PEARL RIVER TYRE (HOLDINGS) LIMITED

(Registered under the Companies Act 1981 of Bermuda with limited liability)
(Stock Code : 1187)

RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

The Directors of Pearl River Tyre (Holdings) Limited (the "Company") are pleased to announce the audited consolidated results of the Company, subsidiaries, associate and the Joint Venture (the "Group"), consolidated balance sheets and consolidated statements of cash flows for the financial year ended 31 December 2005 (the "financial year") together with the comparative figures for the financial year ended 31 December 2004 (the "previous financial year") and the notes thereon.

Review of Results of Operations

The Group registered a consolidated profit of HK$7.023 million for the financial year ended 31 December 2005. Basic earnings per share was 6.7 Hong Kong cents.

The increase in profit was mainly due to the turnaround recorded by our 70% equity interest in Guangzhou Pearl River Rubber Tyre Limited ("the Joint Venture"). The Joint Venture registered an increase in revenue and profit before taxation of HK$791.626 million and HK$16.367 million respectively.

The results of Guangzhou Pearl River Rubber Tyre Limited can be summarised as follows:–

1. Turnover increased by approximately RMB176.3 million to RMB833.5 million representing a 26.8% growth for the financial year. The growth in turnover was driven by an increase in the export market, which was up 63.9%. Total unit of export sales increased by 202,543 units of tyres or 37% to 744,261 units of tyres; and
2. With the implementation of more stringent controls in administrative, selling and distribution and other operating costs, the Joint Venture reduced its overall operating expenses by RMB4.5 million or 6.8%. Warranty claims reduced by RMB2.8 million. Allowance for doubtful debts decreased by RMB2.4 million.

Despite the challenging market conditions, the performance of the Group in 2006 has been encouraging so far. The Directors are cautiously optimistic that with the strategies taken thus far and currently being implemented, we will show further improvements throughout this year.

Consolidated Income Statement

	Note	2005 HK$'000	2004 HK$'000 (As Restated)	2004 HK$'000 (As Previously Reported)
Revenues	*3*	554,701	432,901	141
Cost of sales		(497,449)	(392,594)	–
Gross profit		57,252	40,307	141
Other income	*4*	671	4,220	–
Cost and expenses		–	–	(7,518)
Selling and distribution expenses		(12,716)	(14,157)	–
Administrative expenses		(21,448)	(22,538)	–
Other operating expenses		(11,594)	(14,228)	–
Profit/(Loss) from continuing operating activities		12,165	(6,396)	(7,377)
Finance costs	*5*	(5,142)	(5,527)	–
Share of net (loss)/profit accounted for using the equity method of:–				
– Joint Venture		–	–	(4,360)
– Associate		–	4,440	4,440
		–	4,440	80
Profit/(Loss) before taxation	*6*	7,023	(7,483)	(7,297)
Taxation	*7*	–	–	–
Net profit/(loss) for the financial year		7,023	(7,483)	(7,297)
Basic earnings/(loss) per share Hong Kong cents	*8*	6.7	(7.1)	

Consolidated Balance Sheet

	Note	2005	2004	2004
		HK$'000	*HK$'000*	*HK$'000*
			(As Restated)	(As Previously Reported)
ASSETS				
Non-Current Assets				
Property, plant and equipment		177,080	187,058	546
Operating lease prepayments		13,209	13,631	–
Other financial assets		145,383	139,543	139,729
Intangible asset		1,217	1,586	–
Investments accounted for using the equity method		–	–	209,057
Total Non-Current Assets		336,889	341,818	349,332
Current Assets				
Inventories		109,040	90,783	–
Trade receivables	*11*	22,910	16,136	–
Other receivables		16,146	9,829	6,820
Cash and cash equivalents		35,461	36,031	7,889
Total Current Assets		183,557	152,779	14,709
Current Liabilities				
Trade payables	*12*	54,531	39,714	–
Other payables and accruals		13,959	16,749	1,324
Amount owing to a director		1,096	788	788
Provisions		5,502	5,388	126
Borrowings		67,259	70,341	–
Total Current Liabilities		142,347	132,980	2,238
Net Current Assets		41,210	19,799	12,471
Net Assets		378,099	361,617	361,803
EQUITY				
Issued capital		110,716	110,716	110,716
Share premium		113,157	113,157	113,157
Revaluation reserve		106,554	100,973	100,973
Capital reserves		37,344	37,344	41,866
Foreign currency translation reserve		17,729	13,851	13,851
Accumulated losses		(7,401)	(14,424)	(18,760)
Total Equity		378,099	361,617	361,803

