FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

1. CORPORATE INFORMATION

The financial statements of the Group and of the Company for the financial year ended 31 December 2004 (the "financial year") were authorised for issue in accordance with a resolution of the Directors on 15 April 2005.

The Company was incorporated in the British Virgin Islands on 17 February 1994 and continued under the laws of Bermuda by migration of its domicile on 21 October 1994. The Company was registered in Australia and Hong Kong as a foreign company pursuant to Section 601 CE of the Australian Corporations Law on 4 November 1994 and Part XI of the Companies Ordinance on 24 May 1999 respectively. On 10 May 2004, the Company was voluntarily de-listed from the Australian Stock Exchange and subsequently de-registered from the Australian Securities and Investments Commission.

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

Registered office	:	43 Victoria Street Hamilton HM 12 Bermuda
Principal place of business	:	18/F Malahon Centre 10-12, Stanley Street Central, Hong Kong

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the financial year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACTIVITIES

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

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

4. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis Of Accounting

The financial statements of the Group and of the Company 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.

(b) Basis Of Preparation

The Company is listed on The Stock Exchange of Hong Kong (the "HKEx"). The financial statements of the Group and of the Company are prepared in A$ and HK$ for the purposes of the reporting requirements that apply in Hong Kong. The basis of preparation of the financial statements in each jurisdiction is as follows:–

Financial Statements Denominated In A$

The financial statements of the Group and of the Company denominated in A$ have been prepared in accordance with all applicable accounting standards issued by the International Accounting Standards Committee ("IASC") and interpretations issued by the Standing Interpretations Committee of the IASC.

Financial Statements Denominated In HK$

The financial statements of the Group and of the Company denominated in HK$ have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKEx.

(c) Principles Of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the financial year ended 31 December 2004. The associate and the Joint Venture have been accounted for in the consolidated financial statements using the equity method.

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

Details of the investment in the subsidiaries, the associate and the Joint Venture are set out in Notes 7, 8, 9 and 10.

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

(c) **Principles Of Consolidation** *(Continued)*

The bases of consolidation are as follows:–

Subsidiaries

A subsidiary is a Company in which the Company, directly or indirectly, controls more than one half of the voting power, has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast majority of votes at the meetings of the board of directors.

Subsidiaries are consolidated using the acquisition method. Under the acquisition method, the results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective date of acquisition or disposal. All significant intragroup transactions and balances between the Company and the subsidiaries are eliminated on consolidation.

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

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 accounted for in the consolidated financial statements using the equity method. The consolidated income statements reflect the Group's share of the results of operation of the associate. In the consolidated balance sheets, the investment in associate is carried at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value.

Unrealised profit and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statements.

The investment in the associate is held by a subsidiary of the Company. In the subsidiary's balance sheet, the investment in an associate is stated at cost less impairment loss. The results of associate are included in the subsidiary's income statement to the extent of dividends received and receivables.

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

(c) Principles Of Consolidation *(Continued)*

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. The investment in the Joint Venture is accounted for in the consolidated financial statements using the equity method.

The investment in the Joint Venture is held by a subsidiary of the Company. In the subsidiary's balance sheet, the investment in the Joint Venture is stated at cost less impairment loss. The result of the Joint Venture are included in the subsidiary's income statement to the extent of dividends received or receivables.

(d) Goodwill And Negative Goodwill Arising On Consolidation

Associate

Under the equity method, goodwill or negative goodwill is assessed as the difference between the cost of the investment in the associate and the Group's share of the fair value of the identifiable assets and liabilities of the associate.

According to IAS, the carrying amounts of the identifiable assets and liabilities of the associate are examined as the acquisition date and, where appropriate, notionally adjusted to fair values as at that date. Any difference between the cost of the investment in the associate and the investor's share of the net adjusted fair values is regarded as goodwill (or, as the case may be, negative goodwill). Notional adjustments are made to the profit or loss of the associate in subsequent periods to reflect revisions in depreciation of depreciable assets and any amortisation of goodwill. The Standard does not require the goodwill (or negative goodwill) relating to the associate to be disclosed separately in the consolidated financial statements. Whereas under Hong Kong accounting standards:–

(i) goodwill is amortised to the consolidated income statements on a straight-line basis over its estimated useful life. The cost of goodwill less any accumulated amortisation and any impairment losses is included in the carrying amount of the interest in associate; and

(ii) negative goodwill is accounted for in the same manner as subsidiaries whilst in respect of any negative goodwill not yet recognised in the consolidated statements, such negative goodwill is included in the carrying amount of the interest in associate.

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

(d) Goodwill And Negative Goodwill Arising On Consolidation *(Continued)*

Joint Venture

The acquisition of the Joint Venture resulted in a negative goodwill of A$763,000, being the difference between the cost of the investment in the Joint Venture and the Group's share of the fair value of the identifiable assets and liabilities of the Joint Venture.

The negative goodwill arising from the acquisition of the Joint Venture is treated differently between the financial statements prepared for Australian and Hong Kong purposes.

Under IAS, the interest in the Joint Venture is accounted for in the same manner as the associate as set out above, with a notional adjustment to the carrying amounts of the identifiable assets and liabilities of the Joint Venture to reflect fair values and a resultant notional goodwill or negative goodwill being calculated. The Group's share of the Joint Venture's profit is then notionally adjusted by amortisation of goodwill and revised depreciation charges in the same manner as is required for associate. Negative goodwill is accounted for as a notional reduction to the fair values of the Joint Venture's non-monetary assets with a consequent reduction in depreciation charges.

Under Hong Kong accounting standards, the negative goodwill is credited to a reserve account. The reserve is then amortised to the income statements on a straight-line basis over an estimated useful life of 8 years.

The effect of the difference in the treatment of the negative goodwill between the IAS and the Hong Kong accounting standards is disclosed in Note 18.

(e) Investments

Investments Held For Long-Term Purposes

Investments which are clearly identified to be held for long-term purposes, including subsidiaries, the associate and the Joint Venture, are carried at cost less any allowance for impairment in value in the financial statements of the investors.

The carrying amount of the investments is reviewed annually by the Directors to ensure that it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed based on the underlying worth of the investments. The expected net cash flows from the investments have not been discounted to their present value in determining the recoverable amounts.

An allowance for impairment in the value of the investments is made and recognised as an expense in the income statements.

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

(e) Investments *(Continued)*

Investment in Securities

Investment in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the balance sheet date. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in equity, until the security is disposed of or its determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

For the available-for-sale investments that the fair value cannot be reliably determined, the investments are carried at cost less accumulated impairment losses.

On Disposal Of Investments

When the investments are disposed of, the cumulative gain or loss previously reported in the asset revaluation reserve is recognised as a transfer to retained profits.

