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CORPORATE INFORMATION

Company Registered Office	Bermuda Commercial Bank Building 19 Par-La-Ville Road Hamilton HM 11 Bermuda
Principal place of business in Hong Kong	18/F Malahon Centre 10-12 Stanley Street Central, Hong Kong
Company Secretaries	Thomas Alan Moore Randy King Kuen Hung, *FCPA* Tan Pei Choo, *ACIS*
Authorised Representatives in Hong Kong	Sandy Chim Chun Kwan Randy King Kuen Hung
Share Registrars	*Bermuda Principal Registrar :* Bermuda Commercial Bank Building 19 Par-La-Ville Road Hamilton HM 11 Bermuda *Hong Kong Branch Registrar :* Computershare Hong Kong Investor Services Limited 46/F Hopewell Centre 183 Queen's Road East Hong Kong

DIRECTOR'S STATEMENT

The Directors of Pearl River Tyre (Holdings) Limited (the "Company") are pleased to present to shareholders the results of the Group for the year ended 31 December 2007.

The Group recorded a consolidated loss of HK$1.146 million for the financial year ended 31 December 2007 as compared to a loss of HK$7.075 million in the previous year.

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

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

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

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

1. Sale of goods increased by approximately HK$63.3 million representing a 7.2% growth for the financial year. The growth was driven by an increase in the export market, which grew by 11%.

2. The performance of the Joint Venture has been negatively impacted by the rise in raw material prices and the strengthening of the RMB. The partial loss of the tax rebate on exported goods has also affected our bottom line.

3. The Joint Venture currently sells almost exclusively on a cash basis in the local market, and by confirmed letter of credit in the export market. The Joint Venture currently does not give any credit terms to its new customers.

4. The Joint Venture has successfully commissioned the new Off The Road ("OTR") tyre plant with commercial production beginning February 2007. This addition to the product mix will generate new business with better returns and serve as a long term driving force to the Joint Venture.

5. The Joint Venture has also made progress in the radial tyre sector. The Joint Venture started introducing Light Truck Radial ("LTR") tyres in February 2008. This move will further strengthen our position in the marketplace.

6. The Joint Venture has bank borrowings of RMB221.2 million. As cash flow remains positive, the Joint Venture does not foresee any working capital difficulties and accordingly expects the level of borrowings to remain stable over the next few years.

OUTLOOK

1. The volatile raw materials prices are fundamentally backed by a strong demand from both manufacturers and ultimately end users. Management expects cost of materials to remain at current high levels.

2. The appreciation of the Renminbi against USD and partial withdrawal of export tax rebate alone have elevated our total export cost by more than 25% in the second half of 2007.

3. We have made a strategic decision to exit the low margin business, which has shown positive results. We have also developed a series of new products and upgraded a product line set to be launched before the second half of 2008. These includes radials, port tyres and certain specialty tyres for industrial and agriculture applications.

SUMMARY

The inevitable rise in overall cost due to raw materials and changes in government policies were largely overcome in 2007. The withdrawal of the export tax rebate since 1 July 2007 has lost the Joint Venture more than RMB10 million. These factors will most likely prevail in 2008. Management is prepared for such eventualities and will take all necessary steps to address the situation.

Goh Nan Yang
Chief Executive Officer

BUSINESS REVIEW

The current trend for the tyre industry worldwide is that bias tyres is fast becoming a niche product. Over the last decade, radialisation has experienced double digit annual growth covering all sectors of the market, leaving only selected applications dominated by bias tyres.

The challenges faced today are:

1. Mitigating rising costs through higher plant efficiencies and various cost cutting measures, and

2. Strategically exiting low margin business. Identify and develop products of higher profit margin.

We have a clear business model to meet the above challenges. In 2007, we reduced our product variants down to 400 sizes from more than 600 a year ago. We have also strictly implemented a "build-to-order" system which has drastically reduced our inventory while improving cash flow.

The inclusion of both LTR and OTR into our product range will contribute significantly to our bottom line in the coming years. We remain committed to achieving a product mix of 3:3:4 (Radial:OTR:Bias) within the next 5 years.

We expect the Chinese banking sector to continue to limit capital lending while increasing interest rates. The Renminbi is set to appreciate further and there is also a strong possibility that the government will completely abolish tax rebate for export. With these conditions looming, our belief is that only quality product manufacturers will survive in the long term.

SALES

Our sales turnover continued to grow in 2007, whilst unit sales has registered a decline. This is in line with our strategy to enhance the sales of better margin products.

Lower range products, especially light truck applications were dominated by smaller manufacturers while the heavy duty segment is heavily radialised today. We have been actively developing and marketing our products in niche markets.

Today our mining tyre series is a clear success especially in the local market. Our tyres are highly sought after despite being more expensive than the equivalent radial tyre of the same size. Our specially developed tyre compound and construction are able to withstand the toughest coal and iron ore mining conditions. We will continue to expand sales in this sector.

We have recently successfully tested our tyres for shipping ports applications. We will continue to concentrate on this sector and a more comprehensive range will be developed for sales to ports worldwide.

Management recognizes the fact that further radialisation will continue and radial tyres will eventually replace bias tyres in most sectors. However, bias tyres will continue to prevail in selected applications, and we are consciously and actively moving towards these niche markets.

Our new LTR and OTR tyres are expected to contribute substantially in the medium to long term.

PRODUCTION

Our strategy of "build-to-order" has had a profound impact on our way of production. We run our production to its highest efficiency and stop as soon as we meet customers' requirements. In this way, we have not only improved cash flow but reduced unnecessary inventory.

We continue to upgrade and refurbish our equipment in order to meet the growing standard especially in the environmental protection area. In 2008, a significant portion of budget has been allotted for major equipment such as 35 ton boiler, mixers and calendaring machine.

No new machinery were acquired in 2007 apart from the new production lines for LTR and OTR.

PROSPECT

We believe that the key to survival in this intensely competitive market is timely execution of a sound business plan. The various unexpected changes in government policies, volatile raw material prices, Renminbi appreciation and strict financial market have all posed a serious threat to all manufacturing sectors in China. Other threats include the implementation of the new labor law on 1 January 2008 and laws on environmental protection.

We are happy to point out that we have largely overcome the above threats. However, we are aware that further hard work is needed and we should spare no time in implementing our business plan of transforming our company.

A proper product mix will put us in a much better footing to weather any fluctuation in commodities prices and market risks.

The Directors of Pearl River Tyre (Holdings) Limited (the "Company") are pleased to present its report together with the audited financial statements of the Company and its subsidiaries and the Joint Venture (the "Group") for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

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

RESULTS

The results of the Group for the year ended 31 December 2007 and the financial position of the Company and the Group as at that date are set out in the audited financial statements on pages 22 to 75 in this annual report.

RESERVES

Details of movement in reserves of the Company and the Group during the year ended 31 December 2007 are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company had retained profits available for distribution by way of dividends amounting to HK$13,972,000 (2006 – HK$19,130,000).

The Company's share premium account as at 31 December 2007 with a balance of HK$113,157,000 (2006 – HK$113,157,000) may be distributable in the form of fully paid-up bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2007,

(a) 30% of sales of the Group and 35% of purchases (not including items which are of a capital nature) of the Group were attributable to the Group's five largest customers and suppliers respectively;

(b) the Group's largest customer accounts for 10% of sales of the Group whilst the Group's largest supplier accounts for 17% of purchases of the Group.

