



PEARL RIVER TYRE (HOLDINGS) LIMITED

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

(Stock Code: 01187)

INTERIM REPORT 2008

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 2008 (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 2007 Annual Report.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Six-Month Period Ended	
		30.6.2008	30.6.2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	270,712	321,595
Cost of sales		<u>(258,294)</u>	<u>(294,345)</u>
Gross profit		12,418	27,250
Other income	4	193	8,425
Selling and distribution expenses		(5,015)	(5,381)
Administrative expenses		(15,486)	(11,738)
Other operating expenses	4(i)	<u>(11,314)</u>	<u>(4,900)</u>
(Loss)/Profit from continuing operations		(19,204)	13,656
Finance costs	5	<u>(4,736)</u>	<u>(3,723)</u>
(Loss)/Profit before taxation		(23,940)	9,933
Income tax expense	6	<u>–</u>	<u>–</u>
Net (loss)/profit		<u>(23,940)</u>	<u>9,933</u>
Basic (loss)/earnings per share (Hong Kong cents)	7	<u>(22.8)</u>	<u>9.4</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As At	
		30.6.2008	31.12.2007
	Note	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-Current Assets			
Property, plant and equipment		191,875	191,323
Operating lease prepayments		13,811	13,039
Investment in an associate		4,475	4,475
Investment in listed securities	8	78,429	114,721
Intangible asset		240	451
		<u>288,830</u>	<u>324,009</u>
Total Non-Current Assets			
Current Assets			
Investment in listed securities	8	16,848	22,497
Inventories		127,429	109,928
Trade receivables	10	27,543	40,020
Other receivables		14,357	16,403
Cash and cash equivalents		199,105	148,657
		<u>385,282</u>	<u>337,505</u>
Total Current Assets			
Current Liabilities			
Trade payables	11	79,126	86,727
Other payables and accruals		19,670	19,633
Amount due to a director		5,385	5,385
Provisions		6,994	6,573
Borrowings		230,476	165,317
		<u>341,651</u>	<u>283,635</u>
Total Current Liabilities			
Net Current Assets			
		<u>43,631</u>	<u>53,870</u>
Net Assets			
		<u>332,461</u>	<u>377,879</u>
EQUITY			
Share capital	12	110,716	110,716
Share premium		113,157	113,157
Revaluation reserve	13	58,787	95,079
Capital reserve		37,344	37,344
Foreign currency translation reserve		52,019	37,205
Accumulated losses		(39,562)	(15,622)
		<u>332,461</u>	<u>377,879</u>
Total Equity			

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six-Month Period Ended	
	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating Activities		
(Loss)/Profit before taxation	(23,940)	9,933
Adjustments for:		
Allowance for diminution in value of listed securities	5,841	–
Allowance for doubtful debts	–	184
Amortisation of intangible asset	233	214
Amortisation of operating lease prepayments	78	389
Depreciation of property, plant and equipment	12,222	10,318
Loss on foreign exchange – Unrealised	–	1,151
Plant and machinery written off	62	–
Interest expense	3,615	2,868
Interest income	(504)	–
Dividend income	(1,806)	(1,138)
Gain on disposal of listed securities	–	(170)
Gain on foreign exchange – Unrealised	(193)	–
Writeback of allowance for diminution in value of listed securities	–	(8,248)
Writeback of allowance for doubtful debts	–	(7)
	(4,392)	15,494
(Increase)/Decrease in inventories	(10,325)	8,482
Decrease/(Increase) in trade and other receivables	18,895	(3,578)
(Decrease)/Increase in trade and other payables	(15,398)	9,938
Cash (used for)/generated from operations	(11,220)	30,336
Tax paid	(1,620)	–
Interest received	504	–
Interest paid	(3,615)	(2,868)
Net cash (used in)/generated from operating activities	(15,951)	27,468
Investing Activities		
Purchase of property, plant and equipment	(731)	(22,462)
Proceeds from disposal of listed securities	–	717
Dividend received	1,806	1,138
Net cash generated from/(used in) investing activities	1,075	(20,607)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

