FOR THE YEAR ENDED 31 DECEMBER 2006

1. CORPORATE INFORMATION

The financial statements of the Group and of the Company for the financial year ended 31 December 2006 (the "financial year") were authorised for issue in accordance with a resolution of the Directors on 13 April 2007.

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

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

Registered office	:	Bermuda Commercial Bank Building 19 Par-la-Ville Road Hamilton HM 11 Bermuda
Principal place of business	:	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 and Interpretations ("HK(IFRIC)-Int") 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 2006.

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

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 2005 except for the adoption of the following new and revised HKFRS for the first time for the current year's financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	The Fair Value Option
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HK(IFRIC)-Int 4	Determining Whether an Arrangement Contains a Lease

The adoption of these new HKFRSs has no material effect on the results and financial positions 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]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC)-Int 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment[2]
HK(IFRIC)-Int 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies[3]
HK(IFRIC)-Int 8	Scope of HKFRS 2[4]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC)-Int 11	Group and Treasury Share Transactions[6]

[1] Effective for financial periods beginning on or after 1 January 2007.
[2] Effective for financial periods beginning on or after 1 December 2006.
[3] Effective for financial periods beginning on or after 1 March 2006.
[4] Effective for financial periods beginning on or after 1 May 2006.
[5] Effective for financial periods beginning on or after 1 June 2006.
[6] Effective for financial periods beginning on or after 1 March 2007.

4. SIGNIFICANT ACCOUNTING POLICIES

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

(a) 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 Hong Kong dollars for the purposes of the reporting requirements that apply in Hong Kong. The financial statements of the Group and of the Company denominated in Hong Kong dollars 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. ("Listing Rules")

(b) Principles Of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the financial year ended 31 December 2006. The associate has not been accounted for in the consolidated financial statements using the equity method as the amount involved is not material.

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

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

All significant inter-company transactions and balances within the Group as eliminated on consideration.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Principles Of Consolidation *(Continued)*

The bases of consolidation are as follows:–

Subsidiaries

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

Subsidiaries are consolidated using the purchase method. Under the purchase 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 dividend 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 not accounted for in the consolidated financial statements using the equity method as the amount involved is not material.

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 and the consolidated balance sheets, the investment in an associate is stated at cost less impairment loss, if any. The results of the associate are included in the subsidiary and the consolidated income statements to the extent of dividends received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) 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. Joint venture is accounted for as jointly controlled entity. The Group recognises its interest in the Joint Venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the Joint Venture with the similar items, line by line, in its consolidated financial statements.

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.

(c) 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 identificable assets, liabilities and contingent liabilities over the cost of the business combination. Negative goodwill on acquisition is recognised immediately in the consolidated income statements.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investments

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.

(e) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, Plant And Equipment *(Continued)*

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.

(f) 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) 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.

(h) Intangible Asset

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

(i) 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.

(j) 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.

(k) 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.

(l) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Share Capital

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

(n) 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.

(o) 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.

(p) Foreign Currency Translation

Foreign currencies

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Foreign Currency Translation *(Continued)*

Foreign currencies (Continued)

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

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

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

(q) Income Tax

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income Tax *(Continued)*

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.

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

(r) Revenue Recognition

Sale of Goods

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

Interest Income

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

Dividend Income

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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.

(t) 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.

(u) Employee Benefits

(i) Short-Term Benefits

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

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the 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. ACCOUNTING ESTIMATES AND JUDGEMENT

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

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

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

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

(ii) Impairment of long-lived assets

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

(iii) Impairment loss for bad and doubtful debts

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

6. TURNOVER

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Sale of goods	609,947	552,271
Dividends received and receivable from securities listed on prescribed stock exchanges, outside Hong Kong	1,092	643
Interest income	–	23
Other operating income	2,195	1,764
	613,234	554,701

7. OTHER INCOME

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Write back of allowance for doubtful debts	505	283
Write back of allowance for diminution in value of listed securities	5,713	–
Gain on disposal of securities listed on prescribed stock exchanges, outside Hong Kong	47	–
Gain on disposal of plant and equipment	23	–
Other income	84	388
	6,372	671

8. FINANCE COSTS

Included in the finance costs of the Group is the interest on bank loans amounting to HK$4,542,000 (2005 – HK$4,307,000).