None of the Directors, their associates or any shareholders of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's share capital, had an interest in the major customers or suppliers noted above.

DIVIDENDS

No dividend was paid since the end of the previous financial year and the Directors do not recommend the payment of any dividend for the financial year ended 31 December 2007.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 76 of the annual report.

SHARE CAPITAL

There were no changes in the authorised and issued and paid-up share capital of the Company during the financial year ended 31 December 2007.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme (the "Scheme") are set out in note 31 to the financial statements. No options had been granted under the Scheme since its date of adoption of 21 May 2004.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the Bye-laws of the Company which could oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries, have sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2007.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year ended 31 December 2007 are set out in note 13 to the financial statements.

MATERIAL INTERESTS IN ENTITIES

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

BOARD OF DIRECTORS

The following are the Directors as at the date of this report and during the whole of the financial year ended 31 December 2007 except where otherwise indicated:–

Chairman and Non-Executive Director

Ang Guan Seng

Deputy Chairman and Non-Executive Director

Goh Nan Kioh

Executive Directors

Goh Nan Yang
Sandy Chim Chun Kwan

Non-Executive Directors

Lim Thian Soo (also alternate to Goh Nan Kioh)
Lim Loi Heng*
Helen Zee*
Lim Chong Puang*
Yeoh Eng Khoon
Lim Boon Seh

* *Independent and Non-Executive Directors*

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

Pursuant to Clause 6.1 (f) (1) (A) of the Company's Bye-laws, Helen Zee and Lim Chong Puang retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company, or any of its subsidiaries, which is not determinable by the employing entity within one year without payment of compensation, other than statutory compensations.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the connected/related party transactions as disclosed in note 35 to the financial statements, no contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material beneficial interest, whether directly or indirectly, subsisted at 31 December 2007 or at any time during the financial year ended 31 December 2007.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year ended 31 December 2007.

CONTRACTS OF SIGNIFICANCE

Save for those transactions described in note 35 to the financial statements headed "Connected/Related Party Transactions", there is no contract of significance between the Company (or any of its subsidiaries) or the Joint Venture and the controlling shareholder of the Company (or any of its subsidiaries) or the Joint Venture.

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

As at 31 December 2007, the interests and short positions of the Directors or chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("The Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:–

Long positions in ordinary shares of the Company

Name	Capacity	Number of Shares Held In The Company	Percentage of The Issued Share Capital of The Company *(%)*
Ang Guan Seng	Personal	100,000	0.1
	Corporate	38,114,000[1]	36.3
Goh Nan Kioh	Family	957,790[2]	0.9
	Corporate	38,114,000[1]	36.3
Goh Nan Yang	Personal	94,000	0.1
Sandy Chim Chun Kwan	Personal	102,252	0.1
Lim Thian Soo	Personal	898,308	0.85

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

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

Notes:–

1. These shares are beneficially held by two corporations in which Ang Guan Seng and Goh Nan Kioh each hold more than 20% equity interest.

2. These shares are beneficially held by the spouse and children (under 18 years old) of Goh Nan Kioh and accordingly he is deemed to be interested in these shares.

The Company does not have any listed debt securities.

Save as disclosed above as at 31 December 2007, none of the Directors or the chief executives of the Company or any of their associates had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers. None of the Directors or the chief executives of the Company or any of their associates had an interest (directly and/or deemed) in the equity in or debt securities of the associated corporations of the Company.

At no time during the financial year, the Directors or the chief executives of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, as far as is known to the Directors and the chief executives of the Company, the interests and short positions of 5% or more, other than a Director or chief executive of the Company, in the issued shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:–

Long positions in ordinary shares of the Company

Name	Capacity	Number Of Shares Held In The Company	Percentage Of The Issued Share Capital Of The Company
Pacific Union Pte Ltd[(1)]	Beneficial owner	37,590,000	35.76%
Kuala Lumpur Kepong Berhad[(2)]	Beneficial owner	32,085,976	30.52%
Batu Kawan Berhad[(3)]	Beneficial owner	32,085,976	30.52%
Arusha Enterprise Sdn Bhd[(3)]	Beneficial owner	32,085,976	30.52%
Wan Hin Investments Sdn Bhd[(3)]	Beneficial owner	32,085,976	30.52%
KL-Kepong International Ltd	Beneficial owner	24,085,976	22.91%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:–

1. These shares are beneficially owned by Pacific Union Pte Ltd which has been a substantial shareholder of the Company since 1995. Pacific Union Pte Ltd is an investment holding company which does not have any business other than holding approximately 35.76% interests in the Company. The shares in Pacific Union Pte Ltd are in turn substantially held by Goh Nan Kioh and Hoe Seng Co. Pte Ltd (a company associated with Ang Guan Seng) and the balance by independent third parties. Save as disclosed herein, Pacific Union Pte Ltd and its substantial shareholders do not have any interests in or business relations with Kuala Lumpur Kepong Berhad. Ang Guan Seng is the Non-Executive Chairman of the Company while Goh Nan Kioh is the Deputy Chairman of the Company.

2. Kuala Lumpur Kepong Berhad is a company incorporated in Malaysia and listed on the Main Board of the Bursa Malaysia Securities Berhad (formerly known as The Kuala Lumpur Stock Exchange). It has been a substantial shareholder of the Company since 1995. Save as disclosed herein, Kuala Lumpur Kepong Berhad and its controlling shareholders do not have any interests in or business relations with Pacific Union Pte Ltd.

   Ablington Holdings Sdn Bhd is the beneficial owner of 8,000,000 ordinary shares of the Company. Kuala Lumpur Kepong Berhad owns 100% of Ablington Holdings Sdn Bhd and 100% of KL-Kepong International Ltd. Kuala Lumpur Kepong Berhad is accordingly deemed by the SFO to be interested in a total of 32,085,976 ordinary shares beneficially owned by Ablington Holdings Sdn Bhd and KL-Kepong International Ltd.

3. As at 31 December 2007, Kuala Lumpur Kepong Berhad is 46.57% directly owned by Batu Kawan Berhad, which is, in turn, 44.15% directly owned by Arusha Enterprise Sdn Bhd. Wan Hin Investments Sdn Bhd directly owns 77.40% of Arusha Enterprise Sdn Bhd. Accordingly, Batu Kawan Berhad, Arusha Enterprise Sdn Bhd and Wan Hin Investments Sdn Bhd are also deemed by the SFO to be interested in the ordinary shares owned by KL-Kepong International Ltd and Ablington Holdings Sdn Bhd as disclosed above.

   Batu Kawan Berhad, Arusha Enterprise Sdn Bhd and Wan Hin Investments Sdn Bhd are companies incorporated in Malaysia and the shares of Batu Kawan Berhad are listed on the Main Board of Bursa Malaysia Securities Berhad (formerly known as The Kuala Lumpur Stock Exchange).

   Save as disclosed above, as at 31 December 2007, no person, other than the Directors or the chief executive of the Company whose interests are set out in the section "Directors' and the chief executives' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of connected transactions disclosed under the Listing Rules are set out in note 35 to the financial statements.

SUFFICIENCY OF THE PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 31 to the financial statements.

Directors' Interest in Competing Business

During the year ended 31 December 2007, the Directors are not aware of any business or interest of the Directors and their respective associates (as defined under the Listing Rules) that compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Corporate Governance

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

AUDITORS

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited, who retire and, being eligible, offer themselves for re-appointment, and a resolution to this effect will be proposed at the forthcoming annual general meeting.

