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PEARL RIVER TYRE (HOLDINGS) LIMITED

(Continued in Bermuda with limited liability)

(Stock Code: 01187)

UPDATE ON THE COMPANY'S STATUS:

- (1) COMPLETION OF FORENSIC REVIEW;**
- (2) PROJECT TRANSFER AGREEMENT;**
- (3) PROVISION OF FINANCE FROM ZHONGYING TO ICSC;**
- (4) TRANSFER OF BUILDINGS AND DEVELOPMENT COSTS; AND**
- (5) OTHER MATTERS**

Reference is made to:

- (a) the circular of Pearl River Tyre (Holdings) Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) dated 10 January 2013 (“**Circular**”) in relation to a major transaction (the “**Major Transaction**”) pursuant to an investment agreement dated 7 December 2012 involving IC Spectrum (Kunshan) Co. Ltd. (德芯電子(昆山)有限公司) (“**ICSC**”), a subsidiary of the Company;
- (b) the announcement of the Company dated 2 January 2014 in relation to the resignation of Mr. Goh Nan Kioh as a non-executive Director and the Chairman of the Company and that Mr. Goh Nan Kioh had confirmed that he had no disagreement with the Board and there were no other matters that needed to be brought to the attention of the shareholders of the Company;
- (c) the announcement of the Company dated 31 March 2014 in relation to the delay in publication of annual results of the Group for the year ended 31 December 2013 to enable a forensic audit on the Major Transaction to be conducted;

- (d) the announcement of the Company dated 31 March 2014 disclosing (i) the resignation of Mr. Goh Nan Yang (brother of Mr. Goh Nan Kioh) as an executive Director who had immediately before his resignation stressed to the Board that a forensic audit was required to investigate the investment into ICSC and to confirm there was no fraud or misappropriation of funds on the investment of ICSC; and (ii) on 24 March 2014 and on 31 March 2014, Mr. Goh Nan Kioh alleged that there was conspiracy and fraud involved in relation to the payments pursuant to the investment in ICSC despite having given a confirmation of no disagreement with the Board in his letter of resignation dated 30 December 2013;
- (e) the announcement of the Company dated 3 April 2014 in relation to its unaudited results for the year ended 31 December 2013 (“**Unaudited Results Announcement**”);
- (f) the announcement of the Company dated 14 April 2014 (“**April Announcement**”) in relation to the engagement of an independent professional adviser to assist the Special Investigation Committee to conduct the Forensic Review;
- (g) the announcement of the Company dated 29 April 2014 in relation to the re-designation of Mr. Yeow See Yuen (“**Mr. Yeow**”) from an independent non-executive Director to a non-executive Director; and
- (h) the announcement of the Company dated 16 June 2014 (“**Mr. Yeow’s Resignation Announcement**”) in relation to the resignation of Mr. Yeow and that Mr. Yeow had raised some issues after reviewing the draft report on the Forensic Review.

For the purpose of this announcement, “**Board**” shall mean the board of Directors from time to time, and “**Goh Board**” shall mean the board of Directors with Mr. Goh Nan Kioh as the Chairman of the Company up to and inclusive of his resignation on 2 January 2014. Unless otherwise defined, capitalized terms used in this announcement should have the meanings as those defined in the Circular and the April Announcement.

SPECIAL INVESTIGATION COMMITTEE (“SIC”)

1. The SIC was formed on 3 April 2014 to coordinate and to oversee the conduct of the Forensic Review. The SIC has comprised Mr. Lai Ho Man, Dickson (chairman), Mr. Wang Xiao Chuan and Mr. Wong Lit Chor, Alexis, who are independent non-executive Directors.
2. As stated in the April Announcement, the SIC retained Tang Tso & Lau as its Legal Adviser to render advice on an independent review and the Legal Adviser retained Deloitte & Touche Financial Advisory Services Ltd (“**DTFAS**”) to conduct a forensic review in relation to the investment in ICSC, and the issuance of the 3% 3-year convertible bonds due 2016 by the Company (“**Bonds**”).