(f) Equipment

Equipment is stated at cost or revalued amount less accumulated depreciation and impairment losses. Depreciation of plant and equipment is calculated using the straight-line method to write off the cost or revalued amount over their estimated useful lives, allowing for their estimated residual values. The annual depreciation rates, expressed on a percentage of cost, are as follows:–

Equipment (depending on the nature of the asset)	6.43% or 9.50%

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

(f) Equipment *(Continued)*

Surpluses arising on revaluation are credited to the revaluation reserve. Any deficits arising on revaluation are 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 the carrying amount is charged to the income statement. On the disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to retained profits.

(g) Impairment of assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statements.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.

(h) Cash And Cash Equivalents

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.

(i) Share Capital

Share capital is recognised at the fair value of the consideration received by the Group and the Company.

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

(j) Provisions And Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or 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 not remote.

(k) Borrowing Costs

Interest charges incurred are charged to the 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.

(l) Deferred Taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred taxation is provided for on temporary differences arising on investments in subsidiaries, associated companies and joint venture, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

(m) Foreign Currency Translation

Financial Statements Of The Company, Subsidiaries, the Associate And The Joint Venture

The financial statements of the Company, subsidiaries, the associate and the Joint Venture are maintained in the respective operating currencies.

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 the respective operating currencies at the exchange rates prevailing at the balance sheet date whilst non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Foreign currency translation gains or losses are included in the income statements.

Financial Statements Of The Group

For financial statements denominated in A$, the financial statements of the associate and the Joint Venture are translated into A$ using the exchange rate prevailing at the balance sheet date for assets and liabilities whilst the average rate is used to translate revenues and expenses. Any exchange difference arising from the translation is taken as a movement on the foreign currency translation reserve. The foreign currency translation reserve represents the Group's proportionate interest in the reserve of the associate and the Joint Venture.

For financial statements denominated in HK$ (which were prepared for Hong Kong reporting purposes), the consolidated financial statements are prepared by translating the financial statements denominated in A$ to HK$, after adjustment to HK GAAP. The consolidated balance sheets are translated into HK$ at the exchange rate prevailing at the balance sheet date, whereas the consolidated income statements are translated into HK$ at the average rate ruling during the financial year. Any exchange difference arising from the translation is taken as a movement on the foreign currency translation reserve.

(n) Revenue Recognition

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

Dividends are brought to account in the consolidated income statement when received except those dividends from the Joint Venture which are brought to account when they are proposed by the Joint Venture.

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

(o) 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.

(p) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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.

(q) Employees' 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 Company.

(ii) Defined Contribution Plans

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

5. EQUIPMENT

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January, net of accumulated depreciation	123	156	715	682
Depreciation	(33)	(33)	(188)	(166)
Foreign currency translation adjustment	–	–	19	199
At 31 December, net of accumulated depreciation	90	123	546	715
At 31 December				
Cost	331	331	2,006	1,926
Accumulated depreciation	(241)	(208)	(1,460)	(1,211)
Net carrying amount	90	123	546	715

6. RECEIVABLES

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Current				
Amount owing by the Joint Venture	5	16	30	89
Other receivables	1,120	1,305	6,790	7,595
	1,125	1,321	6,820	7,684

	THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Non-Current				
Amount owing by subsidiaries	8,513	9,016	51,602	52,468
Other receivables	22	21	134	125
	8,535	9,037	51,736	52,593
Current				
Amount owing by the Joint Venture	5	16	29	89

6. RECEIVABLES *(Continued)*

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

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Outstanding less than one year	1,125	1,321	6,820	7,684

	THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Outstanding less than one year	5	16	29	89
Outstanding more than one year	8,535	9,037	51,736	52,593
	8,540	9,053	51,765	52,682

The amounts owing by the Joint Venture and the subsidiaries are unsecured, interest-free and not subject to fixed terms of repayment.

7. OTHER FINANCIAL ASSETS

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Non-current				
Securities listed on prescribed stock exchanges, outside Australia and Hong Kong:				
– available-for-sale, at fair value (1)	20,270	–	122,860	–
– held for trading, at fair value	2,014	2,662	12,208	15,491
	22,284	2,662	135,068	15,491
Held-to-maturity securities:				
Investment in 8% convertible notes, at cost (2)	1,330	1,330	3,368	3,368
Less: Allowances for impairment losses	(1,330)	(1,330)	(3,368)	(3,368)
	–	–	–	–
Investment in an associate accounted for at cost (3)	769	769	4,661	4,475
	23,053	3,431	139,729	19,966

7. OTHER FINANCIAL ASSETS *(Continued)*

	THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Non-Current				
Investments in subsidiaries (4)	35,992	35,992	218,153	209,458

Notes:–

1. *Relates to investment in D&O Ventures Berhad ("D&O"). The carrying value represents the fair value of D&O based on the last quoted market price as at the balance sheet date.*

2. *The investment in 8% convertible notes is held by PRT Capital Pte Ltd in a proprietary limited company incorporated in Australia together with a company which is substantially and collectively owned and controlled by two directors of the Company, namely Ang Guan Seng and Goh Nan Kioh. PRT Capital Pte Ltd has not received or accrued for any interest in respect of the 8% convertible notes.*

3. *The equity method is not applied to account for the investment in the associate, i.e. Thames Electronics Sdn Bhd, as the amount involved is not material for equity accounting to be applied.*

4. *This represents investments of A$1 and A$35,992,000 in two wholly-owned controlled subsidiaries, PRT Capital Pte Ltd and Carham Assets Limited respectively.*

Particulars of the controlled subsidiaries and the associate are as follows:–

Name	Place/Date Of Incorporation/ Establishment	Authorised/ Issued And Fully Paid-Up Share Capital	Attributable Equity Interest 2004	Attributable Equity Interest 2003	Principal Activities
Subsidiaries					
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
Associate					
Thames Electronics Sdn Bhd	Malaysia/ 30 January 2003	RM100,000/ RM100,000	28.4%	28.4%	Investment holding

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Investment in the Joint Venture *(Note 9)*	34,236	36,324	209,057	213,168
Investment in the associate *(Note 10)*	–	4,063	–	23,647
	34,236	40,387	209,057	236,815

The investments are stated at cost and adjusted to reflect changes in the Group's share of the net assets of the Joint Venture and the associate. Information relating to the Joint Venture and the associate are set out in Notes 9 and 10, respectively.

