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CORPORATE INFORMATION

Company Registered Office	Bermuda Commercial Bank Building 19 Par-La-Ville Road Hamilton HM 11 Bermuda
Principal place of business in Hong Kong	Room 1902, Yue Shing Commercial Building 15 Queen Victoria Street Central, Hong Kong
Company Secretaries	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 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai, 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 2012.

The Group recorded a consolidated profit of HK$8.987 million for the financial year ended 31 December 2012 as compared to a loss of HK$82.654 million in the previous year.

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

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

During the year, 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 tyre mainly for commercial vehicles. The results of this Joint Venture can be summarized as follows:

1. Sales of goods increased approximately HK$116,147,000 representing a growth rate of 25% for the financial year. The growth was mainly attributable to an increase in sales volume to the export markets.

2. The Joint Venture achieved a gross profit margin of 10.8% during the financial year as compared to 0.39% in the previous financial year. Apart from increases in sales volume and revenue, lower raw material prices played a significant role in the Joint Venture's profitability in 2012.

3. During the year, the Joint Venture conducted its sales mostly on a cash basis in the local market and on confirmed letter of credit for the export market. The Joint Venture did not give credit terms to its customers except to certain original equipment manufacturers ("OEM") with good credit track record.

4. Light Truck Radial ("LTR") tyre production lines are now operating at optimal level after recording more than 90% increase in sales in 2012. The Joint Venture continues to be optimistic of the prospects of the LTR tyre market. Plans are underway to expand the product sizes to fully utilise the production facilities.

5. The Joint Venture has bank borrowings of RMB51,047,000. 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 FOR THE JOINT VENTURE

The local bias tyre market continues to shrink in the face of intensifying competition from radial tyre substitutes. To bolster sales of bias tyres amidst a declining domestic market, management will dedicate more efforts in producing better quality bias tyres at lower cost and further developing the export markets. Given our market share in China for bias tyres is only about 20%, management believes there is room to further grow its presence in the local bias tyre market.

In the meantime, the Joint Venture is working diligently towards developing its radial tyre business. Based on positive market feedback, management is optimistic that radial tyre sales will contribute significantly to the Joint Venture's turnover and profitability in the future.

The business environment in 2013 is expected to be more challenging. Production overheads cost pressure is on the rise as a result of higher manpower and energy costs. Additionally, the implementation of EU REACH regulations will likely add burden to tyre manufacturers that export tyres to Europe.

BUSINESS DIVERSIFICATION

On 23 November 2012, an indirect wholly owned subsidiary of the Company, namely Bright Eagle Holdings Limited ("BEHL") has acquired a 72.79% equity interest in IC Spectrum (Kunshan) Co., Limited ("ICS") for RMB1. The acquisition was completed on 22 January 2013. ICS, which has obtained the necessary environmental assessment approval from the Ministry of Environmental Protection of the PRC to manufacture 8-inch integrated circuit chips, will be used as a ready platform by the Group to diversify into the electronics sector.

To raise the required funds of HK$291.16 million for the anticipated fresh equity investment in ICS, shareholders of the Company has via a Special General Meeting on 28 January 2013 approved amongst others the following transactions:

a) Placing of Convertible Bonds of an aggregate principal amount of up to HK$60 million to be issued by the Company;

b) Conditional agreement for capital injection into ICS by BEHL and Beijing Zhongying Century Investment Co., Limited;

c) Disposal of wholly owned subsidiary, PRT Capital Pte. Ltd. to Pacific Union Pte Ltd for HK$85 million;

d) Loan from a substantial shareholder, namely KL-Kepong International Ltd to Rodez Investments Ltd ("RIL") for a total of HK$67.5 million; and

e) Loan from a substantial shareholder, namely Pacific Union Pte Ltd to RIL for a total of HK$82.5 million.

Other than above, the Company does not intend to raise further borrowings in the near term.

The management of ICS is confident of procuring purchase order for about 300,000 chip wafers per year. Based on the forecast and assessment of ICS's management, the Board is optimistic that the new investment will contribute positively to the Group's future earnings growth in the long term.

BUSINESS REVIEW

2012 has been a year of weak growth for most developed countries, and one of slowing economic growth for developing nations. The sovereign debt crisis in Europe and policy uncertainty in the U.S. have constrained investment and hiring in those regions, causing subsequent declines in the demand for manufactured goods from developing nations, most notably China.

However, the slowdown in demand has led to lower commodity prices in particular, rubber. This has benefited the tyres manufacturers in China. Based on the statistics of the Chinese Rubber Industry Association, the overall China tyre industry is profitable in the year 2012. However, both the industrial output value and sales income were negatively impacted by slower demand.

The year 2012 has proven to be a much better year for the Joint Venture which recorded a 25% rise in revenue and registered a net profit of HK$21 million compared to a loss of HK$99 million in 2011. The management's effort and various programs undertaken to reduce cost and improve efficiencies have proven to be effective.

The growth in revenue is mainly due to an increase in sales volume of export markets. Additionally lower raw material prices, in particular natural rubber, played a significant role in the Joint Venture's profitability in 2012. The Joint Venture achieved a gross profit margin of 10.8% in 2012 compared to 0.39% in 2011. Apart from lower raw material prices, the improvement in margin was also attributable to the following measures taken by the management:

1. Strengthening production planning and scheduling. This has enabled the Joint Venture to increase production output by 42% with the same capacity.

2. Clear business model. Identify and develop product range that has higher demand and profit margin.

SALES

The overall revenue of the Joint Venture rose 25% in 2012 which is largely attributable to an increase in sales volume of the export markets. Export market sales were driven mainly by stronger demand from the Republic of Yemen and The People Republic of Bangladesh.

Light Truck Radial ("LTR") tyres also contributed positively to the Joint Venture. The production output has been gradually increased over the year. Sales increased more than 90% as compared to previous financial year. LTR contributed about 14% of the total sales in 2012. Management is targeting to develop another 13 sizes of LTR tyres in 2013.

PRODUCTION

Management's efforts in ensuring better sales/production coordination have resulted in enhanced production efficiency and better cost control. The monthly production schedule and actual production has been stable and this has enhanced management's planning processes including raw material purchases, human resources management and other operational cost control.

Additionally, centralising the production area has proven to substantially increase efficiency of production. Since the implementation of production centralisation, the production costs have decreased about 20%.

The challenges ahead would be our flexibility in managing the various product lines to meet the ever changing market demand. Moving forward the Joint Venture will continue to invest in our fledging radial tyre business while maintaining a reasonable scale of bias ply commercial tyres.

PROSPECT

Joint Venture

The Joint Venture which specializes in producing and selling bias tyre for various commercial applications, especially heavy duty tyres, clearly operates in a niche segment in all its present markets. However, the bias tyre market is facing intense competition from radial tyre which resulted in a significant decrease in the overall demand for bias tyre.

Since last year, the Joint Venture has moved into radial tyre and has been gradually building up its radial capacity, while maintaining a reasonable scale of bias commercial tyre. Moving forward, the radial tyre business will be a major focus for the Joint Venture which the Board expects would contribute significantly to the Joint Venture's turnover and profitability in the future.

New Investment

On 23 November 2012, an indirect wholly owned subsidiary of the Company has acquired a 72.79% equity interest in IC Spectrum (Kunshan) Co., Limited ("ICS") for RMB1. ICS, which has obtained the necessary environmental assessment approval from the Ministry of Environmental Protection of the People's Republic of China to manufacture 8-inch integrated circuit chips, will be used as a ready platform by the Group to diversify into the electronics sector.

The management of ICS is confident of procuring purchase order for about 300,000 chip wafers per year. Based on the forecast and assessment of ICS's management, the Board is optimistic that the new investment will contribute positively to the Group's future earnings growth in the long term.

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 2012.

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 various types of tyres for commercial vehicles.

RESULTS

The results of the Group for the year ended 31 December 2012 and the financial position of the Company and the Group as at that date are set out in the audited financial statements on pages 27 to 119 of the annual report.

RESERVES

Details of movement in reserves of the Company and the Group during the year ended 31 December 2012 are set out in Note 33 to the financial statements and on page 92 to 96 of the annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the aggregate amount of reserves available for distribution to owners of the Company was HK$187,312,000 (2011: HK$169,818,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2012,

(a) 39% of sales of the Group and 52% 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 accounted for 11% of sales of the Group whilst the Group's largest supplier accounted for 22% 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 2012.

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 120 of the annual report.

SHARE CAPITAL

Details of movements in the authorised and issued and paid-up share capital of the Company during the year are set out in Note 31 to the financial statements.

SHARE OPTION SCHEME

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

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 2012.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year ended 31 December 2012 are set out in Note 15 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 2012 except where otherwise indicated.

Chairman and Non-Executive Director

Goh Nan Kioh

Executive Directors

Goh Nan Yang
Wang Shu Jie (Appointed as Independent and Non-Executive Director on 8 November 2012 and re-designated as Executive Director on 23 November 2012)

Non-Executive Directors

Yeoh Eng Khoon
Yeow See Yuen*
Khoo Teng Keat* (Resigned on 28 September 2012)
Wong Meng Tak*
Won Tian Loong* (Appointed on 15 May 2012 and resigned on 8 November 2012)
Liu Hongjun* (Appointed on 28 September 2012)

* *Independent and Non-Executive Director*

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

Pursuant to Clause 6.1 (f) (1) (A) of the Company's Bye-laws, Yeoh Eng Khoon retires by rotation at the forthcoming annual general meeting and, being eligibles for re-election. Dato Yeoh will not offer himself for re-election at the forthcoming annual general meeting due to his other business commitments. Dato Yeoh also confirmed that he does not have any disagreement with the Board and Company and there is no matter relating to his retirement that will need to be brought to the attention of the shareholders of the Company.

Pursuant to Clause 6.1 (e) of the Company's Bye-laws, Wang Shu Jie and Liu Hongjun 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 37 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 2012 or at any time during the financial year ended 31 December 2012.

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 2012.

CONTRACTS OF SIGNIFICANCE

Save for those transactions described in Note 37 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 2012, 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

Director	Personal Interests	Family Interests	Corporate Interest
Goh Nan Kioh	1,500,000	957,790 (Note 1)	38,650,000 (Note 2)
Goh Nan Yang	2,594,000	–	–
Yeow See Yuen	800,000	–	–

Note 1: These Shares are beneficially held by the spouse and children (under 18 years old) of Goh Nan Kioh and accordingly he is deemed interest in these Shares.

Note 2: These Shares are held (i) as to 37,590,000 Shares by Pacific Union Pte Ltd; (ii) as to 610,000 Shares by Cambrew Hong Kong Limited; and (iii) as to 450,000 Shares by Mega First Mining Sdn Bhd, companies in which Goh Nan Kioh has controlling interest.

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

	Number of Shares Issuable Under Options			
	At 1/1/2012	**Granted**	**Exercised**	**At 31/12/2012**
Goh Nan Kioh	1,500,000	–	(1,500,000)	–
Goh Nan Yang	2,500,000	–	(2,500,000)	–
Yeow See Yuen	800,000	–	(800,000)	–
Khoo Teng Keat (resigned w.e.f. 28 September 2012)	800,000	–	(800,000)	–
Won Tian Loong (resigned w.e.f. 8 November 2012)	–	410,000	(410,000)	–

The Company does not have any listed debt securities.

Save as disclosed above as at 31 December 2012, 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 2012, 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 of shareholder	Number of ordinary shares of the Company held		Percentage of the issued share capital
	Direct interest	Deemed interest	
Pacific Union Pte Ltd	37,590,000	–	32.51%
Wan Hin Investments Sdn Bhd	–	32,085,976 (Note 1)	27.75%
Arusha Enterprise Sdn Bhd	–	32,085,976 (Note 1)	27.75%
Batu Kawan Berhad	–	32,085,976 (Note 1)	27.75%
Kuala Lumpur Kepong Berhad	–	32,085,976 (Note 1)	27.75%
KL-Kepong International Ltd	24,085,976	–	20.83%
Ablington Holdings Sdn Bhd	8,000,000	–	6.92%

Note 1: Wan Hin Investments Sdn Bhd directly owns 77.40% of Arusha Enterprise Sdn Bhd which in turn owns 46.11% of Batu Kawan Berhad. Batu Kawan Berhad directly owns 46.57% of Kuala Lumpur Kepong Berhad which in turn owns 100% of KL-Kepong International Ltd and Ablington Holdings Sdn Bhd. Therefore, Wan Hin Investments Sdn Bhd, Arusha Enterprise Sdn Bhd, Batu Kawan Berhad and Kuala Kumpur Kepong Berhad are deemed to be interested in 32,085,976 Shares beneficially owned by Ablington Holdings Sdn Bhd and KL-Kepong International Ltd as disclosed above.

