PEARL RIVER TYRE (HOLDINGS) LIMITED

(Continued in Bermuda with limited liability)

(Stock Code: 01187)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

The board (the "Board") of directors (the "Directors") of Pearl River Tyre (Holdings) Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months period ended 30 June 2013 (the "Current Period") together with the comparative figures for the corresponding period last year (the "Corresponding Period").

This announcement does not include all the notes normally included in an annual report. Accordingly, this announcement should be read in conjunction with the 2012 Annual Report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six Months Period Ended	
		30.6.2013	30.6.2012
	Note	***HK$'000***	*HK$'000*
			(Restated)
CONTINUING OPERATIONS			
Turnover	*4*	**332,522**	321,607
Cost of sales		**(280,369)**	(280,764)
Gross profit		**52,153**	40,843
Other revenue and net income	*5*	**6,504**	330
Selling and distribution expenses		**(9,709)**	(8,448)
Administrative expenses		**(35,115)**	(23,478)
Other operating expenses	*6*	**(5,409)**	(2,509)
Finance costs	*7*	**(4,519)**	(1,926)
Profit before taxation		**3,905**	4,812
Income tax expense	*8*	**–**	–
Profit for the period from continuing operations		**3,905**	4,812
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	*9*	**20,392**	532
Profit for the period		**24,297**	5,344

	Note	Six Months Period Ended 30.6.2013 HK$'000	30.6.2012 HK$'000 (Restated)
Attributable to:			
Owners of the Company		**21,605**	5,344
Non-controlling interests		**2,692**	–
Profit for the period		**24,297**	5,344
Earnings per share (Hong Kong cents)			
From continuing and discontinued operations			
— Basic	*10*	**18.68**	5.08
— Diluted	*10*	**15.83**	5.03
From continuing operations			
— Basic	*10*	**1.05**	4.58
— Diluted	*10*	**1.05**	4.53

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six Months Period Ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Profit for the period	**24,297**	5,344
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating of:		
— Joint Venture's financial statements	**3,905**	(1,339)
— Available-for-sale investments	**293**	(47)
Available-for-sale investments: net gain/(loss) arising on revaluation of available-for-sale investments during the period	**4,115**	(9,869)
Total other comprehensive income/(loss) for the period	**32,610**	(5,911)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As At 30.6.2013 HK$'000 (Unaudited)	As At 31.12.2012 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-Current Assets			
Property, plant and equipment		**455,303**	104,010
Prepaid lease payments		**14,437**	10,411
Goodwill		**378**	–
Total Non-Current Assets		**470,118**	114,421
Current Assets			
Inventories		**155,889**	126,732
Trade and other receivables		**69,090**	57,105
Pledged bank deposits		**19,421**	2,225
Cash and cash equivalents		**9,451**	20,817
		253,851	206,879
Assets classified as held for sale		**–**	85,058
Total Current Assets		**253,851**	291,937
Current Liabilities			
Trade and other payables		**154,023**	117,070
Provisions		**2,908**	2,119
Interest-bearing borrowing	*12*	**40,461**	44,412
Total Current Liabilities		**197,392**	163,601
Net Current Assets		**56,459**	128,336
Total assets less current liabilities		**526,577**	242,757
Non-Current Liabilities			
Interest-bearing borrowings	*12*	**150,000**	–
Convertible bonds	*13*	**49,847**	–
		199,847	–
Net Assets		**326,730**	242,757

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At	
	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
EQUITY		
Share capital	**1,156**	1,156
Reserves	**254,541**	241,601
Total equity attributable to owners of the Company	**255,697**	242,757
Non-controlling interests	**71,033**	–
Total Equity	**326,730**	242,757

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 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 (the "HKICPA") and the relevant provisions thereof. It was authorised for issuance by the Board on 30 August 2013.

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 2012, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2013. Details of these changes in accounting policies are set out in Note 2.

This announcement 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 2012 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 unaudited condensed consolidated financial statements have been reviewed by the Audit Committee of the Company.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRS and amendments to HKFRSs that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvement to HKFRSs 2009–2011 Cycle*
- Amendments to HKFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption HKFRS 10 does not have a material effect on the Group's financial performance and positions for the current and prior financial periods.

HKFRS 11, Joint arrangement

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

The adoption of HKFRS 11 does not have a material effect on the Group's financial performance and positions for the current and prior financial periods.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the group has not made additional disclosures in this condensed consolidated interim financial statements as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The group has provided those disclosures in Note 16. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the group's assets and liabilities.

Annual Improvements to HKFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the group has continued to disclose segment assets and liabilities in Note 3.

