



PEARL RIVER TYRE (HOLDINGS) LIMITED

(Registered under the Companies Act 1981 of Bermuda with limited liability)

(Stock Code: 01187)

INTERIM REPORT 2009

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 2009 (the “current period”) together with the comparative figures for the corresponding period last year (the “corresponding period”).

This interim report does not include all the notes normally included in an annual report. Accordingly, this interim report should be read in conjunction with the 2008 Annual Report.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Six Months Period Ended	
		30.6.2009	30.6.2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	248,241	270,712
Cost of sales		<u>(198,356)</u>	<u>(258,294)</u>
Gross profit		49,885	12,418
Other income	4	1,764	193
Selling and distribution expenses		(6,856)	(5,015)
Administrative expenses		(18,170)	(15,486)
Other operating expenses	5	<u>(7,669)</u>	<u>(11,314)</u>
Profit/(Loss) from continuing operations		18,954	(19,204)
Finance costs	6	<u>(2,818)</u>	<u>(4,736)</u>
Profit/(Loss) before taxation		16,136	(23,940)
Income tax expense	7	<u>(114)</u>	<u>–</u>
Net profit/(loss) for the period		<u>16,022</u>	<u>(23,940)</u>
Basic earnings/(loss) per share (Hong Kong cents)	8	<u>15.2</u>	<u>(22.8)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Period Ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Profit /(Loss) for the period	16,022	(23,940)
Other comprehensive income, net of tax:		
Exchange differences on translating foreign Joint Venture	(195)	14,814
Available-for-sale financial assets	<u>(41,238)</u>	<u>(36,292)</u>
Total comprehensive loss for the period	<u>(25,411)</u>	<u>(45,418)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As At	
		30.6.2009	31.12.2008
	Note	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-Current Assets			
Property, plant and equipment		171,019	184,111
Operating lease prepayments		12,551	12,999
Investment in an associate		4,475	4,475
Investment in listed securities	9	48,671	89,909
Total Non-Current Assets		236,716	291,494
Current Assets			
Investment in listed securities	9	12,673	11,231
Inventories		92,237	65,870
Trade receivables	11	28,559	13,409
Other receivables		9,349	7,410
Cash and cash equivalents		65,079	61,452
Total Current Assets		207,897	159,372
Current Liabilities			
Trade payables	12	59,640	40,453
Other payables and accruals		36,096	20,823
Amount due to a director		5,925	5,612
Provisions		2,738	2,740
Borrowings		65,214	80,827
Total Current Liabilities		169,613	150,455
Net Current Assets		38,284	8,917
Net Assets		275,000	300,411
EQUITY			
Share capital	13	110,716	110,716
Share premium		113,157	113,157
Revaluation reserve	14	30,228	71,466
Capital reserve		37,344	37,344
Foreign currency translation reserve		50,048	50,243
Accumulated losses		(66,493)	(82,515)
Total Equity		275,000	300,411

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six Months Period Ended	
	30.6.2009	30.6.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating Activities		
Profit/(Loss) before taxation	16,136	(23,940)
Adjustments for:		
Allowance for diminution in value of listed securities	–	5,841
Allowance for doubtful debts	657	–
Amortisation of intangible asset	–	233
Amortisation of operating lease prepayments	436	78
Construction-in-progress written off	3,547	–
Depreciation of property, plant and equipment	9,797	12,222
Loss on foreign exchange – Unrealised	174	–
Plant and machinery written off	–	62
Interest expense	2,236	3,615
Interest income	(187)	(504)
Dividend income	(459)	(1,806)
Gain on foreign exchange – Unrealised	–	(193)
Writeback of allowance for diminution in value of listed securities	(1,615)	–
Writeback of allowance for doubtful debts	(5)	–
	<u>30,717</u>	<u>(4,392)</u>
Increase in inventories	(26,367)	(10,325)
(Increase)/Decrease in trade and other receivables	(16,915)	18,895
Increase/(Decrease) in trade and other payables	31,088	(15,398)
	<u>18,523</u>	<u>(11,220)</u>
Cash generated from/(used for) operations	18,523	(11,220)
Tax paid	(114)	(1,620)
Interest received	187	504
Interest paid	(2,236)	(3,615)
	<u>16,360</u>	<u>(15,951)</u>
Net cash generated from/(used in) operating activities	16,360	(15,951)
Investing Activities		
Purchase of property, plant and equipment	(2,257)	(731)
Dividend received	459	1,806
	<u>(1,798)</u>	<u>1,075</u>
Net cash (used in)/generated from investing activities	(1,798)	1,075