As at 31 December 2012, other than (i) Goh Nan Kioh is a common director and a common substantial shareholder of Pacific Union Pte Ltd and the Company; and (ii) Yeoh Eng Khoon is an independent non-executive director of Kuala Lumpur Kepong Berhad and Batu Kawan Berhad, no Director or proposed Director is a director or employee of each of the substantial shareholders as disclosed above.

Save as mentioned above, as at 31 December 2012, to the Directors' knowledge, there was no other person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CONTINUING CONNECTED TRANSACTIONS

The following connected/related party transactions entered into in 31 December 2011 constitutes continuing connected transactions for the Group under the Listing Rules and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules:

1. **Transactions between the Joint Venture ("JV") and Guangzhou Bolex Tyre Limited ("Bolex")**

   Pursuant to a Master Agreement between the JV and Bolex in December 1996, supplemental agreement on 18 April 2006, renewed agreement on 31 December 2008 and 31 December 2011 respectively. The JV agreed to process certain raw materials for Bolex, in return for a contribution by Bolex of an agreed percentage of cost of equipment used, employees employed for such processing, the cost of raw materials incurred, the overhead cost and other expenses such as water, electricity, steam and compressed air consumed.

2. **Transactions between the JV and Guangzhou Guang Xiang Enterprises Group Company Limited ("GGXEG")**

   (i) Investment and leasing agreement

   Pursuant to an asset investment and leasing agreement between the JV and Guangzhou Rubber Tyre Factory ("GRTF"), the former PRC partner owning 30% equity in JV and which assets and liabilities were taken over by GGXEG dated 2 November 1994, the JV agreed to lease machinery for the duration of the JV, being 30 years from December 1993 at RMB2,000,000 per annum.

   (ii) License agreement

   GRTF and the JV have entered into a license agreement dated 2 November 1994 pursuant to which GRTF has licensed the right to the exclusive use of the trademark "Pearl River" at a monthly license fee of 0.2% of the total monthly sales income derived from the sale of tyres bearing the said trademark. The JV is entitled to use the said trademark for the period from 1 January 1996 to 11 December 2023.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

2. Transactions between the JV and Guangzhou Guang Xiang Enterprises Group Company Limited ("GGXEG") *(Continued)*

(iii) Real estate lease contract

Pursuant to a real estate lease contract between the JV and GRTF dated 30 October 2000, the JV agreed to lease a piece of land in Wabu Village, Tanbu Town, Huadu, Guangzhou City, Guangdong Province, the PRC with an area of 170,729 sq.m and buildings erected thereon. The buildings leased from GRTF, with a total gross floor area of 42,547 sq.m., are mainly used by the JV for its office, industrial production and operations purposes. The lease term is 20 years from 20 December 2000 at RMB3,508,668 per annum. The lease rental will be revised based on the land use fee and real estate tax actually paid/payable to the government at any time when necessary.

On 18 April 2006, three supplemental agreements were executed between the JV and GGXEG pursuant to which the tenure of the respective original agreements in respect of three prevailing GGXEG transactions above was amended to 1 January 2006 to 31 December 2008 renewable automatically for every another 3 years upon expiry at the same terms, up to the respective date of the original tenure and subject to compliance with the Listing Rules then prevailing, with all other terms stipulated under each of the original agreements in respect of three prevailing GGXEG Transactions remain unchanged. On 31 December 2008 and 2011, each of the supplemental agreement has renewed automatically for a period of three years from 1 January 2009 to 31 December 2011 and from 1 January 2012 to 31 December 2014 respectively for the same terms.

3. Transactions between the JV and Guangzhou International Group Building Management Company Limited ("GIGBM")

(i) Hostel lease and management agreement

Pursuant to the hostel lease and management agreement between the JV and GIGBM dated 28 January 2010, the JV agreed to lease a hostel from GIGBM with a lease term commencing from 1 October 2009 to 31 December 2012 where the JV is given a rental payment exemption period from 1 October 2009 to 31 January 2010. The hostel leased from GIGBM with a total gross floor area of 20,674 sq.m. for the brick concrete structure and 814 sq.m. for the brick wood structure at an annual rental of RMB550,768 per annum and RMB14,555 per annum respectively. The hostel will then be sublet to the factory workers of the JV. On 31 December 2012, both parties entered into a supplemental agreement to renew at same terms for a period of three years from 1 January 2013 to 31 December 2015.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

3. Transactions between the JV and Guangzhou International Group Building Management Company Limited ("GIGBM") *(Continued)*

(ii) Leasing agreement

Pursuant to the leasing agreement between the JV and GIGBM dated 28 January 2010, the JV agreed to lease a dining hall from GIGBM with a lease term of three years commencing from 1 January 2010 to 31 December 2012 at an annual rental of RMB94,705. The total gross floor area of the dining hall is 1,435 sq.m. to use as canteen for the staff of JV. On 31 December 2012, both parties entered into a supplemental agreement to renew at same terms for a period of three years from 1 January 2013 to 31 December 2015.

The independent non-executive directors of the Company have reviewed the above-mentioned transactions and confirmed that these on-going connected/related party transactions have been entered into in the ordinary course of business of the Group, on normal commercial terms and on terms no less favourable to the Group than terms available to the independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Details of the above continuing connected transactions are set out in Note 37 to the financial statements.

SUFFICIENCY OF THE PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2012.

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 2012, 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 21 to 24 of the annual report.

AUDITORS

The financial statements have been audited by Crowe Horwath (HK) CPA Limited, who retire and, being eligible, offer themselves for re-appointment, and a resolution to this effort will be proposed at the forthcoming annual general meeting.

On behalf of the board

Goh Nan Yang
Executive Director

Hong Kong, 20 March 2013

DIRECTORS

Goh Nan Kioh

Mr Goh (age 60), 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 and he is also a member of remuneration committee, member of nomination committee and the chairman of share option committee.

Goh Nan Yang

Mr Goh (age 50), is a graduate from the University of Toledo with a Bachelor of Science (Engineering) (Honours) degree. He has wide and varied experience in business, ranging from manufacturing to property development. 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. He is a member of share option committee.

Yeoh Eng Khoon

Dato Yeoh (age 66), 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 more than 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 (age 46), holds a first class honours degree in Accountancy from the National University of Singapore. He started his career 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, a member of audit committee and the chairman of remuneration committee of the Company on 30 June 2008. Mr Yeow took the position of Chairman of audit committee with effect from 15 May 2012.

Wong Meng Tak

Mr Wong (age 65), obtained a Bachelor of Arts (Honours) degree majoring in Economics from the University of Malaya in 1971. He began his career in 1971 with The HongKong and Shanghai Banking Corporation Ltd in Malaysia and held various positions within the bank. In 2002, he retired from the Bank as Senior Manager Regional Credit. He was appointed as an Independent Non-Executive Director, member of audit committee and member of share option committee and remuneration committee of the Company on 25 October 2011. He is also the chairman of nomination committee.

DIRECTORS *(Continued)*

Liu Hongjun

Mr Liu (aged 43), is a graduate of Electric Engineering Institute of Hohai University in Nanjing City with a Bachelor degree in Industrial Electrical Automation. Mr Liu has over 20 years of experience in the semi-conductor industry specialised in chips manufacturing. Mr Liu is currently a senior manager of Tokyo Electron (Kunshan) Limited. He was appointed as an Independent Non-Executive Director of the Company on 28 September 2012. Mr Liu was appointed as member of nomination committee and audit committee on 8 November 2012 and 23 November 2012, respectively.

Wang Shu Jie

Mr Wang (aged 44), is a graduate of the Business School of Beijing Technology and Business University (previously known as Beijing School of Business) in Beijing City with a Bachelor degree in Economic Information Management. Mr Wang has over 10 years of experience in the semi-conductor industry specialised in chips manufacturing. He was appointed as an Independent Non-Executive Director, and member of audit committee of the Company on 8 November 2012. Mr Wang later was redesignated as executive director of the Company on 23 November 2012 and subsequently ceased to be a member of audit committee on 23 November 2012. Mr Wang currently is an authorised representative for an investment project of the Company for the development of an electronic factory in the Kunshan City, China, and as a director of the relevant subsidiaries of the Company.

SENIOR MANAGEMENT

Chan Keng Kiong (age 44), 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.

Chui Mee Chuen (age 34), is the Qualified Accountant of the Company. She is a member of the Malaysian Institute of Accountants and a Qualified Chartered Accountant registered with the Association of Chartered Certified Accountants. She started out as an auditor with RSM Robert Teo, Kuan & Co from 2003 to 2005. Subsequently, she joined Horwath for three years and then moved on to work with In-Fusion Solutions Sdn Bhd as Assistant Manager Corporate Planning for a year. She joined the Company in 2009.

Chen Xu Ming (age 55), is a graduate from the Statistics Institute of China. He joined Guangzhou Rubber Tyre Factory the predecessor of the Joint Venture, 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 promoted to Deputy General Manager responsible for the Purchasing and Logistic Department and the Personnel Department in 2004.

SENIOR MANAGEMENT *(Continued)*

Tang Xi Niu (age 50), is the Deputy General Manager of Sales Department of the Joint Venture. He is a graduate from Guangzhou Rubber Technology High School. He joined Guangzhou Rubber Tyre Factory the predecessor of the Joint Venture, in 1983. He was assigned to the Production Department. He was promoted to Assistant Workshop Supervisor in 1991 in charge of the rubber mixing workshop and later to the tyre building workshop. In 2000, he was transferred to the Sales Department and promoted to Area Sales Manager. In 2004, he was promoted to Deputy General Manager responsible for the Production Department. He was then transferred to Sales Department to assume current position since 2007.

Liang Guo An (age 50), is the Deputy General Manager of Production Department of the Joint Venture. He has a university degree in rubber engineering. He joined Guangzhou Rubber Tyre Factory the predecessor of the Joint Venture, in 1983. He was assigned to the Technical Center. He was promoted to Inspection Supervisor in 1989. In the same year, he was also the Secretary of the Branch Communist Party maintained in the factory of the Joint Venture. From 1997 to 2002, he was assigned fulltime in the Communist Party Committee Office and held the position of Deputy Head and then promoted as the Head of the Committee Office and also the Chairman of Workers' Union. In 2002, he was appointed as the Secretary of the Communist Party and the Secretary of the Disciplinary Committee of the Communist Party of the Joint Venture. In 2007, Mr. Liang was promoted to the current position and responsible for the operation of the Production Department.

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 2012 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 seven directors, of whom five are non-executive directors. The Chairman is a non-executive Director. 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 persons 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 pages 18 to 19 of the annual report. All Directors have given sufficient time and attention to the affairs of the Group. The executive Directors have sufficient experience to hold the position so as to carry out their duties effectively and efficiently. Mr Goh Nan Yang is a brother of Mr Goh Nan Kioh. Other than these, there is no family relationship among the Directors of the Company.