	Six-Month Period Ended	
	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financing Activities		
Net drawdown/(repayment) of borrowings	54,367	(15,242)
Net repayment from related parties	2,073	1,051
Advances from a director	–	776
	<u>56,440</u>	<u>(13,415)</u>
Net cash generated from/(used in) financing activities	56,440	(13,415)
Net increase/(decrease) in cash and cash equivalents	41,564	(6,554)
Cash and cash equivalents at beginning of the current/corresponding period	148,657	51,447
Effect of foreign exchange rate changes, net	8,884	6,545
	<u>199,105</u>	<u>51,438</u>
Cash and cash equivalents at end of the current/corresponding period	199,105	51,438

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 2008	110,716	113,157	95,079	37,344	37,205	(15,622)	377,879
Adjustments arising from the translation of the financial statements of the Joint Venture	-	-	-	-	14,814	-	14,814
Loss on fair value change of available-for sale investment	-	-	(36,292)	-	-	-	(36,292)
Total income and expense recognised directly in equity	-	-	(36,292)	-	14,814	-	(21,478)
Net loss for the current period	-	-	-	-	-	(23,940)	(23,940)
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>
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
Loss on fair value change of available-for-sale investment	-	-	(10,094)	-	-	-	(10,094)
Total income and expense recognised directly in equity	-	-	(10,094)	-	8,098	-	(1,996)
Net profit for the corresponding 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>

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 18 September 2008.

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 2007.

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 2007 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. SEGMENTAL INFORMATION

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

	The PRC <i>(Note 1)</i> <i>HK\$'000</i>	Singapore <i>(Note 2)</i> <i>HK\$'000</i>	Malaysia <i>(Note 3)</i> <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Six-month period ended 30 June 2008					
Revenue from external customers	<u>268,906</u>	<u>–</u>	<u>1,806</u>	<u>–</u>	<u>270,712</u>
Results:					
Segment results (external)	<u>(13,269)</u>	<u>–</u>	<u>(6,128)</u>	<u>–</u>	(19,397)
Other income					193
Finance costs					<u>(4,736)</u>
Loss before taxation					(23,940)
Income tax expense					<u>–</u>
Loss after taxation/ Net loss attributable to shareholders					<u>(23,940)</u>

2. SEGMENTAL INFORMATION (CONT'D)

	The PRC <i>(Note 1)</i> <i>HK\$ '000</i>	Singapore <i>(Note 2)</i> <i>HK\$ '000</i>	Malaysia <i>(Note 3)</i> <i>HK\$ '000</i>	Elimination <i>HK\$ '000</i>	Group <i>HK\$ '000</i>
Six-month period ended 30 June 2007					
Revenue from external customers	<u>320,457</u>	<u>12</u>	<u>1,126</u>	<u>–</u>	<u>321,595</u>
Results:					
Segment results (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>

Notes:

1. “The PRC” refers to the Joint Venture in the PRC relating to the manufacturing and marketing 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. TURNOVER

	Six-Month Period Ended	
	30.6.2008 <i>HK\$ '000</i>	30.6.2007 <i>HK\$ '000</i>
Sale of goods	268,203	320,408
Dividends received from securities listed on prescribed stock exchanges, outside Hong Kong	1,806	1,138
Other operating income	<u>703</u>	<u>49</u>
	<u>270,712</u>	<u>321,595</u>

4. OTHER INCOME

	Six-Month Period Ended	
	30.6.2008	30.6.2007
	HK\$'000	HK\$'000
Gain on foreign exchange – Unrealised	193	–
Gain on disposal of securities listed on prescribed stock exchanges, outside Hong Kong	–	170
Writeback of allowance for doubtful debts	–	7
Writeback of allowance for diminution in value of listed securities	–	8,248
	<u>193</u>	<u>8,425</u>

