



PEARL RIVER TYRE (HOLDINGS) LIMITED

(Registered under the Companies Act 1981 of Bermuda with limited liability)

(A.R.B.N. 067 062 408)

INTERIM REPORT 2003

PEARL RIVER TYRE (HOLDINGS) LIMITED

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ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2003

The Directors of Pearl River Tyre (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”), consolidated balance sheets, consolidated statements of cash flows and consolidated statements of changes in equity for the six months period ended 30 June 2003 (the “current period”) together with the comparative figures for the corresponding period last year (the “corresponding period”) and the notes thereon.

This interim report does not include all the notes normally included in an annual report. Accordingly, this interim report is to be read in conjunction with the annual report for the previous financial year.

DIRECTORS

The Directors of the Company at any time during or since the end of the current period are as follows:

Ang Guan Seng	<i>Chairman and Non-Executive Director</i>
Goh Nan Kioh	<i>Executive Director</i>
Chen Zhen Guo	<i>Executive Director</i>
Sandy Chim Chun Kwan	<i>Executive Director</i>
Sun Zhi Yi	<i>Non-Executive Director</i>
David James Humann	<i>Independent Non-Executive Director</i>
Lim Loi Heng	<i>Independent Non-Executive Director</i>
Tan Song Wee	<i>Independent Non-Executive Director</i>
David Chong Eng Tee	<i>Non-Executive Director</i>
Helen Zee	<i>Independent Non-Executive Director</i>
Lim Thian Soo	<i>Alternate Director to Goh Nan Kioh</i>

During the current period under review to the date of report:

- (i) At the Ninth Annual General Meeting of the Company held on 23 May 2003:
- David James Humann who retired by rotation in accordance with the Company’s bye-law was re-elected to the Board.
 - Sandy Chim Chun Kwan who retired by rotation in accordance with the Company’s bye-law was re-elected to the Board.
 - David Chong Eng Tee who retired by rotation in accordance with the Company’s bye-law was re-elected to the Board.
- (ii) Ms Helen Zee was appointed as an Independent Non-Executive Director on 2 July 2003.

BUSINESS REVIEW AND PROSPECTS

The Board of Directors is disappointed to report a loss of HK\$17.66 million or A\$3.66 million for the half year ended 30 June 2003. It must be noted that the loss includes a sum of HK\$10.97 million or A\$2.29 million from foreign exchange loss, allowance for impairment loss for a debt investment and share of allowance for doubtful debts.

Revenue at the Joint Venture level remains unchanged at RMB271 million. This is in particular promising considering that sales were adversely affected by the outbreak of SARS. However, gross profit margin was adversely affected by the increase in raw material prices, in particular that of natural rubber which increased by 45%.

The Management has already taken action to mitigate these losses by price adjustments and cost cutting measures, which has already shown some positive results. We are cautiously optimistic that the second half year results will be better than the previous half year.

CONSOLIDATED INCOME STATEMENTS

	Note	Six Months Period Ended			
		30.6.2003 HK\$'000	30.6.2002 HK\$'000	30.6.2003 A\$'000	30.6.2002 A\$'000
Revenues	3	389	201	81	48
Other income	4	2,112	–	441	–
		<u>2,501</u>	<u>201</u>	<u>522</u>	<u>48</u>
Costs and expenses					
Salaries and employee benefits		(979)	(1,050)	(204)	(250)
Depreciation expense		(78)	(69)	(16)	(16)
Loss on foreign exchange		(3,955)	(1,374)	(826)	(328)
Other operating expenses	5	(5,091)	(1,886)	(1,063)	(451)
Total costs and expenses		<u>(10,103)</u>	<u>(4,379)</u>	<u>(2,109)</u>	<u>(1,045)</u>
Loss from continuing operating activities		(7,602)	(4,178)	(1,587)	(997)
Share of net (loss)/profit of the Joint Venture and Associate accounted for using the equity method	6	(10,054)	9,583	(2,074)	2,312
(Loss)/Profit from continuing operations before tax		(17,656)	5,405	(3,661)	1,315
Tax expense	7	–	–	–	–
Net (loss)/profit from continuing operations	8	<u>(17,656)</u>	<u>5,405</u>	<u>(3,661)</u>	<u>1,315</u>
Basic (loss)/earnings per share (Hong Kong cents/Australian cents)	9	<u>(16.8)</u>	<u>5.1</u>	<u>(3.5)</u>	<u>1.3</u>

