



# 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 2007

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 2007 (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 2006 Annual Report.

### Condensed Consolidated Income Statement

	<i>Note</i>	<b>Six Month Period Ended</b>	
		<b>30.6.2007</b>	<b>30.6.2006</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	321,595	302,725
Costs of sales		(294,345)	(274,618)
Gross profit		27,250	28,107
Other income	4	8,425	428
Selling and distribution expenses		(5,381)	(5,338)
Administrative expenses		(11,738)	(11,250)
Other operating expenses		(4,900)	(7,138)
Profit from continuing operating activities		13,656	4,809
Finance costs	5	(3,723)	(2,918)
Profit before tax		9,933	1,891
Income tax expense	6	–	–
Net profit for the current/corresponding period		9,933	1,891
Basic earnings per share (Hong Kong cents)	7	9.4	1.8

## Condensed Consolidated Balance Sheet

	As At	
	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
<b>Assets</b>		
Non-Current Assets		
Property, plant and equipment	184,469	171,386
Operating lease prepayments	12,911	12,899
Investment in an associate	4,475	4,475
Investment in listed securities	123,795	126,180
Intangible asset	649	839
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Total Non-Current Assets	326,299	315,779
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Current Assets		
Inventories	111,508	119,990
Trade receivables	42,023	32,299
Other receivables	3,021	11,189
Cash and cash equivalents	51,438	51,447
	<hr/>	<hr/>
Total Current Assets	207,990	214,925
	<hr/>	<hr/>
Current Liabilities		
Trade payables	78,785	67,080
Other payables and accruals	13,114	14,890
Amount owing to a director	4,283	3,506
Provisions	5,869	5,686
Borrowings	66,633	81,874
	<hr/>	<hr/>
Total Current Liabilities	168,684	173,036
	<hr/>	<hr/>
Net Current Assets	39,306	41,889
	<hr/>	<hr/>
Net Assets	365,605	357,668
	<hr/>	<hr/>
<b>Equity</b>		
Issued capital	110,716	110,716
Share premium	113,157	113,157
Revaluation reserve	81,594	91,688
Capital reserves	37,344	37,344
Foreign currency translation reserve	27,337	19,239
Accumulated losses	(4,543)	(14,476)
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Total Equity	365,605	357,668
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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 (“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 2006 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 HKFRSs”) issued by the HKICPA that are effective for accounting periods commencing on or after 1 March 2007.

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

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendment and interpretations will have no material impact on the results and financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK (IFRIC)-Int 11	Group and Treasury Share Transactions <sup>2</sup>
HK (IFRIC)-Int 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

## 2. Segmental Information

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

	<b>The PRC<sup>(1)</sup></b> <i>HK\$'000</i>	<b>Singapore<sup>(2)</sup></b> <i>HK\$'000</i>	<b>Malaysia<sup>(3)</sup></b> <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					
Turnover	<u>320,457</u>	<u>12</u>	<u>1,126</u>	<u>–</u>	<u>321,595</u>
Results:					
Segment result (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>
	<b>The PRC<sup>(1)</sup></b> <i>HK\$'000</i>	<b>Singapore<sup>(2)</sup></b> <i>HK\$'000</i>	<b>Malaysia<sup>(3)</sup></b> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>Group</b> <i>HK\$'000</i>
Six month period ended 30 June 2006					
Turnover	<u>301,813</u>	<u>–</u>	<u>912</u>	<u>–</u>	<u>302,725</u>
Results:					
Segment result (external)	<u>5,321</u>	<u>(442)</u>	<u>(498)</u>	<u>–</u>	4,381
Other income					428
Finance costs					<u>(2,918)</u>
Profit before taxation					1,891
Income tax expense					<u>–</u>
Profit after taxation/Net profit attributable to shareholders					<u>1,891</u>

Notes:–

1. “The PRC” refers to the Joint Venture in the PRC relating to the manufacture and sales of 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

	Six Month Period Ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
Sales of goods	320,408	301,596
Dividends received and receivable from securities listed on prescribed stock exchanges, outside Hong Kong	1,138	912
Other operating income	49	217
	<u>321,595</u>	<u>302,725</u>

### 4. Other Income

	Six Month Period Ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
Government grants received	–	27
Gain on foreign exchange – realised	–	386
Gain on disposal of securities listed on prescribed stock exchanges, outside Hong Kong	170	–
Write back of allowance for doubtful debts	7	3
Write back of allowance for diminution in value of listed securities	8,248	–
Other income	–	12
	<u>8,425</u>	<u>428</u>

### 5. Finance Costs

Included in the finance costs of the Group is the interest on bank loans amounting to HK\$2,868,000 (30.6.2006 – HK\$2,679,000).