9. (LOSS)/PROFIT BEFORE TAXATION

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

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Cost of goods sold	570,079	497,449
Staff costs (excluding directors' remuneration)		
– Wages, salaries and allowances	25,854	30,495
– Retirement benefit scheme contribution	5,035	4,943
Allowance for doubtful debts	2,474	754
Auditors' remuneration		
– Current year	479	288
– underprovision in the previous year	45	–
Amortisation of operating lease prepayments	748	729
Amortisation of intangible asset	412	401
Depreciation of property, plant and equipment	19,797	19,567
Plant and equipment written off	6	–
Loss on foreign exchange, net		
– realised	1,293	2,173
– unrealised	1,586	763

10. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(i) Remuneration of directors

The emoluments paid or payable to each of the ten (2005 – ten) directors were as follows:–

	THE GROUP					
	2006			2005		
	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	92	–	92	89	–	89
Goh Nan Kioh	61	–	61	59	–	59
Goh Nan Yang	61	306	367	59	401	460
Helen Zee	61	–	61	10	–	10
Lim Thian Soo	61	–	61	59	–	59
Lim Loi Heng	61	–	61	59	–	59
Lim Chong Puang	61	–	61	59	–	59
Lim Boon Seh	36	–	36	–	–	–
Sandy Chim Chun Kwan	61	–	61	59	–	59
Chen Zhen Guo	–	–	–	25	–	25
Sun Zhi Yi	–	–	–	25	–	25
Yeoh Eng Khoon	61	–	61	–	–	–
	616	306	922	503	401	904

No directors waived any emoluments or received any inducement or compensation for loss of office during the years ended 31 December 2006 and 2005.

(ii) Five highest paid employees

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

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Bonuses	271	327
Salaries and allowances	1,925	1,527

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

(ii) Five highest paid employees *(Continued)*

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

	2006	**2005**
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 years ended 31 December 2006 and 2005.

11. INCOME TAX EXPENSE

The Company was incorporated under the laws of The British Virgin Islands and continued under the laws of Bermuda subsequent to its migration. At 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 Hong Kong profits tax 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 2006, 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 as its taxable profit for the year is fully offset by unutilised tax losses brought forward.

11. INCOME TAX EXPENSE *(Continued)*

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

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
(Loss)/profit before taxation	(7,075)	7,023
Tax at the statutory tax rates		
– Mainland China @ 27%	(2,375)	3,093
– Hong Kong @ 17.5%	403	(776)
	(1,972)	2,317
Tax effects of:–		
Non-deductible expenses	869	839
Non-taxable income	(1,295)	(153)
Utilisation of unutilised tax losses brought forward	(200)	(3,304)
Deferred tax assets not recognised during the year	3,476	702
Others	(878)	(401)
Income tax expense	–	–

As at 31 December 2006, subject to the agreement with the local tax authorities, the Joint Venture had tax losses arising in PRC of RMB10,000,000 (2005 – RMB11,496,000) that were available for offsetting against future taxable profits. Such losses will be carried forward for five years from the year that the losses were incurred.

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

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Allowance for doubtful debts	25,109	22,337
Allowance for obsolete inventories	2,592	2,506
Provision for warranty claims	5,568	5,384
Provision for sales incentives	7,791	2,489
Unrealised loss on foreign exchange	2,474	534
Unutilised tax losses	6,990	7,732
Others	8,804	4,196
	59,328	45,178

12. BASIC (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the net loss of HK$7,075,000 (2005 – net profit of HK$7,023,000) for the year and on the number of shares in issue during the year of 105,116,280 (2005 – 105,116,280).

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP 2006	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 2006	102,184	224,981	1,874	1,881	330,920
Additions	376	2,314	6,386	311	9,387
Disposals	–	(546)	–	–	(546)
Written off	–	(22)	–	–	(22)
Effect of foreign exchange translation	3,506	3,259	188	–	6,953
At 31 December 2006	106,066	229,986	8,448	2,192	346,692
Accumulated depreciation:					
At 1 January 2006	35,099	117,190	–	1,551	153,840
Provided during the year	3,940	15,653	–	204	19,797
Disposals	–	(462)	–	–	(462)
Written off	–	(16)	–	–	(16)
Effect of foreign exchange translation	1,278	869	–	–	2,147
At 31 December 2006	40,317	133,234	–	1,755	175,306
Net book value:					
At 31 December 2006	65,749	96,752	8,448	437	171,386
An analysis of cost or valuation:					
At cost	8,796	229,986	8,448	2,192	249,422
At valuation	97,270	–	–	–	97,270
	106,066	229,986	8,448	2,192	346,692