Consolidated Statement of Cash Flow

	2005	2004	2004
	HK$'000	*HK$'000*	*HK$'000*
		(As Restated)	(As Previously Reported)
Cash flows from/(for) operating activities			
Profit/(Loss) before taxation	7,023	(7,483)	(7,297)
Adjustments for:–			
Allowance for doubtful debts	754	2,275	–
Amortisation of operating lease prepayments	729	722	–
Amortisation of intangible asset	401	397	–
Depreciation of property, plant and equipment	19,567	18,822	188
Plant and equipment written off	–	156	–
Unrealised loss on foreign exchange	763	917	731
Loss on disposal of listed securities	–	1,303	1,303
Interest expense	4,307	4,940	–
Share of net loss/(profit) of:			
– Joint Venture	–	–	4,360
– Associate	–	(4,440)	(4,440)
Interest income	(23)	–	–
Other dividend income	(643)	(141)	(141)
Writeback of allowance for doubtful debts	(283)	(269)	–
Writeback of provision for warranty claims	–	(3,951)	–
Operating profit/(loss) before working capital changes	32,595	13,248	(5,296)
Increase in inventories	(18,257)	(18,998)	–
(Increase)/Decrease in trade and other receivables	(14,185)	4,564	137
Increase in trade and other payables	12,027	31,022	308
Cash from/(for) operations	12,180	29,836	(4,851)
Interest received	23	–	–
Interest paid	(4,307)	(4,940)	–
Income tax paid	–	(891)	–
Net cash from/(for) operating activities	7,896	24,005	(4,851)
Cash flows (for)/from investing activities			
Purchase of property, plant and equipment	(5,688)	(3,802)	–
Purchase of listed securities	(1,297)	(10)	(10)
Proceeds from disposal of listed securities	–	2,394	2,394
Proceeds from disposal of plant and equipment	35	–	–
Purchase of shares in an associate	–	(1,588)	(1,588)
Dividends received from an associate	–	901	901
Other dividends received	643	141	141
Repayment from the Joint Venture	–	–	988
Net cash (for)/from investing activities	(6,307)	(1,964)	2,826

Cash flows (for)/from financing activities			
Net repayment of borrowings	(3,082)	(14,928)	–
(Repayment to)/Advance from a related party	(142)	544	–
Advances from a director	308	748	748
Net cash (for)/from financing activities	(2,916)	(13,636)	748
Net (decrease)/increase in cash and cash equivalents	(1,327)	8,405	(1,277)
Cash and cash equivalents at beginning of the financial year	36,031	27,199	9,604
Effect of foreign exchange rate changes, net	757	427	(438)
Cash and cash equivalents at end of the financial year	35,461	36,031	7,889

Notes to the Consolidated Financial Statements

1. **Basis of Preparation**

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards which also include all Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(SIC)-Int") ("collectively HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The financial statements have been prepared in accordance with the applicable disclosure requirements issued by the HKICPA and relevant provisions thereof.

The accounting policies and basis of preparation used in the preparation of the financial statements are the same as those used in the annual financial statements for the financial year ended 31 December 2004 except for the new adoption of HKAS 17 – Lease, HKFRS 3 – Business Combinations and HKAS 31 – Interest in Joint Ventures issued by the HKICPA which became effective during the financial year.

