

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared on the basis of the historical cost convention and do not take into account changes in either the general purchasing power of the Renminbi (“RMB”), the Australian dollar (“A\$”), the Hong Kong dollar (“HK\$”), the Malaysian Ringgit (“RM”) or in the prices of specific assets, except to the extent set out in the accounting policies and notes below.

Financial Statements Denominated in Australian Dollars

The financial statements denominated in A\$ are a general purpose financial report that has been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Law.

Financial Statements Denominated in Hong Kong Dollars

The financial statements denominated in HK\$ are prepared in accordance with the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and in compliance with the disclosure requirements of the Companies Ordinance.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the parent entity, Pearl River Tyre (Holdings) Limited, its controlled entities, associate entity and Guangzhou Pearl River Rubber Tyre Limited (the “Joint Venture”) made up to the end of the financial year ended 31 December. The term consolidated entity used throughout these financial statements means the parent entity, the controlled entities, the associate entity and the Joint Venture.

Controlled entities are consolidated using the acquisition method. Under the acquisition method, the results of the controlled entities acquired or disposed of are incorporated into the consolidated income statement from the date of acquisition or up to the date of disposal. Transactions between the controlled entities and parent entity are eliminated at the consolidated financial statements.

Details of the investment in the controlled entities, associate entity and the Joint Venture are set out in Note 2.

(c) Associate Entity

An associate entity is an entity in which the consolidated entity has a long term equity interest of between 20% to 50% and over whose financial and operating policy decisions the consolidated entity has the power to exercise significant influence through board representation. Investment in associate entity is accounted for in the consolidated financial statements using the equity method.

Equity method involves recognising in the income statements the consolidated entity’s share of the results of the associate entity. The consolidated entity’s investment in associate entity is carried in the balance sheets at an amount that reflects its cost of acquisition plus its share of the associate entity’s post-acquisition profits or losses and reserve increments or decrements retained by the associate entity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(d) Joint Venture

Joint ventures are entities where there exist contractually agreed sharing of control by the consolidated entity with one or more parties. The consolidated entity's interest in the joint venture is accounted for in the consolidated financial statements by the equity method. Where necessary, in applying the equity method, adjustments have been made to the financial statements of the joint venture to ensure consistency of accounting policies with the consolidated entity.

The results of the Joint Venture were previously consolidated with the Consolidated Entity's results. The change in the accounting policy is to comply with the requirements of AASB 1006 – Interests in Joint Ventures (“AASB 1006”) and Statement of Standard Accounting Practice 2.121 – Accounting for Interests in Joint Ventures issued by Australian Accounting Standards Board and Hong Kong Society of Accountants respectively. Comparative figures prepared in accordance with the equity method have been shown as “As Restated” in addition to the comparative amounts prepared in accordance with the consolidated method as disclosed in the previous years' financial statements, shown as “As previously reported”.

To provide a better understanding of the Consolidated Entity's results, the Joint Venture's results are separately disclosed in Note 21.

(e) Goodwill

Goodwill arising on consolidation (“goodwill”) represents the excess of the purchase consideration over the fair value of the net assets of controlled entities, associates and joint ventures acquired. Discount arising on consolidation (“discount”) represents the excess of fair values of the net assets of controlled entities, associates and joint ventures acquired over the purchase consideration.

Under the equity method, goodwill or discount is assessed as the difference between the cost of investment in the associate or the joint venture and the Company's share of the net notionally adjusted fair values of the identifiable assets and liabilities of the associate or the joint venture.

Under Australian Generally Accepted Accounting Principles (“GAAP”), notional adjustments are made to the income statement of the associate or the joint venture in subsequent periods to reflect revisions in depreciation of depreciable assets and any amortisation of notional goodwill. Any discount is accounted for by notionally reducing proportionately the Company's share of the fair values of the non-monetary assets acquired until the discount is eliminated.

Under Hong Kong GAAP, any discount or goodwill is charged or credited to reserves.

(f) 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 material cost basis, but the effect of excluding direct labour and overhead costs is not considered to be material.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

(g) Non-Current Assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they exceed their replacement value or recoverable amounts, as appropriate. In cases where the recoverable amount test is used, it is assessed on the basis of net cash flows which will be received from the assets' employment and subsequent disposal. These cash flows have not been discounted to their present value.

(h) Non-Current Investments

Australian Reporting Purposes

Investments other than securities in listed corporations, are brought to account at cost or at directors' valuation. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed based on the underlying worth of the investment. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Securities in listed corporations are valued at market value. Market value is calculated by reference to stock exchanges quoted selling prices at the close of business on the balance sheet date or market price of sales subsequent to the balance sheet date. Increases in the value of investments are credited directly to the asset revaluation reserve, unless they are reversing a previous decrement charged to the income statement, in which case the increment is credited to the income statement. Decreases in the value of investments are recognised as expenses in the income statement, unless they are reversing revaluation increments previously credited to, and still included in the balance of, the asset revaluation reserve in respect of that same class of assets, in which case they are debited directly to the asset revaluation reserve.

Hong Kong Reporting Purposes

(i) Investment securities

Investment securities, which are clearly identified to be held for long term purposes, including subsidiaries, associate entity and joint venture, are carried at cost less any provision for impairment in value. Such provision is recognised as an expense in the income statement.

(ii) Other investments

Other investments not held for trading purposes are stated at fair values at balance sheet date. For listed investments, fair value is calculated by reference to stock exchanges quoted selling prices at the close of business on the balance sheet date or market price of sales subsequent to the balance sheet date. For unlisted investments, fair value is the market value as determined by the directors.

Increases in the value of other investments are credited directly to the asset revaluation reserve, unless they are reversing a previous decrement charged to the income statement, in which case the increment is credited to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Decreases in the value of other investments are debited directly to the asset revaluation reserve unless decreases are due to impairment of the investments in which case the decreases are recognised in the income statement.

When the investments are disposed of, the cumulative gain or loss in the asset revaluation reserve is recognised in the income statement.

(i) **Property, plant and equipment**

All property, plant and equipment are initially stated at cost less accumulated depreciation. Leasehold land and certain buildings are subsequently shown at market value, based on valuations by an external independent valuer, less subsequent amortisation/depreciation.

Leasehold land is amortised evenly over the lease period of 23 years. Depreciation of other property, plant and equipment is provided using the straight line method over their estimated useful lives, allowing for their estimated residual value. The annual depreciation rates, expressed on a percentage of cost, are as follows:–

	2000 and 1999
Buildings	3.33%
Plant and equipment (depending on the nature of the item)	6.43% or 9.5%

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising on revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same assets. In all other cases, a decrease in carrying amount is charged to income statement. On disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to retained earnings.

In accordance with Australian GAAP, in 1999, prior to the introduction of AASB 1006, the discount of the Joint Venture of approximately A\$763,000 was applied on consolidation to reduce the cost of plant and equipment and the annual depreciation was adjusted accordingly. However, under Hong Kong GAAP, the discount was transferred to a capital reserve and amortised over a period of 8 years. The effect of the difference in the treatment of the discount between Hong Kong GAAP and Australian GAAP in 1999 is set out in Note 13.

(j) **Construction In Progress**

Construction in progress represents factories under construction and production lines pending installation. This includes the costs of construction, the costs of plant and machinery, and any interest charges arising from specific borrowings used to finance these assets during the period of construction or installation. Costs are transferred from construction in progress to specific fixed asset accounts when the asset becomes viable for commercial productive activity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(k) Deferred Asset

Deferred asset which represents 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 14 years.

(l) Share Capital

As the Company is a Bermuda company, its financial statements will continue to reflect details regarding authorised share capital and par value of shares.

(m) Foreign Currency Translation

Parent Entity and Controlled Entities

The financial statements of the parent entity and controlled entities are maintained in A\$. Transactions in foreign currencies are translated at the average rate of exchange ruling during the financial year. Monetary assets and liabilities denominated in foreign currencies are translated into A\$ at exchange rates prevailing at the balance sheet date.

The Joint Venture and the Associate Entity

The Joint Venture and the associate entity maintain their books and records in RMB and RM respectively, their functional currencies. Transactions denominated in currencies other than RMB or RM are translated into RMB or RM at the average rates of exchange ruling during the financial year. Monetary assets and liabilities denominated in other currencies are translated into RMB or RM at the applicable rates prevailing at the balance sheet date and the foreign currency exchange gains and losses are included in the income statements.

Consolidation of the Financial Statements of the Parent Entity, its Controlled Entities, Associate Entity and the Joint Venture

For consolidation purposes, the financial statements of the Joint Venture have been translated into A\$ using the current rate method for the balance sheet whilst the average rate has been used to translate the income statement for consolidation with the financial statements of the parent entity. Any exchange difference arising from the translation above is taken as a movement on the foreign currency translation reserve account included in shareholders' equity in the accompanying financial statements. The foreign currency translation reserve represents the consolidated entity's 70% interest.

Consolidated financial statements of the consolidated entity are denominated in A\$. For Hong Kong reporting purposes, the consolidated financial statements are translated from A\$ to HK\$. The consolidated balance sheet is translated into HK\$ at the exchange rate prevailing at the balance sheet date, whereas the consolidated income statement is translated into HK\$ at the average rate of exchange ruling during the financial year. Any exchange difference arising from the translation is taken as a movement on the foreign currency translation reserve account.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(n) Future Income Tax Benefit

This represents the tax value of timing differences between reported accounting profits and taxable income. The benefit is computed at rates of 15% or 27%, as appropriate, at which it is expected that the benefit of the timing differences would be realised and is written back on the basis that its realisation is not certain in the foreseeable future.

(o) Revenue Recognition

Sales of the Joint Venture represents the invoiced value of goods supplied to customers, net of sales tax. Sales are recognised when the Joint Venture has transferred to the buyers the significant risks and rewards of ownership of the goods, and no significant uncertainty exists relating to the costs of sales, the consideration and possibility of return.

Interest income is recognised on an accrual basis.

Dividends are brought to account in the income statement of the parent entity when received except for dividends from the Joint Venture which are brought to account when they are proposed by the Joint Venture. The dividends from the Joint Venture were eliminated in the 1999 consolidated entity's financial statements. Under the equity method, dividends are credited to the carrying amount of the investment in the consolidated financial statements.