Amendments to HKFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the group's condensed consolidated interim financial statements because the group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Directors for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

On division, the Group has presented the following three reportable segments. These segments are managed separately. The manufacturing segments and the investment holding segment offers very different products and services:

1. Manufacturing — tyres
2. Manufacturing — semiconductors
3. Investment holding

The manufacturing — tyres segment derives its revenue primarily from the manufacture and sale of various types of tyres for commercial vehicles.

The manufacturing — semiconductors segment is still in the construction phase and has not yet started commercial operations.

The investment holding segment of continuing operations derives its revenue primarily from dividends income from investment.

The investment holding segment of discontinued operation derives its revenue primarily from dividends income from listed securities. The subsidiary has been disposed of on 16 April 2013.

No reportable operating segment has been aggregated.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Directors monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e., "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors' emoluments and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, the Directors are provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Directors for the purpose of resource allocation and assessment of segment performance for the six-month periods ended 30 June 2013 and 2012 is set out below:

	Six Months Period Ended 30 June 2013						
	Continuing operations				Discontinued operation		
	Manufacturing tyres	Manufacturing semiconductors	Investment holding	Sub-total	Investment holding	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**332,522**	**–**	**–**	**332,522**	**–**	**–**	**332,522**
Reportable segment profit/(loss) (adjusted EBITDA)	**15,487**	**6,456**	**(2,902)**	**19,041**	**(184)**	**–**	**18,857**
Interest income	27	–	–	27	–	–	27
Finance costs	(1,752)	–	(2,767)	(4,519)	–	–	(4,519)
Depreciation and amortisation	(10,644)	–	–	(10,644)	–	–	(10,644)
Material non-cash items:							
Gain on disposal of a subsidiary	–	–	–	–	20,576	–	20,576
Income tax expense	–	–	–	–	*	–	*
	As At 30 June 2013						
Reportable segment assets	**421,853**	**301,385**	**731**	**723,969**	**–**	**–**	**723,969**
Additions to non-current segment assets during the period	15,871	299,977	–	315,848	–	–	315,848
Reportable segment liabilities	**190,455**	**1,956**	**204,828**	**397,239**	**–**	**–**	**397,239**

* *Less than HK$1,000*

	Six Months Period Ended 30 June 2012						
	Continuing operations				Discontinued operation		
	Manufacturing tyres	Manufacturing semiconductors	Investment holding	Sub-total	Investment holding	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	321,607	–	–	321,607	–	–	321,607
Reportable segment profit/(loss) (adjusted EBITDA)	15,893	–	(1,498)	14,395	712	–	15,107
Interest income	38	–	–	38	4	–	42
Finance costs	(1,926)	–	–	(1,926)	–	–	(1,926)
Depreciation and amortisation	(7,694)	–	(1)	(7,695)	(15)	–	(7,710)
Income tax expense	–	–	–	–	(169)	–	(169)
	As At 31 December 2012						
Reportable segment assets	318,669	–	2,631	321,300	80,583	–	401,883
Interests in an associate	–	–	–	–	4,475	–	4,475
Additions to non-current segment assets during the year	5,286	–	–	5,286	–	–	5,286
Reportable segment liabilities	161,612	–	1,989	163,601	–	–	163,601

(b) Reconciliations of reportable segment profit and assets

	Six Months Period Ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Profit		
Reportable segment profit (continuing operations)	**19,041**	14,395
Finance costs	**(4,519)**	(1,926)
Depreciation and amortisation	**(10,644)**	(7,695)
Interest income	**27**	38
Consolidated profit before tax expense (continuing operations)	**3,905**	4,812

	As At	
	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
Assets		
Reportable segment assets (continuing operations)	**723,969**	321,300
Reportable segment assets (discontinued operation)	**–**	80,583
Interest in an associate (discontinued operation)	**–**	4,475
Consolidated assets	**723,969**	406,358

(c) Revenue from major product and services

The following is an analysis of the Group's revenue from its major products and services:

	Six Months Period Ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Manufacturing and sales of tyres	**332,522**	321,607

(d) Geographic information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment and prepaid lease payments. The geographical location of property, plant and equipment and prepaid lease payments are based on the physical location of the asset under consideration. In the case of intangible assets, it is based on the location of operation to which these intangibles are allocated. In the case of interests in an associate, it is the location of operations of the associate.

