



# 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 2008

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 2008 (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 2007 Annual Report.

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six-Month Period Ended</b>	
	<i>Note</i>	<b>30.6.2008</b>	<b>30.6.2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	270,712	321,595
Cost of sales		<u>(258,294)</u>	<u>(294,345)</u>
Gross profit		12,418	27,250
Other income	4	193	8,425
Selling and distribution expenses		(5,015)	(5,381)
Administrative expenses		(15,486)	(11,738)
Other operating expenses		<u>(11,314)</u>	<u>(4,900)</u>
(Loss)/Profit from continuing operations		(19,204)	13,656
Finance costs	5	<u>(4,736)</u>	<u>(3,723)</u>
(Loss)/Profit before taxation		(23,940)	9,933
Income tax expense	6	<u>–</u>	<u>–</u>
Net (loss)/profit		<u>(23,940)</u>	<u>9,933</u>
Basic (loss)/earnings per share (Hong Kong cents)	7	<u>(22.8)</u>	<u>9.4</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	As At	
	30.6.2008	31.12.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	191,875	191,323
Operating lease prepayments	13,811	13,039
Investment in an associate	4,475	4,475
Investment in listed securities	78,429	114,721
Intangible asset	240	451
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<b>Total Non-Current Assets</b>	288,830	324,009
<b>Current Assets</b>		
Investment in listed securities	16,848	22,497
Inventories	127,429	109,928
Trade receivables	27,543	40,020
Other receivables	14,357	16,403
Cash and cash equivalents	199,105	148,657
	<hr/>	<hr/>
<b>Total Current Assets</b>	385,282	337,505
<b>Current Liabilities</b>		
Trade payables	79,126	86,727
Other payables and accruals	19,670	19,633
Amount due to a director	5,385	5,385
Provisions	6,994	6,573
Borrowings	230,476	165,317
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	341,651	283,635
<b>Net Current Assets</b>	<hr/>	<hr/>
	43,631	53,870
<b>Net Assets</b>	<hr/>	<hr/>
	332,461	377,879
<b>EQUITY</b>		
Share capital	110,716	110,716
Share premium	113,157	113,157
Revaluation reserve	58,787	95,079
Capital reserve	37,344	37,344
Foreign currency translation reserve	52,019	37,205
Accumulated losses	(39,562)	(15,622)
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<b>Total Equity</b>	332,461	377,879
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Notes :

## 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 18 September 2008.

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 2007.

This interim report 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 2007 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. Segmental Information

The following tables present revenue and profit information regarding geographical segments for the current period and the corresponding period last year:

	<b>The PRC</b> <i>(Note 1)</i> <i>HK\$'000</i>	<b>Singapore</b> <i>(Note 2)</i> <i>HK\$'000</i>	<b>Malaysia</b> <i>(Note 3)</i> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>Group</b> <i>HK\$'000</i>
Six-month period ended 30 June 2008					
Revenue from external customers	<u>268,906</u>	<u>–</u>	<u>1,806</u>	<u>–</u>	<u>270,712</u>
Results:					
Segment results (external)	<u>(13,269)</u>	<u>–</u>	<u>(6,128)</u>	<u>–</u>	<u>(19,397)</u>
Other income					193
Finance costs					<u>(4,736)</u>
Loss before taxation					(23,940)
Income tax expense					<u>–</u>
Loss after taxation/ Net loss attributable to shareholders					<u>(23,940)</u>

	<b>The PRC</b> <i>(Note 1)</i> <i>HK\$'000</i>	<b>Singapore</b> <i>(Note 2)</i> <i>HK\$'000</i>	<b>Malaysia</b> <i>(Note 3)</i> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>Group</b> <i>HK\$'000</i>
Six-month period ended 30 June 2007					
Revenue from external customers	<u>320,457</u>	<u>12</u>	<u>1,126</u>	<u>–</u>	<u>321,595</u>
Results:					
Segment results (external)	<u>6,268</u>	<u>–</u>	<u>(1,115)</u>	<u>78</u>	5,231
Other income					8,425
Finance costs					<u>(3,723)</u>
Profit before taxation					9,933
Income tax expense					<u>–</u>
Profit after taxation/ Net Profit attributable to shareholders					<u>9,933</u>

*Notes:*

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

**3. Turnover**

	<b>Six-Month Period Ended</b>	
	<b>30.6.2008</b>	<b>30.6.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of goods	268,203	320,408
Dividends received from securities listed on prescribed stock exchanges, outside Hong Kong	1,806	1,138
Other operating income	<u>703</u>	<u>49</u>
	<u>270,712</u>	<u>321,595</u>

#### 4. Other Income

	Six-Month Period Ended	
	30.6.2008	30.6.2007
	HK\$'000	HK\$'000
Gain on foreign exchange – Unrealised	193	–
Gain on disposal of securities listed on prescribed stock exchanges, outside Hong Kong	–	170
Writeback of allowance for doubtful debts	–	7
Writeback of allowance for diminution in value of listed securities	–	8,248
	<u>193</u>	<u>8,425</u>

#### 5. Finance Costs

Included in the finance costs of the Group is the interest on bank loans amounting to HK\$3,615,000 (30.6.2007 – HK\$2,868,000).

