浦林成山
PRINX CHENGSHAN

Prinx Chengshan (Cayman) Holding Limited
浦林成山（開曼）控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code: 1809

PURSUE EXCELLENCE

2019 INTERIM REPORT

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Corporate Information

Board of Directors

Executive Directors

Mr. Che Baozhen
Mr. Shi Futao
Ms. Cao Xueyu

Non-executive Directors

Mr. Che Hongzhi
Mr. Wang Lei
Mr. Chen Yansheng

Independent Non-executive Directors

Mr. Zhang Xuehuo
Mr. Choi Tze Kit Sammy
Mr. Wang Chuansheng

Audit Committee

Mr. Choi Tze Kit Sammy *(Chairman)*
Mr. Wang Chuansheng
Mr. Zhang Xuehuo

Nomination and Remuneration Committee

Mr. Zhang Xuehuo *(Chairman)*
Mr. Che Baozhen
Mr. Choi Tze Kit Sammy

Development Strategy and Risk Management Committee

Mr. Che Hongzhi *(Chairman)*
Mr. Wang Chuansheng
Mr. Zhang Xuehuo

Registered Office

P.O. Box 472
Harbour Place, 2nd Floor
103 South Church Street
George Town
Grand Cayman KY1–1106
Cayman Islands

Authorized Representatives

Ms. Cao Xueyu
Mr. Shi Futao

Joint Company Secretaries

Ms. Cao Xueyu (effective from March 29, 2019)
Ms. Lam Yuk Ling (ACIS, ACS)

Legal Advisor

Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central, Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

Compliance Adviser

Messis Capital Limited
Room 1606, 16/F, Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

Principal Banks

Bank of China Limited
Agricultural Bank of China
Industrial and Commercial Bank of China
China Construction Bank
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Principal Registrar and Transfer Office

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1–1108
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services
Limited
Shops 1712–1716
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183 Queen's Road East
Wan Chai
Hong Kong

Company's Website

www.prinxchengshan.com

Stock Code

1809

Listing Date

October 9, 2018

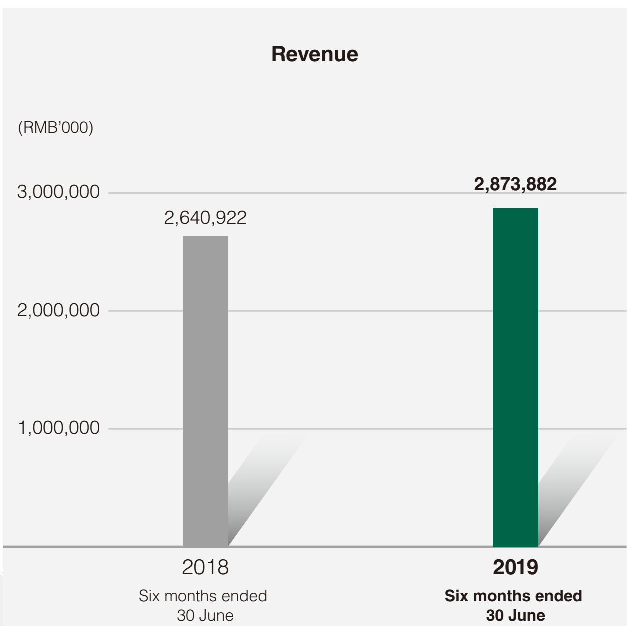
Financial Summary

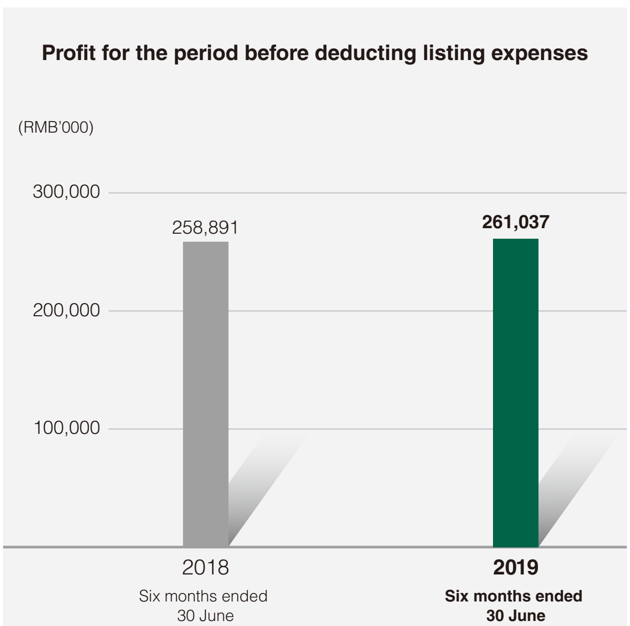
Summary of the Interim Condensed Consolidated Statement of Profit or Loss

	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**2,873,882**	2,640,922	5,206,087
Profit before income tax	**298,960**	283,950	561,780
Income tax expense	**(37,923)**	(37,917)	(83,180)
Profit for the period/year	**261,037**	246,033	478,600
Profit/(loss) attributable to:			
— Shareholders of the Company	**260,966**	246,109	478,600
— Non-controlling interests	**71**	(76)	—
	261,037	246,033	478,600

Consolidated Assets, Liabilities and Non-controlling Interests

	As at 30 June		As at 31 December
	2019	2018	2018
	RMB'000	*RMB'000*	*RMB'000*
Total assets	**5,445,632**	4,135,515	5,256,420
Total liabilities	**(2,269,588)**	(2,001,432)	(2,210,463)
Non-controlling interests	**(458)**	202	126
	3,175,586	2,134,285	3,046,083





As a leading domestic tire manufacturer in the PRC's Commercial All Steel Radial Tire replacement market, Prinx Chengshan (Cayman) Holding Limited (the "**Company**" or "**Prinx Chengshan**") has been engaged in tire design, production and manufacturing for 43 years, adhering to the core strategy of "cost leadership, efficiency driven, competitive differentiation and global operation".

The Company continuously provided high-performance tires embodying Prinx Chengshan's intelligence and concern to global dealers and Chinese automobile manufacturers to enhance the happiness experience of drivers and passengers.

Unless otherwise defined herein, capitalised terms used in this interim report shall have the same meanings as those defined in the Company's prospectus dated September 24, 2018.

During the six months ended June 30, 2019 (the "**Reporting Period**"), viewing "providing tire whole-life cycle services" as its mission and taking "customer first, openness and innovation, hardworking, mutual benefits" as its core value, the Company has carried out the following activities:

(1) To emphasize the key role of quality for enterprise survival and development, the Company has adopted zero-tolerance policy for quality issues throughout the Company and its subsidiaries (the "**Group**"), strictly followed all required manufacturing processes and actively implemented quality inspection system in order to detect and eliminate any quality problems before the products get into the market. During the Reporting Period, the quality capability was further enhanced.

(2) During the Reporting Period, the Company sold 6.07 million tires, representing an increase of 10.4% over the same period in 2018, which was a record high. Among the tires, 2.74 million All Steel Radial Tires were sold, representing an increase of approximately 13.6% over the same period in 2018; and 2.99 million Semi-Steel Radial Tires were sold, representing an increase of approximately 4.8% over the same period in 2018. Sales revenue for the six months ended June 30, 2019 was RMB2,873.9 million, representing an increase of 8.8% over the same period in 2018 and net profit amounted to approximately RMB261.0 million, representing an increase of approximately 6.1% over the same period in 2018. During the Reporting Period, the orders continued to grow steadily, with an approximately 10.4% increase in sales volume compared to the same period in 2018. The supply problem in the past was solved by the new capacity of Rongcheng production base.

    The sales team increased distribution channel coverage, enhanced brand capabilities, and boosted market share through a series of sales policies such as deepening cooperation with existing distributors, developing new distributors, building five-star retail stores, and regulating the sales activities.

(3) During the Reporting Period, revenue from domestic distribution channels achieved a 19.2% increase. By relying on the flat layout of its replacement business, the Company continued to better understand the market, serve the front-end, and improve information exchange in time. During the Reporting Period, the Company cooperated with 22 vehicle manufacturers in 42 original equipment projects, and the effectiveness of in-depth cooperation with the vehicle manufacturers was further proven and both of its sales volume and earnings recorded a moderate growth. The Company started business with 31 new customers in the international market and have extended to new countries and regions such as Gabon, Mozambique, Vanuatu, and Mauritania.