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

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

The Company also appointed four non-executive Directors, namely Dato Yeoh Eng Khoon, Mr Yeow See Yuen, Mr Wong Meng Tak, Mr Liu Hongjun 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 Wong Meng Tak and Mr Liu Hongjun are independent non-executive Directors. All the Directors 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 being a Director, during the financial year ended 31 December 2012 are as follows:

Directors	No. attended	No. eligible to attend
Goh Nan Kioh	16	18
Goh Nan Yang	17	18
Yeoh Eng Khoon	18	18
Yeow See Yuen	18	18
Khoo Teng Keat (Resigned on 28 September 2012)	9	10
Wong Meng Tak	16	18
Won Tian Loong (Appointed on 15 May 2012 and resigned on 8 November 2012)	7	7
Liu Hongjun (Appointed on 28 September 2012)	8	8
Wang Shu Jie (Appointed on 8 November 2012)	5	5

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 and Senior Management 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 auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the remuneration paid to the Company's auditor, Crowe Horwath (HK) CPA Limited, is set out below:

Category of services	**Fee paid/ payable** *HK$*
Audit service	650,000

AUDIT COMMITTEE

The members of the Audit Committee are:

Khoo Teng Keat (Resigned on 28 September 2012)
Yeow See Yuen
Wong Meng Tak
Liu Hongjun (Appointed on 28 September 2012)

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 twice a year, with a representative from the external auditor.

In performing its functions, the committee reviewed the overall scope of work of the external auditor 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 2012 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 2012, there were three Audit Committee Meetings held. The details of the attendance of each member are as follows:

Name	**No. attended**	**No. eligible to attend**
Khoo Teng Keat (Resigned on 28 September 2012)	2	2
Yeow See Yuen	3	3
Wong Meng Tak	3	3
Liu Hongjun (Appointed on 28 September 2012)	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. The nomination committee was established on 29 March 2012.

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 auditor of the Company, Crowe Horwath (HK) 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.

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F, Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

We have audited the consolidated financial statements of Pearl River Tyre (Holdings) Limited (the "Company"), its subsidiaries and its jointly controlled entity (together the "Group") set out on pages 27 to 119, which comprise the consolidated and Company statements of financial position as at 31 December 2012 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows 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.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants

Hong Kong, 20 March 2013
Alvin Yeung Sik Hung
Practising Certificate Number P05206

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CONTINUING OPERATIONS			
Turnover	6	579,275	463,128
Cost of sales		(516,933)	(461,308)
Gross profit		62,342	1,820
Other revenue and net income	7	7,452	4,851
Selling and distribution expenses		(15,905)	(10,467)
Administrative expenses		(37,118)	(39,086)
Other operating expenses		(4,880)	(35,332)
Finance costs	8	(3,479)	(3,015)
Profit/(loss) before taxation	9	8,412	(81,229)
Income tax expense	11	–	–
Profit/(loss) for the year from continuing operations		8,412	(81,229)
DISCONTINUED OPERATION			
Profit/(loss) for the year from discontinued operation	12	575	(1,425)
Profit/(loss) for the year, attributable to owner of the Company		8,987	(82,654)
Other comprehensive loss			
Exchange differences on translating of:			
— Joint Venture's financial statements		1,417	7,876
— Available-for-sale investments		859	(36,525)
Available-for-sale investments:			
Net loss/(gain) arising on revaluation of available-for-sale investments during the year		(10,697)	1,016
Total other comprehensive loss		(8,421)	(27,633)
Total comprehensive profit/(loss) for the year		566	(110,287)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Total comprehensive income attributable to owners of the Company arising from:			
Continuing operations		9,829	(73,353)
Discontinued operation		(9,263)	(36,934)
		566	(110,287)
Earnings/(loss) per share (Hong Kong cents)			
From continuing and discontinued operations			
— Basic	*13*	8.5	(78.6)
— Diluted	*13*	8.4	(78.6)
From continuing operations			
— Basic	*13*	7.9	(77.3)
— Diluted	*13*	7.8	(77.3)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	104,010	112,697
Prepaid lease payments	16	10,411	11,264
Investment in an associate	19	–	4,475
Investment in listed securities	20	–	67,154
Total non-current assets		114,421	195,590
Current assets			
Investment in listed securities	20	–	24,661
Inventories	22	126,732	108,202
Trade and other receivables	23	57,105	45,440
Pledged bank deposits	24	2,225	11,221
Cash and cash equivalents	25	20,817	32,856
		206,879	222,380
Assets classified as held for sale	26	85,058	–
Total current assets		291,937	222,380
Current liabilities			
Trade and other payables	27	117,070	115,913
Provisions	29	2,119	2,101
Borrowings	30	44,412	75,497
Total current liabilities		163,601	193,511
Net current assets		128,336	28,869
Net assets		242,757	224,459
EQUITY			
Share capital	31	1,156	1,051
Reserves	33	241,601	223,408
Total equity		242,757	224,459

Approved and authorised for issue in accordance with a resolution of the Directors on 20 March 2013.

Goh Nan Yang	**Yeow See Yuen**
Director	*Director*

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Equipment	*15*	2	4
Interests in subsidiaries	*17*	187,929	190,451
Total non-current assets		187,931	190,455
Current assets			
Other receivables and prepayments	*23*	195	196
Cash and cash equivalents	*25*	2,315	1,549
Total current assets		2,510	1,745
Current liabilities			
Other payables	*27*	1,855	15,739
Provisions	*29*	118	118
Total current liabilities		1,973	15,857
Net current assets/(liabilities)		537	(14,112)
Net assets		188,468	176,343
EQUITY			
Share capital	*31*	1,156	1,051
Reserves	*33*	187,312	175,292
Total equity		188,468	176,343

Approved and authorised for issue in accordance with a resolution of the Directors on 20 March 2013.

Goh Nan Yang
Director

Yeow See Yuen
Director

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital HK$'000	Share premium HK$'000 Note 33(a)	Revaluation reserve HK$'000 Note 33(b)	Share option reserve HK$'000 Note 33(c)	Capital reserve HK$'000 Note 33(d)	Foreign currency translation reserve HK$'000 Note 33(e)	Contribution surplus HK$'000 Note 33(f)	Accumulated losses HK$"000 Note 33(g)	Total HK$'000
At 1 January 2011	110,716	113,157	45,661	–	37,344	96,212	–	(74,040)	329,050
Changes in equity 2011:									
Loss for the year	–	–	–	–	–	–	–	(82,654)	(82,654)
Other comprehensive income/(loss):									
Exchange difference on translations of:									
— Joint venture's financial statements	–	–	–	–	–	7,876	–	–	7,876
— Available-for-sale investments	–	–	–	–	–	(36,525)	–	–	(36,525)
Changes in fair value of available-for-sale investments, net of tax	–	–	1,016	–	–	–	–	–	1,016
	–	–	1,016	–	–	(28,649)	–	–	(27,633)
Total comprehensive income/(loss)	–	–	1,016	–	–	(28,649)	–	(82,654)	(110,287)
Equity-settled share-based transactions	–	–	–	5,696	–	–	–	–	5,696
Capital reduction	(109,665)	–	–	–	–	–	109,665	–	–
Share options lapse during the year	–	–	–	(222)	–	–	–	222	–
	(109,665)	–	–	5,474	–	–	109,665	222	5,696
At 31 December 2011	1,051	113,157	46,677	5,474	37,344	67,563	109,665	(156,472)	224,459
At 1 January 2012	1,051	113,157	46,677	5,474	37,344	67,563	109,665	(156,472)	224,459
Changes in equity for 2012:									
Profit for the year	–	–	–	–	–	–	–	8,987	8,987
Other comprehensive income/(loss):									
Exchange difference on translations of:									
— Joint venture's financial statements	–	–	–	–	–	1,417	–	–	1,417
— Available-for-sale investments	–	–	–	–	–	859	–	–	859
Changes in fair value of available-for-sale investments, net of tax	–	–	(10,697)	–	–	–	–	–	(10,697)
	–	–	(10,697)	–	–	2,276	–	–	(8,421)
Total comprehensive income/(loss)	–	–	(10,697)	–	–	2,276	–	8,987	566
Equity-settled share-based transactions	–	–	–	230	–	–	–	–	230
Shares issue upon exercise of share options	105	23,101	–	(5,704)	–	–	–	–	17,502
	105	23,101	–	(5,474)	–	–	–	–	17,732
At 31 December 2012	1,156	136,258	35,980	–	37,344	69,839	109,665	(147,485)	242,757

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Profit/(Loss) before taxation			
— Continuing operations		8,412	(81,229)
— Discontinued operation		744	(1,099)
Adjustments for:			
Amortisation of prepaid lease payments		943	924
Bad debts written off		5	255
Depreciation of property, plant and equipment		14,469	18,889
Equity-settled share-based payments		230	5,696
Impairment loss on assets classified as held for sale		1,000	–
Impairment loss on plant and machinery		–	27,920
Impairment loss on receivables		1,753	424
Write-down of inventories		625	2,813
Reversal of write-down of inventories		(2,247)	–
Interest expense		3,479	3,015
Plant and equipment written off		308	49
Unrealised (gain)/loss on foreign exchange		(900)	1,198
(Gain)/Loss on disposal of equipment		(184)	141
Loss on fair value changes of listed securities			
— held for trading		1,340	1,230
Interest income		(71)	(66)
Dividend income from listed securities			
— held for trading		(1,335)	(1,314)
Gain on disposal of listed securities		–	(95)
Reversal of provision for warranty		–	(843)
Reversal of impairment loss on trade receivables		(277)	(481)
Reversal of accrual for sales rebate		(1,753)	–
		26,541	(22,573)
Increase in inventories		(16,907)	(14,485)
(Increase)/decrease in trade and other receivables		(12,855)	12,156
Increase in trade and other payables		15,329	29,129
Cash generated from operations		12,108	4,227
Interest received		71	66
Interest paid		(3,479)	(3,015)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2012 HK$'000	2011 HK$'000
Net cash generated from operating activities		8,700	1,278
Investing activities			
Decrease in pledged bank deposits, net		8,995	36,188
Purchase of listed securities		–	(61)
Purchase of plant and equipment		(5,286)	(8,384)
Proceeds from disposal of listed securities		–	310
Proceeds from disposal of equipment		281	546
Dividend received		1,165	987
Net cash generated from investing activities		5,155	29,586
Financing activities			
Proceeds from issue of shares upon exercise of share options		17,503	–
Drawdown of borrowings		95,215	116,076
Repayment of borrowings		(126,973)	(137,463)
(Repayment to)/Advances from related parties		(12,819)	2,502
Advances from/(Repayment to) a director		400	(6,051)
Net cash used in financing activities		(26,674)	(24,936)
Net (decrease)/increase in cash and cash equivalents		(12,819)	5,928
Cash and cash equivalents at beginning of the year		32,856	25,856
Effect of foreign exchange rate changes, net		824	1,072
Cash and cash equivalents at end of the year, comprising cash and bank balances	25	20,861	32,856

The accompanying notes form part of these financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

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 to Bermuda 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	:	Room 1902 Yue Shing Commercial Building 15 Queen Victoria Street Central Hong Kong

2. PRINCIPAL ACTIVITIES

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

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HKD"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

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

a) Basis of preparation

The Company's ordinary shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The financial statements are presented in Hong Kong dollars. The financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "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. 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. Details of the investment in the subsidiaries, the Joint Venture and the associate are set out in Notes 17, 18 and 19 respectively.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Principles of consolidation *(Continued)*

The basis of consolidation is as follows:

Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The results of the subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. All intra-group transactions, balances and any unrealised profits arising from intra-group transactions are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Principles of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interest within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

In the Company's statement of financial position, the investment in subsidiaries is stated at cost less impairment loss, unless the investment is classified as held for sale.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair values, except that:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry-forward of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12, Income Tax;

- assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Principles of consolidation *(Continued)*

Business combinations *(Continued)*

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace the share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Principles of consolidation *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, Financial Instruments: Recognition and Measurement or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Principles of consolidation *(Continued)*

Associate

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

Where investment in associate is at Company level:

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses unless classified as held for sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Principles of consolidation *(Continued)*

Joint Venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e., when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using the proportionate consolidation method, except when the investment is classified as held for sale. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

When a Group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that is not related to the Group.

c) Investments

Investments in listed securities are recognised on a trade date basis and are initially recognised at fair value for those that are held for trading. Available-for-sale investments are initially recognised at fair value plus directly attributable transaction costs.

Investments held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit and loss. The net gain or loss recognised in profit or loss does not include any interest or dividends earned on these investments as these are recognised in accordance with the policies set out in note 4r(ii) and (iii).