CONSOLIDATED BALANCE SHEETS

	Note	As At			
		30.6.2003 HK\$'000	31.12.2002 HK\$'000	30.6.2003 A\$'000	31.12.2002 A\$'000
Assets					
Non-current assets					
Equipment		723	682	139	156
Other financial assets	10	12,711	8,913	2,444	2,031
Investments accounted for using the equity method	11	250,520	260,158	47,865	58,904
Total non-current assets		<u>263,954</u>	<u>269,753</u>	<u>50,448</u>	<u>61,091</u>
Current assets					
Cash and cash equivalents		13,833	19,456	2,661	4,433
Receivables		<u>6,937</u>	<u>6,948</u>	<u>1,335</u>	<u>1,583</u>
Total current assets		<u>20,770</u>	<u>26,404</u>	<u>3,996</u>	<u>6,016</u>
Current liabilities					
Payables		1,581	1,493	303	340
Provisions		<u>108</u>	<u>91</u>	<u>21</u>	<u>21</u>
Total current liabilities		<u>1,689</u>	<u>1,584</u>	<u>324</u>	<u>361</u>
Net current assets		<u>19,081</u>	<u>24,820</u>	<u>3,672</u>	<u>5,655</u>
Net assets		<u>283,035</u>	<u>294,573</u>	<u>54,120</u>	<u>66,746</u>
Equity and liabilities					
Equity					
Issued capital		110,716	110,716	21,024	21,024
Share premium		113,157	113,157	16,505	16,505
Revaluation reserve		6,418	6,418	1,500	1,500
Capital reserves		41,866	41,866	7,200	7,200
Foreign currency translation reserve		10,387	4,269	11,159	20,124
Retained profits/(Accumulated loss)		<u>491</u>	<u>18,147</u>	<u>(3,268)</u>	<u>393</u>
Total equity	8	<u>283,035</u>	<u>294,573</u>	<u>54,120</u>	<u>66,746</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Prepared in accordance with Hong Kong GAAP

	Six Months Period Ended	
	30.6.2003	30.6.2002
	HK\$'000	HK\$'000
Net cash outflows from operating activities	(4,128)	(4,757)
Investing activities		
Dividends received from the Joint Venture	–	6,611
Other dividends received	106	102
Interest received	49	76
Purchase of listed securities	(5,042)	–
Proceeds from sale of listed securities	1,948	–
Repayment from the Joint Venture	84	207
	<hr/>	<hr/>
Net cash (outflows)/inflows from investing activities	(2,855)	6,996
Net cash (outflows)/inflows before financing activity	(6,983)	2,239
Financing activity		
(Repayment to)/Advance from a director	(301)	23
	<hr/>	<hr/>
Net cash (outflows)/inflows from financing activity	(301)	23
Net (decrease)/increase in cash and cash equivalents	(7,284)	2,262
Cash and cash equivalents at the beginning of the current/corresponding period	19,456	13,129
Exchange rate adjustment	1,661	1,491
	<hr/>	<hr/>
Cash and cash equivalents at the end of the current/corresponding period	<u>13,833</u>	<u>16,882</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Prepared in accordance with International Accounting Standards

	Six Months Period Ended	
	30.6.2003	30.6.2002
	A\$'000	A\$'000
Cash flows from operating activities		
Payments to suppliers and employees	(576)	(797)
Dividends received from the Joint Venture	–	1,578
Other dividends received	22	25
Interest received	11	18
	<u> </u>	<u> </u>
Net cash flows (used in)/from operating activities	(543)	824
	<u> </u>	<u> </u>
Cash flows from investing activities		
Purchase of listed securities	(1,053)	–
Proceeds from sale of listed securities	407	–
Repayment from the Joint Venture	18	49
	<u> </u>	<u> </u>
Net cash flows (used in)/from investing activities	(628)	49
	<u> </u>	<u> </u>
Cash flows from financing activity		
(Repayment to)/Advance from a director	(63)	5
	<u> </u>	<u> </u>
Net cash flows (used in)/from financing activity	(63)	5
	<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents	(1,234)	878
Cash and cash equivalents at the beginning		
of the current/corresponding period	4,433	3,292
Exchange rate adjustment	(538)	(328)
	<u> </u>	<u> </u>
Cash and cash equivalents at the end		
of the current/corresponding period	<u>2,661</u>	<u>3,842</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Revaluation Reserve <i>HK\$'000</i>	Capital Reserves <i>HK\$'000</i>	Foreign Currency Translation Reserve <i>HK\$'000</i>	Retained Profits/ (Accumu- lated Loss) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002 (as reported previously)	110,716	113,157	6,418	41,866	3,564	34,366	310,087
Cumulative effect of the change in the accounting policy for the treatment of warranty provision	-	-	-	-	124	(8,100)	(7,976)
At 1 January 2002 (as restated)	110,716	113,157	6,418	41,866	3,688	26,266	302,111
Foreign exchange difference arising from the translation of the financial statements of the Joint Venture and Associate	-	-	-	-	581	-	581
Net loss for the financial year	-	-	-	-	-	(8,119)	(8,119)
At 31 December 2002/1 January 2003	110,716	113,157	6,418	41,866	4,269	18,147	294,573
Foreign exchange difference arising from the translation of the financial statements of the Joint Venture and Associate	-	-	-	-	6,118	-	6,118
Net loss for the current period	-	-	-	-	-	(17,656)	(17,656)
At 30 June 2003	<u>110,716</u>	<u>113,157</u>	<u>6,418</u>	<u>41,866</u>	<u>10,387</u>	<u>491</u>	<u>283,035</u>
	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>
At 1 January 2002 (as reported previously)	21,024	16,505	1,500	7,200	25,697	4,291	76,217
Cumulative effect of the change in the accounting policy for the treatment of warranty provision	-	-	-	-	31	(2,031)	(2,000)
At 1 January 2002 (as restated)	21,024	16,505	1,500	7,200	25,728	2,260	74,217
Foreign exchange difference arising from the translation of the financial statements of the Joint Venture and Associate	-	-	-	-	(5,604)	-	(5,604)
Net loss for the financial year	-	-	-	-	-	(1,867)	(1,867)
At 31 December 2002/1 January 2003	21,024	16,505	1,500	7,200	20,124	393	66,746
Foreign exchange difference arising from the translation of the financial statements of the Joint Venture and Associate	-	-	-	-	(8,965)	-	(8,965)
Net loss for the current period	-	-	-	-	-	(3,661)	(3,661)
At 30 June 2003	<u>21,024</u>	<u>16,505</u>	<u>1,500</u>	<u>7,200</u>	<u>11,159</u>	<u>(3,268)</u>	<u>54,120</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This interim report has been prepared in accordance with Statement of Standard Accounting Practice 25 “Interim Financial Reporting” and International Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Society of Accountants and International Accounting Standards Committee, respectively.

