



PEARL RIVER TYRE (HOLDINGS) LIMITED

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

(Stock Code: 01187)

INTERIM REPORT 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 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 2005 Annual Report.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six Month Period Ended	
		30.6.2006	30.6.2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(As Restated)
Revenue	3	302,725	249,124
Costs of sales		<u>(274,618)</u>	<u>(222,701)</u>
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		<u>(7,138)</u>	<u>(3,824)</u>
Profit from continuing operating activities		4,809	5,452
Finance costs	5	<u>(2,918)</u>	<u>(3,367)</u>
Profit before tax		1,891	2,085
Taxation	6	<u>–</u>	<u>–</u>
Net profit for the current/corresponding period		<u>1,891</u>	<u>2,085</u>
Basic earnings per share (Hong Kong cents)	7	<u>1.8</u>	<u>2.0</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As At	
		30.6.2006 <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
Assets			
Non-Current Assets			
Property, plant and equipment		170,696	177,080
Operating lease prepayments		12,971	13,209
Other financial assets	8	135,765	145,383
Intangible asset		1,025	1,217
		<hr/>	<hr/>
Total Non-Current Assets		320,457	336,889
Current Assets			
Inventories		86,326	109,040
Trade receivables	10	41,370	22,910
Other receivables		5,890	16,146
Cash and cash equivalents		37,573	35,461
		<hr/>	<hr/>
Total Current Assets		171,159	183,557
Current Liabilities			
Trade payables	11	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
		<hr/>	<hr/>
Total Current Liabilities		119,051	142,347
Net Current Assets		<hr/>	<hr/>
		52,108	41,210
Net Assets		<hr/>	<hr/>
		372,565	378,009
Equity			
Issued capital	12	110,716	110,716
Share premium		113,157	113,157
Revaluation reserve	13	103,007	106,554
Capital reserves		37,344	37,344
Foreign currency translation reserve		13,851	17,729
Accumulated losses		(5,510)	(7,401)
		<hr/>	<hr/>
Total Equity		372,565	378,009
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Month Period Ended	
	30.6.2006	30.6.2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(As Restated)
Net cash outflow from operating activities		
Profit before taxation	1,891	2,085
Adjustments for:		
Allowance for doubtful debts	915	2,278
Amortisation of operating lease prepayments	303	315
Amortisation of intangible asset	204	199
Depreciation of property, plant and equipment	9,949	9,727
Unrealised loss on foreign exchange	764	764
Interest expenses	2,679	2,666
Interest income	(154)	(82)
Dividend income	(912)	(249)
Writeback of allowance for doubtful debts	(3)	(270)
	<hr/>	<hr/>
Operating profit before working capital changes	15,636	17,433
Increase in inventories	22,714	24,255
Increase in trade and other receivables	(8,342)	(12,658)
(Decrease)/Increase in trade and other payables	(23,806)	1,483
	<hr/>	<hr/>
Cash from operation	6,202	30,513
Interest received	154	82
Interest paid	(2,679)	(2,666)
	<hr/>	<hr/>
Net cash from operating activities	3,677	27,929
	<hr/>	<hr/>
Cash flows for investing activities		
Purchase of property, plant and equipment	(1,768)	(1,849)
Purchase of listed securities	(98)	-
Dividends received	912	249
	<hr/>	<hr/>