	Revenue from external customers		Specified Non-current assets	
	Six Months Period Ended		As At	
	30.6.2013	30.6.2012	**30.6.2013**	31.12.2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China (place of domicile)	**148,617**	144,511	**470,118**	114,421
The People's Republic of Bangladesh	**26,937**	35,802	**–**	–
Republic of Yemen	**38,712**	35,025	**–**	–
Singapore	**22,057**	27,940	**–**	–
Malaysia	**14,892**	23,677	**–**	–
Kingdom of Cambodia	**13,176**	11,144	**–**	–
Republic of Indonesia	**14,105**	6,716	**–**	–
Hong Kong	**9,672**	5,600	**–**	–
Republic of the Union of Myanmar	**5,408**	4,067	**–**	–
Taiwan	**3,906**	3,735	**–**	–
Republic of India	**3,686**	3,717	**–**	–
United States of America	**6,456**	2,623	**–**	–
Republic of Philippines	**16,504**	2,314	**–**	–
Others	**8,394**	14,736	**–**	–
	332,522	321,607	**470,118**	114,421

4. TURNOVER

	Six Months Period Ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Sale of goods	**332,522**	321,607

5. OTHER REVENUE AND NET INCOME

	Continuing operations		Discontinued operation		Consolidated	
	Six Months Period Ended		Six Months Period Ended		Six Months Period Ended	
	30.6.2013	30.6.2012	**30.6.2013**	30.6.2012	**30.6.2013**	30.6.2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)
Other revenue						
Interest income on bank deposits	**27**	39	**–**	3	**27**	42
Total interest income on financial assets not at fair value through profit or loss	**27**	39	**–**	3	**27**	42
Dividends income from listed securities — held for trading	**–**	–	*****	879	*****	879
Others	**–**	11	**–**	–	**–**	11
	27	50	*****	882	**27**	932
Other net income						
Gain on disposal of equipment	**–**	97	**–**	–	**–**	97
Gain on foreign exchange						
— realised	**–**	183	**–**	–	**–**	183
— unrealised	**6,477**	–	**124**	–	**6,601**	–
	6,477	280	**124**	–	**6,601**	280
	6,504	330	**124**	882	**6,628**	1,212

* *Less than HK$1,000*

6. OTHER OPERATING EXPENSES

	Continuing operations		Discontinued operation		Consolidated	
	Six Months Period Ended		Six Months Period Ended		Six Months Period Ended	
	30.6.2013	30.6.2012	**30.6.2013**	30.6.2012	**30.6.2013**	30.6.2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)
Depreciation of property, plant and equipment	**3,639**	2,501	**–**	15	**3,639**	2,516
Equipment written off	**–**	8	**–**	–	**–**	8
Loss on fair value changes of listed securities						
— held for trading	**–**	–	**303**	138	**303**	138
Loss on foreign exchange						
— realised	**1,770**	–	**–**	–	**1,770**	–
— unrealised	**–**	–	**–**	17	**–**	17
	5,409	2,509	**303**	170	**5,712**	2,679

7. FINANCE COSTS

	Six Months Period Ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within one year and total interest expense on financial liabilities not at fair value through profit or loss	**1,752**	1,926
Effective interest expense on convertible bonds	**400**	–
Other finance costs	**2,367**	–
Total finance costs	**4,519**	1,926

Other finance costs represent interest accrued on borrowings from two substantial shareholders as disclosed in Note 12.

8. 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.

For discontinued operation, the income tax expense represents the income tax on the dividend received from the investment in listed securities outside Hong Kong.

No provision for China corporate income tax has been made as the subsidiary has unutilised tax losses from prior years available to offset future taxable profits.

9. DISPOSAL OF A SUBSIDIARY (DISCONTINUED OPERATION)

On 7 December 2012, the Company has entered into a conditional share transfer agreement with Pacific Union Pte Ltd to dispose of a wholly owned subsidiary, namely PRT Capital Pte. Ltd. ("PRT Capital") at a consideration of HK$85 million ("Conditional Disposal"), Pacific Union Pte Ltd, a company incorporated under the law of Turks and Caicos Island, is a controlling Shareholder of the Company. The approval for the Conditional Disposal was obtained at its Special General Meeting held on 28 January 2013.

The Conditional Disposal was completed on 16 April 2013. Upon completion, the Group lost control over PRT Capital and PRT Capital ceased to be a subsidiary of the Company. The result of PRT Capital under the business segment of investment holding has been presented as discontinued operation for the current and Corresponding Period. The comparative information for the six months period ended 30 June 2012 was re-presented due to presentation of discontinued operation.

