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## **Prinx Chengshan (Cayman) Holding Limited**

**浦林成山（開曼）控股有限公司**

*(incorporated under the laws of Cayman Islands with limited liability)*

**(Stock Code: 1809)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF LAND IN THAILAND**

#### **THE ACQUISITION**

The Board is pleased to announce that on December 25, 2018, Prinx Thailand, as the purchaser, and WHA Eastern, as the seller, entered into the Land Purchase Agreement, pursuant to which WHA Eastern agreed to sell and Prinx Thailand agreed to acquire the Land at a consideration of Baht 806,060,888.60 (equivalent to approximately RMB170.6 million), subject to adjustment.

#### **LISTING RULES IMPLICATION**

As the highest applicable percentage ratio as set out in the Listing Rules for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

#### **THE ACQUISITION**

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## THE LAND PURCHASE AGREEMENT

The principal terms of the Land Purchase Agreement are summarized as follows:

- Date: December 25, 2018
- Parties: (a) Prinx Thailand (as purchaser); and  
(b) WHA Eastern (as seller).

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, WHA Eastern and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

- Land: The Land is the land plot located at Tambon Nong Suea Chang, Amphur Nong Yai, and Tambon Klong-Kew, Amphur Ban-Bung, Chonburi province, Thailand with land title deeds nos. 4499, 4500, 4501, 4502, 4495, 4496 and 5659 and an aggregate area of between 271 Rais and 300 Rais (equivalent to between 433,600 square meters and 480,000 square meters). As the Land comprises several plots of land, they are undergoing consolidation of land title deeds. The final area of the Land will be approved and confirmed by the local land department.

- Consideration: The consideration of Baht 806,060,888.60 (equivalent to approximately RMB170.6 million) (the "**Consideration**") for the Land is subject to adjustment. The Consideration shall be adjusted based on the final area of the Land which will be an area between 271 Rais and 300 Rais (equivalent to between 433,600 square meters and 480,000 square meters) to be approved and confirmed by the local land department. The Consideration shall be adjusted proportionately based on the final area of the Land, but in any event shall not increase by more than 1% of the Consideration. As such, the Consideration, upon adjustment, shall be no more than Baht 814,000,000 (equivalent to RMB172.2 million).

The Consideration was agreed between Prinx Thailand and WHA Eastern after arm's length negotiation. The Consideration was determined with reference to the prevailing market rates of land in the vicinity.

The Consideration will be funded by the Company's internal resources and proceeds from the Global Offering.

Payment terms:

The Consideration is payable to WHA Eastern in the following specified instalments:

- (1) 10% of the Consideration, within ten working days from the date of the Land Purchase Agreement;
- (2) 10% of the Consideration, within 30 (thirty) working days from full completion, delivery and Prinx Thailand's acceptance of the land grading work phase 1 in accordance with the timeline set forth in the Land Purchase Agreement, which is expected to be December 31, 2018 or a later date to be agreed by the parties;
- (3) 10% of the Consideration, within 30 (thirty) working days from full completion, delivery and Prinx Thailand's acceptance of the land grading work part 1 of 2 of phase 2 in accordance with the timeline set forth in the Land Purchase Agreement, which is expected to be February 28, 2019 or a later date to be agreed by the parties;
- (4) 10% of the Consideration within 30 (thirty) working days from full completion, delivery and Prinx Thailand's acceptance of the land grading work part 2 of 2 of phase 2 in accordance with the timeline set forth in the Land Purchase Agreement, which is expected to be March 20, 2019 or a later date to be agreed by the parties;
- (5) 10% of the Consideration, within five days from full completion of the land grading work phase 3 in accordance with the timeline set forth in the Land Purchase Agreement, which is expected to be June 20, 2019 or a later date to be agreed by the parties; and
- (6) 50% of the Consideration, being the final instalment payable to WHA Eastern on the Transfer Date, as adjusted by the final consideration determined in accordance with the paragraph headed "Consideration" above, which WHA Eastern shall notify Prinx Thailand at least 15 (fifteen) days in advance in accordance with the timeline set forth in the Land Purchase Agreement, subject to the satisfaction of all Conditions Precedent as described below.

The payment terms in (2), (3), (4) and (5) above shall be payable on the respective agreed payment date as specified above or the date on which the mortgage on the Land is released, whichever is later. In any event, WHA Eastern shall release the mortgage of the Land no later than April 30, 2019.

Conditions Precedent: The completion (the “**Completion**”) of the transfer of ownership of the Land shall be conditional on the following:

- (1) Prinx Thailand obtaining from the Industrial Estate Authority of Thailand (“**IEAT**”) the permit IEAT Form 01/2 (the “**Permit**”) in respect of the utilization of the Land within 60 days from the date of the Land Purchase Agreement; and
- (2) Prinx Thailand obtaining IEAT Form 15 SO.

