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If you have sold or transferred all your shares in Pearl River Tyre (Holdings) Limited (the "Company"), you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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PEARL RIVER TYRE (HOLDINGS) LIMITED

(Registered in Bermuda with limited liability)

(Stock Code: 1187)

REVISION OF ESTIMATED CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser



亞洲資產管理

ASIA INVESTMENT MANAGEMENT

A letter from the independent board committee of the Company is set out on page 11 of this circular. A letter from Asia Investment Management Limited containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 12 to 19 of this circular.

A notice convening the special general meeting of the Company to be held at No. 15 Bukit Ledang, Off Jalan Duta, 50480 Kuala Lumpur, Malaysia on Monday 28 September 2009 at 1:00 p.m. is set out on page 24 of this circular. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 46/F Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the meeting should you so wish.

4 September 2009

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 14 August 2009 in relation to, among other things, the revision of estimated caps for the Bolex Transactions for the three years ending 31 December 2011
“Asia Investment”	Asia Investment Management Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Bolex Transactions and the revised annual caps thereof
“associates”	has the meanings ascribed thereto in the Listing Rules
“Board”	board of Directors
“Bolex”	Guangzhou Bolex Tyre Limited, a Sino-foreign equity joint venture founded in the PRC on 11 November 1992, in which GGXEG has a 75% interest and (to the best knowledge, information and belief having made reasonable enquires by the Directors) an independent third party has a 25% interest. Bolex (as an associate of 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)
“Bolex Transactions”	together or individually, the continuing connected transactions as set out under the section headed “THE BOLEX TRANSACTIONS” in the Announcement
“Company”	Pearl River Tyre (Holdings) Limited, a company incorporated under the laws of British Virgin Islands on 17 February 1994 and 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
“connected person(s)”	has the meanings ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company

DEFINITIONS

“GGXEG”	Guangzhou Guang Xiang Enterprises Group Company Limited (formerly known as 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. 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)
“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 GGXEG 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)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising independent non-executive Directors, namely Mr. Khoo Teng Keat, Mr. Won Thean Sang and Mr. Yeow See Yuen
“JV”	Guangzhou Pearl River Tyre Limited, a sino-foreign joint venture which is 70% owned by the Group and 30% owned by GGXEG
“Latest Practicable Date”	2 September 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened at No. 15 Bukit Ledang, Off Jalan Duta, 50480 Kuala Lumpur, Malaysia on Monday, 28 September 2009 at 1:00 p.m. for approving the revised estimated annual caps for the Bolex Transactions
“Share(s)”	share(s) of A\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“A\$”	Australian dollars, the lawful currency of Australia
“HK\$ or HK Dollar”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB or Renminbi”	Renminbi, the lawful currency of the PRC
“%”	per centum

For the purpose of this circular, all amounts in RMB are translated into HK\$ at an exchange rate of RMB0.88167: HK\$1.

LETTER FROM THE BOARD



PEARL RIVER TYRE (HOLDINGS) LIMITED

(Registered in Bermuda with limited liability)

(Stock Code: 1187)

Executive Director:

Mr. Goh Nan Yang

Non-executive Directors:

Mr. Goh Nan Kioh (*Chairman*)

Mr. Yeoh Eng Khoon

Independent Non-Executive Directors:

Mr. Khoo Teng Keat

Mr. Won Thean Sang

Mr. Yeow See Yuen

Registered Office:

Bermuda Commercial Bank Building

19 Par-La-Ville Road

Hamilton HM 11

Bermuda

Principal place of business in Hong Kong:

4th Floor

Tien Chu Commercial Building

173-174 Gloucester Road

Wanchai

Hong Kong

4 September 2009

To the Shareholders

Dear Sir or Madam,

REVISION OF ESTIMATED CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Announcement and the announcement of the Company dated 8 December 2008 in relation to, inter alia, the Bolex Transactions.

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.

