



PEARL RIVER TYRE (HOLDINGS) LIMITED

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

(Stock Code: 01187)

INTERIM REPORT 2005

The Directors of Pearl River Tyre (Holdings) Limited (the “Company”) are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six month period ended 30 June 2005 (the “current period”) together with the comparative figures for the corresponding period last year (the “corresponding period”).

This interim report does not include all the notes normally included in an annual report. Accordingly, this interim report should be read in conjunction with the 2004 Annual Report.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six Month Period Ended	
		30.6.2005	30.6.2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	249	1,488
Costs and expenses			
Salaries and employees benefits		(1,107)	(1,023)
Depreciation expense		(99)	(94)
Loss on foreign exchange		(720)	–
Other expenses	4	(808)	(1,843)
Total costs and expenses		<u>(2,734)</u>	<u>(2,960)</u>
Loss from continuing operating activities		(2,485)	(1,472)
Share of net profit/(loss) of the Joint Venture (30.6.2004 – Joint Venture and Associate) accounted for using the equity method	5	4,570	(4,013)
Profit/(Loss) before tax		2,085	(5,485)
Taxation	6	–	–
Net profit/(loss) for the current/corresponding period		<u>2,085</u>	<u>(5,485)</u>
Basic profit/(loss) per share (Hong Kong cents)	7	<u>2.0</u>	<u>(5.2)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As At	
	<i>Note</i>	30.6.2005 <i>HK\$'000</i>	31.12.2004 <i>HK\$'000</i>
Assets			
Non-current assets			
Equipment		436	546
Other financial assets	8	127,868	139,729
Investment in the Joint Venture	9	213,618	209,057
		<hr/>	<hr/>
Total non-current assets		341,922	349,332
Current assets			
Cash and cash equivalents		7,044	7,889
Receivables	10	6,685	6,820
		<hr/>	<hr/>
Total current assets		13,729	14,709
Current liabilities			
Payables	11	2,719	2,112
Provisions		123	126
		<hr/>	<hr/>
Total current liabilities		2,842	2,238
Net current assets		<hr/>	<hr/>
		10,887	12,471
Net assets		<hr/>	<hr/>
		352,809	361,803
		<hr/>	<hr/>
Equity			
Issued capital	12	110,716	110,716
Share premium		113,157	113,157
Revaluation reserve	13	90,262	100,973
Capital reserves		41,866	41,866
Foreign currency translation reserve		13,483	13,851
Accumulated losses		(16,675)	(18,760)
		<hr/>	<hr/>
Total equity		352,809	361,803
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Month Period Ended	
	30.6.2005	30.6.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow for operating activities	(1,678)	(1,760)
Cash flow from investing activities		
Dividends received	249	18
Payment for the balance of the unpaid portion on the partly paid-up shares in Associate	–	(755)
Proceeds from disposal of listed securities	1,073	1,207
Repayment from the Joint Venture	25	35
	<u>1,347</u>	<u>505</u>
Net cash from investing activities		
Cash flow from financing activity		
Advances from a director	381	–
	<u>381</u>	<u>–</u>
Net cash from financing activity		
Net increase/(decrease) in cash and cash equivalents	50	(1,255)
Cash and cash equivalents at the beginning of the current/corresponding period	7,889	9,604
Effect of foreign exchange rate changes, net	(895)	(658)
	<u>(895)</u>	<u>(658)</u>
Cash and cash equivalents at the end of the current/corresponding period	<u>7,044</u>	<u>7,691</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital <i>HKS'000</i>	Share Premium <i>HKS'000</i>	Revaluation Reserve <i>HKS'000</i>	Capital Reserves <i>HKS'000</i>	Foreign Currency Translation Reserve <i>HKS'000</i>	Accumulated Losses <i>HKS'000</i>	Total <i>HKS'000</i>
At 1 January 2005	110,716	113,157	100,973	41,866	13,851	(18,760)	361,803
Adjustments arising from the translation of the financial statements of the Joint Venture	-	-	-	-	(368)	-	(368)
Net loss arising from available-for-sale financial assets	-	-	(10,711)	-	-	-	(10,711)
Net profit for the current period	-	-	-	-	-	2,085	2,085
At 30 June 2005	<u>110,716</u>	<u>113,157</u>	<u>90,262</u>	<u>41,866</u>	<u>13,483</u>	<u>(16,675)</u>	<u>352,809</u>
At 1 January 2004	110,716	113,157	6,418	41,866	12,966	(11,463)	273,660
Adjustments arising from the translation of the financial statements of the Joint Venture and Associates	-	-	-	-	(124)	-	(124)
Net loss for the corresponding period	-	-	-	-	-	(5,485)	(5,485)
At 30 June 2004	<u>110,716</u>	<u>113,157</u>	<u>6,418</u>	<u>41,866</u>	<u>12,842</u>	<u>(16,948)</u>	<u>268,051</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“The Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the relevant provisions thereof.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004 except for the new adoption of the new and/or revised Hong Kong Financial Reporting Standards (“HKFRS”), HKAS, and Interpretations (hereinafter collectively referred as “new HKFRS”) issued by the HKICPA that are effective for accounting periods commencing on or after 1 January 2005.

