Prinx Chengshan Holdings Limited

浦林成山控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1809)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board of directors (the "**Board**") of Prinx Chengshan Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries for the six months ended June 30, 2022. This announcement, containing the full text of the 2022 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. Printed version of the Company's 2022 interim report will be dispatched to shareholders of the Company and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.prinxchengshan.com on or before September 30, 2022.

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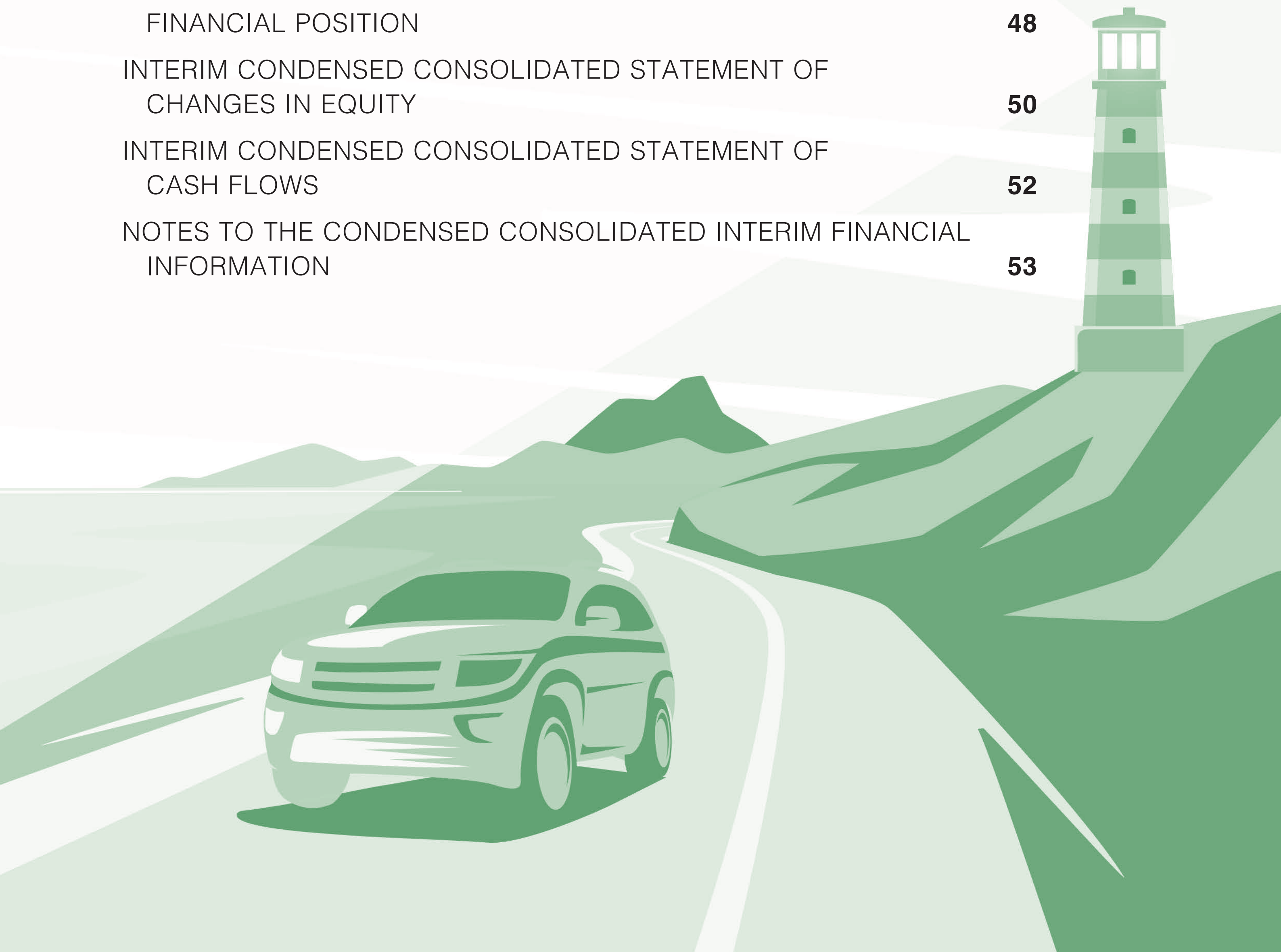