3. In addition, as stated in Mr. Yeow's Resignation Announcement, Mr. Yeow raised some issues after reviewing the draft report on the Forensic Review in his letter to the Board dated 16 June 2014 ("**Mr. Yeow's allegations of 16 June 2014**"). The Board has subsequently forwarded Mr. Yeow's letter to Tang Tso & Lau and DTFAS prior to the finalization of the Forensic Review.
4. The SIC has received from DTFAS a letter dated 16 June 2014 issued by Mr. Goh Nan Kioh to DTFAS ("**Mr. Goh Nan Kioh's letter of 16 June 2014**"). In this letter, Mr. Goh Nan Kioh repeated a numbers of issues he had raised before and also raised additional issues.

FORENSIC REVIEW

5. The SIC has informed the Board that the Forensic Review has been completed. The SIC's assessment of the findings and conclusions of the Forensic Review as set out in the forensic report dated 30 June 2014 issued by DTFAS ("**Report**") and other matters in relation thereto are summarized below.

Scope of the Forensic Review and procedures performed

6. The purpose of the Forensic Review is to provide forensic services to assist the SIC in respect of the allegations about potential fraud or misappropriation of funds raised by the former Directors in relation to the investment in ICSC and the Bonds. The followings are major steps of work performed by DTFAS:
 - Conducted interviews with management including three former Directors, Mr. Yeow, Mr. Goh Nan Yang and Mr. Goh Nan Kioh, key relevant personnel at the Company, ICSC and Beijing Zhongying Century Investment Co., Limited (北京中盈世紀投資有限公司) ("**Zhongying**") and the representative of Beijing government officials
 - Inspected documents relating to fund transfers to ICSC and the subsequent transfers to Zhongying and entities designated by Zhongying, the title to land and buildings, the issuance of the Bonds at the placing agent of the Bonds
 - Reviewed and examined selected financial information and records (such as principal financial documents, ledgers and vouchers, bank slips and advices, and other financial forms, invoices, organization charts, contracts, minutes, circulars and project status reports) for any indications of fraudulent activity

- Performed external open records searches on ICSC and parties involved in the fund transfers

Principal findings of the Forensic Review

7. Based on the work performed and the information available to DTFAS, DTFAS did not identify any actual evidence indicating fraudulent activities or misappropriation of funds within the Company in relation to its investment in ICSC. However, in relation to a sum of RMB237,248,000 transferred to Zhongying purportedly for the purchase of a building for which no proper legal titles or any form of securities has been obtained, DTFAS highlighted significant potential risks (“**Risks**”) as to (1) how Zhongying has used or will use the funds received from ICSC; (2) whether ICSC will ultimately obtain the legal title of land and building at or below a cost anticipated by the Company; and (3) whether the project will be viable and profitable. A summary of the key findings of DTFAS are set out below.
 - (a) The Company made payments of RMB237,248,500 in seven tranches on 6 February 2013, 2 April 2013 and 3 April 2013 to ICSC before Zhongying had become a shareholder of ICSC and hence contravened the condition of the Investment Agreement dated 7 December 2012 between the Group and Zhongying.
 - (b) The majority of the above fund (RMB237,248,000) was transferred by ICSC on the same day or the next day of ICSC’s receipt of the fund to Zhongying under the instruction of a former executive Director, Mr. Wang Shu Jie (“**Mr. Wang**”), who on 23 November 2012 was approved by the Goh Board to be an authorised representative for the investment in ICSC.
 - (c) On 31 March 2014, the Board held a meeting to confirm and ratify the payments from the Company to ICSC, and from ICSC to Zhongying and its designated entities.
 - (d) DTFAS found in the minutes of the Board meeting on 30 August 2013 that the then directors of the Company including Mr. Goh Nan Kioh and Mr. Yeow were aware of the fact that HK\$291 million had been paid to ICSC at a time before Zhongying became a 27.21% shareholder of ICSC contravening the Investment Agreement. This however was not challenged by any Goh Board members until Mr. Goh Nan Kioh’s resignation four months afterwards on 30 December 2013. In the progress report attached to the same minutes of the Goh Board meeting on 30 August 2013, Mr. Wang had reported in writing to the Goh Board that HK\$291 million had been paid to Zhongying before 22 August 2013.

