



PEARL RIVER TYRE (HOLDINGS) LIMITED

(Registered in Bermuda with limited liability)

(Stock Code: 01187)

INTERIM REPORT 2011

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 months period ended 30 June 2011 (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 2010 Annual Report.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Six Months Period Ended	
		30.6.2011	30.6.2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	194,260	307,882
Cost of sales		<u>(199,408)</u>	<u>(278,360)</u>
Gross (loss)/profit		(5,148)	29,522
Other income	4	1,180	5,568
Selling and distribution expenses		(3,718)	(8,259)
Administrative expenses		(23,376)	(16,604)
Other operating expenses	5	<u>(33,826)</u>	<u>(2,357)</u>
(Loss)/Profit from continuing operations		(64,888)	7,870
Finance costs	6	<u>(1,367)</u>	<u>(2,193)</u>
(Loss)/Profit before taxation		(66,255)	5,677
Income tax expense	7	<u>(1)</u>	<u>(178)</u>
Net (loss)/profit for the period		<u>(66,256)</u>	<u>5,499</u>
(Loss)/Earnings per share (<i>Hong Kong cents</i>)			
— Basic	8	(63.0)	5.2
— Diluted	8	<u>N/A</u>	<u>5.2</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Period Ended	
	30.6.2011	30.6.2010
	HK\$'000	HK\$'000
(Loss)/Profit for the period	(66,256)	5,499
Other comprehensive (loss)/income:		
Exchange differences on translating of		
— Joint Venture's financial statements	5,597	2,098
— Available-for-sale investments	490	15,705
Available-for-sale investments:		
movement in the revaluation reserve	<u>(15,750)</u>	<u>44,326</u>
Total other comprehensive (loss)/income for the period	<u>(75,919)</u>	<u>67,628</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As At	
		30.6.2011	31.12.2010
Note		HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-Current Assets			
	Property, plant and equipment	112,546	146,123
	Prepaid lease payments	11,470	11,663
	Investment in an associate	4,475	4,475
9	Investment in listed securities	87,403	102,663
	Total Non-Current Assets	215,894	264,924
Current Assets			
9	Investment in listed securities	25,914	27,234
	Inventories	96,237	96,530
11	Trade and other receivables	40,739	56,296
	Pledged bank deposits	13,554	47,409
	Cash and cash equivalents	18,123	25,856
	Total Current Assets	194,567	253,325
Current Liabilities			
12	Trade and other payables	86,577	90,326
	Provisions	2,899	2,836
	Borrowings	62,158	96,037
	Total Current Liabilities	151,634	189,199
	Net Current Assets	42,933	64,126
	Net Assets	258,827	329,050
EQUITY			
13	Share capital	110,716	110,716
	Share premium	113,157	113,157
15	Revaluation reserve	29,911	45,661
16	Share option reserve	5,696	—
	Capital reserve	37,344	37,344
	Foreign currency translation reserve	102,299	96,212
	Accumulated losses	(140,296)	(74,040)
	Total Equity	258,827	329,050

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six Months Period Ended	
	30.6.2011	30.6.2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating Activities		
(Loss)/Profit before taxation	(66,255)	5,677
Adjustments for:		
Amortisation of operating lease prepayments	456	437
Bad debts written off	255	—
Depreciation of property, plant and equipment	11,371	10,020
Equipment written off	48	5
Impairment loss on plant and machinery	28,312	—
Interest expense	1,367	2,193
Loss/(Gain) on fair value changes of listed securities		
— held for trading	1,239	(2,612)
Share-based payments	5,696	—
Write down of inventories	2,455	—
Dividend income	(9)	(712)
Interest income	(43)	(56)
Gain on disposal of listed securities	(95)	—
Unrealised gain on foreign exchange	(110)	(2,167)
	(15,313)	12,785
(Increase)/Decrease in inventories	(2,162)	26,619
Decrease/(Increase) in trade and other receivables	15,079	(24,048)
Increase/(Decrease) in trade and other payables	3,766	(32,784)
	1,370	(17,428)
Cash generated from/(used for) operations		
Interest received	43	56
Tax paid	(1)	(178)
Interest paid	(1,367)	(2,193)
	45	(19,743)
Net cash generated from/(used in) operating activities		
Investing Activities		
Purchase of property, plant and equipment	(3,426)	(2,446)
Dividend received	8	534
Proceed from disposal of listed securities	311	—
	(3,107)	(1,912)
Net cash used in investing activities		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	Six Months Period Ended	
	30.6.2011	30.6.2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financing Activities		
Net drawdown/(repayment) of borrowings	(36,091)	18,409
Net advances from related parties	(395)	3,650
(Repayment to)/Advances from a director	(6,051)	(2)
	<u> </u>	<u> </u>
Net cash generated (used in)/from financing activities	<u>(42,537)</u>	<u>22,057</u>
Net increase in cash and cash equivalents	(45,599)	402
Cash and cash equivalents at beginning of the current/ corresponding period	73,265	158,722
Effect of foreign exchange rate changes, net	4,011	2,186
	<u> </u>	<u> </u>
Cash and cash equivalents at end of the current/ corresponding period	<u>31,677</u>	<u>161,310</u>

