FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

1. CORPORATE INFORMATION

The financial statements of the Group and of the Company for the financial year ended 31 December 2005 (the "financial year") were authorised for issue in accordance with a resolution of the Directors on 6 April 2006.

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

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

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

2. PRINCIPAL ACTIVITIES

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

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

3. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

3. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

(a) HKAS 17 – Lease

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

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

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

In prior periods:–

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

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

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

3. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

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

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

(c) HKAS 31 – Interest in Joint Ventures

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

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

3. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) HKAS 31 – Interest in Joint Ventures *(Continued)*

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

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

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

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

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 Limited ("The Stock Exchange"). The financial statements of the Group and of the Company are prepared in HK$ for the purposes of the reporting requirements that apply in Hong Kong. The financial statements of the Group and of the Company denominated in HK$ have been prepared in accordance with all applicable HKFRSs 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 Stock Exchange.

(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 2005. The associate has been accounted for in the consolidated financial statements using the equity method.

Previously, the Joint Venture had been accounted for in the consolidated financial statements using the equity method. During the financial year, the Group changed the accounting policy from the equity method to the proportionate consolidation method, in accordance with the HKFRS.

The 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 8 and 9.

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

Associates

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 the operations 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 the 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, if any. The results of the associate are included in the subsidiary's income statement to the extent of dividends received and receivable.

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 proportionate consolidation 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, if any. The results of the Joint Venture are included in the subsidiary's income statement to the extent of dividends received or receivable.

(d) Goodwill And Negative Goodwill Arising On Consolidation

Goodwill arising on the acquisition of a subsidiary, jointly controlled entity or an associate represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, jointly controlled entity or associate recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On the disposal of a subsidiary, jointly controlled entity or an associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on the acquisition of a subsidiary, jointly controlled entity or an associate represents the excess of the acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Negative goodwill on acquisition is recognised immediately to income statements.

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

(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.

Investments in Securities

Investments 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 is 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 available-for-sale investments, the fair value of which cannot be reliably determined, the investments are carried at cost less accumulated impairment losses, if any.

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

(e) Investments *(Continued)*

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 the income statement in the year of disposal.

(f) Property, Plant And Equipment

Property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Depreciation and amortisation are 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 principal annual rates used for this purpose are as follows:–

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

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.

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.

(g) Impairment Of Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

(g) Impairment Of Assets *(Continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Operating Lease Prepayments

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

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

(i) Intangible Asset

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

(j) Inventories

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

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

(k) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(l) 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.

(m) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(n) Share Capital

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

(o) 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.

(p) 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 be made 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.

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

(q) 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 functional 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

The Group prepares consolidated financial statements in Hong Kong Dollars. On consolidation, the assets and liabilities of the Group's overseas operations are translated into Hong Kong Dollars at the applicable rates of exchange ruling at the balance sheet date. The income and expense items are translated into Hong Kong Dollars at the average exchange rates for the year. The resulting translation differences are included in the foreign currency translation reserve.

(r) Taxation

Taxation for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

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

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

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

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

(r) Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(s) Revenue Recognition

Sale of Goods

Sales of the Joint Venture represents the invoiced value of goods supplied to customers, net of returns, sales tax and trade discounts. 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 cost of sales, the consideration and possibility of returns.

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 for those dividends from the Joint Venture which are brought to account when they are proposed by the Joint Venture.

(t) 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.

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

(u) 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.

(v) Employee Benefits

(i) Short-Term Benefits

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

5. PROPERTY, PLANT AND EQUIPMENT

THE GROUP 2005	Buildings HK$'000	Plant and Machinery HK$'000	Construction-In- Progress HK$'000	Equipment HK$'000	Total HK$'000
Cost or valuation:					
At 1 January 2005	99,876	211,977	4,789	2,008	318,650
Additions/Transfers	–	8,714	(3,026)	–	5,688
Disposals	–	(207)	–	–	(207)
Effect of foreign exchange translation	2,308	4,497	111	(127)	6,789
At 31 December 2005	102,184	224,981	1,874	1,881	330,920
Accumulated depreciation:					
At 1 January 2005	30,547	99,583	–	1,462	131,592
Provided during the year	3,801	15,577	–	189	19,567
Disposals	–	(172)	–	–	(172)
Effect of foreign exchange translation	751	2,202	–	(100)	2,853
At 31 December 2005	35,099	117,190	–	1,551	153,840
Net book value:					
At 31 December 2005	67,085	107,791	1,874	330	177,080
An analysis of cost or valuation:					
At cost	8,134	224,981	1,874	1,881	236,870
At valuation	94,050	–	–	–	94,050
	102,184	224,981	1,874	1,881	330,920