(p) Retirement Benefits

Contributions to defined retirement benefits scheme are charged to the income statement as and when incurred.

(q) Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

(r) Related Parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence.

(s) Borrowing Costs

Interest charges incurred are charged to income statement 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 get ready for their intended use or sale) which are capitalised as part of the cost of those assets. Capitalisation or deferral of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(t) Cash Equivalents

Cash equivalents comprise 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 advance, if any.

2. INVESTMENTS

	CONSOLIDATED ENTITY					
	As			As		
	2000	As Restated 1999	As Previously Reported 1999	2000	As Restated 1999	As Previously Reported 1999
	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT						
Securities listed on prescribed stock exchanges, outside Hong Kong, at fair value (being market value)	–	4,286	4,286	–	21,432	21,432
NON-CURRENT						
Securities listed on prescribed stock exchanges, outside Hong Kong, at fair value (being market value)	2,516	–	–	10,953	–	–
Investment in 8% convertible notes (a)	1,330	1,330	1,330	5,790	6,650	6,650
Investment in the Joint Venture (b)	58,826	55,650	–	258,107	280,791	–
Investment in associate entity * (c)	2,562	–	–	11,152	–	–
	<u>65,234</u>	<u>56,980</u>	<u>1,330</u>	<u>286,002</u>	<u>287,441</u>	<u>6,650</u>
Total investments	<u>65,234</u>	<u>61,266</u>	<u>5,616</u>	<u>286,002</u>	<u>308,873</u>	<u>28,082</u>
Market value of securities listed on prescribed stock exchanges	<u>2,516</u>	<u>4,141</u>	<u>4,141</u>	<u>10,953</u>	<u>20,707</u>	<u>20,707</u>

* *Audited by public accountants other than Horwath Sydney Partnership*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

2. INVESTMENTS (cont'd)

	PARENT ENTITY			
	2000	1999	2000	1999
	A\$'000	A\$'000	HK\$'000	HK\$'000
NON-CURRENT				
Investment in the Joint Venture	35,992	35,992	156,697	179,959
Investment in controlled entities	(d)	(d)	(d)	(d)
Total investments	<u>35,992</u>	<u>35,992</u>	<u>156,697</u>	<u>179,959</u>

(a) *The investment in 8% convertible notes is stated at cost.*

(b) *The investment in the Joint Venture is stated at cost and adjusted to reflect changes in the consolidated entity's share of the net assets of the Joint Venture and includes discount arising on consolidation.*

	As		As		As	
	Restated	Previously Reported	Restated	Previously Reported	Restated	Previously Reported
	2000	1999	2000	1999	2000	1999
	A\$'000	A\$'000	A\$'000	A\$'000	HK\$'000	HK\$'000
Cost of investment	35,992	35,992	–	–	156,697	179,959
Share of the post-acquisition profits and reserves:-						
– revaluation reserve	1,500	–	–	–	6,418	–
– capital reserve	7,200	7,200	–	–	41,866	41,866
– translation reserve	20,374	11,734	–	–	46,216	19,721
– retained profits						
– brought forward	724	3,806	–	–	39,245	54,831
– for the financial year	(7,444)	(92)	–	–	(34,546)	(688)
– abnormal item	480	(358)	–	–	2,211	(1,740)
– dividends	–	(2,632)	–	–	–	(13,158)
	<u>58,826</u>	<u>55,650</u>	<u>–</u>	<u>–</u>	<u>258,107</u>	<u>280,791</u>

(c) *This investment is held by PRT Capital Pte Ltd (“PRTC”) and is stated at cost and adjusted to reflect changes in the consolidated entity's share of the net assets of the associate entity.*

(d) *This represents investments of A\$1 and A\$2 in two wholly owned controlled entities, PRTC and Carham Assets Limited (“CAL”) respectively.*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

2. INVESTMENTS (cont'd)

Particulars of the Joint Venture, controlled entities and associate entity are as follows:-

Name	Place/Date of incorporation / establishment	Authorised / Issued and fully paid share capital	Attributable equity interest		Principal activities
			2000	1999	
Guangzhou Pearl River Rubber Tyre Limited * (the "Joint Venture")	The People's Republic of China (the "PRC") / 11 December 1993	US\$63,236,666 / US\$43,202,166	70%	70%	Manufacture and sales of bias tyres
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 September 1997	US\$50,000 / US\$1	100%	100%	Dormant at present
Omega Semiconductor Sdn Bhd ("Omega")	Malaysia / 25 November 1993	RM5,000,000 / RM2,026,500	25%	-	Subcontracting of assembly works of integrated circuits and transistors

* *The Joint Venture was established as a Sino-foreign equity joint venture under the Chinese Joint Venture Law. The Joint Venture is 70% owned by the parent entity and 30% owned by Guangzhou Rubber Tyre Factory ("GRTF"), a state-owned enterprise, established in Guangzhou, the PRC.*

The 8% unsecured convertible notes are an investment held by PRTC in a proprietary limited company incorporated in Australia together with a company which is substantially and collectively owned and controlled by Ang Guan Seng and Goh Nan Kioh.

3. RECEIVABLES

	CONSOLIDATED ENTITY					
	As			As		
	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported
2000	1999	1999	2000	1999	1999	
A\$'000	A\$'000	A\$'000	HK\$'000	HK\$'000	HK\$'000	
Amount owing by the Joint Venture (Note 20 (c))	239	187	-	1,040	934	-
Other debtors	1,693	2,778	7,675	7,371	13,893	38,376
Trade debtors, net of provision for doubtful debts	-	-	22,954	-	-	114,773
Related company	-	-	848	-	-	4,236
Tax refunds receivable	-	-	1,516	-	-	7,580
	<u>1,932</u>	<u>2,965</u>	<u>32,993</u>	<u>8,411</u>	<u>14,827</u>	<u>164,965</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

3. RECEIVABLES (cont'd)

	PARENT ENTITY			
	2000	1999	2000	1999
	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount owing by the Joint Venture	239	187	1,040	934
Amount owing by controlled entities	8,032	5,552	34,971	27,760
Dividends receivable from the Joint Venture	1,517	2,632	6,604	13,158
Other debtors	18	37	77	188
	<u>9,806</u>	<u>8,408</u>	<u>42,692</u>	<u>42,040</u>

The amounts owing by the Joint Venture and the controlled entities are unsecured, interest free and have no fixed terms of repayment.

4. OTHER ASSETS

	CONSOLIDATED ENTITY					
	As			As		
	2000	As Restated	Previously Reported	2000	As Restated	Previously Reported
<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
CURRENT						
Prepayments	<u>6</u>	<u>5</u>	<u>196</u>	<u>25</u>	<u>24</u>	<u>978</u>
NON-CURRENT						
Pre-operating expenditure	2	2	–	13	9	–
Future income tax benefits	–	–	1,438	–	–	7,190
	<u>2</u>	<u>2</u>	<u>1,438</u>	<u>13</u>	<u>9</u>	<u>7,190</u>

	PARENT ENTITY			
	2000	1999	2000	1999
	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT				
Prepayments		<u>6</u>	<u>5</u>	<u>25</u>
			<u>25</u>	<u>24</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

5. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED ENTITY		PARENT ENTITY	
	<i>A\$'000</i>	<i>HK\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>
At Cost				
At 1.1.2000	350	1,749	66	332
Additions	8	38	3	14
Written off	(11)	(53)	(11)	(53)
Transfers	–	–	(58)	(267)
Exchange rate adjustment	–	(291)	–	(26)
	<u>347</u>	<u>1,443</u>	<u>–</u>	<u>–</u>
At 31.12.2000				
Accumulated Depreciation				
At 1.1.2000	95	476	14	73
Charge for the financial year	33	153	4	17
Written back	(3)	(14)	(3)	(14)
Transfers	–	–	(15)	(70)
Exchange rate adjustment	–	(134)	–	(6)
	<u>125</u>	<u>481</u>	<u>–</u>	<u>–</u>
At 31.12.2000				
Net Book Value At				
– 31.12.2000	222	962	–	–
– 31.12.1999 – As restated	<u>255</u>	<u>1,273</u>	<u>52</u>	<u>259</u>
At Cost				
At 1.1.1999	83,113	396,734	64	303
Additions/Transfers	3,862	18,787	2	13
Written off	(122)	(593)	–	–
Disposals	(83)	(403)	–	–
Reinstatement	–	206	–	–
Exchange rate adjustment	(4,013)	1,595	–	16
	<u>82,757</u>	<u>416,326</u>	<u>66</u>	<u>332</u>
At 31.12.1999				
Accumulated Depreciation				
At 1.1.1999	8,868	42,908	8	38
Charge for the financial year	4,627	22,742	6	33
Written back	(41)	(200)	–	–
Disposals	(35)	(172)	–	–
Reinstatement	–	309	–	–
Exchange rate adjustment	(314)	(61)	–	2
	<u>13,105</u>	<u>65,526</u>	<u>14</u>	<u>73</u>
At 31.12.1999				
Net Book Value At				
– 31.12.1999 – As previously reported	<u>69,652</u>	<u>350,800</u>	<u>52</u>	<u>259</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

6. PROVISIONS

	CONSOLIDATED ENTITY					
	As Restated		As Previously Reported		As Previously Reported	
	2000 A\$'000	1999 A\$'000	1999 A\$'000	2000 HK\$'000	1999 HK\$'000	1999 HK\$'000
Dividends payable						
– to members of parent entity	21	21	21	90	104	104
– from the Joint Venture to outside equity interest	–	–	1,128	–	–	5,639
Employees' entitlements	44	24	350	194	122	1,752
	<u>65</u>	<u>45</u>	<u>1,499</u>	<u>284</u>	<u>226</u>	<u>7,495</u>

	PARENT ENTITY			
	2000 A\$'000	1999 A\$'000	2000 HK\$'000	1999 HK\$'000
Dividends payable	21	21	90	104
Employees' entitlements	44	24	194	122
	<u>65</u>	<u>45</u>	<u>284</u>	<u>226</u>

