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

2020 INTERIM REPORT

CONTENTS

Corporate Information

Board of Directors

Executive Directors

Mr. Che Baozhen *(Chief Executive Officer)*
Mr. Shi Futao
Ms. Cao Xueyu

Non-executive Directors

Mr. Che Hongzhi *(Chairman)*
Mr. Wang Lei
Mr. Shao Quanfeng
(appointed on February 24, 2020)

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

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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
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

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 Hong Kong 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
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17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Company's Website

www.prinxchengshan.com

Stock Code

1809

Listing Date

October 9, 2018

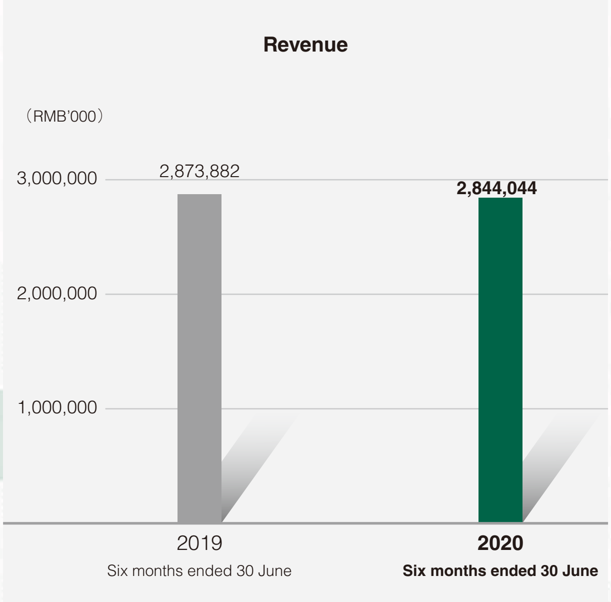
Financial Summary

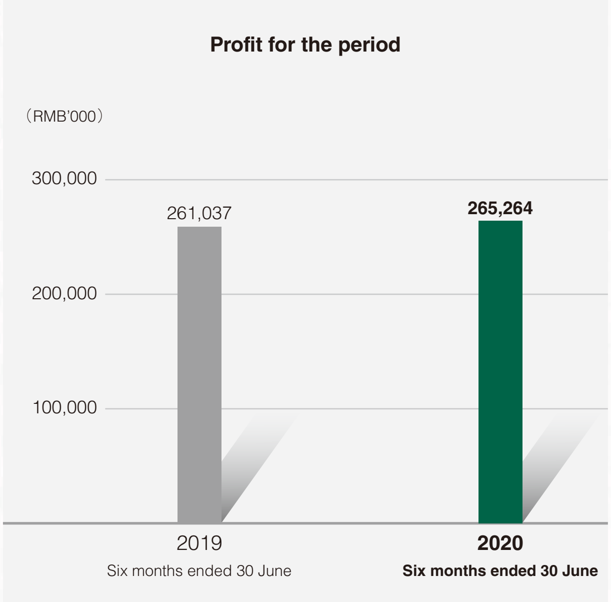
Summary of the Interim Condensed Consolidated Statement of Profit or Loss

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**2,844,044**	2,873,882	5,588,988
Profit before income tax	**312,096**	298,960	550,004
Income tax expense	**(46,832)**	(37,923)	(70,287)
Profit for the period/year	**265,264**	261,037	479,717
Profit attributable to:			
— Shareholders of the Company	**265,196**	260,966	479,717
— Non-controlling interests	**68**	71	—
	265,264	261,037	479,717

Consolidated Assets, Liabilities and Non-controlling Interests

	As at 30 June		As at 31 December
	2020	2019	2019
	RMB'000	*RMB'000*	*RMB'000*
Total assets	**6,428,332**	5,445,632	5,828,248
Total liabilities	**(2,841,855)**	(2,269,588)	(2,413,930)
Non-controlling interests	**(757)**	(458)	(389)
	3,585,720	3,175,586	3,413,929





BUSINESS REVIEW AND OUTLOOK

Operation review

In the first half of 2020, the impact of the COVID-19 (the "**pandemic**") caused a severe stagnation of global economic activities. Consequently, the global automobile production declined, the operating ratio of passenger cars and commercial vehicles dropped, and the demand for All Steel Radial Tires (the "**TBR tire**") in the replacement market faltered as well as decrease in demand of Semi-steel Radial Tires (the "**PCR tire**") in the original equipment market (the "**OE market**"). The Group's tire production were affected by the pandemic since January 2020, during which compulsory isolation, quarantine, blockade, and travel restrictions were adopted. Under the circumstance, domestic tire companies had to postpone the resumption of work after the Spring Festival, logistics was blocked, and sales met resistance. Overseas outbreaks began in March 2020. The exports returned to the domestic market to satisfy domestic demand. The Group faced mounting pressure of competition. However, in the face of the unexpected pandemic, Prinx Chengshan (Cayman) Holding Limited (the "**Company**" or "**Prinx Chengshan**") took up the challenge by promptly taking counter-measures and created favourable results in the adversity.

For the six months ended June 30, 2020 (the "**Reporting Period**"), the Company and its subsidiaries (the "**Group**") sold approximately 6.26 million tires, representing an increase of approximately 3.1% over the same period in 2019. Among the total number of tires sold, approximately 2.94 million All Steel Radial Tires were sold, representing an increase of approximately 7.2% over the same period in 2019; and approximately 3.11 million Semi-Steel Radial Tires were sold, representing an increase of approximately 3.7% over the same period in 2019. Revenue for the Reporting Period was approximately RMB2,844.0 million, representing a decrease of approximately 1.0% over the same period in 2019 and net profit amounted to approximately RMB265.3 million, representing an increase of approximately 1.6% over the same period in 2019.

As a leading domestic tire manufacturer in the PRC's commercial all steel radial tire replacement market, Prinx Chengshan has been engaged in tire design, production and manufacturing for 44 years, adhering to the core strategy of "cost leadership, efficiency driven, competitive differentiation and global operation".

The Group has 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 Reporting Period, with "Providing tire whole-life cycle services" as its mission and "customer first, openness and innovation, hardworking, mutual benefits" as its core value, the Company carried out the following activities:

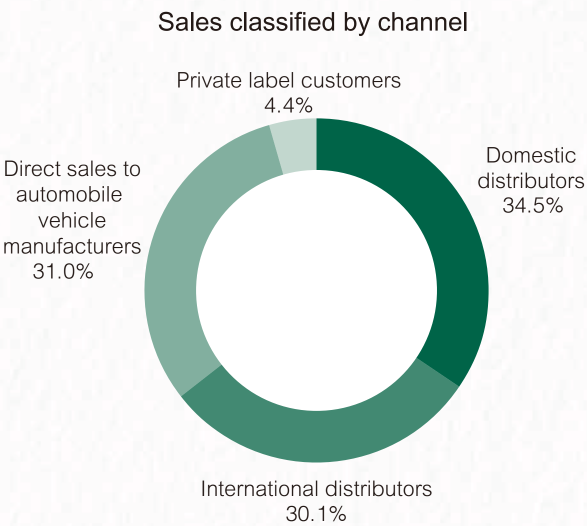
(I) The Group adhered to the business principle of "customer first and being quality-driven". Relying on the strict quality control system covering the whole life cycle of products, the Group strictly followed all required manufacturing processes and actively implemented the quality inspection system to detect and eliminate any quality problems before the products went into the market. The Company obtained trust of consumers thanks to its stable product performance, and the warranty claim ratio was continuously lower than the industry level, which provided a solid backing for improving brand image and market share.

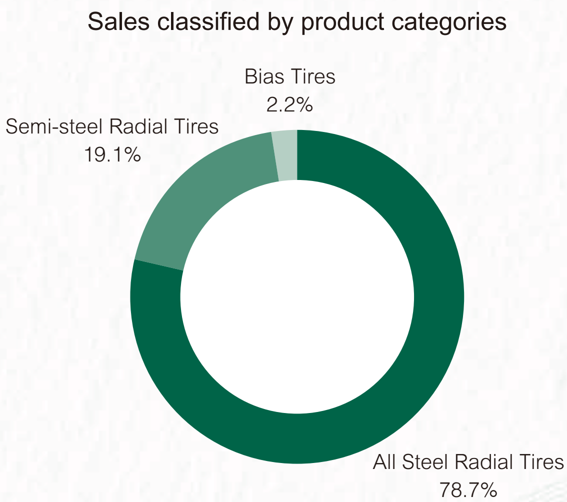
In May 2020, Prinx Chengshan successfully passed the certification review of IATF16949 quality management system. The experts of the evaluation panel recognized and affirmed the operation status and effect of the quality management system of Prinx Chengshan, with especially high appraisal given to the aspects concerning customer requirement and identification.

(II) By virtue of excellent supply chain management system, lean manufacturing system and full scale effect, the Group ensured cost leadership. On the basis of strict compliance with internal control standards, the Group continuously optimized its supply chain system, established the supply chain management center, set up supplier management department and established win-win relations with suppliers. All links were closely connected thanks to information exchange. Through scientific management of supply and demand, production and inventory planning and 5R management, the Group was able to control the comprehensive procurement costs, strengthen the ability of service sales, and improve operational efficiency.

The Group continued to promote lean production. Rongcheng Plant has carried out 128 improvement projects such as product weight reducing, energy saving and consumption reduction, and minimization of material waste. The Group continued to increase the degree of automation by using the automated high-rise warehouse for tire components, AGV transport robot, automated high-rise warehouse for green tires, and WMS automatic logistics line for green tires, in order to improve the internal material handling automation, reduce manual labor and improve production efficiency. By streamlining the posts in the workshop and improving staffing by means of fixing the number of posts and persons, the employee turnover rate in the production department decreased. During the Reporting Period, the working hour efficiency of all-steel products and semi-steel products increased, laying a solid foundation for building the core competitive advantages of the Company.

(III) Diversified market deployment helped Prinx Chengshan achieved great results against the adverse situations





Distributor channels

Domestic

Focusing on channel building and promoting in-depth cooperation with distributors

The Group had a high penetration rate in China's all steel radial tire replacement market, and the intensive channel building played an active role in preventing risks during the pandemic. The sales team worked closely with distributors to strengthen support for distributor channels, launched policies in a timely manner, and worked out the "one-to-one" marketing plan and "new product market positioning and promotion plan" together with distributors. The Group optimized the products structures with creative efforts and acted based on appropriate market positioning and promotion program to form an echelon effect. The Group actively encouraged the distributors to make full use of meeting policies to boost the achievement of sales targets.

During the Reporting Period, the Group added 19 new domestic distributors and 143 new five-star stores. As of June 30, 2020, there were 519 five-star stores, and the cumulative contribution of five-star store customers accounted for approximately 34% of the Group's total sales volume in the domestic all-steel replacement market. The Group's market share in the domestic all-steel replacement market got further improved.