The accounting policies adopted are consistent with those of the previous financial year.

The comparative figures for the corresponding period have been restated to show the change in the accounting policy with respect to the treatment of warranties for the tyre products of the Group. As a result of the change, retrospective adjustments were made to the retained profits brought forward as at 1 January 2002 in accordance with the provisions of the applicable accounting standards. The change has reduced the net profit for the corresponding period by HK\$1,173,000 or A\$280,000.

2. SEGMENTAL INFORMATION

	The PRC <i>HK\$'000</i>	Australia <i>HK\$'000</i>	Singapore <i>HK\$'000</i>	Malaysia <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months period ended 30 June 2003					
Revenues	–	–	379	10	389
Net (loss)/profit from continuing operations	<u>(14,054)</u>	<u>(3,186)</u>	<u>1,437</u>	<u>(1,853)</u>	<u>(17,656)</u>
As at 30 June 2003					
Segment assets	6,800	–	8,010	19,394	34,204
Investments accounted for using the equity method	<u>225,568</u>	<u>–</u>	<u>–</u>	<u>24,952</u>	<u>250,520</u>
Total assets	<u>232,368</u>	<u>–</u>	<u>8,010</u>	<u>44,346</u>	<u>284,724</u>
Total liabilities	<u>1,689</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,689</u>
Six months period ended 30 June 2002					
Revenues	–	–	176	25	201
Net profit/(loss) from continuing operations	<u>4,976</u>	<u>–</u>	<u>(947)</u>	<u>1,376</u>	<u>5,405</u>
As at 31 December 2002					
Segment assets	6,829	2,919	5,890	20,361	35,999
Investments accounted for using the equity method	<u>237,644</u>	<u>–</u>	<u>–</u>	<u>22,514</u>	<u>260,158</u>
Total assets	<u>244,473</u>	<u>2,919</u>	<u>5,890</u>	<u>42,875</u>	<u>296,157</u>
Total liabilities	<u>1,308</u>	<u>–</u>	<u>138</u>	<u>138</u>	<u>1,584</u>

	The PRC <i>A\$'000</i>	Australia <i>A\$'000</i>	Singapore <i>A\$'000</i>	Malaysia <i>A\$'000</i>	Total <i>A\$'000</i>
Six months period ended 30 June 2003					
Revenues	–	–	79	2	81
Net (loss)/profit from continuing operations	<u>(2,909)</u>	<u>(665)</u>	<u>300</u>	<u>(387)</u>	<u>(3,661)</u>
As at 30 June 2003					
Segment assets	1,308	–	1,541	3,730	6,579
Investments accounted for using the equity method	<u>43,064</u>	<u>–</u>	<u>–</u>	<u>4,801</u>	<u>47,865</u>
Total assets	<u>44,372</u>	<u>–</u>	<u>1,541</u>	<u>8,531</u>	<u>54,444</u>
Total liabilities	<u>324</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>324</u>
Six months period ended 30 June 2002					
Revenues	–	–	42	6	48
Net profit/(loss) from continuing operations	<u>1,213</u>	<u>–</u>	<u>(226)</u>	<u>328</u>	<u>1,315</u>
As at 31 December 2002					
Segment assets	1,556	665	1,342	4,640	8,203
Investments accounted for using the equity method	<u>53,774</u>	<u>–</u>	<u>–</u>	<u>5,130</u>	<u>58,904</u>
Total assets	<u>55,330</u>	<u>665</u>	<u>1,342</u>	<u>9,770</u>	<u>67,107</u>
Total liabilities	<u>299</u>	<u>–</u>	<u>31</u>	<u>31</u>	<u>361</u>