7. SHARE CAPITAL

	CONSOLIDATED/PARENT ENTITY			
	2000 A\$'000	1999 A\$'000	2000 HK\$'000	1999 HK\$'000
Authorised capital				
150,000,000 ordinary shares of A\$0.20 each	<u>30,000</u>	<u>30,000</u>	<u>166,305</u>	<u>166,305</u>
Issued and paid-up capital				
At 1 January	10,512	10,512	62,465	62,465
Bonus issue	10,512	–	48,251	–
At 31 December	<u>21,024</u>	<u>10,512</u>	<u>110,716</u>	<u>62,465</u>

During the financial year ended 31 December 2000, the Company increased its issued and fully paid up share capital from A\$10,512,000 to A\$21,024,000 by the way of a bonus issue of one new ordinary share for every one share held prior to the bonus issue through the capitalisation of the share premium account. The newly issued shares rank pari passu in all respects with the existing shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

8. SHARE PREMIUM

	CONSOLIDATED/PARENT ENTITY			
	‘2000	1999	2000	1999
	A\$’000	A\$’000	HK\$’000	HK\$’000
At 1 January	27,034	27,741	161,489	164,929
Capitalisation	(10,512)	–	(48,251)	–
	<u>16,522</u>	<u>27,741</u>	<u>113,238</u>	<u>164,929</u>
Dual primary listing expenses	(17)	(707)	(81)	(3,440)
	<u>16,505</u>	<u>27,034</u>	<u>113,157</u>	<u>161,489</u>
At 31 December (Note 20 (c))	<u><u>16,505</u></u>	<u><u>27,034</u></u>	<u><u>113,157</u></u>	<u><u>161,489</u></u>

9. REVALUATION RESERVE – NON DISTRIBUTABLE

The revaluation reserve represents the consolidated entity’s share of the surplus on revaluation of buildings of the Joint Venture arising from the land and buildings swap mentioned in Note 24 (a). The revalued amounts of these buildings were based on the valuations by an external independent valuer.

10. CAPITAL RESERVES – NON DISTRIBUTABLE

	CONSOLIDATED ENTITY			
	2000	1999	2000	1999
	A\$’000	A\$’000	HK\$’000	HK\$’000
General reserve *				
At 1 January	7,200	7,159	39,890	39,205
Transfer from capital reserve arising on consolidation (“capital reserve”)	–	–	415	478
Transfer from income statement	–	41	–	207
	<u>7,200</u>	<u>7,200</u>	<u>40,305</u>	<u>39,890</u>
At 31 December	<u><u>7,200</u></u>	<u><u>7,200</u></u>	<u><u>40,305</u></u>	<u><u>39,890</u></u>
Capital reserve **				
At 1 January	–	–	1,976	2,454
Transfer to general reserve	–	–	(415)	(478)
	<u>–</u>	<u>–</u>	<u>1,561</u>	<u>1,976</u>
At 31 December	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>1,561</u></u>	<u><u>1,976</u></u>
Total capital reserves	<u><u>7,200</u></u>	<u><u>7,200</u></u>	<u><u>41,866</u></u>	<u><u>41,866</u></u>

* This relates to the general reserve and enterprise expansion funds maintained in accordance with the prevailing PRC’s laws and regulations applicable to Sino-foreign joint ventures in the PRC.

** This relates to the discount arising on acquisition of the Joint Venture. The reserve is credited to a realised general reserve over a period of eight years in accordance with the accounting standards issued by the Hong Kong Society of Accountants.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

11. FOREIGN CURRENCY TRANSLATION RESERVE - NON DISTRIBUTABLE

	CONSOLIDATED ENTITY			
	2000 A\$'000	1999 A\$'000	2000 HK\$'000	1999 HK\$'000
At 1 January	11,734	14,811	7,963	4,155
Adjustments arising from the translation of the Joint Venture's financial statements	8,640	(3,077)	(4,267)	3,808
At 31 December	20,374	11,734	3,696	7,963

	PARENT ENTITY	
	2000 HK\$'000	1999 HK\$'000
At 1 January	(38,763)	(51,537)
Adjustments arising from the translation of the parent entity's financial statements	(30,700)	12,774
At 31 December	(69,463)	(38,763)

12. RETAINED PROFITS – DISTRIBUTABLE

According to the prevailing PRC's laws and regulations applicable to Sino-foreign joint ventures in the PRC, discretionary dedicated capital, which includes a general reserve fund, an enterprise expansion fund and a staff welfare and incentive bonus fund, should be maintained by the Joint Venture. The Board of Directors of the Joint Venture (the "Board") will determine the amount of the annual appropriations to the dedicated capital. Such appropriations are reflected in the Joint Venture's balance sheet under equity. The appropriation for the staff welfare and incentive bonus fund is charged to the income statement of the Joint Venture. This amount, together with a general reserve amounting to approximately 10% of profits, will not be available for distribution to shareholders once appropriated. On 31 December 2000, the total general reserve fund amounted to A\$4,961,000 or HK\$25,922,000 (1999 - A\$4,961,000 or HK\$25,922,000).

The dividends from the Joint Venture are declared based on profits reported in its statutory financial statements which are prepared in accordance with the PRC accounting standards. Such profits will be different from the amounts reported under the Australian or Hong Kong GAAP. As of 31 December 2000, the Joint Venture had distributable retained earnings of approximately RMB20,600,000 (1999 – RMB47,800,000) as reported in the financial statements of the Joint Venture prepared in accordance with the PRC accounting standards.

The Board of the Joint Venture does not recommend the payment of any dividend for the financial year ended 31 December 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

13. RECONCILIATION BETWEEN AUSTRALIAN GAAP AND HONG KONG GAAP

According to the Australian GAAP, the discount of A\$763,000, representing the excess of fair values of the identifiable net assets of the Joint Venture acquired over the purchase consideration, was applied to notionally reduce the Company's share of the Joint Venture's plant and equipment. A notional adjustment has been made to the operating loss of the Joint Venture to then reflect a revision in depreciation arising from the above notional adjustment to plant and equipment. The Company has equity accounted its share of the notionally adjusted operating loss of the Joint Venture.

This differs from the method used under the Hong Kong GAAP where no notional adjustment to fair values of assets acquired is made in respect of an acquisition discount. Instead the discount is credited directly to reserves.

A reconciliation of the shareholders' equity and the operating loss attributable to shareholders showing the difference between this financial statement prepared in Australian GAAP and Hong Kong GAAP is as follows:–

	2000	1999
Shareholders' equity in A\$'000 as prepared under Australian GAAP	<u>69,734</u>	<u>67,711</u>
Shareholders' equity in HK\$'000 equivalent	302,274	337,281
Acquisition discount credited to reserves	<u>3,321</u>	<u>3,814</u>
Shareholders' equity in HK\$'000 restated to conform with Hong Kong GAAP	<u>305,595</u>	<u>341,095</u>
Loss attributable to shareholders in A\$'000 as prepared under Australian GAAP	<u>(8,100)</u>	<u>(1,096)</u>
Loss attributable to shareholders in HK\$'000 equivalent	(37,336)	(5,333)
Reversal of notional adjustment applied under Australian GAAP	<u>(234)</u>	<u>(232)</u>
Loss attributable to shareholders in HK\$'000 restated to conform with Hong Kong GAAP	<u>(37,570)</u>	<u>(5,565)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

14. REVENUE

	CONSOLIDATED ENTITY					
			As			
	2000	As Restated	Previously Reported	2000	As Restated	Previously Reported
A\$'000	A\$'000	A\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dividends received and receivable from securities listed outside						
Hong Kong	95	102	102	436	497	497
Gain on foreign exchange	729	–	–	3,362	–	–
Interest received and receivable from:–						
– financial institutions	116	97	159	536	471	773
– a related company	–	–	27	–	–	131
Proceeds on sale of securities listed outside						
Hong Kong	7,457	1,881	1,881	34,369	9,152	9,152
Sales revenue	–	–	84,950	–	–	413,279
Management fee received and receivable from a related company	–	–	41	–	–	201
Tax refunds	–	–	1,274	–	–	6,198
	<u>8,397</u>	<u>2,080</u>	<u>88,434</u>	<u>38,703</u>	<u>10,120</u>	<u>430,231</u>

	PARENT ENTITY			
	2000	1999	2000	1999
	A\$'000	A\$'000	HK\$'000	HK\$'000
Dividends received and receivable from the Joint Venture	–	2,632	–	12,804
Gain on foreign exchange	550	–	2,534	–
Interest received and receivable from financial institutions	90	95	417	464
	<u>640</u>	<u>2,727</u>	<u>2,951</u>	<u>13,268</u>

15. SHARE OF PROFIT OF ASSOCIATE ENTITY

The results of Omega are accounted for using the equity method based on the unaudited financial statements made up to the financial year ended 31 December 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

16. OPERATING (LOSS)/PROFIT

- (a) Operating (loss)/profit is arrived at after crediting and charging the following items:–

CONSOLIDATED ENTITY

	2000 A\$'000	As Restated 1999 A\$'000	As Previously Reported 1999 A\$'000	2000 HK\$'000	As Restated 1999 HK\$'000	As Previously Reported 1999 HK\$'000
CREDITING						
Dividends received and receivable from securities listed outside						
Hong Kong	95	102	102	436	497	497
Gain on foreign exchange	729	–	–	3,362	–	–
Interest received and receivable from:–						
– financial institutions	116	97	159	536	471	773
– a related company	–	–	27	–	–	131
Profit on sale of securities listed outside Hong Kong	1,645	398	398	7,580	1,937	1,937
Management fee received and receivable from a related company	–	–	41	–	–	201
Tax refunds	–	–	1,274	–	–	6,198
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	2000 A\$'000	As Restated 1999 A\$'000	As Previously Reported 1999 A\$'000	2000 HK\$'000	As Restated 1999 HK\$'000	As Previously Reported 1999 HK\$'000
CHARGING						
Amortisation of deferred asset	–	–	116	–	–	566
Bad debts written off	9	–	–	40	–	–
Borrowing costs paid to financial institutions	1	11	1,928	3	52	9,194
Depreciation of property, plant and equipment	33	34	4,627	153	164	22,742
Inventories written off	–	–	95	–	–	462
Plant and equipment written off	8	–	81	39	–	393
Pre-operating expenses written off	1	–	–	4	–	–
Provision for doubtful debts	–	–	908	–	–	4,419
Write down in value of securities listed outside Hong Kong	2,568	–	–	11,837	–	–
Provision for inventory obsolescence	–	–	96	–	–	469
Loss on foreign exchange	–	413	471	–	2,011	2,290
Loss on sale of plant and equipment	–	–	14	–	–	67
Operating lease rentals in respect of land and equipment	–	–	963	–	–	4,685
Pension costs	–	–	1,091	–	–	5,307
Royalties	–	–	134	–	–	651
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