Corporate Information

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

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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Cayman Islands

Authorized Representatives

Ms. Cao Xueyu
Mr. Shi Futao

Joint Company Secretaries

Ms. Cao Xueyu *(CPA (Aust.), ACMA)*
Ms. Szeto Kar Yee Cynthia *(ACG, HKACG)*

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 Hongkong and Shanghai Banking Corporation Limited

Principal Registrar and Transfer Office

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
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Hong Kong Share Registrar

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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
	2022	2021	2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**4,091,195**	3,752,306	7,537,161
Profit before income tax	**133,034**	262,548	265,902
Income tax expense	**25,563**	(17,199)	10,400
Profit for the period/year	**158,597**	245,349	276,302
Profit attributable to:			
— Shareholders of the Company	**158,577**	245,353	276,304
— Non-controlling interests	**20**	(4)	(2)
	158,597	245,349	276,302

Summary of the Interim Condensed Consolidated Statement of Financial Position

	As at 30 June		As at 31 December
	2022	2021	2021
	RMB'000	*RMB'000*	*RMB'000*
Total assets	**10,313,272**	8,909,011	9,100,410
Total liabilities	**(6,208,052)**	(4,999,695)	(5,180,278)
Non-controlling interests	**180**	(613)	200
Equity attributable to shareholders of the Company	**4,105,400**	3,908,703	3,920,332

BUSINESS REVIEW AND OUTLOOK

Industry dynamics

In the first half of 2022, the ongoing COVID-19 pandemic and geopolitical conflicts posed challenges to the tire industry in which Prinx Chengshan Holdings Limited (hereinafter referred to as the "**Company**") and its subsidiaries (the "**Group**" or "**Prinx Chengshan**") operate in terms of cost pressure and weak supply and demand.

All Steel and Semi-Steel Radial Tires of the Company were under pressure from declining demand in the domestic market. Due to the impact of the shift from "China V" to "China VI" standard, the heavy-duty trucks in PRC were still in the process of inventory digestion, and the production and sales volume of new vehicles declined, resulting in a decrease in the demand for commercial vehicle tires OE. At the same time, due to the impact of the pandemic, the domestic logistics transportation demand was tightened, coupled with the construction of infrastructure projects slower than anticipated, the replacement demand for commercial vehicle tires was suppressed. Affected by the "lack of chips" of vehicles, the increase in the prices of raw materials for power batteries and the outbreak of the pandemic in multiple locations in China, the demand for passenger vehicle tires OE and replacement was weak. The production capacity of domestic tire enterprises was relatively low in the first half of 2022, resulting from the effect of the pandemic and weak domestic market demand. Although tire manufacturers have started several rounds of "price increase tide", due to the weak domestic market demand and fierce competition, the increase in raw material prices has not been fully transmitted to the selling price, resulting in the low profit margin of the tire industry from the domestic market. Since the second quarter of 2022, the prices of raw materials have also dropped compared with the beginning of the year, the shortage in export containers and the surge in ocean freight have gradually eased.

The demand in the overseas tire market rebounded under the relaxation of pandemic prevention and control and positive fiscal stimulus policies in overseas countries and regions. According to the statistics of the General Administration of Customs of the PRC, in the first half of 2022, the cumulative export volume of rubber tires was 3.77 million tonnes, representing a year-on-year increase of 7.2%; the export amount was RMB62,528 million, representing a year-on-year increase of 17.4%. Both the volume and price of tires exported from China increased.

Driven by the active domestic policies, the overall production and sales performance of the automobile industry in June was better than that of the same period in 2021. Among them, the production and sales volume of passenger vehicles increased by 43.6% and 41.2% year-on-year, respectively, while the production and sales volume of commercial vehicles remained at a low level, representing a year-on-year decrease of 33.2% and 37.4%, respectively. New energy vehicles were encouraged and supported by policies, and continued to grow in both production and sales, with a penetration rate of 23.8% in June 2022. The development of new energy vehicles puts forward new requirements for tires, which also brings new opportunities for the development of the tire industry.