By Order of the Board

Goh Nan Yang
Executive Director

Hong Kong, 8 April 2008

DIRECTORS

Ang Guan Seng
Mr Ang (age 69) is the Managing Director of Petaling Garden Berhad, a major housing developer in Malaysia and Singapore. He is a director of several listed companies, including Malayan United Industries Berhad, PBB Group Berhad and Petaling Garden Berhad (companies listed in Malaysia). He is also the Non-Executive Chairman of the Company. He joined the Company in 1995.

Goh Nan Kioh
Mr Goh (age 55) is a graduate of the University of Malaya with a Bachelor of Economics (Honours) degree. He has wide and varied business investments in many countries. He is a Non-Executive Director and Deputy Chairman of the Company. He joined the Company in 1995.

Goh Nan Yang
Mr Goh (age 45) is a graduate from the University of Toledo with a Bachelor of Science (Engineering) (Honours) degree. He has wide and varied experience in property development and manufacturing activities in Melbourne, Australia. He was appointed to the Board of Directors of the Company on 20 January 2004 as an Executive Director and took on the position of Chief Executive Officer with effect from 5 March 2004.

Sandy Chim Chun Kwan
Mr Chim (age 52) is a Chartered Accountant, qualified in Canada and Hong Kong, and practising as a public accountant and management consultant. He has over 26 years' experience in the accounting and corporate finance areas involving various jurisdictions including the United Kingdom, Australia, Canada, Hong Kong and China. He joined the Company in 1995.

Lim Thian Soo
Dr Lim (age 45) is a graduate of Edinburgh University Medical School and worked for 6 years as a doctor in the United Kingdom. He obtained his Masters of Business Administration at City University Business School in London before joining Pacific Union Pte Ltd in 1994. He joined the Company in 1995.

Lim Loi Heng
Mr Lim (age 57) is a UK qualified Chartered Accountant. He is an independent non-executive Director of the Company who has wide experience in financial and corporate management. He joined the Company in 1995 and is the Chairman of its Audit Committee.

Helen Zee
Ms Zee (age 40) has over 10 years' experience in corporate finance. She is presently Managing Director of First Shanghai Capital Limited, a local corporate finance house in Hong Kong. She holds a bachelor degree from University of California, Berkeley and a LLB (Hons) degree from University of Wolverhampton, United Kingdom. She is a member of the American Institute of Certified Public Accountants. She was appointed as an independent non-executive director of the Company on 2 July 2003.

DIRECTORS *(Continued)*

Lim Chong Puang
Mr Lim (age 50) holds a bachelor's degree (honours) majoring in economics and accountancy from University of Kent, United Kingdom and has over 20 years of experience in the automobile industry, property development and plantations. Mr Lim is one of the pioneer retailers of the Shell oils in the north-east region of China. Between 1993 to 1997, Mr Lim managed a spare parts distribution and vehicle repair workshop in Dalian, China, which marketed passenger and commercial vehicles parts in the north-east region of China. He was appointed as an independent non-executive director and member of Audit Committee of the Company on 17 September 2005.

Yeoh Eng Khoon
Mr Yeoh (age 61), holds a degree of Bachelor of Arts in Economics (Honours) majoring in Business Administration from the University of Malaya and is a Barrister-at-law from Lincoln's Inn, United Kingdom. He has 39 years of experience in the banking, manufacturing and the retail sectors. He was appointed as a non-executive director of the Company with effect from 28 September 2005.

Lim Boon Seh
Mr Lim (age 55), has completed his secondary school education and had wide knowledge in rubber-based businesses. He also has more than 20 years' experience in latex thread production. He was appointed as a non-executive director of the Company with effect from 29 May 2006.

SENIOR MANAGEMENT

Chan Keng Kiong (age 39), is the General Manager of the Joint Venture. He is responsible for the operations of the Joint Venture. He graduated from the National University of Malaya with a Bachelor's Degree in Economics (Hon.). He has experience in managing and developing distribution networks in the auto parts trade in both domestic and international markets. He joined the Group in 1995.

Sim Cheih Eng (age 41), is the Financial Controller of the Joint Venture and is responsible for overseeing the accounting and financial operations of the Joint Venture. She is an Associate of the Chartered Institute of Management Accountants and a member of the Malaysian Institute of Accountants. She has financial and accounting experience in several Malaysian manufacturing concerns. She is stationed in Guangzhou and is responsible for overseeing the accounting and financial operations of the Joint Venture. She joined the Joint Venture in 2005.

Lui Soek Kuen (age 36), is the Qualified Accountant of the Company. She obtained a Bachelor of Science (Economics) (Honours) from the London School of Economics and Political Science in 1995 and is a member of the Malaysian Institute of Accountants and a Qualified Chartered Accountant registered with the Institute of Chartered Accountants in England and Wales. She started out as an auditor with Simmons Gainsford, UK from 1996 to 1998. Subsequently, she returned to Malaysia and joined PricewaterhouseCoopers as senior auditor for a year and then moved on to work with Colgate Palmolive Malaysia Sdn Bhd as a Brand Analyst from 2000 to 2001.

SENIOR MANAGEMENT *(Continued)*

Chen Xu Ming (age 50), is a graduate of the Statistics Institute of China. He joined Guangzhou Rubber Tyre Factory in 1984 and was assigned to the Personnel Department whereby he contributed to the setting up of a scientific human resources allocation and payroll system. He was a Personnel Supervisor since 1998 before his latest promotion to Deputy General Manager responsible for the Purchasing and Logistic Department and the Personnel Department in 2004. He joined the Joint Venture in 1994.

Tang Xi Niu (age 45), is a graduate of Guangzhou Rubber Technology High School. He joined Guangzhou Rubber Tyre Factory in 1983 and was assigned to the Production Department. He was promoted to Assistant Workshop Supervisor in 1991 in charge of the rubber mixing workshop and later the tyre building workshop. In 2000, he was transferred to the Sales Department and promoted to Area Sales Manager. His latest promotion to Deputy General Manager responsible for the Production Department came in 2004. He joined the Joint Venture in 1994.

INTRODUCTION

The Company has complied with all Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2007 with the exceptions that the non-executive directors of the Company have no set terms of office but retire from office on rotational basis in accordance with the Company's Bye-laws.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Following specific enquiry made with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

BOARD OF DIRECTORS AND BOARD MEETING

The Board of Directors comprises ten directors, of whom eight are non-executive directors. The Chairman, who is a non-executive Director, oversees the nomination and review of Board membership. Directors are selected to achieve a broad range of skills and experience on the Board. The Bye-laws of the Company require the directors to retire by rotation at the Annual General Meeting once every three years.

The Board provides direction to management, and approves the aims, strategies and policies of the Company. Owing to the size of the operations of the Company which is fairly small, the Company does not require formal committees to formulate policies and establish broad guidelines in the areas of investment and business risk. The Chairman, as assisted by the Board, formulates such policies and guidelines.

