CONTENTS

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	Unit B, 9/F Empire Land Commercial Center 81–85 Lockhart Road Wanchai, Hong Kong
Company Secretaries	Sheena Grace Eileen Swan Randy King Kuen Hung, *FCPA* Tan Pei Choo, *ACIS*
Authorised Representatives in Hong Kong	Goh Nan Yang 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

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 2008.

The Group recorded a consolidated loss of HK$66.893 million for the financial year ended 31 December 2008 as compared to a loss of HK$1.146 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 various types of tyres mainly for commercial vehicles. The results of this Joint Venture can be summarised as follows:–

1. Sale of goods decreased by approximately HK$203,312,000 representing a decline of 31.0% for the financial year. The decline was attributable to the decrease in both domestic and export volumes.

2. In order to minimise losses and strengthen cash flow and cash position, the Joint Venture has implemented sales-based production. Given the weak and unstable market conditions, the Joint Venture substantially scaled down its operations by cutting capacity and unwinding inventory holding to a minimal level. These measures, which were undertaken in May 2008 proved to be particularly timely given the sharp decline in raw material prices since October 2008.

3. The Joint Venture currently sells almost exclusively on a cash basis in the local market, and on confirmed letter of credit for the export market. The Joint Venture currently does not give any credit terms to its customers except certain original equipment manufacturers ("OEM") with good credit track record.

4. Both the Off the Road ("OTR") and Light Truck Radial ("LTR") tyre plants are now operating at optimal level. While there are still some weaknesses in the OTR market segment, the Joint Venture is more optimistic of the LTR tyre market outlook. Plans are underway to expand the product sizes to fully utilise the production facilities.

5. The Joint Venture has bank borrowings of RMB101,671,000. As cash flow remains positive, the Joint Venture does not foresee any working capital funding constraints and accordingly expects the level of borrowings to remain manageable.

OUTLOOK

1. The severe impact of the world economic crisis in 2008 has its own positive side. The languished bias ply tyres industry was forced to consolidate with many weaker players being edged out. The Joint Venture being a key player in the industry is expected to be a net beneficiary from this development. In fact, in the first three months of 2009, the Joint Venture has experienced an improvement in sales volume, especially from the domestic market.

2. Related raw material prices have fallen significantly since October 2008. This is reflected in the decline in material cost as a percentage of total cost from the peak of 85% to less than 75% currently. Nonetheless, the on-going fluatuation in raw material prices, albeit at a less volatile rate, continues to pose significant challenges to the business.

3. Given the changes in the supply and demand scenario, we are reviewing our sales and marketing strategy. New sales channels such as OEM, fleet and specialised applications will be added to the existing network. In addition, we expect the LTR business to be the next prominent growth area for the Joint Venture in the coming years.

SUMMARY

The world tyre market has contracted by 35% during the first quarter of 2009. However, in China, the authorities were quick to react by introducing new policies and tax incentives to spur economic growth. The Chinese Government has and will continue to make substantial investments in major areas such as roads, railways, ports, mines and other general infrastructure projects. Hence, a more effective course of recovery is in sight as evidenced by the encouraging sales volume of the Joint Venture in the first quarter of 2009.

The Joint Venture is well positioned to capitalise on the imminent recovery of China's economy. Together with a more stable raw material prices, management is optimistic that 2009 will be a better year for the Joint Venture provided the global economic situation does not deteriorate further.

Goh Nan Yang
Chief Executive Officer

BUSINESS REVIEW

The two largest factors that plagued the Chinese tyre manufacturers during the year were the acute decline in export sales and an extremely volatile commodity prices. As most investments in the past few years were mainly targeted at building capacities to cater for the anticipated rising export sales, the sudden downturn has left many stranded with excess capacities and high inventory costs.

The sudden sharp correction in raw material prices in October 2008, which plummeted more than 50% in some cases from the peak, coupled with continued sluggish export market, further compounded the problem, as manufacturers were unable to maintain selling prices and had to unwind inventories at below production cost.

While the Joint Venture was not insulated from the above developments, management's bold steps taken to significantly downsize production and unwind inventory holdings, have substantially mitigated the effects. Management's efforts to refocus on the domestic market has also paid-off as the inland market, especially those catering for the agricultural, mining and construction activities are still showing healthy growth. The Joint Venture has also introduced special new products, such as T327 to cater for such needs.

The government has also introduced certain proactive business measures recently, which included the following:

1. Complete abolishment of import duty for compounded rubber;

2. Restoration of export rebate to 9% from 5%;

3. Gradual reduction of base lending rate from almost 9% to 5.8% currently; and

4. Stablisation of Renminbi at the current level of RMB6.83: USD1.

All these measures were meted out within a short span of time, which showed a serious commitment from the government to provide the much needed support to the industry.

Internally, the Joint Venture has also initiated various programs to further reduce cost and improve efficiencies. These measures included:-

1. Optimising utility costs by operating single boiler with full scale production of the designated line;

2. Producing only what we can sell. This has effectively reduced all inventories including raw material, work-in-progress and finished goods; and

3. Reducing headcount by almost 20% to 1,600 employees.

Sales

Our sales registered a decline of 31% in 2008. This was largely due to the significant decline in export volumes. The domestic market although showed an overall decline in 2008, certain inland markets have shown positive signs of recovery. Towards the last quarter of 2008, sectors such as agricultural, mining and constructions have recovered growth due to the stimulus package rolled out by the government.

BUSINESS REVIEW *(Continued)*

Sales *(Continued)*

Our LTR tyres especially the Z101 and Z102 range were performing well in the market. LTR is an important part of our product mix as the market demand will continue to grow with newer vehicles on the road. We expect a strong growth in this segment and plans are underway to increase our product range.

However, the OTR market has been declining since last year. Many factories have halted production due to oversupply and various tyre failure problems during service. The management has taken steps to significantly improve our product quality to gain market share.

Production

The plant facilities were in excellent condition throughout the year with minimal unplanned downtime. This is not only due to slower sales but also some major improvement in the production planning and scheduling.

By limiting our usage to only one boiler, we were able to concentrate on maximising yield to meet demand at lower cost. This measure has also resulted in savings on electricity, heating cost and manpower.

No new equipment was acquired during the year.

Prospect

The decision by the board of directors to scale down production in May 2008 while others went full steam ahead has proven to be correct and timely. Our inventories were minimal when material prices suddenly plummeted in October 2008 and today we are able to produce to meet the demand at much lower cost.

