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CORPORATE INFORMATION

Company Registered Office	Bermuda Commercial Bank Building 19 Par-La-Ville Road Hamilton HM 11 Bermuda
Principal place of business in Hong Kong	4th Floor, Tien Chu Commercial Building 173–174 Gloucester Road Wanchai Hong Kong
Company Secretaries	Janet Elizabeth Field Randy King Kuen Hung, *FCPA* Tan Pei Choo, *ACIS*
Authorised Representatives in Hong Kong	Goh Nan Yang Randy King Kuen Hung
Share Registrars	*Bermuda Principal Registrar:* Bermuda Commercial Bank Building 19 Par-La-Ville Road Hamilton HM 11 Bermuda *Hong Kong Branch Registrar:* Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

The Directors of Pearl River Tyre (Holdings) Limited (the "Company") are pleased to present to shareholders the results of the Group for the year ended 31 December 2009.

The Group recorded a consolidated profit of HK$33.334 million for the financial year ended 31 December 2009 as compared to a loss of HK$66.893 million in the previous year.

The Company does not plan to undertake any borrowings in the foreseeable future as the Directors believe that its current resources are sufficient.

The Directors do not recommend payment of any dividend for the financial year.

GUANGZHOU PEARL RIVER RUBBER TYRE LIMITED ("THE JOINT VENTURE")

The Company's principal asset is its 70% equity interest in the Joint Venture. The principal activity of the Joint Venture is the manufacturing and marketing of various types of tyres mainly for commercial vehicles. The result of this Joint Venture can be summarised as follows:

1. Sale of goods increased by approximately HK$96,356,000 representing a growth in sales of 21.3% for the financial year. The growth was attributable to the increase in both domestic and export sales volumes.

2. The Joint Venture achieved a gross profit margin of 15.3% during the financial year as compared to a gross loss margin of 0.9% in the previous financial year. Apart from increase in sales volume and revenue, lower raw material prices played a significant role in the Joint Venture's profitability in 2009.

3. Given the rise in major raw material prices in the second half of 2009, the Joint Venture has increased the selling price for both the domestic and export sales for 8% and 11% respectively. However, this had minimal impact on the sales volume given the growth in the market.

4. As a result of the uncertainty in the Off the Road ("OTR") tyre market, the Joint Venture decided to stop the production until there is indication of recovery. On the other hand, the management believes in the future prospects of the Light Truck Radial ("LTR") tyre market, hence, the Joint Venture is moving forward to increase the production capacity. In addition to acquiring new equipment, part of the existing plant is being upgraded and transformed into radial tyre production. This move will further strengthen our position in the market place.

5. The Joint Venture has bank borrowing of RMB175,500,000. As cash flow remains positive, the Joint Venture does not foresee any working capital funding constraints and accordingly expects the level of borrowing to remain manageable.

OUTLOOK

The Joint Venture which specialises in producing and selling of bias ply tyres for various commercial applications, especially heavy duty, clearly operates in a niche segment in all its present markets. Both the export and domestic markets have indicated relatively strong demand for these specialty tyres. As a result of the rapid recovery of Chinese economy, the management expects stronger sales in 2010.

Major raw material prices such as natural rubber, carbon black and nylon cord have picked up since the second half of 2009. This is reflected in the decline in gross profit margin from 20% in the first half of 2009 to 11% for the second half of 2009. Nonetheless, the on-going fluctuation in raw material prices, though at a less volatile rate, continues to pose significant challenges to the business and profitability.

The Joint Venture is moving into radial tyre production while maintaining a reasonable scale of bias ply commercial tyres. Radial tyre business being one of the major focus for the Joint Venture in the coming years, which is expected to contribute significantly to the Joint Venture's turnover and profitability in future.

SUMMARY

Despite the challenging market conditions, the performance of the Group in 2010 has been encouraging so far. Given that the China economy is expected to grow at a modest 8.5%, the management believes sales will improve in 2010. However, the Directors believe profitability remains less certain in 2010 given that raw material prices, particularly, rubber, has increased significantly in recent months.

Goh Nan Yang
Chief Executive Officer

BUSINESS REVIEW

At the start of 2009, the Chinese Rubber Industry Association reported that, despite the global economic meltdown, China remains the world's fastest growing tyre market. The Chinese tyre market is reportedly worth US$8 billion and accounts for 9 percent of the world market share. The profit margin of the Chinese tyre industry has also improved following the recovery of global economy in mid 2009.

The year 2009 has proven to be a much better year for the Joint Venture which recorded a 20% rise in revenue and registered a net profit of HK$37.6m compared to a HK$72.3m loss in 2008. The management's effort to focus on the domestic market has been proven to be effective with domestic sales growing 43% in 2009 as a result of the rapid recovery of the Chinese economy.

Apart from the rise in sales volume and revenue, lower raw material prices played a significant role in the Joint Venture's profitability in 2009. The Joint Venture achieved a gross profit margin of 15.3% in 2009 compared to a gross loss margin of 0.9% in 2008. Apart from lower raw material prices, the improvement in margin was also attributable to the following measures taken by the management:–

1. Strengthening production planning and scheduling. This has enabled the Joint Venture to increase production output by 53% with same capacity.

2. Price increase. As the raw material prices started to pick up second half of 2009, the Joint Venture adjusted the selling price for both the domestic and export sales by 8% and 11% respectively.

SALES

Revenue of the Joint Venture rose 21% in 2009, largely due to the significant increase in domestic sales. The management's strategy to focus on the domestic market has shown a positive impact on overall sales and profitability.

The Joint Venture started commercial production of light truck radial (LTR) tyres towards the end of 2008 and in 2009, LTR contributes about 12% of total sales. Even though LTR is not the major contributor currently, management believes in the future prospects of the LTR tyres, which have received very good response from the market. In fact, the current market demand exceeds our production and the Joint Venture will likely increase production capacity in 2010.

While the Joint Venture have successfully developed and tested the OTR tyres, demand has not been forthcoming due to market changes. As a result of the uncertainty in the OTR market, management decided to stop production until there is indication of a recovery.

PRODUCTION

Management's efforts in ensuring better sales/production coordination have resulted in enhanced production efficiency and better cost control. The monthly production schedule and actual production has been stable and this has enhanced management's planning processes including raw material purchases, human resources management and other operation cost control.

Management has also put in effort to streamline and rationalize the Joint Venture's product line. More than 30% of the previous production sizes were either terminated or put on stricter production/sales requirements. As a result, we have benefited from better cost efficiency and more stable product quality.

The challenges ahead would be our flexibility in production of various product lines to meet the ever changing market demand. Utilising on our sole production facility, we are clearly moving into radial tyre production while maintaining a reasonable scale of bias ply commercial tyres.

PROSPECT

The bias tyre market is facing an intense competition from radial tyres due to excess supply of the latter in the domestic market. As such, the Joint Venture's strategy is to focus on the export market, mining and construction vehicles for bias truck tyre and the LTR tyres will be targeted for the medium and small size tyre market and agriculture vehicles.

The Joint Venture will increase the production capacity of the LTR tyres as the current production is not able to meet market demand. New equipment is expect to arrive by July 2010 and the monthly production capacity of LTR tyres will increase from 12,000 to 40,000 tyres. In addition, more sizes of LTR tyres will be produced to increase sales and gain market share.

While sales and profitability have improved significantly in 2009 as a result of the economic recovery and relatively lower raw material prices, prospects for 2010 remain less certain. Although management believes sales will improve, especially with the LTR capacity expansion, profitability remains less certain given the rising raw material prices, particularly, rubber, which is currently trading near its all-time high.

The Directors of Pearl River Tyre (Holdings) Limited (the "Company") are pleased to present its report together with the audited financial statements of the Company and its subsidiaries and the Joint Venture (the "Group") for the financial year ended 31 December 2009.

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 manufacturing and marketing of various types of tyres for commercial vehicles.

RESULTS

The results of the Group for the year ended 31 December 2009 and the financial position of the Company and the Group as at that date are set out in the audited financial statements on pages 22 to 77 of the annual report.

RESERVES

Details of movement in reserves of the Company and the Group during the year ended 31 December 2009 are set out in Note 33 to the financial statements and on page 63 of the annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company had retained profits available for distribution by way of dividends amounting to HK$5,324,000 (2008 – HK$9,731,000).

The Company's share premium account as at 31 December 2009 with a balance of HK$113,157,000 (2008 – HK$113,157,000) may be distributable in the form of fully paid-up bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2009,

(a) 29% of sales of the Group and 45% of purchases (not including items which are of a capital nature) of the Group were attributable to the Group's five largest customers and suppliers respectively;

(b) the Group's largest customer accounts for 9% of sales of the Group whilst the Group's largest supplier accounts for 16% of purchases of the Group.

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 2009.

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 on page 78 of the annual report.