In recent years, the Group also actively invested resources to build the semi-steel radial tire distribution network, in order to stimulate the market and increase sales by releasing effective sales policies in time, increasing product types and improving specifications. During the Reporting Period, Sichuan direct-sale stores were established and commenced operation, and the Group implemented fine management for the national sales network, dividing the network coverage from 3 regions to 6 regions.

During the Reporting Period, the Group's domestic distributor channel income was approximately RMB981.4 million, with a decrease of approximately 9.6% from RMB1,085.7 million in the same period of 2019 mainly due to the decrease of 5.5% in the sales volume and decline in sales prices led by lowering of raw material prices.

International Marketing

Quick response, steadily developing the North American market

In the first quarter of 2020, the international marketing team made timely prediction, focused on international orders and intensified delivery efforts in the face of severe pandemic situation in China. Faced with the outbreak of the pandemic overseas in late March 2020, the Group timely increased the sales in Africa, Latin America and other markets with less impact from the pandemic, and made every effort to develop new markets and new customers. The Group used overseas online media to increase publicity and brand influence, and donated pandemic prevention materials to overseas distributors, local governments and consumers, so as to deepen customer relations and expand the influence of the Group. In addition, the Group actively took credit control measures, coordinated with PICC for credit insurance, and helped customers tide over difficulties by temporarily extending payment days according to different customer conditions. During the Reporting Period, the Group did not have any bad debt due to the impact of the pandemic.

The Group reorganized its European branch and set up a German branch to stimulate the vitality of the team. Despite the pandemic, the Group's European team maintained good performance, with a decline of only approximately 7% compared to the same period last year. The Group has also steadily developed the North American market and achieved phased results in the construction of sales channels, laying a solid foundation for the sales of Tire Production Base in Thailand in the second half of the year.

During the Reporting Period, the Group's international marketing business income was approximately RMB855.7 million, with a decrease of approximately 0.5% from RMB860.0 million in the same period of 2019. The Group added 31 new overseas distributors, and new customers accounted for approximately 2.5% of the sales revenue. Although the international marketing result declined slightly due to the pandemic, the Company believes that the international marketing channel has the sales carrying capacity meeting the Group's strategy.

Direct Sales to Automobile Manufacturers

Continuing to take moves in the OE market and improve brand influence

During the Reporting Period, the Group improved its market competitiveness and channel customer stickiness by enhancing its business cooperation with automobile manufacturers, and cooperated with more than 30 vehicle manufacturers in 35 OE projects. The Group commenced development with automobile manufacturers such as Zhengzhou Nissan, Chery Commercial Vehicle, and ZX AUTO and made initial progress in this respect. During the Reporting Period, for the first time, the Group provided BYD with a cooperation package for new energy commercial vehicles, and also cooperated with JAC in technological development for new models and specifications. This laid a solid foundation for the expansion of similar specifications to other vehicle manufacturers. To fully support the "National Tractor VI" speed-increasing, the Group developed fuel-economy and efficient 12R22.5-18 CST113 low-rolling resistance tires specially for CNHTC HOWO models. They received favorable reviews in terms of low fuel consumption, high wear resistance, and stable product quality. All of the top 10 commercial vehicle manufacturers in terms of domestic sales have entered the original equipment system of the Group.

Through the cooperation with a number of mature automotive enterprises, the Group was able to improve its research and development ("**R&D**") and product performance to better meet the needs of more customers and improve brand influence. During the Reporting Period, as the demand from domestic automobile manufacturers revived rapidly in the second quarter of 2020, the sales volume from the automobile manufacturers increased significantly over the same period of the previous year. The operating revenue was approximately RMB881.6 million, with an increase of approximately 29.0% from RMB683.5 million in the same period of 2019.

Private label customers

Due to the pandemic and the lowering of Cooper's sales volume according to private label agreement, the Group's sales revenue from private label customer in the first half of 2020 year-on-year declined by approximately 48.8%.

(IV) During the Reporting Period, the Group actively promoted its brand and business development. By strengthening the factory brand "Prinx Chengshan", it promoted the product brands "Prinx", "Chengshan", "Astone" and "Fortune". The Group explored the new model of "ensuring both brand development and sales growth", and focused on the improvement of brand power through innovations.

(V) During the Reporting Period, the Group completed the construction of the tire leasing operation mode, "Zhianda" system, and started the research on smart tires, realized automatic data tracking and management, automatic acquisition of tire mileage, abnormal tire temperature and pressure alarm and vehicle and service visualization, laying a foundation for the tire service and remote service monitoring of driverless vehicles.

At present, the Group is implementing the tire leasing mode in Shandong, Beijing, Guangdong, Jiangsu, Zhejiang and Shanghai, focusing on hazardous chemical transportation, express delivery and port transportation. The Group has established cooperative relations with more than 80 fleets and established all tire leasing cooperation with 60 fleets (including Deppon Express and other companies) to provide customers with tire repair, maintenance services and data analysis in all respects.

(VI) During the Reporting Period, the Thailand tire production base went into production as scheduled. The construction of Thailand tire production base commenced on March 31, 2019. The design and construction of the base were based on smart standards. During the construction period, the smart plant construction target was gradually realized through virtual simulation, MES (production and manufacturing execution) system and other projects. The management team carried forward the hardworking spirit of Chengshan. As of June 30, 2020, the civil construction, equipment installation and commissioning of phase I project were basically completed. Due to the pandemic, the installation and commissioning personnel of some equipment manufacturers were unable to arrive at the plant as scheduled. On-site personnel adopted various methods to reduce the impact on the overall progress, including receiving remote video guidance from the manufacturers and independent commissioning and installation. The all steel radial tire rolled off the production line on March 25, 2020, and the semi-steel radial tire rolled off the production line on April 18, 2020. The trial production of nearly 100 products was completed, and 30 products were put into pre-production. Travel restrictions delayed the dispatch of technicians, limiting the rapid increase of production capacity. To address this, the Group adopted a combination of measures, including strengthening the recruitment of local skilled workers in Thailand, using remote video training provided by the Rongcheng Plant, and dispatching technical personnel in batch. It is expected that the Prinx Thailand would achieve its maximum production capacity by the end of 2020. During the Reporting Period, owing to the pandemic and market conditions, the Tire Production Base in Thailand had an operating loss of approximately RMB28.0 million.

(VII) The Group focuses on improving R&D capabilities and continues to accumulate its expertise and technology. The subordinate Rongcheng R&D Center (enterprise technology center recognized nationally) and Qingdao R&D Center promoted the "two-sphere" open R&D and innovation system and established an intelligent tire manufacturing system driven by big data. During the Reporting Period, the Group applied for a total of 30 patents. The innovation center of life cycle manufacturing of multi-scale tires in Shandong, which was initiated by the Group, is the only manufacturing innovation center of the tire industry in Shandong Province. During the Reporting Period, a total of 9 software copyright applications for simulation and modular design of the Group was completed. The Group acts as a "Joint Key Laboratory of the Ministry of Education" for rubber and plastic materials and engineering of Qingdao University of Science and Technology. In 2020, the Group had 6 projects included into the technical innovation projects of Shandong. Some of these projects reached the domestic advanced level, helping the Group to create new drivers, improve quality and efficiency, realize transformation and upgrading, and achieve a new leap forward.

(VIII) The Group has established and improved its human resources management system, and has optimized the mechanism for staff training, evaluation, promotion, and motivation. The Group has 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. During the Reporting Period, by leveraging both internal and external resources, the Group conducted multi-level trainings involving multiple fields, to enhance the team leadership and professional competence. In the production process, the Group promoted the implementation of lean six sigma doctrine, and continued to provide lean six sigma doctrine training programs to the whole senior management to continue to conduct the improvement projects. The Group actively promoted the development of corporate internal culture. By implementing codes of conduct, improving internal control systems, clearly defining rights and responsibilities, transferring power to a lower level, and punishing commercial bribery, the Group worked to create a fair and just working environment where the rules for reward and punishment are strictly kept. The employee turnover rate continued to decrease, and the employees became more motivated for innovation, injecting impetus to the Group's sustainable development in the future.

(IX) The Group continued to promote the integration of informatization and industrialization whereby the Company strived to digitalize its plant and develop green manufacturing. The Group's systems in operation or under construction include the system application and product (SAP) system 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.

During the Reporting Period, the Group also gradually expanded the scope and improved the functions of the MES, and conducted data interaction and information sharing with the SRM system, SAP system, WMS (logistics system), and CRM system. Being interconnected with production equipment, the MES collects production process and equipment parameters and technological parameters, and strictly controls the production process to improve manufacturing capabilities and product quality.

New Products

During the Reporting Period, the Group actively developed new products and successfully completed the task of developing 205/55R16 94V products with new patterns. The rolling resistance, wet grip and noise of the products reached the EU label "AA1" level, the highest level in the current EU label level. Through the orderly promotion of key R&D projects, the Group completed the R&D of 169 products and put them on the market, including 41 All Steel Radial Tires and 128 Semi-steel Radial Tires. The number of new products increased significantly compared with the corresponding period in 2019, further improving product competitiveness and market share in segment markets. At the same time, based on the OE market demand, the development trend of the replacement market, and the exploration of broader overseas markets, the Group developed and reserved 5 models of All Steel Radial Tires and 6 models of Semi-steel Radial Tires with new patterns.

As of the end of the Reporting Period, the all-steel and semi-steel products of the Tire Production Base in Thailand for sale in North America were being put into production in an orderly fashion as planned. 35 all-steel products and 175 semi-steel products will be mass-produced and sold in the North American market in the second half of the year. At the same time, the Group completed the Product Portfolio planning of All Steel Radial Tires for sale in Europe, and formed a product layout of 4 series with 9 patterns, of which 7 patterns were finalized and entered into the development stage. This laid the groundwork for entering the EU market in 2021. During the Reporting Period, despite the influence of the pandemic over the world, the Group's new products still recorded a growth in its sales volume compared with the same period last year.

Total sales of products of the Group and sales of new products developed during the Reporting Period

Product type	Sales of new products *(10,000 sets)*	Total sales *(10,000 sets)*	Proportion of sales of new products in total sales
All Steel Radial Tires	100.5	294.1	34.2%
Semi-steel Radial Tires	97.5	310.5	31.4%
Bias Tires	0.0	21.0	0.0%
Total	198.0	625.6	31.6%

Response to the Outbreak of COVID-19

Given the breakout of the pandemic since January 2020, the Group implemented a series of measures, such as pandemic prevention and control, in accordance with the requirements issued by the central and local governments regarding the pandemic prevention and control, to ensure the health and safety of its customers and employees. The Board paid great attention to the development of the pandemic, and make its best efforts on pandemic prevention and control in the operating management in each process of the Group, such as production, sales and transportation. During the Reporting Period, the Group's output remained stable compared with the same period last year, and domestic sales were greatly affected by pandemic control in early days of the outbreak. The domestic market recovered by the end of March 2020 and saw a sales peak in April 2020. The inventory held by the Group in the early stage has greatly supported domestic sales.