The major effects on the new adoption of the accounting standards are summarised as follows:

(a) **HKAS 17 – Lease**

The adoption of HKAS 17 requires the Group to classify the land under a long-term lease as an operating lease if the risks and rewards incidental to ownership will not be transferred to the lessee. The comparative in respect of the property, plant and equipment has been restated whereby the land held under operating lease is now presented as operating lease prepayments. The effect of the reclassification of the comparative is as follows:–

THE GROUP	**As Previously Reported** *HK$'000*	**As Restated and after Prior Year Adjustments** *HK$'000*	**Effect of Adoption of HKFRS** *HK$'000*	**As Restated** *HK$'000*
BALANCE SHEET (EXTRACT):–				
Property, plant and equipment	546	200,689	(13,631)	187,058
Operating lease prepayments	–	–	13,631	13,631

(b) **HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets**

In prior periods:–

(i) positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

(ii) positive goodwill which arose on or after 1 January 2001 was amortised on straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

(iii) negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effective from 1 January 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill had been allocated exceeds its recoverable amount. Also with effect from 1 January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

In accordance with the transitional arrangements under HKFRS 3 negative goodwill which had previously been taken directly to reserve (i.e. negative goodwill which arose before 1 January 2001) has been derecognised as at 1 January 2005 with a corresponding adjustment to the opening accumulated losses. The effect of the reclassification of the comparative is as follows:–

THE GROUP	**As Previously Reported** *HK$'000*	**As Restated and after Prior Year Adjustments** *HK$'000*	**Effect of Adoption of HKFRS** *HK$'000*	**As Restated** *HK$'000*
BALANCE SHEET (EXTRACT):–				
Capital reserves	41,866	41,866	(4,522)	37,344
Accumulated losses	(18,760)	(18,946)	4,522	(14,424)

(c) HKAS 31 - Interest in Joint Ventures

Previously, the Joint Venture had been accounted for in the consolidated financial statements using the equity method. During the financial year, the Group changed the accounting policy from the equity method to the proportionate consolidation method, in accordance with the HKFRS. The proportionate consolidation method is used as the Directors are of the opinion that it provides a better reflection of the economic substance of the Group.

The proportionate consolidation method has been allowed as the alternative method to account for the interest in Joint Venture for financial periods beginning on or after 1 January 2005. Under the proportionate consolidation method, the Group's share of the Joint Venture's assets, liabilities, income and expenses are consolidated line by line with similar items in the Group's financial statements.

The adoption of these new HKFRSs has no material effect on the results and financial position of the Group.

The Group has not applied the following new standards and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no or any material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosure[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK (IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK (IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK (IFRIC) – INT 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment[3]
HK (IFRIC) – INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies[4]

1 Effective for financial periods beginning on or after 1 January 2007.
2 Effective for financial periods beginning on or after 1 January 2006.
3 Effective for financial periods beginning on or after 1 December 2005.
4 Effective for financial periods beginning on or after 1 March 2006.

2. Segmental Information

(i) Primary reporting format – business segments

	Manufacturing	Investment Holding	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2005				
Revenues	554,036	665	–	554,701
RESULTS:				
Segment results (external)	16,599	(4,434)	–	12,165
Finance costs	(5,142)	–	–	(5,142)
Profit before taxation				7,023
Taxation				–
Profit after taxation/Net profit attributable to shareholders				7,023
OTHER INFORMATION:				
Segment assets	365,017	628,833	(473,404)	520,446
Segment liabilities	(139,962)	(70,496)	68,111	(142,347)
Capital expenditure	5,688	–	–	5,688
Depreciation and amortisation	20,508	189	–	20,697

	Manufacturing	Investment Holding	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2004				
Revenues	432,760	1,042	(901)	432,901
RESULTS:				
Segment results (external)	1,167	(6,662)	(901)	(6,396)
Finance costs	(5,527)	–	–	(5,527)
Share of profit in associate	–	4,440	–	4,440
Loss before taxation				(7,483)
Taxation				–
Share of taxation in associate				–
Loss after taxation/Net loss attributable to shareholders				(7,483)
OTHER INFORMATION:				
Segment assets	346,394	654,501	(506,298)	494,597
Segment liabilities	(137,337)	(69,120)	73,477	(132,980)
Capital expenditure	3,802	–	–	3,802
Depreciation and amortisation	19,753	188	–	19,941

