in respect of share options	**117,722**	3,110,917
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,269,265,684**	1,257,360,780

10. TRADE AND OTHER RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**512,242**	641,509
Dividend receivable	**10,808**	7,914
Prepayments and other receivables	**98,029**	65,636
	621,079	715,059

(a) The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 - 90 days	**508,394**	641,005
91 - 180 days	**3,464**	504
181 - 365 days	**364**	—
Over one year	**20**	—
	512,242	641,509

Normally, 30 to 90 days credit term is granted to customers.

(b) The carrying amounts of the trade receivables are denominated in the following currencies:

	2008	2007
	RMB'000	*RMB'000*
United States dollars	**424,244**	562,953
Hong Kong dollars	**12,140**	4,414
Renminbi	**75,858**	74,142
	512,242	641,509

(c) As of 31 March 2008, trade receivables of approximately RMB6,444,000 (2007: RMB504,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 - 90 days	**2,596**	—
91 - 180 days	**3,464**	504
181 - 365 days	**364**	—
Over one year	**20**	—
	6,444	504

11. TRADE AND OTHER PAYABLES

	2008	2007
	RMB'000	*RMB'000*
Trade payables *(note a)*	**48,059**	94,303
Accruals and other payables	**62,116**	84,804
VAT payables	**2,501**	6,428
Due to an associate *(note b)*	**1,161**	—
Due to directors *(note c)*	**596**	1,332
	114,433	186,867

(a) Aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 - 90 days	**39,168**	84,946
91 - 180 days	**6,812**	7,573
181 - 365 days	**1,625**	—
Over one year	**454**	1,784
	48,059	94,303

(b) The amount due is trade nature, unsecured, interest-free and repayable within 60 days.

(c) The amounts due are unsecured, interest-free and have no fixed repayment terms.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group recorded a turnover of approximately RMB3,886,485,000 for the financial year ended 31 March 2008, an increase of 11.1% compared to last year's RMB3,497,159,000. Gross profit amounted to approximately RMB636,772,000, an increase of 3.5% against last year's RMB615,245,000.

Total profit attributable to shareholders increased by 26.2% to approximately RMB509,881,000 from last year's RMB404,150,000. Earnings per share were RMB40.56 cents, 23.7% higher than that of last year.

The Board of Directors recommended payment of a final dividend of HK6.5 cents per share for 2007/08 payable to shareholders whose names appear on the Register of Members of the Company on 25 July 2008. Together with the interim dividend of HK2.2 cents per share already paid, the annual total dividend per share for the year amounted to HK8.7 cents which was same as last year.

During the year, the major challenge to the Group was inflation in China which increased the operating cost and other expenditure of PRC operations.

Although the US economy was generally considered as moving towards recession, our export business had not been affected as we are serving mainly the aftermarket of U.S.A.. The down trend of the economy which is dampening desire to consume motor cars is expected to translate into increase in demand for auto-parts in the aftermarket.

The continuing trend of international automobile manufacturers moving production process to China to reduce costs has been providing opportunities to us to expand OE business in the country.

New labour legislation in China

With new labor legislation taking effect in China in year 2008, all industries and especially the labor intensive ones have been put in a tougher operational environment. The Group as a capital intensive industry with labor cost accounting for about 1.5% of its total cost of production was not affected materially by the risen labor cost.

Production costs and gross profit margin

During the year, the Group's overall gross profit margin was approximately 16.4%, while that of last year's was approximately 17.6%. Although the appreciating RMB and increase in raw material costs exerted pressure on production costs, the Group's effort to change its product mix increasing the proportion of higher value added products and control costs had helped to offset the negative impacts of the harsher operational conditions.

The Group adjusted its book exchange rate of USD to RMB from 7.9 to 7.6 in April 2007 to reflect the appreciated value of the RMB, which resulted in a drop in revenue exchanged from USD to RMB.

Product research and development

The Group invested RMB 121,900,000 (FY2006/07: RMB 115,635,000) in research and development ("R&D") expenditure during the year. The amount was approximately 3.1% of the Group total sales revenue (FY2006/07: 3.3%). In this year, the Anhui research and development team developed over 450 product items including brake plates/shoes, disc brake pads and lined brake shoes, ball joints, shock absobers, brake systems and chassis stamping parts, etc., bringing the total number of auto part products it offers to over 1,600 . The Beijing research and development team also developed 20 models of suspension systems and axle modules.

Auto parts

The suspension system/axle module and shock absorber assembly lines have been in full operations with production capacity increased to 200,000 sets from 120,000 sets in the last financial year. Utilization rate was 77.5%. The Group expects its overall profit margin to grow continually after production of suspension system core parts and brake systems for use commences in the coming year and the added capacities bringing greater economies of scale.