Available-for-sale investments are measured at fair value. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 4r(iii). When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) Investments *(Continued)*

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or when they expire.

d) Property, plant and equipment

Property, plant and equipment other than construction-in-progress are stated at cost less any accumulated depreciation and any accumulated impairment losses, if any. Depreciation is calculated using the straight-line method to write off the cost 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%
Plant and Machinery	4.65% to 20%
Equipment	6.43% to 9.50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) Property, plant and equipment *(Continued)*

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

e) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries and associates (including those recognised using the equity method (see note 4(b)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 4(e)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 4(e)(ii).

— For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade receivables and other current receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables *(Continued)*

— For available-for-sale equity securities which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— prepaid lease payments;

— interest in subsidiaries; and

— investment in an associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the higher of its fair value less costs to sell and its 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 asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increase in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

g) Operating lease payments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lum sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) Intangible asset

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

Gains or losses arising from derecognition or an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

i) Inventories

Inventories are stated at the lower of cost, on a weighted average basis, and net realisable value. Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

j) Trade and other receivables

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

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

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.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. 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 in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose of presentation on 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 end of reporting period, 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 in other comprehensive income and accumulated in foreign currency translation reserve as a separate component of equity. 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 end of reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) Foreign currency translation *(Continued)*

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e., partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously;

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) 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.

ii) Interest income

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

iii) Dividend income

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

iv) Government grant

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision-makers ("CODM"), who is the executive director of the Company, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

u) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income or net off against directly related borrowing costs (see note 4(n)), over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is presented as deferred revenue and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

v) Employee benefits

i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

v) Employee benefits *(Continued)*

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

w) Non-current assets held for sale

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

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

w) Non-current assets held for sale *(Continued)*

(i) Non-current assets held for sale (Continued)

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 4.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

w) Non-current assets held for sale *(Continued)*

(ii) Discontinued operations (Continued)

Where an operation is classified as discontinued, a single amount is presented on the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

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 the 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 designed 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 the end of each reporting period according to accounting policies set out in note 4(e). In analysing 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 of trade receivables

The Group estimates impairment losses of trade receivables 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.

iv) Write-down for obsolescence of inventories

The Group determines the write-down for obsolescence of inventories. These estimates are based on the current market condition and the historical experience on selling goods of similar nature. It could change significantly as a result of changes in market conditions.

v) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

vi) Warranty provision

As explained in note 29, the Group makes provision for the warranty it gives on products sold based on the Group's recent claim experience. It is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

6. TURNOVER

Turnover of the Group, which is also its revenue, represents the invoiced value of goods sold and services rendered less discounts and returns.

7. OTHER REVENUE AND NET INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)
Other revenue						
Interest income on bank deposits	67	60	4	6	71	66
Total interest income on financial assets not at fair value through profit or loss	67	60	4	6	71	66
Dividends income from listed securities — held for trading	–	–	1,335	1,314	1,335	1,314
Government grant received	–	295	–	–	–	295
Others	2,921	3,172	–	–	2,921	3,172
	2,988	3,527	1,339	1,320	4,327	4,847
Other net income						
Gain on disposal of listed securities — held for trading	–	–	–	95	–	95
Gain on disposal of equipment	184	–	–	–	184	–
Reversal of provision for warranty *(Note 29)*	–	843	–	–	–	843
Reversal of write-down of inventories *(Note 22)*	2,247	–	–	–	2,247	–
Reversal of impairment loss on trade receivables *(Note 23(b))*	277	481	–	–	277	481
Reversal of accrual for sales rebate	1,753	–	–	–	1,753	–
Unrealised gain on foreign exchange	3	–	897	–	900	–
	4,464	1,324	897	95	5,361	1,419
	7,452	4,851	2,236	1,415	9,688	6,266

8. FINANCE COSTS

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within one year and total interest expense on financial liabilities not at fair value through profit or loss	3,479	3,015

9. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting) the following:

	Continuing operations		Discontinued operation		Consolidated	
	2012	2011	2012	2011	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)		(Restated)		(Restated)
Cost of inventories *(Note 22)*	515,311	464,121	–	–	515,311	464,121
Bad debts written off	–	198	5	57	5	255
Impairment loss on plant and machinery	–	27,920	–	–	–	27,920
Impairment loss on receivables *(Note 23(b))*	1,753	424	–	–	1,753	424
Impairment loss on assets classified as held for sale	1,000	–	–	–	1,000	–
Staff costs (including directors' remuneration)						
— Wages, salaries and other benefits	59,224	41,820	–	–	59,224	41,820
— Equity-settled share-based payment expenses	230	4,558	–	–	230	4,558
— Retirement benefit scheme contributions	8,153	6,208	–	–	8,153	6,208
Auditor's remuneration						
Audit services						
— current year	727	556	–	–	727	556
— underprovision in the previous financial year	70	80	–	–	70	80
Other services	–	600	–	–	–	600
Amortisation of prepaid lease payments (included in administrative expenses) *(Note 16)*	943	924	–	–	943	924
Depreciation of property, plant and equipment *(Note 15)*	14,444	18,859	25	30	14,469	18,889
Plant and equipment written off	198	49	110	–	308	49
(Gain)/loss on disposal of equipment	(184)	141	–	–	(184)	141
Loss/(gain) on foreign exchange, net						
— realised	318	532	–	1	318	533
— unrealised	(3)	8	(897)	1,190	(900)	1,198
Equity-settled share-based payment expenses for advisors	–	1,138	–	–	–	1,138
Loss on fair value changes of listed securities	–	–	1,340	1,230	1,340	1,230
Operating lease payment:						
— land and buildings	3,387	3,317	–	–	3,387	3,317
— machinery	1,721	1,686	–	–	1,721	1,686
— hostel	487	574	–	–	487	574
Reversal of impairment loss on trade receivables *(Note 23(b))*	(277)	(481)	–	–	(277)	(481)

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

i) Emoluments of directors and chief executive

The emoluments paid or payable to each of the nine (2011 — seven) directors who held office during the year were as follows:

2012	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Retirement scheme contributions *HK$'000*	Discretionary bonuses *HK$'000*	Sub-total *HK$'000*	Share-based payments[1] *HK$'000*	Total *HK$'000*
Goh Nan Kioh	110	–	–	–	110	–	110
Goh Nan Yang	75	335	–	–	410	–	410
Khoo Teng Keat (resigned on 28/9/2012)	55	–	–	–	55	–	55
Yeoh Eng Khoon	75	–	–	–	75	–	75
Yeow See Yuen	75	–	–	–	75	–	75
Wong Meng Tak	75	–	–	–	75	–	75
Won Tian Loong (appointed on 15/5/2012 and resigned on 8/11/2012)	36	–	–	–	36	230	266
Liu Hongjun (appointed on 28/9/2012)	19	–	–	–	19	–	19
Wang Shu Jie (appointed on 8/11/2012)	11	–	–	–	11	–	11
	531	335	–	–	866	230	1,096

2011	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Retirement scheme contributions *HK$'000*	Discretionary bonuses *HK$'000*	Sub-total *HK$'000*	Share-based payments[1] *HK$'000*	Total *HK$'000*
Goh Nan Kioh	110	–	–	–	110	813	923
Goh Nan Yang	75	268	–	–	343	1,355	1,698
Khoo Teng Keat	75	–	–	–	75	434	509
Won Thean Sang (deceased on 28/7/2011)	44	–	–	–	44	222	266
Yeoh Eng Khoon	75	–	–	–	75	–	75
Yeow See Yuen	75	–	–	–	75	434	509
Wong Meng Tak (appointed on 25/10/2011)	13	–	–	–	13	–	13
	467	268	–	–	735	3,258	3,993

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

i) Emoluments of directors and chief executive *(Continued)*

Notes:

(1) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share option is measured according to the Group's accounting policies for share-based payment transactions as set out in note 4(v)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 32.

(2) During both years, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during both years.

(3) Goh Nan Yang is also the Chief Executive of the Company and his emolument disclosed above included those of services rendered by him as the Chief Executive.

ii) Five highest paid employees

Of the five individuals with the highest emoluments, one (2011: three) was director of the Company whose emoluments are disclosed in note 10(i). The emoluments of the remaining four (2011: two) individuals were as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Bonuses	123	–
Salaries and allowances	2,173	843
Share-based payment expenses	–	1,139
	2,296	1,982

The emoluments of the four (2011: two) individuals with the highest emoluments are within the following bands:

	2012 Number of individuals	**2011 Number of individuals**
Nil – 1,000,000	4	1
1,000,001 – 1,500,000	–	1

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 2012 and 2011.

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 the migration of its domicile. At present, no income, profit, capital or capital gain taxes are levied in Bermuda. Accordingly, no provision for such taxes is required for 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.

For the year ended 31 December 2012, the statutory corporate income tax rates applicable to the Joint Venture established and operating in the People's Republic of China (the "PRC") was 25% (2011 – 25%).

A reconciliation of the income tax expense applicable to the profit/(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	
	2012	**2011**
	HK$'000	*HK$'000*
Profit/(loss) before taxation (from continuing operations)	8,412	(81,229)
Profit/(loss) before taxation (from discontinued operation)	744	(1,099)
	9,156	(82,328)
Notional tax on profit before taxation, calculated at the rates applicable to profits/(loss) in the tax jurisdictions concerned		
— Mainland China @25% (2011 – 25%)	3,758	(17,354)
— Hong Kong @16.5% (2011 – 16.5%)	(806)	(2,111)
	2,952	(19,465)
Tax effects of:		
Non-deductible expenses	976	2,438
Non-taxable income	(1,346)	(1)
Deferred tax assets not recognised during the year	–	17,354
Tax effect of utilisation of unused losses/deductible temporary differences not recognised in prior years	(2,413)	–
Income tax expense	169	326

11. INCOME TAX EXPENSE *(Continued)*

Tax effects relating to each components of other comprehensive income

	2012			2011		
	Before-tax amount	Tax expense	Net-of-tax amount	Before-tax amount	Tax expense	Net-of-tax amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translation of:						
— Joint venture's financial statements	1,417	–	1,417	7,876	–	7,876
— Available-for-sale investments	859	–	859	(36,525)	–	(36,525)
Available-for-sale investments:						
— Net (loss)/gain arising on revaluation of available-for-sale investments during the year	(10,697)	–	(10,697)	1,016	–	1,016
	(8,421)	–	(8,421)	(27,633)	–	(27,633)

12. DISCONTINUED OPERATION

On 7 December 2012, the Company has entered into a conditional share transfer agreement with Pacific Union Pte Ltd to dispose of a wholly owned subsidiary, namely PRT Capital Pte. Ltd. at a consideration of HK$85 million ("Conditional Disposal"). Pacific Union Pte Ltd, a company incorporated under the law of Turks and Caicos Island, is a controlling Shareholder of the Company. Amongst others is subject to independent shareholders' approval.

The approval for the Conditional Disposal was obtained at its Special General Meeting held on 28 January 2013. As at the date of this report, the Conditional Disposal is yet to complete as there are certain conditions that have not been fulfilled by respective parties.

Analysis of profit for the year from discontinued operation

The results of the discontinued operation included in the profit for the year are set out below. The comparative loss and cash flows from the discontinued operation have been re-presented to include the operation classified as discontinued in the current year.

