

GITI TIRE CORPORATION

Financial Results for the Financial Year Ended 31 December 2012 (“FY2012”)

In 2012, the performance of the global automotive industry varied in different markets. US and China markets continue to grow while slowdown in the European markets continue. With the gradual recovery of the US economy, the auto industry in the US had recorded sales growth in 2012. Although it was noted that there were slowdown in the China auto market, China’s overall car sales growth and sales has overtaken the European market. In Europe, the sustained euro debt crisis has resulted in record low car sales in the region as well as affecting the global car sales recovery.

In China, tire sales growth and export sales growth have both decreased along with the economic slowdown in recent years, mainly due to the uncertainty of global economy and credit control applied by the Chinese government, affecting the property market and infrastructure projects. As reported by the China Tire Association, the total sales of 43 key tire manufacturers remained stable in 2012. Giti Tire Corporation¹ (the “Company”), being an export oriented company, majority of its sales contributions are derived from its export sales. Amidst the slowdown in the European economy and in the face of economic uncertainty, the Company continues to face these challenges by improving its product mix, developing new customers, product and sales channels in order to improve its competitive advantage.

The Company achieved total revenue of RMB4.283 billion in FY2012, a decrease of 11.1% year on year, while the operating profit was RMB477 million, and profit attributable to the shareholders of the Company was RMB183 million, a year on year increase of 147.2% and 138.7%, respectively. The Company’s gross profit was RMB790 million, an increase of approximately 51.4% compared to FY2011, mainly due to improved product mix, improved efficiency and relatively stabilised cost of raw materials compared to previous years, resulting in a gross profit margin of 18.5% in 2012, an increase of approximately 7.6% from the previous year. Total domestic and export sales were RMB1.097 billion and RMB3.157 billion respectively. Production and sales volume remained stable with total production and sales volume at around 15.38 million pieces in 2012. Production volume was 5.3% lower than 2011 and sales volume was 4.8% lower than 2011.

Selling expenses decreased by 6.5% mainly due to decrease in logistics costs and export-related costs while general and administrative expenses increased by 13.1% mainly due to increase in staff costs. Finance costs decreased by 16.8% year on year mainly due to foreign exchange gain, off-set by effects of higher interest rates. Profit before tax was RMB482 million, an increase of 143.7% year on year, with the resultant profit attributable to shareholders of the Company of RMB183 million, an increase of 138.7% from the previous year.

The Company's Outlook and Prospects

Overall it is expected that tire industry would continue to grow in the long-term, on the expectation that Chinese auto industry will be able to sustain steady growth amidst the gradual recovery in global economy. According to PricewaterhouseCooper’s 2012 auto-industry research “Autofacts”, projected global car production would reach 106 million units in 2018, with China attributing to around 26% of these units. It was also predicted that 83% of the growth in the auto industry would come from developing countries, especially the Asia Pacific region.

In the long-term, key challenges which tire manufacturers will continue to face are raw material price fluctuations, escalating labour costs, expectation on product quality improvement etc. The Company will continue to strengthen its business and operations through strengthening product R&D and technical capabilities, improving its market share, continuously improving customer service quality, product quality, product mix, supply chain and production efficiency in order to increase its competitive advantage.

¹ ***Giti Tire Corporation is a subsidiary company of Giti Tire Pte. Ltd.. Giti Tire Corporation holds 51% of Giti Tire Fujian, which represents one of seven tire manufacturing plants owned by Giti Tire Pte. Ltd. Group.***