3. REVENUES

	Six Months Period Ended			
	30.6.2003 <i>HK\$'000</i>	30.6.2002 <i>HK\$'000</i>	30.6.2003 <i>A\$'000</i>	30.6.2002 <i>A\$'000</i>
Dividends received and receivable from securities listed on prescribed stock exchanges, outside Hong Kong and Australia	106	104	22	25
Gain on sale of securities listed on prescribed stock exchanges, outside Hong Kong and Australia	226	–	47	–
Interest received and receivable from financial institutions	49	97	10	23
Other operating income	<u>8</u>	<u>–</u>	<u>2</u>	<u>–</u>
	<u>389</u>	<u>201</u>	<u>81</u>	<u>48</u>

4. OTHER INCOME

Other income represents the write-back of the impairment loss previously made for the securities listed on prescribed stock exchanges, outside Hong Kong and Australia.

5. OTHER OPERATING EXPENSES

	Six Months Period Ended			
	30.6.2003	30.6.2002	30.6.2003	30.6.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>
Impairment loss on the investment in held-to-maturity securities	3,186	–	665	–
Other expenses	1,905	1,886	398	451
	<u>5,091</u>	<u>1,886</u>	<u>1,063</u>	<u>451</u>

Other expenses in the corresponding period included finance costs of HK\$5,000 or A\$1,000.

6. SHARE OF NET (LOSS)/PROFIT OF THE JOINT VENTURE AND ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD

	Six Months Period Ended			
	30.6.2003	30.6.2002	30.6.2003	30.6.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>
Share of (loss)/profit before tax of:				
– the Joint Venture	(12,064)	4,315	(2,493)	1,055
– Associate	2,428	2,351	507	561
	<u>(9,636)</u>	<u>6,666</u>	<u>(1,986)</u>	<u>1,616</u>
Share of tax expense of:				
– the Joint Venture	(249)	3,575	(52)	853
– Associate	(169)	(658)	(36)	(157)
	<u>(418)</u>	<u>2,917</u>	<u>(88)</u>	<u>696</u>
Share of net (loss)/profit of the Joint Venture, net of discount on acquisition (30.6.2003 - HK\$122,000 or A\$25,000, 30.6.2002 - HK\$107,000 or A\$25,000)	(12,313)	7,890	(2,545)	1,908
Share of net profit of Associate	2,259	1,693	471	404
	<u>(10,054)</u>	<u>9,583</u>	<u>(2,074)</u>	<u>2,312</u>

The unaudited income statements and balance sheets of the Joint Venture are set out in Note 12.

The results of the Associate have been accounted for based on its unaudited financial statements made up from 1 January 2003 to 30 June 2003.

7. TAX EXPENSE

No provision for Hong Kong or Australian profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong or Australia for the current period and the corresponding period.

8. RECONCILIATION BETWEEN HONG KONG GAAP AND INTERNATIONAL ACCOUNTING STANDARDS (“IAS”)

According to IAS, the negative goodwill arising on acquisition of approximately A\$763,000, representing the excess of fair values of the identifiable net assets of the Joint Venture acquired over the cost of the acquisition, was applied to notionally reduce the Group’s share of the Joint Venture’s property, plant and equipment. A notional adjustment has been made to the operating loss of the Joint Venture to then reflect a revision in depreciation arising from the above notional adjustment to property, plant and equipment. The Group has equity accounted its share of the notionally adjusted operating loss of the Joint Venture.

This differs from the method used under the Hong Kong GAAP where no notional adjustment to fair values of the assets acquired at a discount. Instead, the discount is credited directly to reserves and amortised over an estimated useful life of 8 years.

A reconciliation of the net (loss)/profit from continuing operations and total equity showing the difference between the financial statements prepared in accordance with the respective Hong Kong GAAP and IAS is as follows:

	Six Months Period Ended	
	30.6.2003	30.6.2002
Net (loss)/profit from continuing operations in A\$’000 as prepared under IAS	<u>(3,661)</u>	<u>1,315</u>
Net (loss)/profit from continuing operations in HK\$’000 equivalents	(17,534)	5,512
Reversal of notional adjustment applied under IAS	<u>(122)</u>	<u>(107)</u>
Net (loss)/profit from continuing operations in HK\$’000 as restated to conform with Hong Kong GAAP	<u>(17,656)</u>	<u>5,405</u>
	As At	
	30.6.2003	31.12.2002
Total equity in A\$’000 as prepared under IAS	<u>54,120</u>	<u>66,746</u>
Total equity in HK\$’000 equivalents	279,072	291,125
Discount on acquisition credited to reserves	<u>3,963</u>	<u>3,448</u>
Total equity in HK\$’000 as restated to conform with Hong Kong GAAP	<u>283,035</u>	<u>294,573</u>

9. BASIC (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the net loss of HK\$17,656,000 or A\$3,661,000 (30.6.2002 – net profit attributable to members of HK\$5,405,000 or A\$1,315,000) for the current period and on the number of shares in issue during the current period of 105,116,280 (30.6.2002 – 105,116,280).