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

THE GROUP 2004	Buildings *HK$'000*	Plant and Machinery *HK$'000*	Construction-In- Progress *HK$'000*	Equipment *HK$'000*	Total *HK$'000*
(As Restated)					
Cost or valuation:					
At 1 January 2004	99,491	205,199	7,597	1,928	314,215
Additions/Transfers	161	6,466	(2,825)	–	3,802
Written off	–	(241)	–	–	(241)
Effect of foreign exchange translation	224	553	17	80	874
At 31 December 2004	99,876	211,977	4,789	2,008	318,650
Accumulated depreciation:					
At 1 January 2004	26,757	84,608	–	1,214	112,579
Provided during the year	3,736	14,898	–	188	18,822
Written off	–	(85)	–	–	(85)
Effect of foreign exchange translation	54	162	–	60	276
At 31 December 2004	30,547	99,583	–	1,462	131,592
Net book value:					
At 31 December 2004	69,329	112,394	4,789	546	187,058
An analysis of cost or valuation:					
At cost	7,951	211,977	4,789	2,008	226,725
At valuation	91,925	–	–	–	91,925
	99,876	211,977	4,789	2,008	318,650

The Group has pledged the buildings to secure banking facilities granted to the Group.

The buildings were revalued in the financial year ended 31 December 2000 based on the assessment by an independent professionally qualified valuer in The People's Republic of China. The valuation was determined on the market value basis.

Had the revalued buildings been carried at cost less accumulated depreciation, the net book value of the buildings that would have been included in the financial statements is HK$61,207,000 (2004 – HK$64,457,000).

As at 31 December 2005, the Company did not hold any property, plant and machinery.

6. OPERATING LEASE PREPAYMENTS

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
		(As Restated)
At Cost:		
At 1 January	16,573	16,536
Effect of foreign exchange translation	384	37
At 31 December	16,957	16,573
Accumulated Amortisation:		
At 1 January	2,942	2,366
Amortisation during the year	729	722
Effect of foreign exchange translation	77	(146)
At 31 December	3,748	2,942
Net book value	13,209	13,631

The Group has pledged the leasehold land to secure banking facilities granted to the Group. The leasehold period for the land is 23 years.

7. OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(As Restated)		
Current				
Amount owing by Joint Venture	24	9	79	29
Amount owing by a related party	437	296	–	–
Other receivables	2,828	3,408	–	–
Amount payable for the purchase of raw materials	12,097	5,234	–	–
Prepayments and deposits	760	882	–	–
	16,146	9,829	79	29

7. OTHER RECEIVABLES *(Continued)*

	THE COMPANY	
	2005	**2004**
	HK$'000	*HK$'000*
Non-Current		
Amount owing by subsidiaries	48,792	51,602
Other receivables	114	134
	48,906	51,736

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

The related party refers to Guangzhou Bolex Tyre Limited ("Bolex"), a company incorporated in The People's Republic of China, in which a director in Joint Venture has a substantial financial interest. The amount owing is trade in nature, unsecured, bearing interest rate at the borrowing rate of one of the Joint Venture's bank and is not subject to fixed terms of repayment.

Included in other receivables is an amount of HK$3,368,000 in respect of the investment in 8% convertible notes held by PRT Capital Pte Ltd ("PRTC") in a proprietary limited company incorporated in Australia together with a company which is substantially and collectively owned and controlled by 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. PRTC decided to redeem the convertible notes. The investment in convertible notes has been reclassified from other financial assets to other receivables and has been fully impaired.