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 2009.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme (the "Scheme") are set out in Note 32 to the financial statements. No options had been granted under the Scheme since its date of adoption of 21 May 2004.

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, have sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year ended 31 December 2009 are set out in Note 13 to the financial statements.

MATERIAL INTERESTS IN ENTITIES

Details of the Company's subsidiaries, Joint Venture and the associate are set out in Notes 17, 18 and 19 respectively to the financial statements.

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 2009 except where otherwise indicated:–

Chairman and Non-Executive Director

Goh Nan Kioh

Executive Director

Goh Nan Yang

Non-Executive Directors

Yeoh Eng Khoon
Yeow See Yuen*
Khoo Teng Keat*
Won Thean Sang*

* *Independent and Non-Executive Directors*

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

Pursuant to Clause 6.1 (f) (1) (A)&(B) of the Company's Bye-laws, Yeoh Eng Khoon, retires by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The Company has received from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers all of the independent non-executive directors are independent.

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, 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 connected/related party transactions as disclosed in Note 36 to the financial statements, no contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material beneficial interest, whether directly or indirectly, subsisted at 31 December 2009 or at any time during the financial year ended 31 December 2009.

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 2009.

CONTRACTS OF SIGNIFICANCE

Save for those transactions described in Note 36 to the financial statements headed "Connected/Related Party Transactions", there is no contract of significance between the Company (or any of its subsidiaries) or the Joint Venture and the controlling shareholder of the Company (or any of its subsidiaries) or the Joint Venture.

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

As at 31 December 2009, 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 Listed Issuers, 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 (%)
Goh Nan Kioh	Family	957,790[2]	0.9
	Corporate	38,280,000[1]	36.4
Goh Nan Yang	Personal	94,000	0.1

Notes:–

1. These shares are beneficially held by two corporations in which Goh Nan Kioh holds 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.

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

Save as disclosed above as at 31 December 2009, 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 Listed Issuers. 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.

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).

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, 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%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

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

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 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. Goh Nan Kioh is the Non-Executive Chairman of the Company.

2. Kuala Lumpur Kepong Berhad is a company incorporated in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad. 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. Kuala Lumpur Kepong Berhad 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 2009, Kuala Lumpur Kepong Berhad is 46.57% directly owned by Batu Kawan Berhad, which is, in turn, 45.01% 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 Market of Bursa Malaysia Securities Berhad.

   Save as disclosed above, as at 31 December 2009, 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.

CONNECTED TRANSACTIONS

Details of connected transactions disclosed under the Listing Rules are set out in Note 36 to the financial statements.

SUFFICIENCY OF THE PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merits, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in Note 32 to the financial statements.

Directors' Interest in Competing Business

During the year ended 31 December 2009, the Directors are not aware of any business or interest of the Directors and their respective associates (as defined under the Listing Rules) that compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 16 to 19 of the annual report.

AUDITOR

During the year under review, Shu Lun Pan Horwath Hong Kong CPA Limited, the previous retired auditor of the Company, had changed its name to Shu Lun Pan Hong Kong CPA Limited ("SLPHK") and thereafter it had merged its business with BDO McCabe Lo Limited on 1 May 2009. On the same date, BDO McCabe Lo Limited had changed its name to BDO Limited. On 19 June 2009, BDO Limited was appointed as the auditor of the Company to replace the retired auditor, SLPHK.

The financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Goh Nan Yang
Executive Director

Hong Kong, 20 April 2010

DIRECTORS

Goh Nan Kioh
Mr Goh (age 57) is a graduate of the University of Malaya with a Bachelor of Economics (Honours) degree. He has wide and varied business investments in many countries. He is a Non-Executive Director. He joined the Company in 1995. He has been redesignated from Deputy Chairman to Chairman on 30 June 2008.

Goh Nan Yang
Mr Goh (age 47) 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.

Yeoh Eng Khoon
Mr Yeoh (age 63), holds a degree of Bachelor's of Arts in Economics (Honours) majoring in Business Administration from the University of Malaya and is a Barrister-at-law from Lincoln's Inn, United Kingdom. He has 39 years of experience in the banking, manufacturing and the retail sectors. He was appointed as a non-executive director of the Company with effect from 28 September 2005.

Yeow See Yuen
Mr Yeow (aged 43), holds a first class honours degree in Accountancy from the National University of Singapore. He started his careers with Coopers & Lybrand in Singapore in 1991 in the audit division. He left the firm in 1994 to join Deutsche Securities Asia Limited ("Deutsche Securities") where he spent 9 years working in the Equity Research Department. During the period, he progressed through a series of positions including Deputy Head of Indonesia Research, Head of Malaysian Research and Head of Consumer Research Asia. Since leaving Deutsche Securities in 2003, he has been actively involved in investment banking related work, including investor relations corporate advisory and research consultancy. He was appointed as an Independent Non-Executive Director, member of audit committee and member of remuneration committee of the Company on 30 June 2008.

Khoo Teng Keat
Mr Khoo (aged 40), holds a Bachelor of Commerce (Actuarial Science) honours degree from University of Melbourne, Australia. He has more than 14 years' experience as an equity analyst. He has held senior positions with several reputable international investment banks before co-founding a boutique financial advisory outfit, providing investor relations, corporate advisory and research consultancy. He was appointed as an Independent Non-Executive Director and member of audit committee of the Company on 30 June 2008.

Won Thean Sang
Mr Won (aged 61), is a qualified electrical chargeman of more than 40 years. He started his career as an electrical contractor and founded KTL Sdn Bhd, a Grade A contractor in Malaysia in 1992. Backed by years of experience in the electrical field and as a businessman, he has vast hands-on experience in business operations. He was appointed as an Independent Non-Executive Director, member of audit committee and member of remuneration committee of the Company on 2 March 2009.

SENIOR MANAGEMENT

Chan Keng Kiong (age 41), is the General Manager of the Joint Venture. He is responsible for the operations of the Joint Venture. He graduated from the National University of Malaya with a Bachelor's Degree in Economics (Hon.). 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.

Chui Mee Chuen (age 31), is the Qualified Accountant of the Company. She is a member of the Malaysian Institute of Accountants and a Qualified Chartered Accountant registered with the Association of Chartered Certified Accountants. She started out as an auditor with RSM Robert Teo, Kuan & Co from 2003 to 2005. Subsequently, she joined Horwath for three years and then moved on to work with In-Fusion Solutions Sdn Bhd as Assistant Manager Corporate Planning for a year.

Chen Xu Ming (age 52), is a graduate of the Statistics Institute of China. He joined Guangzhou Rubber Tyre Factory in 1984 and was assigned to the Personnel Department whereby he contributed to the setting up of a 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 2004. He joined the Joint Venture in 1994.

Tang Xi Niu (age 47), is a graduate of Guangzhou Rubber Technology High School. He joined Guangzhou Rubber Tyre Factory in 1983 and was assigned to the Production Department. He was promoted to Assistant Workshop Supervisor in 1991 in charge of the rubber mixing workshop and later the tyre building workshop. In 2000, he was transferred to the Sales Department and promoted to Area Sales Manager. His latest promotion to Deputy General Manager responsible for the Production Department came in 2004. He then transferred to Sales Department as Deputy General Manager in 2007. He joined the Joint Venture in 1994.

Liang Guo An (age 47), has university degree in rubber engineering. He joined Guangzhou Rubber Tyre Factory in 1983 and was assigned to the Technical Center. Since 1989, he was promoted to Inspection Supervisor, Assistant Engineer and Secretary of the Branch Communist Party. From 1997 to 2002, he was assigned to the Communist Party Committee Office and held the positions of Deputy Head and Head as well as the Chairman of Workers' Union. In 2002, he was appointed by Guangzhou Guang Xiang Enterprises Group Co. Ltd ("GGXEG") as the Secretary of the Communist Party, Chairman of Workers' Union and Secretary of the Disciplinary Committee of the Communist Party of the Joint Venture. In 2007, Mr Liang was promoted as the Deputy General Manager and was responsible for the operation of the Production Department. He joined the Joint Venture in 1994.

INTRODUCTION

The Company has complied with all Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2009 with the exception that the non-executive directors of the Company have no set terms of office but retire from office on rotational basis in accordance with the Company's Bye-laws.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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.

BOARD OF DIRECTORS AND BOARD MEETING

The Board of Directors comprises six directors, of whom five 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 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 at least twice a year 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.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out on page 14 of the annual report. All Directors have given sufficient time and attention to the affairs of the Group. The executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Goh Nan Yang is a brother of Goh Nan Kioh. Other than these, there is no family relationship among the Directors of the Company.

The roles of chairman and chief executive officer are, respectively, performed by the Chairman, Mr. Goh Nan Kioh and the chief executive director, Mr. Goh Nan Yang. The roles of the Chairman and chief executive officer are segregated and assumed by these two separate individuals so that the responsibilities are not concentrated with any one person.