(4) Through its subsidiary Qingdao Zhianda Investment Company Limited* (青島智安達投資有限公司), the Company has completed the exploration of the tire leasing model, which achieved a 100% user satisfaction. The Company is building up its service capabilities gradually, including non-wholly owned subsidiaries, Jinan Zhianda Tire Service Co., Ltd.* (濟南智安達輪胎服務有限公司) and Shenzhen Zhianda Tire Technology Service Co., Ltd.* (深圳市智安達輪胎科技服務有限公司) to establish a complete supporting systems. Currently, the tire leasing model was promoted in Shandong, Guangdong, Jiangsu, Zhejiang, and Shanghai. The Company established cooperative relations with more than 40 teams and established all tire rental cooperation with 28 teams, to provide customers with tire repair and maintenance services throughout their lifecycles.

(5) The construction of the Company's overseas production base has been making steady progress. On March 31, 2019, the construction of the tire production base in Thailand has commenced, and the purchasing of key equipment by invitation to tender has been completed, with all the work carried out in an orderly manner according to the schedule. It is estimated that by the end of 2019, all steel production workshops, mixing workshops, and supporting public works will be completed, and key equipment will satisfy installation conditions.

(6) The Company's R&D capability achieved significant improvement. The innovation center of multi-scale tire life cycle manufacturing in Shandong, which was initiated by the Company, has completed the final inspection and acceptance procedure and is the only manufacturing industrial innovation center of the tire industry in Shandong Province. Seven software copyright applications for simulation and modular design have been completed accumulatively.

The Company actively researches and develops new products and promotes key R&D projects in an orderly fashion. During the Reporting Period, the Company has researched and developed 41 products.

(7) The Company continued to integrate the supply chain, control the procurement costs and enhance the competitiveness of its products while strictly following its internal control requirements, which in turn lays a solid foundation for reducing costs and improving efficiency. Despite the rising manufacturing cost of the tire industry in the first half of 2019, the Company's manufacturing cost remained stable.

(8) The Company has established and improved its human resources management system, and has optimized the mechanism for staff training, evaluation and promotion. The Company coordinated and planned the building of the three talent teams, namely, management personnel, technicians, and skilled workers through means including talent selection and recruiting competition. The Company continued to implement employee training programs to provide human resources guarantee for achieving the Company's strategic goals. In the production process, the Company has further promoted the implementation of lean six sigma doctrine. The Company provided lean six sigma doctrine training program to the whole senior management, in order to let the sense of improvement take root in their mind, and provided lean six sigma doctrine training program to its middle and junior management and engineers so that they can conduct six sigma improvement projects independently.

(9) The Company continued to promote the integration of informatization and industrialization whereby the Company strived to digitalize its plant and develop green manufacturing. During the Reporting Period, to further improve the management system, the Company implemented the SAP system (system application and product) which is expected to be put online and replace the enterprise resource planning (JDE) system in 2020. Systems in operation or under construction include the enterprise control center (ECC) system, customer-relationship management (CRM) system, product lifecycle management (PLM) system, manufacturing execution system (MES), supplier-relationship management (SRM) system and Amoeba Management, through which the Company have digitalized and realized the synergy and vertical integration of sale, R&D, design, manufacturing process, procurement, and internal resource.

(10) During the Reporting Period, the first phase of the capacity expansion project of Rongcheng All Steel Radial Tires was put into full operation, offering a new capacity of 1.65 million tires, and increasing the annual production capacity from 4.70 million tires to 6.35 million tires. The first phase of the capacity expansion project of Semi-Steel Radial Tires entered the installation and commissioning stage. It is expected that by July 31, 2019, this project would offer a new capacity of 1.90 million tires, and increase the annual production capacity from 6.50 million tires to 8.40 million tires. The increased capacity would help bring into play the economies of scale of the tire industry, seize market share, and strengthen profitability.

Meanwhile, to mitigate the uncertain risks brought about by international trade disputes and maximize the rational use of net proceeds from the Global Offering, the Company had decided to abort the construction plan of the second phase of domestic All Steel Radial Tires, and reallocated the proceeds usage of HK$264 million for the pre-construction work of the Thailand factory during the Reporting Period. Detailed information of the change in use of proceeds from the Global Offering is set out in the Company's announcement dated May 20, 2019.

BUSINESS STRATEGY AND OUTLOOK

Looking forward to the rest of the current year, the Company anticipates a complicated market environment, amid which the tire industry accelerates integration. In this context, the Group is firm in implementing the four core development strategies of "cost leadership, efficiency driven, competitive differentiation, and global operation" with a focus on the following work:

(1) Focus on the strategy. Each business sector shall grasp the decomposition of strategic objectives, refine and implement the strategies, and specify the implementation paths and specific supporting measures of the strategic objectives, to keep the main focus on adding value to the Company's core businesses.

(2) Concentrate on further standardizing the process, establish and improve the Company's industrial engineer team and the standardization system. The Company will continue to improve the six systems including marketing, R&D, manufacturing, procurement, quality, and management and control, establish a regular review, revision, and improvement mechanism for the systems, and form a self-improvement management mechanism to meet the needs of the future business development.

(3) The operation of the all steel and semi-steel expansion projects in 2019 will bring new growth opportunities to the Company. The Company will continue to explore innovations in marketing models and develop aggressive sales strategies by leveraging the advantages and accumulation of existing distribution channels, to rapidly increase sales volume so as to absorb new capacity. These efforts aim to achieve the Company's sales targets for the second half of the year.

(4) Continue to push on the construction of the Thailand production base, and go to all lengths to ensure that the Thailand company goes into production in 2020. The Company will actively cultivate talents with systematic strategic awareness of operations in the international market, recruit local employees, conduct corporate culture construction, and systematize the Company's business policies and operational objectives through standardized processes, operation instructions and business rules, to ensure that personnel and operation systems are well-prepared for production.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2019, revenue of the Group amounted to approximately RMB2,873.9 million, representing an increase of approximately RMB233.0 million compared to approximately RMB2,640.9 million for the six months ended June 30, 2018.

Sales by product type	**For the six months ended June 30, 2019** ***RMB'000***	For the six months ended June 30, 2018 *RMB'000*
All Steel Radial Tires	**2,247,486**	2,052,073
Semi-Steel Radial Tires	**525,665**	517,912
Bias Tires	**100,731**	70,937
Total	**2,873,882**	2,640,922

For the six months ended June 30, 2019, revenue from sales of All Steel Radial Tires increased by approximately 9.5% from approximately RMB2,052.1 million for the six months ended June 30, 2018 to approximately RMB2,247.5 million, which was primarily attributable to 13.6% increase in sales volume; revenue from sales of Semi-Steel Radial Tires increased by approximately 1.5% from approximately RMB517.9 million for the six months ended June 30, 2018 to approximately RMB525.7 million for the six months ended June 30, 2019, which was primarily attributable to 4.8% increase in sales volume; and revenue from sales of Bias Tires increased by approximately 42.0% from approximately RMB70.9 million for the six months ended June 30, 2018 to approximately RMB100.7 million for the six months ended June 30, 2019, which was primarily attributable to 45.3% increase in sales volume.

Sales by channel	For the six months ended June 30, 2019 *RMB'000*	For the six months ended June 30, 2018 *RMB'000*
Distributors		
Domestic	**1,085,673**	910,553
International	**860,049**	668,444
	1,945,722	1,578,997
Direct Sales to Vehicle Manufacturers	**683,539**	657,480
Private Label Customers	**244,621**	404,445
Total	**2,873,882**	2,640,922

For the six months ended June 30, 2019, revenue from sales to distributors increased by approximately 23.2% over the same period last year from approximately RMB1,579.0 million for the six months ended June 30, 2018 to approximately RMB1,945.7 million, which was primarily attributable to increase in sales to domestic distributors by approximately RMB175.1 million, an increase of approximately 19.2% over the same period last year as a result of the right policy of managing the channel of domestic distributors; and revenue from sales to international distributors continued to rise and increased by approximately RMB191.6 million, representing an increase of approximately 28.7% over the same period last year.

For the six months ended June 30, 2019, revenue from sales to vehicle manufacturers increased from approximately RMB657.5 million for the six months ended June 30, 2018 to approximately RMB683.5 million, which was primarily attributable to additional income from the cooperation model.

For the six months ended June 30, 2019, revenue from sales to private label customers decreased from approximately RMB404.4 million for the six months ended June 30, 2018 to approximately RMB244.6 million, which was primarily attributable to the strong growth of the Company's own brands business while with limited capacity and the sales to private label customers being subject to tariffs imposed by the United States.

