

1. BASIS OF PRESENTATION

The unaudited interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 – Interim Financial Reporting issued by the Hong Kong Society of Accountants (“HKSA”) and with the applicable disclosure requirements as set out in Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong (“SEHK”).

The accounting policies used in preparing the unaudited interim financial statements of the Group are consistent with those adopted in the 2000 annual financial statements.

For the current period, the results of Guangzhou Pearl River Rubber Tyre Limited (the “Joint Venture”) have been accounted for using the equity method of accounting (the “equity method”). This is to comply with the requirements of AASB 1006 – Interests in Joint Ventures and SSAP 2.121 – Accounting for Interests in Joint Ventures issued by the Australian Accounting Standards Board and the HKSA respectively. The results of the Joint Venture for the corresponding period were consolidated within the Company’s results. Comparative figures prepared in accordance with the equity method have been shown as “As Restated” in addition to the comparative amounts prepared in accordance with the consolidated method as disclosed in the previous interim financial statements, shown as “As Previously Reported”.

2. SEGMENTAL INFORMATION

The segmental results are as follows:–

Geographical Markets

	The PRC	Australia	Singapore	Malaysia	Total
	<i>A\$’000</i>	<i>A\$’000</i>	<i>A\$’000</i>	<i>A\$’000</i>	<i>A\$’000</i>
2001					
Total revenue	59	–	714	256	1,029
Consolidated operating (loss)/profit after income tax	<u>(1,186)</u>	<u>–</u>	<u>206</u>	<u>479</u>	<u>(501)</u>
2000 – As restated					
Total revenue	–	–	721	6,945	7,666
Consolidated operating (loss)/profit after abnormal item and tax	<u>(4,151)</u>	<u>–</u>	<u>100</u>	<u>2,052</u>	<u>(1,999)</u>
2000 – As previously reported					
Total revenue	35,388	–	721	6,945	43,054
Consolidated operating (loss)/profit after abnormal item and tax	<u>(5,729)</u>	<u>–</u>	<u>100</u>	<u>2,052</u>	<u>(3,577)</u>

2. SEGMENTAL INFORMATION (Continued)

	The PRC HK\$'000	Australia HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Total HK\$'000
2001					
Total revenue	245	–	2,980	1,070	4,295
Consolidated operating (loss)/profit after income tax	<u>(5,057)</u>	<u>–</u>	<u>861</u>	<u>1,998</u>	<u>(2,198)</u>
2000 – As restated					
Total revenue	–	–	3,440	33,110	36,550
Consolidated operating (loss)/profit after abnormal item and tax	<u>(19,911)</u>	<u>–</u>	<u>479</u>	<u>9,781</u>	<u>(9,651)</u>
2000 – As previously reported					
Total revenue	168,712	–	3,440	33,110	205,262
Consolidated operating (loss)/profit after abnormal item and tax	<u>(27,433)</u>	<u>–</u>	<u>479</u>	<u>9,781</u>	<u>(17,173)</u>

Business Segments

	Manufacture and Sales of Bias Tyres A\$'000	Securities Trading A\$'000	Investment Holding A\$'000	Total A\$'000
2001				
Total revenue	–	666	363	1,029
Consolidated operating (loss)/profit after income tax	<u>(655)</u>	<u>150</u>	<u>4</u>	<u>(501)</u>
2000 – As restated				
Total revenue	–	7,405	261	7,666
Consolidated operating (loss)/profit after abnormal item and tax	<u>(3,656)</u>	<u>1,896</u>	<u>(239)</u>	<u>(1,999)</u>
2000 – As previously reported				
Total revenue	35,388	7,405	261	43,054
Consolidated operating (loss)/profit after abnormal item and tax	<u>(5,240)</u>	<u>1,896</u>	<u>(233)</u>	<u>(3,577)</u>