GGXEG is the owner of 30% equity in the JV (in which the Group owns the balance of 70% equity) whilst Bolex is 75% owned by GGXEG, Bolex is an associate of GGXEG. In this regard, under the Listing Rules, both GGXEG and Bolex are connected persons of the Company.

LETTER FROM THE BOARD

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. In addition, as 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. In this connection, the Company will seek the independent Shareholders' approval for the revision of the estimated Caps at 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 estimated caps.

The Independent Board Committee has been appointed by the Board to advise the independent Shareholders on the Bolex Transactions. Asia Investment has been appointed as an independent financial adviser to advise the Independent Board Committee and the independent Shareholders in this regard.

The purpose of this circular is to give the independent Shareholders with details of the Bolex Transactions, the recommendation from the Independent Board Committee, the advice of Asia Investment and a notice to convene the SGM to consider and, if thought fit, pass the resolutions to approve the revision of the estimated caps.

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*;
- (d) the overhead costs such as insurance costs, administrative staff costs and sundry costs payable by Bolex to the JV*; and

LETTER FROM THE BOARD

- (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		
	2009	2010	2011
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	9,394	9,394	9,394

LETTER FROM THE BOARD

The following are the actual value of the Bolex Transaction for the seven months ended 31 July 2009 and the announced caps for the year ending 31 December 2009:

Transactions between the JV and Bolex <i>(HK\$'000)</i>	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	<u>88</u>	<u>58</u>
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 <i>(HK\$'000)</i>	For the year ending 31 December		
	2009	2010	2011
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	<u>110</u>	<u>121</u>	<u>133</u>
Estimated caps of the Bolex Transactions	<u>21,110</u>	<u>23,221</u>	<u>25,543</u>

LETTER FROM THE BOARD

Basis for the revised caps

The revised estimated 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 seven months ended 31 July 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.

LETTER FROM THE BOARD

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). 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 revise 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 profit 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 the independent shareholders' approval for the revised caps at 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 estimated Caps.

SGM

A notice convening the SGM at which resolution will be proposed to consider, and if thought fit, to approve the revised estimated annual Caps to be held at No. 15 Bukit Ledang, Off Jalan Duta, 50480 Kuala Lumpur, Malaysia on Monday, 28 September 2009 at 1:00 p.m. is set out on page 24 of this circular. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 46/F Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the meeting should you so wish.

RECOMMENDATION

The Directors consider that the continuing connected transactions under the Bolex Transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution which will be proposed at the SGM to approve the revision of the estimated annual caps for the three years ending 31 December 2011.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendix to this circular.

By Order of the Board
Goh Nan Yang
Executive Director



PEARL RIVER TYRE (HOLDINGS) LIMITED

(Registered in Bermuda with limited liability)

(Stock Code: 1187)

4 September 2009

To the independent Shareholders

Dear Sir or Madam,

**REVISION OF ESTIMATED CAPS FOR
THE CONTINUING CONNECTED TRANSACTIONS**

We refer to this circular dated 4 September 2009 issued by the Company of which this letter forms part. Terms defined in this circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Bolex Transactions and the revised estimated annual caps for the Bolex Transactions for the three years ending 31 December 2011 and to advise you as to whether, in our opinion, the revised estimated annual caps for the Bolex Transactions for the three years ending 31 December 2011 are fair and reasonable so far as the independent Shareholders are concerned. Asia Investment has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Bolex Transactions and the revised estimated annual caps for the Bolex Transactions for the three years ending 31 December 2011.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from Asia Investment; and (iii) the additional information set out in the appendix to this circular.