Cost of Sales

The Group's cost of sales increased from approximately RMB2,133.4 million for the six months ended June 30, 2018 to approximately RMB2,322.3 million for the six months ended June 30, 2019, representing an increase of approximately 8.9%. Such increase was mainly attributable to the increase in the cost in the same proportion as the increase of 8.8% in revenue from sales.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended June 30, 2019 amounted to approximately RMB551.6 million compared to approximately RMB507.5 million for the six months ended June 30, 2018, representing a growth of approximately 8.7%. The increase in gross profit was mainly achieved by increasing the sales volume under the strategy of maintaining the overall gross profit margin level at approximately 19.2%.

Other Income

The Group's other income for the six months ended June 30, 2019 amounted to approximately RMB22.3 million, increased by approximately RMB4.3 million from approximately RMB18.1 million for the six months ended June 30, 2018. The increase was mainly due to the increased sales of scraps as a result of increased production.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased from approximately RMB140.6 million for the six months ended June 30, 2018 to approximately RMB176.9 million for the six months ended June 30, 2019, representing an increase of approximately 25.9%. The increase was primarily due to the increase in sales expenses as a result of the 10.4% increase in sales volume and the increase in marketing expenses.

Finance Income

For the six months ended June 30, 2019 and 2018, the Group's finance income amounted to approximately RMB11.8 million and RMB2.5 million respectively. The increase in finance income was due to the increase in the interest income.

Finance Costs

For the six months ended June 30, 2019 and 2018, the Group's finance costs amounted to approximately RMB3.9 million and RMB5.8 million respectively. The decrease in finance costs was mainly due to the capitalization of certain bank loan interests on qualifying assets.

Profit for the Period

The Group's profit for the Reporting Period increased by approximately RMB15.0 million from approximately RMB246.0 million for the six months ended June 30, 2018 to approximately RMB261.0 million. The increase was mainly due to the increase in sales volume with stable administrative expenses.

Profit Attributable to Shareholders of the Company

Due to the above factors, for the six months ended June 30, 2019 and 2018, the profit attributable to shareholders of the Company amounted to approximately RMB261.0 million and RMB246.1 million respectively.

Total Comprehensive Income for the Period

Total comprehensive income for the Reporting Period increased by approximately RMB17.5 million from approximately RMB241.3 million for the six months ended June 30, 2018 to approximately RMB258.8 million. Such increase was mainly due to the increase in operating profit arising from the increase in sales volume.

Liquidity and Financial Resources

Generally, the cash flows generated within the Group and bank loans are the source of its working capital. By far, the Group maintained a sound financial position. As at June 30, 2019, the Group had approximately RMB931.6 million in cash and cash equivalents (including restricted cash), representing a decrease of approximately RMB537.7 million as compared to that as at December 31, 2018 (approximately RMB1,469.3 million), which was mainly due to the payment of advances for the land and equipment of Thailand base. As at June 30, 2019, the Group had RMB350.0 million in bank borrowings (December 31, 2018: approximately RMB350.0 million) denominated in RMB at interest rates linked to the rates of People's Bank of China. The current ratio as at June 30, 2019 was approximately 1.6 (December 31, 2018: approximately 1.7).

Gearing Ratio

The gearing ratios as at June 30, 2019 and as at December 31, 2018 were not meaningful since there was no net debt. The ratios were calculated as net surplus/debt divided by total capital. Net surplus/debt was calculated as total borrowings less cash and cash equivalents and restricted cash. Total capital was calculated as equity plus net surplus/debt, which was total equity as shown in the condensed consolidated statement of financial position and net surplus/debt.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a sound liquidity position for the six months ended June 30, 2019. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial position of its customers. To manage liquidity risk, the board of directors of the Company (the "**Board**") closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at June 30, 2019, the net book value of the Group's property, plant and equipment with a net book value amounting to approximately RMB284.9 million (December 31, 2018: approximately RMB293.7 million) and restricted cash balances amounting to approximately RMB67.8 million (December 31, 2018: approximately RMB84.0 million) were pledged as security for the Group's bank borrowings and notes payable outstanding. Save for the above, the Group did not have any charges on its assets.

Investment

The financial assets held by the Group at fair value through profit or loss mainly included wealth management products of approximately RMB385.2 million and a stock with gross value of approximately RMB33.7 million (December 31, 2018: approximately RMB468.5 million and RMB29.1 million, respectively) as at June 30, 2019.

Exposure to Foreign Exchange Risks

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group mainly operates in the PRC, and is therefore exposed to foreign currency risks arising from various currency exposures, mainly with respect to USD due to certain financial assets and liabilities denominated in USD.

Exchange rate fluctuations and market trends have always been a concern of the Group. In respect of the Company's current operation model, the foreign exchange income roughly matches the foreign exchange expenditure, which is conducive to mitigating the impact of foreign exchange fluctuations on the Company. However, possible changes in sales composition and production mix are likely to pose new exchange rate risks, which still require the Company's close attention and prudent handling of exposure to foreign exchange risks.

The Group and the Company may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. For the six months ended June 30, 2019, the Group did not have an opportune time to enter into currency swap contracts to mitigate the foreign exchange risk.

Compliance with Relevant Laws and Regulations

The Company strictly complied with the following laws and regulations which may have a significant impact on its production and operation: (a) laws and regulations relating to compulsory product certification for tire products; (b) laws, regulations and policies relating to the access to and supervision of the tire industry; (c) laws and regulations relating to environmental protection and safety responsibility; (d) laws and regulations relating to foreign investment; (e) laws and regulations relating to foreign exchange control and taxation; (f) laws and regulations relating to labour and employment; (g) laws and regulations governing the organization and conduct of the Company; (h) laws and regulations concerning securities trading and regulation; (i) laws and regulations relating to intellectual property rights; and (j) other relevant laws, regulations, policies, and supervisory regulations. Meanwhile, a list of applicable laws and regulations was established within the Company and updated from time to time for compliance. In addition, the Company made enquiries from time to time about the restrictions under the regulations of, and the requirements of the relevant regulatory authorities in the jurisdictions in which it conducts business and investment activities, such as the import tariffs and quota regulations, anti-dumping and sanctions regulations in the United States and the European Union trade regulations. The Company was able to comply with the relevant laws and regulations within and outside China which have a significant impact on it, through the full cooperation between its legal department and the external legal advisors, and the Company's continuous and effective supervision.

Capital Structure

There has been no change in the capital structure of the Company for the six months ended June 30, 2019. The capital of the Company comprises ordinary shares and other reserves.

Capital Commitment and Contingent Liabilities

As at June 30, 2019, the Group's capital commitment was approximately RMB631.2 million (December 31, 2018: approximately RMB57.3 million).

The Group has no contingent liability that would cause a significant impact for the six months ended June 30, 2019 (December 31, 2018: Nil).

Significant Investments, Material Acquisitions and Disposal of Subsidiaries, Associated Companies, and Joint Ventures

Save as otherwise disclosed in this interim report, the Group did not have any significant investments, material acquisitions, and disposals of any subsidiaries, associated companies, and joint ventures for the six months ended June 30, 2019.

Future Plans for Substantial Investments or Capital Assets

Save as disclosed in the section headed "USE OF PROCEEDS FROM LISTING", there was no plan authorized by the Board for other substantial investments or additions of capital assets.

Human Resources Management

As at June 30, 2019, the Group had a total of 4,989 employees (as at December 31, 2018: 4,502). The employee benefit expenses of the Group were RMB243.3 million for the six months ended June 30, 2019 (2018: RMB196.4 million).

The emoluments paid by the Group to employees were determined in accordance with market terms and employee qualifications and experience. The discretionary bonus paid to employees was determined in accordance with the Company's sales revenue and profit and employees' post value and contribution. To attract, retain, motivate and encourage the employees to contribute to creating values for the Company and shareholders, the Group provided training courses for the employees to develop their skills, because the relevant skills are required by the Group to meet the business target, customer demand, custodial and regulatory requirements, and contractual obligations. The full-time employees (except for independent contractors) also enjoy various employee benefit plans.

For the six months ended June 30, 2019, the Company did not adopt any share option scheme or grant, exercise, cancel any options. Details of the share option scheme adopted and options granted by the Company after the Reporting Period are set out in the section headed "Events after the Reporting Period" of this report.

Progress in the Construction of the Tire Production Base in Thailand

On December 25, 2018, Prinx Chengshan Tire (Thailand) Co., Ltd. ("**Prinx Thailand**"), an indirect wholly-owned subsidiary of the Company, entered into a land purchase agreement with an independent third party, pursuant to which Prinx Thailand agreed to acquire a land plot located in Chonburi province, Thailand. The Company intends to construct a tire manufacturing plant on the Land. The details of the transaction are set out in the announcement published by the Company dated December 27, 2018.

