

DIRECTOR'S REPORT

This report by the Directors of Pearl River Tyre (Holdings) Limited (the "Company") is made for the financial year ended 31 December 2004 and is accompanied by the financial statements for the Group and the Company.

DOMICILE

The Company was incorporated in the British Virgin Islands on 17 February 1994 and continued under the laws of Bermuda by migration of its domicile on 21 October 1994. The Company was registered in Australia and Hong Kong as a foreign company pursuant to Section 601 CE of the Australian Corporations Law on 4 November 1994 and Part XI of the Companies Ordinance on 24 May 1999 respectively. 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.

Bermuda Law does not regulate the take-over of companies in any way. The Company is however subject to take-over regulations applicable in Hong Kong.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding.

The Group's principal asset is a 70% equity interest in Guangzhou Pearl River Rubber Tyre Limited (the "Joint Venture"). The principal activity of the Joint Venture is the manufacture and sale of bias tyres for commercial vehicles.

RESULTS

For the financial year ended 31 December 2004, the consolidated loss after tax amounted to A\$1,217,000 or HK\$7,297,000 (2003 – A\$5,795,000 or HK\$29,610,000).

The Group's operating results for the year ended 31 December 2004 and the financial positions of the Group and of the Company as at that date are set out in the audited financial statements on pages 19 to 26.

RESERVES

There were no material transfers to or from reserves during the financial year ended 31 December 2004 other than as disclosed in Notes 14, 15 and 16 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2004, the Company's had retained profits available for distribution by way of dividends amounting to A\$5,132,000 or HK\$29,671,000 (2003 – A\$6,042,000 or HK\$34,907,000).

The Company's share premium account as at 31 December 2004 with a balance of A\$16,505,000 or HK\$113,157,000 (2003 – A\$16,505,000 or HK\$113,157,000) may be distributable in the form of fully paid-up bonus shares.

DIRECTOR'S REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2004, 27% of sales of the Joint Venture and 47% of purchases (not including items which are of a capital nature) of the Joint Venture were attributable to the Joint Venture's five largest customers and suppliers respectively. The Joint Venture's largest customer accounts for 7% of sales of the Joint Venture whilst the Joint Venture's largest supplier accounts for 20% of purchases of the Joint Venture.

None of the Directors, their associates or any shareholders of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's share capital, had an interest in the major customers or suppliers noted above.

DIVIDENDS

No dividend was paid since the end of the previous financial year and the Directors do not recommend the payment of any dividend for the financial year ended 31 December 2004.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in Note 38 to the financial statements.

SHARE CAPITAL

There were no changes in the authorised and issued and paid-up share capital of the Company during the financial year ended 31 December 2004.

SHARE OPTION SCHEME

In accordance with the Company's share option scheme ("the Scheme") which was adopted on 21 May 2004, the board of directors of the Company may grant options to any director and employee of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity to subscribe for shares in the Company at a price determined by the board of directors being the highest of:-

- (a) the closing price of the Shares as stated in The Stock Exchange of Hong Kong Limited ("The Stock Exchange") daily quotations sheet on the Date of Grant;
- (b) the average closing price of the Shares as stated in The Stock Exchange's daily quotations sheet for the five business days immediately preceding the Date of Grant; and
- (c) the nominal value of Shares on the Date of Grant.

DIRECTOR'S REPORT

SHARE OPTION SCHEME *(Continued)*

The Scheme is subject to a maximum of 30% of the issued share capital of the Company from time to time. The primary purpose of the Scheme is to provide incentive to Participants to contribute to the Group and to enable the Group to recruit high-calibre and attract human resources that are valuable to the Group and any Invested Entity.

No employee or director should have been granted an option which, if exercised in full, would result in such employee or director becoming entitled to subscribe for more than 1% of the aggregate number of shares for the time being issued and under the Scheme.

Option granted must be taken up within 28 days of the date of grant. The consideration of HK1.00 was payable on the grant of an option. Option may be exercised at any time within a period as specified by the directors, which should not be more than ten years from the date on which an option is granted.