The exodus of a number of bias ply manufacturers in the industry is seen as an opportunity for the Joint Venture. Our formula for survival has always been to be the most competitive bias ply manufacturer with an exceptionally high quality product.

Given the favourable government policies, relatively lower and more stable raw material prices and improving manufacturing efficiency, the management is hopeful that 2009 will be a better year for the Joint Venture provided the global economic situation does not deteriorate any further.

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 2008.

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 2008 and the financial position of the Company and the Group as at that date are set out in the audited financial statements on pages 21 to 72 of the annual report.

RESERVES

Details of movement in reserves of the Company and the Group during the year ended 31 December 2008 are set out in Note 33 to the financial statements and on page 26 of the annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company had retained profits available for distribution by way of dividends amounting to HK$9,731,000 (2007 – HK$13,972,000).

The Company's share premium account as at 31 December 2008 with a balance of HK$113,157,000 (2007 – 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 2008,

(a) 28% of sales of the Group and 40% 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 9% of sales of the Group whilst the Group's largest supplier accounts for 16% 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 2008.

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 73 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 2008.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme (the "Scheme") are set out in Note 32 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 2008.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year ended 31 December 2008 are set out in Note 13 to the financial statements.

MATERIAL INTERESTS IN ENTITIES

Details of the Company's subsidiaries, Joint Venture and the associate are set out in Notes 17, 18 and 19 respectively 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 2008 except where otherwise indicated:–

Chairman and Non-Executive Director

Goh Nan Kioh (Re-designated from Deputy Chairman to Chairman on 30 June 2008)
Ang Guan Seng (Resigned on 30 June 2008)

Executive Directors

Goh Nan Yang
Sandy Chim Chun Kwan (Resigned on 20 October 2008)

Non-Executive Directors

Yeoh Eng Khoon
Yeow See Yuen* (Appointed on 30 June 2008)
Khoo Teng Keat* (Appointed on 30 June 2008)
Won Thean Sang* (Appointed on 2 March 2009)
Lim Thian Soo (also alternate to Goh Nan Kioh) (Resigned as Director on 30 June 2008, ceased to act as alternate to Goh Nan Kioh on 20 October 2008)
Lim Loi Heng* (Resigned on 4 December 2008)
Helen Zee* (Resigned on 20 October 2008)
Lim Chong Puang* (Resigned on 30 June 2008)
Lim Boon Seh (Resigned on 30 June 2008)

* *Independent and Non-Executive Directors*

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

Pursuant to Clause 6.1 (f) (1) (e) of the Company's Bye-laws, Yeow See Yuen, Khoo Teng Keat, and Won Thean Sang, who were appointed after the last annual general meeting, 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 36 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 2008 or at any time during the financial year ended 31 December 2008.

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 2008.

CONTRACTS OF SIGNIFICANCE

Save for those transactions described in Note 36 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 2008, 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 *(%)*
Goh Nan Kioh	Family	957,790[2]	0.9
	Corporate	38,114,000[1]	36.3
Goh Nan Yang	Personal	94,000	0.1

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 Goh Nan Kioh holds 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 2008, 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 2008, 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)*

Long positions in ordinary shares of the Company *(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 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. Goh Nan Kioh is the Non-Executive 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 2008, Kuala Lumpur Kepong Berhad is 46.57% directly owned by Batu Kawan Berhad, which is, in turn, 44.68% 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 2008, 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 36 to the financial statements.

SUFFICIENCY OF THE PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

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 32 to the financial statements.

Directors' Interest in Competing Business

During the year ended 31 December 2008, 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 15 to 18 of the annual report.

AUDITORS

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited . The Company's auditors will change their name from Shu Lun Pan Horwath Hong Kong CPA Limited to Shu Lun Pan Hong Kong CPA Limited and will merge their business with BDO McCabe Lo Limited on 1 May 2009. On the same date, BDO McCabe Lo Limited will change their name to BDO Limited. As a result of these changes, a resolution will be proposed at the 2009 annual general meeting to appoint BDO McCabe Lo Limited (to be renamed as BDO Limited on 1 May 2009) as the Company's auditors and to authorise the Board of Directors to fix their remuneration.

By Order of the Board

Goh Nan Yang
Executive Director

Hong Kong, 8 April 2009

DIRECTORS

Goh Nan Kioh

Mr Goh (age 56) 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. He joined the Company in 1995. He has been redesignated from Deputy Chairman to Chairman on 30 June 2008.

Goh Nan Yang

Mr Goh (age 46) 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.

Yeoh Eng Khoon

Mr Yeoh (age 62), holds a degree of Bachelor's 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.

Yeow See Yuen

Mr Yeow (aged 42), holds a first class honours degree in Accountancy from the National University of Singapore. He started his careers with Coopers & Lybrand in Singapore in 1991 in the audit division. He left the firm in 1994 to join Deutsche Securities Asia Limited ("Deutsche Securities") where he spent 9 years working in the Equity Research Department. During the period, he progressed through a series of positions including Deputy Head of Indonesia Research, Head of Malaysian Research and Head of Consumer Research Asia. Since leaving Deutsche Securities in 2003, he has been actively involved in investment banking related work, including investor relations corporate advisory and research consultancy. He was appointed as an Independent Non-Executive Director, member of audit committee and member of remuneration committee of the Company on 30 June 2008.

Khoo Teng Keat

Mr Khoo (aged 39), holds a Bachelor of Commerce (Actuarial Science) honours degree from University of Melbourne, Australia. He has more than 14 years' experience as an equity analyst. He has held senior positions with several reputable international investment banks before co-founding a boutique financial advisory outfit, providing investor relations, corporate advisory and research consultancy. He was appointed as an Independent Non-Executive Director and member of audit committee of the Company on 30 June 2008.

Won Thean Sang

Mr Won (aged 60), is a qualified electrical chargeman of more than 40 years. He started his career as an electrical contractor and founded KTL Sdn Bhd, a Grade A contractor in Malaysia in 1992. Backed by years of experience in the electrical field and as a businessman, he has vast hands-on experience in business operations. He was appointed as an Independent Non-Executive Director, member of audit committee and member of remuneration committee of the Company on 2 March 2009.

SENIOR MANAGEMENT

Chan Keng Kiong (age 40), 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.

Lui Soek Kuen (age 37), 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.