8. OTHER FINANCIAL ASSETS

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
		(As Restated)
Non-current		
Securities listed on prescribed stock exchanges, outside Hong Kong:		
– available-for-sale, at fair value(1)	130,117	122,860
– held for trading, at fair value	10,791	12,208
	140,908	135,068
Investment in an associate accounted for at cost(2)	4,475	4,475
	145,383	139,543

8. OTHER FINANCIAL ASSETS *(Continued)*

	THE COMPANY	
	2005	**2004**
	HK$'000	*HK$'000*
		(As Restated)
Non-Current		
Investment in subsidiaries, at cost (3)	214,707	214,707

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 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.

3. 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 2005	2004	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.

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 2005	Attributable Equity Interest 2004	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 Enterprise Group Company Limited (Previously known as Guangzhou Guang Xiang Tyre Enterprise Group Company Limited), a state-owned enterprise, established in Guangzhou, the PRC.

	2005 *HK$'000*	2004 *HK$'000*
The Group's share of the Joint Venture's assets and liabilities are as follows:–		
Non-current assets	191,174	201,730
Current assets	173,843	144,664
Current liabilities	(139,962)	(137,337)
At 31 December	225,055	209,057

	THE GROUP 2005 *HK$'000*	THE GROUP 2004 *HK$'000*
The Group's share of the Joint Venture's revenues and expenses are as follows:–		
Revenues and other income	554,810	436,877
Costs and expenses	(538,211)	(435,710)
Profit from continuing operations	16,599	1,167
Finance costs	(5,142)	(5,527)
Profit/(Loss) from continuing operations before taxes	11,457	(4,360)
Taxation	–	–
Net profit/(loss) from continuing operations	11,457	(4,360)

10. INTANGIBLE ASSET

	THE GROUP 2005 HK$'000	THE GROUP 2004 HK$'000
Licence fee, at cost	5,681	5,552
Less: Accumulated amortisation		
At 1 January	(3,966)	(3,561)
Amortisation during the year	(401)	(397)
Effect of foreign exchange translation	(97)	(8)
At 31 December	(4,464)	(3,966)
	1,217	1,586

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

11. INVENTORIES

	THE GROUP 2005 HK$'000	THE GROUP 2004 HK$'000 (As Restated)
At Cost:–		
Raw materials	44,487	37,500
Work-in-progress	5,609	2,983
Finished goods	58,944	50,300
	109,040	90,783

None of the inventories is stated at net realisable value.

12. TRADE RECEIVABLES

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
		(As Restated)
Trade receivables	45,247	37,502
Less: Allowance for doubtful debts		
At 1 January	(21,366)	(19,360)
Additional during the financial year	(754)	(2,275)
Writeback during the financial year	283	269
Effect of foreign exchange translation	(500)	–
At 31 December	(22,337)	(21,366)
	22,910	16,136

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

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

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

13. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(As Restated)		
Cash in hand and at banks	33,885	34,490	356	555
Short-term deposits	1,576	1,541	–	–
	35,461	36,031	356	555

The weighted average interest rate of the short-term deposits at the balance sheet date was 0.86% (2004 - 0.33%) per annum.

14. TRADE PAYABLES

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

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

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

15. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(As Restated)		
Amount owing to a subsidiary	–	–	14,735	10,448
Other payables	10,628	13,827	–	–
Accruals	3,331	2,922	1,225	1,323
	13,959	16,749	15,960	11,771

The amount owing by a subsidiary is unsecured, interest-free and not subject to fixed terms of repayment.

16. AMOUNT OWING TO A DIRECTOR

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

17. PROVISIONS

	THE GROUP		THE COMPANY	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000* (As Restated)	*HK$'000*	*HK$'000*
Warranty claims on bias tyres	5,384	5,262	–	–
Others	118	126	118	126
	5,502	5,388	118	126

18. BORROWINGS

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000* (As Restated)
Bank loans	67,259	70,341

The loans are wholly repayable within one year and bear a weighted average interest of 6.3% (2004 – 6.1%) per annum. The loans are secured as follows:–

(i) by way of legal charges over the leasehold land and buildings of the Joint Venture; and

(ii) by a debenture incorporating fixed and floating charges over the assets of the Joint Venture.