Analysis of results for the period from discontinued operation

The results of the discontinued operation included in the profit for the period are set out below:

	Six Months Period Ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
(Loss)/Profit on discontinued operation for the period	**(184)**	532
Gain on disposal of discontinued operation	**20,576**	–
	20,392	532

The results, net assets and cash flows of PRT Capital are set out below:

(a) The results from discontinued operation are as follows:

		Six Months Period Ended	
		30.6.2013	30.6.2012
	Note	***HK$'000***	*HK$'000*
Turnover		**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Other revenue and net income	*5*	**124**	882
Selling and distribution expenses		**–**	–
Administrative expenses		**(5)**	(11)
Other operating expenses	*6*	**(303)**	(170)
Finance costs		**–**	–
(Loss)/Profit before taxation		**(184)**	701
Income tax expense		*	(169)
(Loss)/Profit for the period from discontinued operation		**(184)**	532
Depreciation		**–**	15

* *Less than HK$1,000*

(b) The net assets of PRT Capital at the date of disposal were as follows:

	HK$'000
Investment in an associate	4,475
Investment in listed securities	
— available-for-sale	61,724
— held for trading	24,040
Other receivables and prepayment	*
Cash and bank balances	44
	90,283
Impairment	(1,000)
Revaluation reserve	(33,677)
Foreign currency reserve	8,818
Net assets disposed of	64,424
Gain on disposal	20,576
Total consideration	85,000
Satisfied by:	
Bank balances	85,000
Net cash inflow arising on disposal:	
Total cash consideration received	85,000
Cash and bank balances disposed of	(44)
	84,956

* *Less than HK$1,000*

(c) Cash flows from discontinued operation

	Six Months Period Ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Net cash (outflows)/inflows from operating activities	**(1)**	350
Net cash inflows from investing activities	**1**	710
Net cash outflows from financing activities	**–**	(2,093)
Net cash outflows	**–**	(1,033)

10. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$21,605,000 (30.6.2012: HK$5,344,000) and on the number of shares in issue during the period of 115,628,000 (30.6.2012: 105,116,000 ordinary shares), calculated as follows:

Profit attributable to owners of the Company (basic)

	Six Months Period Ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
From continuing operations	**1,213**	4,812
From discontinued operation	**20,392**	532
Total	**21,605**	5,344

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the adjusted profit for the period attributable to owners of the Company of HK$22,005,000 (30.6.2012: HK$5,344,000) and the weighted average number of ordinary shares of 138,961,000 (30.6.2012: 106,170,000 shares) in issue during the period, calculated as follows:

Adjusted profit attributable to owners of the Company (diluted)

	Six Months Period Ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
From continuing operations	**1,213**	4,812
From discontinued operation	**20,392**	532
Net profit attributable to owners of the Company	**21,605**	5,344
Add: Effective interest expense on convertible bonds	**400**	–
Adjusted profit for the period attributable to owners of the Company	**22,005**	5,344

Weighted average number of ordinary shares (diluted)

	30.6.2013	30.6.2012
	'000	*'000*
Issued ordinary shares for the purpose of basic earnings per share	**115,628**	105,116
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	1,054
Effect of deemed issue of shares on assumed conversion of convertible bonds	**23,333**	–
Weighted average number of ordinary shares for the diluted EPS	**138,961**	106,170

In the current financial period, the diluted earnings per share equal to basic earnings per share for the continuing operations because the effect of deemed issue of shares on assumed conversion of convertible bonds had an anti-dilutive effect on the basic earnings per share and the Company has no other dilutive potential ordinary shares in issue at the end of the reporting period.

11. INVESTMENT IN JOINT VENTURE

Name	**Place/Date of Establishment**	**Authorised/ Fully Paid-Up Registered Capital**	**Indirect Attributable Equity Interest 30.6.2013**	31.12.2012	**Principal Activities**
Guangzhou Pearl River Rubber Tyre Limited ("GPRT")	The People's Republic of China ("the PRC")/ 11 December 1993	US$43,202,166	**–**	70%	Manufacturing and marketing of various types of tyres mainly for commercial vehicles.

GPRT was a joint venture, of which 70% is owned by Carham Assets Limited, a wholly-owned subsidiary of the Group, and 30% is owned by Guangzhou Guang Xiang Enterprise Group Company Limited ("GGXEG"), a state-owned enterprise, established in Guangzhou, the PRC.

In prior years, GPRT was accounted for by the Group as joint venture and was consolidated using proportionate consolidation. With effect from 1 January 2013, the General Manager of GPRT, also a board member of GPRT appointed by the Group, was granted executive powers to make decisions on the day-to-day operations of GPRT within the strategic direction, guidelines and policies laid down by the board of GPRT.

Accordingly, in the opinion of the directors, the Group has control within the meaning of HKFRS 10 over the financial and operating policies of GPRT. GPRT was therefore accounted for as a subsidiary of the Group in 2013. Further details of the transaction are given in Note 14(b).