Net cash for investing activities	(954)	(1,600)
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Six Month Period Ended	
	30.6.2006	30.6.2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(As Restated)
Cash flows for financing activities		
Net advances/(repayment) of borrowings	455	(3,225)
Net (Advance to)/Advance from a related party	(1,538)	380
Advances from a director	—	355
	<u> </u>	<u> </u>
Net cash for financing activities	(1,083)	(2,490)
	<u> </u>	<u> </u>
Net increase in cash and cash equivalents	1,640	23,839
Cash and cash equivalents at beginning of the financial year	35,461	36,031
Effect of foreign exchange rate changes, net	472	474
	<u> </u>	<u> </u>
Cash and cash equivalents at end of the financial period	<u>37,573</u>	<u>60,344</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Revaluation Reserve <i>HK\$'000</i>	Capital Reserve <i>HK\$'000</i>	Foreign Currency Translation Reserve <i>HK\$'000</i>	Accumulated Losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2006	110,716	113,157	106,554	37,344	17,729	(7,401)	378,099
Adjustments arising from the translation of the financial statements of the Joint Venture	-	-	-	-	1,958	-	1,958
Net loss arising from available-for-sale financial assets	-	-	(3,547)	-	(5,836)	-	(9,383)
Net loss not recognised in income statement	-	-	(3,547)	-	(3,878)	-	(7,425)
Net profit for the current period	-	-	-	-	-	1,891	1,891
At 30 June 2006	<u>110,716</u>	<u>113,157</u>	<u>103,007</u>	<u>37,344</u>	<u>13,851</u>	<u>(5,510)</u>	<u>372,565</u>
At 1 January 2005 (As previously reported)	110,716	113,157	100,973	41,866	13,851	(18,760)	361,803
Effect of changes in accounting policy	-	-	-	(4,522)	-	4,522	-
Prior year adjustments	-	-	-	-	-	(186)	(186)
At 1 January 2005 (As restated)	110,716	113,157	100,973	37,344	13,851	(14,424)	361,617
Adjustments arising from the translation of the financial statements of the Joint Venture	-	-	-	-	(368)	-	(368)
Net loss arising from available-for-sale financial assets	-	-	(10,711)	-	-	-	(10,711)
Net loss not recognised in income statement	-	-	(10,711)	-	(368)	-	(11,079)
Net profit for the corresponding period	-	-	-	-	-	2,085	2,085
At 30 June 2005	<u>110,716</u>	<u>113,157</u>	<u>90,262</u>	<u>37,344</u>	<u>13,483</u>	<u>(12,339)</u>	<u>352,623</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 (“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 or 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⁾ <i>HK\$'000</i>	Singapore⁽²⁾ <i>HK\$'000</i>	Malaysia⁽³⁾ <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Six month period ended 30 June 2006					
Revenue from external customers	<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
Taxation					<u>–</u>
Profit after taxation/ Net profit attributable to shareholders					<u>1,891</u>
Six month period ended 30 June 2005 (As Restated)					
Revenue from external customers	<u>248,875</u>	<u>–</u>	<u>249</u>	<u>–</u>	<u>249,124</u>
Results:					
Segment result (external)	<u>5,208</u>	<u>(49)</u>	<u>(521)</u>	<u>–</u>	4,638
Other income					814
Finance costs					<u>(3,367)</u>
Profit before taxation					2,085
Taxation					<u>–</u>
Profit after taxation/ Net profit attributable to shareholders					<u>2,085</u>