- (e) DTFAS found in the project status report attached to the written resolutions of the Goh Board dated 29 March 2013 pertaining to the issuance of the Bonds that the Goh Board was aware that certain funds (although amounts were not specified) had been paid to Zhongying before 29 March 2013.
- (f) In a letter written by Mr. Wang to Mr. Goh Nan Kioh dated 29 November 2013, Mr. Wang described Mr. Ma Songtao (“**Mr. Ma**”), the executive director of Zhongying, as “*our actual controller*” (“*我方的實際控制人*”). This appears to indicate that Mr. Wang may have been working for Mr. Ma. Mr. Wang also mentioned a number of other issues related to the Kunshan project and the interplay between the Company, Mr. Ma and other parties in this letter. However, none of these matters can be corroborated by any evidence or testimony that DTFAS have collected.

Mr. Yeow’s allegations of 16 June 2014

- 8. A summary of Mr. Yeow’s allegations of 16 June 2014 are set out below.
 - (a) Mr. Yeow questioned the unwillingness of Mr. Ma to divulge how the money was used as suspicious, as “it holds the key to uncovering the alleged fraud, or the absence of fraud for that matter”.
 - (b) Mr. Yeow wrote that the Board should satisfy itself that the money was used for the intended purposes because (i) the payment contravened the conditions of an investment agreement related to the investment in ICSC; (ii) the payment was not approved by the Board at the material time; and (iii) the “old Board members refused to ratify the payment”.
 - (c) Mr. Yeow alleged that the remittance of the net subscription monies from the issuance of the Bonds was “highly unusual and potentially illegal”.
 - (d) Mr. Yeow also raised the question of whether the manner in which the Bonds proceeds were remitted was illegal money laundering; and the legality of the way in which ICSC’s capital was injected by Bright Eagle.

SIC's assessment of Mr. Yeow's allegations of 16 June 2014

9. The SIC, having regard to the work performed by and the findings of DTFAS as summarized above, has made an assessment of Mr. Yeow's allegations. The gists of the SIC's assessment are set out below.
10. In relation to item (a) of Mr. Yeow's allegations, the SIC notes the finding of DTFAS set out in paragraph 7 of this announcement, and considers item (a) of Mr. Yeow's allegations appears to be part of the Risks associated with the normal course of the Company's business. The SIC has recommended the Board to consider taking the appropriate steps to address the same.
11. In relation to item (b) of Mr. Yeow's allegations, while the SIC agrees that the Board should satisfy itself that the money would be properly used for the intended purposes, the SIC fails to identify any actual evidence indicating in sub-paragraphs (i), (ii) and (iii) of item (b) of Mr. Yeow's allegations, since as referred to in the findings of DTFAS set out in paragraph 7(d) of this announcement, as of 30 August 2013, the Goh Board was fully aware of the payment and had been informed of the progress of the Investment Agreement by Mr. Wang, and none of the Goh Board members raised any queries in relation to the same until Mr. Goh Nan Kioh started to challenge the investment in ICSC after he tendered his resignation on 30 December 2013.
12. In relation to items (c) and (d) of Mr. Yeow's allegations, the SIC notes that the Placing Agent (that is, Metro Capital Securities Limited), as a person licensed under the SFO and subject to the rules and regulations of the Securities and Futures Commission ("SFC"), does not have any disciplinary record according to the public register of licensed persons and registered institutions kept by the SFC. The SIC has also reviewed the findings by DTFAS in the Report relating to the Bonds issue and remittance of the proceeds as well as the representation of Mr. Wang in relation to money transfer. In addition, the SIC has also made reference to the view of the Company's PRC legal adviser which opined that the use of money exchange agent for remittance into PRC is not illegal. Hence the SIC has not identified any evidence to believe that items (c) and (d) of Mr. Yeow's allegations are justified.

Additional issues in Mr. Goh Nan Kioh's letter of 16 June 2014

13. The SIC has considered the issues summarized below to be additional issues which Mr. Goh Nan Kioh had not raised prior to his letter of 16 June 2014:
- (a) Wrong doing and possible illegality in connection with Mr. Wang's using a money changer to organize remittance of the Bonds money to ICSC;
 - (b) the new directors (those Directors who joined the Company from November 2013 onwards) have never visited the land (on which the building is situated) and have failed in their fiduciary duty by not acting with due care in the interest of the Company; and
 - (c) the scope of the Forensic Review was limiting and could not serve its purpose.