16. OPERATING (LOSS)/PROFIT (cont'd)

	PARENT ENTITY			
	2000	1999	2000	1999
	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CREDITING				
Dividends received and receivable from the Joint Venture	–	2,632	–	12,804
Gain on foreign exchange	550	–	2,534	–
Interest received or receivable from financial institutions	90	95	417	464
	<u>90</u>	<u>95</u>	<u>417</u>	<u>464</u>
CHARGING				
Depreciation of plant and equipment	4	6	17	33
Plant and equipment written off	8	–	39	–
Loss on foreign exchange	–	411	–	2,000
	<u>–</u>	<u>411</u>	<u>–</u>	<u>2,000</u>

(b) Remuneration of directors

	PARENT ENTITY			
	2000	1999	2000	1999
	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
DIRECTORS' FEES				
Executive	30	30	138	146
Non-executive	77	79	356	383
OTHER EMOLUMENTS				
Salaries and other allowances	38	35	174	173
Bonuses	6	3	27	13
	<u>6</u>	<u>3</u>	<u>27</u>	<u>13</u>
	<u>151</u>	<u>147</u>	<u>695</u>	<u>715</u>

The Company and its controlled entities have not contributed to any employees provident fund during the financial years ended 31 December 2000 and 1999.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

16. OPERATING (LOSS)/PROFIT (cont'd)

Number of directors of the parent entity whose income was within the following bands:–

	PARENT ENTITY	
	2000	1999
A\$0 – A\$9,999	4	4
A\$10,000 – A\$19,999	8	7
A\$30,000 – A\$39,999	1	2
	<u>13</u>	<u>13</u>
HK\$0 – HK\$1,000,000	13	13
HK\$1,000,001 and above	–	–
	<u>13</u>	<u>13</u>

No Director of the consolidated entity waived any emoluments or received any inducement, compensation for loss of office during the financial years ended 31 December 2000 and 1999.

(c) Five highest paid employees

The aggregate amounts of emoluments payable to the five highest paid employees of the consolidated entity are as follows:–

	CONSOLIDATED ENTITY					
	As			As		
	2000	As Restated 1999	Previously Reported 1999	2000	As Restated 1999	Previously Reported 1999
	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other allowances	264	248	215	1,216	1,205	1,045
Bonuses	37	21	18	172	100	87
	<u>301</u>	<u>269</u>	<u>233</u>	<u>1,388</u>	<u>1,305</u>	<u>1,132</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

16. OPERATING (LOSS)/PROFIT (cont'd)

Number of highest paid employees of the consolidated entity whose income was within the following bands:-

	CONSOLIDATED ENTITY		
	2000	As Restated 1999	As Previously Reported 1999
A\$0 – A\$29,999	–	–	–
A\$30,000 – A\$39,999	1	2	1
A\$40,000 – A\$49,999	1	2	2
A\$50,000 – A\$59,999	2	–	–
A\$90,000 – A\$99,999	–	1	1
A\$100,000 – A\$109,999	1	–	–
	<u>5</u>	<u>5</u>	<u>4</u>
HK\$0 – HK\$1,000,000	5	5	4
HK\$1,000,001 and above	–	–	–
	<u>5</u>	<u>5</u>	<u>4</u>

17. ABNORMAL ITEMS

	CONSOLIDATED ENTITY					
	2000	As Restated 1999	As Previously Reported 1999	2000	As Restated 1999	As Previously Reported 1999
	A\$'000	A\$'000	A\$'000	HK\$'000	HK\$'000	HK\$'000
Provision for diminution in value of securities listed outside Hong Kong	(2,568)	–	–	(11,837)	–	–
Share of the Joint Venture's electricity charges refund	480	–	–	2,211	–	–
Share of the Joint Venture's underdepreciation of buildings relating to previous years arising from a correction in the depreciation rate	–	(358)	(511)	–	(1,740)	(2,485)
	<u>(2,088)</u>	<u>(358)</u>	<u>(511)</u>	<u>(9,626)</u>	<u>(1,740)</u>	<u>(2,485)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

18. TAXATION

CONSOLIDATED ENTITY					
	As	As		As	As
	Restated	Previously		Restated	Previously
2000	1999	1999	2000	1999	1999
A\$'000	A\$'000	A\$'000	HK\$'000	HK\$'000	HK\$'000

Taxation comprises the share
of the Joint Venture's income
tax (expense)/income

	(93)	6	8	(431)	28	40
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The Company was incorporated under the laws of the British Virgin Islands and continued under the laws of Bermuda subsequent to its migration. At the present time, 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 Australia or Hong Kong profits tax has been made as the consolidated entity had no assessable profits derived from or earned in Australia or Hong Kong for the financial years ended 31 December 2000 and 1999.

19. LOSS PER SHARE

The calculation of the basic loss per share is based on the consolidated loss after taxation of A\$8,100,000 or HK\$37,570,000 (1999 – A\$1,096,000 or HK\$5,565,000) for the financial year ended 31 December 2000 and on 105,116,280 ordinary shares in issue during the financial year. The number of ordinary shares in issue for the financial year ended 31 December 1999 has been adjusted to take into account the dilutive effect of the bonus issue undertaken in the current financial year. The adjusted number of ordinary shares in issue for the previous financial year is 105,116,280.

There is no dilutive effect on the basic loss per share for the financial years ended 31 December 2000 and 1999 except for the bonus issue mentioned above.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

20. NOTES TO THE STATEMENTS OF CASH FLOWS

For the purpose of the statements of cash flows, cash includes cash in hand and at banks and deposits on call.

- (a) Reconciliation of net cash provided by operating activities from operating loss after income tax:–

	CONSOLIDATED ENTITY			
		As	As Previously	
	2000	Restated	Reported	
	1999	1999		
	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	
Operating loss after income tax	(8,100)	(1,096)	(1,292)	
Non-cash flows in operating loss:–				
Amortisation of deferred asset	–	–	116	
Bad debts written off	9	–	–	
Charges to provisions	18	(153)	(179)	
Depreciation of property, plant and equipment	33	34	4,627	
Inventories written off	–	–	95	
Loss on sale of plant and equipment	–	–	14	
Plant and equipment written off	8	–	81	
Pre-operating expenses written off	1	–	–	
Profit on sale of investments	(1,645)	(398)	(398)	
Provision for doubtful debts	–	–	908	
Provision for inventory obsolescence	–	–	96	
Revaluation decrement on investments	2,568	17	17	
Share of loss of the Joint Venture	6,964	409	–	
Share of profit of associate entity	(85)	–	–	
Movement in income tax payable	–	–	(1,868)	
Movement in future income tax benefits	–	–	(426)	
Changes in assets and liabilities:–				
Decrease/(Increase) in trade and other debtors	1,077	7,537	(349)	
Increase in amount owing by a related company	–	–	(701)	
Increase in prepayments	(1)	–	(83)	
Increase in inventories	–	–	(11,901)	
(Decrease)/Increase in trade and other creditors	(352)	186	9,170	
Increase/(Decrease) in accruals	24	(19)	34	
Decrease in value added tax and consumption tax payable	–	–	(2,323)	
NET CASH PROVIDED BY/(USED IN)				
OPERATING ACTIVITIES	519	6,517	(4,362)	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

20. NOTES TO THE STATEMENTS OF CASH FLOWS (cont'd)

- (b) Reconciliation of net cash (outflow for)/inflow from operating activities from operating loss before income tax:–

	CONSOLIDATED ENTITY		
	2000	As Restated 1999	As Previously Reported 1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating loss before income tax	(32,102)	(7,045)	(8,631)
Non-cash flows in operating loss:–			
Dividends received and receivable	(436)	(497)	(497)
Interest income	(536)	(471)	(904)
Interest expense	3	52	9,194
Amortisation of deferred asset	–	–	566
Bad debts written off	40	–	–
Depreciation of property, plant and equipment	153	164	22,742
Inventories written off	–	–	462
Loss on sale of plant and equipment	–	–	67
Plant and equipment written off	39	–	393
Pre–operating expenses written off	4	–	–
Profit on sale of investments	(7,580)	(1,937)	(1,937)
Provision for doubtful debts	–	–	4,419
Provision for inventory obsolescence	–	–	469
Revaluation decrement on investments	11,837	–	–
Share of loss of the Joint Venture	26,867	2,221	–
Share of profit of associate entity	(393)	–	–
Changes in assets and liabilities:–			
(Increase)/Decrease in trade and other debtors	(127)	8,094	(10,617)
Increase in amount owing by a related company	–	–	(3,423)
Increase in inventories	–	–	(57,675)
(Decrease)/Increase in trade and other creditors	(1,341)	68	44,171
Increase in pre-operating expenditure	(5)	–	–
Decrease in value added tax and consumption tax payable	–	–	(6,290)
NET CASH (OUTFLOW FOR)/INFLOW FROM OPERATING ACTIVITIES	<u>(3,577)</u>	<u>649</u>	<u>(7,491)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

20. NOTES TO THE STATEMENTS OF CASH FLOWS (cont'd)

(c) Analysis of changes in financing activities during the financial year:–

	Amount owing by the Joint Venture <i>HK\$'000</i>	Amount owing to a director <i>HK\$'000</i>	Borrowings <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
At 1 January 2000	934	–	18	161,489
Capitalisation	–	–	–	(48,248)
Advances	877	49	–	–
Repayments	(637)	–	(18)	–
Payment for dual primary listing expenses	–	–	–	(81)
Exchange rate adjustment	(134)	–	–	(3)
	1,040	49	–	113,157
At 31 December 2000	1,040	49	–	113,157

(d) Reconciliation of net cash provided by operating activities from operating (loss)/profit for the financial year:–

