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PEARL RIVER TYRE (HOLDINGS) LIMITED

(Registered under the Companies Act, 1981 of Bermuda with limited liability)

(Stock Code: 01187)

RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

The Directors of Pearl River Tyre (Holdings) Limited (the “Company”) are pleased to announce the audited consolidated results of the Company, subsidiaries and the joint venture (the “Group”), consolidated balance sheets and consolidated statements of cash flows for the financial year ended 31 December 2008 (the “financial year”) together with the comparative figures for the financial year ended 31 December 2007 (the “previous financial year”) and the notes thereon.

REVIEW OF RESULTS OF OPERATIONS

The Group registered a turnover of HK\$453,190,000 and consolidated loss of HK\$66,893,000 for the financial year. Basic loss per share was 63.6 Hong Kong cents.

The results of our principal business, Guangzhou Pearl River Rubber Tyre Limited (the “Joint Venture”) can be summarised as follows:–

1. Sale of goods decreased by approximately HK\$203,312,000 representing a decline of 31.0% for the financial year. The decline was attributable to the decrease in both domestic and export volumes.
2. The Joint Venture sustained a gross loss margin of 0.9% during the financial year as compared to the previous financial year of 7.4% gross profit margin. This was mainly due to the increase in raw material prices and the impairment loss in the value of inventory of finished goods.

The consolidated loss was worsened by loss on the fair value changes of the listed securities in Malaysia amounting to HK\$10,091,000.

CONSOLIDATED INCOME STATEMENT

	<i>NOTE</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	3	453,190	656,502
Cost of sales		(457,328)	(608,153)
Gross (loss)/profit		(4,138)	48,349
Other (loss)/gain	4	(6,989)	7,267
Selling and distribution expenses		(10,113)	(10,862)
Administrative expenses		(19,517)	(23,915)
Other operating expenses		(19,703)	(14,167)
Finance costs	5	(6,433)	(7,818)
Loss before taxation	6	(66,893)	(1,146)
Income tax expense	7	–	–
Loss for the year		(66,893)	(1,146)
Basic loss per share : Hong Kong cents	8	(63.6)	(1.1)

CONSOLIDATED BALANCE SHEET

	<i>NOTE</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-Current Assets			
Property, plant and equipment		184,111	191,323
Operating lease prepayments		12,999	13,039
Investment in an associate		4,475	4,475
Investments in listed securities		89,909	114,721
Intangible asset		–	451
Total Non-Current Assets		291,494	324,009
Current Assets			
Investments in listed securities		11,231	22,497
Inventories		65,870	109,928
Trade receivables	<i>10</i>	13,409	40,020
Other receivables and prepayments		7,147	15,438
Tax recoverable		263	965
Fixed deposits with licensed banks		26,854	112,126
Cash and bank balances		34,598	36,531
Total Current Assets		159,372	337,505
Current Liabilities			
Trade payables	<i>11</i>	40,453	86,727
Other payables and accruals		20,823	19,633
Amount due to a director		5,612	5,385
Provisions		2,740	6,573
Borrowings		80,827	165,317
Total Current Liabilities		150,455	283,635
Net Current Assets		8,917	53,870
Net Assets		300,411	377,879
EQUITY			
Share capital		110,716	110,716
Reserves		189,695	267,163
Total Equity		300,411	377,879

CONSOLIDATED CASH FLOW STATEMENT

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Operating activities		
Loss before taxation	(66,893)	(1,146)
Adjustments for:–		
Allowance for doubtful debts	1,386	495
Amortisation of operating lease prepayments	859	788
Amortisation of intangible asset	473	434
Depreciation of property, plant and equipment	23,561	20,341
Bad debts written off	522	–
Interest expense	5,173	5,949
Plant and equipment written off	62	–
(Reversal)/Additional provision for product warranty	(2,416)	4,040
Unrealised loss on foreign exchange	2,104	394
Loss on disposal of listed securities		
– held for trading	–	1,084
Loss/(Gain) on fair value changes of listed securities		
– held for trading	10,091	(6,198)
Interest income	(836)	(584)
Dividend income from listed securities		
– available-for-sale	(1,419)	(826)
– held for trading	(602)	(519)
	(27,935)	24,252
Decrease in inventories	42,292	6,476
Decrease/(Increase) in trade and other receivables	32,258	(15,386)
(Decrease)/Increase in trade and other payables	(46,257)	24,873
Cash generated from operations	358	40,215
Interest received	836	584
Interest paid	(5,173)	(5,949)
Net cash (used in)/generated from operating activities	(3,979)	34,850
Investing activities		
Decrease/(Increase) in fixed deposits, net	85,272	(101,502)
Purchase of property, plant and equipment	(4,393)	(27,146)
Purchase of listed securities		
– held for trading	–	(3,658)
Proceeds from disposal of listed securities – held for trading	–	4,381
Dividend received	2,021	1,345
Net cash generated from/(used in) investing activities	82,900	(126,580)

CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Financing activities		
Drawdown of borrowings	181,958	165,317
Repayment of borrowings	(266,448)	(81,874)
Advances from related parties	505	1,082
Advances from a director	226	1,879
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(83,759)	86,404
	<hr/>	<hr/>
Net decrease in cash and bank balances	(4,838)	(5,326)
Cash and bank balances at beginning of the year	36,531	40,823
Effect of foreign exchange rate changes, net	2,905	1,034
	<hr/>	<hr/>
Cash and bank balances at end of the year	34,598	36,531
	<hr/>	<hr/>

Notes:

1. BASIS OF PREPARATION

The Company is listed on The Stock Exchange of Hong Kong Limited (“The Stock Exchange”). The financial statements of the Group are prepared in Hong Kong dollars for the purposes of the reporting requirements that apply in Hong Kong. The financial statements of the Group and of the Company denominated in Hong Kong dollars have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance except that the investment in an associate is not accounted for in the consolidated financial statements using the equity method under HKAS 28 – Investments in Associates, as the directors consider that the amount involved is not material. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

During the financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the HKICPA that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2008. The adoption of these new and revised Standards and Interpretations did not result in substantial changes to the Group’s accounting policies nor have affected the amounts reported for the current year or prior years.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK (IFRIC) – INT 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellation	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKFRS 39 (Amendment)	Financial instruments: recognition and measurement – eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK (IFRIC) – INT 17	Distributions of non-cash assets to owners	(ii)
HK (IFRIC) – INT 13	Customer loyalty programmes	(iii)
HK (IFRIC) – INT 16	Hedges of a net investment in a foreign operation	(iv)
HK (IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK (IFRIC) – INT 18	Transfers of assets from customers	(iv)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41 – HKFRS 5	(i) (ii)

1. BASIS OF PREPARATION (Cont'd)

Effective date:

- (i) Effective for financial periods beginning on or after 1 January 2009.
- (ii) Effective for financial periods beginning on or after 1 July 2009.
- (iii) Effective for financial periods beginning on or after 1 July 2008.
- (iv) Effective for financial periods beginning on or after 1 October 2008.
- (v) Effective for financial periods beginning on or after 1 June 2009.
- (vi) Transfers of assets from customers received on or after 1 July 2009.

The Group is in the process of making an assessment of what the impact of these new or revised Standards or Interpretations is expected to be in the period of their initial application.

2. SEGMENTAL INFORMATION

(i) Primary reporting format – business segments

	Manufacturing <i>HK\$'000</i>	Investment Holding <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
2008				
Turnover	<u>453,190</u>	<u>–</u>	<u>–</u>	<u>453,190</u>
RESULTS:				
Segment results (external)	(44,182)	(16,290)	12	(60,460)
Finance costs	(6,433)	–	–	<u>(6,433)</u>
Loss before taxation				(66,893)
Income tax expense				<u>–</u>
Loss for the year				<u>(66,893)</u>
OTHER INFORMATION:				
Segment assets	<u>337,529</u>	<u>113,337</u>		<u>450,866</u>
Segment liabilities	<u>(138,676)</u>	<u>(11,779)</u>		<u>(150,455)</u>
Capital expenditure	4,393	–		4,393
Depreciation and amortisation	24,842	51		24,893

2. SEGMENTAL INFORMATION (Cont'd)

(i) Primary reporting format – business segments (Cont'd)