SIC's assessment of additional issues raised by Mr. Goh Nan Kioh

14. In relation to the additional issue raised by Mr. Goh Nan Kioh set out in item (a) of paragraph 13 above, for the reasons set out in paragraph 12 above, the SIC has no reason to believe that the allegations therein can be justified.
15. In relation to the additional issue raised by Mr. Goh Nan Kioh set out in item (b) of paragraph 13 above, the SIC understands that the project is now being closely monitored by Mr. Yang Liu, the chairman of the Board, chief executive officer and executive Director, and Mr. Wang, Head of Kunshan Project, a director of ICSC, and a former Director, who regularly visit the parcel of industrial land located at the north of Longfei road and the east of Fuchunjiang road, Kunshan Economic & Technical Development Zone, Kunshan (昆山市開發區龍飛路北側、富春江路東側), occupying a total site area of approximately 150,481.9 square meters ("**Land**"), carry out discussion with the relevant personnel from Zhongying on the progress of the project, and provide regular reports on the progress of the project to the Board from time to time. As set out in the Report, the Kunshan State Land Resources Bureau has launched a public auction on 6 June 2014. According to progress report made by Mr. Yang Liu and Mr. Wang, the legal title of the Land and buildings is expected to be transferred to ICSC after the auction process. The application for the bidding of the Land closed on 9 July 2014 and ICSC has submitted the relevant paperwork for obtaining the Land as more particularly referred to in paragraph 34 of this announcement. Hence the SIC does not see any justification for this allegation.

16. In relation to the additional issue raised by Mr. Goh Nan Kioh set out in item (c) of paragraph 13 above, the SIC noted that the scope of the Forensic Review covered the Company's investment in ICSC and the Bonds issue which formed the core complaints of Mr. Goh Nan Kioh, Mr. Goh Nan Yang and Mr. Yeow. Having regard to this, the SIC and DTFAS had a detailed discussion on 18 June 2014 in relation to Mr. Yeow's allegations of 16 June 2014 and the additional issues in Mr. Goh Nan Kioh's letter of 16 June 2014. The result of that discussion were (a) most of the allegations in the letters dated 16 June 2014 from Mr. Yeow and Mr. Goh Nan Kioh were reiterations which had already been raised by them and considered by DTFAS; (b) DTFAS confirmed that none of Mr. Yeow and Mr. Goh Nan Kioh (and Mr. Goh Nan Yang) had provided any substantive evidence to DTFAS in support of their allegations when they were interviewed or otherwise as part of the work performed for the Forensic Review; (c) insofar as allegations that were new or additional arising from Mr. Goh Nan Kioh's letter of 16 June 2014, the SIC was advised that no further forensic work on the part of DTFAS would be warranted (for the reasons stated in paragraphs 10 to 12 and 15 above); and (d) DTFAS confirmed that there was no change to the key findings in the Report. Based on this and the circumstances and considerations in paragraphs 14 and 15, the SIC considers that due regard has been paid to the letters from Mr. Yeow and Mr. Goh Nan Kioh, and believes that there is no justification for the allegation in relation to the scope or the purpose of the Forensic Review.

SIC's assessment of the Report

17. The SIC agrees with the findings of the Report that based on the work performed and the information available to DTFAS, DTFAS did not identify any actual evidence indicating fraudulent activities or misappropriation of funds within the Company in relation to its investment in ICSC.
18. The SIC notes the Risks highlighted in the Report, and has recommended the Board to consider taking prompt actions as it considers appropriate to address the same.
19. The SIC also notes that the Report has revealed certain internal control weaknesses within the Group, and has recommended the Board to engage an independent professional firm to carry out a review of the Group's internal control procedures.
20. The SIC will seek professional advice in relation to additional facts (if any) that come to its knowledge in order to determine whether it is appropriate to change the scope of the Forensic Review or commission further review.