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>	Share Option Reserve <i>HK\$'000</i>	Capital Reserve <i>HK\$'000</i>	Foreign	Accumulated Losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
						Currency Translation Reserve <i>HK\$'000</i>		
At 1 January 2011	110,716	113,157	45,661	—	37,344	96,212	(74,040)	329,050
Total comprehensive loss for the period	—	—	(15,750)	—	—	6,087	(66,256)	(75,919)
Share options granted	—	—	—	5,696	—	—	—	5,696
At 30 June 2011	<u>110,716</u>	<u>113,157</u>	<u>29,911</u>	<u>5,696</u>	<u>37,344</u>	<u>102,299</u>	<u>(140,296)</u>	<u>258,827</u>
At 1 January 2010	110,716	113,157	125,476	—	37,344	52,316	(49,181)	389,828
Total comprehensive income for the period	—	—	44,326	—	—	17,803	5,499	67,628
At 30 June 2010	<u>110,716</u>	<u>113,157</u>	<u>169,802</u>	<u>—</u>	<u>37,344</u>	<u>70,119</u>	<u>(43,682)</u>	<u>457,456</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 19 August 2011.

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 2010, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2011. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

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 2010 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. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision-makers (“CODM”) who is the Chief Executive Officer of the Group, for the purposes of resource allocation and performance assessment.

The CODM considers the business from both geographic and product perspective. Geographically, management considers the performance of the segment in Mainland China (excluding Hong Kong), Republic of India, Republic of Yemen, the People’s Republic of Bangladesh, Singapore, Malaysia, Cambodia, Taiwan and The United Arab Emirates separately.

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

1. Manufacturing
2. Investment holding

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

The investment holding segment derives its revenue primarily from dividends income from listed securities.

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 Group’s CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group’s accounting policies. Segment (loss)/profit represents the loss from/profit earned by each segment without allocation of central administration costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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.

Sales between segments are carried out on arm’s length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

2. SEGMENT REPORTING (CONT'D)

(a) Segment results, assets and liabilities (Cont'd)

All assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

All liabilities are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Information regarding the Group's reportable segments as provided to the Group's CODM is set out below:

	Manufacturing		Investment holding		Eliminations		Total	
	Six Months Period Ended		Six Months Period Ended		Six Months Period Ended		Six Months Period Ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	194,260	307,882	—	—	—	—	194,260	307,882
Reportable segment (loss)/profit before taxation	(54,785)	4,724	(124,746)	3,090	114,600	—	(64,931)	7,814
Interest income	43	56	—	—	—	—	43	56
Finance costs	(1,367)	(2,193)	—	—	—	—	(1,367)	(2,193)
Depreciation and amortisation	(11,811)	(10,430)	(16)	(27)	—	—	(11,827)	(10,457)
Material non-cash items:								
Impairment loss on plant and machinery	(28,312)	—	—	—	—	—	(28,312)	—
Income tax expense	—	—	(1)	(178)	—	—	(1)	(178)
	<u>30.6.2011</u>	<u>30.6.2010</u>	<u>30.6.2011</u>	<u>30.6.2010</u>	<u>30.6.2011</u>	<u>30.6.2010</u>	<u>30.6.2011</u>	<u>30.6.2010</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	291,079	372,338	119,382	145,911	—	—	410,461	518,249
Additions to non-current assets (other than financial instruments and deferred tax assets)	3,426	14,341	—	—	—	—	3,426	14,341
Reportable segment liabilities	139,135	170,072	12,499	19,127	—	—	151,634	189,199