During the Reporting Period, the Company invested a total of approximately HK$375 million in the construction of the tire production base in Thailand and has started the construction. All work is carried out in an orderly manner according to the schedule. As at June 30, 2019, the bidding work of all-steel, semi-steel, and mixing process equipment has been completed. At present, the Company is carrying out underground construction of the civil engineering foundation of the mixing workshop and the construction of the 115KV power station. The Company expected to complete the construction of the all-steel production workshop, banbury mixer workshop, supporting public works and other plants and meet the equipment installation conditions as well as 90% of the construction of the semi-steel workshop, and start the installation of thermal equipment, power equipment and transformer and distribution equipment and deliver the key equipment to the factory for installation by the end of the year.

EVENTS AFTER THE REPORTING PERIOD

Share Option Scheme

The Company adopted a share option scheme (the "**Share Option Scheme**") on July 5, 2019 (the "**Adoption Date**"). The Share Option Scheme aims to attract, retain and provide incentives to senior and mid-level management and key employees of the Company, to provide them with the opportunity to obtain shares of the Company and to link their interests closely to the operating results and share performance of the Company with a view to increasing the value of the Company and to attracting human resources that are valuable to the Group. The number of Shares issuable pursuant to the Share Option Scheme will be 16,000,000 Shares, being approximately 2.5% of the total number of Shares in issue on the Adoption Date.

Eligible Participant means any employee or proposed employee (whether full time or part time) of any member of the Group or any invested entity, excluding any independent non-executive Directors and provided that the proposed employee is actually employed by the Group and has passed the stipulated probation period.

On July 9, 2019 (the "**Grant Date**"), the Company conditionally granted 14,400,000 options (the "**Options**" and each an "**Option**") to certain eligible participants (the "**Grantees**" and each a "**Grantee**") of the Group, subject to acceptance of the Grantees, to subscribe for a total of 14,400,000 ordinary shares of US$0.00005 each in the share capital of the Company (the "**Shares**"). The exercise price of the Share on the Grant Date is HK$7.244 per Share, which is the highest among (i) the closing price of HK$7.130 per Share on the Grant Date; (ii) the average closing price of HK$7.244 per Share for the five business days preceding the Grant Date; and (iii) the nominal value of each Share. The closing price on the business day preceding the Grant Date is HK$7.22 per Share. The Grantee may, within 28 days from the date of offer, accept the offer for the grant of Options.

Among the Options granted, 1,317,500 Options were granted to the Directors, chief executive or substantial shareholders of the Company, or an associate (as defined in the Listing Rules) of any of them and 13,082,500 Options were granted to other senior management and employees of the Group, details of which are as follows:

Name of Grantees	Position(s) held	Number of Options granted
Che Baozhen	Executive Director	580,000
Shi Futao	Executive Director	512,000
Cao Xueyu	Executive Director and joint company secretary	225,500
		1,317,500
Other senior management and employees		13,082,500
Total:		14,400,000

The Options granted will vest upon achievement of the performance targets in the respective proportions and on the respective dates as specified in the offer letter.

One third of the total number of Options granted can be vested and exercised at any time after the expiration of 12 months, 24 months and 36 months from the Grant Date, respectively. If the Options are not vested as the performance of the scheme participants in the first three vesting periods fails to meet the standards, in the event that the performance meets the standard upon the fourth annual assessment and the deferred vesting conditions are satisfied, the Options granted may be exercised at any time after the fourth exercise period (i.e., after 48 months from the Grant Date), and the vesting proportion is the remaining unvested Options after excluding the expired Options.

If the vesting conditions are not met by the Grantee, the unvested Options granted to such Grantee would lapse. Subject to the vesting schedule, the Options are exercisable within a period of six years commencing from the Grant Date.

No Option under the Share Option Scheme has been exercised, lapsed or cancelled from the Grant Date to the date of this interim report.

Details of the Share Option Scheme are set out in the circular issued by the Company on June 13, 2019 and the announcement issued on July 9, 2019.

PROFIT SHARING SCHEME

The profit sharing scheme, which was adopted on July 5, 2019 (the "**Profit Sharing Scheme**"), and the Share Option Scheme together form the Company's long-term incentive scheme (which cannot be participated in at the same time).

The Profit Sharing Scheme aims to attract, retain and provide incentives to key employees of the Company, including equipment supervisors, engineers, IT, business and grassroots managers or special contributors. It is planned that from 2019, if the annual actual profit reaches the profit target, the base bonus will be paid, and the portion exceeding the annual profit target will be allocated in a certain proportion. When the external business environment changes significantly, the Board will determine and adjust the implementation conditions of the Profit Sharing Scheme according to the actual situation. The sharing amount depends on the comprehensive coefficient of personal performance and company performance and is distributed proportionally in three years. The Company hopes to provide employees with the opportunity to share the Company's development dividends through the above scheme, link personal interests closely to the Company's performance and enhance the value of the Company.

* *For identification purpose only*

The Board is pleased to present the corporate governance report of the Company for the six months ended June 30, 2019.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance the enterprise value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as its own corporate governance code. The Company has been in compliance with all applicable code provisions under the Corporate Governance Code during the six months ended June 30, 2019. The Company will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code for dealing in securities by directors of the Company (the "**Directors**"). Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the six months ended June 30, 2019.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the six months ended June 30, 2019.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), which comprises three independent non-executive Directors, namely Mr. Choi Tze Kit Sammy (Chairman), Mr. Wang Chuansheng and Mr. Zhang Xuehuo. The primary responsibility of the Audit Committee is to review and supervise the financial reporting procedures and internal controls of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated interim results and interim report of the Group for the six months ended June 30, 2019 and was of the opinion that the interim results have been prepared in compliance with the related accounting standards and that adequate disclosures have been made in it by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2019, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF PROCEEDS FROM LISTING

The net proceeds from the listing of the Company on the Main Board of the Stock Exchange (the "**Listing**") were approximately HK$738.4 million (after deducting listing expenses), which are intended to be utilized in the manner as disclosed in the proposed reallocation (the "**Reallocation**") in the announcement of the Company dated May 20, 2019 (the "**Reallocation Date**").

The Group had utilized approximately HK$592.9 million of the net proceeds as at June 30, 2019. The unutilized net proceeds of approximately HK$145.5 million have been placed as interest bearing deposits with licensed bank in Hong Kong and Mainland China and are intended to be applied in the manner consistent with the Reallocation.

As at June 30, 2019, the net proceeds had been utilized as follows:

Use of proceeds	Original allocation *HK$ million*	Unutilized amount as at January 1, 2019 *HK$ million*	Reallocation *HK$ million*	Utilized amount during the Reporting Period *HK$ million*	Unutilized amount as at June 30, 2019 *HK$ million*
Investment in the first phase of All Steel Radial Tires capacity expansion of the Group	34.7	0	34.7	0	0
Investment in the second phase of All Steel Radial Tires capacity expansion of the Group	264.3	264.3	0	0	0
Expansion of Semi-Steel Radial Tires production capacity of the Group[1]	146.2	97.4	146.2	63.2	34.2
Overseas investment[2]	221.5	201.2	485.8	375.0	90.5
Working capital[3]	71.7	41.2	71.7	20.4	20.8
Total	738.4	604.1	738.4	458.6	145.5

Except that the investment in the second phase of All Steel Radial Tires capacity expansion of the Group has been aborted, the use or proposed use of proceeds from the Listing is in compliance with the plans previously disclosed by the Company and there have been no material changes or delays.

1. It is expected that the Company will use the remaining outstanding funds of HK$34.2 million by 2020, and bring it into production in 2021. Detailed schedule depends on the overall economic conditions, the development of the Company and market situation.

2. It is expected to be used to build the tire production base in Thailand, and is expected that the Company will invest the remaining outstanding funds of HK$90.5 million in 2019, and bring it into production in 2020. Detailed schedule depends on the development of the Company, the local politics and economy of Thailand and the progress of obtaining relevant government approval.

3. To be used according to the business requirements of the Group from time to time.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out as follows:

Name of Directors	Capacity/ Nature of interest	Number of Shares	Long position/ Short position/ Interest in a lending pool	Approximate percentage of shareholding in the Company
Mr. Che Hongzhi	Spouse interest	437,559,500 *(Note 1)*	Long position	68.91%
Mr. Che Baozhen	Interest in a controlled corporation	437,559,500 *(Note 2)*	Long position	68.91%

Notes:

(1) Mr. Che Hongzhi is the spouse of Ms. Li Xiuxiang. As such, he is deemed to be interested in all the Shares in which Ms. Li Xiuxiang are interested.