	2012	2011
	HK$'000	*HK$'000* (Restated)
Profit/(loss) on discontinued operation for the year	575	(1,425)

12. DISCONTINUED OPERATION *(Continued)*

Analysis of profit for the year from discontinued operation *(Continued)*

The results of the discontinued operation which has been included in the consolidated statement of Comprehensive Income are as follows:

	Note	2012 HK$'000	2011 HK$'000 (Restated)
Turnover		–	–
Cost of sales		–	–
Gross profit		–	–
Other revenue and net income	7	2,236	1,415
Selling and distribution expenses		–	–
Administrative expenses		(38)	(37)
Other operating expenses		(1,454)	(2,477)
Finance costs		–	–
Profit/(loss) before taxation		744	(1,099)
Income tax expense		(169)	(326)
Profit/(loss) for the year from discontinued operation, attributable to owners of the Company		575	(1,425)
Depreciation		25	30
Cash flows from discontinued operation			
Net cash inflows/(outflows) from operating activities		346	(354)
Net cash inflows from investing activities		1,165	1,236
Net cash outflows from financing activities		(2,537)	(10,084)
Net cash outflows		(1,026)	(9,202)
Earnings/(Loss) per share			
Basic, from discontinued operation (HK cents per share)		0.6	(1.3)
Diluted, from discontinued operation (HK cents per share)		0.6	(1.3)

13. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company of HK$8,987,000 (2011: loss HK$82,654,000 (restated)) and the weighted average of approximately 106,066,000 ordinary shares (2011: approximately 105,116,000 ordinary shares) in issue during the year, calculated as follows:

Profit/(Loss) attributable to owners of the Company (basic)

	2012	**2011**
	HK$'000	*HK$'000*
		(Restated)
From continuing operations	8,412	(81,229)
From discontinued operation	575	(1,425)
Total	8,987	(82,654)

Weighted average number of ordinary shares (basic)

	2012	**2011**
	'000	*'000*
Issued ordinary shares at 1 January	105,116	105,116
Effective share options exercised (weighted average)	950	–
Weighted average number of ordinary shares at 31 December	106,066	105,116

13. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE *(Continued)*

b) Diluted earnings/(loss) per share

For 2012, the calculation of diluted earnings per share is based on the profit attributable to owners of the Company of HK$8,987,000 and the weighted average number of ordinary shares of approximately 107,449,000 in issue during the year calculated as follows:

Profit attributable to owners of the Company (diluted)

	2012
	HK$'000
From continuing operations	8,412
From discontinued operation	575
Total	8,987

Weighted average number of ordinary shares (diluted)

	2012
	'000
Weighted average number of ordinary share for the purpose of basic earnings per share	106,066
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	1,383
Weighted average number of ordinary shares for the purpose of diluted earnings per share	107,449

In the previous financial year, the diluted loss per share equal to basic loss per share because the outstanding share option had an anti-dilutive effect on the basic loss per share and the company has no other dilutive potential ordinary shares in issue at the end of the financial year.

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to equity owners of the Company includes a loss of HK$5,607,000 (2011: loss of HK$53,539,000) which has been dealt with in the financial statements of the Company.

15. PROPERTY, PLANT AND EQUIPMENT

The Group
2012

	Buildings	Plant and machinery	Construction-in-progress	Equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At 1 January 2012	133,830	346,936	1,676	595	483,037
Additions	–	2,447	–	–	2,447
Construction expenditure capitalised	–	–	2,839	–	2,839
Disposals	–	(2,391)	–	–	(2,391)
Transfer	–	1,957	(1,957)	–	–
Written off	–	(186)	(190)	–	(376)
Effect of foreign exchange translation	1,193	3,112	23	–	4,328
Classified as assets held for sale	–	–	–	(584)	(584)
At 31 December 2012	135,023	351,875	2,391	11	489,300
Accumulated depreciation and impairment:					
At 1 January 2012	75,696	294,188	–	456	370,340
Charge for the year *(Note 9)*	5,377	9,065	–	27	14,469
Written back on disposals	–	(2,294)	–	–	(2,294)
Written off	–	(178)	–	–	(178)
Effect of foreign exchange translation	733	2,694	–	–	3,427
Classified as assets held for sale	–	–	–	(474)	(474)
At 31 December 2012	81,806	303,475	–	9	385,290
Carrying amounts:					
At 31 December 2012	53,217	48,400	2,391	2	104,010

The Company
2012

	Buildings	Plant and machinery	Construction-in-progress	Equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amounts:					
At 1 January 2012	–	–	–	4	4
Depreciation charge	–	–	–	(2)	(2)
At 31 December 2012	–	–	–	2	2

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

The Group
2011

	Buildings HK$'000	Plant and machinery HK$'000	Construction-in-progress HK$'000	Equipment HK$'000	Total HK$'000
Cost:					
At 1 January 2011	127,842	319,756	9,545	595	457,738
Additions	–	1,478	–	–	1,478
Construction expenditure capitalised	–	–	6,906	–	6,906
Disposals	–	(4,186)	–	–	(4,186)
Transfer	–	15,035	(15,035)	–	–
Written off	–	(784)	–	–	(784)
Effect of foreign exchange translation	5,988	15,637	260	–	21,885
At 31 December 2011	133,830	346,936	1,676	595	483,037
Accumulated depreciation and impairment:					
At 1 January 2011	67,263	243,928	–	424	311,615
Charge for the year *(Note 9)*	5,164	13,693	–	32	18,889
Written back on disposals	–	(3,499)	–	–	(3,499)
Written off	–	(735)	–	–	(735)
Impairment	–	27,920	–	–	27,920
Effect of foreign exchange translation	3,269	12,881	–	–	16,150
At 31 December 2011	75,696	294,188	–	456	370,340
Carrying amounts:					
At 31 December 2011	58,134	52,748	1,676	139	112,697

The Company
2011

	Buildings HK$'000	Plant and machinery HK$'000	Construction-in-progress HK$'000	Equipment HK$'000	Total HK$'000
Carrying amounts:					
At 1 January 2011	–	–	–	6	6
Depreciation charge	–	–	–	(2)	(2)
At 31 December 2011	–	–	–	4	4

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

Impairment losses recognised in the previous year

In the previous year, the Group carried out a review of the recoverable amount of its manufacturing plant and machinery. These assets are used in the Group's manufacturing reporting segments. The review led to the recognition of an impairment loss of HK$27,920,000 which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 12.8% per annum. The impairment losses have been included in the other operating expenses line items in the consolidated statement of comprehensive income in year 2011. There is no reversal of impairment for the year 2012.

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

The buildings are situated on a land that is held under medium-term lease.

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

16. PREPAID LEASE PAYMENTS

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Prepayments for Land Leases		
Cost:		
At 1 January	21,741	20,768
Effect of foreign exchange translation	194	973
At 31 December	21,935	21,741
Accumulated amortisation:		
At 1 January	10,477	9,105
Charge for the year *(Note 9)*	943	924
Effect of foreign exchange translation	104	448
At 31 December	11,524	10,477
Carrying amount	10,411	11,264

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 under medium-term lease.

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2012	**2011**
	HK$'000	*HK$'000*
Unlisted shares, at cost(1)		
At 1 January	*	214,707
Additions(3)	*	–
Disposals	–	(152,207)
Impairment(2)	–	(62,500)
At 31 December	*	*
Amounts due from subsidiaries	187,929	190,451
	187,929	190,451

* Less than HK$1,000

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

Particulars of the subsidiaries are as follows:

Name	Place/date of establishment	Authorised/ issued and fully paid-up share capital	Proportion of ownership of interest Held by the Company	Held by subsidiaries	Principal activities
PRT Capital Pte. Ltd.	The British Virgin Islands/ 3 December 1996	US$50,000/ US$1	100%	–	Investment holding
Carham Assets Limited*	The British Virgin Islands/ 1 September 1997	US$50,000/ US$2	–	100%	Investment holding
Rodez Investments Limited	The British Virgin Islands/ 5 July 2011	US$50,000/ US$1	100%	–	Investment holding
Tech One Investments Limited	The British Virgin Islands/ 25 September 2012	US$50,000/ US$1	100%	–	Investment holding
Bright Eagle Holdings Limited#	Hong Kong/ 27 September 2012	HK$10,000/ HK$1	–	100%	Investment holding

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Note:

1. They represent investments of Australian Dollar ("A$") 1 and A$35,992,000 in two wholly-owned subsidiaries, PRT Capital Pte. Ltd. and Carham Assets Limited respectively for the year ended 31 December 2010. During the year 2011, Carham Assets Limited has swap the ordinary share to Rodez Investments Limited at a value of HK$152,206,994.

2. The directors of the Company considered that the carrying amount of investment in subsidiary exceeds its recoverable amount, therefore, impairment loss of HK$62,500,000 was made during the year 2011.

3. On 25 September 2012, the Company acquired a new company incorporated in The British Virgin Islands, namely Tech One Investments Limited to be the immediate holding company of Bright Eagle Holdings Limited, a wholly owned subsidiary of the Company.

   Tech One Investments Limited was incorporated with an authorised share capital of USD$50,000 divided into 50,000 shares and the paid-up share capital of USD$1 divided into 1 share. Whilst, Bright Eagle Holdings Limited was incorporated on 27 September 2012 in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares and the paid-up share capital of HK$1 divided into 1 share.

   * Interests held by Rodez Investments Limited.
   \# Interests held by Tech One Investments Limited.

18. INVESTMENT IN A JOINT VENTURE

Particulars of the Joint Venture are as follows:

Name	Place/date of establishment/ Place of operation	Authorised/ fully paid-up registered capital	Indirect attributable equity interest 2012	2011	Principal activities
Guangzhou Pearl River Rubber Tyre Limited	PRC/11 December 1983/ PRC	US$43,202,166	70%	70%	Manufacturing and marketing of various types of tyres for commercial vehicles

The Joint Venture was established as a Sino-foreign joint venture under the Chinese Joint Venture Law. The Joint Venture is 70% owned by a 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.

The Group's share of the Joint Venture's assets and liabilities as at 31 December 2012 is as follows:

	2012 HK$'000	2011 HK$'000
Non-current assets	114,421	123,824
Current assets	206,001	194,436
Current liabilities	(163,365)	(177,651)
Net assets	157,057	140,609

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

The Group's share of the Joint Venture's revenues and expenses for the year ended 31 December 2012 is as follows:

	2012	2011
	HK$'000	*HK$'000*
Revenue and other income	584,971	467,478
Costs and expenses	(566,459)	(533,996)
	18,512	(66,518)
Finance costs	(3,479)	(3,015)
Profit/(loss) before taxation	15,033	(69,533)
Income tax expense	–	–
Profit/(loss) for the year	15,033	(69,533)

19. INVESTMENT IN AN ASSOCIATE

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Investment in an associate	–*	4,475

Particulars of the associate are as follows:

Name	Place/date of establishment	Authorised/ Issued and fully paid-up share capital	Indirect attributable equity interest 2012	Indirect attributable equity interest 2011	Principal activities
Thames Electronics Sdn. Bhd.	Malaysia/ 30 January 2003	RM100,000	28.4%	28.4%	Investment holding

19. INVESTMENT IN AN ASSOCIATE *(Continued)*

Summarised financial information of the Group's associate based on management and audited financial statements for the years ended 31 December 2012 and 2011 is as follows:

	Assets	Liabilities	Equity	Revenues	Loss
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012					
100 per cent	19,533	(63)	(19,470)	–	(5)
Group's effective interest	5,547	(18)	(5,529)	–	(1)
2011					
100 per cent	18,831	(56)	(18,775)	–	(6)
Group's effective interest	5,348	(16)	(5,332)	–	(2)

* The amount of investment in an associate HK$4,475,000 has been reclassified as assets held for sale (Note 26).

20. INVESTMENTS IN LISTED SECURITIES

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Non-current		
Available-for-sale		
Securities listed outside Hong Kong:		
— available-for-sale, at fair value(1)	–	67,154
Current		
Trading securities		
Securities listed outside Hong Kong:		
— held for trading, at fair value	–	24,661

Note:

1. It relates to an investment in D&O Green Technologies Berhad ("D&O"), a company incorporated in Malaysia and listed in Bursa Malaysia Securities Bhd. As at 31 December 2011, the Group held 16.6% equity interest in D&O. The carrying value represents the fair value of D&O based on the closing bid price as at the end of the reporting period.

2. The amount of investments in listed securities has been reclassified as assets held for sale (Note 26) during the year 2012.

21. INTANGIBLE ASSET

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

22. INVENTORIES

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
At cost:		
Raw materials	56,478	35,633
Work-in-progress	3,901	7,919
Finished goods	59,196	37,432
	119,575	80,984
At net realisable value:		
Finished goods	7,157	27,218
	126,732	108,202

The analysis of the amount of inventories recognised as an expense is as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Carrying amount of inventories sold	516,933	461,308
Write-down of inventories	625	2,813
Reversal of write-down of inventories *(Note 7)*	(2,247)	–
	515,311	464,121

During the year, the amount of approximately HK$2,247,000 write-down of inventories to net realisable value in the previous year was reversed due to increase in net realisable value of these inventories.