9. INVESTMENT IN THE JOINT VENTURE

Details of the Joint Venture are as follows:–

Name	Place/Date Of Incorporation/ Establishment	Authorised/ Issued And Fully Paid-Up Share Capital	Attributable Equity Interest 2004	Attributable Equity Interest 2003	Principal Activities
Guangzhou Pearl River Rubber Tyre Limited	The People's Republic of China (the "PRC")/ 11 December 1993	US$43,202,166/ US$43,202,166	70%	70%	Manufacture and sales of bias 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 Carham Assets Limited and 30% owned by Guangzhou Guang Xiang Tyre Enterprise Group Company Limited, a state-owned enterprise, established in Guangzhou, the PRC.

	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
The movement in the carrying amount of the investment in the Joint Venture is as follows:–				
At 1 January	36,324	53,774	213,168	237,644
Share of movement in reserves:				
– net loss *(Note 24)*	(707)	(4,598)	(4,360)	(23,548)
– foreign currency translation reserve	(1,381)	(12,852)	249	(928)
At 31 December *(Note 8)*	34,236	36,324	209,057	213,168

9. INVESTMENT IN THE JOINT VENTURE *(Continued)*

	2004	2003	2004	2003
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
The Group's share of the Joint Venture's assets and liabilities are as follows:–				
Non-current assets	33,028	37,028	200,188	215,486
Current assets	23,866	21,022	144,664	122,338
Current liabilities	(22,658)	(21,726)	(137,337)	(126,433)
	34,236	36,324	207,515	211,391
Reversal of notional adjustment applied under IAS	–	–	(3,082)	(2,663)
Discount on acquisition credited to reserve *(Note 18)*	–	–	4,624	4,440
At 31 December	34,236	36,324	209,057	213,168

	2004	2003	2004	2003
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
The Group's share of the Joint Venture's revenues and expenses are as follows:–				
Revenues	74,808	75,507	430,606	382,429
Costs and expenses	(74,543)	(78,430)	(429,367)	(397,489)
Profit/(Loss) from continuing operations	265	(2,923)	1,239	(15,060)
Finance costs	(972)	(1,135)	(5,599)	(5,751)
Loss from continuing operations before taxes	(707)	(4,058)	(4,360)	(20,811)
Taxation	–	(540)	–	(2,737)
Net loss from continuing operations *(Note 24)*	(707)	(4,598)	(4,360)	(23,548)

9. INVESTMENT IN THE JOINT VENTURE *(Continued)*

A reconciliation of the statutory tax rate to the effective tax rate applicable to income from continuing operations of the Joint Venture for the financial year was as follows:–

	2004	**2003**
	%	%
Statutory tax rate	27	27
Availability of unutilised tax losses brought forward	(27)	(27)
	–	–

Additional information on the results and financial position of the Joint Venture are set out in Note 29 to the financial statements.

10. INVESTMENT IN THE ASSOCIATE

Details of the Associate are as follows:–

Name	**Place/Date Of Incorporation/ Establishment**	**Authorised/ Issued And Fully Paid-Up Share Capital**	**Attributable Equity Interest 2004**	**Attributable Equity Interest 2003**	**Principal Activities**
Omega Semiconductor Sdn Bhd (“Omega”)	Malaysia/ 25 November 1993	RM5,000,000/ RM4,561,677	–	21.0%	Provision of “full turnkey” subcontracting services for the manufacture of semiconductor components

In the previous financial year and up to 13 September 2004, the investment in Omega was accounted for as an associate, as the Group held 21% equity interest in Omega. During the financial year, Omega completed a corporate restructuring in conjunction with its flotation on the Second Board of Bursa Malaysia Securities Berhad. The corporate restructuring entails, interalia, the following:–

(a) a new issue of shares in Omega to identified investors, in compliance with the equity policy guidelines in force in Malaysia;

(b) a share swap with between the shareholders of Omega and D&O, the vehicle formed to be the listed holding entity of Omega; and

(c) a new issue of shares by D&O to the public at large.

10. INVESTMENT IN THE ASSOCIATE *(Continued)*

Pursuant to the corporate restructuring and flotation of Omega through D&O, the Company's equity interest in Omega was swapped into equity interest in D&O. The new issue of shares in Omega and by D&O resulted in a dilution to the equity interest in Omega and D&O, from 21.0% to 16.5% respectively. As a result of the dilution, the Company ceased to account for the investment in Omega/D&O as an associate. D&O was successfully listed on the Second Board of Bursa Malaysia Securities Berhad on 28 December 2004.

	2004	2003	2004	2003
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
The movement in the carrying amount of the investment in the Associate is as follows:–				
At 1 January	4,063	5,130	23,647	22,514
New capital invested	276	30	1,589	175
Share of movement in reserves:				
– net profit	772	1,053	4,440	5,335
– interim/final dividends	(157)	(769)	(949)	(4,475)
– foreign currency translation reserve	(285)	(1,381)	(427)	98
	4,669	4,063	28,300	23,647
Transfer to Other Financial Assets *(Note 7)*	(4,669)	–	(28,300)	–
At 31 December *(Note 8)*	–	4,063	–	23,647

	2004	2003	2004	2003
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
The Group's share of the Associate's assets and liabilities are as follows:–				
Non-current assets	–	3,696	–	21,509
Current assets	–	1,527	–	8,887
Non-current liabilities	–	(2,439)	–	(14,194)
Current liabilities	–	(386)	–	(2,246)
	–	2,398	–	13,956
Premium on acquisition	–	1,665	–	9,691
At 31 December	–	4,063	–	23,647

10. INVESTMENT IN THE ASSOCIATE *(Continued)*

	*2004 A$'000	2003 A$'000	*2004 HK$'000	2003 HK$'000
The Group's share of the Associate's revenue and expenses are as follows:–				
Revenues	4,643	7,998	26,724	40,508
Costs and expenses	(3,793)	(6,773)	(21,831)	(34,301)
Profit from continuing operations	850	1,225	4,893	6,207
Finance costs	(49)	(105)	(285)	(532)
Profit before tax	801	1,120	4,608	5,675
Taxation	(29)	(67)	(168)	(340)
Net profit for the financial year *(Note 24)*	772	1,053	4,440	5,335

* – *From 1 January 2004 to 13 September 2004, the date when Omega ceased to be an associate.*

A reconciliation of the statutory tax rate to the effective tax rate applicable to income from continuing operations of the associate for the financial year was as follows:

	2004 %	2003 %
Statutory tax rate	28	28
Non-deductible expenses	1	2
Utilisation of reinvestment allowance	(15)	(11)
Unutilised reinvestment allowance benefits recognised as a deferred asset	(10)	(13)
Others	–	(1)
Effective tax rate based on the local operating currency	4	5

11. CASH AND CASH EQUIVALENTS

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Cash in hand and at banks	1,302	1,279	7,889	7,445
Short-term deposits	–	371	–	2,159
	1,302	1,650	7,889	9,604

	THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Cash in hand and at banks	92	18	555	107

In the previous financial year, the short-term deposits with maturity of less than three months have effective interest rates of 0.6% to 0.8% per annum.

