



PEARL RIVER TYRE (HOLDINGS) LIMITED

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

(Stock Code: 1187)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

In respect of the Bolex Transactions, the relevant waiver granted by the Stock Exchange on 3 September 2003 from strict compliance with the disclosure requirements under Rule 14.25(1) of the then Listing Rules expired on 31 December 2005.

In respect of three GGXTEG Transactions, the Stock Exchange had on 16 July 1999 granted a waiver from strict compliance with the disclosure requirement under Rule 14.25(1) of the then Listing Rules for such period for the respective agreements as long as the aggregate value of these transactions in any financial year does not exceed 3% of the Group's net tangible assets.

On 18 April 2006, four supplemental agreements were executed between the JV and GGXTEG pursuant to which the tenure of the respective original agreements in respect of four prevailing GGXTEG Transactions was amended to 1 January 2006 to 31 December 2008 renewable automatically for every another 3 years upon expiry at the same terms, up to the respective date of the original tenure and subject to compliance with the Listing Rules then prevailing, with all other terms stipulated under each of the original agreements in respect of four prevailing GGXTEG Transactions remain unchanged.

The Board announces that for the three financial years up to 31 December 2008, the relevant percentage ratios of the transaction amount for each of the Bolex Transactions and the GGXTEG 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 Bolex Transactions and the GGXTEG Transactions are only subject to the reporting and announcement requirements under 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements.

Each of the Bolex Transactions and the GGXTEG Transactions constitute continuing connected transactions for the Company, and are to be carried out on a recurring basis both before and/or after 31 December 2005.

THE BOLEX TRANSACTIONS

On 16 July 1999, the Stock Exchange had, at the request of the Company, granted to the Company a conditional waiver from strict compliance with the disclosure and shareholders' approval requirements under Rule 14.25(1) and Rule 14.26 of the then Listing Rules on the following Bolex Transactions subject to, amongst others, the aggregate value of the Bolex Transactions in any financial year not exceeding 3% of the annual turnover of the Group for a term of three years from the date of listing of the shares of the Company on the Stock Exchange of 8 June 1999:

- Pursuant to an agreement between the JV and Bolex in December 1996, the JV agreed to process certain raw materials for Bolex, in return of a contribution by Bolex of an agreed percentage of the costs 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:
 - the cost of operating and maintaining the equipment used (including depreciation and maintenance expenses)*;
 - the cost of the employees employed*;
 - the cost of the raw material incurred*;
 - the overhead costs such as insurance costs, administrative staff costs and sundry costs payable by Bolex to the JV*;
 - 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)}
- Pursuant to another agreement between the JV and Bolex in December 1996, the JV agreed to provide certain administrative and management services to Bolex, in return of a contribution by Bolex of an agreed amount of the respective costs of the supporting divisions involved.

Item numbered (1) of the Bolex Transactions

Subsequent to December 1996, the original terms of the agreement between the JV and Bolex in respect of item numbered (1) above were amended as follows:

Supplemental

agreement dated

Nature of changes

1 August 1997

Addition of one new type of raw material for processing (without specification of the time tenure) under and within the same service scope of "processing raw materials" as contemplated under the master agreement dated December 1996 for the Bolex Transactions item numbered (1).

The Directors confirm that the subject matter of this supplemental agreement is merely the addition of one new type of raw material for processing, and hence, the transactions contemplated under and the terms of this supplemental agreement do not materially differ from the original intention/core spirit and the original terms of the master agreement dated December 1996 for the Bolex Transactions item numbered (1) which are essentially for "processing raw materials".

The Directors further confirm that the same components (a) to (e) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1) had always been adopted as the basis to derive the fee chargeable to Bolex under this supplemental agreement.

On the above basis, no disclosure of this supplemental agreement was made in the prospectus of the Company dated 3 June 1999.

17 January 2000

Identification of certain types of raw materials to be self-procured by Bolex instead of being procured on behalf of Bolex by the JV for processing (without specification of the time tenure) under and within the same service scope of "processing raw materials" as contemplated under the master agreement dated December 1996 for the Bolex Transactions item numbered (1).

The Directors confirm that the subject matter of this supplemental agreement is merely changing the procurement method of certain types of raw materials for processing, and hence, the transactions contemplated under and the terms of this supplemental agreement do not materially differ from the original intention/core spirit and the original terms of the master agreement dated December 1996 for the Bolex Transactions item numbered (1) which are essentially for "processing raw materials".

The Directors further confirm that the same components (a) to (e) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1) had always been adopted as the basis to derive the fee chargeable to Bolex under this supplemental agreement.

On the above basis, no disclosure of this supplemental agreement was made in any prior announcement of the Company.