Having considered the terms of the Bolex Transactions and the revised estimated annual caps for the Bolex Transactions for the three years ending 31 December 2011, and having taken into account the opinion of Asia Investment and, in particular, the factors, reasons and recommendations as set out in the letter from Asia Investment on pages 12 to 19 of this circular, we consider that the terms of the Bolex Transactions and the revised estimated annual caps for the Bolex Transactions for the three years ending 31 December 2011 are fair and reasonable so far as the independent Shareholders are concerned, and the Bolex Transactions are on normal commercial terms and in the interests of the Shareholders. Accordingly, we recommend the independent Shareholders to vote in favour of the resolution which will be proposed at the SGM to approve the revised estimated annual caps for the Bolex Transactions for the three years ending 31 December 2011.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Won Thean Sang
Independent non-executive Directors

Khoo Teng Keat

Yeow See Yuen

LETTER FROM ASIA INVESTMENT

Set out below is text of the letter of advice from Asia Investment to the Independent Board Committee and the independent Shareholders prepared for inclusion in this circular.



亞洲資產管理
ASIA INVESTMENT MANAGEMENT

Asia Investment Management Limited

Unit B, 14/F, Vulcan House,
21-23 Leighton Road,
Causeway Bay, Hong Kong

4 September 2009

*To the Independent Board Committee
and the Independent Shareholders
of Pearl River Tyre (Holdings) Limited*

Dear Sirs,

REVISION OF ESTIMATED CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed revision of estimated caps for the Bolex Transactions, details of which are contained in an announcement of the Company dated 14 August 2009 (the "Announcement") and in the letter from the Board (the "Letter from the Board") as set out on pages 4 to 10 of the circular of the Company dated 4 September 2009 (the "Circular") to the Shareholders. Capitalised terms used in this letter shall have the same meanings as defined in the Circular of which this letter forms part unless the content otherwise requires.

On 14 August 2009, the Company announced that the Directors expected the actual monetary value of the Bolex Transactions for the three years ending 31 December 2011 would likely exceed their respective previous estimated caps as set out in the announcement of the Company dated 8 December 2008 and the Directors proposed to revise the respective estimated caps of the Bolex Transactions for each of the three financial years ending 31 December 2011.

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.

LETTER FROM ASIA INVESTMENT

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 revise 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.

The Independent Board Committee comprising Messrs. Won Thean Sang, Yeow See Yuen and Khoo Teng Keat, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Bolex Transactions.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Bolex Master Agreement and the Supplemental Agreement. We have also reviewed certain information provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Bolex Master Agreement and the Supplemental Agreement, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date of the Circular and that they may be relied upon in formulating our opinion. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for, the Bolex Transactions and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the management of the Company, or is misleading, untrue or inaccurate. We have not,

LETTER FROM ASIA INVESTMENT

however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the Bolex Transactions, we have considered the following principal factors and reasons:

Background to and reasons for the Bolex Transactions

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

The principal activities of the Group and Bolex are similar and both include the manufacture and sale of tyres. As stated in the Letter from the Board, the Directors envisage that the Bolex Transactions serve to better utilize the production capacity of the Group, given that the provision of processing services to Bolex can utilize the idle/surplus production capacity, factory space and factory lift of the JV and other utilities consumed thereby from time to time. In view of the similarity of their respective businesses of the Group and Bolex, the Directors consider that the Bolex Transactions can help reduce the idling capacity of the production facilities of the relevant parties so that there are more effective utilizations of the production costs.

Pursuant to the Bolex Master Agreement entered into 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. On 18 April 2006, the JV and Bolex entered into an supplemental agreement to the Bolex Master Agreement (the "Supplemental 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 (as supplemented by the Supplemental Agreement) was renewed automatically for a period of three years from 1 January 2009 to 31 December 2011 at the same terms.

The Directors confirm that the Group and Bolex have since then conducted the Bolex Transactions in ordinary course of business and in accordance with the terms and conditions of the Bolex Master Agreement (as supplemented by the Supplemental Agreement). 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.

LETTER FROM ASIA INVESTMENT

As mentioned in the Letter from the Board, the Directors considered that the recovery of the global economy and favourable PRC government policies towards tyres industry have improved both the domestic and export markets which directly encouraged the demand of the services and utilities from Bolex. Accordingly, the Directors anticipated that the existing annual caps would not be sufficient to cover such expected increase and therefore proposed to revise annual caps for the Bolex Transactions for each of the three years ending 31 December 2011. 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.

