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PEARL RIVER TYRE (HOLDINGS) LIMITED

(Registered in Bermuda with limited liability)

(Stock Code: 01187)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2011

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 2011 (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 2010 Annual Report.

CONDENSED CONSOLIDATED INCOME STATEMENT

| | Note | Six months period ended | |
|------------------------------------------------------|------|-------------------------|-----------------------|
| | | 30.6.2011 HK\$'000 | 30.6.2010 HK\$'000 |
| Revenue | 3 | 194,260 | 307,882 |
| Cost of sales | | <u>(199,408)</u> | <u>(278,360)</u> |
| Gross (loss)/profit | | (5,148) | 29,522 |
| Other income | 4 | 1,180 | 5,568 |
| Selling and distribution expenses | | (3,718) | (8,259) |
| Administrative expenses | | (23,376) | (16,604) |
| Other operating expenses | 5 | <u>(33,826)</u> | <u>(2,357)</u> |
| (Loss)/Profit from continuing operations | | (64,888) | 7,870 |
| Finance costs | 6 | <u>(1,367)</u> | <u>(2,193)</u> |
| (Loss)/Profit before taxation | | (66,255) | 5,677 |
| Income tax expense | 7 | <u>(1)</u> | <u>(178)</u> |
| Net (loss)/profit for the period | | <u><u>(66,256)</u></u> | <u><u>5,499</u></u> |
| (Loss)/Earnings per share (<i>Hong Kong cents</i>) | | | |
| — Basic | 8 | (63.0) | 5.2 |
| — Diluted | 8 | N/A | 5.2 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months period ended | |
|------------------------------------------------------------------------|------------------------------|------------------------------|
| | 30.6.2011 <i>HK\$'000</i> | 30.6.2010 <i>HK\$'000</i> |
| (Loss)/Profit for the period | (66,256) | 5,499 |
| Other comprehensive (loss)/income: | | |
| Exchange differences on translating of | | |
| — Joint Venture's financial statements | 5,597 | 2,098 |
| — Available-for-sale investments | 490 | 15,705 |
| Available-for-sale investments: movement in the revaluation reserve | <u>(15,750)</u> | <u>44,326</u> |
| Total other comprehensive (loss)/income for the period | <u>(75,919)</u> | <u>67,628</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at | |
|--------------------------------------|-----------------|-----------------|
| | 30.6.2011 | 31.12.2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| ASSETS AND LIABILITIES | | |
| Non-Current Assets | | |
| Property, plant and equipment | 112,546 | 146,123 |
| Prepaid lease payments | 11,470 | 11,663 |
| Investment in an associate | 4,475 | 4,475 |
| Investment in listed securities | 87,403 | 102,663 |
| | 215,894 | 264,924 |
| Total Non-Current Assets | | |
| Current Assets | | |
| Investment in listed securities | 25,914 | 27,234 |
| Inventories | 96,237 | 96,530 |
| Trade and other receivables | 40,739 | 56,296 |
| Pledged bank deposits | 13,554 | 47,409 |
| Cash and cash equivalents | 18,123 | 25,856 |
| | 194,567 | 253,325 |
| Total Current Assets | | |
| Current Liabilities | | |
| Trade and other payables | 86,577 | 90,326 |
| Provisions | 2,899 | 2,836 |
| Borrowings | 62,158 | 96,037 |
| | 151,634 | 189,199 |
| Total Current Liabilities | | |
| Net Current Assets | 42,933 | 64,126 |
| Net Assets | 258,827 | 329,050 |
| EQUITY | | |
| Share capital | 110,716 | 110,716 |
| Share premium | 113,157 | 113,157 |
| Share option reserve | 5,696 | — |
| Revaluation reserve | 29,911 | 45,661 |
| Capital reserve | 37,344 | 37,344 |
| Foreign currency translation reserve | 102,299 | 96,212 |
| Accumulated losses | (140,296) | (74,040) |
| | 258,827 | 329,050 |
| Total Equity | | |

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 19 August 2011.

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 2010, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2011. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

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 2010 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 REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision-makers (“CODM”) who is the Chief Executive Officer of the Group, for the purposes of resource allocation and performance assessment.