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	Six Months Period Ended	
	30.6.2009	30.6.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financing Activities		
Net (repayment)/drawdown of borrowings	(15,613)	54,367
Net advances from related parties	2,546	2,073
Advances from a director	313	–
	<u>(12,754)</u>	<u>56,440</u>
Net cash (used in)/generated from financing activities		
	1,808	41,564
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the current/corresponding period	61,452	148,657
Effect of foreign exchange rate changes, net	1,819	8,884
	<u>65,079</u>	<u>199,105</u>
Cash and cash equivalents at end of the current/corresponding period		

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Revaluation Reserve	Capital Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2009	110,716	113,157	71,466	37,344	50,243	(82,515)	300,411
Total comprehensive loss for the period	—	—	(41,238)	—	(195)	16,022	(25,411)
At 30 June 2009	<u>110,716</u>	<u>113,157</u>	<u>30,228</u>	<u>37,344</u>	<u>50,048</u>	<u>(66,493)</u>	<u>275,000</u>
At 1 January 2008	110,716	113,157	95,079	37,344	37,205	(15,622)	377,879
Total comprehensive loss for the period	—	—	(36,292)	—	14,814	(23,940)	(45,418)
At 30 June 2008	<u>110,716</u>	<u>113,157</u>	<u>58,787</u>	<u>37,344</u>	<u>52,019</u>	<u>(39,562)</u>	<u>332,461</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 28 September 2009.

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 2008, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2009. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position. However, the adoption of HKAS 1 (revised) “*Presentation of Financial Statements*” has resulted in certain changes to the format of the Group’s accounts in 2009 (including revised titles for this interim report).

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 2008 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 Group has adopted HKFRS 8 *Operating Segment* with effect from 1 January 2009. HKFRS8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. It replaces the requirement under HKAS 14 to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the Group’s results of operations or financial position. The Group determines that the operating segments are the same as the business segments previously identified under HKAS 14.

2. SEGMENT INFORMATION (CONT'D)

The following tables present revenue and profit information regarding business segments for the current period and the corresponding period and certain asset and liability information regarding business segments as at 30 June 2009 and 31 December 2008:

	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 2009				
Revenue	247,765	476	–	248,241
Results:				
Segment results (external)	18,359	(1,169)	–	17,190
Other income				1,764
Finance costs				(2,818)
Profit before taxation				16,136
Income tax expense				(114)
Profit for the period				16,022
OTHER INFORMATION:				
Segment assets	371,269	73,344		444,613
Segment liabilities	(157,107)	(12,506)		(169,613)
Capital expenditure	2,246	11		2,257
Depreciation and amortisation	10,208	25		10,233

2. SEGMENT INFORMATION (CONT'D)

	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 2008				
Revenue	268,906	1,806	–	270,712
Results:				
Segment results (external)	(13,269)	(6,128)	–	(19,397)
Other income				193
Finance costs				(4,736)
Loss before taxation				(23,940)
Income tax expense				–
Loss for the period				(23,940)
OTHER INFORMATION:				
Segment assets	337,529	113,337		450,866
Segment liabilities	(138,676)	(11,779)		(150,455)
Capital expenditure	731	–		731
Depreciation and amortisation	12,508	25		12,533

Notes:

The Group operates in the following 2 areas:–

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

3. REVENUE

	Six Months Period Ended	
	30.6.2009	30.6.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of goods	247,572	268,203
Dividends received from securities listed on prescribed stock exchanges, outside Hong Kong	459	1,806
Other operating income	210	703
	<u>248,241</u>	<u>270,712</u>