April 2003 Fine-tuning the pre-determined percentage of allocation of material processing time and sharing of human/equipment resources between Bolex and the JV for raw material processing (without specification of the time tenure) under and within the same service scope of “processing raw materials” as contemplated under the master agreement dated December 1996 for the Bolex Transactions item numbered (1).

The Directors confirm that the subject matter of this supplemental agreement is merely the fine-tuning of pre-determined percentage of allocation of material processing time and sharing of human/equipment resources between Bolex and the JV for raw material processing, and hence, the transactions contemplated under and the terms of this supplemental agreement do not materially differ from the original intention/core spirit and the original terms of the master agreement dated December 1996 for the Bolex Transactions item numbered (1) which are essentially for “processing raw materials”.

The Directors further confirm that the same components (a) to (e) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1) had always been adopted as the basis to derive the fee chargeable to Bolex under this supplemental agreement.

On the above basis, no disclosure of this supplemental agreement was made in any prior announcement of the Company.

8 March 2005 Identification of a separate machinery in the factory of the JV to be solely used for raw materials processing for Bolex (without specification of the time tenure) under and within the same service scope of “processing raw materials” as contemplated under the master agreement dated December 1996 for the Bolex Transactions item numbered (1).

The Directors confirm that the subject matter of this supplemental agreement is merely the identification of a separate machinery in the factory of the JV to be solely used for raw materials processing for Bolex, and hence, the transactions contemplated under and the terms of this supplemental agreement do not materially differ from the original intention/core spirit and the original terms of the master agreement dated December 1996 for the Bolex Transactions item numbered (1) which are essentially for “processing raw materials”.

On the above basis, no disclosure of this supplemental agreement was made in any prior announcement of the Company.

1 July 2005 Agreement to lease the right to use the factory lift (located on the production floors from 1st floor to 3rd floor of the JV’s factory) and the JV’s factory space (comprising 3,001 sq.m.) to Bolex to be solely used for raw materials processing by Bolex from 1 July 2005 up to the day on which Bolex elects to cease to lease the same.

The basis of charges for the provision by the JV to Bolex of the right to use (i) the factory lift and (ii) the factory space is (a) depreciation based on original cost of the factory lift of RMB151,000 + annual inspection fee chargeable by an independent lift inspector of RMB1,390 payable on an annual basis, which includes miscellaneous expenses and (b) RMB5.5 per sq.m. x {948 sq.m. + [2,053 sq.m. x 1/5 (due to share of a common area on a one-fifth basis)]} payable on a monthly basis (representing no-mark up over the comparable rental cost of similar factory space adjacent to the JV’s factory) respectively subject to revision based on the actual level of (i) as to factory lift inspection fee charged by an independent lift inspector and (ii) as to factory space the land use fee and real estate tax prevailing from time to time with reference to the then consumer price index.

The Directors confirm that the transactions contemplated under and the terms of this supplemental agreement do not materially differ from the original intention/core spirit and the original terms of the master agreement dated December 1996 for the Bolex Transactions item numbered (1) which are essentially for “processing raw materials”.

On the above basis, no disclosure of this supplemental agreement was made in any prior announcement of the Company.

The transaction amount for the provision by the JV to Bolex of the right to use the factory lift and the factory space was only approximately HK\$42,000 from 1 July 2005 up to 31 December 2005 (i.e. less than HK\$1 million per annum).

10 November 2005 Addition of one new type of the intermediate/consumable product for processing for 3 years from 1 January 2006 to 31 December 2008 under and within the same service scope of “processing raw materials” as contemplated under the master agreement dated December 1996 for the Bolex Transactions item numbered (1).

The basis of charges for this one new type of the intermediate/consumable product is:

direct material** + direct expenses (labour cost*** + cost of equipment**** + utilities cost*****) + overhead cost^ (based on actual average cost per tonne) + mark-up on the sum of all costs which comprise direct material, direct expenses and overhead cost (subject to revision based on the actual price level of direct material available in marketplace, and 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).

** *direct material* is referring exactly to component (c) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1)

*** *labour cost* is referring exactly to component (b) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1)

**** *cost of equipment* is referring exactly to component (a) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1)

***** *utilities cost* is referring exactly to component (e) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1)

^ *overhead cost* is referring exactly to component (d) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1)

The Directors further confirm that the subject matter of this supplemental agreement is merely the addition of one new type of the intermediate/consumable product, and hence, the transactions contemplated under and the terms of this supplemental agreement do not materially differ from the original intention/core spirit and the original terms of the master agreement dated December 1996 for the Bolex Transactions item numbered (1) which are essentially for “processing raw materials”.

