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PEARL RIVER TYRE (HOLDINGS) LIMITED

(Continued in Bermuda with limited liability)

(Stock Code: 01187)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Board wishes to inform the Shareholders and potential investors that, based on the unaudited management accounts of the Group and the information currently available, the Group is expected to record a consolidated loss attributable to Shareholders for the six months ended 30 June 2014 as compared with the consolidated profit of HK\$21.6 million in the corresponding period of 2013.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Pearl River Tyre (Holdings) Limited (“**Company**” and together with its subsidiaries, “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (“**Directors**”) of the Company wishes to inform the shareholders of the Company (“**Shareholders**”) and potential investors that, based on the unaudited management accounts of the Group and the information currently available, the Group is expected to record a consolidated loss attributable to Shareholders for the six months ended 30 June 2014 as compared with the consolidated profit of HK\$21.6 million in the corresponding period of 2013. The Board believes that the expected loss in the Group’s interim results for the six months ended 30 June 2014 was primarily attributable to the following reasons:

De-consolidating Carham Assets Limited (“Carham”) and its 70% equity owned subsidiary – Guangzhou Pearl River Rubber Tyre Limited (collectively “Carham sub-group”)

Reference is made to (i) the circular of the Company dated 10 January 2013 relating to, inter alia, the loan agreement dated 7 December 2012 entered into between Rodez Investments Limited (“**Rodez**”), a wholly-owned subsidiary of the Company, and Pacific Union Pte Ltd (the “**Loan Agreement A**”) and the loan agreement dated 7 December 2012 entered into between Rodez and KL-Kepong International Ltd (the “**Loan Agreement B**”); and (ii) the announcement of the Company dated 11 July 2014, in relation to the enforcement of 100 shares in Carham as security under the Loan Agreement A and Loan Agreement B.

The Directors are of the opinion that the Group no longer has the power to exercise its control over Carham as a result of transferring all its 100 shares or 100% shareholding upon enforcement of the aforesaid security by Pacific Union Pte Ltd and KL-Kepong International Ltd in April 2014. According to the Group’s accounting policy, when the Company loses control of a subsidiary, it will account for as a disposal of the entire interest in that subsidiary. Since the Group could not obtain the financial information of Carham sub-group for the period from 1 January 2014 to the date of loss of control, the Directors considered using the financial information of Carham sub-group as at 31 December 2013 for the calculation of the financial impact of the deconsolidation. The financial impact of deconsolidating the Carham sub-group and derecognition of the loans and accrued interests is estimated to be a net gain of approximately HK\$1 million and would be recorded in the profit or loss for the six months ended 30 June 2014.

Due to the above, the Group did not consolidate any financial results of Carham sub-group for the six months ended 30 June 2014 as compared with approximately profit of HK\$2.5 million contributed to the Group in the comparative period in 2013.

Increase in administrative expenses of continuing operation

The Group also recorded an increase of approximately HK\$10 million in administrative expenses of continuing operation (which excludes the manufacture and sales of tyre carried out by Carham sub-group) for the six months ended 30 June 2014 as compared with the corresponding period in 2013 primarily due to increase in staff cost and other general administrative costs.

Gain on Disposal of PRT Capital Pte. Ltd in the comparative period

Reference is also made to the announcements of the Company dated 7 December 2012 and 16 April 2013 and the circular of the Company dated 10 January 2013, in relation to, inter alia, the disposal of PRT Capital Pte. Ltd (the “**Disposal**”). The expected loss in the Group’s interim results for the six months ended 30 June 2014 was also due to the absence of a one-off gain on the Disposal, which was completed on 16 April 2013, of approximately HK\$20 million recorded in the comparative period in 2013.

The Company is still in the process of finalising the results for the six months ended 30 June 2014 which are subject to the approvals of both the Audit Committee of the Company and the Board. The information contained herein is a preliminary estimate given by the management of the Group based on information currently available to the Group. The results announcement of the Company for the six months ended 30 June 2014 is expected to be released by the end of August 2014. Shareholders and potential investors are advised to read the results announcement to be published carefully.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Pearl River Tyre (Holdings) Limited
Yang Liu
Chief Executive Officer

Hong Kong, 28 July 2014

As at the date of this announcement, the Board comprises executive Directors, namely, Mr. Yang Liu, Mr. Lo Ka Wai and Mr. Wang Shu Jie, non-executive Director, namely, Mr. Xu Lei, and independent non-executive Directors, namely, Mr. Lai Ho Man, Dickson, Mr. Wang Xiao Chuan, Mr. Wong Lit Chor, Alexis, and Mr. Liu Hongjun.