2. SEGMENT REPORTING (CONT'D)

(b) Reconciliations of reportable segment revenues, profit or (loss), assets and liabilities

	Six Months Period Ended	
	30.6.2011	30.6.2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Total reportable segments' revenues	194,260	307,882
Elimination of inter-segment revenue	—	—
	<u>194,260</u>	<u>307,882</u>
Profit		
Total reportable segments' (loss)/profit	(64,931)	7,814
Finance costs	(1,367)	(2,193)
Interest income	43	56
	<u>(66,255)</u>	<u>5,677</u>

(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	
	30.6.2011	30.6.2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacturing and sales of tyres	<u>194,260</u>	<u>307,882</u>

2. SEGMENT REPORTING (CONT'D)

(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, intangible assets and interests in associate. The geographical location of property, plant and equipment is 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 associates, it is the location of operations of such associates.

	Revenue from external customers		Specified Non-current assets	
	Six Months Period Ended		As At	
	30.6.2011	30.6.2010	30.6.2011	30.12.2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China				
(place of domicile)	93,799	148,665	123,862	157,424
Republic of India	3,986	25,966	—	—
Republic of Yemen	11,755	22,815	—	—
The People's Republic of Bangladesh	20,273	21,039	—	—
Singapore	13,909	21,421	—	—
Malaysia	14,415	15,766	4,629	4,837
Cambodia	8,083	8,076	—	—
Taiwan	4,922	4,798	—	—
The United Arab Emirates	4,324	10,473	—	—
Others	18,794	28,863	—	—
	<u>194,260</u>	<u>307,882</u>	<u>128,491</u>	<u>162,261</u>

3. REVENUE

	Six Months Period Ended	
	30.6.2011	30.6.2010
	HK\$'000	HK\$'000
Sale of goods	<u>194,260</u>	<u>307,882</u>

4. OTHER INCOME

	Six Months Period Ended	
	30.6.2011	30.6.2010
	HK\$'000	HK\$'000
Dividends income from listed securities		
— held for trading	9	712
Gain on disposal of quoted investment	95	—
Gain on fair value changes of listed securities		
— held for trading	—	2,612
Government grant	292	—
Interest income	43	56
Unrealised gain on foreign exchange	110	2,167
Others	631	21
	<hr/>	<hr/>
	1,180	5,568
	<hr/>	<hr/>

5. OTHER OPERATING EXPENSES

	Six Months Period Ended	
	30.6.2011	30.6.2010
	HK\$'000	HK\$'000
Bad debts written off	255	—
Depreciation of property, plant and equipment	1,140	2,345
Equipment written off	48	5
Impairment loss on plant and machinery	28,312	—
Loss on fair value changes of listed securities		
— held for trading	1,239	—
Realised loss on foreign exchange	377	7
Write down of inventories	2,455	—
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	33,826	2,357
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6. FINANCE COSTS

	Six Months Period Ended	
	30.6.2011	30.6.2010
	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		
	1,367	2,193
	<hr/>	<hr/>

7. 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.

The income tax expense represents the income tax on the dividend receivable from the investment in listed securities outside Hong Kong.

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.

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the net loss of HK\$66,256,000 (30.6.2010: net profit of HK\$5,499,000) for the current period and on the number of shares in issue during the current period of 105,116,280 (30.6.2010: 105,116,280).

The diluted loss per ordinary share is not presented as the effect of assuming all outstanding share option being exercised will be anti dilutive and the Company has no other dilutive potential ordinary shares in issue at the end of the reporting period. The basic and diluted earnings per share for the previous period were equal as there is no dilutive event.

9. INVESTMENT IN LISTED SECURITIES

	As At	
	30.6.2011	31.12.2010
	HK\$'000	HK\$'000
Non-Current		
Securities listed outside Hong Kong:		
— available-for-sale, at fair value (<i>Note 1</i>)	87,403	102,663
	<hr/>	<hr/>
Current		
Securities listed outside Hong Kong:		
— held for trading, at fair value (<i>Note 2</i>)	25,914	27,234
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Notes:

1. It relates to an investment in D&O Green Technologies Berhad (“D&O”), a company incorporated in Malaysia and listed in Bursa Malaysia Securities Bhd. As at 30 June 2011, the Group held 16.6% (31 December 2010: 16.6%) equity interests in D&O. The carrying value represents the fair value of D&O based on the closing price as at the end of the reporting period.
2. The fair value of listed equity securities is based on their quoted prices at the end of the reporting period.