Market analysis

Sales of suspension systems/axle modules and shock absorbers in the PRC surged markedly during the year, pointing to ample room for growth in the future. Export continued to make up the bulk of the Group's business and accounted for 81.6% of the turnover from auto parts business, with the US, Canada and Europe as major markets.

The major export markets in the US, Canada and Europe accounted for 37.2%, 21.9% and 22.5% respectively of the turnover from sales of auto parts against 38.6%, 23.5% and 23.7% last year. As for the China market, its share of contribution to the total turnover of sales of auto parts increased from about 14.2% in last year to this year's 18.4%. The Group expects to see stable growth for its markets in the US, Canada and Europe in the coming year, while focusing on developing the PRC market.

Manufacturing business

During the year, the Group's auto parts manufacturing business reported stable growth, with sales up about 7.9% to approximately RMB 2,599,285,000, accounting for 74.4% of the total turnover from sales of auto parts.

Turnover from sales of disc brake pads and lined brake shoes increased approximately 8.2% compared with last financial year. Sales of brake plates/shoes also increased about 7.7%.

Assembly business

During the year, the Group increased its annual capacity of suspension system/axle module for the business from 120,000 sets to 200,000 sets. Utilization rate of the production line was 77.5% compared to 74.7% of last year. Together with shock absorbers, turnover from assembly products rose to RMB 594,645,000 from RMB424,492,000 in the previous financial year, and their contribution to total turnover from auto parts also increased from 13.6% in last financial year to 17.0% in this year. As more and more domestic automobile manufacturers are willing to use quality auto parts to enhance product quality and more joint-venture automobile manufacturers are replacing imported auto parts with locally made ones, the management sees huge demands for the Group's suspension systems/axle modules and shock absorbers. It believes that such products will become major turnover growth drivers of the Group. As sales of these products are denominated in RMB, it will also optimize the overall currency mix of the Group's turnover and help to mitigate the negative impact of RMB appreciation.

Ball joints are the new product of the Group's Anhui plant and recorded sales of RMB5.7 million during the year. Ball joint is a core auto part used in the integration of axle modules / suspension systems. The fact that ball joint production only commenced in October 2007 explains the low utilization rate for the year. The sale is expected to increase in the coming year.

Trading business

Compared with last year, income from trading of auto parts slightly increased 3.6% to RMB293,963,000, accounting for approximately 8.4% of total auto parts sales for the year. During the year, universal joints and transmission shafts were the major auto parts products sourced by customers.

Construction decorative hardware

In the year, construction decorative hardware products generated a turnover of approximately RMB392,901,000, which was 3.2% higher than in the previous financial year. Its contribution to total sales of the Group dropped less than 1% to 10.1%. The segment's gross margin declined from last financial year's 11.8% to 10.1% mainly due to RMB appreciation.

Prospects

To boost competitiveness and lower the costs of production of their products, international automobile enterprises have been looking to purchasing auto parts of assured quality at lower prices, which are the advantages possessed by China as one of their top sourcing markets. Many of these manufacturers have set up purchasing centers in China. Some of them are keen about involving in manufacturing of auto parts in form of partnership with domestic auto-parts manufacturers in China.

As a result, China's auto parts industry has been presented with substantial orders, new technologies and huge market opportunities. As a major player in the industry, the Group is also opened to the opportunity for growth to become a world-class system integrator of auto parts enterprise. After the co-operation with Chrysler, it will speed up to attain our goal.

Along with those opportunities comes also challenges and competition. Norstar has made sure it is all geared up to compete effectively. We have confidence to get the competitive advantages.

The Group will strive to expand through organic growth and mergers & acquisitions. It will seek to expand business scale through horizontal and vertical integration, hence speed up its transformation into a world-class an automobile parts manufacturer and system integrator.

Order book

In the first quarter of FY2008/09, the Group already received sales orders of worth totaling RMB1,089,650,000 (exchange rate: USD1=RMB6.9). Excluding the effect of RMB appreciation, the sales orders would amount to RMB1,178,130,000 (exchange rate: USD1=RMB7.6), 23.8% more than that in the same period last year.

The management believes, as various high value-added products in the pipeline move into production, the Group will be able to deliver continuous growth in the near future.

Operating cost

Distribution and Selling Expenses

The Group's total distribution and selling expenses decreased by 20.9% during the year. Such decrease due to some of the customers share part of the transportation costs.

Administrative Expenses

Total administrative expenses sharply decreased 43.5% during the year. It was mainly due to the net exchange gain RMB14.4 million in this year while there was net exchange loss RMB24.9 million in last year.

Other Revenues

Other revenues mainly consisted of sales of scrap metals and waste materials, fair value gains on derivative financial instruments and interest income for the year. Interest income soared by 131.5% during the year, mainly due to the increase in total cash balances which surged 60.5% compared with the year ended 31 March 2007. Further, the higher revenue from sale of scrap metals was mainly attributable to the increased scrap metal sales volume due to rising production volume.