23. TRADE AND OTHER RECEIVABLES

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Trade receivables	83,470	67,709
Less: allowance for impairment loss *(Note 23(b))*	(35,206)	(33,435)
	48,264	34,274
Amount owing by a connected/related party(1)	1,389	3,211
Other receivables	376	836
Loan and receivables	50,029	38,321
Deposits paid to suppliers	1,596	4,986
Prepayments and deposits	5,480	2,133
	57,105	45,440

	The Company	
	2012	**2011**
	HK$'000	*HK$'000*
Other receivables and prepayments	195	196

Notes:

1. The connected/related party refers to Guangzhou Bolex Tyre Limited ("Bolex"), a company established in the PRC, in which certain directors of the Joint Venture are key management personnel. The amount owing is trade in nature, unsecured, interest-free and has no fixed terms of repayment.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

a) Ageing analysis

The following is an analysis of trade receivables by age, presented based on the invoice date:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Less than one year	47,113	31,735
More than one year but less than two years	27	811
More than two years	36,330	35,163
	83,470	67,709
Less: allowance for impairment loss	(35,206)	(33,435)
	48,264	34,274

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

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 impairment loss during the year, including both specific and collective loss components, is as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
At 1 January	33,435	31,995
Impairment loss recognised *(Note 9)*	1,753	424
Reversal of impairment *(Note 7, 9)*	(277)	(481)
Effect of foreign exchange translation	295	1,497
At 31 December	35,206	33,435

As at 31 December 2012, trade receivables of the Group amounting to HK$35,206,000 (2011: HK$33,435,000) were individually determined to be impaired. These individually impaired receivables were long outstanding or were due from customers with financial difficulties. During the year, specific allowances for doubtful debts of HK$1,753,000 (2011:HK$424,000) were recognised. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

b) Impairment of trade receivables *(Continued)*

During the year ended 31 December 2012, the Group received settlement from trade receivables which were fully impaired in prior years. Therefore, impairment loss of HK$277,000 (2011: HK$481,000) provided in previous year was reversed during the year.

c) Trade receivables that are not impaired

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

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Neither past due nor impaired	11,533	7,266
Less than one year past due	35,579	24,469
More than one year but less than two years past due	1,152	2,539
	48,264	34,274

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. In addition, in respect of receivables of HK$48,264,000 (2011 — HK$34,274,000), the Group had received Bank's Acceptance Bills for HK$26,967,000 (2011 — HK$28,956,000) during the year. The maturity period of these Bank's Acceptance Bills is 3-12 months (2011 — 3-6 months). The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

d) The analysis by currency of trade and other receivables is as follows:

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Dollar	145	147	145	147
Renminbi	47,960	34,266	–	–
Ringgit Malaysia	–	359	–	–
United States Dollar	9,000	10,668	50	49
	57,105	45,440	195	196

24. PLEDGED BANK DEPOSITS

The weighted average interest rate of the short-term deposits which were held by the Joint Venture at the end of the reporting period was 2% (2011 – 2%) per annum.

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

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Renminbi	2,225	7,265
United States Dollar	–	3,956
	2,225	11,221

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

25. CASH AND CASH EQUIVALENTS

The analysis by currency of cash and cash equivalents is as follows:

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand, and cash and cash equivalents in the consolidated statement of financial position	20,817	32,856	2,315	1,549
Cash at bank and on hand classified as held for sale *(Note 26)*	44	–	–	–
Cash and cash equivalents in the consolidated statement of cash flows	20,861	32,856	2,315	1,549

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Dollar	17	–	–	–
Renminbi	4,625	14,092	–	–
Ringgit Malaysia	1,893	2,199	1,887	1,119
United States Dollar	14,282	16,565	428	430
	20,817	32,856	2,315	1,549

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. ASSETS CLASSIFIED AS HELD FOR SALE

On 7 December 2012, the Company has entered into a conditional share transfer agreement with Pacific Union Pte Ltd to dispose of a wholly owned subsidiary PRT Capital Pte. Ltd. at a consideration of HK$85 million.

Since the disposal of PRT Capital Pte. Ltd. is expected to be completed within the financial year ending 31 December 2013, the assets of PRT Capital Pte. Ltd. which therefore expected not be recognised by the Company to be held for long term, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position at the end of the reporting period, are as follows:

	Note	2012 HK$'000
Investment in an associate		4,475
Investment in listed securities		
— available-for-sale		57,316
— held for trading		24,218
Other receivables and prepayment		5
Cash and bank balances	25	44
		86,058
Impairment		(1,000)
Assets classified as held for sale		85,058

Cumulative income or expense recognised in other comprehensive income.

There are no cumulative income or expenses recognised in other income relating to the disposal group.

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Trade payables	61,132	47,844	–	–
Other payables	38,773	19,731	–	581
Amount due to a director	400	–	–	–
Amount due to a subsidiary	–	–	383	–
Amount owing to connected/ related parties[(1)]	4,176	16,995	136	13,387
Accruals	2,001	2,432	1,336	1,771
Financial liabilities measured at amortised cost	106,482	87,002	1,855	15,739
Sales deposits received	10,588	28,911	–	–
	117,070	115,913	1,855	15,739

27. TRADE AND OTHER PAYABLES *(Continued)*

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

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

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

Note:

1. The connected/related parties refer to:

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(a) GGXEG, a company established in the PRC, in which certain directors of the Joint Venture are key management personnel of GGXEG	4,040	3,608	–	–
(b) Cambrew Asia Limited, a company incorporated in Cayman Island, in which a director has substantial financial interests	136	13,387	136	13,387
	4,176	16,995	136	13,387

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

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Dollar	1,655	1,375	1,638	1,375
Renminbi	107,261	90,182	–	–
Ringgit Malaysia	217	639	217	639
United States Dollar	7,937	23,717	–	13,725
	117,070	115,913	1,855	15,739

27. TRADE AND OTHER PAYABLES *(Continued)*

The ageing analysis of trade payables as at the end of the reporting period is as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Less than one year	54,300	41,660
More than one year but less than two years	816	186
More than two years	6,016	5,998
	61,132	47,844

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Deferred tax assets not recognised:

As at 31 December 2012, subject to the agreement of the local tax authorities, the Joint Venture had tax losses arising in the PRC of HK86,316,000 or RMB69,447,000 (2011 — HK$95,142,000 or RMB77,232,000) 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:

	2012	**2012**	**2011**	**2011**
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*
Expiring in year:				
2013	–	–	7,597	6,167
2015	28,872	22,988	33,219	26,966
2016	57,444	46,459	54,326	44,099
	86,316	69,447	95,142	77,232

29. PROVISIONS

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	1,983	2,718	–	–
Reversal during the financial year *(Note 7)*	–	(843)	–	–
Effect of foreign exchange translation	18	108	–	–
	2,001	1,983	–	–
Others	118	118	118	118
At 31 December	2,119	2,101	118	118

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within three years from 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 end of the reporting period. 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	
	2012	**2011**
	HK$'000	*HK$'000*
Bank loans	44,412	75,497

The loans are wholly repayable within one year. The weighted average interest rate ranged from 2.6% to 7.22% (2011 — 2.57% to 6.09%) per annum. The directors estimated that the fair value of the bank loans is not significantly different from the carrying amount. The loans are secured by way of:

i) legal charges over the leasehold land and buildings of the Joint Venture (Notes 16 and 15); and

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

The foreign currency exposure profile of borrowings is as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Renminbi	37,637	32,545
United States Dollar	6,775	42,952
	44,412	75,497

31. SHARE CAPITAL

	Number of ordinary shares of A$0.20 per share '000	Number of ordinary shares of HK$1.67 per share '000	Number of ordinary shares of HK$0.01 per share '000	HK$'000
Authorised:				
At 1 January 2011	150,000	–	–	166,305
Change of currency denomination *(Note 31(a)(i))*	(150,000)	150,000	–	84,195
Capital reduction *(Notes 31 (a)(ii))*	–	(150,000)	150,000	(249,000)
At 31 December 2011	–	–	150,000	1,500
At 1 January 2012	–	–	150,000	1,500
Increase in authorised capital *(Notes 31(b))*	–	–	100,000	1,000
At 31 December 2012	–	–	250,000	2,500
Issued and fully paid:				
At 1 January 2011	105,116	–	–	110,716
Change of currency denomination *(Note 31(a)(i))*	(105,116)	105,116	–	64,828
Capital reduction *(Notes 31 (a)(iii))*	–	(105,116)	105,116	(174,493)
At 31 December 2011	–	–	105,116	1,051
At 1 January 2012	–	–	105,116	1,051
Share issue upon exercise of share option *(Notes 31(c))*	–	–	10,512	105
At 31 December 2012	–	–	115,628	1,156

31. SHARE CAPITAL *(Continued)*

a) The Company implemented the Capital Reorganisation effective from 1 August 2011, which involved the following:

   i) the change in the currency denomination of the issued and unissued Shares from A$0.20 each to HK$1.67 each at the conversion rate of A$1.00 to HK$8.35 resulting in an increase in authorised and issued and fully paid capital of the Company of HK$84,195,000 and HK$64,828,000 respectively;

   ii) a reduction of the authorised share capital of the Company by reducing the nominal value of each Redenominated Share from HK$1.67 to HK$0.01 each resulting in the reduction of the authorised share capital of the Company from HK$250,500,000 which is divided into 150,000,000 Redenominated Shares to HK$1,500,000 which is divided into 150,000,000 New Shares;

   iii) a reduction of the issued share capital of the Company whereby the nominal value of each issued Redenominated Share will be reduced from HK$1.67 to HK$0.01 by cancelling HK$1.66 of the paid up capital on each issued Redenominated Share resulting in the reduction of issued and fully paid capital of HK$174,493,000; and

   iv) the credit arising from the Capital Reduction was transferred to the contributed surplus account of the Company (Note 33(f)).

b) On 26 December 2012, the authorised share capital of the Company was increased from HK$1,500,000 divided into 150,000,000 ordinary shares of HK$0.01 each to HK$2,500,000 divided into 250,000,000 shares, by the creation of an additional 100,000,000 new unissued shares each ranking pari passu in all respects with the existing shares.

c) During the year ended 31 December 2012, 10,511,628 options were exercised to subscribe for 10,511,628 new ordinary shares of the Company at a consideration of HK$17,503,000 of which HK$105,000 was credited to share capital and the balance of HK$17,397,000 was credited to share premium account. In accordance with accounting policy set out in Note 4(v)(ii), HK$5,704,000 has been transferred from share option reserve to the share premium account.

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 on The Stock Exchange's daily quotations sheets on the date of grant;

b) the average closing price of the shares as stated on 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 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.

The total number of securities available for issue under the share option scheme as at 31 December 2012 was 21,023,256 shares (2011: 31,534,884 shares) in which options for 10,511,628 shares have been exercised during the year. Share options for 410,000 shares (2011: 10,101,628 shares) have been granted during the year.

Each option gives the holder the right to subscribe for ordinary shares in the Company which will be settled gross in shares.

32. SHARE OPTION SCHEME *(Continued)*

a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under options granted	Vesting conditions	Contractual life of options
Number of shares issuable under:			
Options granted to directors: — on 18 March 2011	6,010,000	At the date of grant	3.175 years
Options granted to employees: — on 18 March 2011	2,401,628	At the date of grant	3.175 years
Options granted to advisors: — on 18 March 2011	2,100,000	At the date of grant	3.175 years
Options granted to a director — on 15 May 2012	410,000	At the date of grant	2.00 years
Total number of share issuable under option granted	10,921,628		

32. SHARE OPTION SCHEME *(Continued)*

b) The number and weighted average exercise prices of share options are as follows:

	2012		2011	
	Weighted average exercise price	**Number of shares issuable under options**	**Weighted average exercise price**	**Number of shares issuable under options**
Outstanding at the beginning of the year	HK$1.66	10,101,628	–	–
Granted during the year	HK$1.79	410,000	HK$1.66	10,511,628
Outstanding during the year	HK$1.67	10,511,628	HK$1.66	10,511,628
Exercised during the year	HK$1.67	(10,511,628)	HK$1.66	–
Lapsed during the year		–	HK$1.66	(410,000)
Exercisable at the end of the year		–	HK$1.66	10,101,628

All share options have been exercised during the year. The share options outstanding at 31 December 2011 had an exercise price of HK$1.66 and a weighted average remaining contractual life of 2.38 years.

c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial lattice model. The contractual life of the share option is used as an input into this model.