12. ISSUED CAPITAL

	THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Authorised share capital 150,000,000 ordinary shares of A$0.20 each	30,000	30,000	166,305	166,305
Issued and fully paid-up share capital	21,024	21,024	110,716	110,716

The issued and fully paid-up share capital of the Company comprises 105,116,280 (2003 – 105,116,280) ordinary shares of A$0.20 each.

13. REVALUATION RESERVE

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January	1,500	1,500	6,418	6,418
Transfer from other financial assets arising from net gain on available-for-sale financial assets	15,600	–	94,555	–
At 31 December	17,100	1,500	100,973	6,418

In the previous financial year, the revaluation reserve represents the Group's share of the surplus on revaluation of buildings of the Joint Venture arising from the land and buildings swap in the financial year ended 31 December 2000.

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

14. CAPITAL RESERVES

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
General reserve *(a)*				
At 1 January/31 December	7,200	7,200	41,103	41,103
Capital reserve arising on consolidation *(b)*				
At 1 January/31 December	–	–	763	763
Total capital reserves	7,200	7,200	41,866	41,866

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

(b) *This relates to the negative goodwill arising on acquisition of the Joint Venture. The reserve is amortised over an estimated useful life of 8 years in accordance with the Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants.*

The capital reserves are not distributable by way of cash dividends.

15. FOREIGN CURRENCY TRANSLATION RESERVE

	THE GROUP			
	2004	2003	2004	2003
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January	5,892	20,124	12,966	4,269
Adjustments arising from the translation of the financial statements of the Associate and the Joint Venture	(1,665)	(14,232)	885	8,697
At 31 December	4,227	5,892	13,851	12,966

	THE COMPANY			
	2004	2003	2004	2003
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January	–	–	(5,218)	(68,285)
Adjustments arising from the translation of the Company's financial statements	–	–	10,250	63,067
At 31 December	–	–	5,032	(5,218)

The foreign currency translation reserve is not distributable by way of cash dividends.

16. (ACCUMULATED LOSSES)/RETAINED PROFITS

	THE GROUP			
	2004	2003	2004	2003
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January	(5,402)	393	(11,463)	18,147
Net loss from continuing operations	(1,217)	(5,795)	(7,297)	(29,610)
At 31 December	(6,619)	(5,402)	(18,760)	(11,463)

	THE COMPANY			
	2004	2003	2004	2003
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January	6,042	7,088	34,907	40,207
Net loss from continuing operations	(910)	(1,046)	(5,236)	(5,300)
At 31 December	5,132	6,042	29,671	34,907

17. ACCUMULATED LOSSES – THE JOINT VENTURE

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, 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 determines 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 general reserve amounting to 10% of the distributable profit for the financial year, net of losses previously incurred, will not be available for distribution to shareholders once appropriated. As at 31 December 2004, the outstanding amount in the general reserve fund of the Joint Venture is as follows:–

	2004			2003		
	RMB'000	*A$'000*	*HK$'000*	*RMB'000*	*A$'000*	*HK$'000*
General reserve fund	28,014	4,341	26,309	28,014	4,511	26,250

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 IAS or Hong Kong GAAP. No dividends were paid or recommended since the end of the previous financial year. The Joint Venture recorded an accumulated loss of approximately RMB18,874,000 as at 31 December 2004 (31 December 2003 – Attributable retained earnings of approximately RMB11,642,000), as prepared in accordance with PRC accounting standards.

18. RECONCILIATION BETWEEN IAS AND HONG KONG GAAP

According to IAS, the negative goodwill arising on acquisition of approximately A$763,000, representing the excess of fair values of the identifiable net assets of the Joint Venture acquired over the cost of the acquisition, was applied to notionally reduce the Group's share of the Joint Venture's property, 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 property, plant and equipment. The Group has equity accounted its share of the notionally adjusted operating loss of the Joint Venture.

This differs from the method used under Hong Kong GAAP where no notional adjustment is made to the fair values of assets acquired at a discount. Instead, the discount is credited directly to reserves and amortised over an estimated useful life of 8 years.

18. RECONCILIATION BETWEEN IAS AND HONG KONG GAAP *(Continued)*

A reconciliation of the total equity and net loss from continuing operations showing the difference between the financial statements prepared in accordance with the respective IAS and Hong Kong GAAP is as follows:–

	THE GROUP	
	2004	**2003**
Total equity in A$'000 as prepared under IAS	59,437	46,719
Total equity in HK$'000 equivalent	357,179	269,220
Discount on acquisition credited to reserves *(Note 9)*	4,624	4,440
Total equity in HK$'000 restated to conform with Hong Kong GAAP	361,803	273,660
Net loss from continuing operations in A$'000 as prepared under IAS	(1,217)	(5,795)
Net loss from continuing operations in HK$'000 equivalent	(7,004)	(29,352)
Reversal of notional adjustment applied under IAS	(293)	(258)
Net loss from continuing operations in HK$'000 restated to conform with Hong Kong GAAP	(7,297)	(29,610)

19. PAYABLES

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Amount owing to a director	130	–	788	–
Accruals	218	172	1,324	1,003
	348	172	2,112	1,003

	THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Amount owing to a subsidiary	1,724	–	10,448	–
Amount owing to a director	–	1,299	–	7,561
Accruals	218	172	1,323	1,003
	1,942	1,471	11,771	8,564

20. PROVISIONS

	THE GROUP/THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Others	21	21	126	121

21. REVENUES

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Gain on disposal of securities listed on prescribed stock exchanges, outside Australian and Hong Kong	–	194	–	982
Interest received and receivable from financial institutions	–	13	–	64
Dividends received and receivable from securities listed on prescribed stock exchanges, outside Australia and Hong Kong	24	41	141	209
Other operating income	–	2	–	9
	24	250	141	1,264

22. OTHER INCOME

In the previous financial year, other income represents the write-back of the impairment loss previously made in relation to the securities listed on prescribed stock exchanges, outside Australia and Hong Kong.