The adoption of these new HKFRSs has had no material impact on the accounting policies, the results and financial position of the Group.

The interim financial statements for the period ended 30 June 2005 are unaudited and have been reviewed by the Audit Committee of the Company which is of the opinion that such financial statements complied with the applicable accounting standards, and that adequate disclosures have been made.

2. SEGMENTAL INFORMATION

The following tables present revenue and profit information regarding geographical segments for the current period and the corresponding period and certain asset and liability information regarding geographical segments as at 30 June 2005 and 31 December 2004:–

	The PRC ⁽¹⁾ HK\$'000	Australia ⁽²⁾ HK\$'000	Singapore ⁽³⁾ HK\$'000	Malaysia ⁽⁴⁾ HK\$'000	Total HK\$'000
Six month period ended 30 June 2005					
Revenues from external customers	–	–	–	249	249
Net profit/(loss) from continuing operations	<u>2,655</u>	<u>–</u>	<u>(49)</u>	<u>(521)</u>	<u>2,085</u>
As at 30 June 2005					
Segment assets	6,458	–	7,426	128,149	142,033
Investments accounted for using the equity method	<u>213,618</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>213,618</u>
Total assets	<u>220,076</u>	<u>–</u>	<u>7,426</u>	<u>128,149</u>	<u>355,651</u>
Segment liabilities	<u>1,699</u>	<u>–</u>	<u>571</u>	<u>572</u>	<u>2,842</u>

2. SEGMENTAL INFORMATION (CONT'D)

	The PRC ⁽¹⁾ HK\$'000	Australia ⁽²⁾ HK\$'000	Singapore ⁽³⁾ HK\$'000	Malaysia ⁽⁴⁾ HK\$'000	Total HK\$'000
Six month period ended 30 June 2004					
Revenues from external customers	586	–	512	390	1,488
Net (loss)/profit from continuing operations	<u>(9,558)</u>	<u>–</u>	<u>464</u>	<u>3,609</u>	<u>(5,485)</u>
As at 31 December 2004					
Segment assets	5,663	–	7,648	141,673	154,984
Investments accounted for using the equity method	<u>209,057</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>209,057</u>
Total assets	<u>214,720</u>	<u>–</u>	<u>7,648</u>	<u>141,673</u>	<u>364,041</u>
Segment liabilities	<u>1,450</u>	<u>–</u>	<u>394</u>	<u>394</u>	<u>2,238</u>