No options have been granted under the Scheme to the directors and employees of the Group since its adoption.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Bye-laws of the Company which could oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries, associates and the Joint Venture purchased, have sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2004.

EQUIPMENT

Details of movements in equipment of the Group during the financial year ended 31 December 2004 are set out in Note 5 to the financial statements. The Company does not have any property, plant and equipment during the financial year ended 31 December 2004.

MATERIAL INTERESTS IN ENTITIES

Details of the Company's subsidiaries, associates and the Joint Venture are set out in Notes 7, 8, 9 and 10 to the financial statements.

DIRECTOR'S REPORT

BOARD OF DIRECTORS

The following are the Directors as at the date of this report and during the whole of the financial year ended 31 December 2004 except where otherwise indicated:–

Chairman and Non-Executive Director

Ang Guan Seng

Deputy Chairman and Non-Executive Director

Goh Nan Kioh

Executive Directors

Goh Nan Yang (*Appointed on 20 January 2004*)

Chen Zhen Guo

Sandy Chim Chun Kwan

Non-Executive Directors

Lim Thian Soo (*Appointed on 20 January 2004*) (also alternate to Goh Nan Kioh)

Sun Zhi Yi

Lim Loi Heng

Helen Zee

Lim Chong Puang (*Appointed on 17 September 2004*)

David Chong Eng Tee (*Resigned On 21 May 2004*)

David James Humann (*Resigned On 10 September 2004*)

Pursuant to Clause 6.1 (f) (1) (A) & (B) of the Company's Bye-laws, Chen Zhen Guo and Sun Zhi Yi retire by rotation at the forthcoming annual general meeting and, being eligible, for re-election.

Both Mr Chen and Mr Sun have informed the Company that for personal reason, they do not wish to seek re-appointment. Mr Chen and Mr Sun also confirmed that they have no disagreement with the Board and there is no matter relating to their retirement that will need to be brought to the attention of the shareholders of the Company.

Pursuant to Clause 6.1 (f) (1) (A) of the Company's Bye-laws, Helen Zee retires by rotation at the forthcoming annual general meeting and, being eligible, offers herself for re-election.

Pursuant to Clause 6.1 (e) of the Company's Bye-laws, Lim Chong Puang, who was being appointed after the last annual general meeting, retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

DIRECTOR'S REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

The profiles of Directors holding office as at 31 December 2004 are as follows:-

Ang Guan Seng

Mr Ang (age 66) is the Managing Director of Petaling Garden Berhad, a major housing developer in Malaysia and Singapore. He is a director of several listed companies, including Malayan United Industries Berhad, PBB Group Berhad, Petaling Garden Berhad (companies listed in Malaysia) and Parkway Holdings Limited (listed in Singapore). He is also the Non-Executive Chairman of the Company. He joined the Company in 1995.

Goh Nan Kioh

Mr Goh (age 52) is a graduate of the University of Malaya with a Bachelor Degree in Economics. He has wide and varied business investments in many countries. He has resigned as the Chief Executive Officer of the Company with effect from 5 March 2004 and remains on the Board as a Non-Executive Director and Deputy Chairman of the Company. He joined the Company in 1995.

Goh Nan Yang

Mr Goh (age 42) is a graduate from the University of Toledo with a Bachelor of Science (Engineering) (Honours) degree. He has wide and varied experience in property development and manufacturing activities in Melbourne, Australia. He was appointed to the Board of Directors of the Company on 20 January 2004 as an Executive Director and took on the position of Chief Executive Officer with effect from 5 March 2004.

Chen Zhen Guo

Mr Chen (age 61) graduated from the Faculty of Rubber Technology of the South China Technical Institute in 1967. He was promoted to General Manager of Guangzhou Rubber Tyre Factory in 1986. Currently, he is the General Manager of the Joint Venture. Mr Chen has over 34 years' experience in tyre production and enterprise operation and management. He joined the Company in 1994.

