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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 MONTHS PERIOD ENDED 30 JUNE 2010

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 2010 (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 2009 Annual Report.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six Months Period Ended	
		30.6.2010 HK\$'000	30.6.2009 HK\$'000
Revenue	3	308,615	248,241
Cost of sales		<u>(278,360)</u>	<u>(198,356)</u>
Gross profit		30,255	49,885
Other income	4	4,779	1,764
Selling and distribution expenses		(8,259)	(6,856)
Administrative expenses		(15,698)	(18,170)
Other operating expenses	5	<u>(2,794)</u>	<u>(7,669)</u>
Profit from continuing operations		8,283	18,954
Finance costs	6	<u>(2,606)</u>	<u>(2,818)</u>
Profit before taxation		5,677	16,136
Income tax expense	7	<u>(178)</u>	<u>(114)</u>
Net profit for the period		<u><u>5,499</u></u>	<u><u>16,022</u></u>
Basic and diluted earnings per share (Hong Kong cents)	8	<u><u>5.2</u></u>	<u><u>15.2</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Period Ended	
	30.6.2010	30.6.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	5,499	16,022
Other comprehensive income, net of tax:		
Exchange differences on translating financial statements of the Joint Venture	17,803	(195)
Fair value gain/(loss) on available-for-sale investments	<u>44,326</u>	<u>(41,238)</u>
Total comprehensive income for the period	<u>67,628</u>	<u>(25,411)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At	
	30.6.2010	31.12.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES		
Non-Current Assets		
Property, plant and equipment	155,162	161,589
Operating lease prepayments	11,803	12,130
Investment in an associate	4,475	4,475
Investment in listed securities	<u>205,945</u>	<u>145,915</u>
Total Non-Current Assets	<u>377,385</u>	<u>324,109</u>
Current Assets		
Investment in listed securities	22,797	18,356
Inventories	89,360	115,979
Trade receivables	40,086	15,500
Other receivables and prepayments	16,649	15,881
Cash and cash equivalents	<u>161,310</u>	<u>158,722</u>
Total Current Assets	<u>330,202</u>	<u>324,438</u>
Current Liabilities		
Trade payables	41,697	56,635
Other payables and accruals	40,755	54,125
Amount due to a director	5,674	5,676
Provisions	2,766	2,742
Borrowings	<u>159,239</u>	<u>139,541</u>
Total Current Liabilities	<u>250,131</u>	<u>258,719</u>
Net Current Assets	<u>80,071</u>	<u>65,719</u>
Net Assets	<u>457,456</u>	<u>389,828</u>
EQUITY		
Share capital	110,716	110,716
Share premium	113,157	113,157
Revaluation reserve	169,802	125,476
Capital reserve	37,344	37,344
Foreign currency translation reserve	70,119	52,316
Accumulated losses	<u>(43,682)</u>	<u>(49,181)</u>
Total Equity	<u>457,456</u>	<u>389,828</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 11 August 2010.

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 2009, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2010. 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 2009 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 following tables present information regarding revenue, profit, assets and liabilities for each reportable segment:

	Manufacturing <i>(Note 1)</i> <i>HK\$'000</i>	Investment Holding <i>(Note 2)</i> <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Six months period ended 30 June 2010				
Revenue	<u>307,903</u>	<u>712</u>	<u>—</u>	<u>308,615</u>
Results:				
Segment results (external)	<u>5,193</u>	<u>(1,689)</u>	<u>—</u>	<u>3,504</u>
Other income				<u>4,779</u>
Finance costs				<u>(2,606)</u>
Profit before taxation				<u>5,677</u>
Income tax expense				<u>(178)</u>
Profit for the period				<u>5,499</u>
OTHER INFORMATION:				
Segment assets	<u>463,144</u>	<u>244,443</u>		<u>707,587</u>
Segment liabilities	<u>233,368</u>	<u>16,763</u>		<u>250,131</u>
Capital expenditure	2,446	—		2,446
Depreciation and amortisation	10,430	27		10,457

2. SEGMENT INFORMATION (CONT'D)

	Manufacturing (Note 1) HK\$'000	Investment Holding (Note 2) HK\$'000	Elimination HK\$'000	Group HK\$'000
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>469,542</u>	<u>179,005</u>		<u>648,547</u>
Segment liabilities	<u>244,452</u>	<u>14,267</u>		<u>258,719</u>
Capital expenditure	2,246	11		2,257
Depreciation and amortisation	10,208	25		10,233

Notes:

The Group operates in the following 2 areas:

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

3. REVENUE

	Six Months Period Ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
Sale of goods	307,882	247,572
Dividends received from securities listed on prescribed stock exchanges, outside Hong Kong	712	459
Other operating income	<u>21</u>	<u>210</u>
	<u>308,615</u>	<u>248,241</u>

4. OTHER INCOME

	Six Months Period Ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
Gain on foreign exchange		
— realised	—	144
— unrealised	2,167	—
Gain on fair value changes of listed securities		
— held for trading	2,612	1,615
Writeback of allowance for doubtful debts	—	5
	<u>4,779</u>	<u>1,764</u>

5. OTHER OPERATING EXPENSES

	Six Months Period Ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
Allowance for doubtful debts	—	657
Amortisation of operating lease prepayments	437	436
Construction-in-progress written off	—	3,533
Depreciation charges	2,345	2,270
Equipment written off	5	—
Loss on foreign exchange		
— realised	7	—
— unrealised	—	174
Product warranty	—	599
	<u>2,794</u>	<u>7,669</u>

6. FINANCE COSTS

Included in the finance costs of the Group is the interest on bank loans amounting to HK\$2,193,000 (30.6.2009 — HK\$2,236,000).