Chen Xu Ming (age 51), 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 46), 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 2008 with the exception 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 six directors, of whom five 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 on page 13 of the annual report. All Directors have given sufficient time and attention to the affairs of the Group. The 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. Other than these, there is no family relationship among the Directors of the Company.

The roles of chairman and chief executive officer are, respectively, performed by the Chairman, Mr. Goh Nan Kioh 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.

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

The Company also appointed four non-executive Directors, namely Mr. Yeoh Eng Khoon, Mr. Yeow See Yuen, Mr. Khoo Teng Keat and Mr. Won Thean Sang 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. Yeow See Yuen, Mr. Khoo Teng Keat and Mr. Won Thean Sang 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 2008 are as follows:–

Directors	No. Attended	No. Eligible to Attend
Goh Nan Kioh	9	10
Goh Nan Yang	10	10
Yeoh Eng Khoon	9	10
Yeow See Yuen	5	5
Khoo Teng Keat	5	5
Ang Guan Seng	3	4
Helen Zee	7	8
Lim Thian Soo (also alternate to Goh Nan Kioh)	4	4
Lim Loi Heng	9	9
Lim Chong Puang	4	4
Sandy Chim Chun Kwan	6	8
Lim Boon Seh	4	4

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$471,000 to the external auditors for their audit services.

AUDIT COMMITTEE

The members of the Audit Committee are:–

Yeow See Yuen (Appointed on 30 June 2008)
Khoo Teng Keat (Appointed on 30 June 2008)
Won Thean Sang (Appointed on 2 March 2009)
Lim Loi Heng (Chairman) (Resigned on 4 December 2008)
Lim Thian Soo (Resigned on 30 June 2008)
Lim Chong Puang (Resigned on 30 June 2008)

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 2008 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 2008, 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
Yeow See Yuen	1	1
Khoo Teng Keat	1	1
Lim Loi Heng	1	2
Lim Thian Soo	1	1
Lim Chong Puang	1	1

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
香港立信浩華會計師事務所有限公司

20th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

TO THE SHAREHOLDERS OF PEARL RIVER TYRE (HOLDINGS) LIMITED
(Registered in Bermuda with limited liability)

We have audited the financial statements of Pearl River Tyre (Holdings) Limited ("the Company") and its subsidiaries and the joint venture (collectively "the Group") set out on pages 21 to 72, which comprise the Company and consolidated balance sheets as at 31 December 2008, 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 the 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 the 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.

AUDITOR'S RESPONSIBILITY *(Continued)*

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 2008 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
Hong Kong

20th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Li Pak Ki
Practising Certificate number P01330

8 April 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	**2008** *HK$'000*	**2007** *HK$'000*
Turnover	*6*	453,190	656,502
Cost of sales		(457,328)	(608,153)
Gross (loss)/profit		(4,138)	48,349
Other (loss)/gain	*7*	(6,989)	7,267
Selling and distribution expenses		(10,113)	(10,862)
Administrative expenses		(19,517)	(23,915)
Other operating expenses		(19,703)	(14,167)
Finance costs	*8*	(6,433)	(7,818)
Loss before taxation	*9*	(66,893)	(1,146)
Income tax expense	*11*	–	–
Loss for the year		(66,893)	(1,146)
Basic loss per share (Hong Kong cents)	*12*	(63.6)	(1.1)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	NOTES	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment	13	184,111	191,323
Operating lease prepayments	14	12,999	13,039
Investment in an associate	19	4,475	4,475
Investments in listed securities	20	89,909	114,721
Intangible asset	21	–	451
Total Non-current Assets		291,494	324,009
Current Assets			
Investments in listed securities	20	11,231	22,497
Inventories	22	65,870	109,928
Trade receivables	23	13,409	40,020
Other receivables and prepayments	15	7,147	15,438
Tax recoverable		263	965
Fixed deposits with licensed banks	24	26,854	112,126
Cash and bank balances	25	34,598	36,531
Total Current Assets		159,372	337,505
Current Liabilities			
Trade payables	26	40,453	86,727
Other payables and accruals	27	20,823	19,633
Amount due to a director	28	5,612	5,385
Provisions	29	2,740	6,573
Borrowings	30	80,827	165,317
Total Current Liabilities		150,455	283,635
Net Current Assets		8,917	53,870
Net Assets		300,411	377,879
EQUITY			
Share capital	31	110,716	110,716
Reserves	33	189,695	267,163
Total Equity		300,411	377,879

Approved and authorised for issue in accordance with a resolution of the Directors on 8 April 2009

GOH NAN YANG
Director

KHOO TENG KEAT
Director

The accompanying notes form part of these financial statements.

BALANCE SHEET

AT 31 DECEMBER 2008

	NOTES	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Other receivables	15	169	149
Amounts due from subsidiaries	16	43,431	45,487
Investments in subsidiaries	17	214,707	214,707
Total Non-current Assets		258,307	260,343
Current Assets			
Cash and bank balances	25	103	60
Total Current Assets		103	60
Current Liabilities			
Other payables and accruals	27	2,818	2,269
Amount due to a subsidiary	16	21,432	19,959
Amount due to a director	28	438	212
Provisions	29	118	118
Total Current Liabilities		24,806	22,558
Net Current Liabilities		(24,703)	(22,498)
Net Assets		233,604	237,845
EQUITY			
Share capital	31	110,716	110,716
Reserves	33	122,888	127,129
Total Equity		233,604	237,845

Approved and authorised for issue in accordance with a resolution of the Directors on 8 April 2009

GOH NAN YANG
Director

KHOO TENG KEAT
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
	HK$'000	*HK$'000*
Operating activities		
Loss before taxation	(66,893)	(1,146)
Adjustments for:–		
Allowance for doubtful debts	1,386	495
Amortisation of operating lease prepayments	859	788
Amortisation of intangible asset	473	434
Depreciation of property, plant and equipment	23,561	20,341
Bad debts written off	522	–
Interest expense	5,173	5,949
Plant and equipment written off	62	–
(Reversal)/Additional provision for product warranty	(2,416)	4,040
Unrealised loss on foreign exchange	2,104	394
Loss on disposal of listed securities		
– held for trading	–	1,084
Loss/(Gain) on fair value changes of listed securities		
– held for trading	10,091	(6,198)
Interest income	(836)	(584)
Dividend income from listed securities		
– available-for-sale	(1,419)	(826)
– held for trading	(602)	(519)
	(27,935)	24,252
Decrease in inventories	42,292	6,476
Decrease/(Increase) in trade and other receivables	32,258	(15,386)
(Decrease)/Increase in trade and other payables	(46,257)	24,873
Cash generated from operations	358	40,215
Interest received	836	584
Interest paid	(5,173)	(5,949)
Net cash (used in)/generated from operating activities	(3,979)	34,850
Investing activities		
Decrease/(Increase) in fixed deposits, net	85,272	(101,502)
Purchase of property, plant and equipment	(4,393)	(27,146)
Purchase of listed securities		
– held for trading	–	(3,658)
Proceeds from disposal of listed securities		
– held for trading	–	4,381
Dividend received	2,021	1,345
Net cash generated from/(used in) investing activities	82,900	(126,580)