The Group's share of GPRT's assets and liabilities as at 30 June 2012 are as follows:

	HK$'000
Non-current assets	116,356
Current assets	206,869
Current liabilities	(177,646)
Net assets	145,579

The Group's share of GPRT's revenues and expenses for the six months period ended 30 June 2012 are as follows:

	HK$'000
Revenues and other income	321,937
Costs and expenses	(313,700)
	8,237
Finance costs	(1,926)
Profit before taxation	6,311
Income tax expense	–
Net profit for the period	6,311

12. INTEREST-BEARING BORROWINGS

	As At	
	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
Current		
Bank loans[(1)]	**40,461**	44,412
Non-current		
Borrowings[(2)]	**150,000**	–

Notes:

(1) The loans are wholly repayable within one year. The weighted average interest rate ranged from 6.00% to 7.22% (2012 — 2.6% to 7.22%) per annum. The Directors estimated that the fair value of the bank loans is not significantly different from the carrying amount. The loans are secured by way of:

   (i) legal charges over the leasehold land and buildings of a subsidiary, Guangzhou Pearl River Rubber Tyre Limited ("GPRT"); and

   (ii) a lien over all the fixed deposits of GPRT.

(2) The borrowings represent loans from Pacific Union Pte. Ltd. ("Pacific Union"), a substantial shareholder owning 32.51% equity interest of the Company and KL-Kepong International Ltd ("KL-Kepong"), a substantial shareholder of the Company owning 7.38% equity interest of the Company to Rodez Investments Limited ("Rodez"), a wholly owned subsidiary of the Company. The loan amount of HK$82.5 million and HK$67.5 million was collateralised by 55 shares and 45 shares of Carham Assets Limited respectively. The borrowings bear interest of 4% per annum and the interests have been included in finance costs as disclosed in Note 7.

13. CONVERTIBLE BONDS

On 8 April 2013, the Company issued HK$60,000,000 3% 3-year convertible bonds (the "Bonds") to not less than six independent third parties who are not related to the Group (the "Bondholders"). The principal terms of the Bonds are as follows:

(1)	Conversion Price:	HK$2.00 per Conversion Share, which is subject to adjustments for consolidation or subdivision or reclassification of Shares, capitalization of profits or reserves, rights issues and other events which may have a diluting effect on the Bondholders. Any adjustment to the Conversion Price will be certified by an independent accountant jointly appointed by the Company and the Bondholders holding 51 per cent or more of the outstanding principal amount of Bonds. The Company will publish an announcement upon any adjustment to the Conversion Price.
(2)	Interest:	3% per annum, accrued daily on a 365-days basis and payable quarterly in arrears.
(3)	Maturity date:	The third anniversary of the date of issue of the Bonds, which is 8 April 2016 (the "Maturity Date"). Any unredeemed and unconverted Bonds, shall be redeemed at 100% of the outstanding principal amount together with all interest accrued up to the maturity date in cash.
(4)	Status:	The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking pari passu and rateably without any preference among themselves, and with other direct, unconditional, unsubordinated and unsecured obligations of the Company.
(5)	Voting:	The Bondholders will not be entitled to attend or vote at any meetings of the Company by reason only of being Bondholders.
(6)	Transferability:	The Bonds may be transferred or assigned to any third party provided that no Bond may be transferred to any person who is a connected person of the Company unless with (i) prior notification of the Company; (ii) the consent of the Company; (iii) full compliance of the Listing Rules; (iv) full compliance with the requirements (if any) that the Stock Exchange may impose from time to time; and (v) the consent (if applicable) of the Stock Exchange.
(7)	Early redemption:	The Company shall not be entitled to redeem the Bonds (or any party thereof) at any time prior to the maturity date, except by mutual consent of the Bondholder and the Company.

(8) Terms of conversion: The right of a Bondholder to convert any Bond at any time after three months from the date of issue of the Bonds to the date falling on the 14th day immediately prior the date of maturity of the Bonds to convert any outstanding amount of the Bonds into the Conversion Shares at the Conversion Price, provided that the conversion right attached to the Bonds shall only be exercisable by the Bondholder:

(i) so long as and to the extent that immediately after such exercise, there will be sufficient public float of the Shares as required under the Listing Rules; and

(ii) so long as such Bondholder and parties acting in concert (as defined in the Takeover Code) with it immediately after such exercise shall not be required to make general offer under Rule 26 of the Takeovers Code (unless waiver from making a general offer has been obtained from the Securities and Futures Commission of Hong Kong).

(9) Conversion shares: Based on the Conversion Price of HK$2.00, a maximum number of 30,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Bonds in full.

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares. Holders of the Conversion Shares will be entitled to receive all future dividends and distributions the record date of which falls on or after the date of allotment and issue of the Conversion Shares.