2. SEGMENTAL INFORMATION (Continued)

	Manufacture and Sales of Bias Tyres	Securities Trading	Investment Holding	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2001				
Total revenue	–	2,778	1,517	4,295
Consolidated operating (loss)/profit after income tax	<u>(2,839)</u>	<u>624</u>	<u>17</u>	<u>(2,198)</u>
2000 – As restated				
Total revenue	–	35,306	1,244	36,550
Consolidated operating (loss)/profit after abnormal item and tax	<u>(17,550)</u>	<u>9,037</u>	<u>(1,138)</u>	<u>(9,651)</u>
2000 – As previously reported				
Total revenue	168,712	35,306	1,244	205,262
Consolidated operating (loss)/profit after abnormal item and tax	<u>(25,099)</u>	<u>9,037</u>	<u>(1,111)</u>	<u>(17,173)</u>

**3. INTEREST ON BORROWINGS, AMORTISATION OF INTANGIBLE ASSETS
AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT**

	As			As		
	As Restated	Previously Reported		As Restated	Previously Reported	
	Six Months Ended 30 June			Six Months Ended 30 June		
	2001	2000	2000	2001	2000	2000
	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on borrowings						
– Financial	<u>–</u>	<u>1</u>	<u>1,069</u>	<u>–</u>	<u>3</u>	<u>5,096</u>
Amortisation of intangible assets						
– General and administrative	<u>–</u>	<u>–</u>	<u>59</u>	<u>–</u>	<u>–</u>	<u>283</u>
Depreciation of property, plant and equipment						
– Cost of sales	–	–	2,375	–	–	11,321
– General and administrative	<u>16</u>	<u>17</u>	<u>17</u>	<u>68</u>	<u>81</u>	<u>81</u>

4. TOTAL REVENUE

	As			As		
	As	Previously		As	Previously	
	Restated	Reported		Restated	Reported	
	Six Months Ended 30 June			Six Months Ended 30 June		
	2001	2000	2000	2001	2000	2000
	A\$'000	A\$'000	A\$'000	HK\$'000	HK\$'000	HK\$'000
Dividends received and receivable from securities listed outside						
Australia and Hong Kong	47	85	85	196	407	407
Gain on foreign exchange	547	215	215	2,283	1,027	1,027
Interest received and receivable from:-						
- financial institutions	66	67	80	275	318	383
- a related company	-	-	14	-	-	67
Proceeds on sale of securities listed outside Australia and Hong Kong	369	7,299	7,299	1,541	34,798	34,798
Proceeds on sale of plant and equipment	-	-	283	-	-	1,344
Sales revenue	-	-	35,060	-	-	167,149
Management fee received and receivable from a related company	-	-	18	-	-	87
	<u>1,029</u>	<u>7,666</u>	<u>43,054</u>	<u>4,295</u>	<u>36,550</u>	<u>205,262</u>

5. SHARE OF PROFIT OF ASSOCIATE ENTITY

The results of the associate entity, Omega Semiconductor Sdn. Bhd., have been accounted for using the equity method based on the management accounts made up from 1 January 2001 to 30 June 2001.

6. ABNORMAL ITEM

The abnormal item of the corresponding period is in respect of writeback of provision for diminution in value of securities listed outside Australia and Hong Kong.

7. INCOME TAX OF THE JOINT VENTURE

The income tax of the corresponding period represents the writeback of deferred tax benefit arising from the timing differences between reported accounting profits and taxable income.

The share of income tax of the Joint Venture has been included under the heading "Share of loss of the Joint Venture" in the income statement denominated in A\$.

8. RECONCILIATION BETWEEN AUSTRALIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“GAAP”) AND HONG KONG GAAP

According to the Australian GAAP, the discount arising on consolidation (the “discount”) of approximately A\$763,000, representing the excess of fair values of the identifiable net assets of the Joint Venture acquired over the purchase consideration, was applied to notionally reduce the Company’s share of the Joint Venture’s 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 plant and equipment. The Company 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 assets acquired is made in respect of an acquisition discount. Instead the discount is credited directly to reserves.