19. ISSUED CAPITAL

	2005	**2004**
	HK$'000	*HK$'000*
Authorised share capital		
150,000,000 ordinary shares of A$0.20 each	166,305	166,305
Issued and fully paid-up share capital	110,716	110,716

The issued and fully paid-up share capital of the Company comprises 105,116,280 (2004 – 105,116,280) ordinary shares of A$0.20 each.

No options have been granted under the Company's share option scheme to the Directors and employees of the Group during the year ended 31 December 2005.

20. SHARE PREMIUM

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

21. REVALUATION RESERVE

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
At 1 January	100,973	6,418
Transfer from other financial assets – representing net gain on available-for-sale financial assets during the financial year	11,596	94,555
Effect of foreign exchange translation	(6,015)	–
At 31 December	106,554	100,973
Revaluation reserve is represented by:–		
Revaluation of other financial assets arising from net gain on available-for-sale financial assets	100,136	94,555
Revaluation of buildings of Joint Venture arising from land and buildings swap	6,418	6,418
	106,554	100,973

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

22. CAPITAL RESERVES

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
		(As Restated)
At 1 January/31 December	37,344	37,344

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.

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

23. FOREIGN CURRENCY TRANSLATION RESERVE

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
At 1 January	13,851	12,966
Adjustments arising from the translation of the financial statements of the Associate and the Joint Venture	3,878	885
At 31 December	17,729	13,851

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

24. (ACCUMULATED LOSSES)/RETAINED PROFITS

	THE GROUP		THE COMPANY	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(As Restated)		(As Restated)
At 1 January	(14,424)	(6,941)	31,257	34,938
Net profit/(loss) from continuing operations	7,023	(7,483)	(7,160)	(3,681)
At 31 December	(7,401)	(14,424)	24,097	31,257

25. 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 a 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 2005, the outstanding amount in the general reserve fund of the Joint Venture is as follows:–

	2005		**2004**	
	RMB$'000	*HK$'000*	*RMB$'000*	*HK$'000*
General reserve fund	28,014	26,916	28,014	26,309

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 Hong Kong GAAP. No dividends were paid or recommended since the end of the previous financial year. The Joint Venture recorded a retained profit of approximately RMB92,000 as at 31 December 2005 (31 December 2004 – Accumulated loss of approximately RMB18,790,000), as prepared in accordance with PRC accounting standards.

26. REVENUES

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

27. OTHER INCOME

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(As Restated)		(As Restated)
Writeback of allowance for doubtful debts	283	269	–	–
Writeback of allowance for warranty claims	–	3,951	–	–
Other income	388	–	1,561	–
	671	4,220	1,561	–

28. FINANCE COSTS

Included in the finance costs of the Group is the interest on bank loans amounting to HK$4,307,000 (2004 – HK$4,940,000).

29. PROFIT/(LOSS) BEFORE TAXATION

(i) In addition to those disclosed in Note 26, 27 and 28 to the financial statements, the profit/(loss) before taxation is arrived at after charging/(crediting) the following:–

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(As Restated)		(As Restated)
Cost of goods sold	497,449	392,594	–	–
Staff costs (excluding directors' remuneration)				
– Wages, salaries and allowances	29,205	25,927	2,046	2,067
– Retirement benefit scheme contribution	4,943	5,427	–	–
Allowance for doubtful debts	754	2,275	–	–
Auditors' remuneration	288	299	213	207
Amortisation of operating lease prepayments	729	722	–	–
Amortisation of intangible asset	401	397	–	–
Depreciation of property, plant and equipment	19,567	18,822	–	–
Plant and equipment written off	–	156	–	–
Loss/(Gain) on foreign exchange, net	2,936	1,040	2,365	(1,561)
Loss on disposal of securities listed on prescribed stock exchanges, outside Hong Kong	–	1,303	–	–

29. PROFIT/(LOSS) BEFORE TAXATION *(Continued)*

(ii) Remuneration of directors

The emoluments paid or payable to each of the ten (2004: Eleven) directors were as follows:–