The Bonds contain two components: liability component and conversion component. The fair value of the liability component included in non-current liabilities while the conversion component, net of transaction costs is presented in equity as convertible bonds reserve. The effective interest rate of the liability component is 10.187% per annum.

The discounted cash flow method was adopted in determining the fair value of the liability component. The difference between the gross proceeds of the issue of the convertible bonds and fair value assigned to the liability component, representing the conversion component for the holder to convert into equity, is included in equity (convertible bonds reserve).

The movement of the liability and conversion components for the reporting period is set out as below:

	Liability component *HK$'000*	**Conversion component** *HK$'000*	**Total** *HK$'000*
Convertible bonds:			
At date of issuance	49,447	10,553	60,000
Interest expense	400	–	400
Transaction costs	–	(1,500)	(1,500)
At 30 June 2013	49,847	9,053	58,900

14. ACQUISITION OF SUBSIDIARIES

(a) Pursuant to an agreement dated 23 November 2012, an indirect wholly owned subsidiary of the Company Bright Eagle Holdings Limited ("Bright Eagle") entered into a share sale and purchase agreement with IC Spectrum Co., Limited to acquire 72.79% equity interest at a consideration of RMB1.00 in IC Spectrum (Kunshan) Co., Limited ("IC Spectrum (Kunshan)"), a sino-equity joint venture established in Kunshan Economic & Technical Development Zone, the People's Republic of China which is principally engaged in design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components and provision of related technical consultancy services. This transaction was completed on 22 January 2013.

On 7 December 2012, Bright Eagle and Beijing Zhongying Century Investment Co. Limited ("Zhongying") entered into a conditional investment agreement. The investment agreement is in relation to the capital injection of HK$291.16 million and HK$108.84 million into IC Spectrum (Kunshan) by Bright Eagle and Zhongying respectively. The reason for entering into the investment agreement is due to the principal business of the Group, being the manufacturing and sales of various types of tyres for commercial vehicles, is subject to increased level of market risk. As a result, the Board is exploring new strategic businesses to diversify its earning base and to enhance long term shareholders' value.

Assets and liabilities recognised at the date of acquisition were as follows:

	HK$'000
Net liabilities recognised	
Cash and bank balances	1,406
Other payables and accruals	(1,925)
	(519)
Group's share of net liabilities	378
Non-controlling interests, share of net liabilities	141
	519

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	*
Less: recognised amounts of net liabilities acquired	378
Goodwill arising on acquisition	378

The non-controlling interest (27.21%) in IC Spectrum (Kunshan) recognised at the acquisition date was measured at the proportionate share of net liabilities acquired.

Net cash inflow on acquisition of IC Spectrum (Kunshan)

	HK$'000
Cash consideration paid	(*)
Add: cash and cash equivalent balances acquired	1,406
	1,406

* *Less than HK$1,000*

(b) As detailed in Note 11, GPRT was accounted for as a subsidiary of the Group in the Current Period. The carrying amounts of the identified assets and liabilities of GPRT, which approximate to their respective fair values, as at the date of reclassification from interest in a joint venture to interest in a subsidiary are as follows:

	Fair value recognised on reclassification
	HK$'000
Property, plant and equipment	148,586
Prepaid lease payments	14,873
Inventories	181,045
Trade and other receivables	83,790
Pledged bank deposits	3,179
Cash and cash equivalents	26,273
Trade and other payables	(169,933)
Borrowings	(63,446)
Non-controlling interests	(67,310)
	157,057
Satisfied by:	
Reclassification of the interest in a joint venture to interest in a subsidiary	157,057

An analysis of the net inflow of cash and cash equivalents in respect of the reclassification is as follows:

	HK$'000
Cash and bank balances acquired	29,452
Less: cash and cash equivalents previously proportionate consolidated as joint venture	(20,618)
Net inflow of cash and cash equivalents in respect of the reclassification	8,834

Since its reclassification from interest in joint venture to interest in subsidiary, GPRT contributed HK$332,522,000 to the Group's turnover and profit of HK$3,118,000 which were included in the Group's consolidated statement of profit or loss for the six months period ended 30 June 2013.

15. 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.

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

HKFRS 7 requires disclosure for financial instruments that are carried at fair value by level of the following fair value measurement hierarchy:

Level 1 — Quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 — Inputs for the asset or liability that are not based on observable market data.

As at 30 June 2013, the newly issued convertible bonds and as at 31 December 2012, the Group's investments in listed securities are measured at fair value. During the Current Period and financial year ended 31 December 2012, there were no transfers between instruments in Level 1 and Level 2.