	PARENT ENTITY	
	2000	1999
	<i>A\$'000</i>	<i>A\$'000</i>
Operating (loss)/profit for the financial year	(535)	1,509
Depreciation of plant and equipment	4	6
Plant and equipment written off	9	–
Charges to provisions	18	(153)
Decrease in other debtors	1,135	2,905
Decrease in other creditors	–	(164)
Increase/(Decrease) in accruals	24	(19)
	655	4,084
NET CASH PROVIDED BY OPERATING ACTIVITIES	655	4,084

(e) Reconciliation of net cash outflow from operating activities from operating (loss)/profit for the financial year:–

	PARENT ENTITY	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating (loss)/profit for the financial year	(2,462)	7,337
Dividends received and receivable	–	(12,804)
Interest income	(417)	(464)
Depreciation of plant and equipment	17	33
Plant and equipment written off	39	–
Decrease/(Increase) in other debtors	110	(23)
Increase/(Decrease) in other creditors	60	(1,536)
	(2,653)	(7,457)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(2,653)	(7,457)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

21. INTEREST IN THE JOINT VENTURE

For better understanding of the Group's operating results, the results of the Joint Venture for the current financial year together with the comparative figures for the previous financial year are set out below:–

(a) Balance sheet

	2000 A\$'000	1999 A\$'000	2000 HK\$'000	1999 HK\$'000
Current Assets				
Cash and bank balances	7,122	2,007	31,007	10,035
Receivables	22,070	32,846	96,085	164,229
Inventories	22,356	25,008	97,331	125,039
Prepayments	107	190	466	953
Total Current Assets	51,655	60,051	224,889	300,256
Non-Current Assets				
Property, plant and equipment	79,568	69,905	346,414	349,528
Deferred asset	1,046	1,021	4,553	5,103
Future income tax benefits	–	1,438	–	7,190
Total Non-Current Assets	80,614	72,364	350,967	361,821
Total Assets	132,269	132,415	575,856	662,077
Current Liabilities				
Borrowings	37,422	32,951	162,925	164,756
Accounts payable	7,998	14,815	35,198	74,712
Parent entity	152	132	660	658
Provisions	2,659	4,212	11,197	20,426
Total Liabilities	48,231	52,110	209,980	260,552
Net Assets	84,038	80,305	365,876	401,525
Equity				
Share capital	59,475	59,475	348,470	348,470
Capital deficit	(1,066)	(1,066)	(6,323)	(6,323)
Revaluation surplus	27,120	–	9,169	–
Foreign currency translation reserve	2,144	15,509	28,800	27,424
(Accumulated loss)/Retained profits	(3,635)	6,387	(14,240)	31,954
Total Equity	84,038	80,305	365,876	401,525

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

21. INTEREST IN THE JOINT VENTURE (cont'd)

(b) Income statement

	2000	1999	2000	1999
	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales revenue	76,769	84,950	353,854	413,279
Cost of sales	(66,153)	(69,415)	(304,918)	(337,705)
	<u>10,616</u>	<u>15,535</u>	<u>48,936</u>	<u>75,574</u>
Gross profit				
Other revenue				
Interest income	100	89	463	433
Management fee	38	41	173	201
Tax refunds	–	1,274	–	6,198
Other income	607	9	2,798	45
	<u>745</u>	<u>1,413</u>	<u>3,434</u>	<u>6,877</u>
Total income	11,361	16,948	52,370	82,451
Operating expenses				
General and administrative	(11,744)	(10,624)	(54,134)	(51,685)
Selling and distribution	(6,390)	(4,985)	(29,456)	(24,252)
Financial	(2,239)	(1,915)	(10,320)	(9,316)
	<u>(20,373)</u>	<u>(17,524)</u>	<u>(93,910)</u>	<u>(85,253)</u>
Operating loss before abnormal item	(9,012)	(576)	(41,540)	(2,802)
Abnormal item	685	(511)	3,158	(2,485)
Operating loss for the financial year	(8,327)	(1,087)	(38,382)	(5,287)
Income tax attributable to operating loss	(1,695)	435	(7,812)	2,114
Operating loss after income tax	(10,022)	(652)	(46,194)	(3,173)
Retained profits at the beginning of the financial year	6,387	10,799	31,954	53,995*
Total available for appropriation	(3,635)	10,147	(14,240)	50,822
Dividends	–	(3,760)	–	(18,868)
(Accumulated loss)/Retained profits at the end of the financial year	<u>(3,635)</u>	<u>6,387</u>	<u>(14,240)</u>	<u>31,954</u>

* Conversion rate: A\$1 equals HK\$5

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

21. INTEREST IN THE JOINT VENTURE (cont'd)

(c) Statement of cash flows

	2000	1999
	<i>A\$'000</i>	<i>A\$'000</i>
Cash Flows From/(For) Operating Activities		
Receipts from customers	82,649	90,498
Payments to suppliers	(71,169)	(92,152)
Interest received	100	89
Interest and other costs of finance paid	(2,181)	(1,879)
Income tax refund/(paid)	427	(1,860)
Net Cash Provided By/(Used In) Operating Activities	9,826	(5,304)
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(2,236)	(3,859)
Proceeds from sale of property, plant and equipment	292	–
Net Cash Used In Investing Activities	(1,944)	(3,859)
Cash Flows (For)/From Financing Activities		
(Repayment of)/Proceeds from borrowings	(531)	9,640
(Repayment to)/Borrowings from a Joint Venture equity holder	(784)	472
Dividends paid to shareholders	(2,040)	(7,712)
Net Cash (Used In)/Provided By Financing Activities	(3,355)	2,400
Net Increase/(Decrease) in Cash Held	4,527	(6,763)
Cash At The Beginning Of The Financial Year	2,007	9,053
Exchange rate adjustment	588	(283)
Cash At The End Of The Financial Year	7,122	2,007

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

21. INTEREST IN THE JOINT VENTURE (cont'd)

(d) Statement of cash flows

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net Cash Inflow From/(Outflow For) Operating Activities	52,913	(8,046)
Returns On Investment And Servicing Of Finance		
Interest received	463	433
Interest and other costs of finance paid	(10,052)	(9,142)
Net Cash Outflow For Returns On Investment And Servicing Of Finance	(9,589)	(8,709)
Taxation		
PRC profits tax refund/(paid)	1,967	(9,046)
Investing Activities		
Purchase of property, plant and equipment	(10,305)	(18,774)
Proceeds from sale of property, plant and equipment	1,346	–
Net Cash Outflow For Investing Activities	(8,959)	(18,774)
Net Cash Inflow/(Outflow) Before Financing Activities	36,332	(44,575)
Financing Activities		
(Repayment of)/Proceeds from borrowings	(2,445)	46,896
(Repayment to)/Borrowings from a Joint Venture equity holder	(3,612)	2,296
Dividends paid to shareholders	(9,405)	(37,517)
Net Cash (Outflow For)/Inflow From Financing Activities	(15,462)	11,675
Increase/(Decrease) In Cash And Cash Equivalents	20,870	(32,900)
Cash And Cash Equivalents At The Beginning Of The Financial Year	10,035	42,823
Exchange rate adjustment	102	112
Cash And Cash Equivalents At The End Of The Financial Year	31,007	10,035

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

21. INTEREST IN THE JOINT VENTURE (cont'd)

(e) Commitments in respect of operating leases

As at 31 December 2000, the Joint Venture has operating lease commitments in respect of land and buildings and equipment payable as follows:–

	2000	1999	2000	1999
	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	1,200	939	5,224	4,695
Later than one year but not later than five years	4,800	3,756	20,896	18,779
Later than five years	19,292	17,840	83,994	89,203
	<u>25,292</u>	<u>22,535</u>	<u>110,114</u>	<u>112,677</u>

The consolidated entity's interest in the above operating leases is 70% (1999 – 70%).

A summary of the Joint Venture's leasing arrangements is set out in the paragraphs (b), (d) and (h) in Note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

22. FINANCIAL INSTRUMENTS

31 DECEMBER 2000	NOTE	CONSOLIDATED ENTITY				Total A\$'000
		Floating interest rate A\$'000	Fixed interest one year or less A\$'000	maturing in:- more than one year A\$'000	Non- interest bearing A\$'000	
FINANCIAL ASSETS						
Cash and deposits		2,543	-	-	71	2,614
Investments	2					
– trading investments		-	-	-	2,516	2,516
– other investment		-	-	-	1,330	1,330
Receivables	3	-	-	-	1,932	1,932
		<u>2,543</u>	<u>-</u>	<u>-</u>	<u>5,849</u>	<u>8,392</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FINANCIAL ASSETS						
Cash and deposits		11,071	-	-	310	11,381
Investments	2					
– trading investments		-	-	-	10,953	10,953
– other investment		-	-	-	5,790	5,790
Receivables	3	-	-	-	8,411	8,411
		<u>11,071</u>	<u>-</u>	<u>-</u>	<u>25,464</u>	<u>36,535</u>
Weighted average interest rate		<u>4.28%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.30%</u>
		<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>
FINANCIAL LIABILITIES						
Accounts payable		-	-	-	199	199
Amount owing to a director		-	-	-	12	12
		<u>-</u>	<u>-</u>	<u>-</u>	<u>211</u>	<u>211</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FINANCIAL LIABILITIES						
Accounts payable		-	-	-	866	866
Amount owing to a director		-	-	-	49	49
		<u>-</u>	<u>-</u>	<u>-</u>	<u>915</u>	<u>915</u>
Weighted average interest rate		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net financial assets						
– A\$'000		2,543	-	-	5,638	8,181
– HK\$'000		<u>11,071</u>	<u>-</u>	<u>-</u>	<u>24,549</u>	<u>35,620</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

