



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 2006

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 2006 (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 2005 Annual Report.

Condensed Consolidated Income Statement

	Note	Six Month Period Ended	
		30.6.2006 HK\$'000	30.6.2005 HK\$'000 (As Restated)
Revenue	3	302,725	249,124
Costs of sales		(274,618)	(222,701)
Gross profit		28,107	26,423
Other income	4	428	814
Selling and distribution expenses		(5,338)	(8,307)
Administrative expenses		(11,250)	(9,654)
Other operating expenses		(7,138)	(3,824)
Profit from continuing operating activities		4,809	5,452
Finance costs	5	(2,918)	(3,367)
Profit before tax		1,891	2,085
Taxation	6	–	–
Net profit for the current/corresponding period		1,891	2,085
Basic earnings per share (Hong Kong cents)	7	1.8	2.0

Condensed Consolidated Balance Sheet

	As At	
	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
Assets		
Non-Current Assets		
Property, plant and equipment	170,696	177,080
Operating lease prepayments	12,971	13,209
Other financial assets	135,765	145,383
Intangible asset	1,025	1,217
Total Non-Current Assets	<u>320,457</u>	<u>336,889</u>
Current Assets		
Inventories	86,326	109,040
Trade receivables	41,370	22,910
Other receivables	5,890	16,146
Cash and cash equivalents	37,573	35,461
Total Current Assets	<u>171,159</u>	<u>183,557</u>
Current Liabilities		
Trade payables	31,662	54,531
Other payables and accruals	13,140	13,959
Amount owing to a director	1,096	1,096
Provisions	5,439	5,502
Borrowings	67,714	67,259
Total Current Liabilities	<u>119,051</u>	<u>142,347</u>
Net Current Assets	<u>52,108</u>	<u>41,210</u>
Net Assets	<u>372,565</u>	<u>378,009</u>
Equity		
Issued capital	110,716	110,716
Share premium	113,157	113,157
Revaluation reserve	103,007	106,554
Capital reserves	37,344	37,344
Foreign currency translation reserve	13,851	17,729
Accumulated losses	(5,510)	(7,401)
Total Equity	<u>372,565</u>	<u>378,009</u>

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 2005 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 December 2005 and 1 January 2006.

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

HKAS 1 (Amendment)	Capital disclosure ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK (IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK (IFRIC)-INT 8	Scope of HKFRS 2 ³
HK (IFRIC)-INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

2. Segmental Information

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

	The PRC ⁽¹⁾ HK\$'000	Singapore ⁽²⁾ HK\$'000	Malaysia ⁽³⁾ HK\$'000	Elimination HK\$'000	Group HK\$'000
Six month period ended 30 June 2006					
Revenue from external customers	301,813	–	912	–	302,725
Results:					
Segment result (external)	5,321	(442)	(498)	–	4,381
Other income					428
Finance costs					(2,918)
Profit before taxation					1,891
Taxation					–
Profit after taxation/Net profit attributable to shareholders					1,891
Six month period ended 30 June 2005 (As Restated)					
Revenue from external customers	248,875	–	249	–	249,124
Results:					
Segment result (external)	5,208	(49)	(521)	–	4,638
Other income					814
Finance costs					(3,367)
Profit before taxation					2,085
Taxation					–
Profit after taxation/Net profit attributable to shareholders					2,085

Notes:–

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

	Six Month Period Ended	
	30.6.2006 HK\$'000	30.6.2005 HK\$'000 (As Restated)
Sales revenue	301,596	248,875
Dividends received and receivable from securities listed on prescribed stock exchanges, outside Hong Kong	912	249
Other operating Income	217	–
	302,725	249,124

4. Other Income

	Six Month Period Ended	
	30.6.2006 HK\$'000	30.6.2005 HK\$'000 (As Restated)
Government grants received	27	612
Gain on foreign exchange	386	–
Writeback of allowance for doubtful debts	3	–
Other Income	12	202
	428	814

5. Finance Costs

Included in the finance costs of the Group is the interest on bank loans amounting to HK\$2,679,000 (30.6.2005 – HK\$2,666,000).

6. Taxation

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\$1,891,000 (30.6.2005 – net profit of HK\$2,085,000) for the current period and on the number of shares in issue during the current period of 105,116,280 (30.6.2005 – 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.

	30.6.2006 HK\$'000	As At	31.12.2005 HK\$'000
The Group's share of the Joint Venture's assets and liabilities are as follows:–			
Non-current assets	183,992		191,174
Current assets	162,483		173,843
Current liabilities	(116,844)		(139,962)
	<u>229,631</u>		<u>225,055</u>
Six Month Period Ended			
	30.6.2006 HK\$'000		30.6.2005 HK\$'000
The Group's share of the Joint Venture's revenues and expenses are as follows:–			
Revenues and other income	301,856		249,693
Cost and expenses	(296,651)		(242,477)
Profit from continuing operations	5,205		7,216
Finance costs	(2,917)		(2,646)
Profit from continuing operations before tax	2,288		4,570
Taxation	–		–
Net profit from continuing operations	<u>2,288</u>		<u>4,570</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 2006 (the “current period”) amounted to HK\$1,891,000, a 9.3% decrease compared to the unaudited net profit of HK\$2,085,000 recorded in the corresponding period last year. The net profit was mainly due to the share of profit from the Joint Venture amounting to approximately HK\$2,288,000.

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

Revenue and other income further increased by 20.9% or HK\$75 million as compared to the corresponding period last year. Average gross profit has registered a decrease during the current period, achieving 8.9% as compared to the previous corresponding period of 10.5%. The performance of the Joint Venture was severely affected during the current period by a near doubling of the price of natural rubber. The increase in raw material price and overall operating cost have resulted in a decrease in the average gross profit margin.

The Joint Venture's ability to remain profitable in the highly competitive industry is largely due to its technological strength in manufacturing a premium product and its ability to market its products in various niche markets.

Apart from maintaining our position in the replacement sector, we have also seen growth in contract manufacturing projects from various foreign brands. In addition, we are making inroads towards securing contracts from a major multinational OE customer.

Outlook

The bias tyre industry in China is presently going through a rationalisation stage. Escalating raw material and overall operating cost have caused many players to either stop or scale down production.

Management has consistently emphasised on building our competitiveness. Numerous steps have been taken to minimise costs and improve efficiencies in the production process.

By focussing on the above approach, we believe our company will seal its position as the leading bias tyre manufacture in China.

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 2006, 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 the external auditors of the Company and reviews 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 2006 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.

2006 Interim Report and Disclosure of Information on The Stock Exchange's Website

A detailed results announcement containing all the information required by paragraphs 46 (1) to 46 (9) of Appendix 16 of the Listing Rules will be published on The Stock Exchange's website at www.hkex.com.hk in due course.

The printed copy of the 2006 Interim Report will be sent to shareholders by 30 September 2006.

By order of the Board
Goh Nan Yang
Director and CEO

Kuala Lumpur, 25 September 2006

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.

"Please also refer to the published version of this announcement in China Daily."