Notes:–

1. “The PRC” refers to the Joint Venture in the PRC relating to the manufacture and sales of bias tyres.
2. “Australia” refers to a debt investment in Australia.
3. “Singapore” refers to the investment in securities listed on a prescribed stock exchange and cash deposits in Singapore.
4. “Malaysia” refers to the investment in securities listed on a prescribed stock exchange and cash deposits in Malaysia. For the comparatives, “Malaysia” includes investment in an associate in Malaysia which is principally engaged in the provision of “full turnkey” subcontracting services for the manufacture of semiconductor components which are supplied to multinational companies engaged in the manufacture of semiconductor products. The equity interest in the associate was diluted from 21.0% to 16.5%. As a result of the dilution, the Group ceased to equity account the result in the associate. The investment in the associate were reclassified as investment in securities listed on a prescribed stock exchange in Malaysia.

3. REVENUE

	Six Month Period Ended	
	30.6.2005	30.6.2004
	HK\$'000	HK\$'000
Dividends received and receivable from securities listed on prescribed stock exchanges, outside Hong Kong	249	18
Gain on disposal of securities listed on prescribed stock exchanges, outside Hong Kong	–	526
Gain on foreign exchange	–	944
	<u>249</u>	<u>1,488</u>

4. OTHER EXPENSES

	Six Month Period Ended	
	30.6.2005	30.6.2004
	HK\$'000	HK\$'000
Impairment losses on held for trading securities	–	255
Other operating expenses	808	1,588
	<u>808</u>	<u>1,843</u>

5. SHARE OF NET PROFIT/(LOSS) OF THE JOINT VENTURE (30.6.2004 – JOINT VENTURE AND ASSOCIATE) ACCOUNTED FOR USING THE EQUITY METHOD

	Six Month Period Ended	
	30.6.2005	30.6.2004
	HK\$'000	HK\$'000
Share of profit/(loss) before tax of:		
– the Joint Venture	4,570	(7,534)
– Associate	–	3,671
	<u>4,570</u>	<u>(3,863)</u>
Share of tax expense of Associate	–	(150)
Share of net profit/(loss) of the Joint Venture	4,570	(7,534)
Share of net profit of Associate	–	3,521
	<u>4,570</u>	<u>(4,013)</u>

The result of the Joint Venture has been accounted for based on their unaudited financial statements made up from 1 January 2005 to 30 June 2005, and include adjustments that were necessary to bring the financial statements of the Joint Venture to be in conformity with the accounting policies adopted by the Group.

6. TAXATION

The Company was incorporated under the laws of the British Virgin Islands and continued under the laws of Bermuda subsequent to its migration. At the present time, no income, profit, capital or capital gain taxes are levied in Bermuda. Accordingly, no provision for such taxes has been recorded by the Company. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until 28 March 2016.

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

7. BASIC PROFIT/(LOSS) PER SHARE

The calculation of the basic profit/(loss) per share is based on the net profit of HK\$2,085,000 (30.6.2004 – net loss of HK\$5,485,000) for the current period and on the number of shares in issue during the current period of 105,116,280 (30.6.2004 – 105,116,280).

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

8. OTHER FINANCIAL ASSETS

	As At	
	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
Non-current:		
Securities listed on prescribed stock exchange, outside Hong Kong		
– available-for-sale, at fair value ⁽¹⁾	107,904	122,860
– held for trading, at fair value	<u>15,414</u>	<u>12,208</u>
	123,318	135,068
Held-to-maturity securities:		
Investment in 8% convertible notes, at cost ⁽²⁾	3,368	3,368
Less: Allowance for impairment losses	(3,368)	(3,368)
	–	–
Investment in an associate accounted for at cost ⁽³⁾	<u>4,550</u>	<u>4,661</u>
	<u>127,868</u>	<u>139,729</u>

Notes:–

- Relates to investment in D & O Ventures Berhad (“D & O”) held by PRT Capital Pte Ltd. The carrying value represents the fair value of D & O is based on the last quoted market price as at balance sheet date.
- The investment in 8% convertible notes is held by PRT Capital Pte Ltd in a proprietary limited company incorporated in Australia together with a company which is substantially and collectively owned and controlled by two directors of the Company, namely Ang Guan Seng and Goh Nan Kioh. PRT Capital Pte Ltd has not received or accrued for any interest in respect of the 8% convertible notes.
- The equity method is not applied to account for the investment in the associate, i.e. Thames Electronics Sdn Bhd, an investment holding company which was incorporated in Malaysia, as the amount involved is not material for equity accounting to be applied.