10. INVESTMENT IN THE JOINT VENTURE

Name	Place/Date Of Establishment	Authorised/ Fully Paid-Up Registered Capital	Indirect Attributable Equity Interest		Principal Activities
		30.6.2011	31.12.2010		
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 various types of tyres mainly for commercial vehicles.

The Joint Venture was established as a Sino-foreign joint venture under the Chinese Joint Venture Law. The Joint Venture is 70% owned by Carham Assets Limited, a wholly-owned subsidiary of the Company, and 30% owned by Guangzhou Guang Xiang Enterprise Group Company Limited ("GGXEG"), a state-owned enterprise, established in Guangzhou, the PRC.

	As At	
	30.6.2011 HK\$'000	31.12.2010 HK\$'000
The Group's share of the Joint Venture's assets and liabilities are as follows:		
Non-current assets	123,862	157,424
Current assets	167,217	214,802
Current liabilities	(139,135)	(169,961)
Net assets	<u>151,944</u>	<u>202,265</u>

	Six Months Period Ended	
	30.6.2011 HK\$'000	30.6.2010 HK\$'000
The Group's share of the Joint Venture's revenues and expenses are as follows:		
Revenues and other income	195,148	307,959
Costs and expenses	(249,890)	(303,179)
(Loss)/Profit from continuing operations	(54,742)	4,780
Finance costs	(1,367)	(2,193)
(Loss)/Profit before taxation	(56,109)	2,587
Income tax expense	—	—
Net (loss)/profit from continuing operations	<u>(56,109)</u>	<u>2,587</u>

During the years ended 31 December 2008, 2009, and 2010, the Joint Venture was subject to a tax audit by the PRC tax department for the years of assessment from 2002 to 2006.

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

During the year 2010, the PRC tax department issued notices of final assessment demanding additional sales tax and VAT on the Joint Venture amounting to approximately RMB9,434,000 equivalent to HK\$11,102,000, including approximately RMB2,464,000 equivalent to HK\$2,900,000 of compound penalty, which was duly paid for full and final settlement. The Group's proportionate share of the total amount being HK\$7,771,000, was included in other operating expenses in year 2010. For the years of assessment from 2007 to 2009, the PRC tax department requested a self assessment for the additional sales tax and VAT on the same basis. The Joint Venture estimated the total additional sales tax and VAT to be approximately RMB1,500,000 equivalent to HK\$1,765,000 and the Group's proportionate share was fully provided for in other operating expenses in 2010. Up to the date of this report, the PRC tax department had not yet confirmed the self assessment for the years from 2007 to 2009. The Joint Venture had applied for an extension and partial settled the amount. Tax surcharge of approximately RMB365,000 equivalent to approximately HK\$434,000 has been accrued and the Group's proportionate share of approximately HK\$304,000 was included in accruals.

11. TRADE AND OTHER RECEIVABLES

	As At	
	30.6.2011 HK\$'000	30.6.2010 HK\$'000
Trade receivables	57,678	73,374
Less: allowance for impairment loss	(32,732)	(31,995)
	<hr/>	<hr/>
	24,946	41,379
Amount owing by a related party ⁽¹⁾	3,118	4,211
Other receivables	643	3,191
	<hr/>	<hr/>
Loan and receivables	28,707	48,781
Deposits paid to suppliers	9,388	3,008
Prepayments and deposits	2,644	4,507
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	40,739	56,296
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Note:

1. The related party refers to Guangzhou Bolex Tyre Limited ("Bolex"), a company established in the PRC, in which certain directors of the Joint Venture are key management personnel. The amount owing is trading in nature, unsecured, interest-free and has no fixed terms of repayment.