Operation Review

The Group has been deeply engaged in tire design, research and development, manufacturing and sales for forty-six years. With the mission and vision of "leading tire innovation, contributing to smart travel and sustainable development, and achieving a better life", Prinx Chengshan adheres to the core strategy of "cost leadership, efficiency driven, differentiated competition, and global operation".

During the six months ended June 30, 2022 (the "**Reporting Period**"), the Group sold approximately 9.4 million sets of tires, representing a year-on-year increase of 3.3%. Among them, sales of All Steel Radial Tires (hereinafter referred to as the "**TBR**" or the "**All Steel**") amounted to approximately 3.3 million sets, representing a year-on-year decrease of 3.7%; sales of Semi-Steel Radial Tires (hereinafter referred to as the "**PCR**" or the "**Semi-Steel**") amounted to approximately 5.9 million sets, representing a year-on-year increase of 11.1%; sales of Bias Tires amounted to approximately 0.1 million sets, representing a year-on-year decrease of 53.3%. During the Reporting Period, the Group recorded revenue of approximately RMB4,091.2 million, representing a year-on-year increase of 9.0%, and gross profit of approximately RMB536.9 million, representing a year-on-year decrease of 13.2%. Profit attributable to owners of the Company for the six months ended June 30, 2022 amounted to approximately RMB158.6 million, representing a year-on-year decrease of 35.4%.

During the Reporting Period, the Group adhered to the core values of "customer first, being responsible, devotion and professionalism, innovation and opening up", and organized and carried out various tasks with a pragmatic, open and enterprising attitude.

(I) Driving development with technological innovation, and improving efficiency with lean production

The Group was committed to driving development with technological innovation. During the Reporting Period, the Group continued to strengthen technology research. Through the development of a new belt structure and the adoption of multi-compound extrusion technology, the Group effectively improved the tire balance and uniformity performance and driving comfort, while reducing the heat generated by the tire during the driving, improving the tire durability and reducing the tire rolling resistance, so as to reduce vehicle fuel consumption. The Group carried out projects such as the application of new technology of constant temperature mixing, electron beam radiation technology in carcass ply, nitrogen setting and nitrogen recovery to enhance the stability of the production process and improve the production efficiency and product quality. The Group achieved high efficiency and energy conservation by maximising the recovery of nitrogen, which complies with environmental protection policies.

The Group implements comprehensive and strict quality control and production management system. The Group adheres to the concept of "customer first" and "quality first". By strengthening quality awareness and implementing comprehensive and strict quality control standards, the Group ensures that its products meet the requirements of laws and regulations and customers' special requirements, and makes continuous improvements. IATF16949 Quality Management System has been established and implemented in the Group's tire production base in Shandong (hereinafter referred to as the "**Tire Production Base in Shandong**") and ISO9001 Quality Management System has been established and implemented in the Group's tire production base in Thailand (hereinafter referred to as the "**Tire Production Base in Thailand**"). The Tire Production Base in Shandong carried out lean training and promoted lean improvement activities to continuously improve the site management level and the quality awareness of employees. In the first half of 2022, the Group completed a total of 128 Lean Six Sigma projects to reduce the complexity of production sites, of which the number of front-line production personnel decreased by approximately 2.4%, and the Group also achieved economic benefits exceeding expectations. The Group encouraged all employees to participate in improvement activities. In the first half of the year, a total of 628 rationalisation proposals were approved and implemented.

The Tire Production Base in Thailand adopts first-class manufacturing equipment, leading design concepts, intelligent manufacturing and management models, and conducts R&D and design based on the standards for green intelligent manufacturing, marking a solid step of Prinx Chengshan towards the target of global development. At present, the Tire Production Base in Thailand has obtained ISO 9001 (quality system certification), ISO 14001 (environmental management system), ISO 45001 (occupational health management system) and Thailand Green Factory Level 3 certification, and has obtained certificates in 8 regions including Thailand TISI certification, SMARTWAY certification, EU ECE and R117 certification.