(ii) Secondary reporting format – geographical segments

	The PRC HK$'000	Singapore HK$'000	Malaysia HK$'000	Elimination HK$'000	Group HK$'000
2005					
Revenues	554,036	–	665	–	554,701
RESULTS:					
Segment results (external)	16,599	(2,094)	(2,340)	–	12,165
Finance costs	(5,142)	–	–	–	(5,142)
Profit before taxation					7,023
Taxation					–
Profit after taxation/Net profit attributable to shareholders					7,023
OTHER INFORMATION:					
Segment assets	365,017	43,408	585,425	(473,404)	520,446
Segment liabilities	(139,962)	–	(70,496)	68,111	(142,347)
Capital expenditure	5,688	–	–	–	5,688
Depreciation and amortisation	20,508	94	95	–	20,697

	The PRC HK$'000	Singapore HK$'000	Malaysia HK$'000	Elimination HK$'000	Group HK$'000
2004					
Revenues	432,760	–	1,042	(901)	432,901
RESULTS:					
Segment results (external)	1,167	(2,032)	(4,630)	(901)	(6,396)
Finance costs	(5,527)	–	–	–	(5,527)
Share of profit in associate	–	–	4,440	–	4,440
Loss before taxation					(7,483)
Taxation					–
Share of taxation in associate					–
Loss after taxation/Net loss attributable to shareholders					(7,483)
OTHER INFORMATION:					
Segment assets	346,394	46,356	608,145	(506,298)	494,597
Segment liabilities	(137,337)	–	(69,120)	73,477	(132,980)
Capital expenditure	3,802	–	–	–	3,802
Depreciation and amortisation	19,753	94	94	–	19,941

3. Revenues

	2005	2004
	HK$'000	*HK$'000* (As Restated)
Sales revenue	552,271	430,606
Dividends received and receivable from securities listed on prescribed stock exchanges, outside Hong Kong	643	141
Interest income	23	–
Other operating income	1,764	2,154
	554,701	432,901

4. Other Income

	2005	2004
	HK$'000	*HK$'000* (As Restated)
Writeback of allowance for doubtful debts	283	269
Writeback of allowance for warranty claims	–	3,951
Other income	388	–
	671	4,220

5. Finance costs

	2005	2004
	HK$'000	*HK$'000* (As Restated)
Interest on bank loans	(4,307)	(4,940)
Others	(835)	(587)
	(5,142)	(5,527)

6. Profit/(Loss) before taxation

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

	2005	2004
	HK$'000	*HK$'000* (As Restated)
Cost of goods sold	497,449	392,594
Staff costs (excluding directors' remuneration)		
– Wages, salaries and allowances	29,205	25,927
– Retirement benefit scheme contribution	4,943	5,427
Allowance for doubtful debts	754	2,275
Auditors' remuneration	288	299
Amortisation of operating lease prepayments	729	722
Amortisation of intangible asset	401	397
Depreciation of property, plant and equipment	19,567	18,822
Plant and equipment written off	–	156
Loss on foreign exchange, net	2,936	1,040
Loss on disposal of securities listed on prescribed stock exchanges, outside Hong Kong	–	1,303

7. Taxation

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

For the year ended 31 December 2005, the statutory corporate income tax rates applicable to the Joint Venture established and operating in the PRC was 27%. No taxation is provided for the Joint Venture profit of the current financial year due to the availability of unutilised tax losses brought forward.

As at 31 December 2005, subject to the agreement with the local tax authorities, the Joint Venture has tax losses arising in PRC of RMB11,000,000 (2004 – RMB29,900,000) that are available for offsetting against future taxable profits. Such losses will be carried forward for five years from the year that the losses are incurred. No deferred tax asset has been recognised in respect of such losses.

8. Basic Earnings/(Loss) Per Share

The calculation of the basic earnings/(loss) per share is based on the net profit of HK$7,023,000 (2004 –net loss of HK$7,483,000) for the financial year and on the number of shares in issue during the financial year of 105,116,280 (2004 – 105,116,280).

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

9. Prior Year Adjustments

The prior year adjustments arose from the change in the functional currency in the preparation of the accounts. Previously, the financial statements of the Company and its subsidiaries were translated from A$ into HK$ using the exchange rate prevailing at the balance sheet date for the assets and liabilities whilst the average rate was used to translate revenues and expenses. Any exchange difference arising from the translation was taken as a movement in the foreign currency translation reserve.