On the above basis, no disclosure of this supplemental agreement was made in any prior announcement of the Company.

31 December 2005 Change of the tenure of the above-mentioned agreement dated 1 July 2005 relating to leasing the right to use the factory lift and the factory space to 3 years from 1 January 2006 to 31 December 2008 renewable automatically for every another 3 years upon expiry at the same terms with all other terms stipulated under the supplemental agreement dated 1 July 2005 remain unchanged.

The Directors confirm that the subject matter of this supplemental agreement is merely a time tenure change (from 1 July 2005 up to the day on which Bolex elects to cease to lease the factory lift and the factory space) as previously stipulated in another supplemental agreement with Bolex dated 1 July 2005, the transactions under which in turn do not materially differ from the original intention/core spirit and the original terms of the master agreement dated December 1996 for the Bolex Transactions item numbered (1) which are essentially for “processing raw materials”.

On the above basis, no disclosure of this supplemental agreement was made in any prior announcement of the Company.

31 December 2005 Agreement to charge utilities (water, electricity, steam and compressed air consumed) in the factory space of the JV for 3 years from 1 January 2006 to 31 December 2008 at pre-determined unit price levels of water, electricity, steam and compressed air consumed which were derived with reference to the market price levels and the actual cost accounting records of the JV for 2005, subject to revision with reference to market price level prevailing from time to time.

*Bolex’s share = [total costs [inclusive of direct material** + direct expenses (labour cost*** & cost of equipment****) + overhead cost^] + 1% fixed percentage of mark-up] x {Bolex usage~ / (Bolex usage~ + JV’s usage)}*

- ** *direct material* is referring exactly to component (c) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1)
- *** *labour cost* is referring exactly to component (b) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1)
- **** *cost of equipment* is referring exactly to component (a) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1)
- ^ *overhead cost* is referring exactly to component (d) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1)
- ~ *Bolex usage* is gauged with reference to the exact tonnes of water consumed, the exact watt of electricity consumed, the exact tonnes of steam consumed and the exact sq.m. of compressed air consumed, all based on meter readings respectively

The Directors further confirm that the same components (a) to (e) of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1) had always been adopted as the basis to derive the fee chargeable to Bolex under this supplemental agreement.

The utilities charged:

- (i) had been and shall be incidental to and wholly used for processing /providing raw material/intermediate/consumable products to Bolex;
- (ii) were previously classified and included under component (e) "other expenses" of the parameters adopted to actually determine the contribution received and receivable from Bolex for the master agreement dated December 1996 for the Bolex Transactions item numbered (1); and
- (iii) shall be separated from the said component (e) "other expenses" of the parameters adopted previously to actually determine the "Contribution received and receivable from Bolex for the processing of certain raw materials" to a new item termed "charging of utilities (water, electricity, steam and compressed air consumed)" for the purpose of determining the cap of the Bolex Transactions for each of the three financial years ending 31 December 2008.

On the basis of the said nature of utilities charged, and given the Directors' confirmation that the subject matter of this supplemental agreement is merely the agreement to charge utilities (water, electricity, steam and compressed air consumed) in the factory space of the JV, the transactions contemplated under and the terms of this supplemental agreement do not materially differ from the original intention/core spirit and the original terms of the master agreement dated December 1996 for the Bolex Transactions item numbered (1) which are essentially "processing raw materials".

On the above basis, no disclosure of this supplemental agreement was made in any prior announcement of the Company.

The significant drop in annual cap for processing/providing raw material/intermediate/consumable products for the year ending 31 December 2006 is attributable merely to the separation of the relevant component previously classified under the "Contribution received and receivable from Bolex for the processing of certain raw materials" to a new item termed "charging of utilities (water, electricity, steam and compressed air consumed)". The calculation of the aggregate of (i) processing/providing raw material/intermediate/consumable products and (ii) charging of utilities (water, electricity, steam and compressed air consumed) for the year ending 31 December 2006 effectively mirrors to the level of the contribution received and receivable from Bolex for the processing of certain raw materials for the year ended 31 December 2005.

18 April 2006

Specification of the tenure of

- the master agreement dated December 1996 for the Bolex Transactions item numbered (1);
- the above-mentioned supplemental agreement dated 1 August 1997;
- the above-mentioned supplemental agreement dated 17 January 2000;
- the above-mentioned supplemental agreement dated April 2003; and
- the above-mentioned supplemental agreement dated 8 March 2005;

from 1 January 2006 to 31 December 2008 renewable automatically for every another 3 years upon expiry at the same terms and subject to compliance with the Listing Rules then prevailing.