4(i). OTHER OPERATING EXPENSES

	Six-Month Period Ended	
	30.6.2008	30.6.2007
	HK\$'000	HK\$'000
Allowance for diminution in value of listed securities	5,841	–
Amortisation of discount on acquisition	145	145
Amortisation of intangible asset	233	214
Depreciation charges	2,105	2,332
Loss on foreign exchange	2,138	322
Product warranty	852	1,887
	<u>11,314</u>	<u>4,900</u>

5. FINANCE COSTS

Included in the finance costs of the Group is the interest on bank loans amounting to HK\$3,615,000 (30.6.2007 – HK\$2,868,000).

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 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.

7. BASIC (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the net loss of HK\$23,940,000 (30.6.2007 – net profit of HK\$9,933,000) for the current period and on the number of shares in issue during the current period of 105,116,280 (30.6.2007 – 105,116,280).

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

8. INVESTMENT IN LISTED SECURITIES

	As At	
	30.6.2008	31.12.2007
	HK\$'000	HK\$'000
Non-Current		
Securities listed outside Hong Kong:		
– available-for-sale, at fair value (<i>Note 1</i>)	78,429	114,721
Current		
Securities listed outside Hong Kong:		
– held for trading, at fair value	16,848	22,497

Note:

- Relates to investment in D & O Ventures Berhad (“D & O”), a company incorporated in Malaysia. As at 30 June 2008, the Group held 16.6% (31 December 2007 – 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 balance sheet date.

9. INVESTMENT IN THE JOINT VENTURE

Name	Place/Date of Incorporation	Authorised/ Fully Paid-Up Registered Capital	Indirect Attributable		Principal Activities
			30.6.2008	31.12.2007	
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 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”) (previously known as Guangzhou Guang Xiang Tyre Enterprise Group Company Limited (“GGXTEG”)), a state-owned enterprise, established in Guangzhou, the PRC.

	As At	
	30.6.2008	31.12.2007
	HK\$'000	HK\$'000
The Group’s share of the Joint Venture’s assets and liabilities are as follows:		
Non-current assets	206,098	205,112
Current assets	357,220	304,513
Current liabilities	(330,832)	(273,805)
Net assets	232,486	235,820

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

	Six-Month Period Ended	
	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's share of the Joint Venture's revenues and expenses are as follows:		
Revenues and other income	268,906	320,465
Costs and expenses	<u>(282,175)</u>	<u>(313,807)</u>
(Loss)/Profit from continuing operations	(13,269)	6,658
Finance costs	<u>(4,736)</u>	<u>(4,106)</u>
(Loss)/Profit before taxation	(18,005)	2,552
Income tax expense	<u>—</u>	<u>—</u>
Net (loss)/profit from continuing operations	<u><u>(18,005)</u></u>	<u><u>2,552</u></u>

10. TRADE RECEIVABLES

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

	As At	
	30.6.2008	31.12.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding less than one year	24,038	38,880
Outstanding more than one year but less than two years	4,244	1,916
Outstanding more than two years	<u>28,548</u>	<u>26,716</u>
	56,830	67,512
<i>Less:</i> Allowance for doubtful debts	<u>(29,287)</u>	<u>(27,492)</u>
	<u><u>27,543</u></u>	<u><u>40,020</u></u>

11. TRADE PAYABLES

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

	As At	
	30.6.2008	31.12.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding less than one year	72,113	79,545
Outstanding more than one year but less than two years	—	666
Outstanding more than two years	<u>7,013</u>	<u>6,516</u>
	79,126	86,727
	<u><u>79,126</u></u>	<u><u>86,727</u></u>

12. 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.