(2) Mr. Che Baozhen directly owns 50% of the equity interest in Shanghai Chengzhan Information and Technology Center* (上海成展信息科技中心), which in turns owns 95% of the equity interest in Beijing Zhongmingxin Investment Company Limited* (北京中銘信投資有限公司), which in turns owns 42.50% of the equity interest in Chengshan Group Company Limited ("**Chengshan Group**"). As such, Mr. Che Baozhen, Shanghai Chengzhan Information and Technology Center* (上海成展信息科技中心) and Beijing Zhongmingxin Investment Company Limited* (北京中銘信投資有限公司) are deemed to be interested in the interests in Chengshan Group.

Save as disclosed above, as at June 30, 2019, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at June 30, 2019, to the knowledge of the Directors, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register of the Company required to be maintained pursuant to section 336 of the SFO:

Name	Capacity/ Nature of interest	Number of Shares	Long position/ Short position/ Interest in a lending pool	Approximate percentage of shareholding in the Company
Sinotruk (BVI) Limited	Interest in a controlled corporation	63,400,000 *(Note 1)*	Long position	9.98%
Sinotruk (Hong Kong) Capital Holding Limited	Beneficial owner	63,400,000 *(Note 1)*	Long position	9.98%
China National Heavy Duty Truck Group Co., Ltd.* (中國重型汽車集團有限公司)	Interest in a controlled corporation	63,400,000 *(Note 1)*	Long position	9.98%
Sinotruk (Hong Kong) International Investment Limited	Interest in a controlled corporation	63,400,000 *(Note 1)*	Long position	9.98%
Sinotruk (Hong Kong) Limited	Interest in a controlled corporation	63,400,000 *(Note 1)*	Long position	9.98%
Beijing Zhongmingxin Investment Company Limited* (北京中銘信投資有限公司)	Interest in a controlled corporation	437,559,500 *(Note 2)*	Long position	68.91%

Name	Capacity/ Nature of interest	Number of Shares	Long position/ Short position/ Interest in a lending pool	Approximate percentage of shareholding in the Company
Shanghai Chengzhan Information and Technology Center* (上海成展信息科技中心)	Interest in a controlled corporation	437,559,500 *(Note 2)*	Long position	68.91%
Chengshan Group	Beneficial owner	437,559,500 *(Note 2)*	Long position	68.91%
Ms. Li Xiuxiang	Interest in a controlled corporation	437,559,500 *(Note 2)*	Long position	68.91%
Ms. Bi Wenjing	Spouse interest	437,559,500 *(Note 3)*	Long position	68.91%

Notes:

(1) China National Heavy Duty Truck Group Co., Ltd.* (中國重型汽車集團有限公司) owns 100% of the interests of Sinotruk (BVI) Limited, which in turns owns 51% of the issued share capital of Sinotruk (Hong Kong) Limited. Sinotruk (Hong Kong) Limited owns 100% of the issued share capital of Sinotruk (Hong Kong) International Investment Limited, which in turns owns 100% of the issued share capital of Sinotruk (Hong Kong) Capital Holding Limited, which in turns owns 63,400,000 shares of the Company. As such, China National Heavy Duty Truck Group Co., Ltd.* (中國重型汽車集團有限公司), Sinotruk (BVI) Limited and Sinotruk (Hong Kong) International Investment Limited are deemed to be interested in 63,400,000 Shares held by Sinotruk (Hong Kong) Capital Holding Limited.

(2) Ms. Li Xiuxiang directly owns 50% of the equity interest in Shanghai Chengzhan Information and Technology Center* (上海成展信息科技中心), which in turns owns 95% of the equity interest in Beijing Zhongmingxin Investment Company Limited* (北京中銘信投資有限公司), which in turns owns 42.50% of the equity interest in Chengshan Group. As such, Ms. Li Xiuxiang, Shanghai Chengzhan Information and Technology Center* (上海成展信息科技中心) and Beijing Zhongmingxin Investment Company Limited* (北京中銘信投資有限公司) are deemed to be interested in the interests in Chengshan Group.

(3) Ms. Bi Wenjing is the spouse of. Mr. Che Baozhen. As such, she is deemed to be interested in all the Shares in which Mr. Che Baozhen is interested.

Save as disclosed above, as at June 30, 2019, to the knowledge of the Directors, none of any other person (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register of the Company required to be maintained pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time for the six months ended June 30, 2019 was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debentures of the Company or any other body corporate, or had exercised any such right.

SHARE OPTION SCHEME

For the six months ended June 30, 2019, the Company did not adopt any share option scheme. Details of the Share Option Scheme adopted and Options granted by the Company after the Reporting Period are set out in the section headed "Events after the Reporting Period" of this report.

CHANGES OF COMPANY SECRETARY'S INFORMATION

Changes of Company Secretary's information of the Company since the date of 2018 Annual Report (i.e., February 25, 2019) are set out below:

Company Secretary	Change
Cao Xueyu	The Board has appointed Ms. Cao Xueyu, an executive Director, as the joint company secretary of the Company with effect from March 29, 2019.

Details of the change was set out in the announcement issued by the Company on March 29, 2019.

The Directors confirmed that there was no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

* *For identification purpose only*

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Revenue	7	**2,873,882**	2,640,922
Cost of sales		**(2,322,262)**	(2,133,442)
Gross profit		**551,620**	507,480
Selling and distribution expenses		**(176,908)**	(140,559)
Administrative expenses		**(66,412)**	(66,051)
Research and development costs		**(53,524)**	(45,196)
Other income		**22,335**	18,070
Other gains — net	8	**14,043**	13,492
Operating profit	8	**291,154**	287,236
Finance income	9	**11,805**	2,518
Finance costs	9	**(3,943)**	(5,804)
Finance income/(costs) — net	9	**7,862**	(3,286)
Share of result of an associate		**(56)**	—
Profit before income tax		**298,960**	283,950
Income tax expense	10	**(37,923)**	(37,917)
Profit for the period		**261,037**	246,033
Profit/(loss) attributable to:			
— Shareholders of the Company		**260,966**	246,109
— Non-controlling interests		**71**	(76)
		261,037	246,033
Earnings per share for profit attributable to shareholders of the Company for the period			
— Basic and diluted (RMB)	11	**0.41**	0.49

The accompany notes form an integral part of these condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
	Note	**2019** ***RMB'000***	2018 *RMB'000*
Profit for the period		**261,037**	246,033
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences		**(2,191)**	(4,736)
Other comprehensive loss for the period, net of tax		**(2,191)**	(4,736)
Total comprehensive income for the period		**258,846**	241,297
Attributable to:			
— Shareholders of the Company		**258,775**	241,373
— Non-controlling interests		**71**	(76)
Total comprehensive income for the period		**258,846**	241,297

The accompany notes form an integral part of these condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Note	**Unaudited 30 June 2019 *RMB'000***	Audited 31 December 2018 *RMB'000*
Assets			
Non-current assets			
Land use rights	13	**102,014**	103,932
Property, plant and equipment	13	**1,680,334**	1,372,590
Right-of-use assets	3(a)	**12,374**	—
Intangible assets	13	**52,931**	58,142
Investment in an associate		**2,144**	2,200
Prepayments and other receivables	17	**174,931**	12,979
		2,024,728	1,549,843
Current assets			
Inventories	14	**642,655**	671,579
Trade receivables	16	**1,254,850**	933,541
Prepayments, other receivables and other current assets	17	**66,518**	74,789
Financial assets at fair value through profit or loss	15	**418,946**	497,608
Amounts due from related parties	25	**90,034**	59,739
Prepaid current income tax		**16,289**	—
Cash and cash equivalents		**863,841**	1,385,348
Restricted cash		**67,771**	83,973
		3,420,904	3,706,577
Total assets		**5,445,632**	5,256,420

As at 30 June 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	18	199	199
Share premium	18	2,042,670	2,171,942
Reserves	19	1,132,717	873,942
		3,175,586	3,046,083
Non-controlling interests		458	(126)
Total equity		3,176,044	3,045,957
Liabilities			
Non-current liabilities			
Amounts due to a related party	25	5,092	—
Deferred income		40,568	39,946
Deferred tax liabilities	23	29,783	12,417
		75,443	52,363
Current liabilities			
Trade payables	21	1,137,419	1,113,699
Other payables and accruals	22	528,152	508,893
Contract liabilities		54,910	59,512
Provision for warranties		78,011	73,873
Amounts due to related parties	25	30,085	28,800
Current income tax liabilities		15,568	23,323
Bank borrowings	20	350,000	350,000
		2,194,145	2,158,100
Total liabilities		2,269,588	2,210,463
Total equity and liabilities		5,445,632	5,256,420