Other than this supplemental agreement, the Directors confirm that no further agreements in respect of the Bolex Transactions have been entered into subsequent to 31 December 2005.

As disclosed in the announcement of the Company dated 2 May 2000, the aforesaid conditional waiver granted by the Stock Exchange on 16 July 1999 in respect of the Bolex Transactions was revoked and replaced by a renewed conditional waiver at the request of the Company from strict compliance with the disclosure and shareholders' approval requirements subject to, amongst others, the aggregate value of the Bolex Transactions not exceeding 3% of the Group's annual turnover for a term of three years ended 31 December 2002.

On 3 September 2003, the Stock Exchange had, at the request of the Company, granted to the Company a conditional waiver from strict compliance with the disclosure requirements under Rule 14.25(1) of the then Listing Rules on the Bolex Transactions subject to, amongst others, the aggregate value of the Bolex Transactions in any financial year not exceeding either the higher of HK\$10 million or 3% of the consolidated net tangible assets of the Group for a term of three years ending 31 December 2005. The then application for waiver on the Bolex Transactions was disclosed in the announcement of the Company dated 29 August 2003.

Item numbered (2) of the Bolex Transactions

On 18 November 2003, the agreement between the JV and Bolex in December 1996 in respect of item numbered (2) above was discontinued with effect from 1 January 2004. The Directors confirm that it was no longer necessary for the JV to provide administrative and management services to Bolex because it was the new policy of Bolex to utilise its own resources to perform the same functions.

Details of the Bolex Transactions

According to the annual reports for the two years ended 31 December 2004 and the audited results for the year ended 31 December 2005 of the Company, the following table summarises the aggregate value of the Bolex Transactions:

	For the year ended 31 December			
	2006 (1 January to 28 February) (unaudited)	2005 (audited)	2004 (audited)	2003 (audited)
1. Contribution received and receivable from Bolex for the processing of certain raw materials	622,868 (Note C)	5,535,000 (Note A, B)	3,316,000	4,510,000
2. Management fee received and receivable from Bolex for the administrative and management services	0	0	0	267,000
3. Interest income received and receivable from Bolex for amounts outstanding	23,421	113,000	81,000	83,000
Total of the Bolex Transactions	646,289	5,648,000	3,397,000	4,860,000

Note A:

The increase for the year ended 31 December 2005 as compared to last financial year ended 31 December 2004 was attributable to the upward revision in prices and higher quantities of materials processed for Bolex during the period.

Note B:

The figure for the year ended 31 December 2005 had (i) included the contribution received and receivable from Bolex for the provision of the right to use the factory lift and the factory space which amounted to approximately HK\$42,000 commencing from 1 July 2005; but (ii) excluded those transactions (which had not yet commenced until 1 January 2006) under the processing of intermediate/consumable products under the supplemental agreement dated 10 November 2005.

Note C:

The figure included those transactions under the processing of intermediate/consumable products under the supplemental agreement dated 10 November 2005 which amounted to approximately HK\$41,763 commencing from 1 January 2006 to 28 February 2006.

Cap of the Bolex Transactions for the upcoming three years

The Directors estimate that the cap in respect of the Bolex Transactions for each of the three financial years up to 31 December 2008 to amount to approximately HK\$6,478,000, HK\$6,478,000 and HK\$6,478,000 respectively, which are detailed in the following table:

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

	For the year ending 31 December		
	2008	2007	2006
1. Contribution received and receivable from Bolex for			
(i) processing/providing raw material/intermediate/consumable products (<i>Note D</i>);	850,000	850,000	850,000
(ii) charging of utilities (water, electricity, steam and compressed air consumed) (<i>Note E</i>); and	5,418,000	5,418,000	5,418,000
(iii) the right to use the factory lift and the factory space (<i>Note F</i>)	97,000	97,000	97,000
2. Interest income received and receivable from Bolex for amounts outstanding (<i>Note G</i>)	113,000	113,000	113,000
	<u>6,478,000</u>	<u>6,478,000</u>	<u>6,478,000</u>

Estimated cap of the Bolex Transactions

Note D:

To be carried out pursuant to

- the master agreement with Bolex dated December 1996 for the Bolex Transactions item numbered (1);
- the supplemental agreement with Bolex dated 1 August 1997 as disclosed in the table set out under the above section headed "Item numbered (1) of the Bolex Transactions";
- the supplemental agreement with Bolex dated 17 January 2000 as disclosed in the table set out under the above section headed "Item numbered (1) of the Bolex Transactions";
- the supplemental agreement with Bolex dated April 2003 as disclosed in the table set out under the above section headed "Item numbered (1) of the Bolex Transactions";
- the supplemental agreement with Bolex dated 8 March 2005 as disclosed in the table set out under the above section headed "Item numbered (1) of the Bolex Transactions; and
- the supplemental agreement with Bolex dated 10 November 2005 as disclosed in the table set out under the above section headed "Item numbered (1) of the Bolex Transactions".