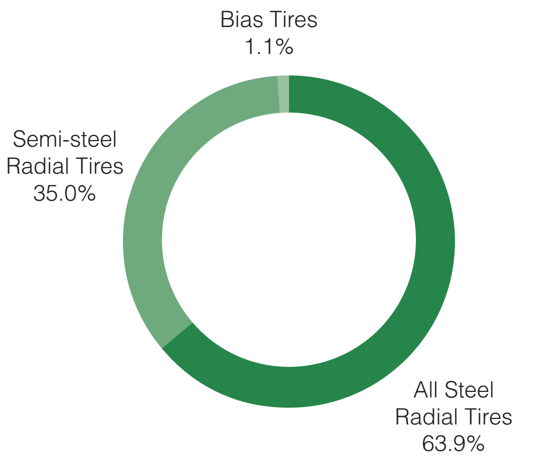
(II) Continuously optimizing the supply chain system to improve operational efficiency

The Group continued to optimize the supply chain system. Through big data analysis, the Group predicted and formulated production plans and managed inventory to form a closed-loop management process system integrating customer, production, procurement, logistics and sales. During the Reporting Period, the Group predicted the procurement demand based on sales data analysis, and strengthened the control over the procurement funds of raw and auxiliary materials. Relying on the optimisation and upgrading of information systems (MES and APS), the Group has established a demand forecast model to improve the achievement rate and accuracy of the plan.

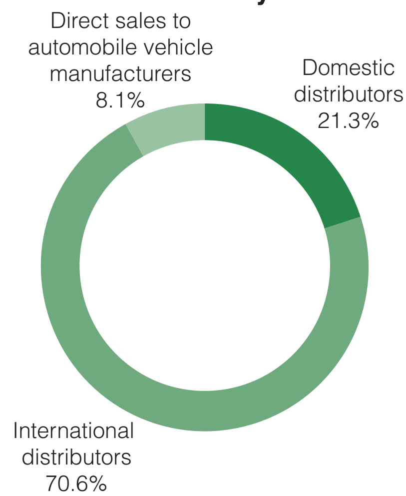
(III) Optimize channel distribution to achieve the growth in sales volume and revenue growth

During the Reporting Period, the Group's overall sales volume and revenue rose year-on-year, of which the international business increased significantly.

Sales classified by product categories



Sales classified by channel



Distributor channels

Domestic distributors

Commercial vehicle tire replacement channel

The Group has a relatively high penetration rate in the replacement market for All Steel Radial Tires in the PRC. In the first half of 2022, the outbreak of COVID-19 pandemic in multiple areas in China had a material impact on the tourism industry and transportation, resulting in a continuous decline in the market demand for passenger vehicles and trucks, and a downturn in the market demand for replacement tires for commercial vehicles. As a result, the Group's sales in the commercial vehicle replacement market declined, but sales in the metric tire, high-performance light truck tire and high-performance tubeless segments increased, with a positive effect of the adjustment of sales structure.

During the Reporting Period, the Group deepened its channel reform, explored new online and offline channel models, actively implemented conference marketing, and reorganised its sales structure. The Group started cooperation with 6 new domestic distributors and the number of four-star stores and five-star stores increased by 27 and 55, respectively. As of June 30, 2022, the Group had 167 domestic distributors, 301 four-star stores and 626 five-star stores, and the cumulative contribution of star store customers accounted for approximately 43.4% of the total sales volume of the Group in the domestic replacement market for the TBR.

Passenger vehicle tire replacement channel

According to the strategic plan, the Group continued to expand the business scale of passenger vehicle tires replacement channel. During the Reporting Period, Prinx Chengshan recorded a significant increase in sales volume in the passenger vehicle tire replacement market, with its operations under the dual brands (being "**Chengshan**" and "**Prinx**"), which provided support for its growth in the short-and medium-term.

The Group's brand "Chengshan" seized the opportunities by virtue of its competitive distribution channel network, digital marketing tools and enhanced product power, to rapidly cover the independent after-sales store network in the market segments across the country. The "Xiaopu Cloud Store" digital tool directly connects with 18,000 + stores to accelerate response and feedback.