The accompany notes form an integral part of these condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Note	Unaudited Equity attributable to shareholders of the Company					
	Note	Share capital *RMB'000* *(Note 18)*	Share premium *RMB'000* *(Note 18)*	Reserves *RMB'000* *(Note 19)*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2019		199	2,171,942	873,942	3,046,083	(126)	3,045,957
Comprehensive income							
Profit for the period		—	—	260,966	260,966	71	261,037
Other comprehensive income							
Currency translation difference		—	—	(2,191)	(2,191)	—	(2,191)
Total other comprehensive income, net of tax		—	—	(2,191)	(2,191)	—	(2,191)
Total comprehensive income		—	—	258,775	258,775	71	258,846
Transactions with shareholders							
Acquisition of subsidiaries		—	—	—	—	498	498
Capital injection by non-controlling interests		—	—	—	—	15	15
Cash dividends	12	—	(129,272)	—	(129,272)	—	(129,272)
Total transactions with shareholders		—	(129,272)	—	(129,272)	513	(128,759)
Balance at 30 June 2019		199	2,042,670	1,132,717	3,175,586	458	3,176,044

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019

		Unaudited Equity attributable to shareholders of the Company					
	Note	Share capital *RMB'000* *(Note 18)*	Share premium *RMB'000* *(Note 18)*	Reserves *RMB'000* *(Note 19)*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018		133	1,112,569	488,673	1,601,375	(126)	1,601,249
Comprehensive income							
Profit for the period		—	—	246,109	246,109	(76)	246,033
Other comprehensive income							
Currency translation difference		—	—	(4,736)	(4,736)	—	(4,736)
Total other comprehensive income, net of tax		—	—	(4,736)	(4,736)	—	(4,736)
Total comprehensive income		—	—	241,373	241,373	(76)	241,297
Transactions with shareholders							
Conversion of preferred shares	18	19	374,600	—	374,619	—	374,619
Cash dividends	12	—	—	(83,082)	(83,082)	—	(83,082)
Total transactions with shareholders		19	374,600	(83,082)	291,537	—	291,537
Balance at 30 June 2018		152	1,487,169	646,964	2,134,285	(202)	2,134,083

The accompany notes form an integral part of these condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June **2019** ***RMB'000***	 2018 *RMB'000*
Cash flows from operating activities			
Cash generated from operations		**118,903**	629,891
Interest paid		**(6,906)**	(17,011)
Income tax paid		**(44,601)**	(37,869)
Net cash generated from operating activities		**67,396**	575,011
Cash flows from investing activities			
Purchases of property, plant and equipment		**(557,644)**	(185,365)
Proceeds from disposal of property, plant and equipment		**71**	81
Purchase of intangible assets		**(666)**	—
Repayment of loans granted to a related party		**2,000**	—
Purchase of financial assets at fair value through profit or loss		**(1,113,189)**	(1,544,922)
Proceeds from disposal of financial assets at fair value through profit or loss		**1,204,364**	1,343,880
Acquisition of subsidiaries, net of cash and cash equivalents		**1,163**	27,042
Disposal of a subsidiary, net of cash and cash equivalents		**—**	(53,759)
Interest received		**11,302**	2,275
Net cash used in investing activities		**(452,599)**	(410,768)
Cash flows from financing activities			
Repayments of borrowings		**—**	(50,000)
Loans granted from a related party		**603**	—
Repayments of loans from related parties		**—**	(100,673)
Payment of listing expenses		**(1,647)**	(7,409)
Principal elements of lease payments		**(3,870)**	—
Amounts due to non-controlling interests		**—**	23,654
Cash dividends paid		**(132,254)**	(165,268)
Capital injection by non-controlling interests		**15**	—
Net cash used in financing activities		**(137,153)**	(299,696)
Net decrease in cash and cash equivalents		**(522,356)**	(135,453)
Cash and cash equivalents at the beginning of period		**1,385,348**	687,998
Exchange gain on cash and cash equivalents		**849**	5,658
Cash and cash equivalents at the end of period		**863,841**	558,203

The accompany notes form an integral part of these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

1 General information, reorganisation and basis presentation

1.1 General information

Prinx Chengshan (Cayman) Holding Limited (the "Company") was incorporated in Cayman Islands on 22 May 2015 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Harbour Place, 2nd Floor, 103 South Church Street, PO Box 472, George Town, Grand Cayman KY1–1106, Cayman Islands. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("HKSE") since 9 October 2018.

The Company is an investment holding company and its subsidiaries (together "the Group") are principally engaged in the manufacturing and sales of tire products in the People's Republic of China (the "PRC"), America, Asia and other global markets.

The immediate holding company of the Group is Chengshan Group Co., Ltd. ("Chengshan Group"), which is ultimately held as to 76.76% by Mr. Che Baozhen and his spouse, Ms Bi Wenjing, Mr. Che Hongzhi and his spouse, Ms Li Xiuxiang (collectively the "Controlling Shareholders") and other individual shareholders.

These condensed consolidated interim financial information are presented in thousands of Renminbi ("RMB'000") and were approved for issue by the board of directors on 23 August 2019.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") except for the adoption of new and amended standards as disclosed in note 3.

3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 Significant accounting policies (Continued)

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of which has significant financial impact to the Group except for HKFRS 16:

- HKFRS 16 Leases
- HK (IFRIC) 23 Uncertainty over income tax treatments
- HKFRS 9 (Amendments) Prepayment features with negative compensation
- HKAS 28 (Amendments) Long-term interests in associates and joint ventures
- HKAS 19 (Amendments) Plan amendment, curtailment or settlement

The Group leases various offices and apartments. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and

- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Group has not leased any low-value assets during the six months ended 30 June 2019.

3 Significant accounting policies (continued)

(a) New and amended standards adopted by the Group (continued)

Extension options are included in the offices and apartments leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor. None of the extension option was exercised during the six months ended 30 June 2019.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 3.90%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	18,510
Less: Short-term leases recognised on a straight-line basis as expense	(1,357)
Low-value leases recognised on a straight-line basis as expense	—
	17,153
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	16,086
Of which are:	
Current lease liabilities	7,259
Non-current lease liabilities	8,827
	16,086

3 Significant accounting policies (continued)

(a) New and amended standards adopted by the Group (continued)

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of assets:

	30 June 2019 *RMB'000*	1 January 2019 *RMB'000*
Buildings	12,374	16,086

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Right-of-use assets — increase by RMB16,086,114
Lease liabilities (current portion) — increase by RMB7,258,747
Lease liabilities (non-current portion) — increase by RMB8,827,367

There was no impact on retained earnings on 1 January 2019.

(i) Impact on segment disclosures and profit

As the Group has identified only one operating segment — manufacturing and selling of tire products, there is no impact on segment disclosures and profit.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

3 Significant accounting policies (continued)

(a) New and amended standards adopted by the Group (continued)

(ii) Practical expedients applied (continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2019 and have not been early adopted by the Group are as follows:

Standards	Key requirements	Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no material changes in the risk management department in any risk management policies since the year end.

5.2 Liquidity risk

Compared to the previous year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
At 30 June 2019			
Bank borrowings	**350,000**	**—**	**350,000**
Interest payables for bank borrowings	**5,726**	**—**	**5,726**
Amounts due to related parties	**30,085**	**5,092**	**35,177**
Trade payables	**1,137,419**	**—**	**1,137,419**
Other payables	**379,397**	**—**	**379,397**
	1,902,627	**5,092**	**1,907,719**
At 31 December 2018			
Bank borrowings	350,000	—	350,000
Interest payables for bank borrowings	12,500	—	12,500
Amounts due to related parties	28,800	—	28,800
Trade payables	1,113,699	—	1,113,699
Other payables	356,325	—	356,325
	1,861,324	—	1,861,324

5 Financial risk management (continued)

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at the balance sheet dates:

	Level 1	Level 2	Level 3	Total
As at 30 June 2019				
Assets				
Financial assets at fair value through profit or loss				
— Wealth management products (a)	**—**	**—**	**385,221**	**385,221**
— Listed equity securities	**33,725**	**—**	**—**	**33,725**
	33,725	**—**	**385,221**	**418,946**
As at 31 December 2018				
Assets				
Financial assets at fair value through profit or loss				
— Wealth management products (a)	—	—	468,526	468,526
— Listed equity securities	29,082	—	—	29,082
	29,082	—	468,526	497,608

There were no transfers between level 1, 2 and 3 during the years.

5 Financial risk management (continued)

5.3 Fair value estimation (Continued)

(a) Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

	Fair value at 30 June 2019 *RMB'000*	Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair value
Wealth management products	385,221	Expected yield rate	2.0%–3.8% (2.9%)	A change in the yield rate by 100 basis points would increase/decrease the fair value by approximately RMB3,719,467.