	Manufacturing <i>HK\$'000</i>	Investment Holding <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
2007				
Turnover	656,502	–	–	656,502
RESULTS:				
Segment results (external)	3,859	2,800	13	6,672
Finance costs	(7,818)	–	–	(7,818)
Loss before taxation				(1,146)
Income tax expense				–
Loss for the year				(1,146)
OTHER INFORMATION:				
Segment assets	509,625	151,889		661,514
Segment liabilities	(273,805)	(9,830)		(283,635)
Capital expenditure	27,146	–		27,146
Depreciation and amortisation	21,359	204		21,563

(ii) Secondary reporting format – geographical segments

2008	Revenue <i>HK\$'000</i>	Carrying Value of Segment Assets <i>HK\$'000</i>	Capital Additions <i>HK\$'000</i>
The People's Republic Of China	192,450	337,349	4,393
Republic of India	20,230	–	–
Republic of Yemen	39,154	–	–
The People's Republic Of Bangladesh	32,664	–	–
Singapore	39,089	6,277	–
Malaysia	15,907	107,240	–
Others	113,696	–	–
	453,190	450,866	4,393

2. SEGMENTAL INFORMATION (Cont'd)

(ii) Secondary reporting format – geographical segments (Cont'd)

2007	Revenue <i>HK\$'000</i>	Carrying Value of Segment Assets <i>HK\$'000</i>	Capital Additions <i>HK\$'000</i>
The People's Republic Of China	253,100	508,855	27,146
Republic of India	82,553	–	–
Republic of Yemen	44,589	–	–
The People's Republic Of Bangladesh	32,645	–	–
Singapore	87,175	8,956	–
Malaysia	27,508	143,703	–
Others	128,932	–	–
	<u>656,502</u>	<u>661,514</u>	<u>27,146</u>

3. TURNOVER

Turnover of the Group represents the invoiced value of goods sold and services rendered less discounts and returns.

4. OTHER (LOSS)/GAIN

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss)/Gain on fair value changes of listed securities		
– held for trading	(10,091)	6,198
Loss on disposal of listed securities – held for trading	–	(1,084)
Dividends received from listed securities		
– available-for-sale	1,419	826
– held for trading	602	519
Interest income	836	584
Others	245	224
	<u>(6,989)</u>	<u>7,267</u>

5. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank loans wholly repayable within one year	5,173	5,949
Bank charges	1,260	1,869
	<u>6,433</u>	<u>7,818</u>

6. LOSS BEFORE TAXATION

In addition to those disclosed in Note 3, 4 and 5, the loss before taxation is arrived at after charging/ (crediting) the following:–

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cost of goods sold (including impairment of inventory of HK\$6,583,000 for 2008 (2007 – nil))	457,328	608,153
Staff costs (excluding directors' remuneration)		
– Wages, salaries and other benefits	38,376	35,803
– Retirement benefit scheme contributions	6,860	5,870
Allowance for doubtful debts (<i>Note 10</i>)	1,386	495
Auditors' remuneration	471	479
Amortisation of operating lease prepayments (included in administrative expenses)	859	788
Amortisation of intangible asset (included in administrative expenses)	473	434
Bad debts written off	522	–
Depreciation of property, plant and equipment	23,561	20,341
Plant and equipment written off	62	–
(Reversal)/additional provision for product warranty	(2,416)	4,040
Loss/(Gain) on fair value changes of listed securities – held for trading	10,091	(6,198)
Loss on disposal of listed securities – held for trading	–	1,084
Loss on foreign exchange, net		
– realised	3,350	4,735
– unrealised	2,104	394
Rental expenses:		
– land and buildings	2,984	2,305
– machinery	1,567	1,293
– hostel	25	16
Dividends received from listed securities	(2,021)	(1,345)

7. INCOME TAX EXPENSE

The Company was incorporated under the laws of The British Virgin Islands and continued under the laws of Bermuda subsequent to its migration. At present, no income, profit, capital or capital gain taxes are levied in Bermuda. Accordingly, no provision for such taxes has been recorded by the Company. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until 28 March 2016.

No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong for the current and the previous financial years.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"). This New CIT Law reduced the corporate income tax rate for domestic enterprises from 27% to 25% with effect from 1 January 2008.