### 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 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.

No taxation is provided for the Joint Venture profit of the current financial year due to the availability of unutilised tax losses brought forward.

## 7. Basic Earnings Per Share

The calculation of the basic earnings per share is based on the net profit of HK\$9,933,000 (30.6.2006 – net profit of HK\$1,891,000) for the current period and on the number of shares in issue during the current period of 105,116,280 (30.6.2006 – 105,116,280).

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

## 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”), a state-owned enterprise, established in Guangzhou, the PRC.

	<b>As At</b>	
	<b>30.6.2007</b>	<b>31.12.2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's share of the Joint Venture's assets and liabilities are as follows:–		
Non-current assets	198,377	185,591
Current assets	198,123	205,796
Current liabilities	(162,334)	(167,728)
	<u>234,166</u>	<u>223,659</u>
	<b>Six Month Period Ended</b>	
	<b>30.6.2007</b>	<b>30.6.2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>

The Group's share of the Joint Venture's turnover and expenses are as follows:–

Turnover and other income	320,465	301,856
Costs and expenses	(313,807)	(296,651)
	<u>6,658</u>	<u>5,205</u>
Profit from continuing operations	6,658	5,205
Finance costs	(4,106)	(2,917)
	<u>2,552</u>	<u>2,288</u>
Profit from continuing operations before tax	2,552	2,288
Income tax expense	–	–
	<u>2,552</u>	<u>2,288</u>
Net profit from continuing operations	<u>2,552</u>	<u>2,288</u>

## **9. Interim Dividends**

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

## **10. 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 Group's unaudited net profit for the six month period ended 30 June 2007 (the "current period") amounted to HK\$9,933,000, a 425.3% increase as compared to the unaudited net profit of HK\$1,891,000 recorded in the corresponding period last year. Earnings per share was 9.4 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 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.

## **The Joint Venture**

Turnover and other income increased by 6.2% or HK\$27 million as compared to the corresponding period last year. Average gross profit margin registered a decrease during the current period, achieving 8.1% as compared to the previous corresponding period of 8.9%. The decrease of gross profit margin was due to the increase in raw material prices, in particular that of natural rubber which increased by 18.7%.

Management has already taken action to mitigate against the rise in raw material prices by price adjustments and cost cutting measures, which has shown some positive results.

We believe that with the introduction of Off The Road (OTR) and Light Truck Radial (LTR) tyres in the second half of 2007 will further strengthen our position in the marketplace.

## **Outlook**

The bias tyre industry in China is presently going through a rationalization process. New policies meted out by the Chinese Authorities such as a reduction in export subsidies, a tightening of credit facilities and an emphasis on environmental issues has caused the industry to incur additional costs in the short term. While these will certainly pose a threat, the end result is a reduction in total supply of bias tyres and a higher barrier to the entry of new players in the bias tyres market. This will further strengthen our position in the marketplace.

Management believes that by venturing into new products namely OTR and LTR tyres will not only bring in better returns but provide more opportunities in the long term.

By focusing on the above, we believe that the Group will be in a much better footing to weather any fluctuations in commodity prices and market cycle risks.

## **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 2007, 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 2 independent non-executive directors and 1 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 interim financial statements for the period ended 30 June 2007 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 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.

## **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 Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)). The interim report of the Company for 2007 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, 21 September 2007

*As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Ang Guan Seng, the Non-Executive Chairman, Mr. Goh Nan Kioh, the Non-Executive Deputy Chairman, Mr. Goh Nan Yang and Mr. Sandy Chim Chun Kwan, being the Executive Directors, Dr. Lim Thian Soo, Mr. Yeoh Eng Khoon and Mr. Lim Boon Seh, the Non-Executive Directors and Mr. Lim Loi Heng, Mr. Lim Chong Puang and Ms. Helen Zee, being the Independent Non-Executive Directors.*