There is no dilutive effect on the basic (loss)/earnings per share for the current period and the corresponding period.

10. OTHER FINANCIAL ASSETS

	As At			
	30.6.2003	31.12.2002	30.6.2003	31.12.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>
Available-for-sales securities:				
Securities listed on prescribed stock exchanges, outside Hong Kong and Australia	12,711	5,994	2,444	1,366
Held-to-maturity securities:				
Investment in 8% convertible notes	—	2,919	—	665
	<u>12,711</u>	<u>8,913</u>	<u>2,444</u>	<u>2,031</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As At			
	30.6.2003	31.12.2002	30.6.2003	31.12.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>
Investment in the Joint Venture	225,568	237,644	43,064	53,774
Investment in Associate	24,952	22,514	4,801	5,130
	<u>250,520</u>	<u>260,158</u>	<u>47,865</u>	<u>58,904</u>

The investments are stated at cost and adjusted to reflect changes in the Group's share of the net assets of the Joint Venture and the Associate. Information relating to the Joint Venture and the Associate are set out in Notes 12 and 13, respectively.

12. INVESTMENT IN THE JOINT VENTURE

Name	Place/Date of Incorporation/ Establishment	Authorised/ Issued and Fully Paid-Up Share Capital	Attributable Equity Interest		Principal Activities
			2003	2002	
Guangzhou Pearl River Rubber Tyre Limited	The PRC/ 11 December 1993	US\$43,202,166/ US\$43,202,166	70%	70%	Manufacture and sales of bias tyres

The Joint Venture was established as a Sino-foreign joint venture under the Chinese Joint Venture Law. The Joint Venture is 70% owned by Carham Assets Limited, a wholly-owned subsidiary of the Company, and 30% owned by Guangzhou Guang Xiang Tyre Enterprise Group Company Limited ("GGXTEG"), a state-owned enterprise, established in Guangzhou, the PRC, which was structured to take over the assets and liabilities of Guangzhou Rubber Tyre Factory ("GRTF").

	As At			
	30.6.2003 HK\$'000	31.12.2002 HK\$'000	30.6.2003 A\$'000	31.12.2002 A\$'000
The movement in the carrying amount of the investment in the Joint Venture is as follows:				
At 1 January 2003/2002 (as reported previously)	237,644	255,296	53,774	62,479
Share of adjustment on the change in the accounting policy for warranty provision	–	(7,976)	–	(2,000)
At 1 January 2003/2002 (as restated)	237,644	247,320	53,774	60,479
Share of movement in reserves:				
– net profit	(12,313)	1,485	(2,545)	401
– proposed dividends	–	(6,595)	–	(1,502)
– foreign currency translation reserve	237	(4,566)	(8,165)	(5,604)
At 30 June 2003/31 December 2002 (as restated, where applicable)	<u>225,568</u>	<u>237,644</u>	<u>43,064</u>	<u>53,774</u>
The Group's share of the Joint Venture's assets and liabilities are as follows:				
Non-current assets	221,346	225,077	42,582	51,289
Current assets	129,975	141,982	25,004	32,355
Current liabilities	(127,471)	(131,078)	(24,522)	(29,870)
	223,850	235,981	43,064	53,774
Reversal of notional adjustment applied under IAS	(2,245)	(1,785)	–	–
Discount on acquisition credited to reserves	3,963	3,448	–	–
At 30 June 2003/31 December 2002	<u>225,568</u>	<u>237,644</u>	<u>43,064</u>	<u>53,774</u>

For better understanding of the Group's operating results, the results of the Joint Venture for the current period together with the comparative figures for the corresponding period are set out below:

(i) Income Statements

	Six Months Period Ended			
	30.6.2003 HK\$'000	As Restated 30.6.2002 HK\$'000	30.6.2003 A\$'000	As Restated 30.6.2002 A\$'000
Revenue	255,560	255,803	53,355	61,038
Cost of sales	(227,729)	(203,653)	(47,545)	(48,594)
Gross profit	27,831	52,150	5,810	12,444
Other revenue	929	339	194	81
Administrative and other operating costs	(31,722)	(29,516)	(6,623)	(7,043)
Selling and distribution costs	(10,295)	(12,409)	(2,149)	(2,962)
(Loss)/Profit from continuing operations	(13,257)	10,564	(2,768)	2,520
Finance costs	(3,977)	(4,400)	(830)	(1,050)
(Loss)/Profit from continuing operations before tax	(17,234)	6,164	(3,598)	1,470
Tax expense	(356)	5,108	(74)	1,219
Net (loss)/profit from continuing operations	<u>(17,590)</u>	<u>11,272</u>	<u>(3,672)</u>	<u>2,689</u>