The Joint Venture has its own separate Board of Directors which is responsible for formulating and establishing policies and guidelines in the areas of remuneration, investment and business risk. The Board of the Joint Venture meets at least twice a year to discuss operational issues, monitor progress and reassess policies and guidelines. The Company is represented by five directors on the Board of Directors of the Joint Venture. The Board of Directors of the Joint Venture has a total of nine members.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in pages 13 to 14 of the annual report. All Directors has given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Goh Nan Yang is a brother of Goh Nan Kioh and Lim Thian Soo is a brother-in-law of Goh Nan Kioh. Other than these, there is no family relationship among the Directors of the Company.

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

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

The Company also appointed eight non-executive Directors, namely Mr. Ang Guan Seng, Mr. Goh Nan Kioh, Dr. Lim Thian Soo, Mr. Lim Loi Heng, Ms. Helen Zee, Mr. Lim Chong Puang, Mr. Yeoh Eng Khoon and Mr. Lim Boon Seh who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Among the non-executive Directors, Mr. Lim Loi Heng, Mr. Lim Chong Puang and Ms. Helen Zee are independent non-executive Directors. All the Directors except for Managing Director are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

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

The number of Directors' meetings held, including meetings held by circulation of minutes, and the number of those meetings attended by each of the Directors of the Company, while a Director, during the financial year ended 31 December 2007 are as follows:–

Directors	No. Attended	No. Eligible To Attend
Ang Guan Seng	5	7
Goh Nan Kioh	6	7
Goh Nan Yang	7	7
Helen Zee	6	7
Lim Thian Soo (also alternate to Goh Nan Kioh)	6	7
Lim Loi Heng	7	7
Lim Chong Puang	7	7
Sandy Chim Chun Kwan	5	7
Yeoh Eng Khoon	7	7
Lim Boon Seh	5	7

REMUNERATION OF DIRECTORS

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

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately HK$479,000 to the external auditors for their audit services.

AUDIT COMMITTEE

The members of the Audit Committee are:–

Lim Loi Heng *(Chairman)*
Lim Thian Soo
Lim Chong Puang

The functions of the Audit Committee are to review the accounting policies, internal controls and financial reporting of the Company, its subsidiaries and the Joint Venture on behalf of the Board and make recommendations to the Board. The committee is to meet at least once a year, with a representative from the external auditors.

In performing its functions, the committee reviewed the overall scope of work of the external auditors and discussed with them the results of their examination and their evaluation of the system of internal controls operating within the Company, its subsidiaries and the Joint Venture. The committee has also reviewed the results and financial statements for the financial year ended 31 December 2007 and the announcements of results made by the Company to The Stock Exchange and has recommended that the Board approves the financial statements and announcements.

During the financial year ended 31 December 2007, there were two Audit Committee Meetings held. The details of the attendance of each member are as follows:–

Name	No. Attended	No. Eligible To Attend
Lim Loi Heng	2	2
Lim Thian Soo	2	2
Lim Chong Puang	2	2

NOMINATION OF DIRECTORS

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the external auditors of the Company, Shu Lun Pan Horwath Hong Kong CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

INTERNAL CONTROL

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

INVESTOR RELATIONS

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

Horwath

Shu Lun Pan Horwath Hong Kong CPA Limited
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TO THE SHAREHOLDERS OF PEARL RIVER TYRE (HOLDINGS) LIMITED
(Registered in Bermuda with limited liability)

We have audited the consolidated financial statements of Pearl River Tyre (Holdings) Limited ("the Company") and its subsidiaries and the joint venture (collectively "the Group") set out on pages 22 to 75, which comprise the Company and consolidated balance sheets as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

Li Pak Ki
Practising Certificate number P01330
Hong Kong, 8 April 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	**2007** HK$'000	2006 HK$'000
Turnover	*6*	658,655	613,234
Cost of sales		(608,153)	(570,079)
Gross profit		50,502	43,155
Other income	*7*	6,198	5,867
Selling and distribution expenses		(10,862)	(10,209)
Administrative expenses		(23,915)	(20,861)
Other operating expenses		(15,251)	(19,366)
Finance costs	*8*	(7,818)	(5,661)
Loss before taxation	*9*	(1,146)	(7,075)
Income tax expense	*11*	–	–
Loss for the year		(1,146)	(7,075)
Basic loss per share: Hong Kong cents	*12*	(1.1)	(6.7)

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	NOTE	**2007** HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment	13	191,323	171,386
Operating lease prepayments	14	13,039	12,899
Investment in an associate	19	4,475	4,475
Investments in listed securities	20	114,721	109,773
Intangible asset	21	451	839
Total Non-current Assets		324,009	299,372
Current Assets			
Investments in listed securities	20	22,497	16,407
Inventories	22	109,928	119,990
Trade receivables	23	40,020	32,299
Other receivables	15	15,438	11,189
Tax recoverable		965	–
Cash and cash equivalents	24	148,657	51,447
Total Current Assets		337,505	231,332
Current Liabilities			
Trade payables	25	86,727	67,080
Other payables and accruals	26	19,633	14,890
Amount due to a director	27	5,385	3,506
Provisions	28	6,573	5,686
Borrowings	29	165,317	81,874
Total Current Liabilities		283,635	173,036
Net Current Assets		53,870	58,296
Net Assets		377,879	357,668
EQUITY			
Share capital	30	110,716	110,716
Reserves	32	267,163	246,952
Total Equity		377,879	357,668

Approved and authorised for issue in accordance with a resolution of the Directors on 8 April 2008

GOH NAN YANG
Director

ANG GUAN SENG
Director

BALANCE SHEET

AT 31 DECEMBER 2007

	NOTE	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Other receivables	15	149	144
Amounts due from subsidiaries	16	45,487	47,563
Investments in subsidiaries	17	214,707	214,707
Total Non-current Assets		260,343	262,414
Current Assets			
Other receivables	15	–	6
Cash and cash equivalents	24	60	61
Total Current Assets		60	67
Current Liabilities			
Other payables and accruals	26	2,269	1,687
Amount due to a subsidiary	16	19,959	17,461
Amount due to a director	27	212	212
Provisions	28	118	118
Total Current Liabilities		22,558	19,478
Net Current Liabilities		(22,498)	(19,411)
Net Assets		237,845	243,003
EQUITY			
Share capital	30	110,716	110,716
Reserves	32	127,129	132,287
Total Equity		237,845	243,003

Approved and authorised for issue in accordance with a resolution of the Directors on 8 April 2008

GOH NAN YANG
Director

ANG GUAN SENG
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	HK$'000	*HK$'000*
Operating activities		
Loss before taxation	(1,146)	(7,075)
Adjustments for:–		
Allowance for doubtful debts	495	1,969
Amortisation of operating lease prepayments	788	748
Amortisation of intangible asset	434	412
Depreciation of property, plant and equipment	20,341	19,797
Interest expense	5,949	4,542
Plant and equipment written off	–	6
Provision for product warranty	454	–
Unrealised loss on foreign exchange	394	1,586
Loss/(Gain) on disposal of listed securities		
– held for trading	1,084	(47)
Gain on disposal of plant and equipment	–	(23)
Gain on fair value changes of listed securities		
– held for trading	(6,198)	(5,713)
Interest income	(584)	–
Dividend income from listed securities		
– available-for-sale	(826)	(774)
– held for trading	(519)	(318)
	20,666	15,110
Decrease/(Increase) in inventories	10,062	(10,950)
Increase in trade and other receivables	(15,386)	(5,954)
Increase in trade and other payables	24,873	13,479
Cash generated from operations	40,215	11,685
Interest received	584	–
Interest paid	(5,949)	(4,542)
Net cash generated from operating activities	34,850	7,143
Investing activities		
Purchase of property, plant and equipment	(27,146)	(9,387)
Purchase of listed securities		
– available-for-sale	–	(91)
– held for trading	(3,658)	(6)
Proceeds from disposal of listed securities		
– held for trading	4,381	151
Proceeds from disposal of plant and equipment	–	107
Dividends received	1,345	1,092
Net cash used in investing activities	(25,078)	(8,134)