4. OTHER INCOME

	Six Months Period Ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Gain on foreign exchange		
– realised	144	–
– unrealised	–	193
Writeback of allowance for doubtful debts	5	–
Writeback of allowance for diminution in value of listed securities	1,615	–
	<u>1,764</u>	<u>193</u>

5. OTHER OPERATING EXPENSES

	Six Months Period Ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Allowance for diminution in value of listed securities	–	5,841
Allowance for doubtful debts	657	–
Amortisation of discount on acquisition	–	145
Amortisation of intangible asset	–	233
Amortisation of operating lease prepayments	436	–
Construction-in-progress written off	3,533	–
Depreciation charges	2,270	2,105
Loss on foreign exchange	174	2,138
Product warranty	599	852
	<u>7,669</u>	<u>11,314</u>

6. FINANCE COSTS

Included in the finance costs of the Group is the interest on bank loans amounting to HK\$2,236,000 (30.6.2008 – HK\$3,615,000).

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 EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the net profit of HK\$16,022,000 (30.6.2008 – net loss of HK\$23,940,000) for the current period and on the number of shares in issue during the current period of 105,116,280 (30.6.2008 – 105,116,280).

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

9. INVESTMENT IN LISTED SECURITIES

	As At	
	30.6.2009 HK\$'000	31.12.2008 HK\$'000
Non-Current		
Securities listed outside Hong Kong:		
– available-for-sale, at fair value (<i>Note 1</i>)	48,671	89,909
	<u> </u>	<u> </u>
Current		
Securities listed outside Hong Kong:		
– held for trading, at fair value	12,673	11,231
	<u> </u>	<u> </u>

Note:

- Relates to investment in D & O Ventures Berhad (“D & O”), a company incorporated in Malaysia. As at 30 June 2009, the Group held 16.6% (31 December 2008 – 16.6%) equity interests in D & O. The carrying value represents the fair value of D & O based on the last quoted market price as at the end of the reporting period.

10. INVESTMENT IN THE JOINT VENTURE

Name	Place/Date of Incorporation	Authorised/ Fully Paid-Up Registered Capital	Indirect Attributable Equity Interest		Principal Activities
			30.6.2009	31.12.2008	
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.

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

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	
	30.6.2009 <i>HK\$'000</i>	31.12.2008 <i>HK\$'000</i>
The Group's share of the Joint Venture's assets and liabilities are as follows:		
Non-current assets	183,144	196,856
Current assets	188,125	140,675
Current liabilities	<u>(157,107)</u>	<u>(138,676)</u>
Net assets	<u>214,162</u>	<u>198,855</u>
	Six Months Period Ended	
	30.6.2009 <i>HK\$'000</i>	30.6.2008 <i>HK\$'000</i>
The Group's share of the Joint Venture's revenues and expenses are as follows:		
Revenues and other income	247,913	268,906
Costs and expenses	<u>(229,412)</u>	<u>(282,175)</u>
Profit/(Loss) from continuing operations	18,501	(13,269)
Finance costs	<u>(2,818)</u>	<u>(4,736)</u>
Profit/(Loss) before taxation	15,683	(18,005)
Income tax expense	<u>—</u>	<u>—</u>
Net profit/(loss) from continuing operations	<u>15,683</u>	<u>(18,005)</u>

11. TRADE RECEIVABLES

The ageing analysis of trade receivables as at the end of the reporting period is as follows:

	As At	
	30.6.2009 <i>HK\$'000</i>	31.12.2008 <i>HK\$'000</i>
Outstanding less than one year	26,800	12,021
Outstanding more than one year but less than two years	2,143	2,435
Outstanding more than two years	<u>30,887</u>	<u>29,602</u>
	59,830	44,058
Less: Allowance for doubtful debts	<u>(31,271)</u>	<u>(30,649)</u>
	<u>28,559</u>	<u>13,409</u>

12. TRADE PAYABLES

The ageing analysis of trade payables as at the end of the reporting period is as follows:

	As At	
	30.6.2009 HK\$'000	31.12.2008 HK\$'000
Outstanding less than one year	51,619	32,790
Outstanding more than one year but less than two years	778	322
Outstanding more than two years	7,243	7,341
	<u>59,640</u>	<u>40,453</u>

13. SHARE CAPITAL

The issued and fully paid-up share capital of the Company comprises 105,116,280 ordinary shares of A\$0.20 each. There was no change in the issued and paid-up share capital of the Company during the current period.