(ii) Balance Sheets

	As At			
	30.6.2003 <i>HK\$'000</i>	31.12.2002 <i>HK\$'000</i>	30.6.2003 <i>A\$'000</i>	31.12.2002 <i>A\$'000</i>
Non-current assets				
Property, plant and equipment	313,080	318,128	60,230	72,493
Intangibles	3,129	3,410	602	777
Total non-current assets	<u>316,209</u>	<u>321,538</u>	<u>60,832</u>	<u>73,270</u>
Current assets				
Cash and cash equivalents	22,788	27,627	4,384	6,295
Receivables	64,549	65,723	12,417	14,977
Inventories	93,659	104,104	18,018	23,723
Tax assets	4,682	5,378	901	1,226
Total current assets	<u>185,678</u>	<u>202,832</u>	<u>35,720</u>	<u>46,221</u>
Current liabilities				
Payables	44,809	41,827	8,620	9,531
Interest-bearing loans and borrowings	117,864	127,192	22,675	28,984
Tax liabilities	5,687	2,685	1,094	612
Provisions and other liabilities	13,741	15,550	2,643	3,544
Total current liabilities	<u>182,101</u>	<u>187,254</u>	<u>35,032</u>	<u>42,671</u>
Net current assets	<u>3,577</u>	<u>15,578</u>	<u>688</u>	<u>3,550</u>
Net assets	<u>319,786</u>	<u>337,116</u>	<u>61,520</u>	<u>76,820</u>
Equity				
Issued capital	348,470	348,470	59,475	59,475
Capital deficit	(6,323)	(6,323)	(1,066)	(1,066)
Revaluation reserve	9,169	9,169	2,144	2,144
Foreign currency translation reserve	28,570	28,310	15,281	26,909
Accumulated losses	(60,100)	(42,510)	(14,314)	(10,642)
Total equity	<u>319,786</u>	<u>337,116</u>	<u>61,520</u>	<u>76,820</u>

13. INVESTMENT IN ASSOCIATE

Name	Place/Date of Incorporation/ Establishment	Authorised/ Issued and Fully Paid-Up Share Capital	Attributable Equity Interest		Principal Activities
			2003	2002	
Omega Semiconductor Sdn Bhd	Malaysia/ 25 November 1993	RM5,000,000/ RM2,928,100	28.4%	28.4%	Provision of "full turnkey" subcontracting services for the manufacture of semiconductor components

	As At			
	30.6.2003 <i>HK\$'000</i>	31.12.2002 <i>HK\$'000</i>	30.6.2003 <i>A\$'000</i>	31.12.2002 <i>A\$'000</i>
The movement in the carrying amount of the investment in the Associate is as follows:				
At 1 January 2003/2002	22,514	12,272	5,130	3,077
New capital investment	–	4,996	–	1,180
Share of movement in reserves:				
– net profit	2,259	3,695	471	873
– foreign currency translation reserve	179	1,551	(800)	–
	<u>24,952</u>	<u>22,514</u>	<u>4,801</u>	<u>5,130</u>
At 30 June 2003/31 December 2002	<u>24,952</u>	<u>22,514</u>	<u>4,801</u>	<u>5,130</u>

The Group's share of the Associate's assets and liabilities are as follows:

Non-current assets	16,007	14,811	3,079	3,375
Current assets	15,580	11,160	2,997	2,543
Non-current liabilities	(2,708)	(3,278)	(521)	(747)
Current liabilities	(9,978)	(6,065)	(1,920)	(1,382)
	<u>18,901</u>	<u>16,628</u>	<u>3,635</u>	<u>3,789</u>
Premium on acquisition	6,051	5,886	1,166	1,341
	<u>24,952</u>	<u>22,514</u>	<u>4,801</u>	<u>5,130</u>
At 30 June 2003/31 December 2002	<u>24,952</u>	<u>22,514</u>	<u>4,801</u>	<u>5,130</u>

14. NET TANGIBLE ASSET (“NTA”) BACKING

	As At			
	30.6.2003 <i>Hong Kong cents</i>	31.12.2002 <i>Hong Kong cents</i>	30.6.2003 <i>Australian cents</i>	31.12.2002 <i>Australian cents</i>
NTA backing per share	<u>271</u>	<u>280</u>	<u>52</u>	<u>63</u>

15. INTERIM DIVIDEND

No dividends were paid since the end of the financial year ended 31 December 2002 (the “previous financial year”) and the Directors do not recommend the payment of any dividends for the current period. No dividends were recommended for the previous financial year.