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

The Company also appointed four non-executive Directors, namely Mr. Yeoh Eng Khoon, Mr. Yeow See Yuen, Mr. Khoo Teng Keat and Mr. Won Thean Sang who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Among the non-executive Directors, Mr. Yeow See Yuen, Mr. Khoo Teng Keat and Mr. Won Thean Sang are independent non-executive Directors. All the Directors except for Managing Director are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

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 2009 are as follows:–

Directors	**No. Attended**	**No. Eligible To Attend**
Goh Nan Kioh	8	8
Goh Nan Yang	7	8
Yeoh Eng Khoon	8	8
Yeow See Yuen	8	8
Khoo Teng Keat	8	8
Won Thean Sang	8	8

REMUNERATION OF DIRECTORS

The Company has established a Remuneration Committee in 2005. The task of the Remuneration Committee is to make recommendation of remuneration for Directors and Senior Management so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. Composed of three Directors, the majority of whom are independent non-executive directors, the Remuneration Committee is mandated to meet once a year.

AUDITOR'S REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately HK$472,000 to the external auditor for their audit services.

AUDIT COMMITTEE

The members of the Audit Committee are:–

Yeow See Yuen
Khoo Teng Keat
Won Thean Sang

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 auditor.

In performing its functions, the committee reviewed the overall scope of work of the external auditor 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 2009 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 2009, 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
Yeow See Yuen	2	2
Khoo Teng Keat	2	2
Won Thean Sang	1	2

NOMINATION OF DIRECTORS

Prior to the appointment of new directors, the Board is first provided with the qualifications of the relevant candidates for determining the suitability to the Company on the basis of his qualifications, experience and background beforehand for consideration. In view of this, the establishment of a nomination committee has not been effected as the Board carries out this function.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure it is effective and adequate. The Company convened meetings periodically to discuss financial, operational and risk management control.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

TO THE SHAREHOLDERS OF PEARL RIVER TYRE (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Pearl River Tyre (Holdings) Limited ("the Company") and its subsidiaries and the joint venture (collectively "the Group") set out on pages 22 to 77, which comprise the company and consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO LIMITED
Certified Public Accountants
Hong Kong

Li Pak Ki
Practising Certificate number P01330

20 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Turnover	6	549,546	453,190
Cost of sales		(465,511)	(457,328)
Gross profit/(loss)		84,035	(4,138)
Other income and net gains/(losses)	7	9,382	(6,989)
Selling and distribution expenses		(12,722)	(10,113)
Administrative expenses		(36,866)	(19,517)
Other operating expenses		(5,905)	(19,703)
Finance costs	8	(4,410)	(6,433)
Profit/(Loss) before taxation	9	33,514	(66,893)
Income tax expense	11	(180)	–
Profit/(Loss) for the year		33,334	(66,893)
Other comprehensive income			
Exchange differences on translating financial statements of the Joint Venture		2,073	13,038
Fair value gain/(loss) on available-for-sale investments		54,010	(23,613)
Total other comprehensive income		56,083	(10,575)
Total comprehensive income for the year		89,417	(77,468)
Basic and diluted earnings/(loss) per share (Hong Kong cents)	12	31.7	(63.6)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment	13	161,589	184,111
Operating lease prepayments	14	12,130	12,999
Investment in an associate	19	4,475	4,475
Investments in listed securities	20	145,915	89,909
Total Non-current Assets		324,109	291,494
Current Assets			
Investments in listed securities	20	18,356	11,231
Inventories	22	115,979	65,870
Trade receivables	23	15,500	13,409
Other receivables and prepayments	15	14,107	7,147
Tax recoverable		1,774	263
Fixed deposits with licensed banks	24	115,074	26,854
Cash and bank balances	25	43,648	34,598
Total Current Assets		324,438	159,372
Current Liabilities			
Trade payables	26	56,635	40,453
Other payables and accruals	27	54,125	20,823
Amount due to a director	28	5,676	5,612
Provisions	29	2,742	2,740
Borrowings	30	139,541	80,827
Total Current Liabilities		258,719	150,455
Net Current Assets		65,719	8,917
Net Assets		389,828	300,411
EQUITY			
Share capital	31	110,716	110,716
Reserves	33	279,112	189,695
Total Equity		389,828	300,411

Approved and authorised for issue in accordance with a resolution of the Directors on 20 April 2010

GOH NAN YANG *Director*	**KHOO TENG KEAT** *Director*

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Equipment	13	9	–
Other receivables	15	180	169
Amounts due from subsidiaries	16	41,967	43,431
Investments in subsidiaries	17	214,707	214,707
Total Non-current Assets		256,863	258,307
Current Assets			
Prepayment	15	147	–
Cash and bank balances	25	141	103
Total Current Assets		288	103
Current Liabilities			
Other payables and accruals	27	5,225	2,818
Amount due to a subsidiary	16	22,173	21,432
Amount due to a director	28	438	438
Provisions	29	118	118
Total Current Liabilities		27,954	24,806
Net Current Liabilities		(27,666)	(24,703)
Net Assets		229,197	233,604
EQUITY			
Share capital	31	110,716	110,716
Reserves	33	118,481	122,888
Total Equity		229,197	233,604

Approved and authorised for issue in accordance with a resolution of the Directors on 20 April 2010

GOH NAN YANG
Director

KHOO TENG KEAT
Director

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	2009	**2008**
	HK$'000	*HK$'000*
Operating activities		
Profit/(Loss) before taxation	33,514	(66,893)
Adjustments for:–		
Allowance for doubtful debts	2,001	1,386
Amortisation of operating lease prepayments	871	859
Amortisation of intangible asset	–	473
Depreciation of property, plant and equipment	22,548	23,561
Bad debts written off	–	522
Interest expense	3,313	5,173
Plant and equipment written off	3,721	62
Reversal of provision for product warranty	–	(2,416)
Unrealised (gain)/loss on foreign exchange	(2,952)	2,104
Gain on disposal of equipment	(50)	–
(Gain)/Loss on fair value changes of listed securities		
– held for trading	(6,979)	10,091
Interest income	(673)	(836)
Dividend income from listed securities		
– available-for-sale	(926)	(1,419)
– held for trading	(727)	(602)
	53,661	(27,935)
(Increase)/Decrease in inventories	(50,108)	42,292
(Increase)/Decrease in trade and other receivables	(12,554)	32,258
Increase/(Decrease) in trade and other payables	43,299	(46,257)
Cash generated from operations	34,298	358
Interest received	673	836
Interest paid	(3,313)	(5,173)
Net cash generated from/(used in) operating activities	31,658	(3,979)
Investing activities		
(Increase)/Decrease in fixed deposits, net	(88,220)	85,272
Purchase of property, plant and equipment	(3,707)	(4,393)
Proceeds from disposal of equipment	50	–
Dividend received	1,473	2,021
Net cash (used in)/generated from investing activities	(90,404)	82,900

	2009 *HK$'000*	2008 *HK$'000*
Financing activities		
Drawdown of borrowings	153,600	181,958
Repayment of borrowings	(94,907)	(266,448)
Advances from related parties	6,184	505
Advances from a director	65	226
Net cash generated from/(used in) financing activities	64,942	(83,759)
Net increase/(decrease) in cash and bank balances	6,196	(4,838)
Cash and cash equivalents at beginning of the year	34,598	36,531
Effect of foreign exchange rate changes, net	2,854	2,905
Cash and cash equivalents at end of the year, comprising cash and bank balances	43,648	34,598

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Share Capital	Share Premium	Revaluation Reserve	Capital Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 33 (a)	*Note 33 (b)*	*Note 33 (c)*	*Note 33 (d)*	*Note 33 (e)*	
At 1 January 2008	110,716	113,157	95,079	37,344	37,205	(15,622)	377,879
Total comprehensive income for the year	–	–	(23,613)	–	13,038	(66,893)	(77,468)
At 31 December 2008	110,716	113,157	71,466	37,344	50,243	(82,515)	300,411
At 1 January 2009	110,716	113,157	71,466	37,344	50,243	(82,515)	300,411
Total comprehensive income for the year	–	–	54,010	–	2,073	33,334	89,417
At 31 December 2009	110,716	113,157	125,476	37,344	52,316	(49,181)	389,828

The accompanying notes form part of these financial statements

FOR THE YEAR ENDED 31 DECEMBER 2009

1. CORPORATE INFORMATION

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 Hong Kong as a foreign company pursuant to Part XI of the Companies Ordinance on 24 May 1999.

The registered office and principal place of business are as follows:–

Registered office	:	Bermuda Commercial Bank Building 19 Par-la-Ville Road Hamilton HM 11 Bermuda
Principal place of business	:	4th Floor, Tien Chu Commercial Building 173–174 Gloucester Road Wanchai Hong Kong

2. 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 manufacturing and marketing of various types of tyres for commercial vehicles.