13. REVALUATION RESERVE

	As At	
	30.6.2008	31.12.2007
	HK\$'000	HK\$'000
Net gain on fair value change of available-for-sale investment		
At 1 January	88,661	85,270
Loss on fair value change of available-for-sale investment	(37,152)	(2,858)
Effect of foreign exchange rate changes	860	6,249
	<u>52,369</u>	<u>88,661</u>
At 30 June/31 December	52,369	88,661
Revaluation of buildings of the Joint Venture arising from land and buildings swap	6,418	6,418
	<u>58,787</u>	<u>95,079</u>

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 have not recommended and declared any dividend for the current period. No dividend was recommended and declared for the previous financial year.

15. 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-Month Period Ended	
	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	240	944
– charging of utilities (water, electricity, steam and compressed air consumed)	4,712	2,915
– the right to use the factory lift and the factory space	49	45
Interest income for advances outstanding	–	55
	<u>5,001</u>	<u>3,959</u>

Transactions between the Joint Venture and GGXEG *

Payments relating to:		
– lease rental for a piece of land and buildings erected thereon	1,936	1,778
– lease rental for the exclusive right to use certain machinery	1,105	1,013
– lease rental for a hostel	20	16
– royalties for the right to use the trademark “Pearl River” and any technology and know-how necessary for the production of bias tyres	195	258
– 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
	<u>3,256</u>	<u>3,124</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 assets and liabilities were taken over by GGXTEG 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.

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 BALANCE SHEET DATE

No significant event has arisen during and subsequent to the balance sheet date 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.

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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 loss for the six-month period ended 30 June 2008 (the "current period") was recorded at HK\$23,940,000 against the unaudited net profit of HK\$9,933,000 recorded in the corresponding period last year. Loss in earnings per share was 22.8 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 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.

Analysis on the Operating Results and Financial Position of the Group

Operating Results

	Six-Month Period Ended		Change %
	30.6.2008 HK\$'000	30.6.2007 HK\$'000	
Turnover	270,712	321,595	(15.8)
Costs and expenses	(294,845)	(320,087)	(7.9)
Other income	193	8,425	(97.7)
Net (loss)/profit	<u>(23,940)</u>	<u>9,933</u>	<u>(341.0)</u>

The net loss of the Group was HK\$23,940,000, mainly due to the share of the Joint Venture's operating loss of HK\$18,005,000 and the allowance for diminution in the value of listed securities of HK\$5,841,000 as a result of the decrease in the market value of shares invested in Malaysia.

Financial Analysis

	As at	
	30.6.2008	31.12.2007
Total assets (HK\$'000)	674,112	661,514
Shareholders' equity (HK\$'000)	332,461	377,879
Return on shareholders' equity (%)	(7.20)	2.72*
Current ratio	<u>1.13</u>	<u>1.19</u>

* Calculated by dividing net profit for the corresponding period last year over shareholders' equity as at 30 June 2007.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

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

2008 has been thus far been an eventful year for China. Softening external demand and global financial woes aside, there were even more pressing events domestically. The year started with a devastating winter storm, a major earthquake in Szechuan, serious flooding in the Southern and Central Regions, political unrest in the Northwest Region, and importantly, the elaborate preparation for the 2008 Beijing Olympics.

Naturally, most industries were affected and the market was disrupted in the process. Specifically, the close monitoring and tight control of mining and quarrying activities by the government have resulted in a significant slowdown in demand for the Group's tyre products.

In addition, raw material costs, such as natural rubber and nylon threads, continued to spike, leaving many industry players struggling to survive. The above events left a strong impact on the business of the Joint Venture. For the first half of 2008, we experienced a 15.8% drop in sales revenue and incurred a loss of HK\$23.9 million.

Outlook

We expect the business environment to improve in the second half of 2008, largely due to expectations that the market would return to normal condition and that the Central Government would be introducing more pro-business policies.

Key raw materials, such as natural rubber and oil related products, have also come off their highs in recent weeks, and have shown signs of price stability. This would allow for better business planning and operational efficiencies.