16. RELATED PARTY TRANSACTIONS

	Six Months Period Ended			
	30.6.2003 <i>HK\$'000</i>	30.6.2002 <i>HK\$'000</i>	30.6.2003 <i>A\$'000</i>	30.6.2002 <i>A\$'000</i>
Transactions between the Joint Venture and Guangzhou Bolex Tyre Limited (“Bolex”)				
Contribution received and receivable for the processing of certain raw materials	2,991	2,471	624	590
Management fee received and receivable for the provision of certain administrative and management services	106	146	22	35
Interest income on the outstanding amount	50	66	10	16
	<u>3,147</u>	<u>2,683</u>	<u>656</u>	<u>641</u>
Transactions between the Joint Venture and GGXTEG*				
Lease rental of a piece of land and buildings erected thereon	1,653	1,653	345	394
Lease rental of certain machinery	942	942	197	225
Lease rental of a hostel	14	14	3	3
Royalties paid for the use of the trademark “Pearl River” and transfer of technology and know-how	212	206	44	49
Administrative expenses paid for the hospital and staff canteen under the management of GGXTEG	788	871	164	208
	<u>3,609</u>	<u>3,686</u>	<u>753</u>	<u>879</u>

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

The Non-Executive Independent Directors of the Company confirmed that the aggregate value of the transactions with Bolex exceeded 3% of the Group’s turnover due to the adoption of the equity method to account for the results of the Joint Venture in compliance with the applicable accounting standards. Had the results of the Joint Venture been consolidated with the Group’s results, the aggregate value of the abovementioned transactions would have not exceeded 3% of the Group’s turnover.

A conditional waiver granted by The Stock Exchange of Hong Kong (“HKEx”) on 24 July 2000 in respect of the related party transactions expired on 31 December 2002. The Company is in the process of applying for a new waiver from strict compliance with the relevant requirements under Chapter 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on HKEx.

17. COMPARATIVE FIGURES

The comparative figures for the corresponding period have been restated to show the change in the accounting policy as set out in Note 1, the details of which are as follows:

	As Restated HK\$'000	As Previously Reported HK\$'000	As Restated A\$'000	As Previously Reported A\$'000
<i>Consolidated Income Statements (Extract)</i>				
Loss on foreign exchange	1,374	–	328	–
Other operating expenses	1,886	3,260	451	779
Share of net profit of the Joint Venture and Associate accounted for using the equity method	9,583	10,756	2,312	2,592
Profit from continuing operations before tax	5,405	6,578	1,315	1,595
Net profit from continuing operations	5,405	6,578	1,315	1,595
Basic earnings per share (Hong Kong cents/Australian cents)	<u>5.1</u>	<u>6.3</u>	<u>1.3</u>	<u>1.5</u>

18. CONTROLLED ENTITIES ACQUIRED OR DISPOSED OF

There were no acquisition or disposal of controlled entities during the current period.

19. ADDITIONAL DIVIDENDS/DISTRIBUTIONS INFORMATION

There were no dividends/distributions declared or paid during and subsequent to the current period.

20. DIVIDEND/DISTRIBUTION REINVESTMENT PLANS

There were no dividend/distribution reinvestment plans.

DIRECTORS' SHAREHOLDINGS

As at 30 June 2003, the interests of the Directors in the share capital of the Company as recorded in the registers maintained by the Company were as follows:

Name	Registers Maintained In					
	Hong Kong			Australia		
	Personal Interests	Family Interests	Corporate Interests	Personal Interests	Family Interests	Corporate Interests
Ang Guan Seng	–	–	38,114,000 ⁽¹⁾	100,000	–	–
Goh Nan Kioh	–	957,790 ⁽²⁾	38,114,000 ⁽¹⁾	–	–	–
Sandy Chim Chun Kwan	–	–	–	102,252	–	–
Lim Thian Soo	134,308	–	–	–	–	–

Notes:

- These shares are beneficially held by two corporations in which Ang Guan Seng and Goh Nan Kioh individually hold more than 20% equity interest. In accordance with the applicable regulations in Australia, both Ang Guan Seng and Goh Nan Kioh are deemed interested in shares in the Company held by these corporations.
- These shares are beneficially held by the spouse and children (under 18 years old) of Goh Nan Kioh and accordingly he is deemed to be interested in these shares.

Save as disclosed above, none of the other Directors or their associates held any interest (directly and/or deemed) in the equity of the Company as at 30 June 2003. None of the Directors or their associates had any interest (directly and/or deemed) in the equity in or debt securities of the associated corporations of the Company other than the investment in 8% convertible notes. This investment is held by PRT Capital Pte Ltd, a wholly-owned subsidiary of the Company in a proprietary limited company incorporated in Australia together with a company which is substantially and collectively owned and controlled by Ang Guan Seng and Goh Nan Kioh.