With the pandemic spreading globally and bringing uncertainties to the future international sales, its impact to the international sales of the Group was little thanks to the Group's diversified market layout and yet is still subject to observation. In light of this, the Group improves its ability of timely delivery of confirmed orders to avoid cancellation of customer's orders due to the spread, while increasing sales to countries with slight or no pandemic to cope with the impact across the world. In addition, the Group will always pay attention to overseas pandemic situation, keep close contact with customers in countries with high risks of pandemic, obtain market trends, and adjust market strategies in a timely manner.

On March 20, 2020, the development strategy and risk management committee of the Board held a meeting to assess and evaluate the risks associated with the pandemic. During the meeting, the committee members discussed and reviewed the Group's exposure to risks relating to the market, operation and finance and the implementation of the Group's measures in response to the pandemic to date. Taking into account the annual performance targets, the committee members also assessed the effectiveness and sufficiency of the Group's existing measures and the strategies formulated to ensure the Group's performance. The management will continue to closely monitor the latest development and impact of pandemic on the Group. Additional meetings will be convened when considered necessary by the Board.

Currently the construction and operation of the Tire Production Base in Thailand is in the critical period. In order to ensure the orderly development of the project and the safety of personnel, Prinx Chengshan Tire (Thailand) Co., Ltd. ("**Prinx Thailand**"), an indirect wholly-owned subsidiary of the Company, has set up a special pandemic prevention team to measure the temperature of the staff every day and disinfect the workplace regularly, records the health status, and keeps dynamic monitoring throughout the process. The outbreak of the pandemic has minor impact on the construction of the Tire Production Base in Thailand, nor have any staff been infected.

Promoting environmental, social and governance (ESG) and sustainable development

Business and environmental sustainability is a continuing concern of the Group. As one of the first batch of "green factories" selected by the Ministry of Industry and Information Technology of the People's Republic of China and as the leading enterprise for unit energy consumption in the industry, the Group adopts environmental protection measures and continuously upgrades its production process. During the Reporting Period, the Group invested approximately RMB9.7 million to complete emission reduction, resource protection and waste management, continuous energy conservation and consumption reduction, improvement of the plant flue gas treatment system, and plant sewage treatment works, in order to reduce the adverse impact of its business operation on the environment. The green projects completed by the Group mainly included: multi-scale green tire life cycle design center (green integration project), the 1,025 green products in five series issued by Ministry of Industry and Information Technology, green supply chain, green product demonstration enterprise, national green design demonstration enterprises, which are in the process of declaration. The R&D department introduced the design and development software of Life Cycle Assessment (LCA), as an international standard evaluation method (namely international ISO14040 standard and national GB24040 standard), that systematically and quantitatively evaluates the impact on resources and environment caused by products and technologies during the life cycle. In addition, the Group aims to adopt advanced technologies and tools to carry out various green and environmental protection works, to meet domestic and foreign policy requirements and green consumption demands and boost its sustainable development.

In the face of the challenges posed by COVID-19, the Group put the staff health and safety first, timely adopted various measures to protect the employees, and arranged for the employees in different countries and regions to work remotely as needed, in order to provide a safe operating environment for employees, provide customers with a safe, continuous and stable supply, and assume the responsibility to fight the pandemic. The Group has achieved zero patients and no infection among the employees in the factories as well as the business staff home and abroad.

The Group actively donated pandemic prevention materials to the government and public welfare organizations, totaling approximately RMB7.0 million, donated pandemic prevention materials to overseas distributors, and donated these materials through the distributors to the local governments and the communities, making concerted efforts with the local governments and communities to "fight against the pandemic" and tide over the difficulties.

The Group's employees stationed at the tire production base in Thailand could not travel back and forth due to the pandemic. The headquarters purchased 30,000 masks and various anti-pandemic materials aggregated about RMB130,000, as well as a variety of local specialties, so as to give care and boost morale. The management team in Thailand set up a safety committee and an pandemic prevention working group, which coordinated and implemented the pandemic prevention work of the Group and 29 external partners, and established and improved the safety and pandemic prevention management system in a short time. In addition, the Group organized sports games to enrich their leisure life and reduce mental pressure.

OPERATION STRATEGIES AND OUTLOOK

Looking ahead to the second half of 2020, more uncertainties will emerge in the external environment due to China-US trade frictions and the pandemic. Market scale is shrinking, competition intensifies, customer demand changes faster, new models emerge frequently, the domestic small and medium-sized tire enterprises speed up liquidation and winding up, and industry concentration is accelerating due to the impact of the pandemic.

Under this situation, the Group resolutely implemented four core development strategies: cost leadership, efficiency driven, competitive differentiation and global operation. Focusing on the goal of building high-quality and sustainable core competitiveness, the Group will focus on the following tasks in the second half of 2020:

(I) Focus on the strategy: The Group will integrate resources, set up strategic planning and new business development departments, improve the strategic research, coordination and support services capabilities of each business center, and enhance the strategic planning and execution capabilities of the Company.

(II) Promote the management upgrade: The Group will improve the organizational structure, optimize and upgrade the management system, business and organizational system, rules and procedures system and post system to meet the needs of strategic development. The Group will further clarify the supply chain management scheme, and coordinate with all staff, so as to quickly respond to customer needs, continuously improve the capability of product design and manufacturing process ability, and build the core advantage of high-quality development.

(III) Develop distributor channels and improve OE market shares

In the second half of 2020, there are opportunities in the replacement market of truck and bus. First, there are favorable scenes for logistics vehicles, engineering vehicles and special vehicles, and the medium and heavy truck market is expected to continue to grow. Second, the restructuring of the tire industry is accelerating, and the existing pattern of commercial vehicle replacement market is about to change. The domestic all-steel replacement sales team will take active marketing measures and promotion activities according to the market supply and demand to boost the sales. The Group will continue to work on channel building, including improving the high-quality national maps, improving regional channel connections, optimizing the deep cooperation mode with the dealers, engaging new distributors and building truck and bus service centers.

The domestic semi-steel replacement sales team will boost the sales by optimizing the product structure, complete the construction of Jinan direct-sale stores, and improve brand awareness. The Group will launch the “Tik Tok word-of-mouth program” for the semi-steel replacement market, speed up the completion of pilot projects in Sichuan, Yunnan and Shandong and achieve nationwide promotion.

The domestic OE marketing sales team will stabilize and improve the share of mature vehicle manufacturers, expand to new models, and focus on the development of representative commercial vehicle manufacturers and promote the supporting process of passenger vehicle manufacturers. The Group will strengthen the R&D technology interaction and visit with automobile manufacturers, undertake collaborative development, to improve our participation, discourse power, technical capability, and brand awareness.

The international marketing team will focus on the opportunities for the gradual resumption of work and production in different markets around the world, win orders from the existing sales network, make every effort to achieve the sales target, and at the same time, develop new markets, prepare for the development of European series products of Prinx and the promotion plan for its launch in 2021. The Group will refine the global regional marketing management, focusing on North America, Latin America, Europe, Central and East Africa and Asia Pacific, continue to optimize the overseas team, and promote sales and service deployment. In addition, the Group will actively explore new marketing models, strengthen credit risk management, train business personnel, and practice internal skills.

(IV) Actively explore new business models and create new drivers for growth

The Group plans to hold the first industrial federation conference to promote the "Zhianda" mode, and invite large fleets, automobile sales, rims, lubricants and other automobile supply chain manufacturers to participate, aiming to build a Zhianda resource integration platform and expand the business system. The Group will prepare the franchisee plan, conduct in-depth negotiations with interested participants, and explore the cooperation models. The Group will carry out the service provider plan, promote the cooperation with distributors under the service brand "Zhianda", so as to achieve resource sharing and win-win cooperation.

(V) Upgrade the equipment and technology of Rongcheng Plant, achieve high quality and efficient operation of Thailand tire production base and plan to expand production capacity of two bases. By the end of 2020, on the basis of ensuring the existing capacity, Rongcheng Plant will adopt the twin-tread technology through Iterative upgrade of equipment to reduce the rolling resistance of tires and other key parameters, so as to enhance the product competitiveness. At the same time, the Group plans to expand production capacity of all steel and semi-steel tires of Rongcheng Plant. The Group will continue to expand environmental management scope of the plant, and improve the efficiency of environmental protection facilities.

Thailand tire production base will adopt the same standards as China in quality control, business specifications, process technology, EHS (environment, health and safety) on the premise of meeting local laws and regulations in Thailand. Through scientific talent planning, mid-term talent training programs, comprehensive management system, establishment of business policies and operational indicators, implementation of production incentive policies, and organization of mutual culture integration between China and Thailand, the Group make joint efforts in terms of material, spirit and code of conduct to ensure that the Thailand company can achieve its business target. The expansion project of 1.2 million sets of All Steel Radical Tires production base (phase II) in Thailand will be commenced as well.

(VI) R&D and innovation: The Group will actively carry out forward-looking technology research and reserve, enrich and improve the experimental research level, so as to provide technical support for product development. The key tasks of the R&D Center in 2020 are "optimizing and improving technology and process", "optimizing and expanding product portfolio" and "optimizing and improving product quality". The Group will carry out R&D works based on the principle of producing a generation, developing a generation, reserving a generation, focusing on three fields: green new energy, low rolling resistance and long mileage. Prinx Chengshan always insists that we shall make every tire to the same standards, regardless the customers, prices and markets.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2020, revenue of the Group amounted to approximately RMB2,844.0 million, representing a decrease of approximately RMB29.9 million compared to approximately RMB2,873.9 million for the six months ended June 30, 2019, primarily because the sales volume increased by 3.1% but the prices was declined due to a decrease in raw material prices.

Sales by product type	**For the six months ended June 30, 2020** *RMB'000*	For the six months ended June 30, 2019 *RMB'000*
All Steel Radial Tires	**2,237,258**	2,247,486
Semi-Steel Radial Tires	**542,659**	525,665
Bias Tires	**64,127**	100,731
Total	**2,844,044**	2,873,882

For the six months ended June 30, 2020, revenue from sales of All Steel Radial Tires decreased by approximately 0.5% from approximately RMB2,247.5 million for the six months ended June 30, 2019 to approximately RMB2,237.3 million, which was primarily attributable to the year-on-year increase of 7.2% in the sales volume and the impact of lowered tire prices resulting from the decrease in raw material prices; and revenue from sales of Semi-Steel Radial Tires increased by approximately 3.2% from approximately RMB525.7 million for the six months ended June 30, 2019 to approximately RMB542.7 million for the six months ended June 30, 2020, which was primarily attributable to the year-on-year increase of 3.7% in the sales volume of Semi-Steel Radial Tires. Revenue from sales of Bias Tires decreased by approximately 36.3% from approximately RMB100.7 million for the six months ended June 30, 2019 to approximately RMB64.1 million for the six months ended June 30, 2020, which was primarily attributable to the decrease in the sales volume of Bias Tires.