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

During the financial year, the Group has adopted all of the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2009:–

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 related to the amendment paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

The adoption of the above new/revised Hong Kong Financial Reporting Standards ("HKFRSs") had no material effect on the financial statements of the Group for both the current and prior reporting periods, except for certain presentational changes as a result of adopting HKAS 1 (Revised) and other changes as set out below. All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards.

HKFRS 8 supersedes HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to chief operating decision-makers as required by HKFRS 8, there are no changes to the operating segments and the results of operating segments on the adoption of HKFRS 8.

The amendments to HKFRS 7 expand the disclosures relating to fair value measurement for financial instruments that are measured at fair value and liquidity risk of financial liabilities. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group:

		Effective date
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs	*(i)*
HKFRSs (Amendments)	Improvements to HKFRSs 2009	*(ii)*
Amendments to HKFRS 2	Share-based Payment – Group Cash – settled Share-based Payment Transactions	*(iii)*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	*(i)*
HKFRS 3 (Revised)	Business Combinations	*(i)*
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners	*(i)*
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	*(iv)*
HKAS 24 (Revised)	Related Party Disclosures	*(v)*
HKFRS 9	Financial Instruments	*(vi)*

Effective date:

(i) Effective for financial periods beginning on or after 1 July 2009.
(ii) Effective for financial periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
(iii) Effective for financial periods beginning on or after 1 January 2010.
(iv) Effective for financial periods beginning on or after 1 July 2010.
(v) Effective for financial periods beginning on or after 1 January 2011.
(vi) Effective for financial periods beginning on or after 1 January 2013.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the basis of the historical cost convention except for certain financial instruments that are measured at fair values, as explained in the accounting policies and notes set out below.

(a) Basis Of Preparation

The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The financial statements are presented in Hong Kong dollars. The financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA 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. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

(b) Principles Of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the financial year ended 31 December each year. The associate has not been accounted for in the consolidated financial statements using the equity method as the amount involved is not material.

The Joint Venture has been accounted for in the consolidated financial statements using the proportionate consolidation method.

The term "Group" used throughout the financial statements means the Company, the subsidiaries and the Joint Venture.

Details of the investment in the subsidiaries, the Joint Venture and the associate are set out in Notes 17, 18 and 19 respectively.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Principles Of Consolidation *(Continued)*

The basis of consolidation is as follows:–

Subsidiaries

A subsidiary is a company which the Company controls, directly or indirectly, its financial and operating policies. This control is normally evidenced when the Company, directly or indirectly, controls more than one half of the voting power, to appoint or remove the majority of the members of the Board of Directors, or to cast a majority of votes at the meetings of the Board of Directors.

The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective date of acquisition or disposal respectively. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All inter-company transactions and balances are eliminated in full on consolidation.

In the Company's statement of financial position, the investment in subsidiaries is stated at cost less impairment loss, if any. The results of the subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable.

Associate

An associate is an entity in which the Group or the Company has a long-term equity interest of between 20% to 50% and over whose financial and operating policy decisions the Group has the power to exercise significant influence but not control through board representation.

The investment in an associate is not accounted for in the consolidated financial statements using the equity method as the amount involved is not material.

The investment in the associate is held by a subsidiary of the Company. In the consolidated statement of financial position, the investment in an associate is stated at cost less impairment loss, if any. The results of the associate are included in the consolidated statement of comprehensive income to the extent of dividends received and receivable.

Joint Venture

A joint venture is an entity where there exists contractually agreed sharing of control by the Group with the other joint venture partner and none of the participating parties has unilateral control over the joint venture. Joint venture is accounted for as jointly controlled entity. The Group recognises its interest in the Joint Venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the Joint Venture with the similar items, line by line, in its consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investments

Investments in listed securities are recognised on a trade date basis and are initially recognised at fair value for those that are held for trading. Available-for-sale investments are initially recognised at fair value plus directly attributable transaction costs.

Subsequent to initial recognition, investments held for trading are measured at fair value with changes in fair value recognised in profit or loss. Available-for-sale investments are measured at fair value, any changes in fair value are recognised in other comprehensive income and accumulated in revaluation reserve within equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

(d) Property, Plant And Equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated using the straight-line method to write off the cost over their estimated useful lives, allowing for their estimated residual values. The principal annual rates used for this purpose are as follows:–

Buildings	4.35% to 5.26%
Plant and Machinery	4.65% to 20%
Equipment (depending on the nature of the asset)	6.43% to 9.50%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Construction-in-progress is carried at cost less any recognised impairment loss. No depreciation is provided in respect of construction-in-progress until it is substantially completed and ready for its intended use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Impairment Of Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

(f) Operating Lease Prepayments

Leases of assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating lease prepayments of the Group represent the payment made by the Joint Venture for the operating lease of a piece of land. Lease prepayments are stated at cost less accumulated amortisation and impairment losses, if any. The operating lease prepayments are amortised on a straight-line basis over the remaining period of the Joint Venture of 23 years.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible Asset

The intangible asset which represents the licence fee paid for the use of the trademark "Pearl River" and the transfer of technology and know-how relating to the production of bias tyres is stated at cost and amortised on a straight-line basis over the estimated useful life of 14 years.

(h) Inventories

Inventories are stated at the lower of cost, on a weighted average basis, and net realisable value. Costs of finished goods comprise direct materials, direct labour and an attributable proportion of variable and fixed production overheads. Work-in-progress is valued only on a materials cost basis, but the effect of excluding direct labour and overhead costs is not considered to be material. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Receivables

Receivables are initially recognised at fair value plus directly attributable transaction costs and thereafter measured at amortised cost, using effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

The Group assesses at the end of each reporting period whether there is any objective evidence a financial asset or a group of financial assets is impaired. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and has an impact on the estimated future cash flows of the financial assets. Evidence of impairment may include indications that a significant financial difficulty of the debtor; a breach of contract; granting concession to debtor with financial difficulty; or it become probable that the debtor will enter bankruptcy or other financial reorganisation. The impairment is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(j) Cash And Cash Equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand and at banks, demand deposits and short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from financial institutions repayable within three months from the date of the advances, if any.

(k) Payables

Payables are initially recognised at fair value net off directly attributable transactions costs and subsequently carried at amortised cost using effective interest method.

(l) Provisions And Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Borrowing Costs

Interest charges incurred are charged to the profit or loss except those interest charges directly attributable to the acquisition, construction or production of qualifying assets (being assets that necessarily take a substantial period of time to be made ready for their intended use or sale) which are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Foreign Currency Translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are determined in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise., except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in foreign currency translation reserve as a separate component of equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income Tax

Income tax expense for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is provided in full, using the liability method, on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(p) Revenue Recognition

Sale of Goods

Revenue from sale of goods represents the invoiced value of goods supplied to customers, net of returns, sales tax and trade discounts. Sales are recognised when the significant risks and rewards of ownership of the goods have been transferred, and no significant uncertainty exists relating to the cost of sales, the consideration and possibility of returns.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Revenue Recognition *(Continued)*

Interest Income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Dividend Income

Dividend is recognised when the Group's right to receive payment is established.

(q) Related Parties

For the purposes of these financial statements, a party is considered to be related if:–

(i) directly, or indirectly through one or more intermediaries, the party:–

(a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(b) has an interest in the entity that gives it significant influence over the entity; or

(c) has joint control over the entity;

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venturer;

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Segment Reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenues, expenses, assets and liabilities are determined before intra-group transactions and balances are eliminated as part of the consolidation process, except to the extent that such intra-group transactions and balances are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets, both tangible and intangible, that are expected to be used for more than one period.

(s) Employee Benefits

(i) Short-Term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

5. ACCOUNTING ESTIMATES AND JUDGEMENT

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

5. ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

The selection of significant accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set forth in Note 4. The Group believes the following significant accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

(i) Estimated useful lives and depreciation of property, plant and equipment

The Group estimates the useful lives of the various categories of property, plant and equipment on the basis of their design lives, planned asset maintenance programme and actual usage experience. Depreciation is calculated using the straight-line method at rates sufficient to write off their cost or valuation over their estimated useful lives.

(ii) Impairment of long-lived assets

The Group reviews its long-lived assets for indications of impairment at the end of each reporting period according to accounting policies set out in Note 4(e). In analysing potential impairments identified, the Group uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(iii) Impairment loss for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payment. The Group bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs might be higher than expected and could significantly affect the results of future periods.

6. TURNOVER

Turnover of the Group, which is also the revenue, represents the invoiced value of goods sold and services rendered less discounts and returns.