Follow-up action further to the Forensic Review

21. The Board acknowledges the Risks highlighted in the Report and accepts the recommendation of the SIC. The Board (i) notes that as disclosed in the Unaudited Results Announcement the funds in the total amount of RMB237.2 million has been paid to Zhongying; (ii) considers that part of the Risks, particularly the risks referred to in (2) and (3) in the beginning of paragraph 7 of this announcement, are associated with the normal course of the Company's business; and (iii) notes that the audit committee of the Company will, insofar as the Risks fall within its terms of reference, consider them in light of the Company's existing internal control procedures and make recommendations to the Board for addressing them as it deems appropriate.
22. The Board also notes the SIC's recommendation for engaging an independent professional firm to carry out a review of the Group's internal control procedures. The Company has engaged Deloitte Touche Tohmatsu to carry out a review of the Group's internal control procedures. It is expected that the review will be completed in October 2014.

PROJECT TRANSFER AGREEMENT

23. As referred to in note 12 to the Unaudited Results Announcement, ICSC entered into a project transfer agreement dated 28 January 2013 with Zhongying for the acquisition of property, plant and equipment and pursuant to which RMB237.2 million was paid by ICSC to Zhongying. ICSC also entered into a supplemental agreement dated 28 January 2013 to the project transfer agreement. The project transfer agreement provides for the transfer of buildings and development costs upon completion to ICSC. Key terms of the project transfer agreement as supplemented ("**Project Transfer Agreement**") are set out below.
 - (a) Zhongying, having completed the construction of the 8-inch integrated circuits chips manufacturing factory and ancillary facilities, transfers the same to ICSC at a consideration of HK\$460 million.
 - (b) Zhongying is obliged to assist ICSC to complete the fitting-out and to facilitate progress of the construction, payment and processing of approval on matters including land use right, design and construction standards, contract negotiations, construction management, certification, financing and staff training.

- (c) Zhongying is obliged to assist ICSC in obtaining the Land through open tender; obtaining supplies and finishing the project in accordance with approved plans; obtaining approvals necessary for fitting-out, fire prevention, environmental and other relating matters; monitoring progress of the foregoing; obtaining financing in accordance with the progress of the project; procuring management and sales team; providing management and manufacturing support.
 - (d) Within 3 years after the date of capital injection into ICSC by all of its shareholders (“**Capital Injection Date**”), ICSC shall make repayment in full the construction costs incurred by Zhongying on behalf of ICSC at interest rates announced by the People’s Bank of China, which shall accrue from the Capital Injection Date until the date of repayment in full by ICSC.
 - (e) ICSC, in order to save costs arising from delays as a result of matters including capital injection into ICSC and governmental approvals, requests to make early repayment of part of the construction costs incurred by Zhongying on behalf of ICSC, and Zhongying agrees to ICSC making such an early repayment in the sum of HK\$293,500,000.
24. The basis of determining the consideration for the Project Transfer Agreement is a valuation report compiled in January 2013 (“**PRC Valuation Report**”) by a PRC valuer according to which (a) the replacement cost approach was adopted for determining value of the buildings; and (b) a weighted average of the comparison approach and the cost-based approach was adopted for determining value of the Land. The PRC valuer is “**昆山信衡土地房地產評估造價諮詢有限公司**” holding qualification certificate no. Gong Zi Bing 11120120027.
25. The subject of the PRC Valuation Report comprised (a) buildings designed to be used for purposes of power room, gas room, chemical storage, office, manufacturing and refuse management; (b) land use right over the Land; and (c) development costs incurred.

Listing Rules implications of the Project Transfer Agreement

26. The current Directors, since taking up their positions as Directors, have been given to understand that the Project Transfer Agreement was entered into to give effect to the transfer of property, plant and equipment pursuant to the terms of the Investment Agreement and as the Investment Agreement and transactions contemplated therein were approved by the shareholders of the Company at the special general meeting held

on 28 January 2013, no separate disclosure or shareholder approval requirement under the Listing Rules would be required to be complied with in relation to the Project Transfer Agreement.