Sales by channel	**For the six months ended June 30, 2020** *RMB'000*	For the six months ended June 30, 2019 *RMB'000*
Distributors		
Domestic	**981,391**	1,085,673
International	**855,710**	860,049
	1,837,101	1,945,722
Direct Sales to Automobile Manufacturers	**881,596**	683,539
Private label customers	**125,347**	244,621
Total	**2,844,044**	2,873,882

For the six months ended June 30, 2020, revenue from sales to distributors decreased from approximately RMB1,945.7 million for the six months ended June 30, 2019 to approximately RMB1,837.1 million, representing a decrease of approximately 5.6% over the same period of last year, which was primarily attributable to the impact of the pandemic and insufficient production capacity.

For the six months ended June 30, 2020, revenue from sales to automobile manufacturers increased from approximately RMB683.5 million for the six months ended June 30, 2019 to approximately RMB881.6 million, which was primarily attributable to the increased demand from automakers since the economy recovered rapidly after the pandemic was controlled domestically.

For the six months ended June 30, 2020, revenue from sales to private label customers decreased from approximately RMB244.6 million for the six months ended June 30, 2019 to approximately RMB125.3 million, which was primarily attributable to the impact of the pandemic and the decrease in the Cooper sales pursuant to the private label agreement.

Cost of Sales

The Group's cost of sales decreased from approximately RMB2,322.3 million for the six months ended June 30, 2019 to approximately RMB2,237.8 million for the six months ended June 30, 2020, representing a decrease of 3.6%. Such decrease was in line with the decrease in raw material prices.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended June 30, 2020 amounted to approximately RMB606.3 million, representing an increasing by of approximately 9.9% compared to approximately RMB551.6 million for the six months ended June 30, 2019. The increase in gross profit was primarily due to a year-on-year increase of 3.1% in the sales volume and the decrease in raw material prices.

Other Income

The Group's other income for the six months ended June 30, 2020 amounted to approximately RMB24.0 million (including sales of scraps of approximately RMB9.6 million and government grants of approximately RMB14.4 million), increasing by approximately RMB1.7 million from approximately RMB22.3 million for the six months ended June 30, 2019. The increase was mainly due to the increased income from government subsidies.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased from approximately RMB176.9 million for the six months ended June 30, 2019 to approximately RMB181.8 million for the six months ended June 30, 2020, representing an increase of approximately 2.8%. The increase was primarily due to the increased variable sales expenses resulting from the increase in the Group's sales volume.

Research and Development Expenses

The Group's R&D expenses increased from approximately RMB53.5 million for the six months ended June 30, 2019 to approximately RMB68.5 million for the six months ended June 30, 2020, representing an increase of approximately 28.0%. The increase was mainly attributable to the increase in the R&D investments in the Rongcheng Plant and the Tire Production Base in Thailand.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB78.1 million and RMB66.4 million for the six months ended June 30, 2020 and 2019 respectively, representing an increase of approximately 17.6%. Such increase was primarily due to the increased wages and corresponding expenses resulting from the increase in personnel since the initial construction of Tire Production Base in Thailand was completed in the first half of 2020.

Other Gains/(Losses)

For the six months ended June 30, 2020, the Group's other gains decreased by approximately RMB5.6 million from approximately RMB14.0 million for the six months ended June 30, 2019 to approximately RMB8.4 million, mainly due to the decreased fund balances as a result of the increase in capital expenditures and the decrease in the financing income.

Finance Income

For the six months ended June 30, 2020 and 2019, the Group's finance income amounted to approximately RMB3.9 million and RMB11.8 million respectively. The decrease was due to the increase in capital expenditures and the decrease in fund balances.

Finance Costs

For the six months ended June 30, 2020 and 2019, the Group's finance costs amounted to approximately RMB2.0 million and RMB3.9 million respectively. The decrease was mainly due to the increased interest capitalization and decreased expenses due to the increase in capital expenditure items.

Income Tax Expense

For the six months ended June 30, 2020 and 2019, the Group's income tax expense amounted to approximately RMB46.8 million and RMB37.9 million, representing an increase of approximately RMB8.9 million, was mainly due to increased income tax expenses resulting from the increase in the profit of domestic companies.

Profit for the Period

Profit during the Reporting Period increased by approximately RMB4.3 million from approximately RMB261.0 million for the six months ended June 30, 2019 to approximately RMB265.3 million. Such increase was mainly due to the increased gross profit driven by the decrease in raw material prices and increased sales volume.

Profit Attributable to Shareholders of the Company

Due to the above factors, for the six months ended June 30, 2020 and 2019, the profit attributable to shareholders of the Company amounted to approximately RMB265.2 million and RMB261.0 million respectively.

Total Comprehensive Income for the Period

Total comprehensive income for the Reporting Period of the Group increased by approximately RMB24.5 million from approximately RMB258.8 million for the six months ended June 30, 2019 to approximately RMB283.3 million. Such increase was mainly due to increase in operating profit led by the uplifting sales and lowered raw material prices as well as the changes in translation differences of foreign currency statements.

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, 2020, the Group had approximately RMB657.0 million in cash and cash equivalents (including restricted cash), representing a decrease of approximately RMB381.4 million as compared to that as at December 31, 2019 (approximately RMB1,038.4 million), which was mainly due to the increase in capital expenditures and the decrease in balances. As at June 30, 2020, the Group had approximately RMB691.4 million in bank borrowings (December 31, 2019: approximately RMB357.0 million) denominated in RMB at interest rates linked to the rates of People's Bank of China. The current ratio as at June 30, 2020 was approximately 1.3 (December 31, 2019: approximately 1.4).

Accounts Receivables

As of June 30, 2020, accounts receivables of the Group were RMB1,389.7 million, representing an increase of 429.3 million from RMB960.4 million as at December 31, 2019. The increase was attributable to the correspondingly increased receivables resulting from the increased sales from OE market, which has longer credit term.

Prepayments, Other Receivables and Other Current Assets

As of June 30, 2020, prepayments, other receivables and other current assets of the Group were approximately RMB110.3 million, representing a decrease of approximately RMB36.3 million as compared to RMB146.6 million as at December 31, 2019. This decrease was mainly due to the decrease in prepaid accounts after the machines and equipment of the Tire Production Base in Thailand were admitted to the site.

Amounts due from related parties

The Group's amounts due from related parties increased from approximately RMB72.7 million as at December 31, 2019 to approximately RMB204.3 million as at June 30, 2020, representing an increase of 181.0%.The increase was mainly attributable to the increase in the corresponding receivables resulting from the increasing demand from Sinotruk, the Company's related party.

Prepayments and Other Receivables of Non-Current Assets

As at June 30, 2020, the prepayments and other receivables of non-current assets of the Group were approximately RMB7.3 million, representing a decrease of approximately RMB36.8 million as compared to RMB44.1 million as at December 31, 2019. This decrease was mainly due to the reduced prepaid equipment engineering costs upon the acceptance of the equipment and works of the Rongcheng Plant.

Gearing Ratio

The gearing ratios as at June 30, 2020 and December 31, 2019 were not meaningful since there was no net liability. 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 consolidated statements of financial position and net surplus/debt.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus has maintained a healthy liquidity position for the six months ended June 30, 2020. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the board of directors of the Company ("**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, 2020, the Group's property, plant and equipment with a net book value amounting to approximately RMB1,740.8 million (December 31, 2019: Nil) and restricted cash balances amounting to approximately RMB50.5 million (December 31, 2019: approximately RMB123.9 million) were pledged as security for the Group's bank borrowings and notes payable it issued. Save for the above, the Group did not have any charges on its assets.

Investment

On December 25, 2018, Prinx Thailand entered into a land purchase agreement with an independent third party to acquire a land plot located at Chonburi province, Thailand, at a consideration of THB806,060,888.60 (equivalent to approximately RMB170.6 million). The Company plans to build a Tire Production Base in Thailand on the land plot. The details of the transaction could be found in the announcement published by the Company dated December 27, 2018. As the maximum applicable percentage ratio with respect to the acquisition under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") is above 5% but under 25%, the acquisition constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules subject to the requirements of announcement and reporting.

Located at 399 Moo.4, T. Nong Suea Chang, A. Nong Yai, Chonburi 20190, Thailand, the Tire Production Base in Thailand covers an aggregate gross floor area of 311,000 square meters with land title deeds nos. 4499, 4500, 4501, 4502, 4495, 4496 and 5659. Prinx Thailand is 100% interested in the Tire Production Base in Thailand whose principal business is the design, development, manufacture and distribution of radial tires products (such as radial tires for passenger cars, radial light truck, and radial heavy truck) and provision of technical support and services accordingly. During the Reporting Period, the Company invested a total of approximately RMB1,391.5 million in the construction of the Tire Production Base in Thailand. The construction of Tire Production Base in Thailand has begun in 2019, and every aspect of the work is under progress in an orderly manner as scheduled. As at June 30, 2020, approximately 98% of the construction of rubber mixing and all-steel/semi-steel radial tire workshops was completed, 90% of the construction of integrated auxiliary buildings, inspection centers and other individual buildings was completed, and 99% of the equipment was installed and commissioned. The All Steel Radial Tires rolled off the production line on March 25, 2020, and as at June 30, 2020 the equipment had a production capacity of approximately 1,800 tires per day; and the Semi-steel Radial Tires rolled off the production line on April 18, 2020, and as at June 30, 2020 the equipment had a production capacity of 5,000 tires per day. The Group is currently putting a finishing touch to plants and equipment, including commissioning and small-scale mass production. The Group expects that by the end of 2020, both construction of engineering projects and equipment installation and commissioning will be completed, and an annual production capacity of 800,000 sets of All Steel Radial Tires and 4 million sets of Semi-steel Radial Tires will be achieved.

Save as disclosed above, the Group did not have any other significant investments for the six months ended June 30, 2020. As at the date of this report, the Group does not consider participating in any other significant investments other than the Tire Production Base in Thailand.

Exposure to Risks

(I) Macro Environment Risks

In the second half of 2020, the macro economy is subject to uncertainties affected by the pandemic. According to the 2020 World Economic Outlook issued by the International Monetary Fund in April 2020, the global economy is expected to decline by approximately 3%, and only China's economy will keep growing at a rate of approximately 1%. Automobile sales in various countries have slumped abnormally, particularly those severely hit by the pandemic. While the pandemic is not held under effective control, automobile sales are expected to further fall in the future. At the same time, trade frictions between countries also bring uncertainties to the international competitive environment.