7. OTHER INCOME AND NET GAINS/(LOSSES)

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Gain on disposal of equipment	50	–
Gain/(Loss) on fair value changes of listed securities		
– held for trading	6,979	(10,091)
Dividend income from listed securities		
– available-for-sale	926	1,419
– held for trading	727	602
Interest income	673	836
Others	27	245
	9,382	(6,989)

8. FINANCE COSTS

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within one year	3,313	5,173
Bank charges	1,097	1,260
	4,410	6,433

9. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting) the following:–

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Cost of goods sold (including write-down of inventories of HK$6,583,000 in the previous financial year) *(Note 22)*	465,511	457,328
Staff costs (excluding directors' remuneration)		
– Wages, salaries and other benefits	48,074	38,376
– Retirement benefit scheme contributions	15,747	6,860
Allowance for doubtful debts *(Note 23)*	2,001	1,386
Auditor's remuneration	472	471
Amortisation of operating lease prepayments (included in administrative expenses) *(Note 14)*	871	859
Amortisation of intangible asset (included in administrative expenses) *(Note 21)*	–	473
Bad debts written off	–	522
Depreciation of property, plant and equipment *(Note 13)*	22,548	23,561
Plant and equipment written off	3,721	62
Reversal of provision for product warranty *(Note 29)*	–	(2,416)
(Gain)/Loss on foreign exchange, net		
– realised	(306)	3,350
– unrealised	(2,952)	2,104
Operating lease payment:		
– land and buildings	3,258	2,984
– machinery	1,589	1,567
– hostel	29	25

10. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(i) Remuneration of directors

The emoluments paid or payable to each of the six (2008 – twelve) directors who held office during the year were as follows:–

	2009 FEES	2009 SALARIES AND OTHER BENEFITS	2009 TOTAL EMOLUMENTS	2008 FEES	2008 SALARIES AND OTHER BENEFITS	2008 TOTAL EMOLUMENTS
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Ang Guan Seng	–	–	–	40	–	40
Goh Nan Kioh	110	–	110	68	–	68
Goh Nan Yang	75	384	459	54	349	403
Helen Zee	–	–	–	54	–	54
Khoo Teng Keat	75	–	75	27	–	27
Lim Thian Soo	–	–	–	27	–	27
Lim Loi Heng	–	–	–	54	–	54
Lim Chong Puang	–	–	–	27	–	27
Lim Boon Seh	–	–	–	27	–	27
Sandy Chim Chun Kwan	–	–	–	54	–	54
Won Thean Sang	63	–	63	–	–	–
Yeoh Eng Khoon	75	–	75	54	–	54
Yeow See Yuen	75	–	75	27	–	27
	473	384	857	513	349	862

No directors waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 December 2009 and 2008.

10. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(ii) Five highest paid employees

The aggregate amount of emoluments to the five highest paid employees who are not directors are as follows:–

	2009	**2008**
	HK$'000	*HK$'000*
Bonuses	530	93
Salaries and allowances	1,882	1,523

The emoluments of these five non-directors, highest paid employees were all within the band of HK$0 to HK$1,000,000 for the years ended 31 December 2009 and 2008.

None of these non-director, highest paid employees waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 December 2009 and 2008.

11. 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.

For the year ended 31 December 2009, the statutory corporate income tax rates applicable to the Joint Venture established and operating in the People's Republic of China (the "PRC") was 25% (2008 – 25%).

11. INCOME TAX EXPENSE *(Continued)*

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

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Profit/(Loss) before taxation	33,514	(66,893)
Tax at the statutory tax rates		
– Mainland China @ 25% (2008 – 25%)	6,588	(13,046)
– Hong Kong @ 16.5% (2008 – 16.5%)	1,182	(2,851)
	7,770	(15,897)
Tax effects of:–		
Non-deductible expenses	725	4,944
Non-taxable income	(1,730)	(2,096)
Reduction in tax rate	–	(1,426)
Utilisation of unutilised tax losses brought forward	(6,585)	–
Deferred tax assets not recognised during the year	–	14,475
Income tax expense	180	–

As at 31 December 2009, subject to the agreement of the local tax authorities, the Joint Venture had tax losses arising in the PRC of HK$47,666,000 or RMB42,000,000 (2008 – HK$67,213,000 or RMB60,039,000) 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:

	2009	**2009**	**2008**	**2008**
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*
Expired in year:				
2009	–	–	7,739	6,913
2013	47,666	42,000	59,474	53,126
	47,666	42,000	67,213	60,039

11. INCOME TAX EXPENSE *(Continued)*

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

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Allowance for doubtful debts	32,660	30,649
Allowance for obsolete inventories	3,439	3,439
Provision for product warranty	2,623	2,623
Provision for sales incentives	6,362	8,745
Unrealised loss on foreign exchange	–	2,150
Unutilised tax losses	33,001	46,141
Others	3,802	38,317
	81,887	132,064

12. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the profit for the year of HK$33,334,000 (2008 – loss of HK$66,893,000) and the number of shares in issue during the year of 105,116,280 (2008 – 105,116,280). There was no dilutive potential ordinary share outstanding during the year of 2009 and 2008.

As there is no dilutive event during the current and previous years, the basic and diluted earnings/(loss) per share for both years are equal.

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP 2009	Buildings *HK$'000*	Plant and Machinery *HK$'000*	Construction-in-progress *HK$'000*	Equipment *HK$'000*	Total *HK$'000*
Cost:					
At 1 January 2009	121,218	299,773	7,157	2,192	430,340
Additions	–	2,267	1,429	11	3,707
Disposal	–	–	–	(1,608)	(1,608)
Written off	–	(984)	(3,456)	–	(4,440)
Effect of foreign exchange translation	32	80	–	–	112
At 31 December 2009	121,250	301,136	5,130	595	428,111
Accumulated depreciation:					
At 1 January 2009	55,392	188,900	–	1,937	246,229
Charge for the year *(Note 9)*	4,726	17,770	–	52	22,548
Disposal	–	–	–	(1,608)	(1,608)
Written off	–	(719)	–	–	(719)
Effect of foreign exchange translation	19	53	–	–	72
At 31 December 2009	60,137	206,004	–	381	266,522
Carrying amount:					
At 31 December 2009	61,113	95,132	5,130	214	161,589

THE COMPANY 2009	Buildings *HK$'000*	Plant and Machinery *HK$'000*	Construction-in-progress *HK$'000*	Equipment *HK$'000*	Total *HK$'000*
Carrying amount:					
At 1 January 2009	–	–	–	–	–
Additions	–	–	–	11	11
Depreciation charge	–	–	–	(2)	(2)
At 31 December 2009	–	–	–	9	9

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

THE GROUP 2008	Buildings *HK$'000*	Plant and Machinery *HK$'000*	Construction-in-progress *HK$'000*	Equipment *HK$'000*	Total *HK$'000*
Cost:					
At 1 January 2008	113,960	279,871	4,552	2,192	400,575
Additions	–	2,111	2,282	–	4,393
Written off	–	(63)	–	–	(63)
Effect of foreign exchange translation	7,258	17,854	323	–	25,435
At 31 December 2008	121,218	299,773	7,157	2,192	430,340
Accumulated depreciation:					
At 1 January 2008	47,676	159,690	–	1,886	209,252
Charge for the year *(Note 9)*	4,612	18,898	–	51	23,561
Written off	–	(1)	–	–	(1)
Effect of foreign exchange translation	3,104	10,313	–	–	13,417
At 31 December 2008	55,392	188,900	–	1,937	246,229
Carrying amount:					
At 31 December 2008	65,826	110,873	7,157	255	184,111

The Group has pledged the buildings, plant and machinery to secure banking facilities granted to the Group (Note 30).

The buildings are situated on a land that is held under medium-term lease.

The plant and equipment of the Group are held outside Hong Kong.

14. OPERATING LEASE PREPAYMENTS

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Cost:		
At 1 January	20,043	18,843
Effect of foreign exchange translation	5	1,200
At 31 December	20,048	20,043
Accumulated amortisation:		
At 1 January	7,044	5,803
Charge for the year *(Note 9)*	871	859
Effect of foreign exchange translation	3	382
At 31 December	7,918	7,044
Carrying amount	12,130	12,999

The Group has pledged the leasehold land to secure banking facilities granted to the Group (Note 30). The leasehold land is held outside Hong Kong under medium-term lease.

15. OTHER RECEIVABLES AND PREPAYMENTS

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Current		
Amount owing by a related party (1)	3,231	1,713
Other receivables	721	1,620
Deposits paid to suppliers	9,622	1,598
Prepayments and deposits	533	2,216
	14,107	7,147

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
Non-current		
Other receivables (2)	3,548	3,537
Less: allowance for doubtful debts	(3,368)	(3,368)
	180	169
Current		
Prepayment	147	–

The foreign currency exposure profile of other receivables is as follows:–

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi	7,378	6,866	–	–
Ringgit Malaysia	184	216	142	169
United States Dollar	6,360	65	–	–

Notes:–

1. The related party refers to Guangzhou Bolex Tyre Limited ("Bolex"), a company established in the PRC, in which certain directors in the Joint Venture are key management personnel of Bolex. The amount owing is trade in nature, unsecured, interest bearing at the borrowing rate of one of the Joint Venture's banks and has no fixed terms of repayment.

