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PEARL RIVER TYRE (HOLDINGS) LIMITED

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

(Stock Code: 1187)

ANNOUNCEMENT REVISION OF ESTIMATED CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Directors expect the actual monetary value of the Bolex Transactions for each of the three financial years ending 31 December 2011 will exceed their respective relevant previous estimated caps as set out in the Announcement and the Directors propose to revise the respective estimated caps of the Bolex Transactions for each of the three financial years ending 31 December 2011.

The relevant percentage ratios (other than profits ratio) of the transaction amount for the Bolex Transactions shall be on an annual basis less than 25% (on the basis of proportionate consolidation of the JV in accordance with the prevailing accounting standards applicable to the Group) but more than HK\$10,000,000. Pursuant to Rule 14A.35 of the Listing Rules, the Bolex Transactions are subject to the reporting and announcement requirements and the independent shareholders' approval requirements. In this connection, the Company will seek the independent shareholders' approval for the revised caps at the SGM.

An independent board committee composed of the independent non-executive Directors has been formed and an independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in relation to the revision of the caps and the transactions contemplated thereunder.

A circular containing, among other things, details of the revision of the caps, a letter of recommendation from the independent board committee to the independent shareholders, a letter of advice by the independent financial adviser to the independent board committee and the independent shareholders, and a notice of the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Reference is made to the announcement (the "Announcement") of the Company dated 8 December 2008 in relation to, among other things, the Bolex Transactions. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

THE BOLEX TRANSACTIONS

Pursuant to an agreement (the “Bolex Master Agreement”) between the JV and Bolex in December 1996, the JV agreed to process certain raw materials for Bolex, in return for a contribution by Bolex of an agreed percentage of the cost of the equipment used and the employees employed for such processing service. As a further elaboration of and breaking down of these two parameters into five components, the contribution received and receivable from Bolex had actually been determined with reference to:

- (a) the cost of operating and maintaining the equipment used (including depreciation and maintenance expenses)*;
- (b) the cost of the employees employed*;
- (c) the cost of the raw materials incurred*; and
- (d) the overhead costs such as insurance costs, administrative staff costs and sundry costs payable by Bolex to the JV*; and
- (e) other expenses (namely, utilities costs such as water, electricity, steam and compressed air consumed) incurred# subject to an annual revision on a retrospective basis against pre-determined unit price levels which were derived with reference to the market price levels and the actual cost accounting records of the JV based on the actual price levels of (as example) water and electricity charged by the PRC water supplies authority and PRC electricity authority respectively prevailing from time to time with reference to the then consumer price index*

**The Directors confirm that the basis for sharing of cost components (a) to (d) above is as follows:*

Bolex’s share = {total actual costs + 1% fixed percentage of mark-up} x {Bolex usage / (Bolex usage + JV’s usage)}

#The Directors confirm that the basis for sharing of cost component (e) above is as follows:

Bolex’s share = {total actual costs inclusive of direct material [components (c)] + direct expenses [labour cost (components (b)) & cost of equipment (components (a))] + overhead costs [component (d)] + 1% fixed percentage of mark-up} x {Bolex usage / (Bolex usage + JV’s usage)}

On 18 April 2006, the JV and Bolex entered into an supplemental agreement to the Bolex Master Agreement pursuant to which the tenure of the Bolex Master Agreement was renewed for a period of three years from 1 January 2006 to 31 December 2008 and such tenure will be renewable automatically for every another 3 years upon expiry at the same terms and subject to compliance with the Listing Rules then prevailing. On 31 December 2008, the Bolex Master Agreement will be renewed automatically for a period of three years from 1 January 2009 to 31 December 2011 at the same terms.

Previous Caps of the Bolex Transactions for the three years ending 31 December 2011

As set out in the Announcement, the Directors estimated that the cap in respect of the Bolex Transactions for each of the three financial years ending 31 December 2011 to amount to approximately HK\$9,394,000, HK\$9,394,000 and HK\$9,394,000 respectively, which are detailed in the following table:

Budgeted transactions between the JV and Bolex (HK\$'000)

	For the year ending 31 December		
	<i>2009</i>	<i>2010</i>	<i>2011</i>
1. Contribution received and receivable from Bolex for			
(i) processing/providing raw material/intermediate/consumable products;	130	130	130
(ii) charging of utilities (water, electricity, steam and compressed air consumed); and	9,176	9,176	9,176
(iii) the right to use the factory lift and the factory space	88	88	88
Estimated caps of the Bolex Transactions	<u>9,394</u>	<u>9,394</u>	<u>9,394</u>

The following are the actual value of the Bolex Transaction for the seven months ended 31 July 2009 and the announced caps (the “Cap(s)”) for the year ending 31 December 2009:

Transactions between the JV and Bolex (HK\$'000)	Announced Cap for the year ending 31 December 2009	Actual amount for the seven months ended 31 July 2009
1. Contribution received and receivable from Bolex for		
(i) processing/providing raw material/intermediate/consumable products;	130	492
(ii) charging of utilities (water, electricity, steam and compressed air consumed); and	9,176	9,279
(iii) the right to use the factory lift and the factory space	88	58
Total	<u>9,394</u>	<u>9,829</u>

Revised Caps of the Bolex Transactions for the three years ending 31 December 2011

The Directors estimate that the caps in respect of the Bolex Transactions for each of the three financial years ending 31 December 2011 would exceed the previous estimated caps as set out in the Announcement and propose to revise the estimated caps to approximately HK\$21,110,000, HK\$23,221,000 and HK\$25,543,000 respectively, which are detailed in the following table:

Budgeted transactions between the JV and

Bolex (HK\$'000)

For the year ending 31 December

	<i>2009</i>	<i>2010</i>	<i>2011</i>
1. Contribution received and receivable from Bolex for			
(i) processing/providing raw material/intermediate/consumable products;	1,000	1,100	1,210
(ii) charging of utilities (water, electricity, steam and compressed air consumed); and	20,000	22,000	24,200
(iii) the right to use the factory lift and the factory space	110	121	133
Estimated caps of the Bolex Transactions	21,110	23,221	25,543

Basis for the revised Caps

The revised caps have been arrived at on the basis of the historical audited/unaudited amount of the Bolex Transactions for the two years ended 31 December 2008 and the six months ended 30 June 2009. In particular, as far as the charging of utilities (water, electricity, steam and compressed air consumed) is concerned, its caps have been arrived at on the basis of sharing of utilities costs with Bolex (where Bolex's share = {actual utilities cost (inclusive of overhead costs) + 1% fixed percentage of mark-up} x {Bolex usage / (Bolex usage + JV's usage)}). In addition, the Company has also taken into account (i) the projected sales by Bolex in the coming three financial years ending 31 December 2011; (ii) the anticipated level of production costs based on the projected sales by Bolex in the coming three financial years ending 31 December 2011; (iii) the anticipated overhead costs; (iv) the expected increase in utilities charges charged by the PRC authority and other expenses; (v) the anticipated currency appreciation of Renminbi against HK dollar, when determining the proposed caps for the coming three financial years ending 31 December 2011; and (vi) the recovery of the global economy and favourable PRC government policies towards tyres industry which have improved both the domestic and export markets .

REASONS FOR THE BOLEX TRANSACTIONS

The Company is principally engaged in the business of investment holding. The Group's principal asset is a 70% equity interest in the JV. The JV is principally engaged in the manufacturing and marketing of various types of tyres for commercial vehicles. Meanwhile, Bolex is principally engaged in manufacture and sales of tyres.

The Directors envisage that the Bolex Transactions serve to better utilise the production capacity of the Group, given that the provision of processing services to Bolex can utilise the idle/surplus production capacity, factory space and factory lift of the JV and other utilities consumed thereby from time to time. The recovery of the global economy and favourable PRC government policies towards tyres industry have improved both the domestic and export markets. This directly encouraged the demand of the services and utilities from Bolex. The Directors anticipated the demand from domestic and export market will continue to increase in the future. Therefore, the Directors proposed to revise the caps in respect of the Bolex transactions.

The Directors (excluding the independent non-executive Directors) consider that the proposed revised annual caps for the Bolex Transactions for each of the three financial years ending 31 December 2011 are fair and reasonable. The Directors further confirm that the pricings under the Bolex Transactions are on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties.

COMPLIANCE

Guangzhou Guang Xiang Enterprise Group Company Limited ("GGXEG") is a connected person of the Company under the Listing Rules as GGXEG is the owner of 30% equity in the JV (in which the Group owns the balance of 70% equity). As Bolex is 75% owned by GGXEG, Bolex is an associate of GGXEG and hence also a connected person of the Company. Under the Listing Rules, the Bolex Transactions constitute continuing connected transactions for the Company.

Pursuant to Rule 14A.36 of the Listing Rules, the Company must re-comply with the relevant reporting and announcement requirements and/or the independent shareholders' approval requirements if the relevant cap under each of the Bolex Transactions is exceeded, or when the relevant agreements under each of the Bolex Transactions are renewed or there is a material change to the terms of the said agreements. The Company expects that the actual amount for the Bolex transactions for the year ending 31 December 2009 will exceed the announced cap, thus, the Company proposes to revised the estimated caps for the three financial years ending 31 December 2011. For the three financial years ending 31 December 2011, the relevant percentage ratios (other than profits ratio) of the transaction amount for each of the Bolex Transactions shall be on an annual basis less than 25% (on the basis of proportionate consolidation of the JV in accordance with the prevailing accounting standards applicable to the Group) but more than HK\$10,000,000. Pursuant to Rule 14A.35 of the Listing Rules, the Bolex Transactions are subject to the reporting and announcement requirements and the independent shareholders' approval requirements.

In this connection, the Company will seek approval from the independent shareholders of the Company (the “Shareholders”) for the revised caps at the special general meeting (the “SGM”) to be conducted by poll. Given that no connected person which is a party to the Bolex Transactions is a Shareholder, all Shareholders are eligible to vote on the resolution(s) in relation to the revision of the caps.

An independent board committee composed of the independent non-executive Directors has been formed and an independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders in relation to the revision of the Caps and the transactions contemplated thereunder.

A circular containing, among other things, details of the revision of the Caps, a letter of recommendation from the independent board committee to the independent Shareholders, a letter of advice by the independent financial adviser to the independent board committee and the independent Shareholders, and a notice of the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

By order of the Board of Directors
Goh Nan Yang
Director

Kuala Lumpur, 14 August 2009

For the purpose of this announcement, the exchange rate adopted is RMB1 = HKD1.1347. This exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or at any other rate at all.

As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Goh Nan Kioh, the Non-Executive Chairman, Mr. Goh Nan Yang, being the Executive Director, Mr. Yeoh Eng Khoon being the Non-Executive Director and Mr. Won Thean Sang, Mr. Yeow See Yuen and Mr. Khoo Teng Keat being the Independent Non-Executive Directors.