The Group's new brand "Prinx" is positioned as a new energy vehicle tire. In June 2022, the Group launched two new flagship electric vehicle products to the replacement market in the PRC, namely "Tanyu (探域)" XNEX SPORT EV and "Chuangyu (創域)" XLAB COMFORT EV. The new EV tires of Prinx, adopting the R&D concept of GCE (Ground Contact Efficiency), expanded the three major indicators in the PRC to six indicators that are important for EV driving, and required the maximum GCE. With three outstanding advantages of controllability, low rolling resistance and safety, the new EV tires have reached the Level A of the Chinese label in terms of the wetland safety and rolling resistance, supporting by two advanced strengths of sound-absorbing cotton and self-healing. The new tires have a better technical performance than the similar products of international first-line brands. "Tanyu" XNEX SPORT EV tires have won three international design awards in terms of appearance and strength. The products began to be sold in the self-operated flagship store at JD.com and were well received by users.

During the Reporting Period, the Group's revenue from domestic distributor channels amounted to RMB872.3 million, representing a decrease of approximately 16.1% from approximately RMB1,039.5 million for the same period of 2021, mainly due to the decrease in sales volume as a result of the sluggish demand in the replacement market for all steel tires.

International Marketing

In the first half of 2022, the pandemic continued to recur overseas. Despite the overall poor industry situation and the disruption of shipping, benefiting from the increased production capacity of the Tire Production Base in Thailand, the Group actively expanded its existing market while exploring untapped markets. The Group achieved a year-on-year increase of 20.9% in international sales in the first half of 2022 by exploring and expanding new logistics supply chain methods.

During the Reporting Period, the Group cooperated with 31 new overseas distributors. Revenue from international marketing amounted to approximately RMB2,887.1 million, representing a year-on-year increase of approximately 56.4% from approximately RMB1,845.9 million for the same period in 2021 (including private label customers), among which, approximately 56.2% of the revenue was generated from the Tire Production Base in Thailand and approximately 43.8% of the revenue was generated from the Tire Production Base in Shandong.

With excellent products and services, the overseas market of Prinx Chengshan has maintained rapid growth in recent years, and has successfully signed 213 overseas distributors, serving more than 100 countries around the world.

Direct sales to automobile manufacturers

During the Reporting Period, the Group seized market opportunities and continued to strengthen cooperation with medium-to-high-end original equipment manufacturers. For commercial vehicle tire OE, Prinx Chengshan has actively developed new customers, launched more than 20 new projects, and successfully secured OE projects from the joint venture brand, namely "JMC Ford Transit (江鈴福特全順)". For passenger vehicle tire OE, Prinx Chengshan has expanded its business team and enhanced its service capability to original equipment manufacturers. In addition to deepening cooperation with existing original equipment manufacturers such as Great Wall Motor and Dongfeng, Prinx Chengshan's OE term has increased its efforts in original equipment projects for new energy vehicles and has made progress, with a substantial breakthrough expected in the second half of 2022 to 2023. The Group has adjusted the decision-making mechanism for new projects and established the BAT (Business Analysis Team) OE decision-making system. As at the end of the Reporting Period, the Group had entered into 51 supplier systems of automobile manufacturers. Through cooperation with automobile enterprises, the Group's research and development level can be improved and the product performance can better meet the needs of customers.

During the Reporting Period, the Group's revenue from direct sales to automobile manufacturers amounted to approximately RMB331.8 million, representing a decrease of 61.7% compared to approximately RMB866.9 million in the same period of 2021, mainly due to decrease in sales volume as a result of the sluggish market demand for commercial vehicles.

(IV) Implementation of multi-brand and differentiated development strategy

Brand Renewal

In 2021, Prinx Chengshan clarified the corporate positioning of "China's new manufacturing of tires" and the main development axis of "green, intelligent, international and branded". Based on its in-depth insights into consumers, Prinx Chengshan formulated a brand strategy for the next three years: combining internationalization with localization, multi-brand and differentiated development. Its four major brands, namely Chengshan (成山), Prinx (浦林), Austone (澳通) and Fortune (富神), have completed system renovation, to further develop the passenger vehicle tire market.