22. FINANCIAL INSTRUMENTS (cont'd)

		CONSOLIDATED ENTITY				
		As Restated				
31 DECEMBER 1999	NOTE	Floating interest rate A\$'000	Fixed interest one year or less A\$'000	maturing in:- more than one year A\$'000	Non- interest bearing A\$'000	Total A\$'000
FINANCIAL ASSETS						
Cash and deposits		3,687	-	-	107	3,794
Investments	2					
– trading investments		-	-	-	4,286	4,286
– other investment		-	-	-	1,330	1,330
Receivables	3	-	-	-	2,965	2,965
		<u>3,687</u>	<u>-</u>	<u>-</u>	<u>8,688</u>	<u>12,375</u>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
FINANCIAL ASSETS						
Cash and deposits		18,434	-	-	534	18,968
Investments	2					
– trading investments		-	-	-	21,432	21,432
– other investment		-	-	-	6,650	6,650
Receivables	3	-	-	-	14,827	14,827
		<u>18,434</u>	<u>-</u>	<u>-</u>	<u>43,443</u>	<u>61,877</u>
Weighted average interest rate		<u>5.77%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.72%</u>
		A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
FINANCIAL LIABILITIES						
Borrowings		-	4	-	-	4
Accounts payable		-	-	-	527	527
		<u>-</u>	<u>4</u>	<u>-</u>	<u>527</u>	<u>531</u>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
FINANCIAL LIABILITIES						
Borrowings		-	18	-	-	18
Accounts payable		-	-	-	2,635	2,635
		<u>-</u>	<u>18</u>	<u>-</u>	<u>2,635</u>	<u>2,653</u>
Weighted average interest rate		<u>-</u>	<u>6.25%</u>	<u>-</u>	<u>-</u>	<u>0.05%</u>
Net financial assets/(liabilities)						
– A\$'000		3,687	(4)	-	8,161	11,844
– HK\$'000		<u>18,434</u>	<u>(18)</u>	<u>-</u>	<u>40,808</u>	<u>59,224</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

22. FINANCIAL INSTRUMENTS (cont'd)

		CONSOLIDATED ENTITY As Previously Reported				
31 DECEMBER 1999	NOTE	Floating interest rate A\$'000	Fixed interest one year or less A\$'000	maturing in:- more than one year A\$'000	Non- interest bearing A\$'000	Total A\$'000
FINANCIAL ASSETS						
Cash and deposits		5,693	-	-	107	5,800
Investments	2	-	-	-	4,286	4,286
- trading investments		-	-	-	1,330	1,330
- other investment		-	-	-	32,145	32,993
Receivables	3	-	848	-	32,145	32,993
		<u>5,693</u>	<u>848</u>	<u>-</u>	<u>37,868</u>	<u>44,409</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FINANCIAL ASSETS						
Cash and deposits		28,465	-	-	538	29,003
Investments	2	-	-	-	21,432	21,432
- trading investments		-	-	-	6,650	6,650
- other investment		-	-	-	160,729	164,965
Receivables	3	-	4,236	-	160,729	164,965
		<u>28,465</u>	<u>4,236</u>	<u>-</u>	<u>189,349</u>	<u>222,050</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Weighted average interest rate		<u>4.08%</u>	<u>5.85%</u>	<u>-</u>	<u>-</u>	<u>0.63%</u>
		<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>
FINANCIAL LIABILITIES						
Borrowings		-	32,955	-	-	32,955
Accounts payable		-	-	-	15,470	15,470
		<u>-</u>	<u>32,955</u>	<u>-</u>	<u>15,470</u>	<u>48,425</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FINANCIAL LIABILITIES						
Borrowings		-	164,774	-	-	164,774
Accounts payable		-	-	-	77,348	77,348
		<u>-</u>	<u>164,774</u>	<u>-</u>	<u>77,348</u>	<u>242,122</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Weighted average interest rate		<u>-</u>	<u>5.97%</u>	<u>-</u>	<u>-</u>	<u>4.06%</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net financial assets/(liabilities)						
- A\$'000		5,693	(32,107)	-	22,398	(4,016)
- HK\$'000		<u>28,465</u>	<u>(160,538)</u>	<u>-</u>	<u>112,001</u>	<u>(20,072)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

22. FINANCIAL INSTRUMENTS (cont'd)

The carrying amounts and net fair values of financial assets and liabilities at 31 December 2000 are as follows:–

	CONSOLIDATED ENTITY					
	2000		As Restated		As Previously Reported	
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
	Carrying amount	Net fair value	Carrying amount	Net fair value	Carrying amount	Net fair value
FINANCIAL ASSETS						
Cash at bank and in hand	71	71	107	107	2,113	2,113
Time deposits with maturity						
less than three months	2,543	2,543	3,687	3,687	3,687	3,687
Investment in 8%						
convertible notes	1,330	800	1,330	1,330	1,330	1,330
The Joint Venture	239	239	187	187	–	–
Trade debtors	–	–	–	–	22,954	22,954
Related company	–	–	–	–	848	848
Tax refunds receivable	–	–	–	–	1,516	1,516
Other debtors	1,693	1,693	2,778	2,778	7,675	7,675
	<u>5,876</u>	<u>5,346</u>	<u>8,089</u>	<u>8,089</u>	<u>40,123</u>	<u>40,123</u>
Non-trading financial assets						
Trading investments (<i>Note 2</i>)	2,516	2,516	4,286	4,141	4,286	4,141
	<u>8,392</u>	<u>7,862</u>	<u>12,375</u>	<u>12,230</u>	<u>44,409</u>	<u>44,264</u>
FINANCIAL LIABILITIES						
Bank loans	–	–	–	–	32,951	32,951
Hire purchase	–	–	4	4	4	4
Trade and sundry creditors	–	–	352	352	13,786	13,786
Consumption tax payable	–	–	–	–	443	443
Amount owing to GRTF	–	–	–	–	939	939
Amount owing to a director	12	12	–	–	–	–
Accruals	199	199	175	175	302	302
	<u>211</u>	<u>211</u>	<u>531</u>	<u>531</u>	<u>48,425</u>	<u>48,425</u>
Non-trading financial liabilities						

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

22. FINANCIAL INSTRUMENTS (cont'd)

	CONSOLIDATED ENTITY					
			As Restated		As Previously Reported	
	2000 HK\$'000 Carrying amount	2000 HK\$'000 Net fair value	1999 HK\$'000 Carrying amount	1999 HK\$'000 Net fair value	1999 HK\$'000 Carrying amount	1999 HK\$'000 Net fair value
FINANCIAL ASSETS						
Cash at bank and in hand	310	310	534	534	10,569	10,569
Time deposits with maturity						
less than three months	11,071	11,071	18,434	18,434	18,434	18,434
Investment in 8%						
convertible notes	5,790	3,483	6,650	6,650	6,650	6,650
The Joint Venture	1,040	1,040	934	934	-	-
Trade debtors	-	-	-	-	114,773	114,773
Related company	-	-	-	-	4,236	4,236
Tax refunds receivable	-	-	-	-	7,580	7,580
Other debtors	7,371	7,371	13,893	13,893	38,376	38,376
	<u>36,535</u>	<u>34,228</u>	<u>61,877</u>	<u>61,152</u>	<u>222,050</u>	<u>221,325</u>
Non-trading financial assets	25,582	23,275	40,445	40,445	200,618	200,618
Trading investments (<i>Note 2</i>)	10,953	10,953	21,432	20,707	21,432	20,707
	<u>36,535</u>	<u>34,228</u>	<u>61,877</u>	<u>61,152</u>	<u>222,050</u>	<u>221,325</u>
FINANCIAL LIABILITIES						
Bank loans	-	-	-	-	164,756	164,756
Hire purchase	-	-	18	18	18	18
Trade and sundry creditors	-	-	1,760	1,760	68,928	68,928
Consumption tax payable	-	-	-	-	2,215	2,215
Amount owing to GRTF	-	-	-	-	4,694	4,694
Amount owing to a director	49	49	-	-	-	-
Accruals	866	866	875	875	1,511	1,511
	<u>915</u>	<u>915</u>	<u>2,653</u>	<u>2,653</u>	<u>242,122</u>	<u>242,122</u>
Non-trading financial liabilities	<u>915</u>	<u>915</u>	<u>2,653</u>	<u>2,653</u>	<u>242,122</u>	<u>242,122</u>

Net fair value is exclusive of costs which would be incurred on realisation of an asset, and inclusive of costs which would be incurred on settlement of a liability.

Other than assets denoted as "trading", none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

Diminution in value of the trading investments listed outside Hong Kong has been recognised as an expense in the income statement under abnormal item.

The investment in 8% convertible notes is carried at an amount above net fair value. The carrying value has not been written down to the lower of cost and realisable value as the diminution in value of the investment, in the opinion of the Directors, is not permanent.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

23. COMMITMENT

On 28 August 1997, the Company entered into an agreement with GRTF to increase the issued and paid-up capital of the Joint Venture. Details of the agreed increase in capital are as follows:–

	US\$'000	A\$'000	HK\$'000
At 28 August 1997	39,667	54,150	306,785
Increased on 30 March 1998	3,535	5,325	27,424
At 31 December 1998	43,202	59,475	334,209
Subsequent increase before			
– 30 June 1999	11,785	18,385	91,573
– 30 June 2000	8,250	12,870	64,100
	63,237	90,730	489,882

The Company is committed to contribute 70% of the increase in the issued and paid-up capital of the Joint Venture and its share is as follows:–

	A\$'000	HK\$'000
Before 30 June 1999	12,870	64,101
Before 30 June 2000	9,009	44,870

On 25 June 1999, pursuant to a resolution of the Board of Directors, the second and third increases are to be deferred until such time when the Joint Venture requires additional funds to meet its operational requirements.

24. RELATED PARTY TRANSACTIONS

The following is a summary of the related party transactions:–

(a) On-going connected transactions

- (i) On 2 November 1994, pursuant to an asset investment and leasing agreement entered into between the Joint Venture, the parent entity and GRTF, the Joint Venture leased from GRTF the exclusive right to use certain machinery for the duration of the Joint Venture, being thirty years from 11 December 1993 at RMB2,000,000 per annum.
- (ii) The terms of an agreement to license between the Joint Venture and GRTF dated 2 November 1994, which provided for the transfer to the Joint Venture of:–
 - (1) the right to use the trademark “Pearl River”; and
 - (2) any technology and know-how necessary for the production of bias tyres at the production levels contained in the Joint Venture Agreement for the term of the Joint Venture Agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

24. RELATED PARTY TRANSACTIONS (cont'd)

The Joint Venture paid GRTF US\$1,000,000 in 1996 as consideration for the trademark and transfer of technology relating to the production of bias tyres and the expansion project. This consideration has been classified as a deferred asset and is being amortised over a period of fourteen years.

