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PEARL RIVER TYRE (HOLDINGS) LIMITED

(Registered in Bermuda with limited liability)

(Stock Code: 1187)

PROPOSED CAPITAL REORGANISATION

PROPOSED AMENDMENT TO BYE-LAWS

The Board is pleased to announce that the Company proposes to implement the Capital Reorganisation which will involve the following :

- (i) the change in the currency denomination of the issued and unissued Shares from AUD0.20 each to HK\$1.67 each at the conversion rate of AUD1.00 to HK\$8.35;
- (ii) a reduction of the issued share capital of the Company 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;
- (iii) a reduction of the authorised share capital of the Company 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; and
- (iv) the credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company.

The Capital Reorganisation is subject to the Shareholders' approval at the SGM and no Shareholders are required to abstain from voting on the resolution in relation to the Capital Reorganisation. A circular containing further detail of the Capital Reorganisation and the notice of the SGM will be dispatched to the Shareholders as soon as possible.

PROPOSED CAPITAL REORGANISATION

The Board is pleased to announce that the Company proposes to implement the Capital Reorganisation which involves:

- (i) the change in the currency denomination of the issued and unissued Shares from AUD0.20 each to HK\$1.67 each at the conversion rate of AUD1.00 to HK\$8.352;
- (ii) a reduction of the issued share capital of the Company 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;

- (iii) a reduction of the authorised share capital of the Company 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; and
- (iv) the credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company.

The credit arising in the Capital Reduction will be used in any manner permitted by the laws of Bermuda and the Bye-laws.

As at the date of this announcement, save for the Share Options entitling the Optionholders to subscribe for 10,511,628 Shares, the Company has no other outstanding warrants, options or convertible securities. There will be no changes in the exercise price of the said Share Options for 10,511,628 Shares and the New Shares to be issued upon exercise of Share Options (if any) will be at nominal value of HK\$0.01 after the Capital Reorganisation.

Conditions of the Capital Reorganisation

The Capital Reorganisation (which will be effected in accordance with the Bye-laws and the Companies Act) is conditional upon:

- (1) the passing by the Shareholders of the necessary resolutions approving the Capital Reorganisation at the SGM;
- (2) the compliance with the relevant procedures and requirements under sections 45 and 46 of the Companies Act to effect the Capital Reorganisation, including (i) publication of a notice in relation to the Capital Reduction in an appointed newspaper in Bermuda on a date not less than fifteen days but not more than thirty days before the date on which the Capital Reduction is to take effect; and (ii) that on the date on which the Capital Reduction is to be effected, there are no reasonable grounds to believe that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due;
- (3) the compliance with the relevant procedures and requirements under the Listing Rules to effect the Capital Reorganisation; and
- (4) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the New Shares in issue.

Reasons for the Capital Reorganisation

The Board considers that the Capital Reorganisation will give greater flexibility to the Company in managing its capital and shareholder funds. The credit in the contributed surplus account arising from the Capital Reduction will also enable the Company to distribute excess capital to the Shareholders as and when the Board considers appropriate. As such, the Board is of the view that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Effects of the Capital Reorganisation

As at the date of this announcement, the authorised share capital of the Company is AUD30,000,000 divided into 150,000,000 Shares of AUD0.20 each, of which 105,116,280 Shares have been issued and are fully paid. Assuming no Shares are to be issued pursuant to the exercise of the Share Option, immediately upon the Capital Reorganisation becoming effective, the authorised share capital of the

Company will become HK\$1,500,000 divided into 150,000,000 New Shares, of which 105,116,280 New Shares will be in issue.

On the assumption that no further Shares will be issued after the release of this announcement and on the basis of 105,116,280 Shares in issue as at the date of this announcement, a credit of HK\$109,665,000 will arise as a result of the Capital Reduction and will be transferred to the contributed surplus account of the Company, where such credit arising from the Capital Reduction may be utilised in any manner permitted by the laws of Bermuda, the Bye-laws and all other applicable laws. The Board currently has no immediate plan as to the use of such amount.

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, liabilities, business operations, financial position or management of the Company or the proportionate interests of the Shareholders, except for the expenses incurred in relation to the Capital Reorganisation. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group and the Board believes that on the date the Capital Reorganisation is to be effected, there will be no reasonable grounds to believe that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reorganisation and, except for the expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reorganisation becomes effective. The Capital Reorganisation does not involve any diminution of any liability nor will it result in any change in the relative rights of the Shareholders.

The New Shares will rank pari passu in all respects with each other.