Sandy Chim Chun Kwan

Mr Chim (age 49) is a Chartered Accountant, qualified in Canada and Hong Kong, and practising as a public accountant and management consultant. He has over 24 years' experience in Australia, Canada, Hong Kong and China in the accounting profession, corporate finance and industry with the treasury and finance operations of a multinational corporation. He is also an executive director of Omnicorp Limited, a company listed on The Stock Exchange of Hong Kong and a director of Omnitech Holdings Limited, a company listed on the Australian Stock Exchange. He joined the Company in 1995.

Lim Thian Soo

Dr Lim (age 42) is a graduate of Edinburgh University Medical School and worked for 6 years as a doctor in the United Kingdom. He then completed his MBA at City University Business School in London before joining Pacific Union Pte Ltd in 1994. He joined the Company in 1995.

DIRECTOR'S REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Directors *(Continued)*

Sun Zhi Yi

Mr Sun (age 61) graduated from the Faculty of Mechanical Engineering of Nanjing Chemical Engineering Institute in 1968. He was promoted to General Manager of Guangzhou Rubber Industry Corporation which administers, on behalf of the Municipality of Guangzhou, Guangzhou Rubber Tyre Factory and over 20 other rubber-based industrial companies. Mr Sun has vigorously planned the expansion of tyres and other rubber-related products connected with the transportation industry. He joined the Company in 1994.

Lim Loi Heng

Mr Lim (age 54) is a UK qualified Chartered Accountant. He is an independent non-executive Director of the Company who has wide experience in financial and corporate management. He joined the Company in 1995 and is the Chairman of its Audit Committee.

Helen Zee

Ms Zee (age 37) has over 10 years experience in corporate finance. She is presently Managing Director of First Shanghai Capital Limited, a local corporate finance house in Hong Kong. She holds a bachelor degree from University of California, Berkeley and a LLB (Hons) degree from University of Wolverhampton, UK.

Lim Chong Puang

Mr Lim (age 46) holds a degree in bachelor of arts (honours) majoring in economics and accountancy from University of Kent, United Kingdom and has over 20 years of experience in automobile industry, property development and plantations. Mr Lim is one of the pioneer retailers of Shell oils in the north-east region of China. Between 1993 to 1997, Mr Lim managed a spare parts distribution and vehicle repair workshop in Dalian, China, which marketed passenger and commercial vehicles parts in the north-east region of China. He was appointed as an independent non-executive director and member of Audit Committee of the Company with effect from 17 September 2004.

Family Relationship

Goh Nan Yang is a brother of Goh Nan Kioh and Lim Thian Soo is a brother-in-law of Goh Nan Kioh. Other than these, there is no family relationship among the Directors of the Company.

DIRECTOR'S REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Senior Management

Chan Keng Kiong (age 36), is the Executive General Manager in charge of sales. He graduated from the National University of Malaya with a Bachelor Degree in Economic (Hon.). He specialised in sales and marketing while attached to a large multinational company in the auto parts industry. He has experience in managing and developing distribution networks in the auto parts trade in both domestic and international markets. He joined the Group in 1995.

Sim Cheih Eng (age 39), is the Financial Controller of the Joint Venture and is responsible for overseeing the accounting and financial operations of the Joint Venture. She is an Associate of the Chartered Institute of Management Accountant and a member of Malaysian Institute of Accountants. She has experience in financial and accounting in several Malaysian manufacturing concerns. She is stationed in Guangzhou and is responsible for overseeing the accounting and financial operations of the Joint Venture. She joined the Joint Venture in 2005.

Lui Soek Kuen (age 33), is the Qualified Accountant of the Company. She has obtained a Bachelor of Science (Economics) (Honours) from the London School of Economics and Political Science in 1995 and is a member of the Malaysian Institute of Accountants and a Qualified Chartered Accountant registered with the Institute of Chartered Accountants in England and Wales. She started out as an auditor with Simmons Gainsford, UK from 1996 to 1998. Subsequently, she returned to Malaysia and joined PricewaterhouseCoopers as senior auditor for a year and then moved on to work with Colgate Palmolive Malaysia Sdn Bhd as a Brand Analyst from 2000 to 2001.