11. TRADE AND OTHER RECEIVABLES (CONT'D)

The ageing analysis of trade receivables as at the end of the reporting period is as follows:

	As At	
	30.6.2011 HK\$'000	31.12.2010 HK\$'000
Outstanding less than one year	23,255	39,771
Outstanding more than one year but less than two years	137	300
Outstanding more than two years	34,286	33,303
	<hr/>	<hr/>
	57,678	73,374
Less: Allowance for doubtful debts	(32,732)	(31,995)
	<hr/>	<hr/>
	24,946	41,379
	<hr/>	<hr/>

12. TRADE AND OTHER PAYABLES

	As At	
	30.6.2011 HK\$'000	31.12.2010 HK\$'000
Trade payables	45,049	39,011
Other payables	25,409	28,906
Amount due to a director	—	6,051
Amount owing to related parties ⁽¹⁾	13,006	14,494
Accruals	3,113	1,864
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	86,577	90,326
	<hr/>	<hr/>

The amount due to a director in the previous financial period was unsecured, interest-free and has no fixed term of repayment. The amount owing was denominated in Ringgit Malaysia.

The amount owing to related parties is non-trade in nature, unsecured, interest-free and has no fixed term of repayment.

12. TRADE AND OTHER PAYABLES (CONT'D)

Note:

1. The related parties refer to:

	As At	
	30.6.2011	31.12.2010
	HK\$'000	HK\$'000
(a) GGXEG, a company established in the PRC, in which certain directors of the Joint Venture are key management personnel of GGXEG	3,678	3,652
(b) Cambrew Asia Limited, a company incorporated in Cayman Island, in which a director has substantial financial interests	9,328	10,842
	<u>13,006</u>	<u>14,494</u>

The ageing analysis of trade payables as at the end of the reporting period is as follows:

	As At	
	30.6.2011	31.12.2010
	HK\$'000	HK\$'000
Outstanding less than one year	39,095	31,131
Outstanding more than one year but less than two years	103	291
Outstanding more than two years	5,851	7,589
	<u>45,049</u>	<u>39,011</u>

13. 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.

14. SHARE OPTION SCHEME

In accordance with the Company's share option scheme ("the Scheme") which was adopted on 21 May 2004, the Board of Directors of the Company may grant options to any director and employee of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any invested entity ("the Participants") to subscribe for shares in the Company. The exercise price of options is the highest of the closing price of the shares as stated in The Stock Exchange's daily quotations sheets on the date of grant, the average closing price of the shares as stated in The Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and the nominal value of a share on the date of grant. The option may be exercised at anytime within a period specified by the directors, which should not be more than ten years from the date on which an option is granted.

The terms and conditions of the grants that existed during the period are as follow:

Name or category of participants	Number of shares issuable under options				Date of grant of share options	Exercisable period of share options	Exercisable price of share options HK\$
	Outstanding as at 1 January 2011	Grant during the period	Exercise during the period	Outstanding at 30 June 2011			
Directors							
Goh Nan Kioh	—	1,500,000	—	1,500,000	18 March 2011	20 May 2014	1.66
Goh Nan Yang	—	2,500,000	—	2,500,000	18 March 2011	20 May 2014	1.66
Yeow See Yuen	—	800,000	—	800,000	18 March 2011	20 May 2014	1.66
Khoo Teng Keat	—	800,000	—	800,000	18 March 2011	20 May 2014	1.66
Won Thean Sang	—	410,000	—	410,000	18 March 2011	20 May 2014	1.66
	—	6,010,000	—	6,010,000			
Employees							
Other employees	—	2,401,628	—	2,401,628	18 March 2011	20 May 2014	1.66
	—	2,401,628	—	2,401,628			
Others							
Advisors	—	2,100,000	—	2,100,000	18 March 2011	20 May 2014	1.66
	—	2,100,000	—	2,100,000			
Total share issued under options	—	10,511,628	—	10,511,628			

15. REVALUATION RESERVE

	As At	
	30.6.2011	31.12.2010
	HK\$'000	HK\$'000
Net gain on fair value change of available-for-sale investment		
At 1 January	39,243	119,058
Loss on fair value change of available-for- sale investment	(12,486)	(62,125)
Effect of foreign exchange translation	(3,264)	(17,690)
	<hr/>	<hr/>
At 30 June/31 December	23,493	39,243
Revaluation of buildings of the Joint Venture arising from land and buildings swap	6,418	6,418
	<hr/>	<hr/>
	<u>29,911</u>	<u>45,661</u>

The revaluation reserve is not distributable by way of cash dividends.