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

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 2006	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 2006	102,184	224,981	1,874	1,881	330,920
Accumulated depreciation:					
At 1 January 2006	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 2006	35,099	117,190	–	1,551	153,840
Net book value:					
At 31 December 2006	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

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 in the financial statements would have been HK$59,839,000 (2005 – HK$61,207,000).

14. OPERATING LEASE PREPAYMENTS

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
At Cost:		
At 1 January	16,957	16,573
Effect of foreign exchange translation	580	384
At 31 December	17,537	16,957
Less: Accumulated amortisation		
At 1 January	3,748	2,942
Amortisation during the year	748	729
Effect of foreign exchange translation	142	77
At 31 December	4,638	3,748
Net book value	12,899	13,209

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

15. OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Amount owing by Joint Venture (1)	2	24	6	79
Amount owing by a related party (2)	2,128	437	–	–
Other receivables	2,306	2,828	–	–
Deposits paid to suppliers	5,935	12,097	–	–
Prepayments and deposits	818	760	–	–
	11,189	16,146	6	79

15. OTHER RECEIVABLES *(Continued)*

	THE COMPANY	
	2006	**2005**
	HK$'000	*HK$'000*
Non-current		
Other receivables [3]	3,512	3,482
Less: allowance for doubtful debts	(3,368)	(3,368)
	144	114

Notes:

1. The amount owing by the Joint Venture is unsecured, interest-free and not subject to fixed terms of repayment.

2. 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.

3. 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 2005, 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.

16. AMOUNTS DUE FROM SUBSIDIARIES/TO A SUBSIDIARY

	THE COMPANY	
	2006	**2005**
	HK$'000	*HK$'000*
Non-Current		
Amounts due from subsidiaries	47,563	48,792
Current		
Amount due to a subsidiary	17,461	14,735

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

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

17. INVESTMENT IN SUBSIDIARIES

	THE COMPANY 2006 HK$'000	THE COMPANY 2005 HK$'000
Non-Current		
Investment in subsidiaries, at cost[1]	214,707	214,707

Particulars of the controlled subsidiaries are as follows:–

Name	Place/Date Of Incorporation/ Establishment	Authorised/ Issued And Fully Paid-Up Share Capital	Attributable Equity Interest 2006	Attributable Equity Interest 2005	Principal Activities
PRT Capital Pte Ltd	The British Virgin Islands/ 3 December 1996	US$50,000/US$1	100%	100%	Investment holding
Carham Assets Limited	The British Virgin Islands/ 1 December 1996	US$50,000/US$2	100%	100%	Investment holding

Note:–

1 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.

18. INVESTMENT IN THE JOINT VENTURE

Details of the Joint Venture are as follows:–

Name	Place/Date Of Establishment	Authorised/fully Paid-Up Registered Capital	Attributable Equity Interest 2006	Attributable Equity Interest 2005	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 ("GGXEG"), a state-owned enterprise, established in Guangzhou, the PRC.

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

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

	2006	**2005**
	HK$'000	*HK$'000*
Non-current assets	185,591	191,174
Current assets	205,796	173,843
Current liabilities	(167,728)	(139,962)
At 31 December	223,659	225,055

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

	2006	**2005**
	HK$'000	*HK$'000*
Revenues and other income	612,754	554,810
Costs and expenses	(612,399)	(538,211)
	355	16,599
Finance costs	(9,152)	(5,142)
(Loss)/profit before taxes	(8,797)	11,457
Income tax expense	–	–
Net (loss)/profit	(8,797)	11,457

19. INVESTMENT IN AN ASSOCIATE

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Investment in an associate accounted for at cost	4,475	4,475

Particulars of the associate are as follows:–

Name	**Place/Date Of Incorporation/ Establishment**	**Authorised/ Issued And Fully Paid-Up Share Capital**	**Attributable Equity Interest 2006**	**Attributable Equity Interest 2005**	**Principal Activities**
Thames Electronics Sdn Bhd	Malaysia/ 30 January 2003	RM100,000/ RM100,000	28.4%	28.4%	Investment holding

The equity method is not applied to account for the investment in the associate as the amount involved is not material for equity accounting to be applied.