9. INVESTMENT IN THE JOINT VENTURE

Name	Place/Date of Incorporation/ Establishment	Authorised/ Issued and Fully Paid-Up Share Capital	Attributable Equity Interest		Principal Activities
			30.6.2005	31.12.2004	
Guangzhou Pearl River Rubber Tyre Limited	The People's Republic of China (the "PRC")/ 11 December 1993	US\$43,202,166/ US\$43,202,166	70%	70%	Manufacture and sales of bias tyres

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

As At
30.6.2005 **31.12.2004**
HK\$'000 *HK\$'000*

The movement in the carrying amount of the investment in the Joint Venture is as follows:–

At 1 January 2005/2004	209,057	213,168
Share of movement in reserves:		
– net profit/(loss) for the current period/previous financial year	4,658	(4,360)
– foreign currency translation reserve	(97)	249
	<u>213,618</u>	<u>209,057</u>
At 30 June 2005/31 December 2004	<u>213,618</u>	<u>209,057</u>

As At
30.6.2005 **31.12.2004**
HK\$'000 *HK\$'000*

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

Non-current assets	192,529	200,188
Current assets	148,614	144,664
Current liabilities	(128,879)	(137,337)
	<u>212,264</u>	<u>207,515</u>
Adjustment for the negative goodwill arising on acquisition	1,354	1,542
	<u>213,618</u>	<u>209,057</u>
At 30 June 2005/31 December 2004	<u>213,618</u>	<u>209,057</u>

9. INVESTMENT IN THE JOINT VENTURE (CONT'D)

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 Statement

	Six Month Period Ended	
	30.6.2005 <i>HK\$'000</i>	30.6.2004 <i>HK\$'000</i>
Revenue	355,536	266,022
Cost of sales	<u>(318,144)</u>	<u>(246,488)</u>
Gross profit	37,392	19,534
Other revenue	1,168	1,909
Administrative and other operating costs	(16,384)	(20,039)
Selling and distribution costs	<u>(11,867)</u>	<u>(7,951)</u>
Profit/(Loss) from continuing operations	10,309	(6,547)
Finance costs	<u>(3,781)</u>	<u>(4,216)</u>
Profit/(Loss) from continuing operations before tax	6,528	(10,763)
Taxation	<u>–</u>	<u>–</u>
Net profit/(loss) from continuing operations	<u>6,528</u>	<u>(10,763)</u>

9. INVESTMENT IN THE JOINT VENTURE (CONT'D)

(ii) Balance Sheet

	As At	
	30.6.2005 HK\$'000	31.12.2004 HK\$'000
Non-current assets		
Property, plant and equipment	273,725	283,717
Intangibles	1,317	2,266
Total non-current assets	275,042	285,983
Current assets		
Cash and cash equivalents	76,143	40,202
Receivables	40,688	36,731
Inventories	95,041	129,690
Tax assets	434	40
Total current assets	212,306	206,663
Current liabilities		
Payables	79,369	86,282
Interest-bearing loans and borrowings	95,880	100,488
Provisions and other liabilities	8,864	9,426
Total current liabilities	184,113	196,196
Net current assets	28,193	10,467
Net assets	303,235	296,450
Equity		
Issued capital	348,470	348,470
Capital deficit	(6,090)	(6,090)
Revaluation reserve	9,169	9,169
Foreign currency translation reserve	27,537	27,280
Accumulated losses	(75,851)	(82,379)
Total equity	303,235	296,450

10. RECEIVABLES

	As At	
	30.6.2005 HK\$'000	31.12.2004 HK\$'000
Current:		
Amount owing by the Joint Venture	4	30
Other receivables	6,681	6,790
	6,685	6,820