As the revenue stream of the tyres industry is largely dependent on the automobiles industry, in order to assess the commercial justification of revising the caps of the Bolex Transactions, we have conducted researches from public domains on the future outlook and prospects of the automobiles industry in the PRC, which is currently the largest market for the products of the Group and Bolex. Such details are summarised as follows:

According to the China Statistical Yearbook 2008, the total number of possession of civil vehicles in 2007 was approximately 43,583,600, representing a year-on-year growth of approximately 17.9% from that of 2006. The total number of new registrations of civil vehicles for the year of 2007 was reported to 6,058,903, representing a year-on-year growth of approximately 5.7% from that of 2006. Despite the fact that the financial turmoil which broke out in late 2008, would inevitably cause adverse effects to the automobiles industry, as a result of the government's subsidy plan for trade-in vehicles, it is expected that the stagnant vehicles sales would be spurred. According to the subsidy policy released by Ministry of Commerce of the PRC, consumers will receive a subsidy of between RMB3,000 to RMB6,000 per vehicle to replace passenger cars, vans and trucks that do not meet the PRC's emission standards, or for those vehicles that have been on road for 8 to 12 years. Such policy will apply to all vehicles traded in between the period from June 2009 to May 2010. The management of the Company expects that the tyres industry, in which both of the Group and Bolex are principally engaged in, would be benefited from such favourable government policy towards the automobiles industry and the existing annual caps for the three years ending 31 December 2011 would be exceeded. Therefore, there is an urgent need to revise the caps so as to accommodate such expected increase in the relevant transactions.

Having considered that (i) the Bolex Transactions have been and will continue to be carried out by the Group in its ordinary course of business and in accordance with the terms and conditions of the Bolex Master Agreement (as supplemented by the Supplemental Agreement) which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; (ii) the terms and conditions of the Bolex Master Agreement (as supplemented by the Supplemental Agreement) will remain unchanged; (iii) the actual amount for the Bolex Transactions up to 31 July 2009 has already exceeded the announced cap for the year ending 31 December 2009 (please refer to paragraph headed "Rationale for determining the revised annual caps" below for details); (iv) the relevant statistics of and the favourable government policy towards the automobiles industry as described above are expected to benefit the tyres industry; and (v) the volume of Bolex Transactions are expected to increase as a result, we are of the view that the Bolex Transactions are in the interest of the Company and the Shareholders as a whole and the revision of annual caps for the Bolex Transactions for the three years ending 31 December 2011 are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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Rationale for determining the revised annual caps

The table below sets forth the existing annual caps and the revised annual caps for the Bolex Transactions for each of the three years ending 31 December 2011.

Budgeted transactions between the JV and Bolex under the existing annual caps (HK\$'000)	For the year ending 31 December		
	2009	2010	2011
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	<u>88</u>	<u>88</u>	<u>88</u>
Announced 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 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	<u>88</u>	<u>58</u>
Total	<u>9,394</u>	<u>9,829</u>

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We noted that the actual amount for the Bolex Transactions up to 31 July 2009 has slightly exceeded the announced cap for the year ending 31 December 2009. Upon enquiry with the management of the Company, we are given to understand that it was brought to the attention of the Company that the monetary value of the Bolex Transactions might exceed the announced cap for the year ending 31 December 2009 at the time of the preparation of the interim result for the year 2009. According to the management, they have taken immediate action to ascertain whether the relevant cap had been exceeded, to ensure the compliance to the cap and to re-evaluate the sufficiency of the cap for the two financial years ending 31 December 2011 in light of the actual monetary value of the transaction for the six months ended 30 June 2009 and the performance of the Company in 2009. Accordingly, the Company proposed to revise the caps.