	NOTE	2007 HK$'000	2006 HK$'000
Financing activities			
Drawdown of borrowings		165,317	81,874
Repayment of borrowings		(81,874)	(67,259)
Repayment from/(Advance to) a related party		1,082	(1,691)
Advances from a director		1,879	2,410
Net cash generated from financing activities		86,404	15,334
Net increase in cash and cash equivalents		96,176	14,343
Cash and cash equivalents at beginning of the year		51,447	35,461
Effect of foreign exchange rate changes, net		1,034	1,643
Cash and cash equivalents at end of the year	*24*	148,657	51,447

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital	Share Premium	Revaluation Reserve	Capital Reserve	Foreign Currency Translation Reserve	(Accumulated Losses)/ Retained Profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	110,716	113,157	106,554	37,344	17,729	(7,401)	378,099
Adjustments arising from the translation of the financial statements of the Joint Venture	–	–	–	–	1,510	–	1,510
Loss on fair value change of available-for-sale investment	–	–	(14,866)	–	–	–	(14,866)
Total income and expense recognised directly in equity	–	–	(14,866)	–	1,510	–	(13,356)
Loss for the year	–	–	–	–	–	(7,075)	(7,075)
Total income and expense for the year	–	–	(14,866)	–	1,510	(7,075)	(20,431)
At 31 December 2006	110,716	113,157	91,688	37,344	19,239	(14,476)	357,668
At 1 January 2007	110,716	113,157	91,688	37,344	19,239	(14,476)	357,668
Adjustments arising from the translation of the financial statements of the Joint Venture	–	–	–	–	17,966	–	17,966
Gain on fair value change of available-for-sale investment	–	–	3,391	–	–	–	3,391
Total income recognised directly in equity	–	–	3,391	–	17,966	–	21,357
Loss for the year	–	–	–	–	–	(1,146)	(1,146)
Total income and expense for the year	–	–	3,391	–	17,966	(1,146)	20,211
At 31 December 2007	110,716	113,157	95,079	37,344	37,205	(15,622)	377,879

FOR THE YEAR ENDED 31 DECEMBER 2007

1. CORPORATE INFORMATION

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

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

Registered office	:	Bermuda Commercial Bank Building 19 Par-la-Ville Road Hamilton HM 11 Bermuda
Principal place of business	:	18/F Malahon Centre 10-12, Stanley Street Central, Hong Kong

The financial statements of the Group and of the Company for the financial year ended 31 December 2007 (the "financial year") were authorised for issue in accordance with a resolution of the Directors on 8 April 2008.

2. PRINCIPAL ACTIVITIES

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

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

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

During the financial year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations did not result in substantial changes to the Group's accounting policies nor have affected the amounts reported for the current year or prior years. However, as a result of the adoption of HKFRS 7, Financial Instruments: Disclosures and the amendment to HKAS 1, Presentation of Financial Statements: Capital Disclosures, there have been some additional disclosures provided as follows:

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

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial statements and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial Instruments: Disclosure and Presentation. These disclosures are provided throughout these financial statements, in particular in note 34.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are set out in note 34.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in respect of the financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective are:

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKFRS 2 Amendment	Share-based payment – Vesting conditions and cancellation[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK (IFRIC) – INT 13	Customer loyalty programmes[3]

1 Effective for financial periods beginning on or after 1 January 2009.
2 Effective for financial periods beginning on or after 1 July 2009.
3 Effective for financial periods beginning on or after 1 July 2008.

The Group is in the process of making an assessment of what the impact of these new or revised Standards or Interpretations is expected to be in the period of their initial application.

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 except that the investment in an associate is not accounted for in the consolidated financial statements using the equity method under HKAS 28 – Investments in Associates, as the directors consider that the amount involved is not material. 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 2007. 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 are 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.

The bases of consolidation are as follows:–

Subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Principles of Consolidation *(Continued)*

Subsidiaries (Continued)

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 statement.

The investment in the associate is held by a subsidiary of the Company. In the consolidated 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 consolidated income statement to the extent of dividends received and receivable.

Joint Venture

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Goodwill

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity 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 or jointly controlled entity 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 or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Where there is an 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, such an excess is recognised immediately in the consolidated income statement.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investments *(Continued)*

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, any changes in fair value are included in profit or loss for the period. For available-for-sale investments, any changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

For those available-for-sale investments where fair value cannot be reliably determined, they 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Provisions and Contingent Liabilities *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Foreign Currency Translation

Foreign currencies

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.

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

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

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

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

(q) Income Tax *(Continued)*

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. 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Segment Reporting *(Continued)*

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.

5. ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

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

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

(ii) Impairment of long-lived assets

The Group reviews its long-lived assets for indications of impairment at 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 ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs might be higher than expected and could significantly affect the results of future periods.

6. TURNOVER

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Sale of goods	656,502	609,947
Dividends received from securities listed on prescribed stock exchanges, outside Hong Kong		
– available-for-sale	826	774
– held for trading	519	318
Interest income	584	–
Other operating income	224	2,195
	658,655	613,234

7. OTHER INCOME

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Gain on fair value changes of listed securities – held for trading	6,198	5,713
Gain on disposal of listed securities – held for trading	–	47
Gain on disposal of plant and equipment	–	23
Other income	–	84
	6,198	5,867

8. FINANCE COSTS

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Interest on bank loans	5,949	4,542
Others	1,869	1,119
	7,818	5,661

9. LOSS BEFORE TAXATION

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

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Cost of goods sold	608,153	570,079
Staff costs (excluding directors' remuneration)		
– Wages, salaries and other benefits	35,803	32,129
– Retirement benefit scheme contribution	5,870	5,035
Allowance for doubtful debts	495	1,969
Auditors' remuneration		
– current year	479	479
– underprovision in the previous year	–	45
Amortisation of operating lease prepayments (included in administrative expenses)	788	748
Amortisation of intangible asset (included in administrative expenses)	434	412
Depreciation of property, plant and equipment	20,341	19,797
Plant and equipment written off	–	6
Provision for product warranty		
– additional	4,993	4,756
– utilised	(4,539)	(4,756)
Loss on disposal of listed securities – held for trading	1,084	–
Loss on foreign exchange, net		
– realised	4,735	1,293
– unrealised	394	1,586
Rental expense:		
– land and buildings	3,293	3,421
– machinery	1,847	1,950
– hostel	23	28

10. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(i) Remuneration of directors

The emoluments paid or payable to each of the ten (2006 – ten) directors were as follows:–

	2007 Fees	2007 Salaries and Other Benefits	2007 Total Emolu-Ments	2006 Fees	2006 Salaries and Other Benefits	2006 Total Emolu-Ments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Ang Guan Seng	103	–	103	92	–	92
Goh Nan Kioh	68	–	68	61	–	61
Goh Nan Yang	68	356	424	61	306	367
Helen Zee	68	–	68	61	–	61
Lim Thian Soo	68	–	68	61	–	61
Lim Loi Heng	68	–	68	61	–	61
Lim Chong Puang	68	–	68	61	–	61
Lim Boon Seh	68	–	68	36	–	36
Sandy Chim Chun Kwan	68	–	68	61	–	61
Yeoh Eng Khoon	68	–	68	61	–	61
	715	356	1,071	616	306	922

No directors waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 December 2007 and 2006.