During the financial year, the Joint Venture paid royalties of approximately A\$93,000 or HK\$428,000 (1999 – A\$134,000 or HK\$651,000) equal to 0.2% of “Pearl River” tyres sales revenue to GRTF as defined in the Joint Venture Agreement.

- (iii) The Joint Venture has contributed to the administrative expenses of a hospital and staff canteen under the management of GRTF. The services of the hospital and staff canteen are provided for the welfare of the staff members of the Joint Venture, GRTF, Bolex and a third party. The respective contribution made by the Joint Venture, GRTF, Bolex and the third party is proportional to the number of staff members employed by each of the above entities. During the financial year, the Joint Venture has contributed approximately A\$449,000 or HK\$2,069,000 (1999 – A\$427,000 or HK\$2,076,000) as its share of the administrative expenses for the hospital and staff canteen.
- (iv) Pursuant to an agreement entered into between the Joint Venture and Bolex in December 1996, the Joint Venture agreed to process certain raw materials for Bolex in return of a contribution by Bolex of an agreed percentage of the rental costs of the equipment used (further details are set out in (viii) below) and the employees employed for such processing service. During the financial year, the contribution received and receivable from Bolex for the processing of the raw materials amounted to approximately A\$2,268,000 or HK\$10,455,000 (1999 – A\$3,461,000 or HK\$16,840,000).
- (v) Pursuant to an agreement entered into between the Joint Venture and Bolex in December 1996, the Joint Venture agreed to provide certain administrative and management services to Bolex in return of a contribution by Bolex of an agreed amount of the respective costs of the supporting divisions involved. During the financial year, the Joint Venture charged Bolex management fee of approximately A\$38,000 or HK\$173,000 (1999 – A\$41,000 or HK\$201,000). The Joint Venture also received interest income of approximately A\$31,000 or HK\$143,000 (1999 – A\$27,000 or HK\$131,000) from Bolex for advances/loans outstanding during the financial year.
- (vi) The 8% unsecured convertible notes are an investment held by PRTC in a proprietary limited company incorporated in Australia together with a company which is substantially and collectively owned and controlled by Ang Guan Seng and Goh Nan Kioh. The notes are convertible until 31 December 2002, at the option of PRTC, into 50% of the equity capital of the proprietary limited company failing which they will be redeemed at that date. Interest on the notes has not been accrued for the financial year ended 31 December 2000 (1999 – Nil).

In 1999, PRTC entered into a call and put option with the company which is substantially and collectively owned and controlled by certain directors to dispose of this investment. Either option, if exercised, would result in PRTC realising the notes at their cost. Both call and put option are exercisable on or before 30 June 2000.

PRTC did not exercise any of the above options.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

24. RELATED PARTY TRANSACTIONS (cont'd)

- (vii) During the financial year, the Joint Venture purchased natural rubber from GRTF amounting to approximately A\$2,868,000 or HK\$13,220,000 (1999 – A\$604,000 or HK\$2,940,000).
- (viii) On 5 January 2000, pursuant to a leasing agreement entered into between the Joint Venture, GRTF and Bolex, the Joint Venture and Bolex agreed to lease from GRTF a “bambery” for one year at an annual rental of RMB860,000. The lease rental is shared by the other two entities based on the budgeted production volume of each of the two entities. During the financial year, The Joint Venture paid approximately A\$116,000 or HK\$534,000 (1999 – A\$134,000 or HK\$650,000) as its share of the use of the “bambery”.
- (ix) On 28 October 1999, the Joint Venture entered into a leasing agreement to lease a hostel from GRTF. The lease term is twenty years from 1 January 2000 and the annual rental is RMB28,800 for the first five years, thereafter, the annual rental will be revised based on the consumer price index at the time.

The non-executive independent directors of the Company have reviewed the abovementioned transactions and confirmed that these on-going 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. In addition, in accordance with the Stock Exchange of Hong Kong (“SEHK”) waiver letter dated 24 July 2000 in respect of transactions mentioned in paragraphs (a) (iv) and (v) in the previous page, the non-executive independent directors of the Company also confirm that the aggregate value of these transactions exceeds 3% of the Group’s annual turnover due to a change in accounting treatment of the results of the Joint Venture mentioned in Note 1 (d). Had the method of accounting for the Joint Venture remained the same as the previous financial years, the aggregate value of the transactions mentioned in paragraphs (a) (iv) and (v) in the previous page does not exceed the Group’s annual turnover.

Horwath Sydney Partnership (the independent external auditors) has also reviewed the abovementioned transactions. However, in accordance with the SEHK waiver letter dated 24 July 2000, Horwath Sydney Partnership is only required to comment on the transactions mentioned in paragraphs (a) (iv) and (v) in the annual report. Accordingly, Horwath Sydney Partnership confirms that:–

- (1) these transactions have received the approval of the Directors of the Company;
- (2) these transactions have been carried out in accordance with the terms of the agreements of these transactions and on terms no less favourable than terms available from independent parties, if available;
- (3) these transactions are conducted in accordance with the pricing policies as stated in the abovementioned paragraphs; and
- (4) the transactions mentioned in paragraphs (a) (iv) and (v) have exceeded 3% of Group’s annual turnover due to a change in accounting treatment of the results of the Joint Venture mentioned in Note 1 (d). Had the method of accounting for the Joint Venture remained the same as the previous financial years, the aggregate value of the transactions mentioned in paragraphs (a) (iv) and (v) does not exceed 3% of the Group’s annual turnover.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

24. RELATED PARTY TRANSACTIONS (cont'd)

(b) Other connected transactions

- (i) On 30 October 2000, the Joint Venture entered into a land and buildings swap contract with GRTF for the acquisition of the independent, complete and freely transferable and disposable title to a piece of land with an area of 94,953 sq.m. and certain buildings erected thereon with a gross floor area of 4,846 sq.m. (the "land and buildings"). Under this swap contract, the Joint Venture swapped part of its buildings with a total gross floor area of 43,561 sq.m. for the land and buildings at equal consideration. This is to facilitate the obtaining of legal title to the remaining parts of buildings owned by the Joint Venture.
- (ii) On 30 October 2000, the Joint Venture entered into a real estate lease contract with GRTF to lease a piece of land with an area of 170,729 sq.m. and buildings erected thereon. The buildings leased from GRTF, with a total gross floor area of 42,547 sq.m., are mainly used by the Joint Venture for its office, industrial production and operation purposes.

The lease term is twenty years from 20 December 2000 at an annual rental of approximately RMB3,508,668. The rental will be revised based on the land use fee and real estate tax at the time.

The contract has replaced the land use fee agreement entered into between the Joint Venture with GRTF on 31 December 1996 pursuant to which the Joint Venture rented a total land area of 299,534 sq.m. at an annual rental of approximately RMB2,995,340.

The transactions mentioned in paragraphs (b) (i) and (ii) were approved by the shareholders in the Special General Meeting held on 20 December 2000.

25. AUDITORS' REMUNERATION

	CONSOLIDATED ENTITY					
	As Restated			As Previously Reported		
	2000	1999	1999	2000	1999	1999
<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Amounts received or due and receivable by parent entity auditors for:-						
– auditing the financial statements	65	65	65	300	316	316
– other services	25	26	26	115	125	125
Amounts received or due and receivable by other auditors for:-						
– auditing the financial statements	–	–	19	–	–	94
– other services	–	–	12	–	–	59
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

25. AUDITORS' REMUNERATION (cont'd)

	PARENT ENTITY			
	2000	1999	2000	1999
	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts received or due and receivable by parent entity auditors for:–				
– auditing the financial statements	65	65	300	316
– other services	<u>25</u>	<u>26</u>	<u>115</u>	<u>125</u>

26. NET TANGIBLE ASSET BACKING

	CONSOLIDATED ENTITY			
	2000	1999	2000	1999
Net tangible assets per share at 31 December	<u>A\$0.66</u>	<u>A\$1.29</u>	<u>HK\$2.91</u>	<u>HK\$6.49</u>

27. FOREIGN CURRENCY EXPOSURE

The Australian and Hong Kong dollars equivalent of foreign currency monetary items included in the financial statements to the extent they are not effectively hedged are as follows:–

	CONSOLIDATED ENTITY					
	As Restated		As Previously Reported		As As Previously Restated Reported	
	2000	1999	1999	2000	1999	1999
	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT ASSETS						
Amounts receivable in foreign currencies which are not effectively hedged						
– United States dollar	3,381	6,007	8,546	14,722	30,035	42,731
– Hong Kong dollar	–	–	130	–	–	651
– Ringgit Malaysia	2,157	2,636	2,636	9,390	13,182	13,182
– Singapore dollar	<u>1,347</u>	<u>1,965</u>	<u>1,965</u>	<u>5,864</u>	<u>9,824</u>	<u>9,824</u>
CURRENT LIABILITIES						
Amounts payable in foreign currencies which are not effectively hedged						
– Ringgit Malaysia	<u>45</u>	<u>28</u>	<u>28</u>	<u>194</u>	<u>141</u>	<u>141</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

27. FOREIGN CURRENCY EXPOSURE (cont'd)

	PARENT ENTITY			
	2000	1999	2000	1999
	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT ASSETS				
Amounts receivable in foreign currencies which are not effectively hedged				
– United States dollar	3,381	6,007	14,722	30,035
– Ringgit Malaysia	<u>2</u>	<u>5</u>	<u>9</u>	<u>23</u>
CURRENT LIABILITIES				
Amounts payable in foreign currencies which are not effectively hedged				
– Ringgit Malaysia	<u>45</u>	<u>24</u>	<u>194</u>	<u>122</u>

28. SEGMENTAL INFORMATION

The consolidated entity has operated in five areas during the current financial year:–

- (i) the Joint Venture in the PRC relating to the manufacture and sales of bias tyres;
- (ii) debt investment in Australia;
- (iii) investment in a prescribed stock exchange and cash deposits in Singapore;
- (iv) investment in a prescribed stock exchange and cash deposits in Malaysia; and
- (v) unquoted equity accounted investment in Malaysia.