Production of LTR (Light Truck Radial) tyres has come on stream and management is making plans for a new product range line-up in the coming year. We have not yet started commercial production of the OTR (Off-The-Road) tyres due to some remaining technical issues that have yet to be resolved. In the meantime, negotiations are underway with a large reputable OTR company to render us with technical assistance and upon completion to provide them with certain volume of production off take.

The series of corrective actions undertaken by management has enabled the Group to emerge from this tumultuous period leaner and stronger. Whilst many of our competitors have succumbed to demand and cost pressures and have ceased operations, we managed to stay afloat during the most difficult period through price increases, a 20% reduction in headcount and better production scheduling. We expect the Group to return to profitability once the market restores to normality.

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

As at 30 June 2008, 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
(resigned w.e.f. 30 June 2008)	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
(resigned w.e.f. 30 June 2008)			

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 2008, 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 2008, 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:

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. Goh Nan Kioh is the Chairman of the Company.

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 2008, Kuala Lumpur Kepong Berhad is 46.57% directly owned by Batu Kawan Berhad, which is, in turn, 44.15% 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.

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 2008, 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 2008, 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.

As at 30 June 2008, both Mr Lim Chong Puang and Dr Lim Thian Soo resigned as Directors of the Company and ipso facto resigned as members of Audit Committee and replaced with the appointment of Mr Khoo Teng Keat and Mr Yeow See Yuen.

The interim financial statements for the period ended 30 June 2008 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 (re-designated as Chairman w.e.f.30 June 2008)</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) (resigned w.e.f. 30 June 2008)</i>
Yeoh Eng Khoon	<i>Non-Executive Director</i>
Lim Boon Seh	<i>Non-Executive Director (resigned w.e.f. 30 June 2008)</i>
Lim Loi Heng	<i>Independent Non-Executive Director</i>
Lim Chong Puang	<i>Independent Non-Executive Director (resigned w.e.f. 30 June 2008)</i>
Helen Zee	<i>Independent Non-Executive Director</i>
Ang Guan Seng	<i>Chairman and Non-Executive Director (resigned w.e.f. 30 June 2008)</i>
Khoo Teng Keat	<i>Independent Non-Executive Director (appointed w.e.f. 30 June 2008)</i>
Yeow See Yuen	<i>Independent Non-Executive Director (appointed w.e.f. 30 June 2008)</i>

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

- (i) At the Fourteenth Annual General Meeting of the Company held on 30 May 2008:
- Mr Goh Nan Kioh who retired by rotation in accordance with the Company’s Bye-laws was re-elected to the Board.
 - Ms Helen Zee who retired by rotation in accordance with the Company’s Bye-laws was re-elected to the Board.
 - Mr Lim Chong Puang who retired by rotation in accordance with the Company’s Bye-laws was re-elected to the Board.

DIRECTORS (CONT'D)

(ii) As at 30 June 2008, there were changes in the compositions of board and committees:

- Ang Guan Seng resigned as a Non-Executive Director and Chairman of the Company effective 30 June 2008 due to health reasons.
- Goh Nan Kioh has been re-designated from Deputy Chairman to the Chairman of the Board of the Company to fill the casual vacancy arising from the resignation of Mr Ang Guan Seng effective 30 June 2008.
- Dr Lim Thian Soo resigned as a Non-Executive Director and member of audit committee of the Company effective 30 June 2008 due to his other business commitments.
- Lim Chong Puang resigned as an Independent Non-Executive Director and members of audit committee and remuneration committee of the Company effective 30 June 2008 due to his other business commitments.
- Lim Boon Seh resigned as a Non-Executive Director of the Company effective 30 June 2008 due to his other business commitments.
- Khoo Teng Keat has been appointed as Independent Non-Executive Director and member of audit committee of the Company effective 30 June 2008.
- Yeow See Yuen has been appointed as Independent Non-Executive Director and member of audit committee and remuneration committee of the Company effective 30 June 2008.

By order of the Board

Goh Nan Yang

Director and CEO

Kuala Lumpur, 18 September 2008