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

(ii) Five highest paid employees

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

	2007	**2006**
	HK$'000	*HK$'000*
Bonuses	145	271
Salaries and allowances	1,742	1,625

The emoluments of these five non-directors, highest paid employees whose income were all within the band of HK$0 to HK$1,000,000 for the year ended 31 December 2007 and 2006.

None of these non-directors, highest paid employees waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 December 2007 and 2006.

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 2007, 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.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"). This New CIT Law reduced the corporate income tax rate for domestic enterprise from 27% to 25% with effect from 1 January 2008.

11. INCOME TAX EXPENSE *(Continued)*

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

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Loss before taxation	(1,146)	(7,075)
Tax at the statutory tax rates		
– Mainland China 27%	(1,056)	(2,375)
– Hong Kong 17.5%	490	403
	(566)	(1,972)
Tax effects of:–		
Non-deductible expenses	915	869
Non-taxable income	(1,418)	(1,295)
Utilisation of unutilised tax losses brought forward	(407)	(200)
Deferred tax assets not recognised during the year	1,476	3,476
Others	–	(878)
Income tax expense	–	–

As at 31 December 2007, subject to the agreement with the local tax authorities, the Joint Venture had tax losses arising in PRC of RMB7,900,000 (2006 – RMB10,000,000) 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 the unpredictability of the future profitability of the Group:–

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Allowance for doubtful debts	27,492	25,109
Allowance for obsolete inventories	3,230	2,592
Provision for product warranty	6,455	5,568
Provision for sales incentives	8,221	7,791
Unrealised loss on foreign exchange	2,250	2,474
Unutilised tax losses	5,941	6,990
Others	14,423	8,804
	68,012	59,328

12. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss of HK$1,146,000 (2006 – HK$7,075,000) for the year and on the number of shares in issue during the year of 105,116,280 (2006 – 105,116,280).

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	**Buildings**	**Plant and Machinery**	**Con-struction-in-progress**	**Equipment**	**Total**
2007	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:					
At 1 January 2007	106,066	229,986	8,448	2,192	346,692
Additions/(Transfers)	–	31,495	(4,349)	–	27,146
Effect of foreign exchange translation	7,894	18,390	453	–	26,737
At 31 December 2007	113,960	279,871	4,552	2,192	400,575
Accumulated depreciation:					
At 1 January 2007	40,317	133,234	–	1,755	175,306
Charge for the year	4,189	16,021	–	131	20,341
Effect of foreign exchange translation	3,170	10,435	–	–	13,605
At 31 December 2007	47,676	159,690	–	1,886	209,252
Net book value:					
At 31 December 2007	66,284	120,181	4,552	306	191,323
An analysis of cost or valuation:					
At cost	9,451	279,871	4,552	2,192	296,066
At valuation	104,509	–	–	–	104,509
	113,960	279,871	4,552	2,192	400,575

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

THE GROUP 2006	Buildings *HK$'000*	Plant and Machinery *HK$'000*	Con-struction-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
Charge for 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

The Group has pledged the buildings, plant and machinery 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$59,309,000 (2006 – HK$59,839,000).

14. OPERATING LEASE PREPAYMENTS

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Cost:		
At 1 January	17,537	16,957
Effect of foreign exchange translation	1,305	580
At 31 December	18,842	17,537
Accumulated amortisation		
At 1 January	4,638	3,748
Charge for the year	788	748
Effect of foreign exchange translation	377	142
At 31 December	5,803	4,638
Net book value	13,039	12,899

The Group has pledged the leasehold land to secure banking facilities granted to the Group. The leasehold land is held outside Hong Kong with a lease period of 23 years.

15. OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Amount owing by Joint Venture (1)	–	2	–	6
Amount owing by a related party (2)	1,046	2,128	–	–
Other receivables	7,226	2,306	–	–
Deposits paid to suppliers	6,377	5,935	–	–
Prepayments and deposits	789	818	–	–
	15,438	11,189	–	6

15. OTHER RECEIVABLES *(Continued)*

	THE COMPANY	
	2007	**2006**
	HK$'000	*HK$'000*
Non-current		
Other receivables [(3)]	3,517	3,512
Less: allowance for doubtful debts	(3,368)	(3,368)
	149	144

Notes:–

1. In previous year, the amount owing by the Joint Venture was unsecured, interest-free and has no 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, interest bearing at the borrowing rate of one of the Joint Venture's banks and has no fixed term 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	
	2007	**2006**
	HK$'000	*HK$'000*
Non-Current		
Amounts due from subsidiaries	45,487	47,563
Current		
Amount due to a subsidiary	19,959	17,461

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 has no fixed term of repayment.

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2007	**2006**
	HK$'000	*HK$'000*
Non-current		
Unlisted shares, at cost [1]	214,707	214,707

Particulars of the subsidiaries are as follows:–

Name	Place/Date Of Incorporation	Authorised/ Issued And Fully Paid-up Share Capital	Direct Attributable Equity Interest 2007	Direct Attributable Equity Interest 2006	Principal Activities
PRT Capital Pte Ltd.	The British Virgin Islands/ 3 December 1996	US$50,000/US$1	100%	100%	Investment holding
Carham Assets Limited	The British Virgin Islands/ 1 December 1996	US$50,000/US$2	100%	100%	Investment holding

Note:–

1 They represent investments of 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 A JOINT VENTURE

Particulars of the Joint Venture are as follows:–

Name	Place/Date Of Incorporation	Authorised/Fully Paid-up Registered Capital	Indirect Attributable Equity Interest 2007	Indirect Attributable Equity Interest 2006	Principal Activities
Guangzhou Pearl River Rubber Tyre Limited	The People's Republic of China (the "PRC")/ 11 December 1993	US$43,202,166	70%	70%	Manufacturing and marketing 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:–

	2007 *HK$'000*	2006 *HK$'000*
Non-current assets	205,112	185,591
Current assets	304,513	205,796
Current liabilities	(273,805)	(167,728)
Net assets	235,820	223,659

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

	2007 *HK$'000*	2006 *HK$'000*
Revenues and other income	657,312	612,754
Costs and expenses	(653,452)	(615,890)
	3,860	(3,136)
Finance costs	(7,818)	(5,661)
Loss before taxation	(3,958)	(8,797)
Income tax expense	–	–
Loss for the year	(3,958)	(8,797)

19. INVESTMENT IN AN ASSOCIATE

	THE GROUP 2007 *HK$'000*	 2006 *HK$'000*
Investment in an associate accounted for at cost	4,475	4,475

Particulars of the associate at 31 December 2007 are as follows:–

Name	Place/Date Of Incorporation	Authorised/ Issued And Fully Paid-up Share Capital	Indirect Attributable Equity Interest 2007	Indirect Attributable Equity Interest 2006	Principal Activities
Thames Electronics Sdn Bhd	Malaysia/ 30 January 2003	RM100,000	28.4%	28.4%	Investment holding

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

20. INVESTMENTS IN LISTED SECURITIES

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Non-current		
Securities listed outside Hong Kong:		
– available-for-sale, at fair value [(1)]	114,721	109,773
Current		
Securities listed outside Hong Kong:		
– held for trading, at fair value	22,497	16,407

During the year, the gain on fair value changes of the Group's available-for-sale investment recognised directly in equity amounted to HK$3,391,000 (2006 – loss of HK$14,866,000).