14. REVALUATION RESERVE

	As At	
	30.6.2009 HK\$'000	31.12.2008 HK\$'000
Net gain on fair value change of available-for-sale investment		
At 1 January	65,048	88,661
Loss on fair value change of available-for-sale investment	(40,615)	(18,954)
Effect of foreign exchange rate changes	(623)	(4,659)
	<u>23,810</u>	<u>65,048</u>
At 30 June/31 December	23,810	65,048
Revaluation of buildings of the Joint Venture arising from land and buildings swap	6,418	6,418
	<u>30,228</u>	<u>71,466</u>

The revaluation reserve is not distributable by way of cash dividends.

15. 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.

16. CONNECTED/RELATED PARTY TRANSACTIONS

The following is a summary of the transactions with related parties, which were carried out in the normal course of operations of the Group:

	Six Months Period Ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Transactions between the Joint Venture and Guangzhou Bolex Tyre Limited ("Bolex")		
Contribution received and receivable from Bolex for:		
- processing/providing raw material/intermediate/ consumable products	446	240
- charging of utilities (water, electricity, steam and compressed air consumed)	8,131	4,712
- the right to use the factory lift and the factory space	50	49
	<u>8,627</u>	<u>5,001</u>
Transactions between the Joint Venture and GGXEG *		
Payments relating to:		
- lease rental for a piece of land and buildings erected thereon	2,326	1,936
- lease rental for the exclusive right to use certain machinery	1,135	1,105
- lease rental for a hostel	21	20
- royalties for the right to use the trademark "Pearl River" and any technology and know-how necessary for the production of bias tyres	249	195
	<u>3,731</u>	<u>3,256</u>

* *The agreements relating to these transactions were between the Joint Venture and Guangzhou Rubber Tyre Factory, which was the former PRC partner owning 30% equity in the Joint Venture and which was the former PRC were taken over by GGXEG in 2001.*

The relevant percentage ratios on aggregate value of the transactions with each of Bolex and GGXEG were less than 25% (on the basis of proportionate consolidation of the Joint Venture in accordance with the prevailing accounting standards applicable to the Group) and the transaction amounts with each of Bolex and GGXEG were less than HK\$10 million. However, the actual amount for the Bolex Transaction up to 31 July 2009 has slightly exceeded the first announced cap for the year ending 31 December 2009 and expected to exceed HK\$10 million.

On 14 August 2009, the Directors of the Company have announced to revise the estimated caps of the continuing connected transactions between its Joint Venture and Bolex to approximately HK\$21,110,000, HK\$23,221,000 and HK\$25,543,000 respectively for the three financial years ending 31 December 2011. The revised estimated caps has been approved by the shareholders in the Special General Meeting held on 28 September 2009.

17. CONTINGENT LIABILITIES

During or since the end of the current period, the Group does not have any contingent liabilities.

18. SIGNIFICANT EVENT DURING AND AFTER THE END OF THE REPORTING PERIOD

No significant event has arisen during and after the end of the 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 2009 (the "current period") was at HK\$16,022,000 compared to the unaudited net loss of HK\$23,940,000 recorded in the corresponding period last year. Net earnings per share was 15.2 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 %
	30.6.2009 HK\$'000	30.6.2008 HK\$'000	
Revenue	248,241	270,712	(8.3)
Costs and expenses	(233,983)	(294,845)	(20.6)
Other income	1,764	193	813.9
Net profit/(loss)	16,022	(23,940)	166.9

The net profit of the Group was HK\$16,022,000, mainly due to the share of the Joint Venture's operating profit of HK\$15,683,000 and the write back of allowance for diminution in the value of listed securities of HK\$1,615,000 as a result of the recovery in the market value of shares invested in Malaysia.