CONSOLIDATED CASH FLOW STATEMENT

	2008	2007
	HK$'000	*HK$'000*
Financing activities		
Drawdown of borrowings	181,958	165,317
Repayment of borrowings	(266,448)	(81,874)
Advances from related parties	505	1,082
Advances from a director	226	1,879
Net cash (used in)/generated from financing activities	(83,759)	86,404
Net decrease in cash and bank balances	(4,838)	(5,326)
Cash and bank balances at beginning of the year	36,531	40,823
Effect of foreign exchange rate changes, net	2,905	1,034
Cash and bank balances at end of the year	34,598	36,531

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share Capital	Share Premium	Revaluation Reserve	Capital Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 33 (a)	*Note 33 (b)*	*Note 33 (c)*	*Note 33 (d)*	*Note 33 (e)*	
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
Loss on fair value changes of available-for-sale investments *(Note 20)*	–	–	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
At 1 January 2008	110,716	113,157	95,079	37,344	37,205	(15,622)	377,879
Adjustments arising from the translation of the financial statements of the Joint Venture	–	–	–	–	13,038	–	13,038
Loss on fair value changes of available-for-sale investments *(Note 20)*	–	–	(23,613)	–	–	–	(23,613)
Total income and expense recognised directly in equity	–	–	(23,613)	–	13,038	–	(10,575)
Loss for the year	–	–	–	–	–	(66,893)	(66,893)
Total income and expense for the year	–	–	(23,613)	–	13,038	(66,893)	(77,468)
At 31 December 2008	110,716	113,157	71,466	37,344	50,243	(82,515)	300,411

The accompanying notes form part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2008

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	:	Unit B, 9/F Empire Land Commercial Center 81-85 Lockhart Road Wanchai, Hong Kong

The financial statements for the financial year ended 31 December 2008 (the "financial year") were authorised for issue in accordance with a resolution of the Directors on 8 April 2009.

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 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 2008. 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.

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

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

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	*(i)*
HKAS 23 (Revised)	Borrowing costs	*(i)*
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	*(i)*
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	*(i)*
HKFRS 8	Operating segments	*(i)*
HK (IFRIC) – INT 15	Agreements for the construction of real estates	*(i)*
HKFRS 2 (Amendment)	Vesting conditions and cancellation	*(i)*
HKAS 27 (Revised)	Consolidated and separate financial statements	*(ii)*
HKFRS 39 (Amendment)	Financial instruments: recognition and measurement – eligible hedged items	*(ii)*
HKFRS 1 (Revised)	First-time adoption of HKFRSs	*(ii)*
HKFRS 3 (Revised)	Business combinations	*(ii)*
HK (IFRIC) – INT 17	Distributions of non-cash assets to owners	*(ii)*
HK (IFRIC) – INT 13	Customer loyalty programmes	*(iii)*
HK (IFRIC) – INT 16	Hedges of a net investment in a foreign operation	*(iv)*
HK (IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives	*(v)*
HK (IFRIC) – INT 18	Transfers of assets from customers	*(vi)*
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41	*(i)*
	– HKFRS 5	*(ii)*

Effective date:

(i) Effective for financial periods beginning on or after 1 January 2009.
(ii) Effective for financial periods beginning on or after 1 July 2009.
(iii) Effective for financial periods beginning on or after 1 July 2008.
(iv) Effective for financial periods beginning on or after 1 October 2008.
(v) Effective for financial periods beginning on or after 1 June 2009.
(vi) Transfers of assets from customers received on or after 1 July 2009.

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 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 are prepared in Hong Kong dollars. The financial statements denominated in Hong Kong dollars have been prepared in accordance with all applicable HKFRSs issued by the HKICPA, 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. The 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 2008. 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 has been accounted for in the consolidated financial statements using the proportionate consolidation method.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

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

The bases of consolidation are as follows:–

Subsidiaries

A subsidiary is a company which the Company controls, directly or indirectly, its 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 respectively. 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 statement to the extent of dividends received and receivable.

Associate

An associate is an entity in which the Group or the Company has a long-term equity interest of between 20% to 50% and over whose financial and operating policy decisions the Group has the power to exercise significant influence but not control through board representation.

The investment in an associate is not accounted for in the consolidated financial statements using the equity method as the amount involved is not material.

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) Investments

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

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

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the balance sheet date. Where securities are held for trading purposes, 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 whose fair value cannot be reliably determined, they are carried at cost less accumulated impairment losses, if any.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Depreciation is calculated using the straight-line method to write off the cost or revalued amount over their estimated useful lives, allowing for their estimated residual values. The 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/(accumulated losses).

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)*

(e) 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.

(f) 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.

(g) 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)*

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) Share Capital

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

(m) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when 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)*

(m) 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 remote.

(n) 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 of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

(o) Foreign Currency Translation

In preparing the financial statements of each individual group entity, transactions 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 exchange 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 case, the exchange differences are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Foreign Currency Translation *(Continued)*

For the purpose 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.

(p) 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

(q) 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.

(r) Related Parties

For the purposes of these financial statements, a party is considered to be related if:–

(i) directly, or indirectly through one or more intermediaries, the party:–

  (a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

  (b) has an interest in the entity that gives it significant influence over the entity; or

  (c) has joint control over the entity;

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venturer;

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related Parties *(Continued)*

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(s) Segment Reporting

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

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenues, expenses, assets and liabilities are determined before intra-group transactions and balances are eliminated as part of the consolidation process, except to the extent that such intra-group transactions and balances are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets, both tangible and intangible, that are expected to be used for more than one period.

(t) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee Benefits *(Continued)*

(ii) Defined Contribution Plans

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

5. ACCOUNTING ESTIMATES AND JUDGEMENT

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

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

(i) Estimated useful 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(e). 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.

5. ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(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

Turnover of the Group represents the invoiced value of goods sold and services rendered less discounts and returns.

7. OTHER (LOSS)/GAIN

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
(Loss)/Gain on fair value changes of listed securities		
– held for trading	(10,091)	6,198
Loss on disposal of listed securities		
– held for trading	–	(1,084)
Dividends received from listed securities		
– available-for-sale	1,419	826
– held for trading	602	519
Interest income	836	584
Others	245	224
	(6,989)	7,267

8. FINANCE COSTS

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within one year	5,173	5,949
Bank charges	1,260	1,869
	6,433	7,818

9. LOSS BEFORE TAXATION

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

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Cost of goods sold (including impairment of inventory of HK$6,583,000 for 2008 (2007 – nil)) *(Note 22)*	457,328	608,153
Staff costs (excluding directors' remuneration)		
– Wages, salaries and other benefits	38,376	35,803
– Retirement benefit scheme contributions	6,860	5,870
Allowance for doubtful debts *(Note 23)*	1,386	495
Auditors' remuneration	471	479
Amortisation of operating lease prepayments (included in administrative expenses) *(Note 14)*	859	788
Amortisation of intangible asset (included in administrative expenses) *(Note 21)*	473	434
Bad debts written off	522	–
Depreciation of property, plant and equipment *(Note 13)*	23,561	20,341
Plant and equipment written off	62	–
(Reversal)/Additional provision for product warranty *(Note 29)*	(2,416)	4,040
Loss/(Gain) on fair value changes of listed securities – held for trading	10,091	(6,198)
Loss on disposal of listed securities – held for trading	–	1,084
Loss on foreign exchange, net		
– realised	3,350	4,735
– unrealised	2,104	394
Rental expenses:		
– land and buildings	2,984	2,305
– machinery	1,567	1,293
– hostel	25	16
Dividends received from listed securities	(2,021)	(1,345)

10. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(i) Remuneration of directors

The emoluments paid or payable to each of the twelve (2007 – ten) directors who held office during the year were as follows:–

	2008 Fees HK$'000	2008 Salaries and other Benefits HK$'000	2008 Total Emoluments HK$'000	2007 Fees HK$'000	2007 Salaries and other Benefits HK$'000	2007 Total Emoluments HK$'000
Ang Guan Seng	40	–	40	103	–	103
Goh Nan Kioh	68	–	68	68	–	68
Goh Nan Yang	54	349	403	68	356	424
Helen Zee	54	–	54	68	–	68
Khoo Teng Keat	27	–	27	–	–	–
Lim Thian Soo	27	–	27	68	–	68
Lim Loi Heng	54	–	54	68	–	68
Lim Chong Puang	27	–	27	68	–	68
Lim Boon Seh	27	–	27	68	–	68
Sandy Chim Chun Kwan	54	–	54	68	–	68
Yeoh Eng Khoon	54	–	54	68	–	68
Yeow See Yuen	27	–	27	–	–	–
	513	349	862	715	356	1,071

No directors waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 December 2008 and 2007.

(ii) Five highest paid employees

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

	2008 HK$'000	2007 HK$'000
Bonuses	93	145
Salaries and allowances	1,523	1,742

The emoluments of these five non-directors, highest paid employees were all within the band of HK$0 to HK$1,000,000 for the years ended 31 December 2008 and 2007.

None of these non-director, highest paid employees waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 December 2008 and 2007.

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 present, 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 has no assessable profits derived from or earned in Hong Kong for the current and the previous financial years.

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 enterprises from 27% to 25% with effect from 1 January 2008.

For the year ended 31 December 2008, the statutory corporate income tax rates applicable to the Joint Venture established and operating in the PRC was 25% (2007 – 27%). No taxation is provided for the Joint Venture as it sustained a loss for tax purposes.

A reconciliation of the 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	
	2008	**2007**
	HK$'000	*HK$'000*
Loss before taxation	(66,893)	(1,146)
Tax at the statutory tax rates		
– Mainland China @ 25% (2007 – 27%)	(13,046)	(1,056)
– Hong Kong @ 17.5% (2007 – 17.5%)	(2,851)	490
	(15,897)	(566)
Tax effects of:–		
Non-deductible expenses	4,944	915
Non-taxable income	(2,096)	(1,418)
Reduction in tax rate	(1,426)	–
Utilisation of unutilised tax losses brought forward	–	(407)
Deferred tax assets not recognised during the year	14,475	1,476
Income tax expense	–	–

11. INCOME TAX EXPENSE *(Continued)*

As at 31 December 2008, subject to the agreement of the local tax authorities, the Joint Venture had tax losses arising in the PRC of RMB58,039,000 (2007 – RMB9,607,000) 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. The expiration years for the losses incurred by the Joint Venture are as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Expired in year:		
2008	–	2,694
2009	6,913	6,913
2011	51,126	–
	58,039	9,607

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	
	2008	**2007**
	HK$'000	*HK$'000*
Allowance for doubtful debts	30,649	27,492
Allowance for obsolete inventories	3,439	3,230
Provision for product warranty	2,464	6,455
Provision for sales incentives	8,745	8,221
Unrealised loss on foreign exchange	2,150	2,250
Unutilised tax losses	46,141	5,941
Others	28,921	14,423
	122,509	68,012

12. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK$66,893,000 (2007 – loss of HK$1,146,000) on the number of shares in issue during the year of 105,116,280 (2007 – 105,116,280).

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP 2008	Buildings *HK$'000*	Plant and Machinery *HK$'000*	Construction-in-progress *HK$'000*	Equipment *HK$'000*	Total *HK$'000*
Cost or valuation:					
At 1 January 2008	113,960	279,871	4,552	2,192	400,575
Additions	–	2,111	2,282	–	4,393
Written off	–	(63)	–	–	(63)
Effect of foreign exchange translation	7,258	17,854	323	–	25,435
At 31 December 2008	121,218	299,773	7,157	2,192	430,340
Accumulated depreciation:					
At 1 January 2008	47,676	159,690	–	1,886	209,252
Charge for the year *(Note 9)*	4,612	18,898	–	51	23,561
Written off	–	(1)	–	–	(1)
Effect of foreign exchange translation	3,104	10,313	–	–	13,417
At 31 December 2008	55,392	188,900	–	1,937	246,229
Carrying amount:					
At 31 December 2008	65,826	110,873	7,157	255	184,111
An analysis of cost or valuation:					
At cost	10,053	299,773	7,157	2,192	319,175
At valuation (2000)	111,165	–	–	–	111,165
	121,218	299,773	7,157	2,192	430,340

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

THE GROUP 2007	Buildings *HK$'000*	Plant and Machinery *HK$'000*	Construction-in-progress *HK$'000*	Equipment *HK$'000*	Total *HK$'000*
Cost or valuation:					
At 1 January 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 *(Note 9)*	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
Carrying amount:					
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 (2000)	104,509	–	–	–	104,509
	113,960	279,871	4,552	2,192	400,575

The Group has pledged the buildings, plant and machinery to secure banking facilities granted to the Group (Note 30).