A reconciliation of the operating loss attributable to shareholders and the shareholders’ equity showing the difference between the financial statements prepared in the respective Australian GAAP and Hong Kong GAAP is as follows:–

	Six Months Ended 30 June	
	2001	2000
Loss attributable to shareholders in A\$’000 as prepared under Australian GAAP	<u>(501)</u>	<u>(1,999)</u>
Loss attributable to shareholders in HK\$’000 equivalent	(2,092)	(9,530)
Reversal of notional adjustment applied under Australian GAAP	<u>(106)</u>	<u>(121)</u>
Loss attributable to shareholders in HK\$’000 restated to conform with Hong Kong GAAP	<u>(2,198)</u>	<u>(9,651)</u>
	As At 30 June 2001	As At 31 December 2000
Shareholders’ equity in A\$’000 as prepared under Australian GAAP	<u>74,463</u>	<u>69,734</u>
Shareholders’ equity in HK\$’000 equivalent	295,831	302,274
Acquisition discount credited to reserves	<u>3,044</u>	<u>3,321</u>
Shareholders’ equity in HK\$’000 restated to conform with Hong Kong GAAP	<u>298,875</u>	<u>305,595</u>

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the consolidated loss after taxation of A\$501,000 or HK\$2,198,000 (2000 – A\$1,999,000 or HK\$9,651,000) for the current period and on 105,116,280 ordinary shares of A\$0.20 each in issue during the current period.

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

10. INVESTMENTS

	At 31		At 31	
	At 30 June	December	At 30 June	December
	2001	2000	2001	2000
	A\$'000	A\$'000	HK\$'000	HK\$'000
Securities listed on prescribed stock exchanges, outside Australia and Hong Kong, at fair value (being market value)	2,063	2,516	8,231	10,953
Investment in 8% convertible notes (a)	1,330	1,330	5,307	5,790
Investment in the Joint Venture (b)	63,401	58,826	254,735	258,107
Investment in associate entity (c)	2,926	2,562	11,675	11,152
	<u>69,720</u>	<u>65,234</u>	<u>279,948</u>	<u>286,002</u>

- (a) *The investment in 8% convertible notes is stated at cost.*

These notes are an investment held by PRT Capital Pte Ltd, a wholly owned controlled entity of the Company, in a proprietary limited company incorporated in Australia together with a company which is substantially and collectively owned and controlled by certain directors.

- (b) *The investment in the Joint Venture is stated at cost and adjusted to reflect changes in the Group's share of the net assets of the Joint Venture and includes discount arising on consolidation.*

The Joint Venture was established as a Sino-foreign equity joint venture under the Chinese Joint Venture Law. The Joint Venture is 70% owned by the Company and 30% owned by Guangzhou Rubber Tyre Factory, a state-owned enterprise, established in Guangzhou, the PRC.

- (c) *The financial statements of the associate entity are audited by public accountants other than Horwath Sydney Partnership.*

11. THE INCOME STATEMENTS OF THE JOINT VENTURE

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:-

	Six Months Ended 30 June		Six Months Ended 30 June	
	2001	2000	2001	2000
	A\$'000	A\$'000	HK\$'000	HK\$'000
Turnover	<u>57,193</u>	<u>35,388</u>	<u>238,621</u>	<u>168,712</u>
Profit/(Loss) from operations	163	(2,629)	681	(12,532)
Finance cost	<u>(1,135)</u>	<u>(1,090)</u>	<u>(4,737)</u>	<u>(5,198)</u>
Operating loss before taxation	(972)	(3,719)	(4,056)	(17,730)
Taxation	<u>-</u>	<u>(1,540)</u>	<u>-</u>	<u>(7,342)</u>
Loss after taxation	<u>(972)</u>	<u>(5,259)</u>	<u>(4,056)</u>	<u>(25,072)</u>

12. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current period's presentation:-

	As		As	
	Previously Reported	As Restated	Previously Reported	As Restated
	A\$'000	A\$'000	HK\$'000	HK\$'000
Balance Sheet				
Cash and deposits	2,614	2,688	11,381	11,702
Amount owing to a director	<u>(12)</u>	<u>(86)</u>	<u>(49)</u>	<u>(370)</u>