In December 2021, the Group took the lead in launching a new brand image of "Chengshan Tire", a strong brand of the Company, positioning itself as a "choice of Chinese drivers", symbolizing the return of the lighthouse elements of Chengshan's core spirit, and reflecting Chengshan's determination to firmly develop locally. With the brand positioning of "striver with practical efforts", it highlighted the brand value of "courage and perseverance" and the functional value of "tenacity and durability".

The Group's young brand "Prinx" was officially re-launched with a brand new positioning and brand new image, positioning itself as "Born for the Electric Era". Focusing on high-performance electric vehicle tires, the brand continued to explore, break through innovation and empower the electric era in terms of branding, market and channels. At the same time, Prinx won three top international design awards for its innovative R&D concept, technology and design, making Chinese design has an influence in the world.

As a cutting-edge electric vehicle brand, Prinx also entered into a strategic cooperation agreement with JD.com. The cooperation covers the expansion of product mix of jointly-developed electric vehicle tires, user development for new business, user life cycle insight, commercial vehicle tire cooperation, online and offline innovative retail experience, etc. The cooperation will realise resource sharing and complementary advantages to provide more convenient and high-quality consumption experience for electric vehicle users.

Focusing on the brand characteristics of "proactive, people-oriented and comprehensive protection", the Group's brand "Austone" is committed to creating a safe and worry-free journey for the loved people with high-quality products and services.

Based on the brand characteristics of "problem-solving, self-control and continuous improvement", the Group's brand "Fortune" is committed to promoting the performance of tire products through continuous self-reflection and technological innovation, thereby creating for each strong person driven by will.

By reshaping the brand experience and value proposition in an all-round way, the Group will reiterate its commitment to users and partners in the era of sustainable travel — not just for some, but for every individual to innovate and create. The Group aims to help every user to explore a better life with new manufacturing intelligence and perceptible technology.

International exhibitions

In May 2022, the Group brought its four major brands to The Tire Cologne, an international tire exhibition in Germany, with a new international product matrix through an exhibition experience combining online VR and offline interaction. The Prinx brand received widespread attention to the world's first-tier performance and unique design of its EV electric vehicle products, which debuted globally. In addition, the Group's 360° VR online exhibition hall also received good feedback from overseas users. The innovative display form also demonstrates the Company's active development and application of digital innovation services.

(V) Innovative sales model

During the Reporting Period, the Group continued to promote full-process solutions for the commercial vehicle after-sales market under the service brand of "Zhianda". "Zhianda Model" takes truck and bus tire leasing as the entry point, and through the application of RFID (Radio Frequency Identification Technology), TPMS (Tire Pressure Monitoring System) and other intelligent technologies, it can effectively improve the tire safety and operation efficiency of fleet customers, reduce the comprehensive use costs of customers, and ultimately achieve the management of the whole life cycle of tires. At the same time, "Zhianda Model" organically combines vehicle maintenance and tire leasing to help customers with refined management and create value for customers.

Through the Zhianda Model, the Group has established its presence in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim, the most developed regions in China's logistics industry, covering a variety of transportation types such as transportation of hazardous chemicals, express delivery, public transportation and port transportation, serving more than 70 customers with over 5,000 trucks and buses with approximately 90,000 wheels.

During the Reporting Period, the innovative sales model — "Zhianda" was in steady growth in terms of number of customers and service income.

(VI) Production capacity

In the second half of 2020 and in the first half of 2021, the Group successively commenced the production capacity expansion of 1.2 million sets/year of All Steel Radial Tires and 4.0 million sets/year of Semi-Steel Radial Tires of the phase II project of the Tire Production Base in Thailand, and the phase II project has gradually reached its production capacity in the first quarter of 2022 at present. The Tire Production Base in Thailand has formed a production capacity of 2.0 million sets all steel tires per year and 8.0 million sets semi-steel tires per year. In the first half of 2022, the production capacity utilisation rate of All-steel/Semi-steel Tires in the Tire Production Base in Thailand was 99%/75%, respectively.