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 AND DILUTED EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the net profit of HK\$5,499,000 (30.6.2009 — net profit of HK\$16,022,000) for the current period and on the number of shares in issue during the current period of 105,116,280 (30.6.2009 — 105,116,280).

As there is no dilutive event during the current and previous periods, the basic and diluted earnings per share for both periods are equal.

9. INVESTMENT IN THE JOINT VENTURE

Name	Place/Date Of Incorporation	Authorised/ Fully Paid-Up Registered Capital	Indirect Attributable Equity Interest		Principal Activities
			30.6.2010	31.12.2009	
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	
	30.6.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i>
The Group's share of the Joint Venture's assets and liabilities are as follows:		
Non-current assets	166,587	173,314
Current assets	296,557	296,228
Current liabilities	<u>(233,368)</u>	<u>(244,452)</u>
Net assets	<u>229,776</u>	<u>225,090</u>
	Six Months Period Ended	
	30.6.2010 <i>HK\$'000</i>	30.6.2009 <i>HK\$'000</i>
The Group's share of the Joint Venture's revenues and expenses are as follows:		
Revenues and other income	307,903	247,913
Costs and expenses	<u>(302,710)</u>	<u>(229,412)</u>
Profit from continuing operations	5,193	18,501
Finance costs	<u>(2,606)</u>	<u>(2,818)</u>
Profit before taxation	2,587	15,683
Income tax expense	<u>—</u>	<u>—</u>
Net profit from continuing operations	<u>2,587</u>	<u>15,683</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 END OF THE SUBSEQUENT REPORTING PERIOD

On 12 July 2010, a wholly-owned subsidiary of the Company, PRT Capital Pte Ltd (“PRTC”) entitled 40,381,300 new ordinary shares from D & O, arising from D & O’s bonus issue on the basis of 1 bonus share for 3 existing shares held.

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.

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 2010 (the “current period”) was at HK\$5,499,000 compared to the unaudited net profit of HK\$16,022,000 recorded in the corresponding period last year. Net earnings per share was 5.2 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 %
	30.6.2010 HK\$’000	30.6.2009 HK\$’000	
Revenue	308,615	248,241	24.3
Costs and expenses	(307,895)	(233,983)	31.6
Other income	4,779	1,764	170.9
Net profit	<u>5,499</u>	<u>16,022</u>	<u>(65.7)</u>

The net profit of the Group was HK\$5,499,000, mainly derived from the share of the Joint Venture’s operating profit of HK\$2,587,000 and the gain on fair value changes of listed securities of HK\$2,612,000 as a result of the recovery in the market value of shares invested in Malaysia.

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)

Financial Analysis

	As at	
	30.6.2010	31.12.2009
Total assets (HK\$'000)	707,587	648,547
Shareholders' equity (HK\$'000)	457,456	389,828
Return on shareholders' equity (%)	1.20	5.83*
Current ratio	<u>1.32</u>	<u>1.25</u>

* Calculated by dividing net profit for the corresponding period last year over shareholders' equity as at 30 June 2009.

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

During the period under review, the Joint Venture recorded a turnover of HK\$307,903,000, an increase of 24% as compared to the previous corresponding period. However, the Joint Venture is only able to make a profit of HK\$2,587,000, a decrease of 84% as compared to the previous corresponding period. This is largely due to rising in raw material costs such as natural rubber and nylon threads.

The first half of 2010 is a challenging year to the business of Joint Venture, given the on-going fluctuation in raw material prices and decrease in the domestic sales. The decrease in the domestic sales is mainly due to slowing down in the automobile market in China. Moreover, serious flooding in Southern Region of China, which is also our main market, has further deteriorated the Joint Venture domestic sales.

The Joint Venture export sales have increase approximately 41% as compared to the previous corresponding period. The increase is mainly due to the 25% increase in selling price implemented in first quarter of 2010 and the ability to expand market share in one of our main overseas market, India.

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)

Outlook

Although the global economy has recovered from its lowest point, the macro-business environment still has various uncertainties among which is the rising raw materials cost, particularly rubber. The speculation in the commodity market which resulted in higher rubber prices which directly affected our production cost. The Joint Venture is taking the initiative to monitor closely the production schedule, only produce what we can sell in order to reduce the cost of holding excessive inventories.

The bias tyre market is facing an intense competition from radial tyres which resulted in a significant decrease in the demand of bias tyres. Given that our market share in China for bias tyres is only about 20%, management will dedicate efforts to ensure we produce better quality bias tyres in order to steadily develop and expand our market share in China.

In addition, production of radial tyres has come on stream. Other than the Light Truck Radial (“LTR”) tyres, management is making plans for additional sizes and other range of radial tyres for various applications such as Sport Utility Vehicle (“SUV”), van and pickups. This move is expected to contribute positively to both turnover and profitability of the Joint Venture in the future.

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 2010, 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.

AUDIT COMMITTEE (CONT'D)

The interim financial statements for the period ended 30 June 2010 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) and the Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). The interim report of the Company for 2010 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, 11 August 2010

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, being the Executive Director, Mr. Yeoh Eng Khoon being the Non-Executive Director and Mr. Won Thean Sang, Mr. Khoo Teng Keat and Mr. Yeow See Yuen, being the Independent Non- Executive Directors.