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## PEARL RIVER TYRE (HOLDINGS) LIMITED

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

**(Stock Code: 01187)**

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

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 months period ended 30 June 2009 (the “current period”) together with the comparative figures for the corresponding period last year (the “corresponding period”).

This announcement does not include all the notes normally included in an annual report. Accordingly, this announcement should be read in conjunction with the 2008 Annual Report.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>Six Months Period Ended</b>	
		<b>30.6.2009</b>	<b>30.6.2008</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	248,241	270,712
Cost of sales		<u>(198,356)</u>	<u>(258,294)</u>
Gross profit		49,885	12,418
Other income	4	1,764	193
Selling and distribution expenses		(6,856)	(5,015)
Administrative expenses		(18,170)	(15,486)
Other operating expenses	5	<u>(7,669)</u>	<u>(11,314)</u>
Profit/(Loss) from continuing operations		18,954	(19,204)
Finance costs	6	<u>(2,818)</u>	<u>(4,736)</u>
Profit/(Loss) before taxation		16,136	(23,940)
Income tax expense	7	<u>(114)</u>	<u>–</u>
Net profit/(loss) for the period		<u>16,022</u>	<u>(23,940)</u>
Basic earnings/(loss) per share (Hong Kong cents)	8	<u>15.2</u>	<u>(22.8)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Period Ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Profit /(Loss) for the period	16,022	(23,940)
<b>Other comprehensive income, net of tax:</b>		
Exchange differences on translating foreign Joint Venture	(195)	14,814
Available-for-sale financial assets	<u>(41,238)</u>	<u>(36,292)</u>
Total comprehensive loss for the period	<u>(25,411)</u>	<u>(45,418)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At	
	30.6.2009	31.12.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	171,019	184,111
Operating lease prepayments	12,551	12,999
Investment in an associate	4,475	4,475
Investment in listed securities	48,671	89,909
	<u>236,716</u>	<u>291,494</u>
<b>Total Non-Current Assets</b>	<u>236,716</u>	<u>291,494</u>
<b>Current Assets</b>		
Investment in listed securities	12,673	11,231
Inventories	92,237	65,870
Trade receivables	28,559	13,409
Other receivables	9,349	7,410
Cash and cash equivalents	65,079	61,452
	<u>207,897</u>	<u>159,372</u>
<b>Total Current Assets</b>	<u>207,897</u>	<u>159,372</u>
<b>Current Liabilities</b>		
Trade payables	59,640	40,453
Other payables and accruals	36,096	20,823
Amount due to a director	5,925	5,612
Provisions	2,738	2,740
Borrowings	65,214	80,827
	<u>169,613</u>	<u>150,455</u>
<b>Total Current Liabilities</b>	<u>169,613</u>	<u>150,455</u>
<b>Net Current Assets</b>	<u>38,284</u>	<u>8,917</u>
<b>Net Assets</b>	<u>275,000</u>	<u>300,411</u>
<b>EQUITY</b>		
Share capital	110,716	110,716
Share premium	113,157	113,157
Revaluation reserve	30,228	71,466
Capital reserve	37,344	37,344
Foreign currency translation reserve	50,048	50,243
Accumulated losses	(66,493)	(82,515)
	<u>275,000</u>	<u>300,411</u>
<b>Total Equity</b>	<u>275,000</u>	<u>300,411</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 with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. It was authorised for issuance by the Board of Directors on 28 September 2009.

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 financial year ended 31 December 2008, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2009. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position. However, the adoption of HKAS 1 (revised) “*Presentation of Financial Statements*” has resulted in certain changes to the format of the Group’s accounts in 2009 (including revised titles for this announcement).

This announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

These interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

### 2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segment* with effect from 1 January 2009. HKFRS8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. It replaces the requirement under HKAS 14 to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the Group’s results of operations or financial position. The Group determines that the operating segments are the same as the business segments previously identified under HKAS 14.

## 2. SEGMENT INFORMATION (CONT'D)

The following tables present revenue and profit information regarding business segments for the current period and the corresponding period and certain asset and liability information regarding business segments as at 30 June 2009 and 31 December 2008:

	<b>Manufacturing</b> <i>(Note 1)</i> <i>HK\$'000</i>	<b>Investment Holding</b> <i>(Note 2)</i> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>Group</b> <i>HK\$'000</i>
Six months period ended 30 June 2009				
Revenue	<u>247,765</u>	<u>476</u>	<u>–</u>	<u>248,241</u>
Results:				
Segment results (external)	<u>18,359</u>	<u>(1,169)</u>	<u>–</u>	17,190
Other income				1,764
Finance costs				<u>(2,818)</u>
Profit before taxation				16,136
Income tax expense				<u>(114)</u>
Profit for the period				<u>16,022</u>
OTHER INFORMATION:				
Segment assets	<u>371,269</u>	<u>73,344</u>		<u>444,613</u>
Segment liabilities	<u>(157,107)</u>	<u>(12,506)</u>		<u>(169,613)</u>
Capital expenditure	2,246	11		2,257
Depreciation and amortisation	10,208	25		10,233