When compared with the actual historical amount of the same item for the year ended 31 December 2005, the significant drop in the estimated annual cap for processing/providing raw material/intermediate/consumable products is due merely to the separation of the relevant component previously classified under the "Contribution received and receivable from Bolex for the processing of certain raw materials" to a new item termed "charging of utilities (water, electricity, steam and compressed air consumed)".

The increase in the aggregate of (i) processing/providing raw material/intermediate/consumable products and (ii) charging of utilities (water, electricity, steam and compressed air consumed) for the year ending 31 December 2006 as compared to the contribution received and receivable from Bolex for the processing of certain raw materials for the year ended 31 December 2005 was due to budgeted increase in quantities of (i) raw material/intermediate/consumable products to be processed/provided and (ii) utilities (water, electricity, steam and compressed air consumed) to be provided by the JV to Bolex.

Note E:

To be carried out pursuant to the supplemental agreement with Bolex dated 31 December 2005 (for utilities) as disclosed in the table set out under the above section headed "Item numbered (1) of the Bolex Transactions".

Note F:

To be carried out pursuant to the supplemental agreement with Bolex dated 1 July 2005 as disclosed in the table set out under the above section headed "Item numbered (1) of the Bolex Transactions".

Note G:

Interest income from Bolex for amounts outstanding was not an item explicitly covered under the waiver granted by the Stock Exchange on 24 July 2000 and 3 September 2003 in respect of the Bolex Transactions. However, the Directors confirm that the interest income charged on Bolex is merely incidental to the outstanding amounts payable from Bolex to the JV from time to time as a result of the Bolex Transactions. The basis of charge is a fixed percentage per annum which represents the interest rate charged on the bank loan of the JV denominated in RMB on the outstanding amounts on a monthly basis from time to time.

The cap has been arrived at on the basis of the historical audited/unaudited amount of the Bolex Transactions for the three years ended 31 December 2005. In particular, as far as the right to use the factory lift and the factory space to Bolex is concerned, its cap has been arrived at on the basis of the historical unaudited amount of such transactions for the six months ended 31 December 2005 as such transactions commenced only on 1 July 2005. As far as the charging of utilities (water, electricity, steam and compressed air consumed) is concerned, its cap has 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)}).

THE GGXTEG TRANSACTIONS

On 16 July 1999, the Stock Exchange had, at the request of the Company, granted to the Company a conditional waiver from strict compliance with the disclosure requirement under Rule 14.25(1) of the then Listing Rules on (amongst others) the following three GGXTEG Transactions between the JV and GRTF for such period for the respective agreements as long as the aggregate value of these transactions in any financial year does not exceed 3% of the Group's net tangible assets:

- Pursuant to an asset investment and leasing agreement between the JV, the Company and GRTF dated 2 November 1994, the JV agreed to lease from GRTF the exclusive right to use certain machinery for the duration of the JV, being 30 years from December 1993 at RMB2,000,000 per annum.
- Pursuant to the terms of a license agreement between the JV and GRTF dated 2 November 1994 which provided for the transfer to the JV of (a) the right to use the trademark "Pearl River" and (b) any technology and know-how necessary for the production of bias tyres at the production levels contained in the JV agreement for US\$1 million (HK\$7.8 million), GRTF and the JV have also entered into a formal agreement to licence dated 2 November 1994 pursuant to which GRTF has licensed the right to the exclusive use of the said trademark at a monthly licence fee of 0.2% of the total monthly sales income derived from the sale of tyres bearing the said trademark. The JV is entitled to use the said trademark for the period from 1 January 1996 to 11 December 2023.
- Pursuant to the terms of agreements between (among others) the JV and GRTF dated May 1995, the JV agreed to contribute to the administrative expenses of a hospital and staff canteen under the management of GRTF. The services of the hospital and staff canteen are provided for the welfare of the staff members of the JV, GRTF, Bolex and a third party. The respective contribution made by the JV, GRTF, Bolex and the third parties is proportional to the number of staff members employed by each of the above entities.