	Fair value at 31 December 2018 *RMB'000*	Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair value
Wealth management products	468,526	Expected yield rate	2.0%–4.7% (3.4%)	A change in the yield rate by 100 basis points would increase/decrease the fair value by approximately RMB4,489,582.

6 Segment information

The executive directors of the Company have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group is principally engaged in manufacturing and selling tire products. The chief operating decision-makers assess the performance of the Group's business based on the measure of operating results and consider the Group's business as a single operating segment. Information reported to the chief operating decision-makers for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment-manufacturing and selling of tire products.

The Group's revenue by geographical location, which is determined by the continent where the goods were delivered, is as follows:

	Unaudited Six months ended 30 June	
	2019 Revenue ***RMB'000***	2018 Revenue *RMB'000*
Mainland China	**1,771,237**	1,586,835
Americas	**350,175**	447,357
Asia (excluding Mainland China)	**272,626**	246,646
Africa	**230,890**	155,188
Middle East	**122,633**	102,336
Other countries	**126,321**	102,560
	2,873,882	2,640,922

7 Revenue

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue from customers and recognised at point in time		
Sales of tire products:		
— All Steel Radial Tires	**2,247,486**	2,052,073
— Semi-Steel Radial Tires	**525,665**	517,912
— Bias tires	**100,731**	70,937
	2,873,882	2,640,922

8 Operating profit

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**(87,145)**	(93,714)
Depreciation of right-of-use assets	**(3,712)**	—
Provisions for warranty claims	**(22,185)**	(21,742)
Amortisation of intangible assets	**(5,877)**	(5,882)
Amortisation of land use rights	**(1,918)**	(1,918)
Provision for impairment of trade receivables	**(4,470)**	(205)
Provision for write-down of inventories	**(1,724)**	(315)
Government grants	**7,332**	8,088
Other gains — net		
— Gains on disposal of financial assets at fair value through profit or loss	**9,054**	999
— Gains from fair value change of financial assets at fair value through profit or loss	**3,459**	3,917
— Losses on disposal of property, plant and equipment	**(193)**	(371)
— Net other foreign exchange gains	**1,000**	8,508

9 Finance income/(costs) — net

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Finance costs:		
— Interest expense on bank borrowings	**(6,868)**	(5,021)
— Lease liabilities	**(280)**	—
— Foreign exchange losses on financing activities	**—**	(783)
	(7,148)	(5,804)
Less: amounts capitalised on qualifying assets	**3,205**	—
	(3,943)	(5,804)
Finance income:		
— Interest income derived from bank deposits	**11,805**	2,518
Finance income/(costs) — net	**7,862**	(3,286)

10 Income tax expense

The amounts of tax expense charged to the consolidated statements of profit or loss represent:

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax	**20,160**	40,708
— Hong Kong and overseas profits tax	**397**	1,189
Deferred income tax	**17,366**	(3,980)
Income tax expense	**37,923**	37,917

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**298,960**	283,950
Tax calculated at applicable tax rates	**73,984**	70,181
Expenses not deductible for tax purpose	**927**	700
Tax benefit from HNTE qualification	**(30,375)**	(29,026)
Additional deduction of research and development cost and other expense	**(6,613)**	(3,938)
Tax charge	**37,923**	37,917

Income tax expense is recognised based on the management's estimate of the annual income tax rate expected for the full financial year.

11 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share are the same as the basic earnings per share since there is no dilutive item for the six months ended 30 June 2019 and 2018.

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit attributable to the shareholders of the Company	**260,966**	246,109
Weighted average number of ordinary shares in issue (thousands)	**635,000**	500,000
Basic and diluted earnings per share (RMB)	**0.41**	0.49

12 Dividends

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Cash dividend paid by the Company (a)	**129,272**	83,082

(a) Dividend during the six months ended 30 June 2019 and 2018 represented cash dividend declared and paid by the Company to its equity holders.

13 Capital expenditure

	Unaudited		
	Property, plant and equipment *RMB'000*	Land use rights *RMB'000*	Intangible assets *RMB'000*
Six months ended 30 June 2019			
Opening net book amount as at 1 January 2019	**1,372,590**	**103,932**	**58,142**
Additions	**395,113**	**—**	**666**
Additions from acquiring a subsidiary	**39**	**—**	**—**
Disposals	**(263)**	**—**	**—**
Depreciation and amortisation	**(87,145)**	**(1,918)**	**(5,877)**
Closing net book amount as at 30 June 2019	**1,680,334**	**102,014**	**52,931**
Six months ended 30 June 2018			
Opening net book amount as at 1 January 2018	1,133,826	107,766	65,911
Additions	173,077	—	—
Disposals	(453)	—	—
Depreciation and amortisation	(93,714)	(1,918)	(5,882)
Closing net book amount as at 30 June 2018	1,212,736	105,848	60,029

14 Inventories

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Raw materials	**157,155**	154,161
Work-in-progress	**50,710**	45,205
Finished goods	**436,898**	473,702
	644,763	673,068
Provision for impairment of inventories	**(2,108)**	(1,489)
	642,655	671,579

Movements on the Group's provision for write-down of inventories are as follows:

	Unaudited 30 June 2019 *RMB'000*
At beginning of the period	**1,489**
Provision for write-down of inventories *(Note 8)*	**1,724**
Write-off as recorded in cost of sales	**(1,105)**
At the end of the period	**2,108**

15 Financial assets at fair value through profit or loss

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Financial assets at fair value through profit or loss		
— Wealth management products (a)	**385,221**	468,526
— Listed equity securities (b)	**33,725**	29,082
	418,946	497,608

	Unaudited 30 June 2019 RMB'000
At beginning of the period	**497,608**
Additions	**1,113,189**
Disposals	**(1,204,364)**
Gains on disposal of financial assets at fair value through profit or loss	**9,054**
Fair value gains on financial assets at fair value through profit or loss	**3,459**
At the end of the period	**418,946**

(a) The wealth management products are fair valued using a discounted cash flow approach. The main input used by the Group is estimated yield rate written in contract with the counterparty. The fair value is within level 3 of the fair value hierarchy (Note 5.3).

(b) The listed equity securities are fair valued based on the quoted market price.

16 Trade receivables

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Accounts receivable	**907,833**	767,317
Less: provision for impairment of accounts receivable	**(15,112)**	(10,642)
Accounts receivable — net	**892,721**	756,675
Notes receivable	**362,129**	176,866
Trade receivables — net	**1,254,850**	933,541

The carrying amounts of trade receivables approximated their fair values as at the balance sheet date.

As at 30 June 2019 and 31 December 2018, the aging analysis of the trade receivables based on invoice date were as follows:

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Up to 3 months	**1,080,298**	843,042
4 to 6 months	**135,686**	54,273
7 to 12 months	**41,468**	33,312
1 to 2 years	**9,103**	4,784
2 to 3 years	**769**	5,408
Over 3 years	**2,638**	3,364
	1,269,962	944,183

Movements on the Group's provision for impairment of trade receivables are as follows:

	Unaudited 30 June 2019 *RMB'000*
At beginning of the period	**10,642**
Provision for impairment of trade receivables (Note 8)	**4,470**
At the end of the period	**15,112**

17 Prepayments, other receivables and other current assets

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Non-current		
Prepayments for purchase of property, plant and equipment	**174,931**	10,979
Other receivables	**—**	2,000
	174,931	12,979
Current		
Prepayments	**42,297**	40,595
Other receivables	**8,632**	11,752
Other current assets — value added tax to be deducted	**15,589**	22,442
	66,518	74,789
	241,449	87,768

18 Share capital and Share premium

	Number of authorised shares
Authorised share capital:	
As at 1 January 2018, 31 December 2018 and 30 June 2019	1,000,000,000

	Number of issued shares	Nominal value of Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:				
As at 1 January 2019	**635,000,000**	**199**	**2,171,942**	**2,172,141**
Cash dividends *(Note 12)*	**—**	**—**	**(129,272)**	**(129,272)**
As at 30 June 2019	**635,000,000**	**199**	**2,042,670**	**2,042,869**
Issued and fully paid:				
As at 1 January 2018	436,600,000	133	1,112,569	1,112,702
Conversion of preferred shares *(Note (a))*	63,400,000	19	374,600	374,619
As at 30 June 2018	500,000,000	152	1,487,169	1,487,321

Note (a): On 1 January 2018, a supplemental agreement was entered between Chengshan Group and Sinotruk (Hong Kong) Capital Holding Limited ("Sinotruk Capital"), pursuant to which, all the Series A preferred shares were converted into 63,400,000 ordinary shares on the same date, the fair value of which amounting to USD57,332,000 (equivalent to approximately RMB374,619,000) was recognised in share capital and share premium.