2. Included in other receivables is an amount of HK$3,368,000 in respect of the investment in 8% convertible notes held by PRT Capital Pte Ltd ("PRTC") in a proprietary limited company incorporated in Australia together with a company which is substantially and collectively owned and controlled by a director of the Company, namely Goh Nan Kioh. The notes are convertible until 31 December 2005, at the option of PRTC, into 50% of the equity capital of the proprietary limited company failing which they will be redeemed on that date. PRTC decided to redeem the convertible notes. The investment in convertible notes has been reclassified from other financial assets to other receivables and has been fully impaired.

16. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	THE COMPANY	
	2009	**2008**
	HK$'000	*HK$'000*
Non-Current		
Amounts due from subsidiaries	41,967	43,431
Current		
Amount due to a subsidiary	(22,173)	(21,432)

The amounts due from subsidiaries are unsecured, interest-free and in substance represent the Company's investments in the subsidiaries in the form of quasi-equity loans.

The amount due to a subsidiary is unsecured, interest-free and has no fixed term of repayment.

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2009	**2008**
	HK$'000	*HK$'000*
Non-current		
Unlisted shares, at cost [1]	214,707	214,707

Particulars of the subsidiaries are as follows:–

Name	Place/Date Of Establishment	Authorised/Issued And Fully Paid-up Share Capital	Direct Attributable Equity Interest 2009	Direct Attributable Equity Interest 2008	Principal Activities
PRT Capital Pte. Ltd.	The British Virgin Islands/ 3 December 1996	US$50,000/US$1	100%	100%	Investment holding
Carham Assets Limited	The British Virgin Islands/ 1 December 1996	US$50,000/US$2	100%	100%	Investment holding

Note:–

1 They represent investments of Australian Dollar ("A$'") 1 and A$35,992,000 in two wholly-owned subsidiaries, PRT Capital Pte Ltd. and Carham Assets Limited respectively.

18. INVESTMENT IN A JOINT VENTURE

Particulars of the Joint Venture are as follows:–

Name	Place/Date Of Establishment	Authorised/ Fully Paid-up Registered Capital	Indirect Attributable Equity Interest 2009	Indirect Attributable Equity Interest 2008	Principal Activities
Guangzhou Pearl River Rubber Tyre Limited	PRC/ 11 December 1993	US$43,202,166	70%	70%	Manufacturing and marketing of various types of tyres

The Joint Venture was established as a Sino-foreign joint venture under the Chinese Joint Venture Law. The Joint Venture is 70% owned by the wholly-owned subsidiary, Carham Assets Limited and 30% owned by Guangzhou Guang Xiang Enterprise Group Company Limited ("GGXEG"), a state-owned enterprise, established in Guangzhou, the PRC.

The Group's share of the Joint Venture's assets and liabilities is as follows:–

	2009 *HK$'000*	**2008** *HK$'000*
Non-current assets	173,314	196,856
Current assets	296,228	140,675
Current liabilities	(244,452)	(138,676)
Net assets	225,090	198,855

The Group's share of the Joint Venture's revenues and expenses is as follows:–

	2009 *HK$'000*	**2008** *HK$'000*
Revenues and other income	550,535	453,435
Costs and expenses	(519,786)	(497,617)
	30,749	(44,182)
Finance costs	(4,410)	(6,433)
Profit/(Loss) before taxation	26,339	(50,615)
Income tax expense	–	–
Profit/(Loss) for the year	26,339	(50,615)

19. INVESTMENT IN AN ASSOCIATE

	THE GROUP 2009 HK$'000	2008 HK$'000
Investment in an associate, at cost	4,475	4,475

Particulars of the associate are as follows:–

Name	Place/Date Of Establishment	Authorised/Issued And Fully Paid-up Share Capital	Indirect Attributable Equity Interest 2009	2008	Principal Activities
Thames Electronics Sdn. Bhd.	Malaysia/ 30 January 2003	RM100,000	28.4%	28.4%	Investment holding

20. INVESTMENTS IN LISTED SECURITIES

	THE GROUP 2009 HK$'000	2008 HK$'000
Non-current		
Securities listed outside Hong Kong:		
– available-for-sale, at fair value (1)	145,915	89,909
Current		
Securities listed outside Hong Kong:		
– held for trading, at fair value	18,356	11,231

Note:–

1 It relates to investment in D & O Green Technologies Berhad (formerly known as D & O Ventures Berhad) ("D&O"), a company incorporated in Malaysia. As at 31 December 2009, the Group held 16.6% (2008 – 16.6%) equity interest in D & O. The carrying value represents the fair value of D&O based on the last quoted market price as at the end of reporting period.

21. INTANGIBLE ASSET

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Licence fee		
Cost:		
At 1 January	6,715	6,313
Effect of foreign exchange translation	1	402
At 31 December	6,716	6,715
Accumulated amortisation:		
At 1 January	6,715	5,862
Charge for the year *(Note 9)*	–	473
Effect of foreign exchange translation	1	380
At 31 December	6,716	6,715
Carrying amount	–	–

The licence fee represents fee paid to Guangzhou Rubber Tyre Factory ("GRTF") for the use of the trademark "Pearl River" and the transfer of technology and know-how relating to the production of bias tyres.

22. INVENTORIES

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Raw materials	67,592	25,555
Work-in-progress	4,717	7,134
Finished goods	43,670	33,181
	115,979	65,870

The Group has written down certain finished goods amounted to HK$6,583,000 in the previous financial year (Note 9). Other than this write-down, none of the inventories as at 31 December 2009 and 2008 were carried at net realisable value.

23. TRADE RECEIVABLES

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Trade receivables	48,160	44,058
Less: allowance for doubtful debts *(Note 23 (b))*	(32,660)	(30,649)
	15,500	13,409

(a) Ageing analysis

The ageing analysis of trade receivables as at the end of reporting period is as follows:–

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Less than one year	15,162	12,021
More than one year but less than two years	1,018	2,435
More than two years	31,980	29,602
	48,160	44,058
Less: allowance for doubtful debts	(32,660)	(30,649)
	15,500	13,409

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

(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:

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
At 1 January	30,649	27,492
Additional allowance for the year *(Note 9)*	2,001	1,386
Effect of foreign exchange translation	10	1,771
At 31 December	32,660	30,649

23. TRADE RECEIVABLES *(Continued)*

(c) Trade receivables that are not impaired

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

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Neither past due nor impaired	7,280	5,178
Less than one year past due	7,882	6,843
More than one year but less than two years past due	338	1,388
	15,500	13,409

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:–

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
United States Dollar	15,500	13,409

24. FIXED DEPOSITS WITH LICENSED BANKS

The weighted average interest rate of the short-term deposits at the end of reporting period was 2% (2008 – 2.25%) per annum.

The foreign currency exposure profile of fixed deposits is as follows:–

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Renminbi	114,701	26,784
United States Dollar	373	70

The short-term deposits of the Group were pledged to licensed banks as security for bank loans (Note 30).

25. CASH AND BANK BALANCES

The foreign currency exposure profile of cash and cash equivalents is as follows:-

	THE GROUP		THE COMPANY	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Euro	–	256	–	–
Renminbi	2,861	11,808	–	–
Ringgit Malaysia	297	108	122	51
Singapore Dollar	9,083	6,277	–	–
United States Dollar	31,407	16,149	19	52

Renminbi is not freely convertible into foreign currencies. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

26. TRADE PAYABLES

The ageing analysis of trade payables as at the end of reporting period is as follows:–

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Less than one year	48,957	32,790
More than one year but less than two years	139	322
More than two years	7,539	7,341
	56,635	40,453

26. TRADE PAYABLES *(Continued)*

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

	THE GROUP 2009 HK$'000	THE GROUP 2008 HK$'000
Renminbi	55,715	40,453
United States Dollar	920	–

27. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Other payables	44,820	15,988	682	581
Amount owing to related parties[1]	7,355	1,171	2,911	1,171
Accruals	1,950	3,664	1,632	1,066
	54,125	20,823	5,225	2,818

The amount owing to related parties is non-trade in nature, unsecured, interest-free and has no fixed term of repayment.