The segmental results and assets allocation are as follows:–

	The PRC	Australia	Singapore	Malaysia	Total
	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>
2000					
Operating revenue	547	–	820	7,030	8,397
Consolidated operating (loss)/profit after abnormal items and tax	(7,592)	–	(698)	190	(8,100)
Assets	<u>60,606</u>	<u>1,491</u>	<u>3,023</u>	<u>4,890</u>	<u>70,010</u>
1999 – As restated					
Operating revenue	–	–	1,363	717	2,080
Consolidated operating (loss)/profit after abnormal items and tax	(1,550)	–	320	134	(1,096)
Assets	<u>58,563</u>	<u>1,441</u>	<u>5,601</u>	<u>2,682</u>	<u>68,287</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

28. SEGMENTAL INFORMATION (cont'd)

	The PRC A\$'000	Australia A\$'000	Singapore A\$'000	Malaysia A\$'000	Total A\$'000
1999 – As previously reported					
Operating revenue	86,354	–	1,364	716	88,434
Consolidated operating (loss)/profit after abnormal item and tax	(1,824)	–	415	117	(1,292)
Assets	<u>131,907</u>	<u>1,537</u>	<u>6,223</u>	<u>2,059</u>	<u>141,726</u>
	The PRC HK\$'000	Australia HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Total HK\$'000
2000					
Operating revenue	2,519	–	3,780	32,404	38,703
Consolidated operating (loss)/profit after abnormal items and tax	(35,229)	–	(3,217)	876	(37,570)
Assets	<u>265,852</u>	<u>6,491</u>	<u>13,161</u>	<u>21,290</u>	<u>306,794</u>
1999 – As restated					
Operating revenue	–	–	6,633	3,487	10,120
Consolidated operating (loss)/ profit after abnormal items and tax	(7,775)	–	1,556	654	(5,565)
Assets	<u>295,353</u>	<u>7,205</u>	<u>28,007</u>	<u>13,409</u>	<u>343,974</u>
1999 – As previously reported					
Operating revenue	420,111	–	6,635	3,485	430,231
Consolidated operating (loss)/profit after abnormal item and tax	(9,103)	–	2,019	567	(6,517)
Assets	<u>662,077</u>	<u>7,683</u>	<u>31,116</u>	<u>10,294</u>	<u>711,170</u>

29. CONTINGENT LIABILITY

As at 31 December 2000, the Joint Venture has a contingent liability amounting to approximately A\$1,734,000 or HK\$7,547,000 (1999 – A\$1,504,000 or HK\$7,519,000) in respect of a corporate guarantee given to a PRC financial institution for credit facilities utilised by GRTF. The consolidated entity's share of this contingent liability is approximately A\$1,213,000 or HK\$5,283,000 (1999 – A\$1,053,000 or HK\$5,263,000).

30. EVENT SUBSEQUENT TO BALANCE SHEET DATE

Since 31 December 2000, no event has arisen that would be likely to materially affect the operations of the consolidated entity, the result of the consolidated entity or the state of affairs of the consolidated entity which has not been disclosed in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

31. CURRENCY CONVERSION RATES

	2000	1999
Average rates during the financial year		
– A\$1 equals RMB	4.9010	5.1870
– A\$1 equals HK\$	4.6094	4.8650
– HK\$1 equals RMB	1.0633	1.0662
– A\$1 equals RM	2.0357	Not applicable
– HK\$1 equals RM	0.4416	Not applicable
Rates at 31 December		
– A\$1 equals RMB	4.6149	5.3200
– A\$1 equals HK\$	4.3537	5.0000
– HK\$1 equals RMB	1.0600	1.0640

32. COMPARATIVE FIGURES

The comparative figures have been restated to conform with changes in presentation resulting from the change in accounting policy explained in Note 1 (d).

The consolidated loss attributable to shareholders for the previous financial year and total shareholders' equity at 31 December 1999 remain unchanged and is the same as reported in 1999 annual report.

33. FIVE YEAR FINANCIAL SUMMARY

	As Restated 2000 A\$'000	As Previously Reported 1999 * A\$'000	As Previously Reported 1998 * A\$'000	As Previously Reported 1997 * A\$'000	As Previously Reported 1996 * A\$'000	
Results						
Turnover from continuing operations	<u>8,397</u>	<u>2,080</u>	<u>88,434</u>	<u>112,213</u>	<u>107,916</u>	<u>102,616</u>
Operating (loss)/profit from continuing operations before abnormal items	(6,012)	(738)	(1,215)	13,940	15,178	7,458
Abnormal items *	<u>(2,088)</u>	<u>(358)</u>	<u>(511)</u>	<u>300</u>	<u>(300)</u>	<u>–</u>
Operating (loss)/profit from continuing operations for the financial year	(8,100)	(1,096)	(1,726)	14,240	14,878	7,458
Income tax attributable to operating (loss)/profit	<u>–</u>	<u>–</u>	<u>434</u>	<u>(1,030)</u>	<u>(2,334)</u>	<u>(1,002)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

33. FIVE YEAR FINANCIAL SUMMARY (cont'd)

	2000 A\$'000	As Restated 1999 A\$'000	As Previously Reported 1999 * A\$'000	As Previously Reported 1998 * A\$'000	As Previously Reported 1997 * A\$'000	As Previously Reported 1996 * A\$'000
Operating (loss)/profit after income tax	(8,100)	(1,096)	(1,292)	13,210	12,544	6,456
Outside equity interest in operating (loss)/profit after income tax	—	—	196	(4,322)	(4,132)	(2,177)
	<u>—</u>	<u>—</u>	<u>196</u>	<u>(4,322)</u>	<u>(4,132)</u>	<u>(2,177)</u>
Operating (loss)/profit after income tax attributable to members of parent entity	<u>(8,100)</u>	<u>(1,096)</u>	<u>(1,096)</u>	<u>8,888</u>	<u>8,412</u>	<u>4,279</u>
Net Assets						
Current assets	4,552	11,050	68,283	59,980	63,345	43,302
Non-current assets	65,458	57,237	73,443	77,847	67,039	47,717
Current liabilities	(276)	(576)	(49,924)	(38,428)	(40,353)	(23,089)
Non-current liabilities	—	—	—	—	(1,917)	(3,030)
Outside equity interest in controlled entity	—	—	(24,091)	(26,808)	(25,338)	(20,301)
	<u>—</u>	<u>—</u>	<u>(24,091)</u>	<u>(26,808)</u>	<u>(25,338)</u>	<u>(20,301)</u>
Equity attributable to members of the parent entity	<u>69,734</u>	<u>67,711</u>	<u>67,711</u>	<u>72,591</u>	<u>62,776</u>	<u>44,599</u>

* The financial statements of the Joint Venture are consolidated using acquisition method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

33. FIVE YEAR FINANCIAL SUMMARY (cont'd)

	2000 <i>HK\$'000</i>	As Restated 1999 <i>HK\$'000</i>	As Previously Reported 1999 * <i>HK\$'000</i>	As Previously Reported 1998 * <i>HK\$'000</i>	As Previously Reported 1997 * <i>HK\$'000</i>	As Previously Reported 1996 * <i>HK\$'000</i>
Results						
Turnover from continuing operations	<u>38,703</u>	<u>10,120</u>	<u>430,231</u>	<u>547,599</u>	<u>618,175</u>	<u>620,037</u>
Operating (loss)/profit from continuing operations before abnormal items	(22,476)	(5,305)	(6,146)	67,034	86,943	45,092
Abnormal items *	<u>(9,626)</u>	<u>(1,740)</u>	<u>(2,485)</u>	<u>1,464</u>	<u>(1,718)</u>	<u>-</u>
Operating (loss)/profit from continuing operations for the financial year	(32,102)	(7,045)	(8,631)	68,498	85,225	45,092
Income tax attributable to operating (loss)/profit	<u>(5,468)</u>	<u>1,480</u>	<u>2,114</u>	<u>(5,026)</u>	<u>(13,370)</u>	<u>(6,054)</u>
Operating (loss)/profit after income tax	(37,570)	(5,565)	(6,517)	63,472	71,855	39,038
Outside equity interest in operating (loss)/profit after income tax	<u>-</u>	<u>-</u>	<u>952</u>	<u>(20,793)</u>	<u>(23,669)</u>	<u>(13,154)</u>
Operating (loss)/profit after income tax attributable to members of parent entity	<u>(37,570)</u>	<u>(5,565)</u>	<u>(5,565)</u>	<u>42,679</u>	<u>48,186</u>	<u>25,884</u>
Net Assets						
Current assets	19,817	55,251	341,417	283,706	318,625	265,658
Non-current assets	286,977	288,723	369,753	370,863	341,045	297,424
Current liabilities	(1,199)	(2,879)	(249,617)	(181,764)	(202,976)	(141,651)
Non-current liabilities	-	-	-	-	(9,643)	(18,589)
Outside equity interest in controlled entity	<u>-</u>	<u>-</u>	<u>(120,458)</u>	<u>(126,513)</u>	<u>(127,450)</u>	<u>(124,547)</u>
Equity attributable to members of the parent entity	<u>305,595</u>	<u>341,095</u>	<u>341,095</u>	<u>346,292</u>	<u>319,601</u>	<u>278,295</u>

* The financial statements of the Joint Venture are consolidated using acquisition method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2000

33. FIVE YEAR FINANCIAL SUMMARY (cont'd)

- * (a) Details of the abnormal items in the financial years ended 31 December 2000 and 1999 are set out in Note 17 to the financial statements.

- (b) The abnormal item in the financial year ended 31 December 1998 relates to the writing back of a provision for diminution in value of the investment amounting to A\$1,330,000 in 8% convertible notes in a proprietary limited company incorporated in Australia made in the financial year ended 31 December 1997.

The financial statements of the Joint Venture are presented in the consolidated financial statements using the equity method for the financial years ended 31 December 2000 and 1999. Prior to these financial years, the financial statements of the Joint Venture were consolidated using the acquisition method. The Directors are of the opinion that it would involve expense out of proportion to the value to the shareholders of the parent entity if the comparative figures for 1996 to 1998 were to be restated in accordance with the equity method for the consolidation of the financial statements of the Joint Venture.