On 10 May 2004, the Company was voluntarily de-listed from the Australian Stock Exchange and subsequently de-registered from the Australian Securities and Investments Commission. The Group and the Company have no requirement to prepare the financial statements in A$. As a result, the foreign currency translation differences classified as reserve previously have been taken to the income statements as unrealised foreign exchange gain or loss.

The effects of the change in functional currency in the preparation of the accounts have been taken up as prior year adjustments in the Group and the Company financial statements. Accordingly, the following comparative figures have been restated to reflect the effect of the change:–

THE GROUP	**As Previously Reported** *HK$'000*	**Effect of the Change in Functional Currency** *HK$'000*	**As Previously Reported and after Prior Year Adjustments** *HK$'000*
BALANCE SHEET (EXTRACT):–			
Other financial assets	139,729	(186)	139,543
Accumulated losses	(18,760)	(186)	(18,946)
INCOME STATEMENTS (EXTRACT):–			
Other operating expenses	(7,518)	(186)	(7,704)
Loss before taxation/ Net loss for the financial year	(7,297)	(186)	(7,483)

10. Dividends

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

11. Trade Receivables

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

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
		(As Restated)
Outstanding less than one year	22,344	16,226
Outstanding more than one year but less than two years	1,525	4,525
Outstanding more than two years	21,378	16,751
	45,247	37,502
Less: Allowance for doubtful debts	(22,337)	(21,366)
	22,910	16,136

12. Trade Payables

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

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
		(As Restated)
Outstanding less than one year	50,461	38,288
Outstanding more than one year but less than two years	4,023	1,173
Outstanding more than two years	47	253
	54,531	39,714

13. Management's Discussion and Analysis

Business Review

In line with the country's economic growth, the Chinese tyre industry continued to show strong results. Total industry production reported an increase of 16.64%, amounting to 148 million units. Although radial tyres will continue to be the major driving force, the Truck and Bus Bias (TBB) tyre sector still represents a substantial part of the total market. Total production reached 25 million units last year.

In view of the rapid radialisation process, the Company has developed certain business strategies to ensure sustainability and implemented various internal programs to remain competitive, which have shown encouraging results.

The Joint Venture had in 2005 successfully turned around from a loss to become one of the most competitive bias tyre manufacturers in China. The Company reported a turnover of RMB833.5 million, representing an increase of 26.8%, with a net profit of RMB17.2 million as compared to a RMB6.6 million loss last year.

Management believes that with the ongoing efforts to control overall cost, improve plant efficiency and create the right mix of products, the Company will be on track to be the most successful bias tyre manufacturer in China.

Sales

The Joint Venture achieved record sales in 2005. The encouraging results were due largely to 3 different areas. Firstly, our earlier effort in promoting our product overseas has brought positive results with an export grew by 63.9% last year.

Secondly, we have managed to pass on the increases in raw material prices to the marketplace. The average unit selling price increased by 22% for export sales and 12% for domestic sales, while total sales units continued to grow.

Thirdly, a thorough understanding of road conditions, loading weights and service distances has led us to develop specific products that are superior to those of our competitors. This has led to increased sale and lower product failure claims, further enhancing our brand image.

Production
In 2005, the production department was completely revamped to promote accountability and inculcate modern manufacturing practices. Various international standard key performance parameters were put in place for weekly management review and all present performance figures are clearly marked for improvement over a specific timeframe.

By closely monitoring all areas of manufacturing and plant efficiency, the Company identified key areas for improvement and implemented changes accordingly. Many positive measures have been implemented and are clearly reflected in the weekly management reports. As an example, the Company successfully commissioned the reverse osmosis water treatment system in September and was the first in the industry to introduce laser marking technology for all tyre serial numbers. Both measures have significantly brought down the cost of operation compared to the traditional method. The Company expects continued reduction in utilities cost, scrap level and higher production yields.

Prospect
Considering the overall business conditions, the Company is confident about its future prospects. The rapid radialization process will certainly takes up significant portion of the market share, but it will also provide an opportunity for the Company.

Most competitors are turning to radials with minimal attention to bias tyres. Other players in the industry are either unable to command a premium on their product or do not have the economies of scale to stay competitive. The Company has taken advantage of this trend by focusing on the bias market with a clear marketing strategy and offering a high quality product at an acceptable price.