The CODM considers the business from both geographic and product perspective. Geographically, management considers the performance of the segment in Mainland China (excluding Hong Kong), Republic of India, Republic of Yemen, the People’s Republic of Bangladesh, Singapore, Malaysia, Cambodia, Taiwan and The United Arab Emirates separately.

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

1. Manufacturing
2. Investment holding

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

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

No reportable operating segment has been aggregated.

2. SEGMENT REPORTING (CONT'D)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment (loss)/profit represents the loss from/profit earned by each segment without allocation of central administration costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

Sales between segments are carried out on arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

All assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

All liabilities are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Information regarding the Group's reportable segments as provided to the Group's CODM is set out below:

| | Manufacturing | | Investment holding | | Eliminations | | Total | |
|--------------------------------------------------------------------------------------------|-------------------------|------------|-------------------------|------------|-------------------------|------------|-------------------------|------------|
| | Six months period ended | | Six months period ended | | Six months period ended | | Six months period ended | |
| | 30.6.2011 | 30.6.2010 | 30.6.2011 | 30.6.2010 | 30.6.2011 | 30.6.2010 | 30.6.2011 | 30.6.2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 194,260 | 307,882 | — | — | — | — | 194,260 | 307,882 |
| Reportable segment (loss)/profit before taxation | (54,785) | 4,724 | (124,746) | 3,090 | 114,600 | — | (64,931) | 7,814 |
| Interest income | 43 | 56 | — | — | — | — | 43 | 56 |
| Finance costs | (1,367) | (2,193) | — | — | — | — | (1,367) | (2,193) |
| Depreciation and amortisation | (11,811) | (10,430) | (16) | (27) | — | — | (11,827) | (10,457) |
| Material non-cash items: | | | | | | | | |
| Impairment loss on plant and machinery | (28,312) | — | — | — | — | — | (28,312) | — |
| Income tax expense | — | — | (1) | (178) | — | — | (1) | (178) |
| | | | | | | | | |
| | As at | | As at | | As at | | As at | |
| | 30.6.2011 | 31.12.2010 | 30.6.2011 | 31.12.2010 | 30.6.2011 | 31.12.2010 | 30.6.2011 | 31.12.2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Reportable segment assets | 291,079 | 372,338 | 119,382 | 145,911 | — | — | 410,461 | 518,249 |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 3,426 | 14,341 | — | — | — | — | 3,426 | 14,341 |
| Reportable segment liabilities | 139,135 | 170,072 | 12,499 | 19,127 | — | — | 151,634 | 189,199 |

2. SEGMENT REPORTING (CONT'D)

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

| | Six months period ended | |
|-----------------------------------------------|-------------------------|-----------------------|
| | 30.6.2011 HK\$'000 | 30.6.2010 HK\$'000 |
| Revenue | | |
| Total reportable segments' revenues | 194,260 | 307,882 |
| Elimination of inter-segment revenue | — | — |
| | <u>194,260</u> | <u>307,882</u> |
| Consolidated turnover | <u>194,260</u> | <u>307,882</u> |
| Profit | | |
| Total reportable segments' (loss)/profit | (64,931) | 7,814 |
| Finance costs | (1,367) | (2,193) |
| Interest income | 43 | 56 |
| | <u>43</u> | <u>56</u> |
| Consolidated (loss)/profit before tax expense | <u>(66,255)</u> | <u>5,677</u> |

(c) Revenue from major product and services

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

| | Six months period ended | |
|----------------------------------|-------------------------|-----------------------|
| | 30.6.2011 HK\$'000 | 30.6.2010 HK\$'000 |
| Manufacturing and sales of tyres | <u>194,260</u> | <u>307,882</u> |