27. Since early 2014, the Board has focused its time and resources on preparing the results for the year ended 31 December 2013, and since April 2014 it has been handling the Forensic Review aimed at addressing a series of allegations raised between March and June 2014 by Mr. Goh Nan Kioh (who resigned with effect from 2 January 2014), Mr. Goh Nan Yang (who resigned with effect from 31 March 2014) and Mr. Yeow See Yuen (who resigned with effect from 16 June 2014). In the course of the above, the Board has revisited the circumstances in connection with the Project Transfer Agreement and its Listing Rules implications. The Listing Rules implications of the Project Transfer Agreement are set out below.
28. As Zhongying holds 27.21% shareholding in ICSC, it is a substantial shareholder of ICSC and a connected person of the Company within the meaning of Rule 14A.07 of the Listing Rules.
29. As the applicable percentage ratios in respect of the Project Transfer Agreement are over 100%, the Project Transfer Agreement constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules.
30. The Project Transfer Agreement, if based on the applicable ratios, is subject to the disclosure requirements and approval of the shareholders of the Company in general meeting pursuant to Chapter 14 and Chapter 14A of the Listing Rules.

STATUS OF THE PROVISION OF FINANCE FROM ZHONGYING TO ICSC OF APPROXIMATELY HK\$460 MILLION AS SET OUT IN THE CIRCULAR

31. As set out in the Circular, Zhongying shall provide financing to ICSC for, including but not limited to, the construction of production plants with the initial estimated construction cost of approximately HK\$460.0 million, of which HK\$108.9 million will be regarded as Zhongying's contribution to the registered capital of ICSC and HK\$351.1 million will be regarded as the shareholder's loan from Zhongying to ICSC with the loan interest rate being calculated based on the lending interest rate of the People's Bank of China.
32. It is estimated that (a) the buildings and development costs amount to approximately HK\$400.0 million; and (b) the Land costs amount to HK\$60.0 million.

33. Up to April 2013, the Group had contributed approximately HK\$290.0 million to ICSC as capital contribution and ICSC used such proceeds to settle the shareholder's loan from Zhongying for the transfer of buildings and development costs. The remaining of the buildings and development costs amounting to HK\$110 million will be regarded as Zhongying's contribution to the registered capital of ICSC (which is undergoing a capital reduction process in accordance with PRC law).
34. With respect to the Land, up to the date of this announcement, Zhongying has provided a loan of RMB10 million as payment of tender deposit for its acquisition (which is estimated to cost approximately RMB50.6 million excluding approximately 3% tax). The balance in the amount of approximately RMB42 million loan from Zhongying is yet to be provided. The Company has been given to understand that apart from ICSC no other party made payment of tender deposit for the auction, and accordingly ICSC in August 2014 submitted the relevant paperwork to the Kunshan local government towards obtaining the Land without having to go through the auction process. The Company has also been given to understand that (a) subject to the relevant approval from the provincial government; (b) further directive from the Kunshan local government; (c) payment of the Land costs in full; and (d) preparation of the relevant land use certificate and other certificates, the transfer of the Land would be complete.
35. After taking into account the yet to be provided loan of RMB42 million, the excess of Zhongying's finance amounts to approximately HK\$5 million (RMB52 million x 1.2557 – HK\$60 million). This excess has arisen primarily as a result of the appreciation of exchange rate in RMB against HKD from 1.2349 in January 2013 to 1.2557 in July 2014 and the approximately 11% increase in the size of the Land (from 135,000.7 square metres to 150,481.9 square metres).

STATUS OF THE TRANSFER OF BUILDINGS AND DEVELOPMENT COSTS CONTEMPLATED UNDER THE PROJECT TRANSFER AGREEMENT

36. The buildings and development costs which are part of the subject of the Project Transfer Agreement have reached topping-out stage. Fitting-out, including fitting-out for manufacturing purposes, has yet to be carried out. Overall, the Board is of the view that a majority of the works have been carried out.
37. As set out in the announcement of the Company dated 10 July 2014, ICSC entered into a loan agreement dated 8 July 2014 with Zhongying, pursuant to which Zhongying agreed to make available a loan in the principal amount of RMB10 million to ICSC for

the payment of the tender deposit in the amount of RMB10 million as a security for submission of tender for the auction purchase of the land use right in respect of the Land.