Chi Xin An (age 60), graduated from Shanghai Tong Ji University in 1969 and specialised in ventilation and temperature control. He joined Guangzhou Rubber Tyre Factory in 1970 and has been involved in maintenance, production as well as the power plant of the factory. He was an Engineering Supervisor since the Joint Venture was set up before his later promotion to Deputy General Manager in charge of the Engineering Department and Safety Department in 1999. He joined the Joint Venture in 1994.

Hou Chi Feng (age 60), a graduate of the Faculty of Rubber Technology of South China Technical Institute, has 34 years' experience in tyre production. In 1986, Mr Hou was promoted to Deputy General Manager of Guangzhou Rubber Tyre Factory. He has been in charge of the Engineering Department and is currently responsible for the Quality Assurance and Research and Technical Department. He joined the Joint Venture in 1994.

Chen Xu Ming (age 47), is a graduate of Statistics Institute of China. He joined Guangzhou Rubber Tyre Factory in 1984 and was assigned to Personnel Department whereby he contributed to the setting up of scientific human resources allocation and payroll system. He was a Personnel Supervisor since 1998 before his latest promotion to Deputy General Manager responsible for the Purchasing and Logistic Department and the Personnel Department in 2003. He joined the Joint Venture in 1994.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Senior Management *(Continued)*

Tang Xi Niu (age 42), is a graduate of Guangzhou Rubber Technology High School. He joined Guangzhou Rubber Tyre Factory in 1983 and was assigned to Production Department. He was promoted to Assistant Workshop Supervisor since 1991 in charge of rubber mixing workshop and later tyre building workshop. In 2000, he was transferred to Sales Department and promoted to Area Sales Manager. His latest promotion to Deputy General Manager responsible for Production Department came in 2003. He joined the Joint Venture in 1994.

Goh King Kok (age 38) is the Deputy General Manager in charge of Marketing. He is a member of Institute Chartered Secretarial Association (ICSA). He specialised in sales and marketing while attached to a listed company in the packaging industry. He has experience in managing and developing distribution network in both domestic and international markets. He joined the group in 1998.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company, or any of its subsidiaries, associates or the Joint Venture, which is not determinable by the employing entity within one year without payment of compensation, other than statutory compensations.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the related party transactions as disclosed in Note 31 to the financial statements, no contract of significance in relation to the Group's business, to which the Company, its subsidiaries, associates or the Joint Venture was a party and in which a director of the Company had a material beneficial interest, whether directly or indirectly, subsisted at 31 December 2004 or at any time during the financial year ended 31 December 2004.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year ended 31 December 2004.

CONTRACTS OF SIGNIFICANCE

Save for those transactions described in the note headed "Related Party Transactions" in Note 31 to the financial statements and the section headed "Connected Transactions" below, there is no contract of significance between the Company (or any of its subsidiaries, associates or the Joint Venture) and its controlling shareholder (or any of its subsidiaries, associates or the Joint Venture) or by the controlling shareholder of the Company (or any of its subsidiaries, associates or the Joint Venture) to the Company.

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DIRECTORS' MEETINGS

The number of Directors' meetings held, including meetings held by circulation of minutes, and the number of those meetings attended by each of the Directors of the Company, while a Director, during the financial year ended 31 December 2004 are as follows:–

Directors	No. Attended	No. Eligible To Attend
Ang Guan Seng	6	7
Goh Nan Kioh	7	7
Chen Zhen Guo	7	7
Sandy Chim Chun Kwan	5	7
Lim Thian Soo (<i>Appointed on 20 January 2004</i>) (also alternate to Goh Nan Kioh)	6	6
Sun Zhi Yi	7	7
Lim Loi Heng	7	7
Helen Zee	5	7
Goh Nan Yang (<i>Appointed on 20 January 2004</i>)	6	6
Lim Chong Puang (<i>Appointed on 17 September 2004</i>)	1	1
David Chong Eng Tee (<i>Resigned on 21 May 2004</i>)	3	4
David James Humann (<i>Resigned on 10 September 2004</i>)	4	4

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2004, the interests and short positions of the Directors or chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("The Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listing Companies, were as follows:–