2. SEGMENT REPORTING (CONT'D)

(d) Geographic information

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

| | Revenue from external customers | | Specified Non-current assets | |
|-------------------------------------|------------------------------------|-----------------------|---------------------------------|------------------------|
| | Six months period ended | | As at | |
| | 30.6.2011 HK\$'000 | 30.6.2010 HK\$'000 | 30.6.2011 HK\$'000 | 31.12.2010 HK\$'000 |
| Mainland China (place of domicile) | 93,799 | 148,665 | 123,862 | 157,424 |
| Republic of India | 3,986 | 25,966 | — | — |
| Republic of Yemen | 11,755 | 22,815 | — | — |
| The People's Republic of Bangladesh | 20,273 | 21,039 | — | — |
| Singapore | 13,909 | 21,421 | — | — |
| Malaysia | 14,415 | 15,766 | 4,629 | 4,837 |
| Cambodia | 8,083 | 8,076 | — | — |
| Taiwan | 4,922 | 4,798 | — | — |
| The United Arab Emirates | 4,324 | 10,473 | — | — |
| Others | 18,794 | 28,863 | — | — |
| | <u>194,260</u> | <u>307,882</u> | <u>128,491</u> | <u>162,261</u> |

3. REVENUE

| | Six months period ended | |
|--|-------------------------|-----------------------|
| | 30.6.2011 HK\$'000 | 30.6.2010 HK\$'000 |
| | Sale of goods | <u>194,260</u> |

4. OTHER INCOME

| | Six months period ended | |
|-------------------------------------------------|-----------------------------------------|-----------------------|
| | 30.6.2011 HK\$'000 | 30.6.2010 HK\$'000 |
| | Dividends income from listed securities | |
| — held for trading | 9 | 712 |
| Gain on disposal of quoted investment | 95 | — |
| Gain on fair value changes of listed securities | | |
| — held for trading | — | 2,612 |
| Government grant | 292 | — |
| Interest income | 43 | 56 |
| Unrealised gain on foreign exchange | 110 | 2,167 |
| Others | 631 | 21 |
| | <u>1,180</u> | <u>5,568</u> |

5. OTHER OPERATING EXPENSES

| | Six months period ended | |
|-----------------------------------------------------------------------|-------------------------|--------------|
| | 30.6.2011 | 30.6.2010 |
| | HK\$'000 | HK\$'000 |
| Bad debts written off | 255 | — |
| Depreciation of property, plant and equipment | 1,140 | 2,345 |
| Equipment written off | 48 | 5 |
| Impairment loss on plant and machinery | 28,312 | — |
| Loss on fair value changes of listed securities — held for trading | 1,239 | — |
| Realised loss on foreign exchange | 377 | 7 |
| Write down of inventories | 2,455 | — |
| | <u>33,826</u> | <u>2,357</u> |

6. FINANCE COSTS

| | Six months period ended | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------|
| | 30.6.2011 | 30.6.2010 |
| | HK\$'000 | HK\$'000 |
| Interest on bank loans wholly repayable within one year and total interest expense on financial liabilities not at fair value through profit or loss | <u>1,367</u> | <u>2,193</u> |

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. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the net loss of HK\$66,256,000 (30.6.2010: net profit of HK\$5,499,000) for the current period and on the number of shares in issue during the current period of 105,116,280 (30.6.2010: 105,116,280).

The diluted loss per ordinary share is not presented as the effect of assuming all outstanding share option being exercised will be anti dilutive and the Company has no other dilutive potential ordinary shares in issue at the end of the reporting period. The basic and diluted earnings per share for the pervious period were equal as there is no dilutive event.

9. INVESTMENT IN THE JOINT VENTURE

| Name | Place/Date Of Establishment | Authorised/ Fully Paid-Up Registered Capital | Indirect Attributable Equity Interest | | Principal Activities |
|-------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------|------------------------------------------|------------|---------------------------------------------------------------------------------------|
| | | | 30.6.2011 | 31.12.2010 | |
| 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 | |
|---------------------------------------------------------------------------------|-------------------------|------------------------|
| | 30.6.2011 HK\$’000 | 31.12.2010 HK\$’000 |
| The Group’s share of the Joint Venture’s assets and liabilities are as follows: | | |
| Non-current assets | 123,862 | 157,424 |
| Current assets | 167,217 | 214,802 |
| Current liabilities | (139,135) | (169,961) |
| Net assets | <u>151,944</u> | <u>202,265</u> |
| | Six months period ended | |
| | 30.6.2011 HK\$’000 | 30.6.2010 HK\$’000 |
| The Group’s share of the Joint Venture’s revenues and expenses are as follows: | | |
| Revenues and other income | 195,148 | 307,959 |
| Costs and expenses | (249,890) | (303,179) |
| (Loss)/Profit from continuing operations | (54,742) | 4,780 |
| Finance costs | (1,367) | (2,193) |
| (Loss)/Profit before taxation | (56,109) | 2,587 |
| Income tax expense | — | — |
| Net (loss)/profit from continuing operations | <u>(56,109)</u> | <u>2,587</u> |

During the years ended 31 December 2008, 2009, and 2010, the Joint Venture was subject to a tax audit by the PRC tax department for the years of assessment from 2002 to 2006.