	2012	**2011**
Fair value of share options at measurement date		
Share price	HK$1.78	HK$1.66
Exercise price	HK$1.79	HK$1.66
Expected volatility (expressed as weighted average volatility used in the modeling under binomial lattice model)	81.67%	56.97%
Option life (expressed as weighted average life used in the modeling under binomial lattice model)	2.00 years	3.175 years
Expected dividends	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	1.433%	1.112%
Exercise multiple	1	2

32. SHARE OPTION SCHEME *(Continued)*

c) Fair value of share options and assumptions *(Continued)*

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

There were no service conditions or market conditions associated with the share options granted.

33. RESERVES

The Group's reserves is set out in the consolidated statement of changes in equity in page 31. The Company's reserves are as follow:

	Share premium	Share option reserves	Contributed surplus	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Company					
At 1 January 2011	113,157	–	–	313	113,470
Equity-settled share-based transactions	–	5,696	–	–	5,696
Capital reduction	–	–	109,665	–	109,665
Loss for the year	–	–	–	(53,539)	(53,539)
Share option lapsed during the year	–	(222)	–	222	–
At 31 December 2011	113,157	5,474	109,665	(53,004)	175,292
At 1 January 2012	113,157	5,474	109,665	(53,004)	175,292
Loss for the year	–	–	–	(5,607)	(5,607)
Equity-settled share-based transactions	–	230	–	–	230
Share option exercised during the year	23,101	(5,704)	–	–	17,397
At 31 December 2012	136,258	–	109,665	(58,611)	187,312

33. RESERVES *(Continued)*

a) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981.

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

b) Revaluation reserve

The revaluation reserve is the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period. The reserve for available-for-sale investment is dealt with in accordance with the accounting policies set out in note 4(c).

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Net gain on fair value change of available-for-sale investment		
At 1 January	46,677	45,661
Loss on fair value change of available-for-sale investment	(12,282)	(31,551)
Effect of foreign exchange translation	1,585	32,567
	35,980	46,677

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

33. RESERVES *(Continued)*

c) Share option reserve

The share option reserve comprises the fair value of share options granted to the scheme participants. The reserve comprises the cumulative value of services received from directors, employees and advisors recorded over the vesting period commencing from the grant date of the share options, and is reduced by the expiry or exercise of the share options.

The movement in the options to subscribe for new ordinary shares of HK$0.01 each at the respective adjusted exercise price per share is as follows:

	2012		2011	
	Exercise price *HK$*	**Number of shares issuable under options** *'000*	**Exercise price** *HK$*	**Number of shares issuable under options** *'000*
At 1 January	1.66	10,102	–	–
Granted during the financial year	1.79	410	1.66	10,512
Exercised during the financial year	1.66	(10,102)	–	–
Exercised during the financial year	1.79	(410)	–	–
Lapsed during the financial year	–	–	1.66	(410)
At 31 December	–	–	1.66	10,102

The fair values of the share options granted were estimated using the binomial lattice model, taking into account the terms and conditions upon which the option were granted.

33. RESERVES *(Continued)*

d) Capital reserve

	The Group	
	2012	**2011**
	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 statement of financial position under equity. The appropriations will not be available for distribution to shareholders once appropriated, but may be used to set off losses or be converted into paid-in capital.

e) 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 the 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).

f) Contributed surplus

Pursuant to a resolution passed at the special general meeting of the Company on 29 July 2011, the Company reduced its issued share capital by an amount of approximately HK$109,665,000 and transferred the same amount to the contributed surplus account of the Company. The contributed surplus may be utilised by the directors in accordance with the bye-laws of the Company and all applicable laws.

33. RESERVES *(Continued)*

g) 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 RMB88,536,000 or HK$110,041,000 as at 31 December 2012 (2011 — accumulated losses of RMB98,258,000 or HK$121,044,000), as prepared in accordance with PRC accounting standards.

h) Distributability of reserves

At 31 December 2012, the aggregate amount of reserves available for distribution to owners of the Company was HK$187,312,000 (2011: HK$169,818,000).

34. OPERATING LEASE COMMITMENTS

As at 31 December 2012, the total future minimum lease payments under non-cancellable operating leases payable by the Joint Venture to GRTF are as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Within one year	6,882	6,822
After one year but not move than five years	27,530	27,287
After five years	27,499	34,077
	61,911	68,186

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

The Group's proportionate interest in the above operating lease commitments is 70% (2011 – 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 Renminbi ("RMB") and United States Dollar ("USD").

Foreign currency sensitivity analysis

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than HKD. The currency giving rise to this risk is primarily from USD and RMB.

The following table indicates the instantaneous change in the Group's and the Company's profit/(loss) after tax and accumulated loss that would arise if foreign exchange rates to which the Group and the Company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variable remained constant.

35. **FINANCIAL INSTRUMENTS** *(Continued)*

i) **Financial risk management policies** *(Continued)*

a) ***Foreign currency risk*** *(Continued)*

The Group

	2012		2011	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and accumulated loss** *HK$'000*	**Increase/ (decrease) in foreign exchange rates**	**Effect on loss after tax and accumulated loss** *HK$'000*
RMB	5%	4,504	5%	3,876
	(5%)	(4,504)	(5%)	(3,876)
United States Dollars	5%	1,305	5%	(1,496)
	(5%)	(1,305)	(5%)	1,496

The Company

As the Company has no significant transaction with foreign currency, the management consider the risk is not significant.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period 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. The analysis is performed on the same basis for 2011.

35. FINANCIAL INSTRUMENTS *(Continued)*

i) Financial risk management policies *(Continued)*

b) Interest rate risk

The Group

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 2012**	**Effective interest rate**	**31 December 2011**
	%	*HK$'000*	*%*	*HK$'000*
Variable rate borrowings:				
Bank loans	7.22	44,412	6.09	75,497

Interest rate sensitivity analysis

At 31 December 2012, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would increase or decrease the Group's profit/(loss) for the year and increase or decrease accumulated losses by HK$484,000 (2011 — HK$571,000) 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 borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period 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 the reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2011.

The Company

As the Company has no significant bank deposits and interest bearing liabilities, the management consider the risk is not significant.

35. FINANCIAL INSTRUMENTS *(Continued)*

i) Financial risk management policies *(Continued)*

c) Market risk

The Group

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.

At 31 December 2012, it is estimated that an increase/(decrease) of 5% (2011: 5%) in the relevant stock market index (for listed investments) with all other variables held constant, would have decreased/increased the Group's loss after tax (and accumulated losses) and other components of consolidated equity as follows:

	2012		**2011**	
	Effect on profit after tax and accumulated losses	**Effect on other components of equity**	**Effect on loss after tax and accumulated losses**	**Effect on other components of equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in the relevant equity price risk variable:				
Increase 5%	1,211	2,866	1,367	3,846
Decrease 5%	(1,211)	(2,866)	(1,367)	(3,846)

35. FINANCIAL INSTRUMENTS *(Continued)*

i) Financial risk management policies *(Continued)*

c) Market risk *(Continued)*

The Group (Continued)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the changes in the stock market index had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2011.

The Company

As the Company has no equity investments classified as held for trading securities and available-for-sale equity securities, the management consider the risk is not significant.

d) Credit risk

The Group

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables and deposits with financial institutions. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

The maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the statement of financial position reduced by the effects of any netting arrangements with counterparties.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had no significant concentrations of credit risk which individual trade and other receivables balance exceeds 10% of the total trade and other receivables at the end of the reporting period. Normally, the Group does not obtain collateral from its customers.

35. FINANCIAL INSTRUMENTS *(Continued)*

i) Financial risk management policies *(Continued)*

d) Credit risk *(Continued)*

The Group (Continued)

(i) Trade and other receivables (Continued)

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.

(ii) Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 December 2012, the Group has certain concentration of credit risk as 47% (2011: 50%) of total cash and cash equivalents, pledged bank deposits and financial assets designated at fair value were deposited at one financial institution in Mainland China with high credit ratings.

The Company

As at 31 December 2012, the Company has certain concentration of credit risk as 100% (2011: 100%) of total cash and cash equivalents were deposited at one financial institution in Malaysia with high credit ratings.

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 end of reporting period 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 end of reporting period) and the earliest date the Group and the Company can be required to pay:

	The Group		
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2012			
Trade and other payables	106,482	106,482	106,482
Borrowings	44,412	44,896	44,896
	150,894	151,378	151,378
At 31 December 2011			
Trade and other payables	87,002	87,002	87,002
Borrowings	75,497	76,068	76,068
	162,499	163,070	163,070

35. FINANCIAL INSTRUMENTS *(Continued)*

i) Financial risk management policies *(Continued)*

e) *Liquidity and cash flow risks* (Continued)

	The Company		
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2012			
Other payables and accruals	1,472	1,472	1,472
Amount owing to a subsidiary	383	383	383
Amount owing to a director	–	–	–
	1,855	1,855	1,855
At 31 December 2011			
Other payables and accruals	15,739	15,739	15,739
Amount owing to a subsidiary	–	–	–
Amount owing to a director	–	–	–
	15,739	15,739	15,739

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. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, as shown in the consolidated statement of financial position less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

35. FINANCIAL INSTRUMENTS *(Continued)*

ii) Capital risk management *(Continued)*

During 2012, the Group's strategy, which was unchanged from 2011, was to maintain a gearing ratio of not more than 100%. The gearing ratios as at 31 December 2012 and 2011 were as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Total borrowings *(Note 30)*	44,412	75,497
Less: Cash and cash equivalents *(Note 25)*	(20,817)	(32,856)
Net debt	23,595	42,641
Total equity	242,757	224,459
Total capital	266,352	267,100
Gearing ratio	9%	16%

Neither the Company nor any of its Group entities are subject to externally imposed capital requirements.

iii) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012 and 2011.

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. The following summarises the major methods and assumptions applied in determining the fair values of the following financial instruments.

35. FINANCIAL INSTRUMENTS *(Continued)*

iii) Fair value estimation *(Continued)*

(i) Securities

Fair value for listed equity investments are based on listed market price at the end of the reporting period.

Fair values for the unlisted equity investments (where applicable) are estimated using the applicable price/earnings ratios for similar listed companies adjusted for the specific circumstances of the issuer.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

iv) Fair values of financial instruments

HKFRS 7 requires disclosure for financial instruments that are carried at fair value by level of the following fair value measurement hierarchy:

Level 1 — Quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 — Inputs for the asset or liability that are not based on observable market data.

35. FINANCIAL INSTRUMENTS *(Continued)*

iv) Fair values of financial instruments *(Continued)*

During the year ended 31 December 2012 and 2011, the Group's investments in listed securities are measured at fair value. During the year ended 31 December 2012 and 2011, there were no transfers between instruments in Level 1 and Level 2.

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Associate Assets				
Available-for-sale securities (reclassify as assets held for sale)	57,316	–	–	57,316
Securities held for trading (reclassify as assets held for sale)	24,218	–	–	24,218
	81,534	–	–	81,534

	2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Associate Assets				
Available-for-sale securities	67,154	–	–	67,154
Securities held for trading	24,661	–	–	24,661
	91,815	–	–	91,815

36. SUBSEQUENT EVENTS

1. On 23 November 2012, an indirect wholly owned subsidiary of the Company Bright Eagle Holdings Limited entered into a share sale and purchase agreement with IC Spectrum Co., Limited to acquire 72.79% equity interest at a consideration of RMB1.00 in IC Spectrum (Kunshan) Co., Limited, a sino-equity joint venture established in Kunshan Economic & Technical Development Zone, the People's Republic of China which is principally engaged in design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components and provision of related technical consultancy services. This transaction has completed on 22 January 2013.