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

Had the revalued buildings been carried at cost less accumulated depreciation, the carrying amount of the buildings in the financial statements would have been HK$40,448,000 (2007 – HK$41,516,000).

The buildings are held under medium-term lease outside Hong Kong.

The plant and equipment of the Group are held outside Hong Kong.

14. OPERATING LEASE PREPAYMENTS

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Cost:		
At 1 January	18,843	17,537
Effect of foreign exchange translation	1,200	1,305
At 31 December	20,043	18,842
Accumulated amortisation:		
At 1 January	5,803	4,638
Charge for the year *(Note 9)*	859	788
Effect of foreign exchange translation	382	377
At 31 December	7,044	5,803
Carrying amount	12,999	13,039

The Group has pledged the leasehold land to secure banking facilities granted to the Group (Note 30). The leasehold land is held outside Hong Kong with a lease period of 23 years.

15. OTHER RECEIVABLES AND PREPAYMENTS

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Current		
Amount owing by a related party[(1)]	1,713	1,046
Other receivables	1,620	7,226
Deposits paid to suppliers	1,598	6,377
Prepayments and deposits	2,216	789
	7,147	15,438

	THE COMPANY	
	2008	**2007**
	HK$'000	*HK$'000*
Non-current		
Other receivables[(2)]	3,537	3,517
Less: allowance for doubtful debts	(3,368)	(3,368)
	169	149

15. OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

The foreign currency exposure profile of other receivables is as follows:–

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi	6,866	5,959	–	–
Ringgit Malaysia	216	372	169	149
United States Dollar	65	9,107	–	–

Notes:–

1. The related party refers to Guangzhou Bolex Tyre Limited ("Bolex"), a company incorporated in the PRC, 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.

2. 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 on 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	
	2008	**2007**
	HK$'000	*HK$'000*
Non-Current		
Amounts due from subsidiaries	43,431	45,487
Current		
Amount due to a subsidiary	21,432	19,959

The amounts due from subsidiaries are unsecured, interest-free and in substance represent 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	
	2008	**2007**
	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 2008	Direct Attributable Equity Interest 2007	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 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 Establishment	Authorised/ Fully Paid-up Registered Capital	Indirect Attributable Equity Interest 2008	Indirect Attributable Equity Interest 2007	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 the wholly-owned subsidiary, 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 A JOINT VENTURE *(Continued)*

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

	2008 HK$'000	2007 HK$'000
Non-current assets	196,856	205,112
Current assets	140,675	304,513
Current liabilities	(138,676)	(273,805)
Net assets	198,855	235,820

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

	2008 HK$'000	2007 HK$'000
Revenues and other income	453,435	657,312
Costs and expenses	(497,617)	(653,452)
	(44,182)	3,860
Finance costs	(6,433)	(7,818)
Loss before taxation	(50,615)	(3,958)
Income tax expense	–	–
Loss for the year	(50,615)	(3,958)

19. INVESTMENT IN AN ASSOCIATE

	THE GROUP 2008 HK$'000	THE GROUP 2007 HK$'000
Investment in an associate accounted for at cost	4,475	4,475

Particulars of the associate are as follows:–

Name	Place/Date of Incorporation	Authorised/ Issued and Fully Paid-up Share Capital	Indirect Attributable Equity Interest 2008	Indirect Attributable Equity Interest 2007	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	
	2008	**2007**
	HK$'000	*HK$'000*
Non-current		
Securities listed outside Hong Kong:		
– available-for-sale, at fair value(1)	89,909	114,721
Current		
Securities listed outside Hong Kong:		
– held for trading, at fair value	11,231	22,497

During the year, the loss on fair value changes of the Group's available-for-sale investment recognised directly in equity amounted to HK$23,613,000 (2007 – HK$3,391,000).

Note:–

1 It relates to investment in D & O Ventures Berhad ("D&O"), a company incorporated in Malaysia. As at 31 December 2008, the Group held 16.6% (2007 – 16.6%) equity interest 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	
	2008	**2007**
	HK$'000	*HK$'000*
Licence fee		
Cost:		
At 1 January	6,313	5,875
Effect of foreign exchange translation	402	438
At 31 December	6,715	6,313
Accumulated amortisation:		
At 1 January	5,862	5,036
Charge for the year *(Note 9)*	473	434
Effect of foreign exchange translation	380	392
At 31 December	6,715	5,862
Carrying amount	–	451

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 2008 HK$'000	THE GROUP 2007 HK$'000
At Cost:		
Raw materials	25,555	45,876
Work-in-progress	7,134	7,944
Finished goods	–	56,108
	32,689	109,928
At Net Realisable Value:		
Finished goods	33,181	–
	65,870	109,928

The Group has pledged the raw materials and finished goods to secure banking facilities granted to the Group (Note 30). At the balance sheet date, the Group has impaired certain finished goods amounted to HK$6,583,000 (2007 – nil) (Note 9).

23. TRADE RECEIVABLES

	THE GROUP 2008 HK$'000	THE GROUP 2007 HK$'000
Trade receivables	44,058	67,512
Less: allowance for doubtful debts *(Note 23(b))*	(30,649)	(27,492)
	13,409	40,020

(a) Ageing analysis

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

	THE GROUP 2008 HK$'000	THE GROUP 2007 HK$'000
Less than one year	12,021	38,880
More than one year but less than two years	2,435	1,916
More than two years	29,602	26,716
	44,058	67,512
Less: allowance for doubtful debts	(30,649)	(27,492)
	13,409	40,020

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	
	2008	**2007**
	HK$'000	*HK$'000*
At 1 January	27,492	25,108
Additional allowance for the year *(Note 9)*	1,386	495
Effect of foreign exchange translation	1,771	1,889
At 31 December	30,649	27,492

(c) Trade receivables that are not impaired

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

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Neither past due nor impaired	5,178	22,198
Less than one year past due	6,843	16,643
More than one year but less than two years past due	1,388	1,179
	13,409	40,020

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 have 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.