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

During the year 2010, the PRC tax department issued notices of final assessment demanding additional sales tax and VAT on the Joint Venture amounting to approximately RMB9,434,000 equivalent to HK\$11,102,000, including approximately RMB2,464,000 equivalent to HK\$2,900,000 of compound penalty, which was duly paid for full and final settlement. The Group's proportionate share of the total amount being HK\$7,771,000, was included in other operating expenses in year 2010. For the years of assessment from 2007 to 2009, the PRC tax department requested a self assessment for the additional sales tax and VAT on the same basis. The Joint Venture estimated the total additional sales tax and VAT to be approximately RMB1,500,000 equivalent to HK\$1,765,000 and the Group's proportionate share was fully provided for in other operating expenses in 2010. Up to the date of this announcement, the PRC tax department had not yet confirmed the self assessment for the years from 2007 to 2009. The Joint Venture had applied for an extension and partially settled the amount. Tax surcharge of approximately RMB365,000 equivalent to approximately HK\$434,000 has been accrued and the Group's proportionate share of approximately HK\$304,000 was included in accruals.

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 END OF THE SUBSEQUENT REPORTING PERIOD

The Shareholders of the Company had at the Special General Meeting held on 29 July 2011 approved the following via poll:

Capital reorganisation

- (a) the currency denomination of each of the issued and unissued shares in the authorised share capital of the Company be changed from AUD0.20 each to HK\$1.67 each (the "Redenominated Shares") at the conversion rate of AUD1.00 to HK\$8.35 (the "Currency Redenomination");
- (b) the issued share capital of the Company be reduced whereby the nominal value of each issued Redenominated Share will be reduced from HK\$1.67 to HK\$0.01 by cancelling HK\$1.66 of the paid-up capital on each issued Redenominated Share;
- (c) the authorised share capital of the Company be reduced by reducing the nominal value of each Redenominated Share from HK\$1.67 to HK\$0.01 each resulting in the reduction of the authorised share capital of the Company from HK\$250,500,000 which is divided into 150,000,000 Redenominated Shares to HK\$1,500,000 which is divided into 150,000,000 New Shares; (paragraphs (b) and (c) collectively referred to as "Capital Reduction");
- (d) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company and the directors of the Company (the "Directors") be and are hereby authorised to apply such credit arising from the Capital Reduction in any manner permitted by the laws of Bermuda, the Bye-laws and all other applicable laws without further authorisation from the Shareholders (the "Application of Credit").

Amendment to the bye-laws

THAT the definition of "A\$" or "\$" in Bye-law 1.1(a) be deleted in its entirety and replaced with the following:

"HK\$" means the Hong Kong dollars, the lawful currency of Hong Kong

Save as disclosed above, no significant event has arisen during and end of the subsequent 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.

12. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to current period's presentation.

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 loss for the six months period ended 30 June 2011 (the "current period") was at HK\$66,256,000 compared to the unaudited net profit of HK\$5,499,000 recorded in the corresponding period last year. Net loss per share was 63 Hong Kong cents.

The Group's revenue and net loss, 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 % |
|--------------------|-------------------------|-----------------------|------------------|
| | 30.6.2011 HK\$'000 | 30.6.2010 HK\$'000 | |
| Revenue | 194,260 | 307,882 | (36.9) |
| Costs and expenses | (261,696) | (307,951) | 15.0 |
| Other income | 1,180 | 5,568 | (78.8) |
| Net (loss)/profit | <u>(66,256)</u> | <u>5,499</u> | <u>(1,304.9)</u> |

The net loss of the Group was HK\$66,256,000, mainly derived from the share of the Joint Venture's operating loss of HK\$27,797,000 and the impairment loss on plant and machinery of HK\$28,312,000. The consolidated loss was worsened by loss on fair value changes of listed securities in Malaysia amounting to HK\$1,239,000.