REASONS FOR THE COMPANY TO MAKE THE PAYMENT OF HK\$293,500,000 TO ZHONGYING

38. The transfer of the ICSC shares to Zhongying suffered unexpected delay due to PRC governmental and administrative reasons. As a result, the payment expected to be made by the Company in accordance with the Investment Agreement to ICSC was also delayed substantially. Such delay would cause considerable liquidity pressure on the construction of the project. In order not to adversely affect the construction of the project and to maintain an amicable relation with Zhongying, payment was made by the Company to ICSC in February to April 2013 prior to the fulfillment of the condition that, amongst other things, Bright Eagle and Zhongying have respectively become the 72.79% and the 27.21% shareholders of ICSC. The payments from ICSC to Zhongying were based on the same reason and there is no prohibition in the Project Transfer Agreement for ICSC to pay Zhongying prior to receiving all capital contribution. Based on the findings of the Forensic Review and other inquiries made by the Board and subject to the matters in this announcement, the Board considers that the payment was made in furtherance of the Investment Agreement and the transactions contemplated thereunder.

REASONS WHY THE BOARD CONFIRMED AND RATIFIED THE PAYMENT OF HK\$293,500,000 TO ZHONGYING AT BOARD MEETING OF 31 MARCH 2014

39. When Mr. Goh Nan Kioh tendered his resignation in December 2013, he also issued a letter dated 30 December 2013 to the Board advising the Board to perform a detailed audit on the investment in ICSC and the issuance of the Bonds. Subsequently on 24 March 2014 at a meeting with the Company's auditor, Mr. Goh Nan Kioh alleged that the investment in ICSC was a sham.
40. In the meeting with the audit committee of the Company on 27 March 2014, Mr. Goh Nan Kioh mentioned that the payment of RMB237.2 million was not approved or ratified and there was a possible case of misappropriation of funds in connection with the payment to Zhongying.
41. Immediately thereafter at the end of March 2014, the Board caused an internal investigation for reviewing the relevant documentation and the roles of the personnel who handled the investment in ICSC to be carried out. It was noted among other things that Mr. Wang was approved by the Goh Board to be an authorised representative of

ICSC on 23 November 2012; the Goh Board was aware that certain funds had been paid to Zhongying before 29 March 2013; Mr. Wang had reported in writing to the Goh Board that some HK\$291 million had been paid to Zhongying before 22 August 2013 while Zhongying had yet to become a 27.21% shareholder of ICSC therefore contravening a condition in the Investment Agreement although this was neither challenged nor questioned by any of the Goh Board members until after Mr. Goh Nan Kioh had resigned. No evidence pointing to or justifying the allegations of Mr. Goh Nan Kioh was uncovered pursuant to the internal investigation.

42. The Board, in light of (a) the specific accusation of Mr. Goh Nan Kioh that the payment of RMB237.2 million was not approved or ratified; and (b) the request of the auditor for a legal opinion on the legality, validity and existence for the payments to Zhongying, sought legal advice from its legal adviser and understood from the advice that it was entitled to at any time ratify the payments. The Board, after reviewing the documents related to the investment in ICSC, considered the investment was in the interests of the Company and its shareholders as a whole. In the above circumstances, the Board, with the aim of discharging their duties to the Company, ratified the payments. The Board notes that the findings of the Report dated 30 June 2014 are in line with the findings of the internal investigations in March 2014 as set out in the immediately preceding paragraph.

SUSPENSION OF TRADING IN SHARES

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2014 and will continue to be suspended until further notice.

By Order of the Board
Pearl River Tyre (Holdings) Limited
Yang Liu
Chairman and Chief Executive Officer

Hong Kong, 15 September 2014

As at the date of this announcement, the Board comprises executive Directors, namely, Mr. Yang Liu (Chairman and Chief Executive Officer) and Mr. Lo Ka Wai, non-executive Director, namely, Mr. Xu Lei, and independent non-executive Directors, namely, Mr. Lai Ho Man, Dickson, Mr. Wang Xiao Chuan, Mr. Wong Lit Chor, Alexis and Mr. Liu Hongjun.