	THE GROUP/THE COMPANY					
	2005			2004		
	Fees	Salaries and Other Benefits	Total Emoluments	Fees	Salaries and Other Benefits	Total Emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Ang Guan Seng	89	–	89	86	–	86
Goh Nan Kioh	59	–	59	58	–	58
Goh Nan Yang	59	401	461	86	316	403
Helen Zee	10	–	10	100	–	100
Lim Thian Soo	59	–	59	58	–	58
Lim Loi Heng	59	–	59	58	–	58
Lim Chong Puang	59	–	59	–	–	–
Sandy Chim Chun Kwan	59	–	59	58	–	58
Chen Zhen Guo	25	–	25	58	–	58
Sun Zhi Yi	25	–	25	58	–	58
David Chong Eng Tee	–	–	–	29	–	29
David James Humann	–	–	–	46	–	46
	504	401	906	693	316	1,009

No Directors waived any emoluments or received any inducement or compensation for loss of office during the financial years ended 31 December 2005 and 2004.

29. PROFIT/(LOSS) BEFORE TAXATION *(Continued)*

(iii) Five highest paid employees

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

	THE GROUP/ THE COMPANY	
	2005	**2004**
	HK$'000	*HK$'000*
Bonuses	327	–
Salaries and allowances	1,527	1,427

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

	2005	**2004**
HK$0 – HK$1,000,000	5	5
HK$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 2005 and 2004.

30. 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.

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

30. TAXATION *(Continued)*

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

31. BASIC EARNINGS/(LOSS) PER SHARE

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

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

32. PRIOR YEAR ADJUSTMENTS

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

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

32. PRIOR YEAR ADJUSTMENTS *(Continued)*

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

THE GROUP	**As Previously Reported**	**Effect Of The Change In Functional Currency**	**As Previously Reported And After Prior Year Adjustments**
	HK$'000	*HK$'000*	*HK$'000*
BALANCE SHEET (EXTRACT):–			
Other financial assets	139,729	(186)	139,543
Accumulated losses	(18,760)	(186)	(18,946)
INCOME STATEMENTS (EXTRACT):–			
Other operating expenses	(7,518)	(186)	(7,704)
Loss before taxation/ Net loss for the financial year	(7,297)	(186)	(7,483)
THE COMPANY			
BALANCE SHEET (EXTRACT):–			
Other financial assets	218,153	(3,446)	214,707
Foreign currency translation reserve	5,032	(5,032)	–
Retained profits	29,671	1,586	31,257
INCOME STATEMENTS (EXTRACT):–			
Other income	–	1,555	1,555
Loss before taxation/ Net loss for the financial year	(5,236)	1,555	(3,681)

33. COMMITMENTS

As at 31 December 2005, the total future minimum lease rentals under non-cancellable operating leases are payable to GRTF as follows:–

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Within one year	5,321	5,200
After one year but not more than five years	21,283	20,802
More than five years	58,503	66,135
	85,107	92,137

The operating leases are in respect of land and buildings and certain machinery. The lease terms are set out in Note 35 to the financial statements. None of these leases includes contingent rentals.

The Group's interest in the above operating leases is 70% (2004 – 70%).

34. 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 Hong Kong Dollar equivalent of foreign currency monetary items not effectively hedged are set out in Note 36.

(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.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

(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 concentration of credit risk related to any individual customer or counterparty.

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

(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) Fair Values Of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

(a) Quoted Investments

The fair value of quoted investments are based on quoted market prices at the balance sheet date.

(b) Unquoted Investments

It is not practicable to determine the fair values of unquoted investments because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

(c) Bank Balances and Other Liquid and Short Term Receivables

The carrying amounts approximated their fair values due to the relatively short term maturity of these instruments.

(d) Short Term Borrowing and Other Current Liabilities

The carrying amounts approximate their fair values because of the short period to maturity of these instruments.

35. RELATED PARTY TRANSACTIONS

The following is a summary of the Group's 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 2005, the Joint Venture paid lease rental of approximately HK$1,899,000 (2004 – HK$1,881,000) for the machinery.