The Shareholders, however, should note that there can be no assurance that the credit in the contributed surplus account in the Company arising from the Capital Reduction will be distributed in the future by way of dividend.

Expected effective date of the Capital Reorganisation

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganisation will become effective on the next Business Day following the date of passing of the relevant resolutions approving the Capital Reorganisation. The legal advisers to the Company as to Bermuda laws have confirmed that, subject to the conditions of the Capital Reorganisation as set out above being satisfied, the proposed cancellation of HK\$1.66 of the paid-up share capital on each issued Redenominated Share will be in compliance with the laws of Bermuda.

Listing and dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation. The New Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid.

None of the securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Share certificates

Upon the Capital Reorganisation becoming effective, share certificates for the New Shares will be issued in the currency denomination of HK\$0.01. However, all existing share certificates in issue bearing the currency denomination of AUD0.20 will continue to be effective as documents of title to and be valid for trading, settlement and registration purposes. There will not be any arrangement for the exchange of the existing share certificates bearing the currency denomination of AUD0.20 for new share certificates bearing the currency denomination of HK\$0.01.

PROPOSED AMENDMENT TO BYE-LAWS

If the Capital Reorganisation is being approved at the SGM, the currency denomination of the authorised share capital of the Company will need to be changed and the Bye-laws will be required to be amended accordingly.

In this regard, the Directors wish to propose a special resolution at the SGM consequential to the Capital Reorganisation if the Capital Reorganisation is approved at the SGM to amend one definition in the existing 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

The purpose of amending the Bye-laws is consistent with the Capital Reorganisation of the Company which will become effective upon approval of Shareholders at the forthcoming SGM.

SGM AND CIRCULAR

The Capital Reorganisation is subject to the Shareholders’ approval at the SGM. To the best knowledge, information and belief of the Directors, none of the Shareholders or their associates (as defined in the Listing Rules) would have any interest in the Capital Reorganisation, which is different from that of any other Shareholders. Accordingly, no Shareholders would be required to abstain from voting at the SGM.

A circular containing further detail of the Capital Reorganisation and the notice convening the SGM for the purpose of considering and if thought fit, passing the necessary resolutions to approve the Capital Reorganisation will be dispatched to the Shareholders as soon as possible.

DEFINITIONS

“AUD” Australian dollars, the lawful currency of Australia

“Board” the board of Directors

“Business Day”	the day (excluding Saturdays, Sundays and public holidays) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Bye-laws”	the bye-laws of the Company, as may be amended from time to time
“Capital Reduction”	the proposed (i) reduction of the paid-up capital of each of the Redenominated Shares from HK\$1.67 each to HK\$0.01 each by the Company by way of cancellation of HK\$1.66 of the paid-up capital on each issued Redenominated Share; (ii) reduction of the authorised share capital of the Company by reducing the nominal value of each Redenominated Share from HK\$1.67 to HK\$0.01 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; and (iii) transfer of the credit arising from the reduction of the issued share capital of the Company to the contributed surplus account of the Company
“Capital Reorganisation”	the proposed reorganisation of the capital of the Company by way of the Currency Redenomination and the Capital Reduction
“CCASS”	the Central Clearing and Settlement System, established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Company”	Pearl River Tyre (Holdings) Limited (stock code: 1187), a company registered in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Currency Redenomination”	the proposed change in currency denomination of all the issued and unissued Shares from AUD0.20 to HK\$1.67 at the conversion rate of AUD1.00 to HK\$8.35
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities and Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective

“Optionholder(s)”	holder(s) of the Share Option(s)
“Redenominated Share(s)”	the redenominated share(s) of HK\$1.67 each in the share capital of the Company upon the Currency Redenomination becoming effective
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders for the purpose of considering and, if thought fit, approving the Capital Reorganisation
“Share(s)”	the existing ordinary share(s) of AUD0.20 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s) or New Share(s), as the context may require
“Share Option(s)”	option(s) to subscribe for Share(s) or New Share(s), as the case may be, granted or to be granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 21 May 2004
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Pearl River Tyre (Holdings) Limited
Tan Pei Choo
Company Secretary
Kuala Lumpur, 4 July 2011

As at the date of this announcement, the Board of Directors of the Company comprises executive director, namely, Mr. Goh Nan Yang, non executive directors, namely Mr. Goh Nan Kioh (Chairman) and Dato Yeoh Eng Khoo and independent non-executive directors, namely Mr. Khoo Teng Keat, Mr Yeow See Yuen and Mr. Won Thean Sang.