23. TRADE RECEIVABLES *(Continued)*

(d) The foreign currency exposure profile of trade receivables is as follows:–

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Renminbi	–	7,079
United States Dollar	13,409	32,941

24. FIXED DEPOSITS WITH LICENSED BANKS

The weighted average interest rate of the short-term deposits at the balance sheet date was 2.25% (2007 – 2.90%) per annum.

The foreign currency exposure profile of fixed deposits is as follows:–

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Renminbi	26,784	110,549
United States Dollar	70	1,577

The short-term deposits of the Group were pledged to licensed banks as security for bank loans (Note 30).

25. CASH AND BANK BALANCES

The foreign currency exposure profile of cash and cash equivalents is as follows:–

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Euro	256	–	–	–
Renminbi	11,808	13,335	–	–
Ringgit Malaysia	108	110	51	8
Singapore Dollar	6,277	8,956	–	–
United States Dollar	16,149	14,130	52	52

Renminbi 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 Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

26. TRADE PAYABLES

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

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Less than one year	32,790	79,545
More than one year but less than two years	322	666
More than two years	7,341	6,516
	40,453	86,727

The foreign currency exposure profile of trade payables is as follows:–

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Renminbi	40,453	86,727

27. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	15,988	13,331	581	242
Amount owing to a related party	1,171	–	1,171	–
Accruals	3,664	6,302	1,066	2,027
	20,823	19,633	2,818	2,269

The amount owing to a related party is non-trade in nature, unsecured, interest-free and has no fixed term of repayment.

The analysis by currency of other payables and accruals is as follows:–

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Australia Dollar	665	1,743	665	1,628
Hong Kong Dollar	400	400	400	400
Renminbi	13,339	14,815	–	–
Ringgit Malaysia	519	669	519	179
United States Dollar	5,900	2,006	1,234	62
	20,823	19,633	2,818	2,269

28. AMOUNT DUE TO A DIRECTOR

The amount due is unsecured, interest-free and has no fixed term of repayment. The amount owing is denominated in Ringgit Malaysia.

29. PROVISIONS

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	6,455	5,568	–	–
(Reversal)/Addition during the year *(Note 9)*	(2,416)	4,040	–	–
Utilised during the year	(1,766)	(3,586)	–	–
Effect of foreign exchange translation	349	433	–	–
	2,622	6,455	–	–
Others	118	118	118	118
At 31 December	2,740	6,573	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 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.

30. BORROWINGS

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Bank loans	80,827	165,317

The loans are wholly repayable within one year and bear a weighted average interest rate of 8.00% (2007 – 7.19%) 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, buildings, plant and machinery of the Joint Venture (Notes 13 and 14);

(ii) debentures incorporating fixed and floating charges over the inventory of the Joint Venture (Note 22); and

(iii) a lien over all the fixed deposits of the Joint Venture (Note 24).

30. BORROWINGS *(Continued)*

The foreign currency exposure profile of borrowings is as follows:–

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Renminbi	46,737	67,265
United States Dollar	34,090	98,052

31. SHARE CAPITAL

	2008	**2007**
	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		
105,116,280 ordinary shares of A$0.20 each	110,716	110,716

32. 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 sheets 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.

32. SHARE OPTION SCHEME *(Continued)*

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.

33. RESERVES

THE COMPANY	**Share Premium** *HK$'000* *note 33 (a)*	**Retained Profits** *HK$'000*	**Total** *HK$'000*
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
At 1 January 2008	113,157	13,972	127,129
Loss for the year	–	(4,241)	(4,241)
At 31 December 2008	113,157	9,731	122,888

(a) Share Premium

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

The movement of the reserves of the Group are disclosed in the Consolidated Statement Of Changes In Equity as set out on page 26 of the financial statements.

33. RESERVES *(Continued)*

(b) Revaluation Reserve

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Revaluation reserve is represented by:–		
Net gain on fair value change of available-for-sale investment		
At 1 January	88,661	85,270
Loss on fair value change of available-for-sale investment	(18,954)	(2,858)
Effect of foreign exchange translation	(4,659)	6,249
At 31 December	65,048	88,661
Revaluation of buildings of the Joint Venture arising from land and buildings swap	6,418	6,418
	71,466	95,079

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

(c) Capital Reserve

	THE GROUP	
	2008	**2007**
	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.

33. RESERVES *(Continued)*

(d) Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of non-monetary items in respect of which gains and losses are recognised directly in equity and of the financial statements of foreign operations. The reserve is not distributable by way of cash dividends and is dealt with in accordance with the accounting policy set out in Note 4(p).

(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 accumulated losses of RMB49,856,000 or HK$56,621,000 as at 31 December 2008 (31 December 2007 – retained profits of RMB2,932,000 or HK$3,130,000), as prepared in accordance with PRC accounting standards.

34. CAPITAL AND OPERATING LEASE COMMITMENTS

As at 31 December 2008, the capital commitment of the Joint Venture is as follows:–

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Capital expenditure:		
– approved but not contracted for	541	1,370
– approved and contracted for	2,020	2,576
	2,561	3,946

As at 31 December 2008, the total future minimum lease rentals under non-cancellable operating leases payable by the Joint Venture to GRTF are as follows:–

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	6,289	5,912
After one year but not more than five years	25,156	23,650
More than five years	50,282	53,184
	81,727	82,746

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% (2007 – 70%).

35. 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/Ringgit Malaysia against the HKD repectively. 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/Ringgit Malaysia against the HKD. For a 5% weakening of the RMB against the USD and Singapore Dollar/Australia Dollar/Ringgit Malaysia 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 2007.

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Effect on loss for the year	(431)	(2,390)
Effect on other equity	(436)	(2,472)

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) Foreign Currency Risk (Continued)

Foreign currency sensitivity analysis *(Continued)*

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 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 bank borrowings. The Group's interest rate profile as monitored by management is set out below:–

	THE GROUP			
	Effective Interest Rate	**31 December 2008**	**Effective Interest Rate**	**31 December 2007**
	%	*HK$'000*	%	*HK$'000*
Variable rate borrowings:				
Bank loans	8.00	80,827	7.19	165,317

Interest rate sensitivity analysis

At 31 December 2008, 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 HK$180,000 (2007 – HK$1,023,000) respectively. The Joint Venture was required to place fixed deposits in RMB as collateral for certain short-term loans with no interest expense payable during the periods of borrowing.

