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PEARL RIVER TYRE (HOLDINGS) LIMITED

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

(Stock Code: 01187)

ANNOUNCEMENT NEW CONTINUING CONNECTED TRANSACTIONS WITH GUANGZHOU INTERNATIONAL GROUP BUILDING MANAGEMENT COMPANY LIMITED (“GIGBM”)

The Directors wishes to announce that the JV has entered into 2 new transactions with GIGBM on 28 January 2010.

The Board announces that for the three financial years ending 31 December 2012, each of the relevant percentage ratios (other than profits ratio) of the transaction amount for the GIGBM 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) and less than HK\$10,000,000.

Pursuant to Rules 14A.34 to 14A.35 of the Listing Rules, each of the GIGBM Transactions is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent shareholders' approval requirements.

Reference is made to the announcements (the “Announcements”) of the Company dated 8 December 2008 and 14 December 2009 respectively. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

THE GIGBM TRANSACTIONS

Pursuant to the Hostel Lease and Management Agreement between the JV and GIGBM dated 28 January 2010, the JV agreed to lease a hostel from GIGBM with a lease term commencing from 1 October 2009 to 31 December 2012 where the JV is given a rental payment exemption period from 1 October 2009 to 31 January 2010. The hostel leased from GIGBM, with a total gross floor area of 20,674 sq.m. for the brick concrete structure and 814 sq.m. for the brick wood structure at an annual rental of RMB550,768 per annum and RMB14,555 per annum respectively. The hostel will then be sublet to the factory workers of the JV.

Pursuant to the leasing agreement between the JV and GIGBM dated 28 January 2010, the JV agreed to lease a dining hall from GIGBM with a lease term of 3 years commencing from 1 January 2010 to 31 December 2012 at an annual rental of RMB94,705. The total gross floor area of the dining hall is 1,435 sq.m. to use as canteen for the staff of the JV.

Details of the GIGBM Transactions

The following table summarises the budgeted aggregate value of the GIGBM Transactions:

Budgeted transactions between JV and GIGBM (HK\$'000)	For the year ending 31 December		
	2010	2011	2012
1. Lease rental for a hostel payable to GIGBM	706	777	855
2. Lease rental for the dining hall payable to GIGBM	118	130	143
Proposed Caps of the GIGBM Transactions	<u>824</u>	<u>907</u>	<u>998</u>

The Proposed Caps have been arrived at on the basis of the terms and rate stated in the respective agreement. In addition, the Company has also taken into account the anticipated currency appreciation of Renminbi against HK dollar.

REASONS FOR THE GIGBM 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, GIGBM is engaged in, amongst others, letting of properties.

The Directors consider that the GIGBM Transactions serve to facilitate the industrial production and operations of the Group and enhance efficiency by making available to the Group the necessary hostel and dining hall for the use of the factory staffs and workers.

In the opinion of the Directors (including the independent non-executive Directors), each of the GIGBM Transactions has been conducted on an arm's length basis, on normal commercial terms, in the usual and ordinary course of business of the Group, and is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. The Directors (including the independent non-executive Directors) consider that the Proposed Caps for the GIGBM Transactions for the three financial years ending 31 December 2012 are fair and reasonable. The Directors further confirm that the pricing under the GIGBM 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

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). 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, 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 are required to be aggregate with the GGXEG Transactions (details of which were set out in the Announcements). The following table sets out the details of such aggregation:

Budgeted transactions between JV and GGXEG (HK\$'000)	For the year ending 31 December		
	2010	2011	2012
1. Lease rental for the exclusive right to use certain machinery payable to GGXEG	2,272	2,272	(Note)
2. Royalties for the right to use the trademark “Pearl River” and any technology and know-how necessary for the production of bias tyres payable to GGXEG	1,077	1,292	(Note)
3. Lease rental for a hostel payable to GGXEG	41	41	(Note)
4. Lease rental for a piece of land and buildings erected thereon payable to GGXEG	4,659	4,659	(Note)
Proposed Caps of the GGXEG Transactions	<u>8,049</u>	<u>8,264</u>	<u>(Note)</u>
Proposed Caps of the GIGBM Transactions			
1. Lease rental for a hostel payable to GIGBM	706	777	855
2. Lease rental for the dining hall payable to GIGBM	118	130	143
Proposed Caps of the GIGBM Transactions	<u>824</u>	<u>907</u>	<u>998</u>
Subtotal	<u>8,873</u>	<u>9,171</u>	<u>998</u>

Note: the annual cap of the GGXEG Transactions for 2012 has not yet been determined.

ANNUAL REVIEW

Each year the independent non-executive Directors must review the GIGBM Transactions and the GGXEG Transactions and confirm in the annual report and accounts of the Company that they have been entered into in accordance with the relevant stipulations of Rule 14A.37 of the Listing Rules.

Subject to Rule 14A.39 of the Listing Rules, each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange), confirming that each of the GIGBM Transactions and the GGXEG Transactions was transacted in accordance with the relevant stipulations of Rule 14A.38 of the Listing Rules.

Subject to Rule 14A.40 of the Listing Rules, the Company shall promptly notify the Stock Exchange and publish an announcement in the newspapers if the Company knows or has reason to believe that the independent non-executive directors and/or auditors will not be able to confirm the matters set out in Rules 14A.37 and/or 14A.38 respectively. The Company may have to re-comply with Rules 14A.35(3) and (4) of the Listing Rules and any other conditions the Stock Exchange considers appropriate.

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 the GIGBM Transactions and the GGXEG Transactions is exceeded, or when the relevant agreements under the GIGBM Transactions and the GGXEG Transactions are renewed or there is a material change to the terms of the said agreements.

By order of the Board of Directors
Goh Nan Yang
Director

For the purpose of this announcement, the exchange rate adopted is RMB1 = HKD0.880327. 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.

Kuala Lumpur, 28 January 2010