Meanwhile, the Group's production capacity expansion project of 1.05 million sets of all steel tires per year and 2.8 million sets of semi-steel tires per year in the Tire Production Base in Shandong commenced in the second half of 2020 and has reached full production capacity in the first quarter of 2022. The Tire Production Base in Shandong has formed a production capacity of 7.4 million sets of all steel tires per year and 11.2 million sets of semi-steel tires per year. In the first half of 2022, the production capacity utilisation rate of All-steel/Semi-steel Tires in the Tire Production Base in Shandong was 71%/84%, respectively.

Product category	Actual production capacity at the end of 2021 (10,000 sets)	Actual production capacity at the end of June 2022 (10,000 sets)	Increase %
All Steel Radial Tires	815	940	15.3%
Semi-steel Radial Tires	1,440	1,920	33.3%
Bias Tires	120	120	0%
Total	2,375	2,980	25.5%

(VII) Increasing investment in R&D and striving for innovation

The Group always insists on driving development through R&D and technological innovation. During the Reporting Period, the Group accelerated the pace of upgrading and iterating its technology. With a market-oriented approach, the Group has developed a number of product application technologies, including black sidewall technology, unlimited winding technology for steel wire belt, silent cotton technology and self-healing technology, so as to balance and maximise the performance of various indicators and continuously improve the experience of consumers.

During the Reporting Period, the Group built a basic research system with independent intellectual property rights and established a design and simulation integrated TDSS (Tire Design and Simulation System) system, realising design automation and intelligent performance prediction, providing effective technical support for product development. During the Reporting Period, the Group achieved fruitful results in the research of "Impact of Tire Design Factors on Performance", which built a bridge between tire performance and design, making product development more targeted. Through the establishment of a vibration and noise research team, the Group conducts in-depth research on tire noise technology, establishes objective tire noise evaluation methods, and further deepens special research on tire comfort. As at the end of the Reporting Period, the Group has been granted 310 intellectual property rights, including 15 invention patents, 124 utility models, 133 design patents and 38 software copyrights.

Since the Group regarded the industry-university-institute cooperation as its development strategy, it established the industry-university-institute cooperation committee in 2021. During the Reporting Period, the Group cooperated with the State Key Laboratory of Automotive Simulation and Control of Jilin University to carry out research on the subject of subjective evaluation of tire and vehicle matching, tire model and control, with an aim to improve the matching between tires and vehicles and improve the ability of tires to fit vehicles.

(VIII) Organizational management and corporate culture building

The Group focused on improving organizational efficiency. In order to adapt to the transformation of the management and control model from a single manufacturing base to multiple manufacturing bases, the Group adjusted the organizational structure, streamlined the standardized operation process and standardized management. Through measures such as process optimisation, breaking down inherent habits and breaking down barriers of business segments, we have achieved improvement in work efficiency, reduction in personnel investment, and increase in business width and depth.

The Group actively introduces talents, pays attention to the integration of corporate culture and the cultivation and development of talents, and conducts multi-field and multi-level training to improve the team's leadership and business professional ability. The Tire Production Base in Thailand has adopted the principle of "Full Communication, Respect and Tolerance, Smooth Transition, and Learning from Innovation" by identifying the cultural differences between China and Thailand in terms of values, way of thinking, behaviour habits, and external environment, so as to create a result-oriented and value-driven integrated new culture.

(IX) Intelligent manufacturing and information construction

The Group continued to promote the construction of smart factories. During the Reporting Period, the Group established an industrial internet platform jointly with a number of companies to achieve comprehensive inter-connexion between internal operations and upstream and downstream enterprises, as well as optimisation of the overall allocation of resources in the industrial chain, so as to comprehensively improve the intelligence level of the Group in resource allocation, process optimization, process control, quality control and traceability, and safety production. The Tire Production Base in Shandong continued to promote automatic production scheduling management. Combined with the PLM (Product Lifecycle Management) and MES (Manufacturing Execution System) systems, it combined planning with factory production flexibility to achieve overall automatic production scheduling and optimise production efficiency. The Tire Production Base in Thailand has realised the digitization of product manufacturing for the entire production process, and steadily improved operational efficiency and product quality.