(ii) The Joint Venture signed a licence agreement with GRTF on 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 2005, the Joint Venture paid royalties of approximately HK$492,000 (2004 – HK$410,000) equal to 0.2% of "Pearl River" tyre sales revenue to GRTF as defined in the Joint Venture Agreement.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(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. The relevant hospital has been closed down in December 2004 and the staff canteen is no longer under the management of GRTF since mid 2005. Hence, no sharing of administrative expenses for hospital and staff canteen under the management of GRTF was necessary after the middle of 2005, although there had been share of ongoing early retirement payments carried forward. During the financial year ended 31 December 2005, the Joint Venture contributed approximately HK$1,187,000 (2004 – HK$1,401,000) for 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 2005, the Joint Venture paid lease rental of approximately HK$27,000 (2004 – HK$27,000) for the hostel rental.

(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 170,729sq.m. and buildings erected thereon. The buildings leased from GRTF, with a total gross floor area of 42,547sq.m. are mainly used by the Joint Venture as its office and for 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 2005, the Joint Venture paid lease rental of approximately HK$3,332,000 (2004 – HK$3,300,000) for the landed properties lease.

(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 cost of the equipment used and the employees employed for such processing service. During the financial year ended 31 December 2005, the contribution received and receivable from Bolex for the processing of the raw materials amounted to approximately HK$5,535,000 (2004 – HK$3,316,000).

(vii) During the financial year ended 31 December 2005, the Joint Venture received interest income of approximately HK$113,000 (2004 – HK$81,000) from Bolex for advances outstanding during the financial year.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(viii) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year were as follows:

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Short-term employee benefits	2,398	2,688

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.

36. FOREIGN CURRENCY EXPOSURE

The 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:–

	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000* (As Restated)	*HK$'000*	*HK$'000*
Current Assets				
Amounts receivable in foreign currencies which are not effectively hedged:				
– United States Dollar	30,265	21,985	100	109
– Ringgit Malaysia	1,025	995	565	600
– Singapore Dollar	6,778	6,579	–	–
– Renminbi	42,502	36,658	8	6
Current Liabilities				
Amounts payable in foreign currencies which are not effectively hedged:				
– United States Dollar	1,065	4,417	–	–
– Ringgit Malaysia	985	956	204	218
– Renminbi	139,551	121,010	–	–

37. SEGMENTAL INFORMATION

The Group operates in the following 4 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. In the previous financial year, the equity interest in the associate was diluted from 21.0% to 16.5% pursuant to a flotation scheme of the associate. As a result of the dilution, the Group ceased to equity account the results of the associate. The investment in the associate was reclassified as investment in securities listed on a prescribed stock exchange in Malaysia;

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

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

37. SEGMENTAL INFORMATION *(Continued)*

The following tables present revenue and profit information regarding geographical segments for the financial years ended 31 December 2005 and 2004 and certain asset and liability information regarding geographical segments as at 31 December 2005 and 2004:–

(i) Primary reporting format – business segments

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

37. SEGMENTAL INFORMATION *(Continued)*

(i) Primary reporting format – business segments *(Continued)*

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

37. SEGMENTAL INFORMATION *(Continued)*

(ii) Secondary reporting format – geographical segments

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

37. SEGMENTAL INFORMATION *(Continued)*

(ii) Secondary reporting format geographical segments *(Continued)*

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

38. FIVE-YEAR FINANCIAL SUMMARY

	2005	As Restated 2004	As Restated 2003	As Restated 2002	As Restated 2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues	554,701	432,901	382,472	381,254	349,360
Profit/(Loss) from continuing operations before tax	7,023	(7,483)	(29,610)	(8,119)	3,161
Non-current assets	336,889	341,818	261,591	258,849	263,698
Current assets	183,557	152,779	132,978	160,357	177,557
Current liabilities	(142,347)	(132,980)	(120,909)	(124,633)	(139,144)
Equity attributable to members of the Company	378,099	361,617	273,660	294,573	302,111

The comparative figures for the financial years 2001, 2002, 2003 and 2004 have been restated to show the changes in accounting policies set out below:–

(a) the change in the functional currency in the preparation of the financial statements; and

(b) the change in equity method for Joint Venture to proportionate consolidation method.