Budgeted transactions between the JV and Bolex under the revised annual caps (HK\$'000)	For the year ending 31 December		
	2009	2010	2011
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

We noted from the Letter from the Board that the revised annual caps for the three years ending 31 December 2011 were 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 costs of operating and maintaining the equipment used, the employees employed, the raw materials incurred and the overhead costs is concerned, the caps were arrived at on the basis of sharing of costs with Bolex (where Bolex's share = {total actual costs + 1% fixed percentage of mark-up} x {Bolex's usage/ (Bolex's usage + JV's usage)}). For sharing utilities costs (including water, electricity, steam and compressed air consumed), the cap was arrived at on the basis of sharing of utilities costs with Bolex (where Bolex's share = {total actual costs inclusive of direct material + direct expenses + overhead costs + 1% fixed percentage of mark-up} x {Bolex's usage/ (Bolex's usage + JV's usage)}). As illustrated, the sharing of costs between the Company and Bolex is basically based on their respective usages. We consider that such costs allocation bases to be fair and reasonable. We have also reviewed the worksheets which recorded the Bolex Transactions prepared by

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the Group and the invoices issued by the Group to Bolex and are satisfied that the Bolex Transactions were charged by the Group in accordance with the above bases.

In determining the above cap amounts, the management of 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; 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. We consider that the setting of the annual caps by management after making reference to the aforesaid factors is fair and reasonable.

In determination of the caps for the year ending 31 December 2009, we noted that the management has adopted the actual transaction amounts for the first half of 2009 as the basis of the estimation of the revised caps for the full year. Based on our discussion with the management of the Company, we were given to understand that the revised annual caps for the two years ending 31 December 2011 shall remain stable and represent a modest year-on-year increment of 10%. Upon enquiry, we were advised that the management's expectation of early growth of 10% is based on (i) the expected increase in demand for tyres as a result of the favourable government policies towards the automobiles industry; and (ii) the recent historical annual growth rates in gross domestic product of the PRC. We consider that the said bases of determination of such yearly growth of 10% are acceptable.

Having considered that (i) the costs allocation bases are fair and reasonable; (ii) the setting of the caps by management after making reference to the aforesaid factors is fair and reasonable; (iii) it is reasonable for the management to adopt the actual transaction amounts of the first half of 2009 as the basis of the estimation of the revised caps for the year ending 31 December 2009; and (iv) the bases of determination the modest yearly growth of 10% for each of the two years ending 31 December 2011 are acceptable, we are of the view that the revised annual caps for the Bolex Transactions for the three years ending 31 December 2011 are determined based on the reasonable estimation and after due and careful consideration and that it is fair and reasonable for the management of the Company to make reference to the aforesaid factors as the basis to determine such annual caps.

However, the Shareholders should note that as the revised annual caps are determined based on various factors relating to future events and assumptions which may or may not remain valid for the entire period up to 31 December 2011, they do not represent forecasts of revenue to be generated from the operations of the Group. Consequently, we express no opinion as to how closely the actual amounts to be received by the Group will correspond with the relevant annual caps.

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Conditions of the revised annual caps in relation to the Bolex Transactions

The revised annual caps of the year ending 31 December 2011 will be subject to the annual review by the independent non-executive Directors, details of which must be included in the Company's subsequent published annual report and accounts. In addition, pursuant to the Listing Rules, the auditors of the Company must provide a letter to the Board confirming, among others, that the Bolex Transactions are conducted in accordance with their terms and that the relevant annual caps not being exceeded. Moreover, pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of such transactions or the relevant annual caps not being exceeded. We are of the view that there are appropriate measures in place to govern the conduct of the Bolex Transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons referred to in the above, we are of the view that (i) the Bolex Transactions are within the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Bolex Master Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms and it is fair and reasonable; and (iii) the annual caps for the Bolex Transactions for the three years ending 31 December 2011 are determined based on the reasonable estimation and after due and careful consideration and that it is fair and reasonable for the management of the Company to make reference to the aforesaid factors as the basis to determine such annual caps. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to be convened to approve the revision of the annual caps).