With the waning of the pandemic in China and the steady advancement of the economy, the domestic tire replacement market will gradually pick up in all respects. The expected growth rate of national infrastructure investment is expected to stimulate the demand for heavy trucks for construction purpose; and the operation of transport trucks will be further improved, which will in turn promote the loss and replacement of tires. Although the pandemic is slowly recovering overseas, it will inevitably dray the operation of vehicles, thereby reducing the demand for tires.

(II) Exposure to Foreign Exchange Risks

Given the fluctuations in the global economy and the tightening and easing of monetary policies by different countries, the Group may be exposed to risks of fluctuations in exchange rates arising from those factors. As revenue denominated in USD from overseas operations accounted for approximately 34.5% of the total revenue of the Group for the six months ended June 30, 2020, mainly used in overseas purchase of raw material. The operation expenses of Prinx Thailand is mainly denominated in THB. Therefore, the Group is exposed to foreign exchange risks with respect to US dollars USD and THB. The occurrence of significant fluctuations in exchange rates will affect the results of the Group. Exchange rate fluctuations and market trends have always been a concern of the Group. In this regard, the Group will strengthen the supervision on foreign currency transactions as well as the scale of foreign currency assets and liabilities, and may manage the potential fluctuations in exchange rates by optimizing the settlement currency of export trades and utilizing exchange rate financial instruments and other proactive preventive measures. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During the Reporting Period, the Group did not enter into currency swap contracts to mitigate the foreign exchange risk.

(III) Impacts Caused by Tariff and Anti-dumping and Countervailing Security Duty Imposed by the United States Government on Products Imported from the PRC and Thailand

On March 22, 2018, the President of the United States, Donald Trump signed a Presidential Memorandum declaring that pursuant to the alleged results of the "Section 301 Investigation", tariffs would be imposed on imports from the PRC on a large scale, and Chinese enterprises would be restricted to invest in and merge with companies in the United States. On September 24, 2018, the United States imposed a 10% tariff on USD200 billion of Chinese imports into the United States. On May 10, 2019, the United States decided to raise the tariff on USD200 billion of Chinese imports into the United States from 10% to 25%.

In addition, on February 15, 2019, the US Department of Commerce issued the "Anti-dumping and Countervailing Security Duty" orders on Chinese truck and bus tires, pursuant to which levy anti-dumping and countervailing security duty became effective immediately on products related to trucks and buses. The duty rate of anti-dumping and countervailing consolidated margin imposed on Prinx Chengshan was 42.16%. On February 3, 2020, the US Department of Commerce issued a notice to initiate the first administrative review procedure on anti-dumping and countervailing duties against imports of truck and bus tires from China. The investigation period for the anti-dumping review was from February 15, 2019 to January 31, 2020. The investigation period for the countervailing review was from February 15, 2019 to December 31, 2019. Since the US prosecutor did not name any Chinese tire company as the respondent and the Group did not apply to participate in the anti-dumping review, the original anti-dumping duty rate still applied. Considering that the current countervailing tax rate was too high, the Group applied for a compulsory countervailing response and was designated by the US Department of Commerce as a mandatory respondent in June 2020. The duty rate for the countervailing margin determined in the original trial may be adjusted.

On May 13, 2020 (US time), the United Steelworkers filed an application with the U.S. Department of Commerce and the U.S. International Trade Commission, requesting to initiate an anti-dumping investigation against passenger vehicles and light truck tires from Thailand, Vietnam, the Republic of Korea and Taiwan, China, as well as a countervailing investigation against passenger vehicles and light truck tires from Vietnam. The U.S. Department of Commerce has filed a case and is carrying out investigation. This move will have a negative impact on the sales of the Group's Tire Production Base in Thailand.

Therefore, the Company will make deployment ahead of time and actively respond to this issue. If an anti-dumping charge is established, the Company will employ a professional anti-dumping lawyer to actively participate in the defense, and take the following measures: First, expand the sales of tires from the Tire Production Base in Thailand in non-US market to reduce the negative impact caused by the decline in US sales; Second, develop products for non-US market, and improve the competitiveness of Tire Production Base in Thailand through product adjustment and enrichment, relying on the R&D strength of the Company.

(IV) Risks in Relation to Overseas Investments

During the Reporting Period, the Company advanced the construction of its overseas production base. The Tire Production Base in Thailand started to operate in the second half of 2020, and the proportion of overseas business will be increased. The changes in local economy, politics, policies and laws in Thailand may affect changes in the investment environment and the construction period of the project. Due to the impact of the pandemic, some of the dispatched Chinese staff did not arrive in Thailand in time to carry out their work. To address this situation, the Group adopted various methods to reduce the impact on smooth production, including strengthening local recruitment of skilled workers in Thailand and providing remote video training at the headquarters.

In light of this, the Group will take knowledge of the changes in the investment environment of the authorities in Thailand timely, and make arrangements in advance for construction progress, product certification, personnel, etc. At the same time, the Group will deploy the sales strategy plan in Thailand and steadily advance the financing plan for projects. Every aspect of work is progressing steadily in accordance with the goals.

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) the laws and regulations relating to compulsory product certification for tire products; (b) the laws, regulations and policies relating to the access to and supervision of the tire industry; (c) the laws and regulations relating to environmental protection and safety responsibility; (d) the laws and regulations relating to the prevention and control of infectious diseases and health quarantine; (e) the laws and regulations relating to foreign investment; (f) the laws and regulations relating to foreign exchange control and taxation; (g) the laws and regulations relating to labour and employment; (h) the laws and regulations governing the organization and behavior of the Company; (i) the laws and regulations relating to securities trading and supervision; (j) the laws and regulations relating to intellectual property; and (k) other relevant laws, regulations, policies, and regulatory requirements, etc. 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 the PRC 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 were no changes in the capital structure of the Company for the six months ended June 30, 2020. The capital of the Company comprises ordinary shares and other reserves.

Capital Commitment and Contingent Liabilities

As at June 30, 2020, the Group's capital commitment was approximately RMB318.5 million (December 31, 2019: approximately RMB399.5 million). The Group has no contingent liability that would cause a significant impact for the six months ended June 30, 2020 (December 31, 2019: 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 other significant investments, material acquisitions, and disposals of any subsidiaries, associated companies, and joint ventures for the six months ended June 30, 2020.

Future Plans for Substantial Investments or Capital Assets

On January 10, 2020, the Board approved the Company's annual financial budget for 2020 which covers the Company's normal capital expenditure for renovation and the planned construction projects of 1.2 million sets of all steel of the Tire Production Base in Thailand phase II. The investment of the projects is expected to be approximately RMB541.0 million, and the source of the funds is profit surplus and bank loans. The Board reviewed and approved the capacity expansion project on May 8, 2020. The Group intended to initiate the capacity expansion project in the second half of 2020, and gradually complete equipment installation by the end of August 2021. It was expected to maximize the production capacity four months after that.

In view of the current production capacity and future tire demand, the Group expects to experience a serious shortage of supply. The Group intended to implement an expansion plan in respect of Prinx Chengshan (Shandong) Tire Limited* (浦林成山(山東)輪胎有限公司). The total investment of the project was expected to reach approximately RMB666.0 million. The annual production capacity of All Steel Radial Tires and Semi-steel Radial Tires would increase by approximately 1.05 million sets and 2.80 million sets. The funds would be from the saved cash flow and delayed payment of Phase I of the Tire Production Base in Thailand in 2020. The project was reviewed and approved by the Board and would be implemented from the second half of 2020 to 2021.

Human Resources Management

As at June 30, 2020, the Group had a total of 4,965 employees (as at December 31, 2019: 4,937). The employee benefit expenses of the Group were RMB246.8 million for the six months ended June 30, 2020 (2019: RMB243.3 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.

The Company adopted a share option scheme (the "**Share Option Scheme**") on July 5, 2019 (the "**Adoption Date**"). On July 9, 2019 (the "**2019 Grant Date**") and July 9, 2020 (the "**2020 Grant Date**", together with the "**2019 Grant Date**", collectively the "**Grant Date**"), the Company conditionally granted 14,400,000 options and 835,500 options (the "**Options**" and each an "**Option**") to certain eligible participants (the "**Grantees**" and each a "**Grantee**") of the Group. For the six months ended June 30, 2020, details of movements in the options are set out in the section headed "Share Option Scheme" in this report.

Share Option Scheme

The Company had adopted the Share Option Scheme on 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 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. As at the date of this report, the number of Shares available for issue under the Share Option Scheme is 764,500 Shares (as at the date of the annual report for the year ended December 31, 2019: 1,600,000 Shares), representing approximately 0.12% of the total number of issued shares of the Company (as at the date of 2019 annual report: 0.25%).

Eligible participants 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 is subject to passing the stipulated probation period.

Options granted in 2019

On the 2019 Grant Date, the Company conditionally granted 14,400,000 Options to certain Grantees, 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 2019 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 2019 Grant Date; (ii) the average closing price of HK$7.244 per Share for the five business days preceding the 2019 Grant Date; and (iii) the nominal value of each Share. The closing price on the business day preceding the 2019 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	Outstanding as at the beginning of the period	Number of Options granted as at the 2019 Grant Date	Lapsed during the period	Outstanding as at the end of the period
Che Baozhen	Executive Director	580,000	580,000	–	580,000
Shi Futao	Executive Director	512,000	512,000	–	512,000
Cao Xueyu	Executive Director and joint company secretary	225,500	225,500	–	225,500
		1,317,500	1,317,500	–	1,317,500
Other senior management and employees		13,082,500	13,082,500	647,000	12,435,500
Total:		14,400,000	14,400,000	647,000	13,753,000

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 2019 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 2019 Grant Date), and the vesting proportion is the remaining unvested Options after excluding the lapsed 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 2019 Grant Date.

During the Reporting Period, no Option under the Share Option Scheme was granted, exercised, or canceled as 647,000 Options had been lapsed due to certain Grantees resigned or retired.

Options granted in 2020

On the 2020 Grant Date, the Company conditionally granted 835,500 Options to certain Grantees, subject to acceptance of the Grantees, to subscribe for a total of 835,500 Shares. The exercise price of the Share on the 2020 Grant Date is HK$7.960 per Share, which is the highest among (i) the closing price of HK$7.960 per Share on the 2020 Grant Date; (ii) the average closing price of HK$7.894 per Share for the five business days preceding the 2020 Grant Date; and (iii) the nominal value of each Share. The closing price on the business day preceding the 2020 Grant Date is HK$7.820 per Share.

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.

Half of the total number of Options granted can be vested and exercised at any time after the expiration of 12 months and 24 months from the 2020 Grant Date, respectively. If the Options are not vested as the performance of the scheme participants in the first two vesting periods fails to meet the standards, in the event that the performance meets the standard upon the third annual assessment and the deferred vesting conditions are satisfied, the Options granted may be exercised at any time after the third exercise period (i.e., after 36 months from the 2020 Grant Date), and the vesting proportion is the remaining unvested Options after excluding the lapsed 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 five years commencing from the 2020 Grant Date.