Long positions in ordinary shares of the Company

Name	Capacity	Number of Shares Held in the Company	Percentage of the Issued Shares Capital of the Company (%)
Ang Guan Seng	Personal	100,000	0.1
	Corporate	38,114,000 ⁽¹⁾	36.3
Goh Nan Kioh	Family	957,790 ⁽²⁾	0.9
	Corporate	38,114,000 ⁽¹⁾	36.3
Goh Nan Yang	Personal	94,000	0.1
Sandy Chim Chun Kwan	Personal	102,252	0.1
Lim Thian Soo	Personal	134,308	0.1
Lim Loi Heng	Personal	80,000	0.1

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Long positions in ordinary shares of the Company *(Continued)*

Notes:-

1. *These shares are beneficially held by two corporations in which Ang Guan Seng and Goh Nan Kioh each hold more than 20% equity interest.*
2. *These shares are beneficially held by the spouse and children (under 18 years old) of Goh Nan Kioh and accordingly he is deemed to be interested in these shares.*

The Company does not have any listed debt securities.

Save as disclosed above as at 31 December 2004, none of the Directors or the chief executives of the Company or any of their associates had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listing Companies. None of the Directors or the chief executives of the Company or any of their associates had an interest (directly and/or deemed) in the equity in or debt securities of the associated corporations of the Company other than those as disclosed in Note 31 (viii) to the financial statements.

At no time during the financial year, the Directors or the chief executives of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of Part XV of the SFO).

DIRECTOR'S REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, as far as is known to the Directors and the chief executives of the Company, the interests and short positions of 5% or more, other than a Director or chief executive of the Company, in the issued shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:–

Long positions in ordinary shares of the Company

Name	Capacity	Number of Shares Held in the Company	Percentage of the Issued Share Capital of the Company
Pacific Union Pte Ltd ⁽¹⁾	Beneficial owner	37,590,000	35.76%
Kuala Lumpur Kepong Berhad ⁽²⁾	Beneficial owner	32,085,976	30.52%
Batu Kawan Berhad ⁽³⁾	Beneficial owner	32,085,976	30.52%
Arusha Enterprise Sdn Bhd ⁽³⁾	Beneficial owner	32,085,976	30.52%
Wan Hin Investments Sdn Bhd ⁽³⁾	Beneficial owner	32,085,976	30.52%
KL-Kepong International Ltd	Beneficial owner	24,085,976	22.91%

Notes:–

1. *These shares are beneficially owned by Pacific Union Pte Ltd which has been a substantial shareholder of the Company since 1995. Pacific Union Pte Ltd is an investment holding company which does not have any business other than holding approximately 35.76% interests in the Company. The shares in Pacific Union Pte Ltd are in turn substantially held by Goh Nan Kioh and Hoe Seng Co. Pte Ltd (a company associated with Ang Guan Seng) and the balance by independent third parties. Save as disclosed herein, Pacific Union Pte Ltd and its substantial shareholders do not have any interests in or business relations with Kuala Lumpur Kepong Berhad. Ang Guan Seng is the Non-Executive Chairman of the Company while Goh Nan Kioh is the Deputy Chairman of the Company.*

2. *Kuala Lumpur Kepong Berhad is a company incorporated in Malaysia and listed on the Main Board of the Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange). It has been a substantial shareholder of the Company since 1995. Save as disclosed herein, Kuala Lumpur Kepong Berhad and its controlling shareholders do not have any interests in or business relations with Pacific Union Pte Ltd.*

Ablington Holdings Sdn Bhd is the beneficial owner of 8,000,000 ordinary shares of the Company. Kuala Lumpur Kepong Berhad owns 100% of Ablington Holdings Sdn Bhd and 100% of KL-Kepong International Ltd and is accordingly deemed by the SFO to be interested in a total of 32,085,976 ordinary shares beneficially owned by Ablington Holdings Sdn Bhd and KL-Kepong International Ltd.