Upon Completion, WHA Eastern shall transfer the Land to Prinx Thailand. In the event that the Conditions have not been satisfied (or waived) on or before the Long Stop Date, the Land Purchase Agreement shall terminate and be of no further effect.

Termination: In the event that:

- (1) WHA Eastern’s release of mortgage of the Land is not completed by April 30, 2019; or
- (2) the overseas investment plan of the Group not having obtained all necessary approvals and consents from PRC authorities on or before February 28, 2019;

the Company may terminate the Land Purchase Agreement by serving a notice in writing to WHA Eastern. On termination, the Land Purchase Agreement shall terminate and be of no further effect.

In the event Prinx Thailand fails to transfer the title of the Land by the Transfer Date, due to Prinx Thailand’s own fault, then WHA Eastern shall be entitled to claim penalty from Prinx Thailand at the rate of 1.5% per month on the amount due from Prinx Thailand, without prejudice to the rights of WHA Eastern to claim default and terminate the Land Purchase Agreement.

In the event WHA Eastern fails to transfer the title of the Land by the Transfer Date, due to WHA Eastern's own fault, then Prinx Thailand shall be entitled to claim penalty from WHA Eastern at the rate of 1.5% per month of all moneys paid to WHA Eastern, without prejudice to the rights of Prinx Thailand to claim default and terminate the Land Purchase Agreement.

In the event the transfer of the title of the Land is not completed by the Long Stop Date, Prinx Thailand may register a lease on the Land for up to 30 (thirty) years. Should the prevailing laws and regulations of Thailand allow the transfer of the title of the Land to Prinx Thailand in the future, WHA Eastern shall be obliged to transfer the title of the Land to Prinx Thailand promptly without further cost.

## **THE WATER SERVICES AGREEMENT**

On December 25, 2018, Prinx Thailand also entered into a water services agreement with WHA Utilities and Power Public Company Limited (the "**Service Provider**"), a public limited company registered and existing under the laws of Thailand and an affiliate of WHA Eastern, pursuant to which the Service Provider shall provide industrial water and wastewater collection and treatment services within the Land. The utility fee for water services provided by the Service Provider shall be at a rate as set out in the water services agreement and based on usage of the water services.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The reasons for and benefits of the Acquisition are as follow:

1. The Company intends to construct a tire manufacturing plant on the Land, and believes the Group will benefit from the lower cost of raw materials from the surrounding area, reduction of transportation costs of finished goods to its customers, and avoidance of any international trade barriers, in support of the Group's expansion in its international sales;
2. The Company believes that production of tires at a manufacturing plant outside of the PRC will create an international image for its products, thereby improving the positioning and increasing the competitiveness of its products; and
3. The Company understands that the development of tire manufacturing industry is one of Thailand's industrial policies. The government of Thailand enacted preferential policies on areas of corporate income tax, land and housing transaction fees, import taxes for production equipment, raw materials and semi-finished products, land resources and human resources.

As such, the Company believes that the Acquisition and the construction of a tire manufacturing plant on the Land will be beneficial to the Group and allow the Group to build a strong international platform for the brand and sales of its products.

The Company has been informed by Chengshan Group Company Limited, our controlling shareholder, due to slow progress of the Malaysia Production Base (as defined in the Prospectus) project, Chengshan Group Company Limited has decided not to continue with the said project. Therefore, the Company will not continue to explore the possibility of establishing the Malaysia Production Base. Instead, the Company has decided to construct a new overseas production base in Thailand.

In view of the above, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Land Purchase Agreement was entered into by the Company on normal commercial terms, and that such terms and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE COMPANY AND PRINX THAILAND**

The Company is a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange. The principal business of the Company is investment holding. The Group is principally engaged in the manufacturing of tires in the PRC.

Prinx Thailand is a limited company registered and existing under the laws of Thailand on December 20, 2018 with a share capital of Baht 3.0 million, and is owned as to 30% by Li Xian (李賢) (“**Mr. Li**”), 10% by Cao Yueming (曹曰明) (“**Mr. Cao**”) and 60% by Ju Xunning (鞠訓寧) (“**Mr. Ju**”, together with Mr. Li and Mr. Cao, the “**Employee Shareholders**”). Each of the Employee Shareholders is an employee of the Company. As advised by the Company’s Thai counsel, pursuant to the laws of Thailand, the shareholders of an entity registered under the laws of Thailand must be held by at least three natural persons at its initial registration. Pursuant to trust agreements dated December 12, 2018 and entered into between each of the Employee Shareholders and Prinx (Hong Kong) Investment Limited (“**Prinx HK**”), an indirect wholly-owned subsidiary of the Company, each of the Employee Shareholders agreed to hold onto their respective shareholding in Prinx Thailand on trust for Prinx HK, for a nominal consideration. The share capital of Prinx Thailand was contributed by the Group. As at the date of this announcement, the share transfer procedures for the shares of Prinx Thailand from the Employee Shareholders to Prinx HK are in progress. Thereafter, Prinx Thailand will become an indirect wholly-owned subsidiary of the Company.