Finance Costs

During the year, total finance costs rose by 42.2% compared with the last financial year. The interest on bank borrowings increased 26.5% compared with last year as huge increment in bank borrowings. On the other hand, there was approximately RMB15 million fair value losses on the derivative financial instruments.

Share of profits of an associate

The Group owned 40% stake in Profound Global Group, which manufactures and sales of metal ware products, trading of motor vehicle accessories as well as provision of electroplating subcontracting services. During the period between 1 April 2007 and 31 March 2008, Profound Global Group recorded total turnover of RMB1,243,998,000 (FY2006/07: RMB1,360,807,000), unaudited profit before taxation of RMB96,524,000 (FY2006/07: RMB113,093,000) and unaudited net profit of RMB86,284,000 (FY2006/07: RMB89,138,000), representing declines of 8.6%, 14.7% and 3.2% respectively, against the last financial year. Since the intensifying competition for motor vehicle accessories market in China and the rate of tax refund for the export decreased from 13% to 5%, the business of Profound Global Group was dragged down.

Profound Global Group declared a dividend of HKD4,000,000 to the Group for the year.

Impact of RMB appreciation

During the year, export sales which were mostly denominated in US dollars accounted for 83.5% of the Group's total turnover. However, most of the cost of goods sold including raw materials, labor cost and administration expenditure were paid in RMB. Hence, the Group faces a great challenge during the year.

The Group has increased the price for part of the products which aim at mitigating the impact of RMB appreciation on its profits. In addition, the Group plans to increase its PRC turnover to approximately 50% within the next 3 to 5 years. In addition, the Group is maintaining a bank loan portfolio which is mainly denominated in foreign currencies, i.e. US dollars and HK dollars. The continual appreciation of RMB against both US and HK dollars has therefore resulted in foreign exchange gains upon revaluation of the Group's foreign currency loan portfolio.

The Group's financial position, liquidity and capital structure

As at 31 March 2008, the Group had total net assets of approximately RMB3,376,067,000 and net current assets of around RMB3,187,932,000, compared to approximately RMB2,964,298,000 and RMB1,879,430,000 respectively as at 31 March 2007.

The average receivable turnover for the year was 54 days compared to 60 days for FY2006/07. The decrease in receivable turnover days for the year was mainly due to certain major customers speed up their settlement.

The average payable turnover for the year decreased slightly to 16 days from last year's 18 days. Average inventory turnover for the year decreased to 8 days from last year's 9 days.

During the year under review, total cashflow from operations amounted to approximately RMB699,215,000 compared to RMB564,492,000 last year. Total capital expenditure was RMB220,025,000 (FY2006/07: RMB167,651,000).

As at 31 March 2008, the Group's cash and cash equivalents decreased to approximately RMB1,682,306,000 compared to RMB1,727,085,000 as at 31 March 2007. Total borrowings for the Group increased from RMB884,716,000 to RMB1,548,187,000, resulting in a net cash position of approximately RMB134,119,000 (31 March 2007: RMB842,369,000).

Over 90% of the Group's cash and bank balances is denominated in RMB with a small portion in HK dollars and US dollars. Continuing RMB appreciation has prompted management to maintain most of the Group's cash and bank balances in RMB so as to minimize foreign exchange losses for the cash holdings. In addition, to mitigate the impact of RMB appreciation on its earnings, the Group's loan portfolio is principally denominated in foreign currencies such as HK dollars and US dollars. As at 31 March 2008, approximately 90.3% of the Group's total borrowings were denominated in foreign currencies, and almost all the borrowings bear floating interest at prevailing market rates.

Looking ahead, the Group's cash and bank balances will be principally used to finance operations, capital expenditures required for various green-field and capacity expansion projects. They will also form part of the "war chest" for the Group's potential acquisitions in the future.

Charge on assets

As at 31 March 2008, bank deposits of approximately RMB15,439,000 (31 March 2007: RMB16,450,000) were pledged as security for certain banking facilities of the Group.

Capital Commitments and Contingent Liabilities

As at 31 March 2008, the Group's total capital commitments amounted to RMB142,490,000 (31 March 2007: RMB148,068,000). There were no material contingent liabilities as at 31 March 2008 (31 March 2007: Nil).

Employees and Remuneration Policies

As at 31 March 2008, the Group had a total of approximately 1,986 employees. Total staff costs amounted to RMB88,820,000 (FY2006/07: RMB75,401,000) during the year. 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. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. As at 31 March 2008, the Group granted a total of 39,054,000 share options to directors and eligible staffs to reward them for their contribution to the Group.