19 Reserves

	Capital reserve RMB'000	Statutory Reserve RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	**(70,715)**	**149,869**	**(76,787)**	**871,575**	**873,942**
Profit for the period	**—**	**—**	**—**	**260,966**	**260,966**
Currency translation differences	**—**	**—**	**(2,191)**	**—**	**(2,191)**
Balance at 30 June 2019	**(70,715)**	**149,869**	**(78,978)**	**1,132,541**	**1,132,717**
Balance at 1 January 2018	(70,715)	100,099	(66,538)	525,827	488,673
Profit for the period	—	—	—	246,109	246,109
Cash dividends *(Note 12)*	—	—	—	(83,082)	(83,082)
Currency translation differences	—	—	(4,736)	—	(4,736)
Balance at 30 June 2018	(70,715)	100,099	(71,274)	688,854	646,964

20 Bank borrowings

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Current		
Short-term bank borrowings		
— Secured	**350,000**	350,000

As at 30 June 2019, the secured bank borrowings were secured by property, plant and equipment amounting to RMB284.9 million (31 December 2018: RMB293.7 million).

As at 30 June 2019 and 31 December 2018, the weighted average effective interest rates on borrowings from banks were 3.90%.

21 Trade payables

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Accounts payable	**660,619**	590,239
Notes payable (a)	**476,800**	523,460
	1,137,419	1,113,699

(a) As at 30 June 2019 and 31 December 2018, all notes payable represented bank acceptance notes were secured by all restricted bank balances.

As at 30 June 2019 and 31 December 2018, the aging analysis of the trade payables based on invoice date were as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Within 3 months	**777,973**	800,329
4 to 6 months	**343,519**	300,384
7 to 12 months	**5,019**	1,958
Above 1 year	**10,908**	11,028
	1,137,419	1,113,699

22 Other payables and accruals

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Payables for purchase of property, plant and equipment	**132,677**	134,461
Payroll and employee benefit payables	**119,700**	123,403
Accrued sales rebates and commission	**91,222**	68,472
Accrued expense	**66,009**	76,786
Deposit from customers	**23,208**	23,276
Other tax payables	**5,468**	5,472
Interest payables	**379**	417
Other payables	**89,489**	76,606
	528,152	508,893

23 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities were as follows:

	Unaudited 30 June 2019 ***RMB'000***	Audited 31 December 2018 *RMB'000*
Deferred tax assets	**22,345**	24,810
Deferred tax liabilities	**(52,128)**	(37,227)
Deferred tax liabilities, net	**(29,783)**	(12,417)

The gross movement of the deferred income tax account is as follows:

	Unaudited 30 June 2019 ***RMB'000***
At beginning of period	**(12,417)**
Charge to the consolidated income statements *(Note 10)*	**(17,366)**
At end of period	**(29,783)**

24 Capital commitments

The capital commitments of the Group as at the respective balance sheet dates were as follows:

	Unaudited 30 June 2019 ***RMB'000***	Audited 31 December 2018 *RMB'000*
Purchase of property, plant and equipment — Contracted but not provided for	**631,238**	57,304

25 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions.

Save as disclosed elsewhere in the interim condensed consolidated financial information, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business for the six months ended 30 June 2019 and 2018, and balances arising from related party transactions as at 30 June 2019 and 31 December 2018.

Name and relationship with related parties are set out below:

Related party	Relationship
Chengshan Group	Immediate holding company
Chengshan Trade (Hong Kong) Limited ("Chengshan Trade")	Entity controlled by immediate holding company
China National Heavy Duty Truck Group Co., Ltd. and its subsidiaries (referred as "Sinotruk")	Controlled by same ultimate parent company of Sinotruk Capital
Rongcheng Chengshan Properties Co., Ltd.	Entity controlled by immediate holding company
Rongcheng Chengshan Energy-Saving Services Co., Ltd.	Entity controlled by immediate holding company
Yunnan Prinx Chengshan Tire Co., Ltd.	The associated company of the Group, established on 12 July 2018, 22% equity interest attributable to the Group
Guangzhou Lunting Trade Co., Ltd.	Minority shareholder of a subsidiary of the Group from 1 January 2019

The English name of certain companies referred to in these condensed consolidated interim financial information represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

25 Related party transactions (continued)

(a) Transactions with related parties

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Continuing transactions		
(i) Purchase of raw materials		
— Sinotruk	**9,179**	28,524
(ii) Purchase of utilities		
— Chengshan Group	**79,105**	60,656
(iii) Sale of goods		
— Sinotruk	**197,241**	179,177
— Yunnan Prinx Chengshan Tire Co., Ltd.	**34,143**	—
— Guangzhou Lunting Trade Co., Ltd.	**2,846**	—
	234,230	179,177
(iv) Rental and estate management expenses paid and payable		
— Rongcheng Chengshan Properties Co., Ltd.	**2,505**	2,505
— Chengshan Group	**3,992**	3,876
	6,497	6,381
(v) Service received		
— Rongcheng Chengshan Energy-Saving Services Co., Ltd.	**2,557**	5,379
Non-continuing transactions		
(vi) Inter-company transactions		
Loans granted from		
— Chengshan Group	**603**	—
Repayment of loans to		
— Chengshan Trade	**—**	78,588
— Chengshan Group	**—**	22,084
	—	100,672
Repayment of loans granted to		
— Guangzhou Lunting Trade Co., Ltd.	**2,000**	—

The related party transactions above were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary courses of business of the Group and in accordance with the terms of the underlying agreements.

25 Related party transactions (continued)

(b) Balances with related parties

(i) Amounts due to related parties

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Non-current		
Lease liabilities		
— Chengshan Group	**5,092**	—
Current		
Loans from a related party		
— Chengshan Group	**4,304**	3,684
Contract liabilities		
— Yunnan Prinx Chengshan Tire Co., Ltd.	**105**	4,777
Trade payables		
— Chengshan Group	**17,274**	14,536
— Rongcheng Chengshan Energy-Saving Services Co., Ltd.	**998**	5,803
	18,272	20,339
Lease liabilities		
— Chengshan Group	**7,404**	—
	30,085	28,800
	35,177	28,800

The balances of loans from a related party were unsecured, non-interest bearing and had no fixed repayment term as at 30 June 2019 and 31 December 2018.

The ageing analysis of trade payables to related parties at respective dates of statement of financial position were as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Less than 3 months	**18,272**	20,339

25 Related party transactions (continued)

(b) Balances with related parties (continued)

(ii) Amounts due from related parties

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Current		
Loan to a related party		
— Guangzhou Lunting Trade Co., Ltd.	2,000	—
Trade receivables		
— Sinotruk	83,695	59,739
— Guangzhou Lunting Trade Co., Ltd.	4,339	—
	88,034	59,739
	90,034	59,739

The loan to Guangzhou Lunting Trade Co., Ltd. was unsecured, bore interest at a rate of 8% per annum and repayable within one year.

The ageing analysis of trade receivables from related parties based on invoice date at respective dates of statement of financial position were as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Less than 3 months	88,034	59,739

26 Contingencies

There are no contingencies to cause material impact on the Group.

27 Events occurring after the reporting period

The Company adopted a share option scheme (the “Share Option Scheme”) on 5 July 2019 (the “Adoption Date”). The number of shares issuable pursuant to the Share Option Scheme will be 16,000,000 shares, being approximately 2.5% of the total number of shares in issue on the Adoption Date.

On 9 July 2019 (the “Grant Date”), the Company conditionally granted 14,400,000 options (the “Options” and each an “Option”) to certain eligible participants of the Group with exercise price of HK$7.244 per share.

One third of the total number of the Options granted can be vested and exercised at any time after the expiration of 12 months, 24 months and 36 months from the Grant Date, respectively. If the Options are not vested as the performance of the scheme participants in the first three vesting periods fails to meet the standards, in the event that the performance meets the standard upon the fourth annual assessment and the deferred vesting conditions are satisfied, the Options granted may be exercised at any time after the fourth exercise period (i.e., after 48 months from the Grant Date), and the vesting proportion is the remaining unvested Options after excluding the expired Options. Subject to the vesting schedule, the Options are exercisable within a period of six years commencing from the Grant Date.

Furthermore, the profit sharing scheme adopted by the Company on 5 July 2019 and the Share Option Scheme together form the Company’s long-term incentive scheme (which cannot be participated in at the same time).

Apart from that, there are no events to cause material impact on the Group from the balance sheet date to the date of this report that should be disclosed.