



PEARL RIVER TYRE (HOLDINGS) LIMITED

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

(Stock Code: 01187)

INTERIM REPORT 2007

The Directors of Pearl River Tyre (Holdings) Limited (the “Company”) are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six month period ended 30 June 2007 (the “current period”) together with the comparative figures for the corresponding period last year (the “corresponding period”).

This 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 2006 Annual Report.

CONDENSED CONSOLIDATED INCOME STATEMENT

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

CONDENSED CONSOLIDATED BALANCE SHEET

		As At	
		30.6.2007	31.12.2006
	Note	HK\$'000	HK\$'000
Assets			
Non-Current Assets			
Property, plant and equipment		184,469	171,386
Operating lease prepayments		12,911	12,899
Investment in an associate		4,475	4,475
Investment in listed securities	8	123,795	126,180
Intangible asset		649	839
		<u>326,299</u>	<u>315,779</u>
Total Non-Current Assets			
Current Assets			
Inventories		111,508	119,990
Trade receivables	10	42,023	32,299
Other receivables		3,021	11,189
Cash and cash equivalents		51,438	51,447
		<u>207,990</u>	<u>214,925</u>
Total Current Assets			
Current Liabilities			
Trade payables	11	78,785	67,080
Other payables and accruals		13,114	14,890
Amount owing to a director		4,283	3,506
Provisions		5,869	5,686
Borrowings		66,633	81,874
		<u>168,684</u>	<u>173,036</u>
Total Current Liabilities			
Net Current Assets		<u>39,306</u>	<u>41,889</u>
Net Assets		<u>365,605</u>	<u>357,668</u>
Equity			
Issued capital	12	110,716	110,716
Share premium		113,157	113,157
Revaluation reserve	13	81,594	91,688
Capital reserves		37,344	37,344
Foreign currency translation reserve		27,337	19,239
Accumulated losses		(4,543)	(14,476)
		<u>365,605</u>	<u>357,668</u>
Total Equity			

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Month Period Ended	
	30.6.2007	30.6.2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities		
Profit before taxation	9,933	1,891
Adjustments for:		
Allowance for doubtful debts	184	915
Amortisation of operating lease prepayments	389	303
Amortisation of intangible asset	214	204
Depreciation of property, plant and equipment	10,318	9,949
Unrealised loss on foreign exchange	1,151	764
Interest expenses	2,868	2,679
Interest income	–	(154)
Dividend income	(1,138)	(912)
Gain on disposal of listed securities	(170)	–
Write back of allowance for diminution in value of listed securities	(8,248)	–
Write back of allowance for doubtful debts	(7)	(3)
	15,494	15,636
Operating profit before working capital changes		
Decrease in inventories	8,482	22,714
Increase in trade and other receivables	(3,578)	(8,342)
Increase/(Decrease) in trade and other payables	9,938	(23,806)
	30,336	6,202
Cash from operation		
Interest received	–	154
Interest paid	(2,868)	(2,679)
	27,468	3,677
Net cash from operating activities		
Cash flows for investing activities		
Purchase of property, plant and equipment	(22,462)	(1,768)
Purchase of listed securities	–	(98)
Proceeds from disposal of listed securities	717	–
Dividends received	1,138	912
	(20,607)	(954)
Net cash for investing activities		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Six Month Period Ended	
	30.6.2007	30.6.2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows for financing activities		
Net (repayment)/advances of borrowings	(15,242)	455
Net advance from/(advance to) a related party	1,051	(1,538)
Advances from a director	776	–
	<hr/>	<hr/>
Net cash for financing activities	(13,415)	(1,083)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(6,554)	1,640
Cash and cash equivalents at beginning of the financial year	51,447	35,461
Effect of foreign exchange rate changes, net	6,545	472
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial period	<u>51,438</u>	<u>37,573</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 2007	110,716	113,157	91,688	37,344	19,239	(14,476)	357,668
Adjustments arising from the translation of the financial statements of the Joint Venture	-	-	-	-	8,098	-	8,098
Net loss arising from available-for-sale financial assets	-	-	(10,094)	-	-	-	(10,094)
Total income and expenses recognised in equity	-	-	(10,094)	-	8,098	-	(1,996)
Net profit for the current Period	-	-	-	-	-	9,933	9,933
At 30 June 2007	<u>110,716</u>	<u>113,157</u>	<u>81,594</u>	<u>37,344</u>	<u>27,337</u>	<u>(4,543)</u>	<u>365,605</u>
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)
Total income and expenses recognised in equity	-	-	(3,547)	-	(3,878)	-	(7,425)
Net profit for the corresponding 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>