23. OTHER EXPENSES

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Impairment losses on held-to-maturity securities	–	665	–	3,368
Loss on disposal of securities listed on prescribed stock exchanges, outside Australia and Hong Kong	226	–	1,303	–
Other operating expenses	554	619	3,187	3,134
	780	1,284	4,490	6,502

23. OTHER EXPENSES *(Continued)*

	THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Other operating expenses	551	617	3,170	3,125

24. SHARE OF NET PROFIT/(LOSS) OF THE JOINT VENTURE AND THE ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Share of profit/(loss) before tax of:				
– the Joint Venture	(757)	(4,058)	(4,068)	(20,811)
– Associate	801	1,120	4,608	5,675
	44	(2,938)	540	(15,136)
Share of tax expense of:				
– the Joint Venture	–	(540)	–	(2,737)
– Associate	(29)	(67)	(168)	(340)
	(29)	(607)	(168)	(3,077)
Share of net loss of the Joint Venture, net of discount arising on consolidation (2004 – A$51,000 or HK$293,000 2003 – A$51,000 or HK$258,000) *(Note 9)*	(707)	(4,598)	(4,360)	(23,548)
Share of net profit of the Associate *(Note 10)*	772	1,053	4,440	5,335
	65	(3,545)	80	(18,213)

In the previous financial year, the share of tax expense of the Joint Venture relates substantially to the write-off of the deferred tax asset recognised previously.

25. LOSS BEFORE TAX

(i) Loss before tax is arrived at after crediting and charging the following:–

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Crediting				
Gain on disposal of securities listed on prescribed stock exchanges, outside Australia and Hong Kong	–	194	–	982
Interest from financial institutions	–	13	–	64
Dividends from securities listed on prescribed stock exchanges, outside Australia and Hong Kong	24	41	141	209
Write-back of impairment loss on the investment in securities listed on prescribed stock exchanges, outside Australia and Hong Kong	–	362	–	1,834
Charging				
Depreciation expense	33	33	188	166
Impairment losses on held-to-maturity securities	–	665	–	3,368
Loss on foreign exchange	134	1,135	774	5,749
Loss on disposal of securities listed on prescribed stock exchanges, outside Australia and Hong Kong	226	–	1,303	–

(i) Loss before tax is arrived at after charging the following:–

	THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Charging				
Loss on foreign exchange	–	19	–	97

25. LOSS BEFORE TAX *(Continued)*

(ii) Remuneration of directors

Directors' remuneration for the year, as required to be disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:–

	THE GROUP/THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Fees				
Executive Directors	35	30	201	152
Non-Executive Directors	85	70	489	355
Other emoluments				
Bonuses	7	–	40	18
Salaries and allowances	48	7	276	34

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

	2004	**2003**
A$0 – A$9,999	2	2
A$10,000 – A$19,999	8	9
A$60,000 – A$69,999	1	–
	11	11
HK$0 – HK$1,000,000	11	11
A$1,000,001 and above	–	–
	11	11

No Directors waived any emoluments or received any inducement or compensation for loss of office during the financial years ended 31 December 2004 and 2003.

25. LOSS BEFORE TAX *(Continued)*

(iii) Five highest paid employees

The aggregate amount of emoluments to the five highest paid employees are as follows:–

	THE GROUP/THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Bonuses	–	18	–	92
Salaries and allowances	248	315	1,427	1,595

Number of five highest paid employees whose income was within the following bands:–

	2004	**2003**
A$0 – A$49,999	3	–
A$50,000 – A$59,999	1	2
A$60,000 – A$69,999	1	1
A$70,000 – A$79,999	–	1
A$80,000 – A$89,999	–	1
	5	5
HK$0 – HK$1,000,000	5	5
A$1,000,001 and above	–	–
	5	5

None of these highest paid employees waived any emoluments or received any inducement or compensation for loss of office during the financial years ended 31 December 2004 and 2003.

26. TAXATION

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

The Group and the Company have no significant deferred tax assets or liabilities at the balance sheet date.

27. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss of A$1,217,000 or HK$7,297,000 (2003 – A$5,795,000 or HK$29,610,000) for the financial year and on the number of shares in issue during the financial year of 105,116,280 (2003 – 105,116,280).

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

28. NOTES TO THE STATEMENTS OF CASH FLOWS

(i) A reconciliation of the net cash flows used in operating activities to the net loss from continuing operations was as follows:–

	THE GROUP		THE COMPANY	
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Net loss from continuing operating activities	(1,217)	(5,795)	(910)	(1,046)
Adjustments for:–				
Depreciation expense	33	33	–	–
Impairment losses on held-to-maturity securities	–	665	–	–
Unrealised loss on foreign exchange	127	753	1	19
Impairment loss on available-for-sale securities written back	–	(362)	–	–
Loss/(Gain) on disposal of listed securities	226	(194)	–	–
Share of net (profit)/loss of the Joint Venture and Associate	(65)	3,545	–	–
Operating loss before working capital changes	(896)	(1,355)	(909)	(1,027)
Decrease/(Increase) in receivables	24	386	(1)	(5)
Increase/(Decrease) in payables	54	(99)	45	(105)
Net cash flows for operating activities	(818)	(1,068)	(865)	(1,137)

28. NOTES TO THE STATEMENTS OF CASH FLOWS *(Continued)*

(ii) A reconciliation of the net cash used in operating activities to the net loss from continuing operations was as follows:

	THE GROUP		THE COMPANY	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net loss from continuing operating activities	(7,297)	(29,610)	(5,236)	(5,300)
Adjustments for:–				
Other dividend income	(141)	(209)	–	–
Interest income	–	(64)	–	–
Depreciation expense	188	166	–	–
Impairment losses on held-to-maturity securities	–	3,368	–	–
Unrealised loss on foreign exchange	731	3,816	(6)	24
Impairment loss on available-for-sale securities written back	–	(1,834)	–	–
Loss/(Gain) on disposal of listed securities	1,303	(982)	–	–
Share of net (profit)/loss of the Joint Venture and Associate	(80)	18,213	–	–
Operating loss before working capital changes	(5,296)	(7,136)	(5,242)	(5,276)
Decrease/(Increase) in receivables	137	(878)	(4)	(27)
Increase/(Decrease) in payables	308	(611)	265	(611)
Net cash flow for operating activities	(4,851)	(8,625)	(4,981)	(5,914)

29. THE JOINT VENTURE

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

(i) Balance Sheets

	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Non-Current Assets				
Property, plant and equipment	46,809	52,411	283,717	305,011
Intangibles	374	486	2,266	2,827
Total Non-Current Assets	47,183	52,897	285,983	307,838
Current Assets				
Cash and cash equivalents	6,633	4,319	40,202	25,136
Receivables	6,060	8,091	36,731	47,083
Inventories	21,397	17,621	129,690	102,550
Tax assets	6	–	40	–
Total Current Assets	34,096	30,031	206,663	174,769
Current Liabilities				
Payables	14,235	7,392	86,282	43,017
Interest-bearing loans and borrowings	16,579	20,931	100,488	121,814
Tax liabilities	–	219	–	1,273
Provisions and other liabilities	1,555	2,494	9,426	14,514
Total Current Liabilities	32,369	31,036	196,196	180,618
Net Current Assets/(Liabilities)	1,727	(1,005)	10,467	(5,849)
Net Assets	48,910	51,892	296,450	301,989
Equity				
Issued capital	59,475	59,475	348,470	348,470
Capital deficit	(1,027)	(1,027)	(6,090)	(6,090)
Revaluation reserve	2,144	2,144	9,169	9,169
Foreign currency translation reserve	6,684	8,584	27,280	26,590
Accumulated losses	(18,366)	(17,284)	(82,379)	(76,150)
Total equity	48,910	51,892	296,450	301,989