In addition to the above three transactions, and subsequent to the conditional waiver letter from the Stock Exchange dated 16 July 1999 on the above three transactions, the JV further carried out another transaction with GRTF as follows:

- Pursuant to the leasing agreement between the JV and GRTF dated 28 October 1999, the JV agreed to lease a hostel from GRTF with a lease term of 20 years commencing from 1 January 2000 at an annual rental of RMB28,800 for the first 5 years, thereafter subject to revision based on the then consumer price index. No disclosure of this supplemental agreement was made in any prior announcement of the Company. No waiver from strict compliance with the requirements of the then Listing Rules was sought by the Company for this supplemental agreement; and

- (5) Pursuant to a real estate lease contract between the JV and GRTF dated 30 October 2000, the JV agreed to lease a piece of land in Wabu Village, Tanbu Town, Huadu, Guangzhou City, Guangdong Province, the PRC with an area of 170,729 sq.m. and buildings erected thereon. The buildings leased from GRTF, with a total gross floor area of 42,547 sq.m., are mainly used by the JV for its office, industrial production and operations purposes. The lease term is 20 years from 20 December 2000 at RMB3,508,668 per annum. The lease rental will be revised based on the land use fee and real estate tax actually paid/payable to the government at any time when necessary. The Directors confirm that the lease rental will be revised only when the government revises the land use fee and real estate tax which has never happened. It is envisaged that the adjustment (if any) will be based on and be proportional on a dollar-to-dollar basis to the land use fee and real estate tax actually paid/payable to the government. The cap will be subject to that cited in the budgeted cap table for the three years ending 31 December 2008 in the next section headed "Cap of the GGXTEG Transactions for the upcoming three years". Details of this real estate lease transaction were disclosed in the announcement of the Company dated 30 October 2000 and in the circular of the Company dated 28 November 2000. No waiver from strict compliance with the requirements of the then Listing Rules was sought by the Company for this supplemental agreement.

The agreement under the above item numbered (3) was supplemented on 20 October 1999 as to arrangement of sharing on a pro rata basis based on relative number of employees by the JV, GRTF, Bolex and a third party of (i) ongoing early retirement payments payable to the retired personnel and (ii) one-off retrenchment payments payable to the retrenched personnel for hospital and other supporting units as a result of headcount cut-down since 1995. The same agreement was further supplemented in April 2005 as to actual payment arrangement of sharing on a pro rata basis based on relative number of employees by the JV, GGXTEG (the then GRTF), Bolex and third parties of (i) ongoing early retirement payments payable to the retired personnel and (ii) one-off retrenchment payments payable to the retrenched personnel for staff canteen. To the best knowledge of the Company, the relevant hospital has been closed down by December 2004 and the staff canteen is no longer under the management of GRTF (presently GGXTEG) since mid 2005. Hence, no sharing of administrative expenses for hospital and staff canteen under the management of GGXTEG was necessary after mid 2005, although there has been and will be share of some ongoing early retirement payments payable to the retired personnel until 2013 carried forward and arising from the share of administrative expenses for hospital and staff canteen under the management of GGXTEG, which the Company confirms are to be 100% paid ultimately to the retired personnel indirectly via GGXTEG which does not charge any handling fees and which amount to an estimated total of RMB562,000 (representing the sum of share of early retirement payments of 13 personnel to be retired during 2006 to 2013). The share of some ongoing early retirement payments payable to the retired personnel was a function of (i) the number of staff retired early; (ii) the last salary/benefits of the individual staff retired early; and (iii) the remaining number of years up to the age of normal retirement of the individual staff retired early.

The Company confirms that the share of ongoing early retirement payments (amounting to an estimated total of RMB562,000) is :

- (i) to be 100% paid ultimately to the retired personnel indirectly via GGXTEG which does not charge any handling fees;
- (ii) shared on a cost basis; and
- (iii) identifiable and allocated between the parties involved on a fair and equitable basis.

In 2001, the assets and liabilities of GRTF (including the rights and obligations under the prior agreement for setting up the JV) were taken over by GGXTEG (a state-owned enterprise) and disclosure on this was made under the annual report of the Company for the year ended 31 December 2001. However, no waiver from strict compliance with the requirements of the then Listing Rules for each of the items numbered (1), (2) and (3) above was re-sought by the Company as a result of this change because the Directors did not consider this change (which was attributable to the internal reorganisation of the counter-party and was beyond the control of the Company) as material and hence were not planning to re-visit this issue until a later stage. No waiver from strict compliance with the requirements of the then Listing Rules for each of the items numbered (4) and (5) above was sought by the Company because (i) the annual transaction amount under the item numbered (4) was less than HK\$1,000,000 or 0.03% of the Group's net tangible assets; and (ii) the transaction under the item numbered (5) is a replacement of a similar lease agreement executed prior to the listing of the Company in 1999 and for which the waiver granted from the Stock Exchange on 16 July 1999 from strict compliance with the requirements of the then Listing Rules effectively covered.