Financial Analysis

	As at	
	30.6.2009	31.12.2008
Total assets (HK\$'000)	444,613	450,866
Shareholders' equity (HK\$'000)	275,000	300,411
Return on shareholders' equity (%)	5.83	(7.20)*
Current ratio	1.23	1.06

* Calculated by dividing net loss for the corresponding period last year over shareholders' equity as at 30 June 2008.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

1. Analysis on the Operating Results and Financial Position of the Group (Cont'd)

Financial Analysis (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 world tyre market contracted by 25% to 30% in the first half of 2009. However, in China, the authorities were quick to react by introducing new policies and tax incentives to spur economic growth. The Chinese Government has and will continue to make substantial investments in major areas such as roads, railways, ports, mines and other general infrastructure projects. Hence, a more effective course of recovery is in sight as evidenced by the encouraging sales volume of the Joint Venture in the first half of 2009.

The economic crisis in 2008 has forced the bias ply tyre industry to consolidate with many weaker players being forced out. The Joint Venture being a key player in the industry is expected to be a net beneficiary from this development. Our formula for survival has always been to be the most competitive bias ply manufacturer with an exceptionally high quality product.

Given the favourable government policies, relatively lower and stable raw material prices for the first half of 2009, the Joint Venture has experienced an improvement in sales volume and profit margin for its domestic sales. For the first half of 2009, we experienced an 8.3% drop in sales value due to lower average selling prices which was offset by a 20.6% decline in cost and expenses. As a result, we have achieved a profit of HK\$16 million for the first half of 2009 as compared to a loss of HK\$23.9 million in the corresponding period last year.

Outlook

The joint venture which specialises in producing and selling of bias ply tyres for various commercial applications, especially heavy duty tyres, clearly operates in a niche segment in all its present markets. Both the export and domestic markets have indicated relatively strong demand for these specialty tyres. Given favourable government policies and with the improving economy, we expect stronger domestic sales in the second half of 2009.

There are indications of uptrend in the second half of 2009 for the major raw material prices such as natural rubber, carbon black and nylon cord. Hence, management has bought forward a large part of its raw material requirement for the second half of 2009. Given the strong recovery of both the domestic and export markets, management believes that we are able to pass any cost increases to our customers without much adverse impact on sales.

In addition, the Joint Venture has also started commercial production of Light Truck Radial ("LTR") tyres. We expect the second phase to take effect by early 2010 which will contribute positively to the Joint Venture's turnover.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2009, the interests and short positions of the Directors or chief executive of the Company in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("The Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listing Companies, were as follows:–

Long positions in ordinary shares of the Company

Name	Capacity	Number of Shares Held in The Company	Percentage of the Issued Share Capital of The Company (%)
Goh Nan Kioh	Family	957,790 ⁽²⁾	0.9
	Corporate	38,114,000 ⁽¹⁾	36.3
Goh Nan Yang	Personal	94,000	0.1

Notes:

1. These shares are beneficially held by two corporations in which Goh Nan Kioh holds more than 20% equity interest.
2. These shares are beneficially held by the spouse and children (under 18 years old) of Goh Nan Kioh and accordingly he is deemed to be interested in these shares.

The Company does not have any listed debt securities.

Save as disclosed above as at 30 June 2009, none of the Directors or the chief executive of the Company or any of their associates had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers. None of the Directors or the chief executive of the Company or any of their associates had an interest (directly and/or deemed) in the equity or debt securities of the associated corporations of the Company.

At no time during the current period, the Directors or the chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

Substantial Shareholders

As at 30 June 2009, as far as is known to the Directors and the chief executive of the Company, the interests and short positions of 5% or more, other than a Director or chief executive of the Company, in the issued shares and underlying share of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:–

Long positions in ordinary shares of the Company

Name	Capacity	Number of Shares Held In The Company	Percentage of Issued Share Capital of The Company (%)
Pacific Union Pte Ltd ⁽¹⁾	Beneficial owner	37,590,000	35.76
Kuala Lumpur Kepong Berhad ⁽²⁾	Beneficial owner	32,085,976	30.52
Batu Kawan Berhad ⁽³⁾	Beneficial owner	32,085,976	30.52
Arusha Enterprise Sdn Bhd ⁽³⁾	Beneficial owner	32,085,976	30.52
Wan Hin Investments Sdn Bhd ⁽³⁾	Beneficial owner	32,085,976	30.52
KL-Kepong International Ltd	Beneficial owner	24,085,976	22.91