29. THE JOINT VENTURE *(Continued)*

(ii) Income Statements

	2004 *A$'000*	**2003** *A$'000*	**2004** *HK$'000*	**2003** *HK$'000*
Revenue	106,869	107,781	615,151	545,894
Cost of sales	(97,435)	(96,402)	(560,848)	(488,260)
Gross profit	9,434	11,379	54,303	57,634
Other revenue	535	86	3,078	433
Administrative and other operating costs	(6,148)	(11,752)	(35,388)	(59,521)
Selling and distribution costs	(3,514)	(3,961)	(20,225)	(20,061)
Profit/(Loss) from continuing operations	307	(4,248)	1,768	(21,515)
Finance costs	(1,389)	(1,622)	(7,997)	(8,215)
Loss from continuing operations before tax	(1,082)	(5,870)	(6,229)	(29,730)
Taxation	–	(772)	–	(3,910)
Net loss from continuing operations	(1,082)	(6,642)	(6,229)	(33,640)
Accumulated losses at the beginning of the financial year	(17,284)	(10,642)	(76,150)	(42,510)
Accumulated losses at the end of the financial year	(18,366)	(17,284)	(82,379)	(76,150)

29. THE JOINT VENTURE *(Continued)*

(iii) Statements Of Cash Flows

	2004	**2003**
	A$'000	*A$'000*
Cash flows from operating activities		
Receipts from customers	109,397	107,762
Payments to suppliers and employees	(100,889)	(102,989)
Interest received	32	33
Interest paid	(1,227)	(1,482)
Income tax refunded	–	220
Net cash flows from operating activities	7,313	3,544
Net cash flows for investing activity		
Acquisition of property, plant and equipment	(945)	(3,118)
Cash flows for financing activities		
Subsidy from government bodies	–	46
Repayment of loans and borrowings	(3,758)	(928)
Repayment to the Company	–	–
Repayment to a Joint Venture equity holder	2	(7)
Net cash flows for financing activities	(3,756)	(889)
Net increase/(decrease) in cash and cash equivalents	2,612	(463)
Cash and cash equivalents at the beginning of the financial year	4,319	6,295
Effect of foreign exchange rate changes, net	(298)	(1,513)
Cash and cash equivalents at the end of the financial year	6,633	4,319

29. THE JOINT VENTURE *(Continued)*

(iv) Statements Of Cash Flows

	2004	2003
	HK$'000	*HK$'000*
Cash flow from operating activities		
Receipts from customers	629,705	545,792
Payments to suppliers and employees	(580,732)	(521,619)
Net cash generated from operations	48,973	24,173
Interest paid	(7,062)	(7,504)
Income tax refunded	–	1,114
Net cash from operating activities	41,911	17,783
Cash flow for investing activities		
Acquisition of property, plant and equipment	(5,440)	(15,794)
Interest received	185	166
Net cash for investing activities	(5,255)	(15,628)
Cash flow for financing activities		
Subsidy from government bodies	–	235
Repayment of loans and borrowings	(21,635)	(4,701)
Advances from/(Repayment to) a Joint Venture equity holder	12	(38)
Net cash for financing activities	(21,623)	(4,504)
Net increase/(decrease) in cash and cash Equivalents	15,033	(2,349)
Cash and cash equivalents at the beginning of the financial year	25,136	27,627
Effect of foreign exchange rate changes, net	33	(142)
Cash and cash equivalents at the end of the financial year	40,202	25,136

29. THE JOINT VENTURE *(Continued)*

(v) Operating lease commitments

As at 31 December 2004, the total future minimum lease rentals under non-cancellable operating leases are payable to Guangzhou Rubber Tyre Factory ("GRTF") as follows:–

	THE GROUP		THE COMPANY	
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Within one year	858	892	5,200	5,189
After one year but not more than five years	3,432	3,566	20,802	20,755
More than five years	10,911	11,661	66,135	67,860
	15,201	16,119	92,137	93,804

The operating leases are in respect of land and buildings and certain machinery. The lease terms are set out in Note 31 to the financial statements. None of these leases includes contingent rentals.

The Group's interest in the above operating leases is 70% (2003 – 70%).

30. 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.

At the balance sheet date, the extent of Australian and Hong Kong dollars equivalent of foreign currency monetary items not effectively hedged are set out in Note 34.

30. FINANCIAL INSTRUMENTS *(Continued)*

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

(b) Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing loans and borrowings. The Group does not use any derivative financial instruments to manage its exposure to interest rate risk as the directors are of the opinion that the net exposure is not significant.

(c) Market Risk

The Group's exposure to market risk arises mainly from changes in quoted market bid prices. The Group does not use any derivative financial instruments to manage its exposure to market risk.

(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 balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group does not have any major concentrations 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.

(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.

(ii) Net Fair Values

The financial assets and liabilities are carried at fair values in the balance sheet. The fair value of listed securities is determined by reference to market value whilst the investment in 8% convertible notes is stated at cost less allowance for impairment loss.

31. RELATED PARTY TRANSACTIONS

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

(i) On 2 November 1994, pursuant to an asset investment and leasing agreement entered into between the Joint Venture, the Company and GRTF, the Joint Venture agreed to lease from GRTF the exclusive right to use certain machinery for the duration of the joint venture, being 30 years from 11 December 1993 at RMB2,000,000 per annum. During the financial year ended 31 December 2004, the Joint Venture paid lease rental of approximately A$327,000 or HK$1,881,000 (2003 – A$371,000 or HK$1,881,000) for the machinery.

(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:–

(a) the right to use the trademark "Pearl River"; and

(b) 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.

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 an intangible asset and is being amortised over a period of 14 years.

During the financial year ended 31 December 2004, the Joint Venture has paid royalties of approximately A$71,000 or HK$410,000 (2003 – A$89,000 or HK$451,000) equal to 0.2% of "Pearl River" tyre 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, Guangzhou Bolex Tyre Limited ("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 ended 31 December 2004, the Joint Venture has contributed approximately A$243,000 or HK$1,401,000 (2003 – A$286,000 or HK$1,450,000) as its share of the administrative expenses for the hospital and staff canteen.