The ever rising raw material cost is a concern to all. Natural rubber has hit record high prices and with the looming oil crisis, the Company expects raw material costs to remain high for the year 2006. The Company will continue to strike for correct selling price in order to maintain an acceptable profit margin.

The Company will continue to find niche markets both locally and abroad. Given its versatility and experience in manufacturing, the Company is set to grow further.

Financial Review
Liquidity and Financial Resources
During the year under review, the Joint Venture has reduced its dependency on bank borrowings, all of which are in Renminbi ("RMB"). Borrowings of RMB107 million in the previous year are now down to RMB100 million. As cash flow remains positive, the Joint Venture does not foresee any working capital difficulty and accordingly expects the level of bank borrowings to remain stable over the next few years.

As at 31 December 2005, the Group had cash and bank balances amounting to HK$35,461,000 (2004: HK$36,031,000) and short-term borrowings of HK$67,259,000 (2004: HK$ 70,341,000). The borrowings bear fixed interest at 6.42% – 7.01% (2004: 6.11% - 7.01%) per annum. As at 31 December 2005, the Group had total assets of HK$ 520,446,000 (2004: HK$ 494,597,000) which were financed by current liabilities of HK$ 142,347,000 (2004: HK$132,980,000) and shareholders' equity of HK$378,099,000 (2004 : HK$ 361,617,000).

Capital Structure
There has been no change in the capital structure of the Company during the year under review. The capital of the Company comprises only of ordinary shares.

Gearing and Liquidity ratio
The Company's gearing ratio, defined as the ratio between total borrowings and shareholders' equity, was 0.178 (2004: 0.195). The liquidity ratio representing the ratio between current assets over current liabilities, was 1.29 (2004: 1.15).

Charges on Group Assets
As at 31 December 2005, the Joint Venture pledged buildings, relevant rights of land use and production equipment with a carrying value of approximately RMB247 million for banking facilities.

Contingent Liability
The Group did not have any material contingent liabilities as at 31 December 2005.

Segmental Information
The segmental information of the Group products is disclosed in Note 2.

Employees
The Joint Venture currently employs a total of approximately 2,000 employees. We expect this level of workforce to be stable for 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 Joint Venture continues to review plant efficiency to ensure optimum levels of productivity are consistently achieved.

Foreign Currency Risk
The Group is subject to foreign currency risk as certain of its payments to suppliers and certain accounts receivable arising from export sales are denominated in foreign currencies, principally in US Dollars. Fluctuations of the exchange rates of Renminbi against foreign currencies could affect the Company's results. Management will continue to monitor closely the exchange risk and hedge using forward exchange contracts and applicable derivatives when necessary.

14. Purchase, Sale or Redemption of Listed Securities
Neither the Company nor any of its subsidiaries, associates and the Joint Venture purchased, sold or redeemed any of the Company's listed securities during the financial year.

15. Code of Corporate Governance Practices
The Board is committed to ensure that a good the 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 throughout the financial year ended 31 December 2005 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 its corporate governance practices of the Group.

16. Audit Committee
The Audit Committee comprises three non-executive directors, two of whom are independent non-executive directors. The chairman of the said Committee is an Independent non-executive director.

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 Horwath, the auditors of the Company, the audited consolidation financial statements of the Group for the year ended 31 December 2005.

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

18. Audited Financial Statements
The Group's audited financial statements for the financial year will be provided to The Stock Exchange of Hong Kong Limited ("HKEx") no later than 28 April 2006 for publication on the HKEx's website.

By order of the Board
Goh Nan Yang
Director

Kuala Lumpur, 6 April 2006

As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Ang Guan Seng, the Non-Executive Chairman, Mr. Goh Nan Kioh, the Non-Executive Deputy Chairman, Mr. Goh Nan Yang and Mr. Sandy Chim Chun Kwan, being the Executive Directors, Dr. Lim Thian Soo and Mr. Yeoh Eng Khoon being the Non-Executive Directors and Mr. Lim Loi Heng, Ms. Helen Zee and Mr. Lim Chong Puang being the Independent Non-Executive Directors.

"Please also refer to the published version of this announcement in The Standard."