Details of the Share Option Scheme are set out in the circular issued by the Company on June 13, 2019 and the announcements issued on July 9, 2019 and on July 9, 2020.

PROFIT SHARING SCHEME

The profit sharing scheme, which was adopted on July 5, 2019 (the "**Profit Sharing Scheme**") by the Company, 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 to start 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. 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.

Controlling Shareholder's Specific Performance Obligations under the Financing Agreement

On March 17, 2020, Prinx Chengshan Tire (Thailand) Co., Ltd. ("**Prinx Thailand**") (as the borrower) and Bank of China (Hong Kong) Limited, Bank of China (Thai) Public Company Limited and The Hong Kong and Shanghai Banking Corporation Limited, Bangkok Branch (the "**Lenders**", as mandated lead arrangers and original lenders) entered into a facility agreement (the "**Agreement**") relating to US$90 million facility with a term of four years after the date of the Agreement.

Under the Agreement, Prinx Thailand shall procure that:

(a) Mr. Che Baozhen, Mr. Che Hongzhi and Ms. Li Xiuxiang (the "**Controlling Shareholders**") shall remain as the single largest shareholder of the Company; and

(b) The Controlling Shareholders shall maintain management control over the Company.

Upon breach of the specific performance obligations, the Lenders will, among other things, have the power to cancel the commitments under the Agreement and declare all outstanding loan together with accrued interest, all other amounts accrued under the Agreement, and other finance documents immediately due and payable.

The details of the loan agreement with specific performance covenants are set out in the announcement issued by the Company on March 17, 2020.

EVENTS AFTER THE REPORTING PERIOD

As 4,521,888 of the Options granted on the 2019 Grant Date were vested, of which a total of 375,000 Options were exercised by several Grantees, the Company issued 375,000 Shares to the Grantees in July 2020. As at the date of this report, the Company issued a total of 635,375,000 Shares.

The Company conditionally granted 835,500 Options to certain Grantees on the 2020 Grant Date. Details are set out in the section headed "Share Option Scheme" of this report.

The Board is pleased to present the corporate governance report of the Company for the six months ended June 30, 2020.

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 Listing Rules as its own corporate governance code. The Company has been in compliance with all applicable code provisions under the Corporate Governance Code for the six months ended June 30, 2020. The Company will continue to review and monitor its corporate governance practices in order to ensure compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its code for dealing in securities by 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, 2020.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the six months ended June 30, 2020.

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, 2020 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, 2020, none of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The Board views the annual general meeting as an important opportunity for direct communication with shareholders. The 2020 annual general meeting was held on May 8, 2020 at No. 98, North Nanshan Road, Rongcheng City, Shandong Province and successfully concluded. Board members and external auditors attended the meeting where they communicated with shareholders. Details of the voting matters are set out in the Company's announcement dated May 8, 2020.

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

As at June 30, 2020, 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 Hong Kong 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/ Short position	Approximate percentage of shareholding in the Company
Mr. Che Hongzhi	Spouse interest	441,859,500 *(Note 1)*	Long position	69.58
Mr. Che Baozhen	Interest in a controlled corporation	441,859,500 *(Note 2)*	Long position	69.58
	Beneficial owner	580,000 *(Note 3)*	Long position	0.09
Mr. Shi Futao	Beneficial owner	542,000 *(Note 4)*	Long position	0.09
Ms. Cao Xueyu	Beneficial owner	225,000 *(Note 5)*	Long position	0.04

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 is interested.

(2) As at June 30, 2020, Mr. Che Baozhen directly owned 50% of the equity interest in Shanghai Chengzhan Information and Technology Center* (上海成展信息科技中心) ("**Shanghai Chengzhan**"), which in turn owned 95% of the equity interest in Beijing Zhongmingxin Investment Company Limited* (北京中銘信投資有限公司) ("**Beijing Zhongmingxin**"), which in turn controlled 42.50% of the equity interest in Chengshan Group Company Limited*(成山集團有限公司) ("**Chengshan Group**"). As such, Mr. Che Baozhen, Shanghai Chengzhan and Beijing Zhongmingxin are deemed to be interested in the interests in Chengshan Group.

(3) As at June 30, 2020, Mr. Che Baozhen held interests in those Shares through the options granted according to the Share Option Scheme under physically settled equity derivatives.

(4) As at June 30, 2020, Mr. Shi Futao held interests in 512,000 Shares through the options granted according to the Share Option Scheme under physically settled equity derivatives.

(5) As at June 30, 2020, Ms. Cao Xueyu held interests in those Shares through the options granted according to the Share Option Scheme under physically settled equity derivatives.

Save as disclosed above, as at June 30, 2020, none of the Directors and 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, 2020, 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 and 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/ Short position	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* (北京中銘信)	Interest in a controlled corporation	441,859,500 *(Note 2)*	Long position	69.58%
Shanghai Chengzhan* (上海成展)	Interest in a controlled corporation	441,859,500 *(Note 2)*	Long position	69.58%
Chengshan Group	Beneficial owner	441,859,500 *(Note 2)*	Long position	69.58%
Ms. Li Xiuxiang	Interest in a controlled corporation	441,859,500 *(Note 2)*	Long position	69.58%

Name	Capacity/ Nature of interest	Number of shares	Long/ Short position	Approximate percentage of shareholding in the Company
Ms. Bi Wenjing	Spouse interest	442,439,500 *(Note 3)*	Long position	69.68%

Notes:

(1) China National Heavy Duty Truck Group Co., Ltd.* (中國重型汽車集團有限公司) owned 100% of the interests of Sinotruk (BVI) Limited, which in turn owned 51% of the issued share capital of Sinotruk (Hong Kong) Limited. Sinotruk (Hong Kong) Limited owned 100% of the issued share capital of Sinotruk (Hong Kong) International Investment Limited, which in turn owned 100% of the issued share capital of Sinotruk (Hong Kong) Capital Holding Limited, which in turn owned 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 owned 50% of the equity interest in Shanghai Chengzhan, which in turns owned 95% of the equity interest in Beijing Zhongmingxin, which in turn controlled 42.50% of the equity interest in Chengshan Group. As such, Ms. Li Xiuxiang, Shanghai Chengzhan and Beijing Zhongmingxin 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, 2020, 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, during the six months ended June 30, 2020, the Company or its subsidiaries did not enter into 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.

CHANGES OF DIRECTORS' INFORMATION

Changes of the Directors' information for the six months ended June 30, 2020 are set out below:

Non-executive Directors	Change Matters
Chen Yansheng	Resigned from the non-executive Director with effect from February 24, 2020.
Shao Quanfeng	The Board appointed Shao Quanfeng as a non-executive Director with effect from February 24, 2020. Details of the change were set out in the announcement issued by the Company on February 24, 2020.
	Served as a director of Prinx Chengshan (Hong Kong) Tire Limited, a wholly-owned subsidiary of the Company, with effect from February 24, 2020.
	Served as a director of Prinx Chengshan (Shandong) Tire Co., Ltd, a wholly-owned subsidiary of the Company, with effect from March 9, 2020.
	Served as a director of Prinx Investment Holding Limited (浦林投資控股有限公司), a wholly-owned subsidiary of the Company, with effect from February 24, 2020.
	Served as a director of Prinx (Hong Kong) Investment Limited (Renamed as Prinx (Hong Kong) Rubber Co., Limited on 8 July 2020), a wholly-owned subsidiary of the Company, with effect from February 24, 2020.

Save as changes disclosed in this section, the Directors confirmed that no information needs to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June **2020** ***RMB'000***	 2019 *RMB'000*
Revenue	7	**2,844,044**	2,873,882
Cost of sales		**(2,237,757)**	(2,322,262)
Gross profit		**606,287**	551,620
Selling and distribution expenses		**(181,798)**	(176,908)
Administrative expenses		**(78,059)**	(66,412)
Research and development costs		**(68,545)**	(53,524)
Other income	8	**23,951**	22,335
Other gains — net	8	**8,399**	14,043
Operating profit	8	**310,235**	291,154
Finance income	9	**3,850**	11,805
Finance costs	9	**(1,989)**	(3,943)
Finance income — net	9	**1,861**	7,862
Share of result of associates		**—**	(56)
Profit before income tax		**312,096**	298,960
Income tax expense	10	**(46,832)**	(37,923)
Profit for the period		**265,264**	261,037
Profit attributable to:			
— Shareholders of the Company		**265,196**	260,966
— Non-controlling interests		**68**	71
		265,264	261,037
Earnings per share for profit attributable to shareholders of the Company for the period			
— Basic (RMB)	11	**0.42**	0.41
— Diluted (RMB)	11	**0.42**	0.41

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 2020

	Note	Unaudited Six months ended 30 June 2020 *RMB'000*	 2019 *RMB'000*
Profit for the period		**265,264**	261,037
Other comprehensive income/(loss):			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences		**18,027**	(2,191)
Other comprehensive income/(loss) for the period, net of tax		**18,027**	(2,191)
Total comprehensive income for the period		**283,291**	258,846
Attributable to:			
— Shareholders of the Company		**283,223**	258,775
— Non-controlling interests		**68**	71
Total comprehensive income for the period		**283,291**	258,846

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 2020

	Note	**Unaudited 30 June 2020** *RMB'000*	Audited 31 December 2019 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	13	**3,073,542**	2,464,015
Right-of-use assets	14	**104,373**	110,687
Intangible assets	13	**52,348**	48,950
Investment in associates		**6,233**	6,233
Prepayments and other receivables	18	**7,281**	44,111
		3,243,777	2,673,996
Current assets			
Inventories	15	**720,582**	755,191
Trade receivables	17	**1,389,690**	960,410
Prepayments, other receivables and other current assets	18	**110,255**	146,626
Financial assets at fair value through profit or loss	16	**102,716**	180,885
Amounts due from related parties	26(b)	**204,278**	72,740
Cash and cash equivalents		**606,514**	914,495
Restricted cash		**50,520**	123,905
		3,184,555	3,154,252
Total assets		**6,428,332**	5,828,248