The Company does not have any listed debt securities.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the register kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) showed that the following persons are interested in 10% or more of the Company’s share capital:

Name	Number of Shares	Percentage of Shares Held
Pacific Union Pte Ltd ⁽¹⁾	37,590,000	35.76%
Kuala Lumpur Kepong Berhad ⁽²⁾	32,085,976	30.52%
Batu Kawan Berhad ⁽³⁾	32,085,976	30.52%
Arusha Enterprise Sdn Bhd ⁽³⁾	32,085,976	30.52%
Wan Hin Investments Sdn Bhd ⁽³⁾	32,085,976	30.52%
KL-Kepong International Ltd	24,085,976	22.91%

Notes:

1. These shares are beneficially owned by Pacific Union Pte Ltd which has been a substantial shareholder of the Company since the shares of the Company were first listed on the Australian Stock Exchange Limited in January 1995. Pacific Union Pte Ltd is an investment holding company which does not have any business other than holding approximately 35.76% interests in the Company. The shares in Pacific Union Pte Ltd are in turn held as to 25% by Goh Nan Kioh, as to 25% by Hoe Seng Co. Pte Ltd (a company associated with Ang Guan Seng) and the balance by independent third parties. Save as disclosed herein, Pacific Union Pte Ltd and its substantial shareholders do not have any interests in or business relations with Kuala Lumpur Kepong Berhad. Ang Guan Seng is the Non-Executive Chairman of the Company while Goh Nan Kioh is the Deputy Chairman of the Company.
2. Kuala Lumpur Kepong Berhad is a company incorporated in Malaysia and listed on the Main Board of the Kuala Lumpur Stock Exchange. It has been a substantial shareholder of the Company since 1995. Save as disclosed herein, Kuala Lumpur Kepong Berhad and its controlling shareholders do not have any interests in or business relations with Pacific Union Pte Ltd.

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

3. As at 30 June 2003, Kuala Lumpur Kepong Berhad is 45.62% directly owned by Batu Kawan Berhad, which is, in turn, 43.43% directly owned by Arusha Enterprise Sdn Bhd. Wan Hin Investments Sdn Bhd directly owns 77.40% of Arusha Enterprise Sdn Bhd. Accordingly, Batu Kawan Berhad, Arusha Enterprise Sdn Bhd and Wan Hin Investments Sdn Bhd are also deemed by the SDI Ordinance to be interested in the ordinary shares owned by KL-Kepong International Ltd and Ablington Holdings Sdn Bhd as disclosed above.

Batu Kawan Berhad, Arusha Enterprise Sdn Bhd and Wan Hin Investments Sdn Bhd are companies incorporated in Malaysia and the shares of Batu Kawan Berhad are listed on the Main Board of the Kuala Lumpur Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries, Associate and the Joint Venture purchased, sold or redeemed any of the Company's listed securities during the current period.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors are aware of information that would reasonably indicate that the Company is not, or was not for any part of the period under review, in compliance with Appendix 14 of the Listing Rules, except that the Non-Executive Directors of the Company were not appointed for specific terms but retire from office on a rotational basis pursuant to the Company's Bye-laws.

AUDIT COMMITTEE

The Audit Committee has reviewed with Management and the External Auditors the unaudited interim financial statements for the current period.

By order of the Board
Goh Nan Kioh
Director

Kuala Lumpur, 29 August 2003

DIRECTORS' DECLARATION

The directors of Pearl River Tyre (Holdings) Limited declare that:

- (a) the financial statements and the notes thereon comply with all applicable accounting standards and give a true and fair view of the financial position of the Group as at 30 June 2003 and of its performance, as represented by the results of its operations and cash flows, for the six months period ended 30 June 2003; and
- (b) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been approved by the Board on 29 August 2003 and is signed for and on behalf of the directors by:

Ang Guan Seng
Director

Goh Nan Kioh
Director

Date: 29 August 2003

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF PEARL RIVER TYRE (HOLDINGS) LIMITED

STATEMENT

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim report of the Group:

- (a) does not give a true and fair view of the financial position of the Group as at 30 June 2003 and of its performance for the six months period ended 30 June 2003, and
- (b) is not presented in accordance with International Accounting Standard 34 “Interim Financial Reporting”, Statement of Standard Accounting Practice 25 “Interim Financial Reporting” and other mandatory professional reporting requirements in Australia and Hong Kong.

This statement must be read in conjunction with the rest of our independent review report.

BOARD OF DIRECTORS’ RESPONSIBILITIES

The Board of Directors is responsible for the preparation of its interim financial statements which present fairly the financial position of the Group as at 30 June 2003 and the results of its operations and cash flows for the six months period ended 30 June 2003.

INDEPENDENT AUDITORS’ RESPONSIBILITIES

We are responsible for reviewing the interim financial statements presented by the Board of Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the interim financial statements do not present fairly the matters to which they relate.

BASIS OF OPINION

A review is limited primarily to enquiries of group personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We conducted an independent review in order for the Company to lodge the interim report with the Australian Securities and Investments Commission. Our review was conducted in accordance with all applicable accounting standards that applied to review engagements.

We read the other information attached to the interim report to determine whether it contained any material inconsistencies with the interim report.

While we considered the effectiveness of management’s internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

INDEPENDENCE

Other than in our capacity as auditors, we have no other relationship with or interests in the Group.

Horwath
Kuala Lumpur Office
Chartered Accountants

Kuala Lumpur, 29 August 2003