20. INVESTMENT IN LISTED SECURITIES

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Non-current		
Securities listed on prescribed stock exchanges, outside Hong Kong:		
– available-for-sale, at fair value[1]	109,773	130,117
– held for trading, at fair value	16,407	10,791
	126,180	140,908

Note:–

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.

21. INTANGIBLE ASSET

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Licence fee		
At Cost:		
At 1 January	5,681	5,552
Effect of foreign exchange translation	83	129
At 31 December	5,764	5,681
Less: Accumulated amortisation:		
At 1 January	(4,464)	(3,966)
Amortisation during the year	(412)	(401)
Effect of foreign exchange translation	(49)	(97)
At 31 December	(4,925)	(4,464)
	839	1,217

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

22. INVENTORIES

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
At Cost:–		
Raw materials	55,186	44,487
Work-in-progress	4,866	5,609
Finished goods	59,938	58,944
	119,990	109,040

The Group has pledged the finished goods to secure banking facilities granted to the Group.

23. TRADE RECEIVABLES

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

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Outstanding less than one year	32,528	22,344
Outstanding more than one year but less than two years	2,249	1,525
Outstanding more than two years	22,630	21,378
	57,407	45,247
Less: allowance for doubtful debts	(25,108)	(22,337)
	32,299	22,910

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

24. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash in hand and at banks	40,823	31,182	61	356
Short-term deposits	10,624	4,279	–	–
	51,447	35,461	61	356

The weighted average interest rate of the short-term deposits at the balance sheet date was 1.02% (2005 – 0.86%) per annum.

25. TRADE PAYABLES

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

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Outstanding less than one year	60,513	50,461
Outstanding more than one year but less than two years	2,397	4,023
Outstanding more than two years	4,170	47
	67,080	54,531

26. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	11,514	10,628	–	–
Accruals	3,376	3,331	1,687	1,225
	14,890	13,959	1,687	1,225

27. AMOUNT DUE TO A DIRECTOR

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

28. PROVISIONS

	THE GROUP		THE COMPANY	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Warranty claims on bias tyres	5,568	5,384	–	–
Others	118	118	118	118
	5,686	5,502	118	118

29. BORROWINGS

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Bank loans	81,874	67,259

The loans are wholly repayable within one year and bear a weighted average interest rate of 5.74% (2005 – 6.3%) 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.

30. ISSUED CAPITAL

	2006	**2005**
	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 (2005 – 105,116,280) ordinary shares of A$0.20 each.

31. SHARE OPTION SCHEME

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

(a) the closing price of the shares as stated in The Stock Exchange's daily quotations sheet on the date of grant;

(b) the average closing price of the shares as stated in The Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and

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

The number of shares in respect of which options may be granted under the Scheme is subject to a maximum of 30% of the issued share capital of the Company from time to time. The primary purpose of the Scheme is to provide incentive to Participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are invaluable to the Group and any invested entity.

No employee or director (except for Goh Nan Kioh and Goh Nan Yang, who were given approval by shareholders at the Annual General Meeting held on 21 May 2004 to be granted options which will result in their share options exceeding 1% of the aggregate number of shares) shall be granted an option which, if exercised in full, would result in such employee or director becoming entitled to subscribe for more than 1% of the aggregate number of shares for the time being issued and issuable under the Scheme.

Any option granted must be taken up within 28 days of the date of grant. The consideration of HK$1.00 is payable on the grant of an option. The option may be exercised at any time within a period as specified by the directors, which should not be more than ten years from the date on which an option is granted.

No options had been granted under the Scheme to the directors and employees of the Group since the Scheme was adopted on 21 May 2004.