#### 6. 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.

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.

#### 7. Basic (Loss)/Earnings Per Share

The calculation of the basic (loss)/earnings per share is based on the net loss of HK\$23,940,000 (30.6.2007 – net profit of HK\$9,933,000) for the current period and on the number of shares in issue during the current period of 105,116,280 (30.6.2007 – 105,116,280).

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

#### 8. The Joint Venture

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”) (previously known as Guangzhou Guang Xiang Tyre Enterprise Group Company Limited (“GGXTEG”)), a state-owned enterprise, established in Guangzhou, the PRC.

	As At	
	30.6.2008	31.12.2007
	HK\$'000	HK\$'000
The Group's share of the Joint Venture's assets and liabilities are as follows:		
Non-current assets	206,098	205,112
Current assets	357,220	304,513
Current liabilities	<u>(330,832)</u>	<u>(273,805)</u>
Net assets	<u>232,486</u>	<u>235,820</u>

	<b>Six-Month Period Ended</b>	
	<b>30.6.2008</b>	<b>30.6.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's share of the Joint Venture's revenues and expenses are as follows:		
Revenues and other income	268,906	320,465
Costs and expenses	(282,175)	(313,807)
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(Loss)/Profit from continuing operations	(13,269)	6,658
Finance costs	(4,736)	(4,106)
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(Loss)/Profit before taxation	(18,005)	2,552
Income tax expense	–	–
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Net (loss)/profit from continuing operations	<u>(18,005)</u>	<u>2,552</u>

#### **9. 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.

#### **10. Significant Event During And Subsequent To The Balance Sheet Date**

No significant event has arisen during and subsequent to the balance sheet date 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.

### **BUSINESS REVIEW AND PROSPECTS**

The Group's unaudited net loss for the six-month period ended 30 June 2008 (the "current period") was recorded at HK\$23,940,000 against the unaudited net profit of HK\$9,933,000 recorded in the corresponding period last year. Loss per share for the current period was 22.8 Hong Kong cents.

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

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.

### **THE JOINT VENTURE**

2008 has been thus far been an eventful year for China. Softening external demand and global financial woes aside, there were even more pressing events domestically. The year started with a devastating winter storm, a major earthquake in Szechuan, serious flooding in the Southern and Central Regions, political unrest in the Northwest Region and importantly, the elaborate preparation for the 2008 Beijing Olympics.

Naturally, most industries were affected and the market was disrupted in the process. Specifically, the close monitoring and tight control of mining and quarrying activities by the government have resulted in a significant slowdown in demand for the Group's tyre products.

In addition, raw material costs, such as natural rubber and nylon threads, continued to spike, leaving many industry players struggling to survive. The above events left a strong impact on the business of the Joint Venture. For the first half of 2008, we experienced a 15.8% drop in sales revenue and incurred a loss of HK\$23.9 million.

## **OUTLOOK**

We expect the business environment to improve in the second half of 2008, largely due to expectations that the market would return to normal condition and that the Central Government would be introducing more pro-business policies.

Key raw materials, such as natural rubber and oil related products, have also come off their highs in recent weeks, and have shown signs of price stability. This would allow for better business planning and operational efficiencies.

Production of LTR (Light Truck Radial) tyres has come on stream and management is making plans for a new product range line-up in the coming year. We have not yet started commercial production of the OTR (Off-The-Road) tyres due to some remaining technical issues that have yet to be resolved. In the meantime, negotiations are underway with a large reputable OTR company to render us with technical assistance and upon completion to provide them with certain volume of production off take.

The series of corrective actions undertaken by management has enabled the Group to emerge from this tumultuous period leaner and stronger. Whilst many of our competitors have succumbed to demand and cost pressures and have ceased operations, we managed to stay afloat during the most difficult period through price increases, a 20% reduction in headcount and better production scheduling. We expect the Group to return to profitability once the market restores to normality.

## **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 2008, 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.

As at 30 June 2008, both Mr Lim Chong Puang and Dr Lim Thian Soo resigned as Directors of the Company and ipso facto resigned as members of Audit Committee and replaced with the appointment of Mr Khoo Teng Keat and Mr Yeow See Yuen.

The interim financial statements for the period ended 30 June 2008 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 2008 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, 18 September 2008

*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 and Mr. Sandy Chim Chun Kwan, being the Executive Directors, Mr. Yeoh Eng Khoon being the Non- Executive Directors and Mr. Lim Loi Heng, Ms. Helen Zee, Mr. Khoo Teng Keat and Mr. Yeow See Yuen, being the Independent Non-Executive Directors.*