Yours faithfully,

For and on behalf of

Asia Investment Management Limited

Alice Kan

Managing Director

Hidulf Kwan

Associate Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in the compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries and that to the best of their knowledge and belief there are no other facts the omission of which would made any statement therein misleading.

2. DISCLOSURE OF INTERESTS

Interest of Directors in the Company

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Division of Listed Companies in the Listing Rules to notified to the Company and the Stock Exchange 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	38,114,000 ⁽¹⁾	36.3
Goh Nan Yang	Personal	94,000	0.1

Notes:-

- These shares are beneficially held by two 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.

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest of short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal

value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any options in respect of such capital.

Service Contracts

There is no existing or proposed service contract between any of the Directors and the Company or any of its members (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

Interests in other competing business

As at the Latest Practicable Date, each of the Directors has confirmed that he and their respective associates do not have any interests in a business apart from the Group's business which directly competes with and will have material adverse impact on the Group.

Interests in assets

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up.

Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

4. EXPERT AND CONSENT

The qualification of the expert who has given opinion in this circular is as follows:

Name	Qualification
Asia Investment	a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activity under the SFO

As at the Latest Practicable Date, Asia Investment has no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up.

Asia Investment has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they respectively appear.

5. MATERIAL CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2008, being the date to which the latest audited consolidated financial statements of the Group were made up.

6. GENERAL

- (a) The company secretaries of the Company are Randy King Kuen Hung, the member of Hong Kong Institute of Certified Public Accountants, Tan Pei Choo, the member of The Malaysian Institute of Chartered Secretaries and Administrators and Janet Elizabeth Field.
- (b) The registered office of the Company is situated at Bermuda Commercial Bank Building, 19 Par-La-Ville Road, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong is at 4th Floor, Tien Chu Commercial Building, 173-174 Gloucester Road, Wanchai, Hong Kong.
- (c) The Company's share registrar is Computershare Hong Kong Investor Services Limited at 46/F Hopewell Centre, 183 Queen's Road East, Hong Kong.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. at the principal place of business in Hong Kong at 4th Floor, Tien Chu Commercial Building, 173-174 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including date of the SGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 11 of this circular;
- (c) the letter from Asia Investment to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 12 to 19 of this circular;
- (d) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix; and
- (e) the various agreements under the Bolex Transactions.

NOTICE OF SGM



PEARL RIVER TYRE (HOLDINGS) LIMITED

(Registered in Bermuda with limited liability)

(Stock Code: 1187)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the abovementioned company (the "Company") will be held at No. 15 Bukit Ledang, Off Jalan Duta, 50480 Kuala Lumpur, Malaysia on Monday, 28 September 2009 at 1:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution:

ORDINARY RESOLUTION

REVISION OF ESTIMATED CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

"**THAT** the Revision of estimated caps for the Continuing Connected Transactions (as defined in the Circular to Shareholders of the Company) between Guangzhou Bolex Tyre Limited ("Bolex") and Guangzhou Pearl River Tyre Limited ("JV") to HK\$21,110,000, HK\$23,221,000 and HK\$25,543,000 for each of the financial years ending 31 December 2009, 2010 and 2011 respectively be and is hereby approved, confirmed and ratified and any one of the Directors of the Company be and is hereby authorized to do all such acts, matters and things as he may in his discretion consider necessary or desirable for the purpose of or in connection with the revision of annual estimated caps between Bolex and JV, for and on behalf of the Company."

By Order of the Board
Tan Pei Choo
Company Secretary

Kuala Lumpur, 4 September 2009

Notes:

- (1) Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the Company's Articles of Association. A proxy need not be a shareholder of the Company. A form of proxy for use at the meeting is enclosed herewith.
- (2) Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the meeting, his form of proxy will be deemed to have been revoked.