On 18 April 2006, four supplemental agreements were executed between the JV and GGXTEG pursuant to which the tenure of the respective original agreements in respect of four prevailing GGXTEG Transactions (numbered (1), (2), (4) and (5) above) was amended to 1 January 2006 to 31 December 2008 renewable automatically for every another 3 years upon expiry at the same terms, up to the respective date of the original tenure and subject to compliance with the Listing Rules then prevailing, with all other terms stipulated under each of the original agreements in respect of four prevailing GGXTEG Transactions remain unchanged.

Other than the item numbered (3) above, each of the GGXTEG Transactions shall be carried out on a recurring basis both before and after 31 December 2005 in accordance with the terms of the relevant agreements as mentioned under items numbered (1), (2), (4) and (5) above, which together aggregated to HK\$5,705,000 for the year ended 31 December 2005. The Directors consider that the said agreements as mentioned under items (1), (2) and (4) above were negotiated and agreed with the relevant counter-parties in the PRC prior to or around the listing of the Company in 1999 for the long-term benefit of the Group, whereas that under item (5) is a replacement of a similar lease agreement executed prior to the listing of the Company in 1999 for the long-term benefit of the Group (and for which the waiver granted from the Stock Exchange on 16 July 1999 from strict compliance with the requirements of the then Listing Rules effectively covered).

There is no stipulation of early termination for agreements under each of the GGXTEG Transactions numbered (1), (2) and (4), other than that the GGXTEG Transactions numbered (5) is terminable subject to early termination of the JV Agreement upon the occurrence of certain events including liquidation of the JV or the inability of the JV to conduct its business owing to a breach by one of the parties of the JV.

Details of the GGXTEG Transactions

According to the annual reports for the two years ended 31 December 2004 and the audited results for the year ended 31 December 2005 of the Company, the following table summarises the aggregate value of the GGXTEG Transactions:

Actual transactions between JV and GGXTEG (HK\$')

	For the year ended 31 December		
	2005 (<i>unaudited</i>)	2004 (<i>audited</i>)	2003 (<i>audited</i>)
1. Lease rental for the exclusive right to use certain machinery payable to GGXTEG	1,899,000	1,881,000	1,881,000
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 GGXTEG	492,000	410,000	451,000
3. Share of the administrative expenses for a hospital and staff canteen under the management of GRTF (presently GGXTEG) payable to GGXTEG	1,187,000	1,401,000	1,450,000
4. Lease rental for a hostel payable to GGXTEG	27,000	27,000	27,000
5. Lease rental for a piece of land and buildings erected thereon payable to GGXTEG	3,332,000	3,300,000	3,299,000
Total of the GGXTEG Transactions	6,937,000	7,019,000	7,108,000

Cap of the GGXTEG Transactions for the upcoming three years

The Directors estimate that the cap in respect of the GGXTEG Transactions for each of the three financial years up to 31 December 2008 would amount to approximately HK\$5,617,000, HK\$5,597,000 and HK\$5,567,000 respectively, which are detailed in the following table:

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

	For the year ending 31 December		
	2008	2007	2006
1. Lease rental for the exclusive right to use certain machinery payable to GGXTEG	1,884,000	1,884,000	1,884,000
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 GGXTEG (<i>Note H</i>)	350,000	380,000	400,000
3. Lease rental for a hostel payable to GGXTEG	27,000	27,000	27,000
4. Lease rental for a piece of land and buildings erected thereon payable to GGXTEG	3,306,000	3,306,000	3,306,000
Estimated cap of the GGXTEG Transactions	5,567,000	5,597,000	5,617,000

Note H:

When compared with the actual historical amount of the same item for the year ended 31 December 2005, the significant drop in the estimated annual cap on the 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 GGXTEG is due to the budgeted decrease in sales of "Pearl River" brand as new range of "non-Pearl River" branded products have been developed for sale by the Group.

The cap has been arrived at on the basis of the historical audited/unaudited amount of the GGXTEG Transactions for the three years ended 31 December 2005.

REASONS FOR THE BOLEX TRANSACTIONS AND THE GGXTEG 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 manufacture and sale of bias tyres for commercial vehicles.

Bolex is principally engaged in manufacture and sales of tyres. GGXTEG is engaged in, amongst others, manufacturing of automobile tyres, motorcycle tyres, bicycle tyres and other tyres, latex products, sundries and machinery.

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 Directors consider that the GGXTEG Transactions serve to facilitate the industrial production and operations of the Group by making available to the Group the necessary production technology/knowhow, trademark, machinery, office and hostel. The Directors, having made reasonable enquires, believe that GGXTEG has not offered or licensed its production technology/knowhow and trademark to any party other than the Group in relation to the particular products under the GGXTEG Transactions.