32. RESERVES

THE GROUP	Share Premium HK$'000 *note 32 (a)*	Revaluation Reserve HK$'000 *note 32 (b)*	Capital Reserve HK$'000 *note 32 (c)*	Foreign Currency Translation Reserve HK$'000 *note 32 (d)*	Accumulated Losses HK$'000 *note 32 (e)*	Total HK$'000
At 1 January 2005	113,157	100,973	37,344	13,851	(14,424)	250,901
Adjustments arising from the translation of the financial statements of the Joint Venture	–	–	–	3,878	–	3,878
Net gain arising from available-for-sale financial assets	–	5,581	–	–	–	5,581
Total income recognised in equity	–	5,581	–	3,878	–	9,459
Net profit for the financial year	–	–	–	–	7,023	7,023
Total recognised income and expense for the year	–	5,581	–	3,878	7,023	16,482
At 31 December 2005	113,157	106,554	37,344	17,729	(7,401)	267,383
At 1 January 2006	113,157	106,554	37,344	17,729	(7,401)	267,383
Adjustments arising from the translation of the financial statements of the Joint Venture	–	–	–	1,510	–	1,510
Net loss arising from available-for-sale financial assets	–	(14,866)	–	–	–	(14,866)
Total income and expenses recognised in equity	–	(14,866)	–	1,510	–	(13,356)
Net loss for the financial year	–	–	–	–	(7,075)	(7,075)
Total recognised income and expense for the year	–	(14,866)	–	1,510	(7,075)	(20,431)
At 31 December 2006	113,157	91,688	37,344	19,239	(14,476)	246,952

32. RESERVES *(Continued)*

THE COMPANY	Share Premium HK$'000 note 32 (a)	Retained Profits HK$'000 note 32 (e)	Total HK$'000
At 1 January 2005	113,157	31,257	144,414
Net loss for the financial year	–	(7,160)	(7,160)
At 31 December 2005	113,157	24,097	137,254
At 1 January 2006	113,157	24,097	137,254
Net loss for the financial year	–	(4,967)	(4,967)
At 31 December 2006	113,157	19,130	132,287

(a) Share Premium

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

(b) Revaluation Reserve

	THE GROUP 2006 HK$'000	THE GROUP 2005 HK$'000
Revaluation reserve is represented by:–		
Revaluation gain on available-for-sale financial assets	85,270	100,136
Revaluation of buildings of Joint Venture arising from land and buildings swap	6,418	6,418
	91,688	106,554

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

32. RESERVES *(Continued)*

(c) Capital Reserves

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Capital reserve is represented by:–		
Transfer of non-distributable reserve funds by the Joint Venture	18,148	18,148
Capitalisation of retained profits for bonus issue by the Joint Venture	19,196	19,196
	37,344	37,344

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

(d) Foreign Currency Translation Reserve

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

(e) (Accumulated Losses)/Retained Profits

The dividends from the Joint Venture are declared based on profits reported in its statutory financial statements which are prepared in accordance with PRC accounting standards. Such profits will be different from the amounts reported under HKFRSs. No dividends were paid or recommended since the end of the previous financial year. The Joint Venture recorded a retained profit of approximately RMB958,000 as at 31 December 2006 (31 December 2005 – accumulated loss of approximately RMB489,000), as prepared in accordance with PRC accounting standards.

33. CAPITAL AND OPERATING LEASE COMMITMENTS

As at 31 December 2006, the capital commitment of the Joint Venture are as follows:–

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Capital expenditure:		
– approved but not contracted for	15,936	–
– approved and contracted for	13,876	–
	29,812	–

As at 31 December 2006, the total future minimum lease rentals under non-cancellable operating leases payable by the Joint Venture to GRTF are as follows:–

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year	5,503	5,321
After one year but not more than five years	22,011	21,283
More than five years	55,003	58,503
	82,517	85,107

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

The Group's interest in the above capital and operating leases commitments is 70% (2005 – 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.

(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.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

(e) Liquidity And Cash Flow Risks

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

(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) Listed Investments

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

(b) Unlisted Investments

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

(c) Amounts Owing By Joint Venture/Subsidiaries

It is not practicable to determine the fair values of the amounts owing by Joint Venture/Subsidiaries due principally to a lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received.

(d) 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.