## 2. SEGMENT INFORMATION (CONT'D)

	<b>Manufacturing</b> <i>(Note 1)</i> <i>HK\$'000</i>	<b>Investment Holding</b> <i>(Note 2)</i> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>Group</b> <i>HK\$'000</i>
Six months period ended 30 June 2008				
Revenue	268,906	1,806	–	270,712
Results:				
Segment results (external)	(13,269)	(6,128)	–	(19,397)
Other income				193
Finance costs				(4,736)
Loss before taxation				(23,940)
Income tax expense				–
Loss for the period				(23,940)
<b>OTHER INFORMATION:</b>				
Segment assets	337,529	113,337		450,866
Segment liabilities	(138,676)	(11,779)		(150,455)
Capital expenditure	731	–		731
Depreciation and amortisation	12,508	25		12,533

### Notes:

The Group operates in the following 2 areas:–

1. the Joint Venture in the PRC relating to the manufacturing and marketing of bias tyres; and
2. investment in securities listed on a prescribed stock exchange and cash deposits in Malaysia and Singapore.

## 3. REVENUE

	<b>Six Months Period Ended</b>	
	<b>30.6.2009</b>	<b>30.6.2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of goods	247,572	268,203
Dividends received from securities listed		
on prescribed stock exchanges, outside Hong Kong	459	1,806
Other operating income	210	703
	<u>248,241</u>	<u>270,712</u>

#### 4. OTHER INCOME

	Six Months Period Ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Gain on foreign exchange		
– realised	144	–
– unrealised	–	193
Writeback of allowance for doubtful debts	5	–
Writeback of allowance for diminution in value of listed securities	1,615	–
	<u>1,764</u>	<u>193</u>

#### 5. OTHER OPERATING EXPENSES

	Six Months Period Ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Allowance for diminution in value of listed securities	–	5,841
Allowance for doubtful debts	657	–
Amortisation of discount on acquisition	–	145
Amortisation of intangible asset	–	233
Amortisation of operating lease prepayments	436	–
Construction-in-progress written off	3,533	–
Depreciation charges	2,270	2,105
Loss on foreign exchange	174	2,138
Product warranty	599	852
	<u>7,669</u>	<u>11,314</u>

#### 6. FINANCE COSTS

Included in the finance costs of the Group is the interest on bank loans amounting to HK\$2,236,000 (30.6.2008 – HK\$3,615,000).

#### 7. INCOME TAX EXPENSE

The Company was incorporated under the laws of the British Virgin Islands and continued under the laws of Bermuda subsequent to its migration. At 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.

The income tax expense represents the income tax on the dividend receivable from the investment in listed securities outside Hong Kong.

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 period and the corresponding period.

#### 8. BASIC EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the net profit of HK\$16,022,000 (30.6.2008 – net loss of HK\$23,940,000) for the current period and on the number of shares in issue during the current period of 105,116,280 (30.6.2008 – 105,116,280).

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

## 9. INVESTMENT IN THE JOINT VENTURE

Name	Place/Date of Incorporation	Authorised/ Fully Paid-Up Registered Capital	Indirect Attributable Equity Interest		Principal Activities
			30.6.2009	31.12.2008	
Guangzhou Pearl River Rubber Tyre Limited ("Joint Venture")	The People's Republic of China ("the PRC")/ 11 December 1993	US\$43,202,166	70%	70%	Manufacturing and marketing of various types of tyres mainly 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 Carham Assets Limited, a wholly-owned subsidiary of the Company, and 30% owned by Guangzhou Guang Xiang Enterprise Group Company Limited ("GGXEG"), a state-owned enterprise, established in Guangzhou, the PRC.

	As At	
	30.6.2009 HK\$'000	31.12.2008 HK\$'000
The Group's share of the Joint Venture's assets and liabilities are as follows:		
Non-current assets	183,144	196,856
Current assets	188,125	140,675
Current liabilities	(157,107)	(138,676)
Net assets	<u>214,162</u>	<u>198,855</u>
	Six Months Period Ended	
	30.6.2009 HK\$'000	30.6.2008 HK\$'000
The Group's share of the Joint Venture's revenues and expenses are as follows:		
Revenues and other income	247,913	268,906
Costs and expenses	(229,412)	(282,175)
Profit/(Loss) from continuing operations	18,501	(13,269)
Finance costs	(2,818)	(4,736)
Profit/(Loss) before taxation	15,683	(18,005)
Income tax expense	—	—
Net profit/(loss) from continuing operations	<u>15,683</u>	<u>(18,005)</u>

## 10. INTERIM DIVIDENDS

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

## 11. SIGNIFICANT EVENT DURING AND AFTER THE END OF THE REPORTING PERIOD

No significant event has arisen during and after the end of the reporting period that would likely have a material effect on 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 manufacturing and sale of tyres for commercial vehicles.