3. *As at 31 December 2004, Kuala Lumpur Kepong Berhad is 46.21% directly owned by Batu Kawan Berhad, which is, in turn, 43.80% directly owned by Arusha Enterprise Sdn Bhd. Wan Hin Investments Sdn Bhd directly owns 77.40% of Arusha Enterprise Sdn Bhd. Accordingly, Batu Kawan Berhad, Arusha Enterprise Sdn Bhd and Wan Hin Investments Sdn Bhd are also deemed by the SFO to be interested in the ordinary shares owned by KL-Kepong International Ltd and Ablington Holdings Sdn Bhd as disclosed above.*

Batu Kawan Berhad, Arusha Enterprise Sdn Bhd and Wan Hin Investments Sdn Bhd are companies incorporated in Malaysia and the shares of Batu Kawan Berhad are listed on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange).

Save as disclosed above, as at 31 December 2004, no person, other than the Directors or the chief executive of the Company whose interests are set out in the section "Directors' and the chief executives' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTOR'S REPORT

CORPORATE GOVERNANCE/CODE OF BEST PRACTICE

The Board of Directors comprises ten directors, of whom seven are non-executive directors. The Chairman, who is a non-executive Director, oversees the nomination and review of Board membership. Directors are selected to achieve a broad range of skills and experience on the Board. The Bye-laws of the Company require the directors to retire by rotation at the Annual General Meeting once every three years.

The Board provides direction to management, and approves the aims, strategies and policies of the Company. Owing to the size of the operations of the Company which is fairly small, the Company does not require formal committees to formulate policies and establish broad guidelines in the areas of remuneration, investment and business risk. The Chairman, as assisted by the Board, formulates such policies and guidelines.

The Joint Venture has its own separate Board of Directors which is responsible for formulating and establishing policies and guidelines in the areas of remuneration, investment and business risk. The Board of the Joint Venture meets every three to four months to discuss operational issues, monitor progress and reassess policies and guidelines. The Company is represented by five directors on the Board of Directors of the Joint Venture. The Board of Directors of the Joint Venture has a total of nine members, out of which three are non-executive directors.

The annual accounts of the Joint Venture are subject to audit by two firms of accountants, one being a local PRC firm whilst the other is an international Malaysian based firm, which is also the auditors of the Company.

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 2004 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.

CONNECTED TRANSACTIONS

Details of connected transactions disclosed under the Listing Rules of The Stock Exchange are set out in Note 31 to the financial statements.

RETIREMENT SCHEME

The Company does not have any retirement scheme.

SUFFICIENCY OF THE PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2004.

DIRECTOR'S REPORT

AUDIT COMMITTEE

The members of the Audit Committee are:-

Lim Loi Heng (*Chairman*)

Lim Thian Soo

Lim Chong Puang (*Appointed on 17 September 2004*)

David James Humann (*Resigned on 10 September 2004*)

The functions of the Audit Committee are to review the accounting policies, internal controls and financial reporting of the Company, its subsidiaries and the Joint Venture on behalf of the Board and make recommendations to the Board. The committee is to meet at least once a year, with a representative from the external auditors.

In performing its functions, the committee reviewed the overall scope of work of the external auditors and discussed with them the results of their examination and their evaluation of the system of internal controls operating within the Company, its subsidiaries and the Joint Venture. The committee has also reviewed the results and financial statements for the financial year ended 31 December 2004 and the announcements of results made by the Company to The Stock Exchange and has recommended that the Board approves the financial statements and announcements.

During the financial year ended 31 December 2004, there were two Audit Committee Meetings held. The details of the attendance of each member are as follows:-

Name	No. Attended	No. Eligible To Attend
Lim Loi Heng	2	2
Lim Thian Soo	2	2
David James Humann	1	1
Lim Chong Puang	0	0

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not adopted a code for securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Following specific enquiry made with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

DIRECTOR'S REPORT

INDEMNIFYING OFFICER OR AUDITOR

The Company has not, during or since the end of the financial year in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:-

- (i) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- (ii) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

AUDITORS

The financial statements have been audited by Horwath, who retire and, being eligible, offer themselves for re-appointment, and a resolution to this effect will be proposed at the forthcoming annual general meeting.

Approved and authorised for issue by the Board of Directors on 15 April 2005:-

GOH NAN YANG
Director

CHEN ZHEN GUO
Director

Date: 15 April 2005