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 2006 except for the new adoption of the new and/or revised Hong Kong Financial Reporting Standards (“HKFRS”), HKAS, and Interpretations (hereinafter collectively referred as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods commencing on or after 1 March 2007.

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

2. SEGMENTAL INFORMATION

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

	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 2007					
Turnover	<u>320,457</u>	<u>12</u>	<u>1,126</u>	<u>-</u>	<u>321,595</u>
Results:					
Segment result (external)	<u>6,268</u>	<u>-</u>	<u>(1,115)</u>	<u>78</u>	5,231
Other income					8,425
Finance costs					<u>(3,723)</u>
Profit before taxation					9,933
Income tax expense					<u>-</u>
Profit after taxation/ Net profit attributable to shareholders					<u>9,933</u>
	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					
Turnover	<u>301,813</u>	<u>-</u>	<u>912</u>	<u>-</u>	<u>302,725</u>
Results:					
Segment result (external)	<u>5,321</u>	<u>(442)</u>	<u>(498)</u>	<u>-</u>	4,381
Other income					428
Finance costs					<u>(2,918)</u>
Profit before taxation					1,891
Income tax expense					<u>-</u>
Profit after taxation/ Net profit attributable to shareholders					<u>1,891</u>

Notes:-

1. "The PRC" refers to the Joint Venture in the PRC relating to the manufacture and sales of tyres.
2. "Singapore" refers to the investment in securities listed on a prescribed stock exchange and cash deposits in Singapore.
3. "Malaysia" refers to the investment in securities listed on a prescribed stock exchange and cash deposits in Malaysia.

3. TURNOVER

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

4. OTHER INCOME

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

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

The Company was incorporated under the laws of the British Virgin Islands and continued under the laws of Bermuda subsequent to its migration. At the present time, no income, profit, capital or capital gain taxes are levied in Bermuda. Accordingly, no provision for such taxes has been recorded by the Company. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until 28 March 2016.

No provision for tax on Hong Kong profits has been made as the Group has no assessable profits derived from or earned in Hong Kong for the current financial period and the corresponding period.

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

7. BASIC EARNINGS PER SHARE

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

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

8. INVESTMENT IN LISTED SECURITIES

	As At	
	30.6.2007	31.12.2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current:		
Securities listed on prescribed stock exchange, outside Hong Kong:		
– available-for-sale, at fair value ⁽¹⁾	99,679	109,773
– held for trading, at fair value	24,116	16,407
	<u>123,795</u>	<u>126,180</u>

Note:-

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.

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

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

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

10. TRADE RECEIVABLES

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

	As At	
	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Outstanding less than one year	42,077	32,528
Outstanding more than one year but less than two years	1,035	2,249
Outstanding more than two years	24,988	22,630
	<hr/>	<hr/>
	68,100	57,407
Less: Allowance for doubtful debts	(26,077)	(25,108)
	<hr/>	<hr/>
	42,023	32,299
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11. TRADE PAYABLES

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

	As At	
	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Outstanding less than one year	72,126	60,513
Outstanding more than one year but less than two years	197	2,397
Outstanding more than two years	6,462	4,170
	<hr/>	<hr/>
	78,785	67,080
	<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	
	30.6.2007 HK\$'000	31.12.2006 HK\$'000
At 1 January	91,688	106,554
Transfer to investment in listed securities arising from net loss on available-for-sale financial assets	(13,774)	(29,290)
Effect of foreign exchange translation	3,680	14,424
	<hr/>	<hr/>
At 30 June/31 December	81,594	91,688
	<hr/>	<hr/>
Revaluation of buildings of Joint Venture arising from land and buildings swap	6,418	6,418
Revaluation gain on available-for-sale financial assets	75,176	85,270
	<hr/>	<hr/>
	81,594	91,688
	<hr/>	<hr/>