(iv) On 28 October 1999, the Joint Venture entered into a leasing agreement to lease a hostel from GRTF. The lease term is 20 years from 1 January 2000 and the annual rental is RMB28,800 for the first 5 years, thereafter, the annual rental will be revised based on the consumer price index at the time. During the financial year ended 31 December 2004, the Joint Venture paid lease rental of approximately A$5,000 or HK$27,000 (2003 – A$5,000 or HK$27,000) for the hostel.

31. RELATED PARTY TRANSACTIONS *(Continued)*

(v) 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 operations purposes. The lease term is 20 years from 20 December 2000 at RMB3,508,668 per annum. The lease rental will be revised based on the land use fee and real estate tax at the time. During the financial year ended 31 December 2004, the Joint Venture paid lease rental of approximately A$573,000 or HK$3,300,000 (2003 – A$651,000 or HK$3,299,000) for the landed properties.

(vi) 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 for a contribution by Bolex of an agreed percentage of the costs of the equipment used and the employees employed for such processing service. During the financial year ended 31 December 2004, the contribution received and receivable from Bolex for the processing of the raw materials amounted to approximately A$576,000 or HK$3,316,000 (2003 – A$890,000 or HK$4,510,000).

(vii) 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 for a contribution by Bolex of an agreed amount of the respective costs of the supporting divisions involved. During the financial year ended 31 December 2004, there was no management fee charged to Bolex. In the previous financial year, the Joint Venture charged Bolex management fee of approximately A$53,000 or HK$267,000. The Joint Venture also received interest income of approximately A$14,000 or HK$81,000 (2003 – A$16,000 or HK$83,000) from Bolex for advances outstanding during the financial year.

(viii) 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 two directors of the Company, namely Ang Guan Seng and Goh Nan Kioh. The notes are convertible until 31 December 2004, 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 2004 (2003 – Nil).

31. RELATED PARTY TRANSACTIONS *(Continued)*

The non-executive independent directors of the Company have reviewed the above-mentioned 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 a waiver letter dated 24 July 2000 and 3 September 2003 in respect of the transactions mentioned in paragraphs (i) and (vii) from The Stock Exchange of Hong Kong Ltd, the non-executive independent directors of the Company also confirmed that:–

(a) the aggregate value of the transactions mentioned in paragraphs (i) to (v) has not exceeded 3% of the Group's net tangible assets; and

(b) the aggregate value of the transactions mentioned in paragraphs (vi) and (vii) has not exceeded either the higher of HK$10 million or 3% of the Group's net tangible assets.

Horwath, the independent external auditors, has also reviewed the above-mentioned transactions. Accordingly, Horwath confirms that:–

(a) these transactions have received the approval of the Directors of the Company;

(b) these transactions have been entered into in accordance with the terms of the agreements governing the on-going related party transactions or, where there is no agreement or document, on terms no less favourable than terms available to or from, as appropriate, independent third parties;

(c) these transactions are conducted in accordance with the pricing policies as stated in the above-mentioned paragraphs;

(d) the transactions mentioned in paragraph (i) to (v) have not exceeded 3% of the Group's net tangible assets; and

(e) the transactions mentioned in paragraphs (vi) and (vii) have not exceeded either the higher of HK$10 million or 3% of the Group's net tangible assets.

32. AUDITORS' REMUNERATION

	THE GROUP/THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Amounts received or due and receivable by the Company's auditors for:				
– statutory audit	36	37	207	215
– mid-year review	–	17	–	86

33. NET TANGIBLE ASSETS BACKING

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Net tangible assets per ordinary share as at 31 December	A$0.57	A$0.44	HK$3.44	HK$2.60

34. FOREIGN CURRENCY EXPOSURE

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

	THE GROUP			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Current Assets				
Amounts receivable in foreign currencies which are not effectively hedged:				
– United States Dollar	23	95	139	554
– Ringgit Malaysia	173	338	1,049	1,964
– Singapore Dollar	1,088	1,170	6,594	6,811
– Renminbi	1,143	1,142	6,928	6,648
Current Liabilities				
Amounts payable in foreign currencies which are not effectively hedged:				
– Ringgit Malaysia	166	31	1,006	183

34. FOREIGN CURRENCY EXPOSURE *(Continued)*

	THE COMPANY			
	2004	**2003**	**2004**	**2003**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Current Assets				
Amounts receivable in foreign currencies which are not effectively hedged:				
– United States Dollar	18	13	109	76
– Ringgit Malaysia	99	126	600	732
– Renminbi	1	15	6	89
Current Liabilities				
Amounts payable in foreign currencies which are not effectively hedged:				
– Ringgit Malaysia	36	31	218	182

35. SEGMENTAL INFORMATION

The Group operates in the following 5 areas:–

(i) the Joint Venture in the PRC relating to the manufacture and sales of bias tyres;

(ii) an associate in Malaysia relating to the provision of subcontracting services for the manufacture of semiconductor components which are supplied to multinational companies engaged in the manufacture of semiconductor products. During the financial year, the equity interest in the associate was diluted from 21.0% to 16.5%. As a result of the dilution, the Group ceased to equity account the result in the associate. The investment in the associate were reclassified as investment in securities listed on a prescribed stock exchange in Malaysia;

(iii) a debt investment in Australia;

(iv) investment in securities listed on a prescribed stock exchange and cash deposits in Singapore; and

(v) investment in securities listed on a prescribed stock exchange and cash deposits in Malaysia.

35. SEGMENTAL INFORMATION *(Continued)*

The following tables present revenue and profit information regarding geographical segments for the financial years ended 31 December 2004 and 2003 and certain asset and liability information regarding geographical segments as at 31 December 2004 and 2003:–

	The PRC	Australia	Singapore	Malaysia	Total
	A$'000	*A$'000*	*A$'000*	*A$'000*	*A$'000*
2004					
Revenue from external customers	–	–	–	24	24
Revenues from external customers	–	–	–	24	24
Salaries and employee benefits	(359)	–	–	–	(359)
Depreciation expense	–	–	(16)	(17)	(33)
Loss on foreign exchange	(41)	–	(15)	(78)	(134)
Other expenses	(780)	–	–	–	(780)
Loss from continuing operating activities	(1,180)	–	(31)	(71)	(1,282)
Share of net (loss)/profit of the Joint Venture and the Associate	(757)	–	–	822	65
(Loss)/Profit from continuing operations before tax	(1,937)	–	(31)	751	(1,217)
Taxation	–	–	–	–	–
Net (loss)/profit from continuing operations	(1,937)	–	(31)	751	(1,217)
Segment assets	934	–	1,262	23,374	25,570
Investments accounted for using the equity method	34,236	–	–	–	34,236
Total assets	35,170	–	1,262	23,374	59,806
Segment liabilities	239	–	65	65	369