10. RECEIVABLES (CONT'D)

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

	As At	
	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
Outstanding less than one year	<u>6,685</u>	<u>6,820</u>

11. PAYABLES

	As At	
	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
Current:		
Amount owing to a director	1,143	788
Accruals	<u>1,576</u>	<u>1,324</u>
	<u>2,719</u>	<u>2,112</u>

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

	As At	
	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
Outstanding less than one year	1,931	1,836
Outstanding more than one year	<u>788</u>	<u>276</u>
	<u>2,719</u>	<u>2,112</u>

12. ISSUED CAPITAL

The issued and fully paid-up share capital of the Company comprises 105,116,280 ordinary shares of A\$0.20 each. There was no change in the issued and paid-up share capital of the Company during the current period.

13. REVALUATION RESERVE

	As At	
	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
At 1 January	100,973	6,418
Transfer (to)/from other financial assets arising from net (loss)/gain on available-for-sale financial assets	<u>(10,711)</u>	<u>94,555</u>
At 30 June/31 December	<u>90,262</u>	<u>100,973</u>
Revaluation of buildings of the Joint Venture	6,418	6,418
Revaluation of available-for-sale financial assets	<u>83,844</u>	<u>94,555</u>
	<u>90,262</u>	<u>100,973</u>

14. INTERIM DIVIDENDS

No dividend was paid since the end of the previous financial year and the Directors has not declare any dividend for the current period. No dividend was declared for the previous financial year.

15. RELATED PARTY TRANSACTIONS

The following is a summary of the transactions with related parties, which were carried out in the normal course of operations of the Group:–

	Six Month Period Ended	
	30.6.2005	30.6.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Transactions between the Joint Venture and Guangzhou Bolex Tyre Limited (“Bolex”)		
Contribution received and receivable for the processing of certain raw materials	3,917	2,014
Interest income for advances outstanding	57	48
	<u>3,974</u>	<u>2,062</u>
Transactions between the Joint Venture and GGXTEG*		
Lease rental for a piece of land and buildings erected thereon	1,653	1,653
Lease rental for the exclusive right to use certain machinery	942	942
Lease rental for a hostel	13	14
Royalties for the right to use the trademark “Pearl River” and any technology and know-how necessary for the production of bias tyres	189	168
Share of the administrative expenses for a hospital and staff canteen under the management of GGXTEG	1,101	737
	<u>3,898</u>	<u>3,514</u>

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

The aggregate value of the transactions with Bolex has not exceeded either the higher of HK\$10 million or 3% of the Group’s net tangible assets and the aggregate value of the transactions with GGXTEG has not exceeded 3% of the Group’s net tangible assets.

16. CONTINGENT LIABILITIES

During or since the end of the current period, the Group does not have any contingent liabilities.

17. SIGNIFICANT EVENT DURING AND SUBSEQUENT TO THE FINANCIAL PERIOD

No significant event has arisen during and subsequent to the financial period that would be likely to materially affect the operations of the Group, the results of the Group or the state of affairs of the Group which has not been disclosed or recognised in this interim financial statements.

BUSINESS REVIEW AND PROSPECTS

The Company is principally engaged in the business of investment holding. The Group's principal asset is a 70% equity interest in the Joint Venture. The principal activity of the Joint Venture is the manufacture and sales of bias tyres for commercial vehicles, which has been one of the Group's core businesses and will be the focus for further development.

The Group's unaudited net profit for the six month period ended 30 June 2005 (the "current period") amounted to HK\$2,085,000, a 138.5% increase compared to the unaudited net loss of HK\$5,485,000 recorded in the corresponding period last year. Profit per share was 2.0 Hong Kong cents, representing an improvement of 138.5%.

The Group's revenues and net profit from continuing operations, including the Group's share of the Joint Venture's result, are shown by geographical segment in Note 2 to the consolidated financial statements.