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	
	30.6.2007 HK\$'000	30.6.2006 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	944	270
(ii) charging of utilities (water, electricity, steam and compressed air consumed)	2,915	3,427
(iii) the right to use the factory lift and the factory space	45	43
Interest income for advances outstanding	55	87
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	3,959	3,827
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15. RELATED PARTY TRANSACTIONS (CONT'D)

	Six Month Period Ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
Transactions between the Joint Venture and GGXEG*		
Lease rental for a piece of land and buildings erected thereon	1,778	1,695
Lease rental for the exclusive right to use certain machinery	1,013	966
Lease rental for a hostel	16	14
Royalties for the right to use the trademark "Pearl River" and any technology and know-how necessary for the production of bias tyres	258	200
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	59	88
	<u>3,124</u>	<u>2,963</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 tyres for commercial vehicles.

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

The Group's turnover 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 likely to materially affect the operations of the Group, the results of the Group or the state of affairs of the Group.

Analysis on the Operating Results and Financial Position of the Group

Operating Results

	1.1.2007 to 30.6.2007 HK\$'000	1.1.2006 to 30.6.2006 HK\$'000	Change %
Turnover	321,595	302,725	6.23
Costs and expenses	(320,087)	(301,262)	(6.25)
Other income	8,425	428	1,868.5
Net profit	<u>9,933</u>	<u>1,891</u>	<u>425.3</u>

The net profit of the Group was approximately HK\$9,933,000, mainly due to the write back of allowance for diminution in the value of quoted share of HK\$8,248,000 as a result of the increase in the market value of shares invested in Malaysia.

Financial Analysis

	30.6.2007	31.12.2006
Total assets (HK\$'000)	534,289	530,704
Shareholders' equity (HK\$'000)	365,605	357,668
Returns on shareholders' equity (%)	2.72	0.51*
Current ratio	<u>1.23</u>	<u>1.24</u>

* Calculated by dividing net profit for the corresponding period last year over shareholders' equity as at 30 June 2006.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

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 acknowledge our exposure to currency risk and will continue to monitor closely and minimize 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

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

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

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

Outlook

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

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

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

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

As at 30 June 2007, 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

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 2007, 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 2007, 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⁾ KL-Kepong International Ltd	Beneficial owner	32,085,976	30.52
	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 2007, Kuala Lumpur Kepong Berhad is 46.57% directly owned by Batu Kawan Berhad, which is, in turn, 44.0% 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 2007, 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 2007, with the exception that the non-executive directors of the Company have no set terms of office but retire from office on a rotational basis in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

The Audit Committee of the Company, which is chaired by an Independent Non-Executive Director, currently has a membership comprising 2 independent non-executive directors and 1 non-executive director. The Audit Committee meets at least twice a year with management and annually with the external auditors of the Company to review matters relating to audit, accounting and financial statements as well as the accounting policies, internal controls and financial reporting of the Company, its subsidiaries and the Joint Venture.

The interim financial statements for the period ended 30 June 2007 which were not required to be audited and have been reviewed by the Audit Committee of the Company which is of the opinion that such financial statements complied with the applicable accounting standards, and that adequate disclosures have been made, and has recommended their adoption by the Board.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted the Model Code as set out in the Appendix 10 of the Listing Rules as the code for securities transactions by Directors ("the Code").

Following specific enquiry made with the Directors, the Company confirmed that all directors had complied with the standard set out in the Code regarding securities transactions during the period under review.

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 Thirteen Annual General Meeting of the Company held on 25 May 2007:
- Mr Sandy Chim Chun Kwan who retired by rotation in accordance with the Company's Bye-laws was re-elected to the Board.
 - Mr Ang Guan Seng who retired by rotation in accordance with the Company's Bye-laws was re-elected to the Board.
 - Mr Lim Loi Heng who retired by rotation in accordance with the Company's Bye-laws was re-elected to the Board.
 - Mr Lim Boon Seh who was appointed as a Non-Executive Director on 29 May 2006 and 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, 21 September 2007