Note:–

1 Relates to investment in D & O Ventures Berhad ("D&O"), a company incorporated in Malaysia. As at 31 December 2007, the Group held 16.6% (2006 – 16.6%) equity interests in 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	
	2007	**2006**
	HK$'000	*HK$'000*
Licence fee		
Cost:		
At 1 January	5,875	5,681
Effect of foreign exchange translation	438	194
At 31 December	6,313	5,875
Accumulated amortisation:		
At 1 January	5,036	4,464
Charge for the year	434	412
Effect of foreign exchange translation	392	160
At 31 December	5,862	5,036
Net book value	451	839

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	
	2007	**2006**
	HK$'000	*HK$'000*
At Cost:		
Raw materials	45,876	55,186
Work-in-progress	7,944	4,866
Finished goods	56,108	59,938
	109,928	119,990

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

23. TRADE RECEIVABLES

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables	67,512	57,407
Less: impairment of trade receivables *(Note 23 (b))*	(27,492)	(25,108)
	40,020	32,299

(a) Ageing analysis

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

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Outstanding less than one year	38,880	32,528
Outstanding more than one year but less than two years	1,916	2,249
Outstanding more than two years	26,716	22,630
	67,512	57,407
Less: allowance for doubtful debts	(27,492)	(25,108)
	40,020	32,299

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

23. TRADE RECEIVABLES *(Continued)*

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
At 1 January	25,108	22,337
Additional during the financial year	495	1,969
Effect of foreign exchange translation	1,889	802
At 31 December	27,492	25,108

(c) Trade receivables that are not impaired

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

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Neither past due nor impaired	22,198	20,183
Outstanding less than one year past due	16,643	11,741
Outstanding more than one year but less than two years past due	1,179	375
	40,020	32,299

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash in hand and at banks	36,531	40,823	60	61
Short-term deposits	112,126	10,624	–	–
	148,657	51,447	60	61

The weighted average interest rate of the short-term deposits at the balance sheet date was 2.90% (2006 – 1.02%) per annum.

As at 31 December 2007 and 2006, bank balance and time deposits denominated in RMB amounted to HK$123,884,000 and HK$14,711,000 respectively. RMB is not freely convertible into foreign currencies. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

The short-term deposits of the Group were pledged to licensed banks as security for bank loans denominated in United States Dollars granted to the Joint Venture at agreeable foreign exchange rates.

25. TRADE PAYABLES

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Outstanding less than one year	79,545	60,513
Outstanding more than one year but less than two years	666	2,397
Outstanding more than two years	6,516	4,170
	86,727	67,080

26. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	13,331	11,514	242	–
Accruals	6,302	3,376	2,027	1,687
	19,633	14,890	2,269	1,687

27. AMOUNT DUE TO A DIRECTOR

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

28. PROVISIONS

	THE GROUP		THE COMPANY	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Product warranty on bias tyres				
At 1 January	5,568	5,384	–	–
Additional provision made	4,993	4,756	–	–
Provision utilised	(4,539)	(4,756)	–	–
Effect of foreign exchange translation	433	184	–	–
	6,455	5,568	–	–
Others	118	118	118	118
At 31 December	6,573	5,686	118	118

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

29. BORROWINGS

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Bank loans	165,317	81,874

The loans are wholly repayable within one year and bear a weighted average interest rate of 7.19% (2006 – 5.74%) per annum. The directors estimated that the fair value of the bank loans is not significantly different from the carrying amount. The loans are secured by way of:–

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

(ii) debentures incorporating fixed and floating charges over the assets of the Joint Venture; and

(iii) a lien over all the fixed deposits of the Joint Venture.

30. SHARE CAPITAL

	2007	2006
	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 (2006 – 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 is payable on the grant of an option. The option may be exercised at any time within a period as specified by the directors, which should not be more than ten years from the date on which an option is granted.

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

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 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
Loss on fair value change of available-for-sale investment	–	(14,866)	–	–	–	(14,866)
Total income and expenses recognised directly in equity	–	(14,866)	–	1,510	–	(13,356)
Loss for the year	–	–	–	–	(7,075)	(7,075)
Total 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
At 1 January 2007	113,157	91,688	37,344	19,239	(14,476)	246,952
Adjustments arising from the translation of the financial statements of the Joint Venture	–	–	–	17,966	–	17,966
Gain on fair value change of available-for-sale investment	–	3,391	–	–	–	3,391
Total income recognised directly in equity	–	3,391	–	17,966	–	21,357
Loss for the year	–	–	–	–	(1,146)	(1,146)
Total income and expense for the year	–	3,391	–	17,966	(1,146)	20,211
At 31 December 2007	113,157	95,079	37,344	37,205	(15,622)	267,163

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 2006	113,157	24,097	137,254
Loss for the year	–	(4,967)	(4,967)
At 31 December 2006	113,157	19,130	132,287
At 1 January 2007	113,157	19,130	132,287
Loss for the year	–	(5,158)	(5,158)
At 31 December 2007	113,157	13,972	127,129

(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 2007 HK$'000	THE GROUP 2006 HK$'000
Revaluation reserve is represented by:–		
Net gain on fair value change of available-for-sale investment		
At 1 January	85,270	100,136
Loss on fair value change of available-for-sale investment	(2,858)	(29,290)
Effect of foreign exchange translation	6,249	14,424
At 31 December	88,661	85,270
Revaluation of buildings of the Joint Venture arising from land and buildings swap	6,418	6,418
	95,079	91,688

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

32. RESERVES *(Continued)*

(c) Capital Reserve

	THE GROUP	
	2007	**2006**
	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

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 RMB2,932,000 or HK$3,130,000 as at 31 December 2007 31 December 2006 – RMB872,000 or HK$867,000, as prepared in accordance with PRC accounting standards.

33. CAPITAL AND OPERATING LEASE COMMITMENTS

As at 31 December 2007, the capital commitment of the Joint Venture are as follows:–

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Capital expenditure:		
– approved but not contracted for	1,370	15,936
– approved and contracted for	2,576	13,876
	3,946	29,812

As at 31 December 2007, the total future minimum lease rentals under non-cancellable operating leases payable by the Joint Venture to GRTF are as follows:–

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	5,912	5,503
After one year but not more than five years	23,650	22,011
More than five years	53,184	55,003
	82,746	82,517

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

The Group's interest in the above capital and operating lease commitments is 70% (2006 – 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. The majority of the Group's foreign currency transactions and balances are denominated in Chinese Renminbi ("RMB") and United States Dollars ("USD").