Note:

The buildings were revalued in the financial year ended 31 December 2000 based on the assessment by an independent professionally qualified valuer in the PRC for the purpose of land and buildings swap with Guangzhou Rubber Tyre Factory for the acquisition of a piece of land with an area of 94,953 square meter and certain buildings erected thereon with a gross floor area of 4,847 square meters. Under this swap contract, the Joint Venture swapped part of its buildings with a total gross floor area of 43,561 square meters for the land and buildings at equal consideration. The valuation was determined on the market value basis and gave rise to a valuation surplus of HK\$6,418,000.

16. SHARE OPTION RESERVE

The share option reserve represents the share options granted to directors, employees and advisors. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the share options, and is reduced by the expiry or exercise of the share options.

16. SHARE OPTION RESERVE (CONT'D)

The movement in the options to subscribe for the new ordinary share of A\$0.20 each at the respective adjusted exercise price per share is as follows:

	Number of Shares Issuable Under Options At Exercise Price of HK\$1.66 Each '000
Granted during the financial period	<u>10,512</u>
At 30 June 2011	<u><u>10,512</u></u>

The fair values of the share options granted were estimated using a binomial lattice model, taking into account the terms and conditions upon which the option were granted. The fair values of the share options measured at grant date and the assumptions are as follows:

	At Exercise Price of HK\$1.66 Each
Fair value of share options at the grant date (HK\$)	0.57
Share price (HK\$)	1.66
Exercise price (HK\$)	1.66
Expected volatility (%)	56.97
Expected life (years)	3.18
Risk free rate (%)	1.11
Dividend yield (%)	0.00

17. 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.

18. CONNECTED/RELATED PARTY TRANSACTIONS

In addition to the amount owing by/to related parties as disclosed in Notes 11 and 12 respectively to the interim report, 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 Months Period Ended	
	30.6.2011	30.6.2010
	<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	20	642
— charging of utilities (water, electricity, steam and compressed air consumed)	9,579	10,277
— the right to use the factory lift and the factory space	52	50
	9,651	10,969
Transactions between the Joint Venture and GGXEG ⁽¹⁾ /GIGBM ⁽²⁾		
Payments relating to:		
— lease rental for a piece of land and buildings erected thereon	2,341	2,336
— lease rental for the exclusive right to use certain machinery	1,190	1,140
— lease rental for a hostel	22	21
— royalties for the right to use the trademark “Pearl River” and any technology and know-how necessary for the production of bias tyres	291	413
— lease rental for workers’ hostel*	314	268
— lease rental for the dining hall*	56	54
	4,214	4,232

Notes:

- 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 the former PRC partner was taken over by GGXEG in 2001.
- GGXEG is a connected person of the Company under the Listing Rules as GGXEG is the owner of 30% equity in the Joint Venture (in which the Group owns the balance of 70% equity). GGXEG is 100% owned by Guangzhou Rubber Enterprises Group Co. Ltd. (“GREG”) and GREG is in turn 100% owned by Guangzhou International Group Co. Ltd. (“GIG”). Meanwhile, Guangzhou International Group Building Management Company Limited (“GIGBM”) is 100% owned by GIG and thus, GIGBM is a fellow subsidiary of GGXEG and a connected person of the Company. As such, the GIGBM Transactions constitute continuing connected transactions for the Company.

In addition, pursuant to Rule 14.23 of the Listing Rules, given GIGBM is connected with GGXEG, the GIGBM Transactions marked * above are required to be aggregate with the GGXEG Transactions.

The relevant percentage ratios on aggregate value of the transactions with each of Bolex and GGXEG/GIGBM 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 GGXEG/GIGBM were less than HK\$10 million.

Meanwhile, the transaction amounts with Bolex have not exceeded the caps approved by the shareholders in the Special General Meeting held on 28 September 2009.

19. CONTINGENT LIABILITIES

During or since the end of the current period, the Group does not have any contingent liabilities.