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	30.6.2005
	HK\$'000	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	–
	<u>302,725</u>	<u>249,124</u>

4. OTHER INCOME

	Six Month Period Ended	
	30.6.2006	30.6.2005
	HK\$'000	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
	<u>428</u>	<u>814</u>

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. OTHER FINANCIAL ASSETS

	As At	
	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
Non-current:		
Securities listed on prescribed stock exchange, outside Hong Kong:		
– available-for-sale, at fair value ⁽¹⁾	120,603	130,117
– held for trading, at fair value	10,687	10,791
	<hr/>	<hr/>
	131,290	140,908
Investment in an associate accounted for at cost ⁽²⁾	4,475	4,475
	<hr/>	<hr/>
	135,765	145,383
	<hr/>	<hr/>

Notes:

1. Relates to investment in D & O Ventures Berhad (“D & O”). The carrying value represents the fair value of D & O based on the last quoted market price as at balance sheet date.
2. The equity method is not applied to account for the investment in the associate, ie Thames Electronics Sdn Bhd, as the amount involved is not material for equity accounting to be applied.

9. INVESTMENT IN THE JOINT VENTURE

Name	Place/Date of Incorporation/ Establishment	Authorised/ Issued and Fully Paid-Up Share Capital	Attributable Equity Interest		Principal Activities
			30.6.2006	31.12.2005	
Guangzhou Pearl River Rubber Tyre Limited ("Joint Venture")	The People's Republic of China (the "PRC")/ 11 December 1993	US\$43,202,166/ US\$43,202,166	70%	70%	Manufacture and sales of bias tyres

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	
	30.6.2006 HK\$'000	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:

Revenue 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>

10. TRADE RECEIVABLES

The ageing analysis of trade receivables as at the balance sheet date is as follows:

	As At	
	30.6.2006 <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
Outstanding less than one year	40,231	22,344
Outstanding more than one year but less than two years	486	1,525
Outstanding more than two years	23,902	21,378
	<hr/>	<hr/>
	64,619	45,247
<i>Less: Allowance for doubtful debts</i>	<i>(23,249)</i>	<i>(22,337)</i>
	<hr/>	<hr/>
	41,370	22,910
	<hr/>	<hr/>

11. TRADE PAYABLES

The ageing analysis of trade payables as at the balance sheet date is as follows:

	As At	
	30.6.2006 <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
Outstanding less than one year	24,794	50,461
Outstanding more than one year but less than two years	6,613	4,023
Outstanding more than two years	255	47
	<hr/>	<hr/>
	31,662	54,531
	<hr/>	<hr/>

12. ISSUED 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.

13. REVALUATION RESERVE

	As At	
	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
At 1 January	106,554	100,973
Transfer (to)/from other financial assets arising from net (loss)/gain on available-for-sale financial assets	(14,184)	11,596
Effect of foreign exchange translation	10,637	(6,015)
	<hr/>	<hr/>
At 30 June/31 December	103,007	106,554
Revaluation of buildings of arising from land and buildings swap	6,418	6,418
Revaluation of other financial assets arising from net gain on available-for-sale financial assets	96,589	100,136
	<hr/>	<hr/>
	103,007	106,554

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

14. 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.

15. 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 Month Period Ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Transactions between the Joint Venture and Guangzhou Bolex Tyre Limited ("Bolex")		
Contribution received and receivable from Bolex for:		
(i) processing/providing raw material/intermediate/ consumable products	270	3,917
(ii) charging of utilities (water, electricity, steam and compressed air consumed)	3,427	–
(iii) the right to use the factory lift and the factory space	43	–
Interest income for advances outstanding	87	57
	<hr/>	<hr/>
	3,827	3,974

15. RELATED PARTY TRANSACTIONS (CONT'D)

	Six Month Period Ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Transactions between the Joint Venture and GGXEG*		
Lease rental for a piece of land and buildings erected thereon	1,695	1,653
Lease rental for the exclusive right to use certain machinery	966	942
Lease rental for a hostel	14	13
Royalties for the right to use the trademark "Pearl River" and any technology and know-how necessary for the production of bias tyres	200	189
Share of administrative expenses/ongoing early retirement payments payable to the retired personnel carried forward and arising from the administrative expenses for a hospital and staff canteen under the management of GGXEG	88	1,101
	<u>2,963</u>	<u>3,898</u>

* *The agreements relating to these transactions were between the Joint Venture and GRTF.*

The relevant percentage ratios on aggregate value of the transactions with each of Bolex and GGXEG were lesser than 25% and the transaction amounts with each of Bolex and GGXEG were less than HK\$10 million.

16. CONTINGENT LIABILITIES

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

17. 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 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 manufacture and sale of bias tyres for commercial vehicles.

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. Earnings per share was 1.80 Hong Kong cents.

The Group's revenue and net profit, including the Group's share of the Joint Venture's result, are shown by geographical segment in Note 2 to the consolidated financial statements.

No event has arisen since the end of the current 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.