Foreign Currency Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against the USD and Singapore Dollar/Australia Dollar against the HKD respectively. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operation within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A negative number below indicates an increase in loss and a decrease in other equity where the RMB strengthens 5% against the USD and Singapore Dollar/Australia Dollar against the HKD respectively. For a 5% weakening of the RMB against the USD and Singapore Dollar/Australia Dollar against the HKD, there would be an equal and opposite impact on the loss and other equity, and the balances below would be positive. The analysis is performed on the same basis for 2006.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) Foreign Currency Risk (Continued)

Foreign Currency Sensitivity analysis *(Continued)*

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Effect on loss for the year	(2,390)	(2,602)
Effect on other equity	(2,472)	(2,659)

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

(b) Interest Rate Risk

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

	THE GROUP			
	Effective Interest Rate	**31 December 2007**	**Effective Interest Rate**	**31 December 2006**
	%	*HK$'000*	%	*HK$'000*
Variable rate borrowings:				
Bank loans	7.19	165,317	5.74	81,874

Interest rate sensitivity analysis

At 31 December 2007, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variable held constant, would increase or decrease the Group's loss for the year and accumulated losses by approximately HK$1,653,000 (2006 – HK$819,000) respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

(c) Market Risk

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

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

(d) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the 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.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

(e) Liquidity And Cash Flow Risks (Continued)

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

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	HK$'000	*HK$'000*	*HK$'000*
The Group			
At 31 December 2007			
Trade and other payables, and accruals	106,360	106,360	106,360
Amount due to a director	5,385	5,385	5,385
Borrowings	165,317	168,965	168,965
At 31 December 2006			
Trade and other payables, and accruals	81,970	81,970	81,970
Amount due to a director	3,506	3,506	3,506
Borrowings	81,874	85,284	85,284

34. FINANCIAL INSTRUMENTS *(Continued)*

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

(e) Liquidity And Cash Flow Risks (Continued)

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
The Company			
At 31 December 2007			
Other payables and accruals	2,269	2,269	2,269
Amount owing to a subsidiary	19,959	19,959	19,959
Amount owing to a director	212	212	212
At 31 December 2006			
Other payables and accruals	1,687	1,687	1,687
Amount owing to a subsidiary	17,461	17,461	17,461
Amount owing to a director	212	212	212

(ii) Capital risk management

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

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

Consistent with industry practice, the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including borrowings and trade and other payables, as shown in the balance sheet less cash and bank balances. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

34. FINANCIAL INSTRUMENTS *(Continued)*

(ii) Capital risk management *(Continued)*

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a gearing ratio of not more than 100%. The gearing ratios as at 31 December 2007 and 31 December 2006 were as follows:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Current liabilities	277,062	167,350
Less: Cash and cash equivalent *(Note 24)*	(148,657)	(51,447)
Net debt	128,405	115,903
Total equity	377,879	357,668
Total capital	506,284	473,571
Gearing ratio	25%	24%

(iii) Fair Value Estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007.

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

34. FINANCIAL INSTRUMENTS *(Continued)*

(iv) 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) Amounts Owing By Joint Venture/Subsidiaries/Related Party

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

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

The carrying amounts approximate 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. 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	
	2007	**2006**
	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	835	620
(ii) charging of utilities (water, electricity, steam and compressed air consumed)	5,413	6,985
(iii) the right to use the factory lift and the factory space	90	86
Interest income for advances outstanding	55	267
	6,393	7,958

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

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
(b) Transactions between the Joint Venture and GGXEG *		
Payments:		
Lease rental for a piece of land and buildings erected thereon	3,293	3,421
Lease rental for the exclusive right to use certain machinery	1,847	1,950
Lease rental for a hostel	23	28
Royalties for the right to use the trademark "Pearl River" and any technology and know-how necessary for the production of bias tyres	359	470
	5,522	5,869

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

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

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.

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

(c) Compensation of key management personnel:

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

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Short-term employee benefits	2,655	2,473

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. SEGMENTAL INFORMATION

The Group operates in the following 3 areas:–

(i) the Joint Venture in the PRC relating to the manufacturing and marketing 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.

36. SEGMENTAL INFORMATION *(Continued)*

The following tables present revenue and profit information regarding geographical segments for the financial years ended 31 December 2007 and 2006 and certain asset and liability information regarding geographical segments as at 31 December 2007 and 2006:–

(i) Primary reporting format – business segments

	Manufacturing	Investment Holding	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2007				
Turnover	657,306	1,349	–	658,655
RESULTS:				
Segment results (external)	3,859	2,800	13	6,672
Finance costs	(7,818)	–	–	(7,818)
Loss before taxation				(1,146)
Income tax expense				–
Loss for the year				(1,146)
OTHER INFORMATION:				
Segment assets	508,855	638,191	(485,532)	661,514
Segment liabilities	(273,805)	(79,807)	69,977	(283,635)
Capital expenditure	27,146	–	–	27,146
Depreciation and amortisation	21,359	204	–	21,563

36. SEGMENTAL INFORMATION *(Continued)*

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

	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 for the year				(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

36. SEGMENTAL INFORMATION *(Continued)*

(ii) Secondary reporting format – geographical segments

	The PRC *HK$'000*	Singapore *HK$'000*	Malaysia *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
2007					
Turnover	657,306	–	1,349	–	658,655
RESULTS:					
Segment results (external)	3,859	–	2,800	13	6,672
Finance costs	(7,818)	–	–	–	(7,818)
Loss before taxation					(1,146)
Income tax expense					–
Loss for the year					(1,146)
OTHER INFORMATION:					
Segment assets	508,855	8,956	629,235	(485,532)	661,514
Segment liabilities	(273,805)	–	(79,807)	69,977	(283,635)
Capital expenditure	27,146	–	–	–	27,146
Depreciation and amortisation	21,359	–	204	–	21,563

36. 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*
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 for the year					(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. COMPARATIVE FIGURES

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

	THE GROUP	
	AS RESTATED	AS PREVIOUSLY REPORTED
	HK$'000	*HK$'000*
CONSOLIDATED BALANCE SHEET (EXTRACT):–		
Non-current assets (Extract)		
Investments in listed securities	109,773	126,180
Current assets (Extract)		
Investments in listed securities	16,407	–
CONSOLIDATED INCOME STATEMENT (EXTRACT):–		
Other income	5,867	6,372
Other operating expenses	(19,366)	(19,871)
CONSOLIDATED CASH FLOW STATEMENT (EXTRACT):–		
Operating activities		
Allowance for doubtful debts	1,969	2,474
Write back of allowance for doubtful debts	–	(505)
Write back of allowance for diminution in value of listed securites	–	(5,713)
Gain on fair value changes of listed securities – held for trading	(5,713)	–
Other dividend income	–	(1,092)
Dividend income from listed securities		
– available-for-sale	(774)	–
– held for trading	(318)	–
Investing activities		
Purchase of listed securities	–	(97)
Proceeds from disposal of listed securities	–	151
Purchase of listed securities		
– available-for-sale	(91)	–
– held for trading	(6)	–
Proceeds from disposal of listed securities		
– held for trading	151	–

FIVE-YEAR FINANCIAL SUMMARY

	2007	**2006**	**2005**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	658,655	613,234	554,701	432,901	382,472
(Loss)/profit before tax	(1,146)	(7,075)	7,023	(7,483)	(29,610)
Non-current assets	324,009	299,372	326,098	329,610	246,100
Current assets	337,505	231,332	194,348	164,987	148,469
Current liabilities	(283,635)	(173,036)	(142,347)	(132,980)	(120,909)
Equity	377,879	357,668	378,099	361,617	273,660

The comparative figures for the financial years 2003, 2004, 2005 and 2006 have been reclassified to conform with the current financial year's presentation. The reclassification is in respect of the investments in listed securities – held for trading from non-current assets to current assets so as to conform with HKAS 1.