	As At 30.6.2013			
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Financial liabilities				
Convertible bonds	**–**	**–**	**49,847**	**49,847**

	As At 31.12.2012			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Associate Assets				
Available-for-sale securities (reclassified as assets held for sale)	57,316	–	–	57,316
Securities held for trading (reclassified as assets held for sale)	24,218	–	–	24,218
	81,534	–	–	81,534

17. SIGNIFICANT EVENT DURING AND END OF THE SUBSEQUENT REPORTING PERIOD

No significant event has arisen during and after the end of the reporting period 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 condensed consolidated interim financial statements.

18. COMPARATIVE FIGURES

The comparative consolidated statement of profit or loss has been re-presented as if an operation discontinued during the year 2012 has been discontinued from the start of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

The Company is principally engaged in the business of investment holding. The Group's principal assets are a 70% equity interest in Guangzhou Pearl River Rubber Tyre Limited ("GPRT") and a 72.79% equity interest in IC Spectrum (Kunshan) Co. Limited ("IC Spectrum Kunshan").

The principal activity of GPRT is the manufacturing and sale of various types of tyres for commercial vehicles. The recently acquired IC Spectrum Kunshan is principally engaged in the design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components, and the provision of related technical consultancy services. IC Spectrum Kunshan has not yet started commercial operations.

Consequently, the results of the Group in the first half of 2013 primarily represent the operational results of GPRT. Further, as explained in Note 14(b), GPRT was accounted for as a subsidiary with effect from 1 January 2013, as compared to proportionate consolidation in the previous periods. The Group recorded a HK$20.58 million one-off gain from the disposal of PRT Capital Pte Ltd in April 2013. This gain has been recorded separately in profit from discontinued operation in the Condensed Consolidated Statement of Profit or Loss.

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.

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

Operating Results

	Six Months Period Ended		
	30.6.2013	30.6.2012	**Change**
	HK$'000	*HK$'000*	*%*
Revenue	**332,522**	321,607	3.4
Costs and expenses	**(324,098)**	(314,869)	2.9
Finance costs	**(4,519)**	(1,926)	135
Profit from continuing operations	**3,905**	4,812	(18.8)
Profit from discontinued operation	**20,392**	532	N/A
Profit for the period	**24,297**	5,344	355
Profit attributable to owners of the Company			
— from continuing operations	**1,213**	4,812	(75)
— from discontinued operation	**20,392**	532	N/A
	21,605	5,344	304

As explained above, the operating results for the Current Period and the Corresponding Period last year are not directly comparable. For the Current Period, the results of GPRT were consolidated as a subsidiary, whereas GPRT was previously accounted for using the proportionate consolidation method. Comparing like with like, revenue would have recorded a 27.6% decline to HK$332.5 million.

The decline in revenue can be attributable to slower sales of bias tyres in the domestic market and lower unit selling prices due to softening commodity prices and unfavourable change in sales mix, partially offset by increased sales of commercial radial tyres. As a result, net profit attributable to owners of the Company from continuing operations declined 75% to HK$1.21 million from HK$4.81 million a year ago. The results from continuing operation was also weighed down by higher finance costs of HK$4.52 million (1H2012: HK$1.93 million) arising mainly from the interests of the Convertible Bonds and Shareholders Loans. This was however more than offset by an unrealised forex gain (included in Costs and Expenses) as a result of a stronger Renminbi.

Total profit attributable to owners of the Company in the Current Period of HK$21.61 million however received a boost from a one-off gain of HK$20.58 million (presented in discontinued operation) from the disposal of PRT Capital Pte Ltd in April 2013.

Financial Analysis

	As at	
	30.6.2013	31.12.2012
Total assets *(HK$'000)*	**723,969**	406,358
Shareholders' equity *(HK$'000)*	**255,697**	242,757
Return on shareholders' equity *(%)*	**8.45**	2.44
Current ratio	**1.29**	1.78

* *Calculated by dividing net loss for the corresponding period last year over shareholders' equity as at 30 June 2012.*

Total assets grew 78% to HK$723.97 million from HK$406.36 million as at 31 December 2012 due mainly to investment in the construction of a new wafer fabrication plant in Kunshan, PRC and the effects of consolidation of GPRT as a subsidiary, partially offset by the disposal of PRT Capital Pte Ltd. The investment in a new wafer plant was funded from proceeds of the Convertible Bonds, Shareholder Loans and the disposal of PRT Capital Pte Ltd.

Consequently, shareholders' equity rose marginally by 5.3% to HK$255.70 million mainly on profit from the Current Period.

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 hedging instruments when necessary.

The Company does not have any bank borrowings. The Group's borrowings under current liability represents bank borrowings denominated in Renminbi for working capital purposes in GPRT. The borrowings under non-current liability are the loans from two substantial shareholders of the Company as disclosed in Note 12, for the capital injection in IC Spectrum Kunshan.