As at 30 June 2020

	Note	**Unaudited 30 June 2020 RMB'000**	Audited 31 December 2019 RMB'000
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	19	**199**	199
Share premium	19	**2,171,942**	2,171,942
Reserves	20	**1,413,579**	1,241,788
		3,585,720	3,413,929
Non-controlling interests		**757**	389
Total equity		**3,586,477**	3,414,318
Liabilities			
Non-current liabilities			
Bank borrowings	21	**320,285**	—
Lease liabilities	14	**461**	1,873
Deferred income		**47,383**	42,098
Deferred tax liabilities	24	**50,263**	47,945
		418,392	91,916
Current liabilities			
Trade payables	22	**1,160,519**	1,198,715
Other payables and accruals	23	**705,911**	597,173
Contract liabilities		**46,136**	46,431
Lease liabilities	14	**5,815**	8,808
Provision for warranties		**80,470**	76,221
Dividend Payable		**5,634**	—
Amounts due to related parties	26(b)	**943**	19,815
Current income tax liabilities		**46,876**	17,851
Bank borrowings	21	**371,159**	357,000
		2,423,463	2,322,014
Total liabilities		**2,841,855**	2,413,930
Total equity and liabilities		**6,428,332**	5,828,248

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 2020

		Unaudited Equity attributable to shareholders of the Company					
	Note	Share capital *RMB'000* *(Note 19)*	Share premium *RMB'000* *(Note 19)*	Reserves *RMB'000* *(Note 20)*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2020		199	2,171,942	1,241,788	3,413,929	389	3,414,318
Comprehensive income							
Profit for the period		—	—	265,196	265,196	68	265,264
Other comprehensive income							
Currency translation difference		—	—	18,027	18,027	—	18,027
Total other comprehensive income, net of tax		—	—	18,027	18,027	—	18,027
Total comprehensive income		—	—	283,223	283,223	68	283,291
Transactions with shareholders							
Capital contributions by non-controlling interests of subsidiaries		—	—	—	—	300	300
Employee share option schemes — value of employee services		—	—	7,434	7,434	—	7,434
Transaction with non-controlling interests		—	—	(2,679)	(2,679)	—	(2,679)
Cash dividends	12	—	—	(116,187)	(116,187)	—	(116,187)
Total transactions with shareholders		—	—	(111,432)	(111,432)	300	(111,132)
Balance at 30 June 2020		199	2,171,942	1,413,579	3,585,720	757	3,586,477

For the six months ended 30 June 2020

		Unaudited Equity attributable to shareholders of the Company					
	Note	Share capital *RMB'000* *(Note 19)*	Share premium *RMB'000* *(Note 19)*	Reserves *RMB'000* *(Note 20)*	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	2,171,942	1,003,445	3,175,586	458	3,176,044

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 2020

	Note	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations		**20,797**	118,903
Interest paid		**(6,679)**	(6,906)
Income tax paid		**(11,200)**	(44,601)
Net cash generated from operating activities		**2,918**	67,396
Cash flows from investing activities			
Purchases of property, plant and equipment		**(625,986)**	(557,644)
Proceeds from disposal of property, plant and equipment		**609**	71
Purchase of intangible assets		**(1,755)**	(666)
Repayment of loans granted to a third party		**2,000**	2,000
Purchase of financial assets at fair value through profit or loss		**(2,461,242)**	(1,113,189)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,543,257**	1,204,364
Acquisition of subsidiaries, net of cash and cash equivalents		**—**	1,163
Interest received		**4,134**	11,302
Net cash used in investing activities		**(538,983)**	(452,599)
Cash flows from financing activities			
Loans provided by a related party		**—**	603
Proceeds from borrowings		**334,444**	—
Payment of listing expenses		**—**	(1,647)
Transaction with non-controlling interests		**(2,679)**	—
Principal elements of lease payments		**(4,619)**	(3,870)
Cash dividends paid		**(107,553)**	(132,254)
Capital injection by non-controlling interests		**300**	15
Net cash generated from/(used in) financing activities		**219,893**	(137,153)
Net decrease in cash and cash equivalents		**(316,172)**	(522,356)
Cash and cash equivalents at the beginning of period		**914,495**	1,385,348
Exchange gain on cash and cash equivalents		**8,191**	849
Cash and cash equivalents at the end of period		**606,514**	863,841

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

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 28 August 2020.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, 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 2019, 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. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

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 2019.

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 2019.

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

5 Financial risk management (Continued)

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*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total Amount *RMB'000*
At 30 June 2020					
Bank borrowings	**371,159**	**9,000**	**284,385**	**26,900**	**691,444**
Interest payables for bank borrowings	**12,880**	**8,057**	**6,595**	**384**	**27,916**
Amounts due to related parties	**943**	**—**	**—**	**—**	**943**
Trade payables	**1,160,519**	**—**	**—**	**—**	**1,160,519**
Other payables	**563,392**	**—**	**—**	**—**	**563,392**
Lease liabilities	**5,815**	**461**	**—**	**—**	**6,276**
	2,114,708	**17,518**	**290,980**	**27,284**	**2,450,490**
At 31 December 2019					
Bank borrowings	357,000	—	—	—	357,000
Interest payables for bank borrowings	10,637	—	—	—	10,637
Amounts due to related parties	19,815	—	—	—	19,815
Trade payables	1,198,715	—	—	—	1,198,715
Other payables	453,495	—	—	—	453,495
Lease liabilities	8,808	1,873	—	—	10,681
	2,048,470	1,873	—	—	2,050,343

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 2020				
Assets				
Financial assets at fair value through profit or loss				
— Wealth management products (a)	**—**	**—**	**74,200**	**74,200**
— Listed equity securities	**28,516**	**—**	**—**	**28,516**
	28,516	**—**	**74,200**	**102,716**
As at 31 December 2019				
Assets				
Financial assets at fair value through profit or loss				
— Wealth management products (a)	—	—	152,878	152,878
— Listed equity securities	28,007	—	—	28,007
	28,007	—	152,878	180,885

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

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 2020 *RMB'000*	Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair value
Wealth management products	**74,200**	**Expected yield rate**	**1.65%–3.3% (2.5%)**	**A change in the yield rate by 100 basis points would increase/decrease the fair value by approximately RMB714,000.**

	Fair value at 31 December 2019 *RMB'000*	Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair value
Wealth management products	152,878	Expected yield rate	2.3%–3.75% (3%)	A change in the yield rate by 100 basis points would increase/decrease the fair value by approximately RMB1,465,000.

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.

6 Segment information (Continued)

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	
	2020 Revenue *RMB'000*	2019 Revenue *RMB'000*
Mainland China	**1,863,253**	1,771,237
Africa	**292,132**	230,890
Americas	**223,691**	350,175
Middle East	**177,515**	122,633
Asia (excluding Mainland China)	**164,619**	272,626
Other countries	**122,834**	126,321
	2,844,044	2,873,882

7 Revenue

	Unaudited Six months ended 30 June	
	2020 *RMB'000*	2019 *RMB'000*
Revenue from customers and recognised at point in time		
Sales of tire products:		
— All steel radial tires	**2,237,258**	2,247,486
— Semi-steel radial tires	**542,659**	525,665
— Bias tires	**64,127**	100,731
	2,844,044	2,873,882

8 Operating profit

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment *(Note 13)*	**(91,946)**	(87,145)
Depreciation of right-of-use assets *(Note 14)*	**(6,314)**	(5,630)
Provisions for warranty claims	**(19,482)**	(22,185)
Amortisation of intangible assets *(Note 13)*	**(1,372)**	(5,877)
Provision for impairment of trade receivables *(Note 17)*	**(1,128)**	(4,470)
Provision for write-down of inventories *(Note 15)*	**(2,802)**	(1,724)
Other income		
— Sales of scraps	**9,619**	15,003
— Government grants	**14,332**	7,332
Other gains/(losses) — net		
— Gains on disposal of financial assets at fair value through profit or loss	**3,615**	9,054
— Gains from fair value change of financial assets at fair value through profit or loss	**231**	3,459
— Gains/(losses) on disposal of property, plant and equipment	**159**	(193)
— Net other foreign exchange gains	**9,325**	1,000
— Donations	**(7,042)**	—

9 Finance income — net

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Finance costs:		
— Interest expense on bank borrowings	**(7,337)**	(6,868)
— Lease liabilities *(Note 14)*	**(214)**	(280)
	(7,551)	(7,148)
Less: amounts capitalised on qualifying assets	**5,562**	3,205
	(1,989)	(3,943)
Finance income:		
— Interest income derived from bank deposits	**3,850**	11,805
Finance income — net	**1,861**	7,862

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	
	2020	2019
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax	**41,085**	20,160
— Hong Kong and overseas profits tax	**3,429**	397
Deferred income tax *(Note 24)*	**2,318**	17,366
Income tax expense	**46,832**	37,923

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**312,096**	298,960
Tax calculated at applicable tax rates	**85,694**	73,984
Expenses not deductible for tax purpose	**2,840**	927
Tax benefit from High and New-Technology Enterprise qualification	**(34,284)**	(30,375)
Additional deduction of research and development cost and other expense	**(7,418)**	(6,613)
Tax charge	**46,832**	37,923

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

(a) Basic

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 period.

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit attributable to the shareholders of the Company	**265,196**	260,966
Weighted average number of ordinary shares in issue (thousands)	**635,000**	635,000
Basic earnings per share (RMB)	**0.42**	0.41

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised of share options.

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit attributable to the shareholders of the Company	**265,196**	260,966
Weighted average number of ordinary shares in issue (thousands)	**635,000**	635,000
Adjustments for share options	**388**	—
Weighted average number of ordinary shares for diluted earnings per share	**635,388**	635,000
Diluted earnings per share (RMB)	**0.42**	0.41

12 Dividends

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Cash dividend paid by the Company *(a)*	**116,187**	129,272

(a) Dividend during the six months ended 30 June 2020 and 2019 represented cash dividend declared and paid by the Company to its equity holders.

13 Capital expenditure

	Unaudited	
	Property, plant and equipment	**Intangible assets**
	RMB'000	***RMB'000***
Six months ended 30 June 2020		
Opening net book amount as at 1 January 2020	**2,464,015**	**48,950**
Additions	**682,766**	**4,747**
Disposals	**(3,876)**	**—**
Depreciation and amortisation	**(91,946)**	**(1,372)**
Exchange difference	**22,583**	**23**
Closing net book amount as at 30 June 2020	**3,073,542**	**52,348**
Six months ended 30 June 2019		
Opening net book amount as at 1 January 2019	1,372,590	58,142
Additions	395,113	666
Additions from acquiring a subsidiary	39	—
Disposals	(263)	—
Depreciation and amortisation	(87,145)	(5,877)
Closing net book amount as at 30 June 2019	1,680,334	52,931

14 Leases

	Unaudited 30 June 2020 ***RMB'000***	Audited 31 December 2019 *RMB'000*
Right-of-use assets		
— Land use rights	**98,179**	100,098
— Buildings	**6,194**	10,589
	104,373	110,687
Lease liabilities		
Current		
— lease liabilities	**5,815**	8,808
Non-Current		
— lease liabilities	**461**	1,873
	6,276	10,681

The Group's land use rights are all located in the PRC and own land certificates.

The current and non-current portion of lease liabilities amounting to RMB5,121,000 and nil (2019: RMB7,596,000 and RMB1,255,000) respectively represent amounts due to related parties.