For the year ended 31 December 2008, the statutory corporate income tax rates applicable to the Joint Venture established and operating in the PRC was 25% (2007 – 27%). No taxation is provided for the Joint Venture as it sustained a loss for tax purposes.

7. INCOME TAX EXPENSE (Cont'd)

A reconciliation of the income tax expense applicable to the loss before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:–

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loss before taxation	<u>(66,893)</u>	<u>(1,146)</u>
Tax at the statutory tax rates		
– Mainland China @ 25% (2007 – 27%)	(13,046)	(1,056)
– Hong Kong @ 17.5% (2007 – 17.5%)	<u>(2,851)</u>	<u>490</u>
	(15,897)	(566)
Tax effects of:–		
Non-deductible expenses	4,944	915
Non-taxable income	(2,096)	(1,418)
Reduction in tax rate	(1,426)	–
Utilisation of unutilised tax losses brought forward	–	(407)
Deferred tax assets not recognised during the year	<u>14,475</u>	<u>1,476</u>
Income tax expense	<u>–</u>	<u>–</u>

As at 31 December 2008, subject to the agreement of the local tax authorities, the Joint Venture had tax losses arising in PRC of RMB58,039,000 (2007 – RMB9,607,000) that were available for offsetting against future taxable profits. Such losses will be carried forward for five years from the year that the losses were incurred. The expiration years for the losses incurred by the Joint Venture are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Expired in year:		
2008	–	2,694
2009	6,913	6,913
2011	<u>51,126</u>	<u>–</u>
	<u>58,039</u>	<u>9,607</u>

No deferred tax assets have been recognised on the following temporary differences due to the unpredictability of the future profitability of the Group:–

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Allowance for doubtful debts	30,649	27,492
Allowance for obsolete inventories	3,439	3,230
Provision for product warranty	2,464	6,455
Provision for sales incentives	8,745	8,221
Unrealised loss on foreign exchange	2,150	2,250
Unutilised tax losses	46,141	5,941
Others	<u>28,921</u>	<u>14,423</u>
	<u>122,509</u>	<u>68,012</u>

8. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$66,893,000 (2007 – loss of HK\$1,146,000) for the year and on the number of shares in issue during the year of 105,116,280 (2007 – 105,116,280).

There is no dilutive effect on the basic loss per share for the financial year and the previous financial year.

9. DIVIDENDS

No dividends were paid since the end of the previous financial year and the Directors do not recommend the payment of any dividend for the financial year. No dividends were recommended in the previous financial year.

10. TRADE RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	44,058	67,512
<i>Less: allowance for doubtful debts (Note 10(b))</i>	<u>(30,649)</u>	<u>(27,492)</u>
	<u>13,409</u>	<u>40,020</u>

(a) Ageing analysis

The ageing analysis of trade receivables as at the balance sheet date is as follows:–

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Less than one year	12,021	38,880
More than one year but less than two years	2,435	1,916
More than two years	<u>29,602</u>	<u>26,716</u>
	44,058	67,512
<i>Less: allowance for doubtful debts</i>	<u>(30,649)</u>	<u>(27,492)</u>
	<u>13,409</u>	<u>40,020</u>

The normal credit terms of trade receivables range from 7 to 30 days.

10. TRADE RECEIVABLES (Cont'd)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At 1 January	27,492	25,108
Additional allowance for the year	1,386	495
Effect of foreign exchange translation	1,771	1,889
	<u>30,649</u>	<u>27,492</u>

(c) Trade receivables that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Neither past due nor impaired	5,178	22,198
Less than one year past due	6,843	16,643
More than one year but less than two years past due	1,388	1,179
	<u>13,409</u>	<u>40,020</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(d) The foreign currency exposure profile of trade receivables is as follows:–

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Renminbi	–	7,079
United States Dollar	13,409	32,941
	<u>13,409</u>	<u>32,941</u>

11. TRADE PAYABLES

The ageing analysis of trade payables as at the balance sheet date is as follows:–

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Less than one year	32,790	79,545
More than one year but less than two years	322	666
More than two years	7,341	6,516
	<u>40,453</u>	<u>86,727</u>

The foreign currency exposure profile of trade payables is as follows:–

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Renminbi	<u>40,453</u>	<u>86,727</u>

12. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current financial year's presentation:–

	AS RESTATED <i>HK\$'000</i>	AS PREVIOUSLY REPORTED <i>HK\$'000</i>
Consolidated Balance Sheet (Extract):–		
Current assets		
Fixed deposits with licensed banks	112,126	–
Cash and bank balances	36,531	–
Cash and cash equivalents	–	148,657
	<u> </u>	<u> </u>
Consolidated Income Statement (Extract):–		
Turnover	656,502	658,655
Other (loss)/gain	7,267	–
Other income	–	6,198
Other operating expenses	(14,167)	(15,251)
	<u> </u>	<u> </u>
Consolidated Cash Flow Statement (Extract):–		
Operating activities		
Additional provision for product warranty	4,040	454
Decrease in inventories	6,476	10,062
Investing activities		
Decrease/(Increase) in fixed deposits, net	(101,502)	–
Net cash generated from/(used in) investing activities	(126,580)	(25,078)
Net decrease in cash and bank balances	(5,326)	–
Net increase in cash and cash equivalents	–	96,176
Cash and bank balances at beginning of the year	40,823	–
Cash and cash equivalents at beginning of the year	–	51,447
Cash and bank balances at end of the year	36,531	–
Cash and cash equivalents at end of the year	–	148,657
	<u> </u>	<u> </u>

13. MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

The two largest factors that plagued Chinese tyre manufacturers during the year were the acute decline in export sales and an extremely volatile commodity prices. As most investments in the past several years were mainly targeted at building capacities to cater for the then ever rising export sales, the sudden downturn has left many stranded with excess capacities and high inventory costs.

The sudden sharp correction in raw material prices, which plummeted more than 50% in some cases from the peak, coupled with continued sluggish export market, further compounded the problem, as manufacturers were unable to defend selling prices and unwind inventory holding at inflated costs.

While the Joint Venture was not insulated from the above developments, management's bold steps taken to significantly downsize capacities and unwind inventory holdings, have effectively and substantially mitigated the effects. Management's efforts to refocus on the domestic market has also paid-off as the inland market, especially those catering for the agricultural, mining and construction activities are still showing healthy growth. The Joint Venture has also introduced special new products, such as T327 to cater for such needs.

The government has also introduced certain proactive business measures recently, which included the following:

1. Complete abolishment of import duty for compounded rubber;
2. Restoration of export rebate to 9% from 5%;
3. Gradual reduction of base lending rate from almost 9% to 5.8% currently; and
4. Stabilisation of Renminbi at the current level of RMB6.83: USD1.

All these measures were meted out within a short span of time, which showed a serious commitment from the government to provide the much needed support to the industry.

Internally, the Joint Venture has also initiated various programs to further reduce cost and improve efficiencies. These measures included:-

1. Optimising utility costs by operating single boiler with full scale production of the designated line;
2. Producing only what we can sell. This has effectively reduced all inventories such as raw material, work-in-progress and finished goods; and
3. Reducing headcount by almost 20% to 1,600 employees.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Sales

Our sales registered a decline of 31% in 2008. This was largely due to the significant decline in export volumes. The domestic market although showed an overall decline in 2008, certain inland markets have shown positive signs of recovery. Towards the last quarter of 2008, sectors such as agricultural, mining and constructions have recovered due to the stimulus package rolled out by the government.

Our Light Truck Radial ("LTR") tyres especially the Z101 and Z102 range were performing well in the market. LTR is an important part of our product mix as the market demand will continue to grow with newer vehicles on the road. We expect a strong growth in this segment and plans are underway to increase our product range.

However, the Off The Road market has been declining since last year. Many factories have halted production due to oversupply and various tyre failure problems during service. The management has taken steps to significantly improve our product quality to gain market share.

Production

The plant facilities were in excellent condition throughout the year with minimal unplanned downtime. This is not only due to slower sales but also some major improvement in the production planning and scheduling.

By limiting our usage to only one boiler, we were able to concentrate on maximising yield to meet sales demand at lower cost. This measure has also resulted in savings on electricity, heating cost and manpower.

No new equipment was acquired during the year.