Pre-emptive rights

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

Purchase, sale or redemption of securities

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

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

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

Auditor

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

Corporate governance practices

The Company has complied with code provisions and, to certain extent, the recommended best practices of the Code on Corporate Governance Practices (the "Code") which is set out in Appendix 14 to Rules Governing the Listing of Securities in Hong Kong throughout the year ended 31 March 2008.

Remuneration committee

The primary duties of the remuneration committee are to make recommendation to the Board on the remuneration of executive Director and senior management and the fees and emoluments of non-executive Directors.

The main elements of the Company's emolument policy are that no individual should determine his or her own remuneration, remuneration should reflect performance, complexity and responsibility of the individual, and the remuneration package will be structured to include salary, bonus and share options to provide incentives to Directors and senior management to improve their individual performance.

During the year, the committee reviewed the remuneration package of executive directors and made recommendation to the Board. As at 31 March 2008, the remuneration committee comprised of three independent non-executive Directors, Mr. Choi Tat Ying, Jacky (chairman), Mr. Zhang Jian Chun, Ms. Zhang Xin, Cindy, and one non-executive Director, Mr. Lee Cheuk Yin, Dannis.

Nomination committee

The primary duties of the nomination committee are to consider and assess the qualifications and character of candidates for directorships on the Board, if any. The recommendations of the nomination committee are then put forward for consideration and adoption by the Board. The selection of individual to become Director is based on assessment of their professional qualifications and experience.

As at 31 March 2008, the nomination committee comprised one non-executive Director, Mr. Lee Cheuk Yin, Dannis (chairman) and three independent non-executive Directors, Mr. Choi Tat Ying, Jacky, Mr. Zhang Jian Chun and Ms. Zhang Xin, Cindy.

Audit committee

The primary duties of the audit committee are to review and supervise the accounting principles and practices adopted by the Group, and the financial reporting process and internal control systems of the Group. It also monitors the appointment and function of the Group's external auditor.

During the year, it reviewed the Group interim result, annual result and internal control system. As at 31 March 2008, the audit committee comprised of three independent non-executive Directors, namely, Mr. Choi Tat Ying, Jacky (chairman), Mr. Zhang Jian Chun and Ms. Zhang Xin, Cindy. Two audit committee meetings held on 13 December 2007 and 12 June 2008.

Internal control and risk management

The Board of the Company is granted full authority to maintain the soundness and effectiveness of the internal control system and risk management procedures of the Group, including setting an internal review team composed of members from various department to ensure efficient and effective use of the Group's resources to assist the Group in achieving its operation objectives, safeguarding the Group's assets against any unauthorised use or disposal, ensuring an appropriate maintenance of accounting records and the availability of reliable financial information for internal use or external release, and ensuring compliance of all operating activities with laws and regulations. The control system is intended to have in place reasonable safeguards against material misrepresentation or loss, and to ensure safeguard on shareholders' interests.

The Board intends to further improve its internal control and risk management with a view to achieve a better work flow in future.

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") contained in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by directors. The Company has made specific enquiry of all Directors, and the Directors confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by directors.

Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company for the year ended 31 March 2008.

Investor relations

The Company uses two-way communication channels to account to shareholders and investors for the performance of the Company. All the shareholders have 21 days' notice of annual general meeting at which directors are available to answer questions on the business. Extensive information about the Group's activities is provided in its Annual Report and Interim Report which are sent to shareholders and investors.

The Company conducts briefings with analysts and press to apprise them of the Group's operating results, business strategies and outlook right after reporting its interim or annual results. Highlights of the Company's operating performance are also released on a quarterly basis. Other than those regular updates, the Company issues announcements or press releases where appropriate to comply with the Listing Rules requirement or keep the public informed of the Company's latest development. In order to further enhance communication with the investment community, the Group's management holds regular roadshows, and participates actively in company visits and investors' conferences.

Final Dividends

The Directors recommend the payment of a final dividend of HK$0.065 (2007: HK$0.065) per share to the shareholders on the register of members as of 25 July 2008 amounting to approximately HK$81,865,000 (2007: HK$81,655,000).

Closure of Register of Members

The Company's register of members will be closed from 22 July 2008 to 25 July 2008, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the final dividend and attendance at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates and the appropriate share transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 21 July 2008.

On behalf of the Board
Norstar Founders Group Limited
Lilly Huang
Chairman

Hong Kong, 12 June 2008

As the date of this announcement, the Board comprises of the following Directors:

Executive Directors:
Ms. Lilly Huang (Chairman)
Mr. Zhou Tian Bao (Chief Executive Officer)
Ms. Zhang Zhen Juan
Mr. Yang Bin
Mr. Dai Wei
Mr. Chen Xiang Dong

Non-executive Director:
Mr. Lee Cheuk Yin, Dannis

Independent non-executive Directors:
Mr. Choi Tai Ying, Jacky
Ms. Zhang Xin, Cindy
Mr. Zhang Jian Chun