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

The Shareholders of the Company had at the Special General Meeting held on 29 July 2011 approved the following via poll :

Capital reorganisation

- (a) the currency denomination of each of the issued and unissued shares in the authorised share capital of the Company be changed from AUD0.20 each to HK\$1.67 each (the “Redenominated Shares”) at the conversion rate of AUD1.00 to HK\$8.35 (the “Currency Redenomination”);
- (b) the issued share capital of the Company be reduced whereby the nominal value of each issued Redenominated Share will be reduced from HK\$1.67 to HK\$0.01 by cancelling HK\$1.66 of the paid-up capital on each issued Redenominated Share;
- (c) the authorised share capital of the Company be reduced by reducing the nominal value of each Redenominated Share from HK\$1.67 to HK\$0.01 each resulting in the reduction of the authorised share capital of the Company from HK\$250,500,000 which is divided into 150,000,000 Redenominated Shares to HK\$1,500,000 which is divided into 150,000,000 New Shares; (paragraphs (b) and (c) collectively referred to as “Capital Reduction”)
- (d) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company and the directors of the Company (the “Directors”) be and are hereby authorised to apply such credit arising from the Capital Reduction in any manner permitted by the laws of Bermuda, the Bye-laws and all other applicable laws without further authorisation from the Shareholders (the “Application of Credit”).

Amendment to the bye-laws

THAT the definition of “A\$” or “\$” in Bye-law 1.1(a) be deleted in its entirety and replaced with the following:

“HK\$” means the Hong Kong dollars, the lawful currency of Hong Kong

Save as disclosed above, no significant event has arisen during and end of the subsequent 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 interim financial statements.

21. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

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 months period ended 30 June 2011 (the "current period") was at HK\$66,256,000 compared to the unaudited net profit of HK\$5,499,000 recorded in the corresponding period last year. Net loss per share was 63 Hong Kong cents.

The Group's revenue and net loss, including the Group's share of the Joint Venture's result, are shown by business 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.

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

Operating Results

	Six Months Period Ended		Change %
	30.6.2011 HK\$'000	30.6.2010 HK\$'000	
Revenue	194,260	307,882	(36.9)
Costs and expenses	(261,696)	(307,951)	15.0
Other income	1,180	5,568	(78.8)
Net (loss)/profit	<u>(66,256)</u>	<u>5,499</u>	<u>(1,304.9)</u>

The net loss of the Group was HK\$66,256,000, mainly derived from the share of the Joint Venture's operating loss of HK\$27,797,000 and the impairment loss on plant and machinery of HK\$28,312,000. The consolidated loss was worsened by loss on fair value changes of listed securities in Malaysia amounting to HK\$1,239,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BUSINESS REVIEW AND PROSPECTS (CONT'D)

1. Analysis on the Operating Results and Financial Position of the Group (Cont'd)

Financial Analysis

	As At	
	30.6.2011	31.12.2010
Total assets (HK\$'000)	410,461	518,249
Shareholders' equity (HK\$'000)	258,827	329,050
Return on shareholders' equity (%)	(25.6)	1.20*
Current ratio	1.28	1.34

* Calculated by dividing net profit for the corresponding period last year over shareholders' equity as at 30 June 2010.

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

The first half of 2011 is a challenging year to the business of Joint Venture. Given the decrease in both domestic and export sales, the Joint Venture is only able to record a turnover of HK\$194,260,000, a 37% decline from the previous corresponding period. The lower domestic sales are mainly attributable to the decrease in demand of bias truck tyres, which is facing stiff competition from radial tyres.

On the other hand, the export sales were affected by the decrease in the sales to Republic of India and Republic of Yemen, which are the two major export markets for the Joint Venture. As shown in geographic information of Note 2(d) to the interim report, sales to Republic of India declined about 53% and Republic of Yemen decreased about 49% compared to the previous corresponding period. The decrease in the sales to Republic of India is due to the Anti Dumping Duty imposed by Indian Government on bias tyres, tube and flap import from China. The decrease in the sales to Republic of Yemen is due to political instability in the country.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BUSINESS REVIEW AND PROSPECTS (CONT'D)

1. Analysis on the Operating Results and Financial Position of the Group (Cont'd)

The Joint Venture (Cont'd)

The performance of the Joint Venture has been further deteriorated by the on-going increase in raw material price, particularly rubber. Benchmark May 2011 rubber futures contract traded on the Shanghai Futures Exchange hit a record high of RMB43,500 (US\$6,598.21), compared to around RMB20,000 (US\$3,033.66) in June last year. The phenomenal rise in rubber price led to higher cost of production, which could not be fully passed on to customers due to intense competition in the market. The Joint Venture recorded a gross loss of about 3% as compared to a gross profit margin of 9.6% in the previous corresponding period.