In the opinion of the Directors (including the independent non-executive Directors), each of the Bolex Transactions and the GGXTEG Transactions (as amended by each of the supplemental agreements as the case may be) have been conducted on an arm's length basis, on normal commercial terms, in the usual and ordinary course of business of the Group, and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. The Directors further confirm that the pricings under the Bolex Transactions and the GGXTEG 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

GGXTEG is a connected person of the Company under the Listing Rules as GGXTEG 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 GGXTEG, Bolex is an associate of GGXTEG and hence also a connected person of the Company. Under the Listing Rules, each of the Bolex Transactions and the GGXTEG Transactions constitute continuing connected transactions for the Company.

For the three financial years up to 31 December 2008, the relevant percentage ratios of the transaction amount for each of the Bolex Transactions and the GGXTEG 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 Bolex Transactions and the GGXTEG Transactions are only subject to the reporting and announcement requirements under 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements.

The Company shall set the annual cap for each of the Bolex Transactions and the GGXTEG Transactions every three years subject to the then prevailing Listing Rules.

ANNUAL REVIEW

Each year the independent non-executive Directors must review each of the Bolex Transactions and the GGXTEG 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 Bolex Transactions and the GGXTEG Transactions has 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) 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 each of the Bolex Transactions and the GGXTEG Transactions is exceeded, or when the relevant agreements under each of the Bolex Transactions and the GGXTEG Transactions are renewed or there is a material change to the terms of the said agreements.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"Board"	the board of Directors
"Bolex"	Guangzhou Bolex Tyre Limited, a Sino-foreign equity joint venture founded in the PRC on 11 November 1992, in which GGXTEG has a 75% interest and (to the best knowledge, information and belief having made reasonable enquires by the Directors) a third party independent of the Company and its connected persons (as defined in the Listing Rules) has a 25% interest. Bolex (as an associate of GGXTEG) is a connected person of the Company under the Listing Rules as GGXTEG is the owner of 30% equity in the JV (in which the Group owns the balance of 70% equity)
"Bolex Transactions"	together or individually, the two continuing connected transactions (numbered (1) and (2)) as set out under the section headed "THE BOLEX TRANSACTIONS" in this announcement
"Company"	Pearl River Tyre (Holdings) Limited, a company incorporated under the laws of British Virgin Islands on 17 February 1994 and was continued under the laws of Bermuda by migration of its domicile on 21 October 1994, the shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company
"GGXTEG"	Guangzhou Guang Xiang Tyre Enterprises Group Company Limited, a PRC state-owned enterprise which was restructured in 2001 to take over the assets and liabilities of GRTF. GGXTEG is a connected person of the Company under the Listing Rules as GGXTEG is the owner of 30% equity in the JV (in which the Group owns the balance of 70% equity)
"GGXTEG Transaction(s)"	together or individually, the five continuing connected transactions (numbered (1) to (5)) as set out under the section headed "THE GGXTEG TRANSACTIONS" in this announcement, and three of which had been granted a conditional waiver by the Stock Exchange on 16 July 1999 from strict compliance with the disclosure requirement under Rule 14.25(1) of the then Listing Rules
"Group"	the Company and its subsidiaries
"GRTF"	Guangzhou Rubber Tyre Factory, which is the former PRC partner owning 30% equity in the JV and which assets and liabilities were taken over by GGXTEG in 2001. GRTF was a connected person of the Company under the Listing Rules as GRTF was the owner of 30% equity in the JV (in which the Group owns the balance of 70% equity)
"JV"	Guangzhou Pearl River Tyre Limited, a sino-foreign joint venture which is 70% owned by the Group and 30% owned by GGXTEG
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	People's Republic of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US\$"	United States dollars, the lawful currency of the United States

By order of the Board of Directors
Goh Nan Yang
Director

For the purpose of this announcement, the exchange rate adopted is RMB1 = HKD0.9422.

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Ang Guan Seng (the Non-Executive Chairman), Mr. Goh Nan Kioh (the Non-Executive Deputy Chairman), Mr. Goh Nan Yang and Mr. Sandy Chim Chun Kwan (the Executive Directors), Dr. Lim Thian Soo (also alternate director Goh Nan Kioh) and Mr. Yeoh Eng Khoon (the Non-Executive Directors) and Mr. Lim Loi Heng, Ms. Helen Zee and Mr. Lim Chong Puang (the Independent Non-Executive Directors).

Kuala Lumpur, 20 April 2006

Please also refer to the published version of this announcement in China Daily.