Prospect

The decision by the board of directors to scale down production in May 2008 while others went full steam ahead with production has proven to be correct and timely. Our inventories were minimal when material prices suddenly plummeted in October 2008 and today we are able to produce to meet the demand at much lower cost.

The exodus of a number of bias ply manufacturers in the industry is seen as an opportunity for the Joint Venture. Our formula for survival has always been to be the most competitive bias ply manufacturer with an exceptionally high quality product.

Given the favourable government policies, relatively lower and more stable raw material cost and improving manufacturing efficiency, the management is hopeful that 2009 will be a better year for the Joint Venture provided the global economic situation does not deteriorate any further.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Financial Review

Liquidity and Financial Resources

During the financial year, the Joint Venture had bank borrowings of RMB101.7 million. As cash flow remains positive, the Joint Venture does not foresee any working capital difficulties and accordingly expects the level of borrowings to remain stable over the next few years. As at 31 December 2008, the Group had pledged fixed deposits, cash and bank balances amounting to HK\$61,452,000 (2007 – HK\$148,657,000) and short-term borrowings of HK\$80,827,000 (2007 – HK\$165,317,000). The borrowings bear a weighted average interest rate of 8.00% (2007 – 7.19%) per annum. As at 31 December 2008, the Group had total assets of HK\$450,866,000 (2007 – HK\$661,514,000) which were financed by current liabilities of HK\$150,455,000 (2007 – HK\$283,635,000) and shareholders' equity of HK\$300,411,000 (2007 – HK\$377,879,000).

Capital Structure

There has been no change in the capital structure of the Company during the financial year.

Gearing and Liquidity ratio

The Group's gearing ratio, defined as the ratio between total borrowings and shareholders' equity, was 0.269 (2007 – 0.437). The liquidity ratio of the Group represented by a ratio between current assets over current liabilities was 1.06 (2006 – 1.19).

Charges on Group Assets

As at 31 December 2008, the Joint Venture pledged buildings, relevant rights of land usage, production machinery and inventories by way of a fixed charge and floating charge over the other assets of the Joint Venture for banking facilities granted.

Contingent Liability

The Group did not have any significant contingent liabilities as at 31 December 2008.

Employees

The Group currently employs a total of 1,600 employees. We expect this level of workforce to remain stable in the foreseeable future despite an increase in production. Wages are maintained at competitive levels and bonuses are awarded on a performance related basis. Nevertheless, the Group continues to review plant efficiency to ensure optimum levels of productivity are achieved consistently.

Foreign Currency Risk

The Group is subject to foreign currency risk as certain of its payables to raw material suppliers and certain accounts receivable arising from export sales are denominated in foreign currencies, principally in US dollars. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's performance. Management will continue to monitor closely the exchange risk and hedge by forward exchange contracts and applicable derivatives when necessary.

14. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

15. CODE OF CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensure that the best corporate governance practices are applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and improve the financial performance of the Group.

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx") throughout the year with the exception that the non-executive directors of the Company have no set terms of office but retire from office on a rotational basis in accordance with the Company's Bye-laws.

The Board aims to continually review and enhance the corporate governance practices of the Group.

16. AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-Executive Directors.

The Audit Committee is answerable to the Board of Directors and the principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process. The Audit Committee had reviewed with the management of the Company and Shu Lun Pan Horwath Hong Kong CPA Limited, the auditors of the Company, the audited consolidated financial statements of the Group for the year ended 31 December 2008.

17. AUDIT REPORT

The audit report of the Group's financial statements for the year is unqualified.

18. AUDITED FINANCIAL STATEMENTS

The Group's audited financial statements for the financial year will be provided to the HKEx no later than 30 April 2009 for publication on the HKEx's website.

19. ANNUAL GENERAL MEETING

The notice of the Fifteenth Annual General Meeting will be published and issued in due course.

By order of the Board

Goh Nan Yang

Director

Kuala Lumpur, 8 April 2009

As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Goh Nan Kioh, the Non-Executive Chairman, Mr. Goh Nan Yang, the Executive Director, Mr. Yeoh Eng Khoon, the Non-Executive Director, Mr. Yeow See Yuen, Mr. Khoo Teng Keat and Mr. Won Thean Sang, being the Independent Non-Executive Directors.