Note:–

1. The related parties refer to:

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
(a) GGXEG, a company established in the PRC, in which certain directors in the Joint Venture are key management personnel of GGXEG	4,444	–	–	–
(b) Cambrew Asia Limited, a company incorporated in Cayman Island, in which a director has substantial financial interests	2,911	1,171	2,911	1,171
	7,355	1,171	2,911	1,171

27. OTHER PAYABLES AND ACCRUALS *(Continued)*

The foreign currency exposure profile of other payables and accruals is as follows:–

	THE GROUP		THE COMPANY	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Australia Dollar	367	665	367	665
Renminbi	45,653	13,339	–	–
Ringgit Malaysia	664	519	664	519
Singapore Dollar	62	–	62	–
United States Dollar	6,497	5,900	3,250	1,234

28. AMOUNT DUE TO A DIRECTOR

The amount due is unsecured, interest-free and has no fixed terms of repayment. The amount owing is denominated in Ringgit Malaysia.

29. PROVISIONS

	THE GROUP		THE COMPANY	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	2,622	6,455	–	–
Reversal during the year *(Note 9)*	–	(2,416)	–	–
Utilised during the year	–	(1,766)	–	–
Effect of foreign exchange translation	2	349	–	–
	2,624	2,622	–	–
Others	118	118	118	118
At 31 December	2,742	2,740	118	118

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within three years from the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within three years prior to the end of reporting period. The amount of provision takes into account the Group's recent claims experience and is only made where a warranty claim is probable.

30. BORROWINGS

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Bank loans	139,541	80,827

The loans are wholly repayable within one year and bear weighted average interest rate ranging from 1.86% to 5.89% (2008 – 8.00%) per annum. The directors estimated that the fair value of the bank loans is not significantly different from the carrying amount. The loans are secured by way of:–

(i) legal charges over the leasehold land, buildings, plant and machinery of the Joint Venture (Notes 13 and 14); and

(ii) a lien over all the fixed deposits of the Joint Venture (Note 24).

The foreign currency exposure profile of borrowings is as follows:–

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Renminbi	52,086	46,737
United States Dollar	87,455	34,090

31. SHARE CAPITAL

	2009	**2008**
	HK$'000	*HK$'000*
Authorised share capital		
150,000,000 ordinary shares of A$0.20 each	166,305	166,305
Issued and fully paid-up share capital		
105,116,280 ordinary shares of A$0.20 each	110,716	110,716

32. 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 ("the Participants") 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's 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 sheets for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share on the date of grant.

The number of shares in respect of which options may be granted under 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 employees and attract human resources that are invaluable to the Group and any invested entity.

No employee or director (except for Goh Nan Kioh and Goh Nan Yang, who were given approval by shareholders at the Annual General Meeting held on 21 May 2004 to be granted options which will result in their share options exceeding 1% of the aggregate number of shares) shall be 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 issuable under the Scheme.

Any option granted must be taken up within 28 days of the date of grant. The consideration of HK$1 is payable on the grant of an option. The 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 had been granted under the Scheme to any of the directors and employees of the Group since the Scheme was adopted on 21 May 2004.

33. RESERVES

THE COMPANY	Share Premium HK$'000 Note 33 (a)	Retained Profits HK$'000	Total HK$'000
At 1 January 2008	113,157	13,972	127,129
Loss for the year	–	(4,241)	(4,241)
At 31 December 2008	113,157	9,731	122,888
At 1 January 2009	113,157	9,731	122,888
Loss for the year	–	(4,407)	(4,407)
At 31 December 2009	113,157	5,324	118,481

The consolidated profit attributable to equity holders of the Company includes a loss of HK$4,407,000 (2008: HK$4,241,000) which has been dealt with in the financial statements of the Company.

(a) Share Premium

The Company's share premium account may be distributable in the form of fully paid-up bonus shares.

(b) Revaluation Reserve

	THE GROUP 2009 HK$'000	THE GROUP 2008 HK$'000
Revaluation reserve is represented by:–		
Net gain on fair value change of available-for-sale investment		
At 1 January	65,048	88,661
Gain/(Loss) on fair value change of available-for-sale investment	54,867	(18,954)
Effect of foreign exchange translation	(857)	(4,659)
At 31 December	119,058	65,048
Revaluation of buildings of the Joint Venture arising from land and buildings swap	6,418	6,418
	125,476	71,466

The revaluation reserve is not distributable by way of cash dividends.

33. RESERVES *(Continued)*

(b) Revaluation Reserve *(Continued)*

Note:

The buildings were revalued in the financial year ended 31 December 2000 based on the assessment by an independent professionally qualified valuer in the PRC for the purpose of land and buildings swap with Guangzhou Rubber Tyre Factory for the acquisition of the independent, complete and freely transferable and disposable title to a piece of land with area of 94,953 square meter and certain buildings erected thereon with a gross floor area of 4,847 square meter. Under this swap contract, the Joint Venture swapped part of its buildings with a total gross floor area of 43,561 square meter for the land and buildings at equal consideration. The valuation was determined on the market value basis and gave rise to a valuation surplus of $6,418,000.

(c) Capital Reserve

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Capital reserve is represented by:–		
Transfer of non-distributable reserve funds by the Joint Venture	18,148	18,148
Capitalisation of retained profits for bonus issue by the Joint Venture	19,196	19,196
	37,344	37,344

According to the prevailing PRC laws and regulations applicable to Sino-foreign joint ventures in the PRC, discretionary dedicated capital, which includes a general reserve fund and an enterprise expansion fund, should be maintained by the Joint Venture. The Board of Directors of the Joint Venture determines the amount of the annual appropriations to the dedicated capital. Such appropriations are reflected in the Joint Venture's statement of financial position under equity and will not be available for distribution to shareholders once appropriated.

(d) Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of non-monetary items in respect of which gains and losses are recognised directly in equity and of the financial statements of foreign operations. The reserve is not distributable by way of cash dividends and is dealt with in accordance with the accounting policy set out in Note 4(n).

33. RESERVES *(Continued)*

(e) Accumulated Losses

The dividends from the Joint Venture are declared based on profits reported in its statutory financial statements which are prepared in accordance with PRC accounting standards. Such profits will be different from the amounts reported under HKFRSs. No dividends were paid or recommended since the end of the previous financial year. The Joint Venture recorded accumulated losses of RMB34,129,000 or HK$38,770,000 as at 31 December 2009 (2008 – accumulated losses of RMB49,856,000 or HK$56,621,000), as prepared in accordance with PRC accounting standards.

34. CAPITAL AND OPERATING LEASE COMMITMENTS

As at 31 December 2009, the capital commitment of the Joint Venture is as follows:–

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Capital expenditure:		
– approved but not contracted for	1,326	541
– approved and contracted for	1,066	2,020
	2,392	2,561

As at 31 December 2009, the total future minimum lease rentals under non-cancellable operating leases payable by the Joint Venture to GRTF are as follows:–

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	6,291	6,289
After one year but not more than five years	25,162	25,156
More than five years	44,005	50,282
	75,458	81,727

The operating leases are in respect of land and buildings and machinery. None of these leases includes contingent rentals.

The Group's interest in the above capital and operating lease commitments is 70% (2008 – 70%).

35. FINANCIAL INSTRUMENTS

(i) Financial Risk Management Policies

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, market, credit, liquidity and cash flow risks. The Group operates within defined guidelines that are approved by the Board and the policies in respect of the major areas of treasury activity are as follows:–

(a) Foreign Currency Risk

The Group is exposed to foreign currency risk on sales, purchases, borrowings and investments that are denominated in foreign currencies. The Group does not use any derivative financial instruments to manage its exposure to foreign currency risk as the directors are of the opinion that the net exposure is not significant. The majority of the Group's foreign currency transactions and balances are denominated in Chinese Renminbi ("RMB") and United States Dollars ("USD").

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against the USD and Singapore Dollar/Australia Dollar/Ringgit Malaysia against the HKD respectively. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operation within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A negative number below indicates an increase in loss and a decrease in other equity where the RMB strengthens 5% against the USD and Singapore Dollar/Australia Dollar/Ringgit Malaysia against the HKD. For a 5% weakening of the RMB against the USD and Singapore Dollar/Australia Dollar/Ringgit Malaysia against the HKD, there would be an equal and opposite impact on the loss and other equity, and the balances below would be positive. The analysis is performed on the same basis for 2008.

35. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial Risk Management Policies *(Continued)*

(a) Foreign Currency Risk (Continued)

Foreign currency sensitivity analysis *(Continued)*

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Effect on profit/(loss) for the year	1,618	(431)
Effect on other equity	1,620	(436)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

(b) Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing bank borrowings. The Group's interest rate profile as monitored by management is set out below:–

	THE GROUP			
	Effective Interest Rate	**31 December 2009**	**Effective Interest Rate**	**31 December 2008**
	%	*HK$'000*	%	*HK$'000*
Variable rate borrowings:				
Bank loans	5.89	139,541	8.00	80,827

Interest rate sensitivity analysis

At 31 December 2009, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would decrease or increase the Group's profit for the year and increase or decrease accumulated losses by HK$371,000 (2008 – HK$180,000) respectively. The Joint Venture was required to place fixed deposits in RMB as collateral for certain short-term loans with no interest expense payable during the periods of borrowings.

35. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial Risk Management Policies *(Continued)*

(b) Interest Rate Risk (Continued)

Interest rate sensitivity analysis *(Continued)*

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2008.

(c) Market Risk

The Group's exposure to market risk arises from equity investments classified as held for trading securities and available-for-sale equity securities.

The Group's listed investments are listed on the Bursa Malaysia Securities Berhad. Decision to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

(d) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the statement of financial position reduced by the effects of any netting arrangements with counterparties.

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

The Group manages its exposure to credit risk by investing its cash assets safely and profitably, and by the application of credit approvals, credit limits and monitoring procedures on an on-going basis.

35. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial Risk Management Policies *(Continued)*

(e) Liquidity And Cash Flow Risks

Liquidity and cash flow risks arise mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash and the availability of funding through certain committed credit facilities.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay:

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
The Group			
At 31 December 2009			
Trade and other payables, and accruals	110,760	110,760	110,760
Amount due to a director	5,676	5,676	5,676
Borrowings	139,541	139,912	139,912
	255,977	256,348	256,348
At 31 December 2008			
Trade and other payables, and accruals	61,276	61,276	61,276
Amount due to a director	5,612	5,612	5,612
Borrowings	80,827	81,007	81,007
	147,715	147,895	147,895

35. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial Risk Management Policies *(Continued)*

(e) Liquidity And Cash Flow Risks (Continued)

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*
The Company			
At 31 December 2009			
Other payables and accruals	5,225	5,225	5,225
Amount owing to a subsidiary	22,173	22,173	22,173
Amount owing to a director	438	438	438
	27,836	27,836	27,836
At 31 December 2008			
Other payables and accruals	2,818	2,818	2,818
Amount owing to a subsidiary	21,432	21,432	21,432
Amount owing to a director	438	438	438
	24,688	24,688	24,688

(ii) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities, as shown in the statement of financial position less cash and bank balances. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

35. FINANCIAL INSTRUMENTS *(Continued)*

(ii) Capital risk management *(Continued)*

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain a gearing ratio of not more than 100%. The gearing ratios as at 31 December 2009 and 2008 were as follows:

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Total liabilities	258,719	150,455
Less: Fixed deposits with licensed banks	(115,074)	(26,854)
Less: Cash and bank balances	(43,648)	(34,598)
Net debt	99,997	89,003
Total equity	389,828	300,411
Total capital	489,825	389,414
Gearing ratio	20%	23%

(iii) Fair Value Estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(iv) Fair Values Of Financial Instruments

HKFRS 7 requires disclosure for financial instruments that are carried at fair value by level of the following fair value measurement hierarchy:

Level 1 – Quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

35. FINANCIAL INSTRUMENTS *(Continued)*

(iv) Fair Values Of Financial Instruments *(Continued)*

At 31 December 2009, the Group's investments in listed securities are measured at fair value. During the year, there were no transfers between instruments in Level 1 and Level 2.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale investment	145,915	–	–	145,915
Investment held for trading	18,356	–	–	18,356
	164,271	–	–	164,271

36. CONNECTED/RELATED PARTY TRANSACTIONS

In addition to the amounts owing by/to related parties as disclosed in Notes 15 and 27 respectively to the financial statements, the following is a summary of the transactions with connected/related parties, which were carried out in the normal course of operations of the Group:–

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
(a) Transactions between the Joint Venture and Bolex		
Contribution received and receivable from Bolex for:		
(i) processing/providing raw material/ intermediate/ consumable products	959	252
(ii) charging of utilities (water, electricity, steam and compressed air consumed)	20,000	8,865
(iii) the right to use the factory lift and the factory Space	100	97
	21,059	9,214

36. CONNECTED/RELATED PARTY TRANSACTIONS *(Continued)*

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
(b) Transactions between the Joint Venture and GGXEG *		
Expenses:		
Lease rental for a piece of land and buildings erected thereon	4,654	4,262
Lease rental for the exclusive right to use certain machinery	2,270	2,239
Lease rental for a hostel	41	36
Royalties for the right to use the trademark "Pearl River" and any technology and know-how necessary for the production of bias tyres	833	491
	7,798	7,028

* *The agreements relating to these transactions were between the Joint Venture and GRTF.*

GGXEG is a connected person of the Company under the Listing Rules as GGXEG is the owner of 30% equity interest in the Joint Venture (in which the Group owns the balance of 70% of equity interest). As Bolex is 75% owned by GGXEG, Bolex is an associate of GGXEG and hence also a connected person of the Company. Under the Listing Rules, each of the Bolex transactions and the GGXEG transactions constitute continuing connected transactions for the Company.

On 14 August 2009, the Directors of the Company have announced the revised estimated caps of the continuing connected transactions between its Joint Venture and Bolex for the three financial years ending 31 December 2011. The revised estimated caps has been approved by the shareholders in the Special General Meeting held on 28 September 2009.

On 14 December 2009, the Directors of the Company have announced the revised estimated caps of the continuing connected transactions between its Joint Venture and GGXEG for the three financial years ending 31 December 2011.

The relevant percentage ratios on the aggregate value of the transaction with each of Bolex and GGXEG were less than 25% and the transaction amounts with GGXEG were less than HK$10 million.

36. CONNECTED/RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel:

The remuneration of directors and other members of key management during the years was as follows:

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Short-term employee benefits	2,374	1,752

The independent non-executive directors of the Company have reviewed the above-mentioned transactions and confirmed that these on-going connected/related party transactions are in the ordinary and usual course of business, on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned.

37. SEGMENT INFORMATION

The Group has adopted HKFRS8 *Operating Segment* with effect from 1 January 2009. HKFRS8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. It replaces the requirement under HKAS 14 to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the Group's results of operations or financial position. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on nature of business.

37. SEGMENT INFORMATION *(Continued)*

The following tables present information regarding revenue, profit or loss, assets and liabilities for each reportble segment:

	Manufacturing	Investment Holding	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2009				
Turnover	549,546	–	–	549,546
RESULTS:				
Segment results (external)	30,093	7,146	12	37,251
Finance costs	(4,410)	–	–	(4,410)
Interest income	656	17	–	673
Profit before taxation				33,514
Income tax expense				(180)
Profit for the year				33,334
OTHER INFORMATION:				
Segment assets	469,542	179,005		648,547
Segment liabilities	244,452	14,267		258,719
Capital expenditure	3,696	11		3,707
Depreciation and amortisation	23,367	52		23,419

37. SEGMENT INFORMATION *(Continued)*

	Manufacturing *HK$'000*	Investment Holding *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
2008				
Turnover	453,190	–	–	453,190
RESULTS:				
Segment results (external)	(45,018)	(16,290)	12	(61,296)
Finance costs	(6,433)	–	–	(6,433)
Interest income	836	–	–	836
Loss before taxation				(66,893)
Income tax expense				–
Loss for the year				(66,893)
OTHER INFORMATION:				
Segment assets	337,529	113,337		450,866
Segment liabilities	(138,676)	(11,779)		(150,455)
Capital expenditure	4,393	–		4,393
Depreciation and amortisation	24,842	51		24,893

37. SEGMENT INFORMATION *(Continued)*

Geographical information:

2009	**Revenue**	**Non-current Assets**
	HK$'000	*HK$'000*
The People's Republic Of China	279,525	173,506
Republic of India	17,272	–
Republic of Yemen	49,125	–
The People's Republic Of Bangladesh	37,710	–
Singapore	46,414	–
Malaysia	31,439	4,688
Others	88,061	–
	549,546	178,194

2008	**Revenue**	**Non-current Assets**
	HK$'000	*HK$'000*
The People's Republic Of China	192,450	196,855
Republic of India	20,230	–
Republic of Yemen	39,154	–
The People's Republic Of Bangladesh	32,664	–
Singapore	39,089	–
Malaysia	15,907	4,730
Others	113,696	–
	453,190	201,585

For the year of 2009 and 2008, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

FIVE-YEAR FINANCIAL SUMMARY

	2009	**2008**	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	549,546	453,190	656,502	609,947	552,271
Profit/(loss) before taxation	33,514	(66,893)	(1,146)	(7,075)	7,023
Non-current assets	324,109	291,494	324,009	299,372	326,098
Current assets	324,438	159,372	337,505	231,332	194,348
Current liabilities	(258,719)	(150,455)	(283,635)	(173,036)	(142,347)
Equity	389,828	300,411	377,879	357,668	378,099

The comparative figures in respect of turnover for the financial years 2005, 2006 and 2007 have been reclassified to conform with the current financial year's presentation.