GUANGZHOU PEARL RIVER TYRE LIMITED ("GPRT")

The general market condition remained weak with little upside for both the domestic and export fronts in the first half of 2013. Raw material prices were soft before heading towards a substantial decline in June 2013. Notably natural rubber price decreased to RMB16,835 per tonne at the end of June 2013, representing a 37% reduction from the beginning of 2013.

GPRT however did not benefit much from lower raw material prices. Owing to sluggish market conditions, GPRT had to substantially pass through the resulting cost savings to customers. Overall tyre sales volume declined 10%. While export sales volume was flat and radial tyre sales volume was up 28%, they were not sufficient to offset a sharp decline in domestic sales of bias tyres. The unfavourable change in sales mix in favour of smaller tyre sizes further affected revenue on lower average selling prices.

Despite the challenging operating environment, GPRT recorded a profit of HK$3,118,000 in the current financial period, as compared to a profit of HK$9,016,000 in the previous Corresponding Period.

PROSPECTS

Guangzhou Pearl River Rubber Tyre Limited

In light of the unfavourable market conditions, immediate measures have been undertaken to rein in on general operating expenses, optimize production and align its product range in accordance to market demand. Management believes Light Truck Radial ("LTR") tyres will be the key leading products for the years to come. Consequently, substantial efforts will be channeled towards expanding its range of LTR to include LTR for SUV, jeep, pickup and certain specialty tyres.

The market outlook is expected to be weak in the second half of 2013. Nevertheless the tyre market is still growing in selected parts of the world and management will put in additional marketing efforts in these countries. Radial tyre sector will further replace the bias tyre sector across the board in China. To address the rapidly declining bias tyre sector, management will step up development of LTR production capability and market to become a competitive commercial radial tyre/niche bias tyre producer.

IC Spectrum (Kunshan) Co., Limited ("IC Spectrum Kunshan")

The completion of the Investment Agreement between Bright Eagle Holdings Limited ("Bright Eagle"), an indirect wholly owned subsidiary of the Company, and Beijing Zhongying Century Investment Co. Limited ("Beijing Zhongying") has been delayed by several months as a result of delays in the transfer of 27.21% minority equity interest in IC Spectrum Kunshan from Kunshan Economic and Technical Development Zone Asset Management Company, a state-owned enterprise, to Beijing Zhongying. The said share transfer is a condition precedent to the completion of the Investment Agreement. In the meantime, the Group has fulfilled its capital injection obligation of HK$291.2 million into IC Spectrum Kunshan.

As a result of the delay, IC Spectrum Kunshan is not expected to commence commercial operations until the later part of 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries 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 (the "Codes") on Corporate Governance Practices set out in Appendix 14 of the Listing Rules during the Current Period, with the exception of the following:

(i) that the non-executive Directors have no set terms of office but retire from office on a rotational basis in accordance with the Company's Bye-laws;

(ii) during the Current Period, the Company did not arrange any insurance cover in respect of legal action against the Directors. However, the Company had initiated to procure insurance cover for directors of the Group on indemnifying their liabilities arising out of corporate activities. As it took time to solicit a suitable insurer at a reasonable commercial terms and conditions, the Company will make such an arrangement as and when appropriate;

(iii) Mr Liu Hongjun, the independent non-executive Director was unable to attend the special general meeting and 19th annual general meeting (the "AGM") of the Company held on 28 January 2013 and 10 June 2013, respectively, due to he had other scheduled business engagement; and

(iv) the chairman of the Company and non-executive Director, Mr Goh Nan Kioh and Dato Yeoh Eng Khoon, being the non-executive Director did not attend the AGM due to they had other business pressing engagement. However, Mr. Wong Meng Tak, had chaired the AGM in accordance with Bye-laws of the Company.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") of the Company comprising 3 independent non-executive Directors. The Audit Committee meets at least twice a year with management and 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 and its subsidiaries.

The unaudited condensed consolidated financial statements for the Current Period 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, the Listing Rules, other applicable legal requirement 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.pearlrivertyres1187.com) and the Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). The interim report of the Company for 2013 containing all the information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

By order of the Board
Yeow See Yuen
Independent non-executive Director

Kuala Lumpur, 30 August 2013

As at the date of this announcement, the Board comprises executive Directors, namely Mr. Goh Nan Yang and Mr. Wang Shu Jie, a non-executive Director, namely Mr. Goh Nan Kioh (Chairman), the independent non-executive Directors, namely Mr. Liu Hongjun, Mr. Wong Meng Tak and Mr. Yeow See Yuen.