Notes:

- These shares are beneficially owned by Pacific Union Pte Ltd which has been a substantial shareholder of the Company since 1995. Pacific Union Pte Ltd is an investment holding company which does not have any business other than holding approximately 35.76% interests in the Company. The shares in Pacific Union Pte Ltd are in turn substantially held by Goh Nan Kioh and the balance by independent third parties. Save as disclosed herein, Pacific Union Pte Ltd and its substantial shareholders do not have any interests in or business relations with Kuala Lumpur Kepong Berhad. Goh Nan Kioh is the Non-Executive Chairman of the Company.

- Kuala Lumpur Kepong Berhad is a company incorporated in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad. It has been a substantial shareholder of the Company since 1995. Save as disclosed herein, Kuala Lumpur Kepong Berhad and its controlling shareholders do not have any interests in or business relations with Pacific Union Pte Ltd.

Ablington Holdings Sdn Bhd is the beneficial owner of 8,000,000 ordinary shares of the Company. Kuala Lumpur Kepong Berhad owns 100% of Ablington Holdings Sdn Bhd and 100% of KL-Kepong International Ltd. Kuala Lumpur Kepong Berhad is accordingly deemed by the SFO to be interested in a total of 32,085,976 ordinary shares beneficially owned by Ablington Holdings Sdn Bhd and KL-Kepong International Ltd.

- As at 30 June 2009, Kuala Lumpur Kepong Berhad is 46.57% directly owned by Batu Kawan Berhad, which is, in turn, 44.78% directly owned by Arusha Enterprise Sdn Bhd. Wan Hin Investments Sdn Bhd directly owns 77.40% of Arusha Enterprise Sdn Bhd. Accordingly, Batu Kawan Berhad, Arusha Enterprise Sdn Bhd and Wan Hin Investments Sdn Bhd are also deemed by the SFO to be interested in the ordinary shares owned by KL-Kepong International Ltd and Ablington Holdings Sdn Bhd as disclosed above.

Batu Kawan Berhad, Arusha Enterprise Sdn Bhd and Wan Hin Investments Sdn Bhd are companies incorporated in Malaysia and the shares of Batu Kawan Berhad are listed on the Main Market of Bursa Malaysia Securities Berhad.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

Long positions in ordinary shares of the Company (Cont'd)

Save as disclosed above, as at 30 June 2009, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and the chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

GROUP STRUCTURE

There were no changes in the composition of the Group during the current period, including business combinations, acquisition and disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

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 2009, 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.

The interim financial statements for the period ended 30 June 2009 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.

DIRECTORS

The Directors of the Company at any time during or since the end of the current period are as follows:

Goh Nan Kioh	<i>Chairman and Non-Executive Director</i>
Goh Nan Yang	<i>Executive Director</i>
Yeoh Eng Khoon	<i>Non-Executive Director</i>
Khoo Teng Keat	<i>Independent Non-Executive Director</i>
Yeow See Yuen	<i>Independent Non-Executive Director</i>
Won Thean Sang	<i>Independent Non-Executive Director</i> <i>(appointed w.e.f. 2 March 2009)</i>

During the current period under review to the date of this report:

- (i) At the Fifteenth Annual General Meeting of the Company held on 19 June 2009:
- Mr Goh Nan Yang who retired by rotation in accordance with the Company’s Bye-laws was re-elected to the Board.
 - Mr Khoo Teng Keat who retired by rotation in accordance with the Company’s Bye-laws was re-elected to the Board.
 - Mr Yeow See Yuen who retired by rotation in accordance with the Company’s Bye-laws was re-elected to the Board.
 - Mr Won Thean Sang who retired by rotation in accordance with the Company’s Bye-laws was re-elected to the Board.

By order of the Board

Goh Nan Yang
Director and CEO

Kuala Lumpur, 28 September 2009