35. SEGMENTAL INFORMATION *(Continued)*

	The PRC A$'000	Australia A$'000	Singapore A$'000	Malaysia A$'000	Total A$'000
2003					
Revenue from external customers	–	–	160	90	250
Revenues from external customers	–	–	160	90	250
Other income	–	–	19	343	362
Salaries and employee benefits	(410)	–	–	–	(410)
Depreciation expense	–	–	(16)	(17)	(33)
Loss on foreign exchange	(376)	–	(4)	(755)	(1,135)
Other expenses	(618)	(665)	(1)	–	(1,284)
(Loss)/Profit from continuing operating activities	(1,404)	(665)	158	(339)	(2,250)
Share of net (loss)/profit of the Joint Venture and the Associate	(4,598)	–	–	1,053	(3,545)
(Loss)/Profit from continuing operations before tax	(6,002)	(665)	158	714	(5,795)
Taxation	–	–	–	–	–
Net (loss)/profit from continuing operations	(6,002)	(665)	158	714	(5,795)
Segment assets	1,309	–	1,290	3,926	6,525
Investments accounted for using the equity method	36,324	–	–	4,063	40,387
Total assets	37,633	–	1,290	7,989	46,912
Segment liabilities	193	–	–	–	193

35. SEGMENTAL INFORMATION *(Continued)*

	The PRC HK$'000	Australia HK$'000	Singapore HK$'000	Malaysia HK$'000	Total HK$'000
2004					
Revenue from external customers	–	–	–	141	141
Revenues from external customers	–	–	–	141	141
Salaries and employee benefits	(2,066)	–	–	–	(2,066)
Depreciation expense	–	–	(94)	(94)	(188)
Loss on foreign exchange	(236)	–	(88)	(450)	(774)
Other expenses	(4,319)	–	(171)	–	(4,490)
Loss from continuing operating activities	(6,621)	–	(353)	(403)	(7,377)
Share of net (loss)/profit of the Joint Venture and the Associate	(4,360)	–	–	4,440	80
(Loss)/Profit from continuing operations before tax	(10,981)	–	(353)	4,037	(7,297)
Taxation	–	–	–	–	–
Net (loss)/profit from continuing operations	(10,981)	–	(353)	4,037	(7,297)
Segment assets	5,663	–	7,648	141,673	154,984
Investments accounted for using the equity method	209,057	–	–	–	209,057
Total assets	214,720	–	7,648	141,673	364,041
Segment liabilities	1,450	–	394	394	2,238

35. SEGMENTAL INFORMATION *(Continued)*

	The PRC	Australia	Singapore	Malaysia	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2003					
Revenue from external customers	–	–	808	456	1,264
Revenues from external customers	–	–	808	456	1,264
Other income	–	–	99	1,735	1,834
Salaries and employee benefits	(2,078)	–	–	–	(2,078)
Depreciation expense	–	–	(83)	(83)	(166)
Loss on foreign exchange	(1,903)	–	(23)	(3,823)	(5,749)
Other expenses	(3,130)	(3,368)	(4)	–	(6,502)
(Loss)/Profit from continuing operating activities	(7,111)	(3,368)	797	(1,715)	(11,397)
Share of net (loss)/profit of the Joint Venture and the Associate	(23,548)	–	–	5,335	(18,213)
(Loss)/Profit from continuing operations before tax	(30,659)	(3,368)	797	3,620	(29,610)
Taxation	–	–	–	–	–
Net (loss)/profit from continuing operations	(30,659)	(3,368)	797	3,620	(29,610)
Segment assets	7,613	–	7,509	22,847	37,969
Investments accounted for using the equity method	213,168	–	–	23,647	236,815
Total assets	220,781	–	7,509	46,494	274,784
Segment liabilities	1,124	–	–	–	1,124

36. SUBSEQUENT EVENTS

No event has since 31 December 2004 arisen that would be likely to materially affect the operations of the Group, the results of the Group or the state of affairs of the Group which has not been disclosed or recognised in the financial statements.

37. FOREIGN EXCHANGE RATES

	THE GROUP 2004	2003
Average rates during the financial year:		
– A$1 equals RMB	6.1197	5.3866
– A$1 equals HK$	5.7561	5.0648
– A$1 equals RM	2.8096	2.4713
– HK$1 equals RMB	1.0631	1.0637
– HK$1 equals RM	0.4881	0.4879
Rates as at 31 December:		
– A$1 equals RMB	6.4540	6.2107
– A$1 equals HK$	6.0612	5.8196
– A$1 equals RM	2.9786	2.8420
– HK$1 equals RMB	1.0648	1.0674
– HK$1 equals RM	0.4914	0.4883

38. FIVE YEAR FINANCIAL SUMMARY

	2004 A$'000	2003 A$'000	2002 A$'000	As Restated 2001 [1] A$'000	As Restated 2000 [1] A$'000
Revenue	**24**	250	82	727	2,585
(Loss)/Profit from continuing operations before tax	**(1,217)**	(5,795)	(1,867)	809	(7,894)
Non-current assets	**57,379**	43,941	61,091	65,821	64,012
Current assets	**2,427**	2,971	6,016	8,706	4,519
Current liabilities	**(369)**	(193)	(361)	(310)	(350)
Equity attributable to members of the Company	**59,437**	46,719	66,746	74,217	68,181

38. FIVE YEAR FINANCIAL SUMMARY *(Continued)*

	2004	**2003**	**2002**	**As Restated 2001** [(1)]	**As Restated 2000** [(1)]
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**141**	1,264	345	3,032	11,914
(Loss)/Profit from continuing operations before tax	**(7,297)**	(29,610)	(8,119)	3,161	(36,620)
Non-current assets	**349,332**	257,496	269,753	268,625	280,681
Current assets	**14,709**	17,288	26,404	34,720	19,673
Current liabilities	**(2,238)**	(1,124)	(1,584)	(1,234)	(1,520)
Equity attributable to members of the Company	**361,803**	273,660	294,573	302,111	298,834

Notes:–

1. *The comparative figures for the financial years 2000 and 2001 have been restated to show the changes in accounting policies set out below:–*

   (a) *the adoption of IAS represents a change in the accounting policies adopted, where in previous years, the financial statements of the Group and of the Company were prepared in accordance with all applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act, 2001; and*

   (b) *the Group changed its accounting policy with respect to the treatment of warranties for its tyre products. Previously, warranties were recognised in the financial statements of the Joint Venture when incurred. The change in the accounting policy is to be consistent with the treatment prescribed by IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and Statement of Standard Accounting Practice 28 – Provisions, Contingent Liabilities and Contingent Assets, where warranty cost is accrued when the tyres are sold.*