The statement of profit or loss shows the following amounts relating to leases:

	Unaudited Six months ended 30 June	
	2020 ***RMB'000***	2019 *RMB'000*
Depreciation of right-of-use assets *(Note 8)*		
— Land use rights	**1,918**	1,918
— Buildings	**4,396**	3,712
	6,314	5,630
Interest expense *(Note 9)*	**214**	280
Expense relating to short term leases	**7,573**	7,317

The total cash payment for leases during the period was RMB12,192,000.

15 Inventories

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Raw materials	165,628	149,995
Work-in-progress	49,952	48,845
Finished goods	509,826	559,424
	725,406	758,264
Provision for impairment of inventory	(4,824)	(3,073)
	720,582	755,191

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

	Unaudited 30 June 2020 RMB'000
At beginning of the period	3,073
Provision for write-down of inventories *(Note 8)*	2,802
Write-off as recorded in cost of sales	(1,051)
At the end of the period	4,824

16 Financial assets at fair value through profit or loss

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Financial assets at fair value through profit or loss		
— Wealth management products *(a)*	74,200	152,878
— Listed equity securities *(b)*	28,516	28,007
	102,716	180,885

16 Financial assets at fair value through profit or loss (Continued)

	Unaudited 30 June 2020 *RMB'000*
At beginning of the period	**180,885**
Additions	**2,461,242**
Disposals	**(2,543,257)**
Gains on disposal of financial assets at fair value through profit or loss	**3,615**
Fair value gains on financial assets at fair value through profit or loss	**231**
At the end of the period	**102,716**

(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.

17 Trade receivables

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Accounts receivable	**1,063,221**	752,143
Less: provision for impairment of accounts receivable	**(12,814)**	(11,963)
Accounts receivable — net	**1,050,407**	740,180
Notes receivable	**339,283**	220,230
Trade receivables — net	**1,389,690**	960,410

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

17 Trade receivables (Continued)

As at 30 June 2020 and 31 December 2019, the aging analysis of the trade receivables based on invoice date were as follows:

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Up to 3 months	1,319,862	862,196
4 to 6 months	60,731	86,980
7 to 12 months	3,692	17,661
1 to 2 years	13,619	2,242
2 to 3 years	2,072	677
Over 3 years	2,528	2,617
	1,402,504	972,373

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

	Unaudited 30 June 2020 *RMB'000*
At beginning of the period	11,963
Provision for impairment of trade receivables *(Note 8)*	1,128
Trade receivables written off during the year as uncollectible	(277)
At the end of the period	12,814

18 Prepayments, other receivables and other current assets

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Non-current		
Prepayments for purchase of property, plant and equipment	**7,281**	44,111
Current		
Prepayments	**47,745**	50,338
Other receivables	**9,181**	13,829
Prepaid income tax	**—**	4,303
Other current assets — value added tax to be deducted	**53,329**	78,156
	110,255	146,626
	117,536	190,737

19 Share capital and Share premium

	Number of authorised shares
Authorised share capital:	
As at 1 January 2019, 31 December 2019 and 30 June 2020	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, 30 June 2019, 1 January 2020 and 30 June 2020	**635,000,000**	**199**	**2,171,942**	**2,172,141**

20 Reserves

	Capital reserve *RMB'000*	Statutory Reserve *RMB'000*	Translation reserve *RMB'000*	Retained earnings *RMB'000*	Share option reserves *RMB'000*	Total *RMB'000*
Balance at 1 January 2020	**(70,715)**	**200,918**	**(66,352)**	**1,170,971**	**6,966**	**1,241,788**
Profit for the period	**—**	**—**	**—**	**265,196**	**—**	**265,196**
Cash dividends *(Note 12)*	**—**	**—**	**—**	**(116,187)**	**—**	**(116,187)**
Employee share option schemes — value of employee services	**—**	**—**	**—**	**—**	**7,434**	**7,434**
Transaction with non-controlling interests	**—**	**—**	**—**	**(2,679)**	**—**	**(2,679)**
Currency translation differences	**—**	**—**	**18,027**	**—**	**—**	**18,027**
Balance at 30 June 2020	**(70,715)**	**200,918**	**(48,325)**	**1,317,301**	**14,400**	**1,413,579**
Balance at 1 January 2019	(70,715)	149,869	(76,787)	871,575	—	873,942
Profit for the period	—	—	—	260,966	—	260,966
Cash dividends *(Note 12)*	—	—	—	(129,272)	—	(129,272)
Currency translation differences	—	—	(2,191)	—	—	(2,191)
Balance at 30 June 2019	(70,715)	149,869	(78,978)	1,003,269	—	1,003,445

21 Bank borrowings

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Current		
Short-term bank borrowings		
— Unsecured	**371,159**	357,000
Non-current		
Bank borrowings		
— Secured	**320,285**	—

As at 30 June 2020, the secured bank borrowings of RMB320.3 million were secured by property, plant and equipment amounting to RMB1,740.8 million (31 December 2019: Nil).

As at 30 June 2020, the weighted average effective interest rates on borrowings from banks were 3.14% (31 December 2019: 3.83%).

22 Trade payables

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Accounts payable	**687,449**	664,251
Notes payable *(a)*	**473,070**	534,464
	1,160,519	1,198,715

(a) As at 30 June 2020, notes payable of RMB372.3 million represented bank acceptance notes were secured by all restricted bank balance of RMB50.5 million, notes payable of RMB100.8 million were unsecured. As at 31 December 2019, all notes payable represented bank acceptance notes were secured by all restricted bank balance.

22 Trade payables (Continued)

As at 30 June 2020 and 31 December 2019, the aging analysis of the trade payables based on invoice date were as follows:

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Within 3 months	**858,490**	850,575
4 to 6 months	**291,390**	334,952
7 to 12 months	**2,452**	3,205
Above 1 year	**8,187**	9,983
	1,160,519	1,198,715

23 Other payables and accruals

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Payables for purchase of property, plant and equipment	**176,169**	158,770
Payroll and employee benefit payables	**136,058**	138,918
Accrued sales rebates and commission	**132,438**	86,080
Accrued expense	**101,877**	84,984
Freight payables	**47,648**	43,003
Deposit from customers	**46,291**	23,141
Other tax payables	**11,079**	4,760
Interest payables	**1,017**	359
Other payables	**53,334**	57,158
	705,911	597,173

24 Deferred income tax

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

	Unaudited 30 June 2020 ***RMB'000***	Audited 31 December 2019 *RMB'000*
Deferred tax assets	**31,879**	28,157
Deferred tax liabilities	**(82,142)**	(76,102)
Deferred tax liabilities, net	**(50,263)**	(47,945)

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

	Unaudited 30 June 2020 ***RMB'000***
At beginning of period	**(47,945)**
Charge to the consolidated income statements *(Note 10)*	**(2,318)**
At end of period	**(50,263)**

25 Capital commitments

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

	Unaudited 30 June 2020 ***RMB'000***	Audited 31 December 2019 *RMB'000*
Purchase of property, plant and equipment — Contracted but not provided for	**318,452**	399,457

26 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 2020 and 2019, and balances arising from related party transactions as at 30 June 2020 and 31 December 2019.

Name and relationship with related parties are set out below:

Related party	**Relationship**
Chengshan Group	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
Hebei Prinx Chengshan Tire Co., Ltd.	The associated company of the Group, established on 30 August 2019, 39% equity interest attributable to the Group

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.

26 Related party transactions (Continued)

(a) Transactions with related parties

		Unaudited Six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
	Continuing transactions		
(i)	Purchase of raw materials		
	— Sinotruk	**—**	9,179
(ii)	Purchase of utilities		
	— Chengshan Group	**71,383**	79,105
(iii)	Sale of goods		
	— Sinotruk	**246,055**	197,241
	— Yunnan Prinx Chengshan Tire Co., Ltd.	**19,815**	34,143
	— Hebei Prinx Chengshan Tire Co., Ltd.	**23,576**	—
		289,446	231,384
(iv)	Rental and estate management expenses paid and payable		
	— Rongcheng Chengshan Properties Co., Ltd.	**2,505**	2,505
	— Chengshan Group	**3,891**	3,992
		6,396	6,497
(v)	Service received		
	— Rongcheng Chengshan Energy-Saving Services Co., Ltd.	**1,572**	2,557
	Non-continuing transactions		
(vi)	Inter-company transactions		
	Loans granted from		
	— Chengshan Group	**—**	603

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.

26 Related party transactions (Continued)

(b) Balances with related parties

(i) Amounts due to related parties

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Current		
Contract liabilities		
— Yunnan Prinx Chengshan Tire Co., Ltd.	—	2,895
— Hebei Prinx Chengshan Tire Co., Ltd.	—	6
	—	2,901
Trade payables		
— Chengshan Group	670	15,917
— Rongcheng Chengshan Energy-Saving Services Co., Ltd.	273	997
	943	16,914
	943	19,815

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Less than 3 months	943	16,914

26 Related party transactions (Continued)

(b) Balances with related parties (Continued)

(ii) Amounts due from related parties

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Current		
Trade balances		
— Sinotruk	**191,266**	69,163
— Hebei Prinx Chengshan Tire Co., Ltd.	**10,357**	3,577
— Yunnan Prinx Chengshan Tire Co., Ltd.	**2,655**	—
	204,278	72,740

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 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Less than 3 months	**204,278**	72,740

(iii) Lease liabilities

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Non-current		
— Chengshan Group	**—**	1,255
Current		
— Chengshan Group	**5,121**	7,596
	5,121	8,851

27 Contingencies

On 23 December 2016, Prinx Chengshan (Shandong) Tire Co., Ltd., a subsidiary of the Group, sued Qingdao Xinhonglun Industry and Trade Co., Ltd. for failing to transfer ROAD SHINE and GOLD PARTNER trademarks to Prinx Chengshan (Shandong) Tire Co., Ltd. as stipulated in the contract. Qingdao Xinhonglun Industry and Trade Co., Ltd. was required to compensate for the economic losses suffered by Prinx Chengshan (Shandong) Tire Co., Ltd. due to the breach of contract. On 19 August 2019, the first instance decided that Qingdao Xinhonglun Industry and Trade Co., Ltd. compensated Prinx Chengshan (Shandong) Tire Co., Ltd. for RMB43,300,000 and accrued interest. Qingdao Xinhonglun Industry and Trade Co., Ltd. filed an appeal on 6 January 2020, requesting the revocation of the first instance judgment and rejecting the lawsuit of Prinx Chengshan (Shandong) Tire Co., Ltd.. The second instance was held on 17 July 2020 with no judgement yet. In the opinion of the directors of the Group, this case has not yet been finalized as of the date of publication of the financial statements, and the obtaining of the above compensation is uncertain, so it has not been recognized in the financial statements.

28 Events occurring after the Reporting Period

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.