Financial Analysis

| | As at | |
|------------------------------------|-------------|-------------|
| | 30.6.2011 | 31.12.2010 |
| Total assets (HK\$'000) | 410,461 | 518,249 |
| Shareholders' equity (HK\$'000) | 258,827 | 329,050 |
| Return on shareholders' equity (%) | (25.6) | 1.20* |
| Current ratio | <u>1.28</u> | <u>1.34</u> |

* Calculated by dividing net profit for the corresponding period last year over shareholders' equity as at 30 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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 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 first half of 2011 is a challenging year to the business of Joint Venture. Given the decrease in both domestic and export sales, the Joint Venture is only able to record a turnover of HK\$194,260,000, a 37% decline from the previous corresponding period. The lower domestic sales are mainly attributable to the decrease in demand of bias truck tyres, which is facing stiff competition from radial tyres.

On the other hand, the export sales were affected by the decrease in the sales to Republic of India and Republic of Yemen, which are the two major export markets for the Joint Venture. As shown in geographic information of Note 2(d) to the announcement, sales to Republic of India declined about 53% and Republic of Yemen decreased about 49% compared to the previous corresponding period. The decrease in the sales to Republic of India is due to the Anti Dumping Duty imposed by Indian Government on bias tyres, tube and flap import from China. The decrease in the sales to Republic of Yemen is due to political instability in the country.

The performance of the Joint Venture has been further deteriorated by the on-going increase in raw material price, particularly rubber. Benchmark May 2011 rubber futures contract traded on the Shanghai Futures Exchange hit a record high of RMB43,500 (US\$6,598.21), compared to around RMB20,000 (US\$3,033.66) in June last year. The phenomenal rise in rubber price led to higher cost of production, which could not be fully passed on to customers due to intense competition in the market. The Joint Venture recorded a gross loss of about 3% as compared to a gross profit margin of 9.6% in the previous corresponding period.

Additionally, in view of the performance of the Joint Venture for the current period and management's view of the market, an impairment loss of HK\$28,312,000 on the plant and machinery to produce bias tyres has been recognised in profit or loss.

OUTLOOK

Since the early part of the year, Chinese manufacturers have been scrambling to cope with the steep rise in cost while adapting to new local challenges such as stricter environmental rules, minimum wages and credit tightening by the authorities. However, the prime focus has been again on the continuous rise in raw material prices, lead by natural rubber.

The Joint Venture has developed a clear operational plan to overcome the challenges ahead by moving to increase the production of Light Truck Radial ("LTR") tyre. Since radialisation is taking place quite aggressively across markets worldwide, the Joint Venture is more optimistic of the LTR market. The management expects a strong growth in this segment and plans are underway to increase its product range.

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 2011, 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 comprising 3 independent non-executive directors and is chaired by an Independent Non-Executive Director. 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 Board regret to inform that Mr. Won Thean Sang, an independent non-executive Director, one of the members of the Audit Committee passed away on 28 July 2011. As a result of the passing away of Mr. Won Thean Sang, the Company has two independent non-executive Directors, namely, Mr. Khoo Teng Keat and Mr. Yeow See Yuen and does not meet the requirements under rule 3.10(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Board will seek to appoint a new independent non-executive Director as soon as possible but not later than 27 November 2011 to fill in the vacancy of independent non-executive director and member of audit committee to comply with the Listing Rules.

The interim financial statements for the period ended 30 June 2011 which were not required to be audited and have been reviewed by the remaining Audit Committee of the Company, consequent to the passing away of the late Mr. Won. The Audit Committee 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) and the Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). The interim report of the Company for 2011 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, 19 August 2011

As at the date of this announcement, the Board comprises executive Director, namely Mr. Goh Nan Yang, non-executive Directors, namely Mr. Goh Nan Kioh (Chairman) and Dato Yeoh Eng Khoon and independent non-executive Directors, namely Mr. Khoo Teng Keat and Mr. Yeow See Yuen.