2. The Shareholders of the Company had at the Special General Meeting held on 28 January 2013 approved the following via poll:

   a) On 4 October 2012, the Company and the placing agent entered into the placing agreement, pursuant to which the placing agent agreed to procure, on a best efforts basis, independent placees to subscribe in cash for the bonds of up to an aggregate principal amount of HK$60 million.

      On 6 December 2012, the Company and the placing agent entered into the extension letter, pursuant to which the Company and the placing agent agreed to extend the long stop date for the conditions and the expiry date for the placing period to 3 April 2013.

   b) On 7 December 2012, Bright Eagle Holdings Limited ("Bright Eagle"), an indirect wholly owned subsidiary of the Company and Beijing Zhongying Century Investment Co. Limited ("Zhongying") entered into a conditional investment agreement. The investment agreement is in relation to the capital injection of HK$291.16 million and HK$108.84 million into IC Spectrum (Kunshan) Co., Limited by Bright Eagle and Zhongying respectively.

   c) On 7 December 2012, the Company and Pacific Union Pte Ltd ("Pacific Union"), a substantial shareholder owning 32.51% equity interests of the Company entered into a conditional share transfer agreement. The share transfer agreement is in relation to the disposal of the Sale Shares and the Sale Loan in PRT Capital Pte. Ltd. at a consideration of HK$85 million.

   d) On 7 December 2012, Rodez Investments Limited ("Rodez"), a wholly owned subsidiary of the Company, as borrower, and Pacific Union as lender entered into a loan agreement . The loan agreement is in relation to a loan amount of HK$82.5 million and the deed of charge contained there in relation to 55 shares of Carham Assets Limited.

   e) On 7 December 2012, Rodez as borrower and KL-Kepong International Ltd ("KL-Kepong"), a substantial shareholder owning 20.83% equity interests of the Company, as a lender entered into a loan agreement. The loan agreement is in relation to a loan amount of HK$67.5 million and the deed of charge contained therein in relation to 45 shares of Carham Assets Limied.

   Up to the date of this report, the abovesaid transactions are yet to complete as there are certain conditions have not been fulfilled by respective parties.

37. CONNECTED/RELATED PARTY TRANSACTIONS

In addition to the amount owing by/to connected/related parties as disclosed in Notes 23 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 business of the Group:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
a) Transactions between the Joint Venture and Bolex		
Contributions received and receivable from Bolex for:		
(i) processing/providing raw materials/ intermediate/consumable products	13	41
(ii) charging of utilities (water, electricity, steam and compressed air consumed)	7,448	18,142
(iii) the right to use the factory lift and the factory space	45	88
	7,506	18,271

Bolex a sino-foreign equity joint venture founded in the People's Republic of China on 11 November 1992 and their joint venture agreement expired on 10 November 2012. Bolex had shut down operation in June 2012 and no transaction has been carried out thereafter.

	2012	2011
b) Transactions between the Joint Venture and GGXEG[(1)]/GIGBM[(2)]		
Expenses:		
Lease rental for a piece of land and buildings erected thereon	4,839	4,644
Lease rental for the exclusive right to use certain machinery	2,459	2,263
Royalties for the right to use the trademark "Pearl River" and any technology and know-how necessary for the production of bias tyres	709	906
Lease rental for workers' hostel*	695	681
Lease rental for the dining hall*	116	114
	8,818	8,608

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

b) Transactions between the Joint Venture and GGXEG[1]/GIGBM[2] *(Continued)*

Notes:

1. The agreements relating to these transactions were between the Joint Venture and Guangzhou Rubber Tyre Factory, which was the former PRC partner owning 30% equity in the Joint Venture and which the former PRC partner was taken over by GGXEG in 2001.

2. 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). GGXEG is 100% owned by Guangzhou Rubber Enterprises Group Co. Ltd. ("GREG") and GREG is in turn 100% owned by Guangzhou International Group Co. Ltd. ("GIG"). Meanwhile, Guangzhou International Group Building Management Company Limited ("GIGBM") is 100% owned by GIG and thus, GIGBM is a fellow subsidiary of GGXEG and a connected person of the Company. As such, the GIGBM Transactions constitute continuing connected transactions for the Company.

   In addition, pursuant to Rule 14.23 of the Listing Rules, given GIGBM is connected with GGXEG, the GIGBM Transactions marked * above are required to be aggregate with the GGXEG Transactions.

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/GIGBM transactions constitute continuing connected transactions for the Company.

On 12 December 2011, the Directors of the Company have announced the estimated caps of the continuing connected transactions between its Joint Venture and Bolex for the financial year ended 31 December 2012 and GGXEG/GIGBM for the financial years ending 31 December 2014.

The relevant percentage ratios on aggregate value of the transactions with each of Bolex and GGXEG/GIGBM were less than 25% (on the basis of proportionate consolidation of the Joint Venture in accordance with the prevailing accounting standards applicable to the Group) and the transaction amounts with each of Bolex and GGXEG/GIGBM were less than HK$10 million.

c) Compensation of key management personnel:

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

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Short-term employees benefits	2,910	2,090
Equity compensation benefits	–	3,828
	2,910	5,918

38. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the directors of the Company for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

The Group has presented the following two reportable segments. These segments are managed separately. The manufacturing segments and the investment holding segment offers very different products and services:

1. Manufacturing
2. Investment holding

The manufacturing segment derives its revenue primarily from the manufacture and sale of various types of tyres for commercial vehicles.

The investment holding segment derives its revenue primarily from dividends income from listed securities.

No reportable operating segment has been aggregated.

38. SEGMENT REPORTING *(Continued)*

a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the directors of the Company monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e., "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors' emoluments and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, the directors of the Company are provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

38. SEGMENT REPORTING *(Continued)*

a) Segment results, assets and liabilities *(Continued)*

Information regarding the Group's reportable segments as provided to the directors of the Company for the purpose of resource allocation and assessment of segment performance for the year ended 31 December 2012 and 2011 is set out below:

	2012					
	Continuing operations			Discontinued operation		
	Manufacturing	Investment holding	Sub-total	Investment holding	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	579,275	–	579,275	–	–	579,275
Reportable segment profit/(loss) (adjusted EBITDA)	35,583	(5,619)	29,964	765	–	30,729
Interest income	67	–	67	4	–	71
Finance costs	(3,479)	–	(3,479)	–	–	(3,479)
Depreciation and amortisation	(15,385)	(2)	(15,387)	(25)	–	(15,412)
Material non-cash items:						
Reversal of impairment loss on trade receivables	277	–	277	–	–	277
Reversal of accrual for sales rebate	1,753	–	1,753	–	–	1,753
Reversal of write-down of inventories	2,247	–	2,247	–	–	2,247
Impairment loss on assets classified as held for sale	–	(1,000)	(1,000)	–	–	(1,000)
Impairment loss on receivables	(1,753)	–	(1,753)	–	–	(1,753)
Income tax expense	–	–	–	(169)	–	(169)
Reportable segment assets	318,669	2,631	321,300	80,583	–	401,883
Interests in an associate	–	–	–	4,475	–	4,475
Additions to non-current segment assets during the year	5,286	–	5,286	–	–	5,286
Reportable segment liabilities	161,612	1,989	163,601	–	–	163,601

38. SEGMENT REPORTING *(Continued)*

a) Segment results, assets and liabilities *(Continued)*

	2011					
	Continuing operations			Discontinued operation		
	Manufacturing	Investment holding	Sub-total	Investment holding	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Revenue from external customers	463,128	–	463,128	–	–	463,128
Reportable segment loss (adjusted EBITDA)	(18,455)	(11,692)	(30,147)	(1,075)	–	(31,222)
Interest income	60	–	60	6	–	66
Finance costs	(3,015)	–	(3,015)	–	–	(3,015)
Depreciation and amortisation	(19,781)	(2)	(19,783)	(30)	–	(19,813)
Material non-cash items:						
Reversal of impairment loss on trade receivables	481	–	481	–	–	481
Impairment loss on receivables	(424)	–	(424)	–	–	(424)
Impairment loss on plant and machinery	(27,920)	–	(27,920)	–	–	(27,920)
Income tax expense	–	–	–	(326)	–	(326)
Reportable segment assets	318,260	1,852	320,112	93,383	–	413,495
Interests in an associate	–	–	–	4,475	–	4,475
Additions to non-current segment assets during the year	8,384	–	8,384	–	–	8,384
Reportable segment liabilities	177,653	15,858	193,511	–	–	193,511

38. SEGMENT REPORTING *(Continued)*

b) Reconciliations of reportable segment profit or (loss) and assets

	2012 *HK$'000*	2011 *HK$'000*
Profit		
Reportable segment profit/(loss) (continuing operations)	29,964	(30,147)
Finance costs	(3,479)	(3,015)
Depreciation and amortisation	(15,387)	(19,783)
Impairment loss on assets classified as held for sale	(1,000)	–
Impairment loss on plant and machinery	–	(27,920)
Impairment loss on receivables	(1,753)	(424)
Interest income	67	60
Consolidated profit/(loss) before tax expense (continuing operations)	8,412	(81,229)
Assets		
Reportable segment assets (continuing operations)	321,300	320,112
Reportable segment assets (discontinued operation)	80,583	93,383
Interest in an associate (discontinued operation)	4,475	4,475
Consolidated Assets	406,358	417,970

c) Revenue from major product and services

The following is an analysis of the Group's revenue from its major products and services:

	2012 *HK$'000*	2011 *HK$'000*
Manufacturing and sales of tyres	579,275	463,128

d) Geographic information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, prepaid lease payments and interests in associate. The geographical location of property, plant and equipment and prepaid lease payments are based on the physical location of the asset under consideration. In the case of intangible assets, it is based on the location of operation to which these intangibles are allocated. In the case of interests in an associate, it is the location of operations of the associate.

38. SEGMENT REPORTING *(Continued)*

d) Geographic information *(Continued)*

	Revenue from external customers		Specified Non-current assets	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China (place of domicile)	262,840	239,984	114,421	123,824
Republic of India	8,332	6,448	–	–
Republic of Yemen	63,343	21,759	–	–
The People's Republic of Bangladesh	59,239	45,735	–	–
Singapore	44,729	30,706	–	–
Malaysia	43,800	34,100	–	4,612
The United Arab Emirates	5,295	9,504	–	–
Kingdom of Cambodia	23,498	17,158	–	–
Hong Kong	11,634	8,552	–	–
Republic of Indonesia	15,904	8,754	–	–
Taiwan	5,514	9,037	–	–
Federative Republic of Brazil	6,047	6,233	–	–
Republic of the Philippines	6,429	3,993	–	–
Republic of the Union of Myanmar	6,554	3,521	–	–
Others	16,117	17,644	–	–
	579,275	463,128	114,421	128,436

e) Information about major customers

For the year of 2012, the revenue from the Group's largest customer was 11% (2011:8%) of the Group's total revenue.

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2012.

The Group has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 *(Continued)*

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. *HK (SIC) — Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11*. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The Group has not completed its assessment of the full impact of adopting HKFRS 11 and therefore its possible impact on the Group's results and financial position has not been quantified.

40. COMPARATIVE FIGURES

The comparative consolidated income statement has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year.

FIVE-YEAR FINANCIAL SUMMARY

	2012	**2011**	**2010**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	579,275	463,128	563,553	549,546	453,190
Profit/(loss) before taxation	9,156	(82,328)	(24,608)	33,514	(66,893)
Non-current assets	114,421	195,590	264,924	324,109	291,494
Current assets	291,937	222,380	253,325	324,438	159,372
Current liabilities	(163,601)	(193,511)	(189,199)	(258,719)	(150,455)
Equity	242,757	224,459	329,050	389,828	300,411

The comparative figures in respect of turnover for the financial years 2008, 2009, 2010 and 2011 have been reclassified to conform with the current financial year's presentation.