The Group's unaudited net profit for the six months period ended 30 June 2009 (the "current period") was at HK\$16,022,000 compared to the unaudited net loss of HK\$23,940,000 recorded in the corresponding period last year. Net earnings per share was 15.2 Hong Kong cents.

The Group's revenue and net profit, including the Group's share of the Joint Venture's result, are shown by business segments in Note 2 to the condensed consolidated financial statements.

No event has arisen since the end of the current period that would likely to materially affect the operations of the Group, the results of the Group or the state of affairs of the Group.

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

##### Operating Results

	Six Months Period Ended		Change %
	30.6.2009 HK\$'000	30.6.2008 HK\$'000	
Revenue	248,241	270,712	(8.3)
Costs and expenses	(233,983)	(294,845)	(20.6)
Other income	1,764	193	813.9
Net profit/(loss)	16,022	(23,940)	166.9

The net profit of the Group was HK\$16,022,000, mainly due to the share of the Joint Venture's operating profit of HK\$15,683,000 and the write back of allowance for diminution in the value of listed securities of HK\$1,615,000 as a result of the recovery in the market value of shares invested in Malaysia.

##### Financial Analysis

	As at	
	30.6.2009	31.12.2008
Total assets (HK\$'000)	444,613	450,866
Shareholders' equity (HK\$'000)	275,000	300,411
Return on shareholders' equity (%)	5.83	(7.20)*
Current ratio	1.23	1.06

\* Calculated by dividing net loss for the corresponding period last year over shareholders' equity as at 30 June 2008.

## **BUSINESS REVIEW AND PROSPECTS (CONT'D)**

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

#### **Financial Analysis (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 hedged. The Directors acknowledge the exposure to currency risk and will continue to monitor closely and minimise the exchange risk by using applicable derivatives when necessary.

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

#### **The Joint Venture**

The world tyre market contracted by 25% to 30% in the first half of 2009. However, in China, the authorities were quick to react by introducing new policies and tax incentives to spur economic growth. The Chinese Government has and will continue to make substantial investments in major areas such as roads, railways, ports, mines and other general infrastructure projects. Hence, a more effective course of recovery is in sight as evidenced by the encouraging sales volume of the Joint Venture in the first half of 2009.

The economic crisis in 2008 has forced the bias ply tyre industry to consolidate with many weaker players being forced out. The Joint Venture being a key player in the industry is expected to be a net beneficiary from this development. Our formula for survival has always been to be the most competitive bias ply manufacturer with an exceptionally high quality product.

Given the favourable government policies, relatively lower and stable raw material prices for the first half of 2009, the Joint Venture has experienced an improvement in sales volume and profit margin for its domestic sales. For the first half of 2009, we experienced an 8.3% drop in sales value due to lower average selling prices which was offset by a 20.6% decline in cost and expenses. As a result, we have achieved a profit of HK\$16 million for the first half of 2009 as compared to a loss of HK\$23.9 million in the corresponding period last year.

#### **Outlook**

The joint venture which specialises in producing and selling of bias ply tyres for various commercial applications, especially heavy duty tyres, clearly operates in a niche segment in all its present markets. Both the export and domestic markets have indicated relatively strong demand for these specialty tyres. Given favourable government policies and with the improving economy, we expect stronger domestic sales in the second half of 2009.

There are indications of uptrend in the second half of 2009 for the major raw material prices such as natural rubber, carbon black and nylon cord. Hence, management has bought forward a large part of its raw material requirement for the second half of 2009. Given the strong recovery of both the domestic and export markets, management believes that we are able to pass any cost increases to our customers without much adverse impact on sales.

In addition, the Joint Venture has also started commercial production of Light Truck Radial ("LTR") tyres. We expect the second phase to take effect by early 2010 which will contribute positively to the Joint Venture's turnover.

## **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.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has applied and complied with the code provisions on Corporate Governance Practices set out in Appendix 14 of the Listing Rules during the period ended 30 June 2009, with the exception that 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 Bye-laws.

## **AUDIT COMMITTEE**

The Audit Committee of the Company, which is chaired by an Independent Non-Executive Director, currently has a membership comprising 3 independent non-executive directors. The Audit Committee meets at least twice a year with management and annually with the external auditors of the Company to review 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 interim financial statements for the period ended 30 June 2009 which were not required to be audited 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, and has recommended their adoption by the Board.

## **COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES**

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 the Appendix 10 of the Listing Rules.

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

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company ([www.pearlriver tyres1187.com](http://www.pearlriver tyres1187.com)) and the Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)). The interim report of the Company for 2009 containing all the information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

By order of the Board  
**Goh Nan Yang**  
*Director and CEO*

Kuala Lumpur, 28 September 2009

*As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Goh Nan Kioh, the Non-Executive Chairman, Mr. Goh Nan Yang, the Executive Director, Mr. Yeoh Eng Khoon, the Non-Executive Director, Mr. Yeow See Yuen, Mr. Khoo Teng Keat and Mr. Won Thean Sang, being the Independent Non-Executive Directors.*