No event has since the end of the current period arisen that would be likely to materially affect the operations of the Group, the results of the Group or the state of affairs of the Group which has not been disclosed or recognised.

1. Analysis on the Operating Results and Financial Position of the Group

Operating Results

	1.1.2005 to 30.6.2005 <i>HK\$'000</i>	1.1.2004 to 30.6.2004 <i>HK\$'000</i>	Change %
Revenues	249	1,488	(83.3)
Costs and expenses	(2,734)	(2,960)	7.6
Share of net profit/(loss) of the Joint Venture and Associate	4,570	(4,013)	213.9
Net profit/(loss)	<u>2,085</u>	<u>(5,485)</u>	<u>138.5</u>

The net profit of the Group was approximately HK\$2,085,000, mainly due to the share of profit from the Joint Venture amounting to approximately HK\$4,570,000. The share of profit from the Joint Venture was partially set off by the loss on foreign exchange amounting to approximately HK\$720,000.

Financial Analysis

	30.6.2005	31.12.2004
Total assets (HK\$'000)	355,651	364,041
Net assets/Shareholders' equity (HK\$'000)	352,809	361,803
Returns on shareholders' equity (%)	0.59	(2.05)*
Current ratio	<u>4.83</u>	<u>6.57</u>

* Calculated by dividing net profit for the corresponding period last year over shareholders' equity as at 30 June 2004.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

1. Analysis on the Operating Results and Financial Position of the Group (Cont'd)

The Group's cash and cash equivalents are held in currencies other than Hong Kong Dollar. The Hong Kong Dollar equivalents of foreign currency monetary items included in the financial statements are not effectively hedged. The directors are of the opinion that the Group's exposure to currency risk is not significant.

The Company does not have any bank borrowings and does not need any source of funding for capital expenditure in the foreseeable future.

2. The Joint Venture

Turnover increased by 33.6% or HK\$90 million as compared to the corresponding period last year. Average gross profit also increased during the current period, achieving 10.5% as compared to the previous corresponding period of 7.3%.

We forecast that demand for our light truck tyre range will remain strong throughout the year owing to the continued efforts by the Government to crackdown on overloading by heavy trucks.

Despite the increased inroads made by radial tyres into the market, we also believe the demand for bias tyres will continue to remain strong. Efforts are now being concentrated on manufacturing specialty bias tyres as we believe there is a niche in the market for these bias tyres.

We believe that the increase in price for raw materials, such as natural rubber, oil and transportation costs will affect all market players in the industry.

3. Outlook

Despite the challenging market conditions, the first half year result has been encouraging. With a healthy order book in the second half, the performance of the joint venture will continue to be satisfactory.

To ensure that we remain competitive, management will continuously look at ways to minimise costs and improve efficiencies in the production process. A team was brought in to explore all possible ways of improving product quality at optimum cost. We anticipate that the measures taken thus far and being currently implemented will put the Company on a firm footing.

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

As at 30 June 2005, the interests and short positions of the Directors or chief executive of the Company in shares, underlying shares and debentures of the Company or 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 Listing Companies, were as follows:–

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

Name	Capacity	Number of Shares Held in The Company	Percentage of the Issued Shares Capital of the Company (%)
Ang Guan Seng	Personal	100,000	0.1
	Corporate	38,114,000 ⁽¹⁾	36.3
Goh Nan Kioh	Family	957,790 ⁽²⁾	0.9
	Corporate	38,114,000 ⁽¹⁾	36.3
Goh Nan Yang	Personal	94,000	0.1
Sandy Chim Chun Kwan	Personal	102,252	0.1
Lim Thian Soo	Personal	134,308	0.1
Lim Loi Heng	Personal	80,000	0.1

Notes:–

1. These shares are beneficially held by two corporations in which Ang Guan Seng and Goh Nan Kioh each hold more than 20% equity interest.
2. These shares are beneficially held by the spouse and children (under 18 years old) of Goh Nan Kioh and accordingly he is deemed to be interested in these shares.