Additionally, in view of the performance of the Joint Venture for the current period and management's view of the market, an impairment loss of HK\$28,312,000 on the plant and machinery to produce bias tyres has been recognised in profit or loss.

Outlook

Since the early part of the year, Chinese manufacturers have been scrambling to cope with the steep rise in cost while adapting to new local challenges such as stricter environmental rules, minimum wages and credit tightening by the authorities. However, the prime focus has been again on the continuous rise in raw material prices, lead by natural rubber.

The Joint Venture has developed a clear operational plan to overcome the challenges ahead by moving to increase the production of Light Truck Radial ("LTR") tyre. Since radialisation is taking place quite aggressively across markets worldwide, the Joint Venture is more optimistic of the LTR market. The management expects a strong growth in this segment and plans are underway to increase its product range.

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

As at 30 June 2011, 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 (%)
Goh Nan Kioh	Family	957,790 ⁽²⁾	0.9
	Corporate	38,398,000 ⁽¹⁾	36.52
Goh Nan Yang	Personal	94,000	0.1

Notes:

- These shares are beneficially held by three corporations in which Goh Nan Kioh holds more than 20% equity interest.
- 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.

In addition to the above, the following directors are deemed to have interests in the shares of the Company to the extent of the options granted to them pursuant to the share options scheme of the Company as follows:

	Number of Shares Issuable Under Options			
	At 1.1.2011	Granted	Exercised	At 30.6.2011
Goh Nan Kioh	—	1,500,000	—	1,500,000
Goh Nan Yang	—	2,500,000	—	2,500,000
Yeow See Yuen	—	800,000	—	800,000
Khoo Teng Keat	—	800,000	—	800,000
Won Thean Sang	—	410,000	—	410,000

The Company does not have any listed debt securities.

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 2011, 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).

Substantial Shareholders

As at 30 June 2011, 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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

Substantial Shareholders (Cont'd)

Long positions in ordinary shares of the Company (Cont'd)

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 substantially held by Goh Nan Kioh 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 Non-Executive Chairman of the Company.
2. Kuala Lumpur Kepong Berhad is a company incorporated in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad. 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. Kuala Lumpur Kepong Berhad 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 2011, Kuala Lumpur Kepong Berhad is 46.57% directly owned by Batu Kawan Berhad, which is, in turn, 46.02% 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 Market of Bursa Malaysia Securities Berhad.

Save as disclosed above, as at 30 June 2011, 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 2011, 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 comprising 3 independent non-executive directors and is chaired by an Independent Non-Executive Director. The Audit Committee meets at least twice a year with management and annually with the external auditors of the Company to review matters relating to audit, accounting and financial statements as well as the accounting policies, internal controls and financial reporting of the Company, its subsidiaries and the Joint Venture.

The Board regret to inform that Mr Won Thean Sang, an independent non-executive Director, one of the members of the Audit Committee passed away on 28 July 2011. As a result of the passing away of Mr Won Thean Sang, the Company has two independent non-executive Directors, namely, Mr Khoo Teng Keat and Mr Yeow See Yuen and does not meet the requirements under rule 3.10(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Board will seek to appoint a new independent non-executive Director as soon as possible but not later than 27 November 2011 to fill in the vacancy of independent non-executive director and member of audit committee to comply with the Listing Rules.

The interim financial statements for the period ended 30 June 2011 which were not required to be audited and have been reviewed by the remaining Audit Committee of the Company, consequent to the passing away of the late Mr Won. The Audit Committee 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 as the date of this report are as follows :

Goh Nan Kioh	Chairman ad Non-Executive Director
Goh Nan Yang	Executive Director
Yeoh Eng Khoon	Non-Executive Director
Khoo Teng Keat	Independent Non-Executive Director
Yeow See Yuen	Independent Non-Executive Director

The Board regret to inform that Mr Won Thean Sang, an independent non-executive Director, passed away on 28 July 2011. As a result of the passing away of Mr Won Thean Sang, the Company has two independent non-executive Directors, namely, Mr Khoo Teng Keat and Mr Yeow See Yuen and does not meet the requirements under rule 3.10(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The Board will seek to appoint a new independent non-executive Director as soon as possible but not later than 27 November 2011 to fill in the vacancy of independent non-executive director and member of audit committee to comply with the Listing Rules.

By order of the Board

Goh Nan Yang

Director and CEO

Kuala Lumpur, 19 August 2011