(e) 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. CONNECTED/RELATED PARTY TRANSACTIONS

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

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
(a) Transactions between the Joint Venture and Bolex		
Contribution received and receivable from Bolex for:		
(i) processing/providing raw material/ intermediate/consumable products	5,705	5,535
(ii) charging of utilities (water, electricity, steam and compressed air consumed)	1,935	–
(iii) the right to use the factory lift and the factory space	51	–
Interest income for advances outstanding	267	113
	7,958	5,648

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
(b) Transactions between the Joint Venture and GGXEG *		
Lease rental for a piece of land and buildings erected thereon	3,421	3,332
Lease rental for the exclusive right to use certain machinery	1,950	1,899
Lease rental for a hostel	28	27
Royalties for the right to use the trademark "Pearl River" and any technology and know-how necessary for the production of bias tyres	470	492
Share of administrative expenses/ongoing early retirement payments payable to the retired personnel carried forward and arising from the administrative expenses for a hospital and staff canteen under the management of GGXEG	–	1,187
	5,869	6,937

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

35. CONNECTED/RELATED PARTY TRANSACTIONS

(b) *(Continued)*

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

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

(c) Compensation of key management personnel:

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

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Short-term employee benefits	2,473	2,398

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

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:–

	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current Assets				
Amounts receivable in foreign currencies which are not effectively hedged:				
– United States dollar	33,554	30,203	32	32
– Malaysia Ringgit	64	64	30	30
– Singapore dollar	–	–	–	–
– Renminbi	10,786	8,549	–	–
– Australia dollar	39	39	39	39
Current Liabilities				
Amounts payable in foreign currencies which are not effectively hedged:				
– United States dollar	828	1,045	16	26
– Malaysia Ringgit	323	259	323	259
– Renminbi	78,993	66,841	–	–
– Australia dollar	1,056	1,059	1,056	1,059

37. SEGMENTAL INFORMATION

The Group operates in the following 3 areas:–

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

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

(iii) 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 2006 and 2005 and certain asset and liability information regarding geographical segments as at 31 December 2006 and 2005:–

(i) Primary reporting format – business segments

	Manufacturing	Investment Holding	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2006				
Turnover	612,142	1,092	–	613,234
RESULTS:				
Segment results (external)	(3,136)	2,304	(582)	(1,414)
Finance costs	(5,661)	–	–	(5,661)
Loss before taxation				(7,075)
Income tax expense				–
Loss after taxation/ Net loss attributable to shareholders				(7,075)
OTHER INFORMATION:				
Segment assets	390,328	625,376	(485,000)	530,704
Segment liabilities	(167,728)	(74,870)	69,562	(173,036)
Capital expenditure	9,076	311	–	9,387
Depreciation and amortisation	20,753	204	–	20,957

37. SEGMENTAL INFORMATION *(Continued)*

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

	Manufacturing	Investment Holding	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2005				
Turnover	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
Income tax expense				–
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)*

(ii) Secondary reporting format – geographical segments

	The PRC	Singapore	Malaysia	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006					
Turnover	612,142	–	1,092	–	613,234
RESULTS:					
Segment results (external)	(3,136)	(4,608)	6,912	(582)	(1,414)
Finance costs	(5,661)	–	–	–	(5,661)
Loss before taxation					(7,075)
Income tax expense					–
Loss after taxation/ Net loss attributable to shareholders					(7,075)
OTHER INFORMATION:					
Segment assets	390,328	7,648	617,728	(485,000)	530,704
Segment liabilities	(167,728)	–	(74,870)	69,562	(173,036)
Capital expenditure	9,076	–	311	–	9,387
Depreciation and amortisation	20,753	102	102	–	20,957

37. SEGMENTAL INFORMATION *(Continued)*

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

	The PRC	Singapore	Malaysia	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005					
Turnover	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
Income tax expense					–
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

38. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current financial year's presentation:–

	THE GROUP		THE COMPANY	
	As Restated	As Previously Reported	As Restated	As Previously Reported
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET (EXTRACT):–				
Non-current assets (Extract)				
Other financial assets	–	145,383	–	214,707
Investment in an associate	4,475	–	–	–
Investment in subsidiaries	–	–	214,707	–
Investment in listed securities	140,908	–	–	–
Equity (Extract)				
Share premium	–	113,157	–	113,157
Revaluation reserve	–	106,554	–	–
Capital reserve	–	37,344	–	–
Foreign currency translation reserve	–	17,729	–	–
(Accumulated losses)/Retained profits	–	(7,401)	–	24,097
Reserves	267,383	–	137,254	–