The Company does not have any listed debt securities.

Save as disclosed above as at 30 June 2005, none of the other Directors or the chief executive 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 Listing Companies. None of the Directors or the chief executive of the Company or any of their associates had an interest (directly and/or deemed) in the equity or debt securities of the associated corporations of the Company other than the investment in 8% unsecured convertible notes. The investment in 8% convertible notes 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.

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY (CONT'D)

At no time during the current period, the Directors or the chief executive 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 30 June 2005, as far as is known to the Directors and the chief executive 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 share of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:-

Long positions in ordinary shares of the company

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

Notes:-

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

SUBSTANTIAL SHAREHOLDERS (CONT'D)

Long positions in ordinary shares of the company (Cont'd)

2. Kuala Lumpur Kepong Berhad is a company incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad (formerly known as 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 SFO to be interested in a total of 32,085,976 ordinary shares beneficially owned by Ablington Holdings Sdn Bhd and KL-Kepong International Ltd.

3. As at 30 June 2005, Kuala Lumpur Kepong Berhad is 46.46% directly owned by Batu Kawan Berhad, which is, in turn, 43.80% directly owned by Arusha Enterprise Sdn Bhd. Wan Hin Investments Sdn Bhd directly owns 77.40% of Arusha Enterprise Sdn Bhd. Accordingly, Batu Kawan Berhad, Arusha Enterprise Sdn Bhd and Wan Hin Investments Sdn Bhd are also deemed by the SFO to be interested in the ordinary shares owned by KL-Kepong International Ltd and Ablington Holdings Sdn Bhd as disclosed above.

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

Save as disclosed above, as at 30 June 2005, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and the chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

GROUP STRUCTURE

There were no changes in the composition of the Group during the current period, including business combinations, acquisition and disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

Compliance with the Code of Corporate Governance Practices

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 the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except that all the non-executive directors of the Company have no set terms of office but retire from office on a rotational basis in accordance with the Company's By-laws and the establishment of the remuneration committee in September 2005.

Audit Committee

The Audit Committee of the Company, which is chaired by an Independent Non-Executive Director, currently has a membership comprising 2 independent non-executive directors and 1 non-executive director. The Audit Committee meets at least twice a year with management and the external auditors of the Company and reviews matters relating to audit, accounting and financial statements as well as the accounting policies, internal controls and financial reporting of the Company, its subsidiaries and the Joint Venture.

The Audit Committee has reviewed with management, the Group's interim results for the current period before they were presented to the Board for approval.

Code of Conduct regarding Directors' Securities Transactions

The Company has adopted the Model Code as set out in the Appendix 10 of the Listing Rules as the code for securities transactions by Directors ("the Code").

Following specific enquiry made with the Directors, the Company confirmed that all directors had complied with the standard set out in the Code regarding securities transactions during the period under review.

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>Deputy Chairman and Non-Executive Director</i>
Sandy Chim Chun Kwan	<i>Executive Director</i>
Goh Nan Yang	<i>Executive Director</i>
Lim Thian Soo	<i>Non-Executive Director (also alternate to Goh Nan Kioh)</i>
Lim Loi Heng	<i>Independent Non-Executive Director</i>
Lim Chong Puang	<i>Independent Non-Executive Director</i>
Helen Zee	<i>Independent Non-Executive Director</i>

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

- (i) At the Eleventh Annual General Meeting of the Company held on 27 May 2005:
- Chen Zhen Guo who retired by rotation in accordance with the Company's Bye-laws was retired after Eleventh Annual General Meeting.
 - Sun Zhi Yi who retired by rotation in accordance with the Company's Bye-laws was retired after Eleventh Annual General Meeting.
 - Helen Zee who retired by rotation in accordance with the Company's Bye-laws was re-elected to the Board.

By order of the Board
Goh Nan Yang
Director

Kuala Lumpur, 28 September 2005