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 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 2007.

35. 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 held for 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.

35. 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, 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 2008			
Trade and other payables, and accruals	61,276	61,276	61,276
Amount due to a director	5,612	5,612	5,612
Borrowings	80,827	81,007	81,007
	147,715	147,895	147,895
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	166,340	166,340
	277,062	278,085	278,085

35. 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 2008			
Other payables and accruals	2,818	2,818	2,818
Amount owing to a subsidiary	21,432	21,432	21,432
Amount owing to a director	438	438	438
	24,688	24,688	24,688
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
	22,440	22,440	22,440

(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.

35. FINANCIAL INSTRUMENTS *(Continued)*

(ii) Capital risk management *(Continued)*

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio of not more than 100%. The gearing ratios as at 31 December 2008 and 2007 were as follows:

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Current liabilities	150,455	277,062
Less: Fixed deposits with licensed banks *(Note 24)*	(26,854)	(112,126)
Less: Cash and bank balances *(Note 25)*	(34,598)	(36,531)
Net debt	89,003	128,405
Total equity	300,411	377,879
Total capital	389,414	506,284
Gearing ratio	23%	25%

(iii) Fair Value Estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 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.

(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.

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(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 Borrowings and Other Current Liabilities

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

36. CONNECTED/RELATED PARTY TRANSACTIONS

In addition to the amount owing by/to a related party as disclosed in Notes 15 and 27 respectively 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	
	2008	**2007**
	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	252	835
(ii) charging of utilities (water, electricity, steam and compressed air consumed)	8,865	5,413
(iii) the right to use the factory lift and the factory space	97	90
Interest income for advances outstanding	–	55
	9,214	6,393

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

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
(b) Transactions between the Joint Venture and GGXEG*		
Payments:		
Lease rental for a piece of land and buildings erected thereon	4,262	3,293
Lease rental for the exclusive right to use certain machinery	2,239	1,847
Lease rental for a hostel	36	23
Royalties for the right to use the trademark "Pearl River" and any technology and know-how necessary for the production of bias tyres	491	359
	7,028	5,522

* *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.

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

(c) Compensation of key management personnel:

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

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Short-term employee benefits	1,752	2,655

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.

37. 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.

37. SEGMENTAL INFORMATION *(Continued)*

The following tables present revenue and profit information regarding business segments for the financial years ended 31 December 2008 and 2007 and certain asset and liability information regarding geographical segments as at 31 December 2008 and 2007:–

(i) Primary reporting format – business segments

	Manufacturing	Investment Holding	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2008				
Turnover	453,190	–	–	453,190
RESULTS:				
Segment results (external)	(44,182)	(16,290)	12	(60,460)
Finance costs	(6,433)	–	–	(6,433)
Loss before taxation				(66,893)
Income tax expense				–
Loss for the year				(66,893)
OTHER INFORMATION:				
Segment assets	337,529	113,337		450,866
Segment liabilities	(138,676)	(11,779)		(150,455)
Capital expenditure	4,393	–		4,393
Depreciation and amortisation	24,842	51		24,893

37. SEGMENTAL INFORMATION *(Continued)*

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

	Manufacturing	**Investment Holding**	**Elimination**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2007				
Turnover	656,502	–	–	656,502
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	509,625	151,889		661,514
Segment liabilities	(273,805)	(9,830)		(283,635)
Capital expenditure	27,146	–		27,146
Depreciation and amortisation	21,359	204		21,563

37. SEGMENTAL INFORMATION *(Continued)*

(ii) Secondary reporting format – geographical segments

2008	**Revenue**	**Carrying Value of Segment Assets**	**Capital Additions**
	HK$'000	*HK$'000*	*HK$'000*
The People's Republic of China	192,450	337,349	4,393
Republic of India	20,230	–	–
Republic of Yemen	39,154	–	–
The People's Republic of Bangladesh	32,664	–	–
Singapore	39,089	6,277	–
Malaysia	15,907	107,240	–
Others	113,696	–	–
	453,190	450,866	4,393

2007	**Revenue**	**Carrying Value of Segment Assets**	**Capital Additions**
	HK$'000	*HK$'000*	*HK$'000*
The People's Republic of China	253,100	508,855	27,146
Republic of India	82,553	–	–
Republic of Yemen	44,589	–	–
The People's Republic of Bangladesh	32,645	–	–
Singapore	87,175	8,956	–
Malaysia	27,508	143,703	–
Others	128,932	–	–
	656,502	661,514	27,146

38. 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):–		
Current assets		
Fixed deposits with licensed banks	112,126	–
Cash and bank balances	36,531	–
Cash and cash equivalents	–	148,657
CONSOLIDATED INCOME STATEMENT (EXTRACT):–		
Turnover	656,502	658,655
Other (loss)/gain	7,267	–
Other income	–	6,198
Other operating expenses	(14,167)	(15,251)
CONSOLIDATED CASH FLOW STATEMENT (EXTRACT):–		
Operating activities		
Additional provision for product warranty	4,040	454
Decrease in inventories	6,476	10,062
Investing activities		
Decrease/(Increase) in fixed deposits, net	(101,502)	–
Net cash generated from/(used in) investing activities	(126,580)	(25,078)
Net decrease in cash and bank balances	(5,326)	–
Net increase in cash and cash equivalents	–	96,176
Cash and bank balances at beginning of the year	40,823	–
Cash and cash equivalents at beginning of the year	–	51,447
Cash and bank balances at end of the year	36,531	–
Cash and cash equivalents at end of the year	–	148,657

FIVE-YEAR FINANCIAL SUMMARY

	2008	**2007**	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	453,190	656,502	609,947	552,271	430,606
(Loss)/profit before taxation	(66,893)	(1,146)	(7,075)	7,023	(7,483)
Non-current assets	291,494	324,009	299,372	326,098	329,610
Current assets	159,372	337,505	231,332	194,348	164,987
Current liabilities	(150,455)	(283,635)	(173,036)	(142,347)	(132,980)
Equity	300,411	377,879	357,668	378,099	361,617

The comparative figures in respect of turnover for the financial years 2004, 2005, 2006 and 2007 have been reclassified to conform with the current financial year's presentation.