1. Analysis on the Operating Results and Financial Position of the Group

Operating Results

	1.1.2006 to 30.6.2006 HK\$'000	1.1.2005 to 30.6.2005 HK\$'000	Change %
		(As Restated)	
Revenues	302,725	249,124	21.5
Costs and expenses	(301,262)	(247,853)	(21.5)
Other Income	428	814	(47.4)
Net profit	<u>1,891</u>	<u>2,085</u>	<u>(9.3)</u>

The net profit of the Group was approximately HK\$1,891,000, mainly due to the share of profit from the Joint Venture amounting to approximately HK\$2,288,000.

Financial Analysis

	30.6.2006	31.12.2005
Total assets (HK\$'000)	491,616	520,446
Net assets/Shareholders' equity (HK\$'000)	372,565	378,009
Returns on shareholders' equity (%)	0.51	0.59*
Current ratio	<u>1.44</u>	<u>1.29</u>

* Calculated by dividing net profit for the corresponding period last year over shareholders' equity as at 30 June 2005.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

1. Analysis on the Operating Results and Financial Position of the Group (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 are of the opinion that the Group's exposure to currency risk is not significant.

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

2. 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 this 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.

3. 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 manufacturer in China.

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

As at 30 June 2006, 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 (%)
Ang Guan Seng	Personal	100,000	0.1
	Corporate	38,114,000 ⁽¹⁾	36.3
Goh Nan Kioh	Family	957,790 ⁽²⁾	0.9
	Corporate	38,114,000 ⁽¹⁾	36.3
Goh Nan Yang	Personal	94,000	0.1
Sandy Chim Chun Kwan	Personal	102,252	0.1
Lim Thian Soo	Personal	134,308	0.1
Lim Loi Heng	Personal	80,000	0.1

Notes:

1. These shares are beneficially held by two corporations in which Ang Guan Seng and Goh Nan Kioh each hold 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 2006, 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.

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

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).

Substantial Shareholders

As at 30 June 2006, 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⁾ Kuala Lumpur Kepong Berhad ⁽²⁾	Beneficial owner	37,590,000	35.76
Batu Kawan Berhad ⁽³⁾ 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:

1. 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 held by Goh Nan Kioh and Hoe Seng Co. Pte Ltd (a company associated with Ang Guan Seng) 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. Ang Guan Seng is the Non-Executive Chairman of the Company while Goh Nan Kioh is the Deputy Chairman of the Company.

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)

2. Kuala Lumpur Kepong Berhad is a company incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange). 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 and 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.

3. As at 30 June 2006, Kuala Lumpur Kepong Berhad is 46.57% directly owned by Batu Kawan Berhad, which is, in turn, 43.93% 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 Board of Bursa Malaysia Securities Berhad.

Save as disclosed above, as at 30 June 2006, 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 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.

DIRECTORS

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

Ang Guan Seng	<i>Chairman and Non-Executive Director</i>
Goh Nan Kioh	<i>Deputy Chairman and Non-Executive Director</i>
Sandy Chim Chun Kwan	<i>Executive Director</i>
Goh Nan Yang	<i>Executive Director</i>
Lim Thian Soo	<i>Non-Executive Director (also alternate to Goh Nan Kioh)</i>
Yeoh Eng Khoon	<i>Non-Executive Director</i>
Lim Boon Seh	<i>Non-Executive Director</i>
Lim Loi Heng	<i>Independent Non-Executive Director</i>
Lim Chong Puang	<i>Independent Non-Executive Director</i>
Helen Zee	<i>Independent Non-Executive Director</i>

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

(i) At the Twelfth Annual General Meeting of the Company held on 29 May 2006:

- Dr Lim Thian Soo who retired by rotation in accordance with the Company's Bye-laws was re-elected to the Board.
- Mr Goh Nan Yang who retired by rotation in accordance with the Company's Bye-laws was re-elected to the Board.
- Mr Yeoh Eng Khoon who was appointed as a Non-Executive Director on 28 September 2005 and retired by rotation in accordance with the Company's Bye-laws was re-elected to the Board.

(ii) Mr Lim Boon Seh was appointed as a Non-Executive Director on 29 May 2006.

By order of the Board
Goh Nan Yang
Director and CEO

Kuala Lumpur, 25 September 2006