Prinx Thailand is principally engaged in the design, development, production and sale of radial tire products (including passenger car radial tires, light truck radial tires and heavy truck radial tires), and the provision of technical support and services for the above products.

## **INFORMATION ON WHA EASTERN**

WHA Eastern is a limited company registered and existing under the laws of Thailand and is the beneficial owner of the Land. WHA Eastern is a developer of industrial estates and industrial parks in Thailand. It also provides supporting infrastructure services such as power, water supply and utilities.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio as set out in the Listing Rules for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

|                       |   |
|-----------------------|---|
| “Acquisition”         | the acquisition of the Land by the Prinx Thailand from WHA Eastern pursuant to the Land Purchase Agreement  |
| “Baht”                | Baht, the lawful currency of Thailand   |
| “Board”               | the board of directors of the Company   |
| “Company”             | Prinx Chengshan (Cayman) Holding Limited (浦林成山 (開曼) 控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 1809) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules  |
| “Director(s)”         | the director(s) of the Company  |
| “Global Offering”     | as defined in the Prospectus  |
| “Group”               | the Company and its subsidiaries  |
| “Hong Kong”           | the Hong Kong Special Administrative Region of the PRC  |

|                           |  |
|---------------------------|--|
| “Land”                    | the land plot located at Tambon Nong Suea Chang, Amphur Nong Yai, and Tambon Klong-Kew, Amphur Ban-Bung, Chonburi province, Thailand with land title deeds nos. 4499, 4500, 4501, 4502, 4495, 4496 and 5659 and an aggregate area of between 271 Rais and 300 Rais (equivalent to between 433,600 square meters and 480,000 square meters) |
| “Land Purchase Agreement” | the Land Purchase Agreement entered into between Prinx Thailand and WHA Eastern on December 25, 2018 under which WHA Eastern agreed to sell and Prinx Thailand agreement to purchase the Land  |
| “Listing Rules”           | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Long Stop Date”          | October 1, 2019  |
| “PRC”                     | the People’s Republic of China which, for the purposes of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan  |
| “Prinx Thailand”          | Prinx Chengshan Tire (Thailand) Co., Ltd., a limited company registered and existing under the laws of Thailand and held as to 30% by Li Xian (李賢), 10% by Cao Yueming (曹曰明) and 60% by Ju Xunning (鞠訓寧). For further details, please refer to the section headed “Information on the Company and Prinx Thailand” in this announcement     |
| “Prospectus”              | the prospectus of the Company dated September 24, 2018   |
| “RMB”                     | Renminbi, the lawful currency of the PRC   |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited  |
| “subsidiary(ies)”         | has the meaning ascribed to it under the Listing Rules   |
| “Thailand”                | the Kingdom of Thailand  |



|                 |  |
|-----------------|--|
| “Transfer Date” | the date on which the title of the Land will be transferred from WHA Eastern to Prinx Thailand or such entity designated by Prinx Thailand and which is expected to be no later than June 25, 2019 |
| “WHA Eastern”   | WHA Eastern Seaboard Industrial Estate Company Limited, a limited company registered and existing under the laws of Thailand   |
| “%”             | per cent   |

*Unless otherwise specified in this announcement, amounts denominated in Baht have been converted into RMB at the rate of Baht 1 = RMB0.2116 obtained from the State Administration of Foreign Exchange of the PRC on December 24, 2018. This rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been converted at the above rate or any other rates.*

By Order of the Board  
**Prinx Chengshan (Cayman) Holding Limited**  
**Che Hongzhi**  
*Chairman and Non-executive Director*

Hong Kong, December 27, 2018

*As at the date of this announcement, the Board comprises Mr. Che Baozhen, Mr. Shi Futao and Ms. Cao Xueyu as executive Directors; Mr. Che Hongzhi, Mr. Wang Lei and Mr. Chen Yansheng as non-executive Directors; Mr. Zhang Xuehuo, Mr. Choi Tze Kit Sammy and Mr. Wang Chuansheng as independent non-executive Directors.*