The Group provides big data services for production and quality through the establishment of a big data centre to collect and analyse data on process, quality, equipment, production, energy and other indicators from multiple dimensions. At the same time, the Company established a production information security system, strengthened the information security prevention at the network level, and improved the risk resistance capacity.

As a leading tire enterprise in the industry that adopts information technology to control the entire production process, the Group has been committed to the promotion and development of businesses in the fields of intelligent manufacturing and integration of informatization and industrialization since its establishment. In recent years, the Company has successively won a number of awards, including "Excellent Enterprise of Shandong on Integration of Information and Industrialization", "National Pilot Enterprise for Integration of Informatization and Industrialization", "Shandong Province Service-oriented Manufacturing '1 + N' Demonstration Enterprise", "National MIT's Second Batch of Service-oriented Manufacturing Demonstration Enterprise", "Green Supply Chain Management Enterprise", "Shandong Province Industrial Internet Platform Demonstration Enterprise", "Tire Equipment Digitalization and Manufacturing Intelligent Industrial Internet Integration Innovation Application Intelligence Award", "Shandong Province Chemical Industry Intelligent Transformation Benchmark Enterprise" and "Shandong Province Big Data Industry Innovation Centre".

New products

During the Reporting Period, the Group actively developed new products and optimized its product structure according to its global business layout and market development trend. During the Reporting Period, the Group completed the R&D and launched a total of 240 products, including 47 All Steel Radial Tires and 193 Semi-Steel Radial Tires, further improving its market competitiveness and market share. At the same time, the Group developed 6 All Steel Radial Tires and 7 new pattern and products of Semi-Steel Radial Tires according to the demand in the OE market, the development trend of the replacement market and the expansion of overseas markets.

During the Reporting Period, the Group strived to build a high-value and high-connotative product matrix according to the market competition situation to enhance product competitiveness. Among them, all steel radial tires, focusing on key market segments, focus on creating a new generation of green and environmental protection products with low rolling resistance and high wear resistance, and pursue global environmental protection and sustainable development; Semi-steel radial tires, based on the advanced tire design and manufacturing concept, and in response to the market change trend, and in line with the brand renewal strategy, create a new generation of high-performance tires and new energy tires. The Group launched "Hua Ren", the first high-performance product of Chengshan Hua series, and two new electric vehicle products of Prinx brand: "Chuangyu(創域)" and "Tanyu(探域)" in China. The new products have been improved in terms of safety, energy conservation and emission reduction, and quiet comfort, which not only meets the needs of the traditional automobile market, but also closely follows the rapid development trend of the electric vehicle market. At the same time, the Group also actively layout the international market and developed new series of products including North American R/T, light trucks and European Prinx summer, all-season and winter tires.

	Total sales volume of the Group's products and sales volume of new products developed during the Reporting Period		
Product category	**Sales volume of new products (10,000 sets)**	**Total sales volume (10,000 sets)**	**Proportion of sales of new products in total sales**
All Steel Radial Tires	109.2	333.3	32.8%
Semi-steel Radial Tires	327.4	591.9	55.3%
Bias Tires	0.01	14.2	0.1%
Total	436.6	939.4	46.5%

AMENDMENT TO MEMORANDUM AND ARTICLES OF ASSOCIATION

In order to (i) bring the memorandum and articles of association in line with the relevant requirements under the applicable laws of the Cayman Islands and the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"); and (ii) make other corresponding and internal control amendments, a special resolution was passed at the annual general meeting of the Company held on 16 June 2022 (the "**2022 AGM**") approving the adoption of the new memorandum and articles of association of the Company.

For details, please refer to the Company's announcement dated May 10, 2022 in relation to the proposed amendments to the memorandum and articles of association, circular dated May 13, 2022 and announcement dated June 16, 2022 in relation to the poll results of the 2022 AGM.

RESPONSE TO COVID-19 PANDEMIC

During the Reporting Period, overseas countries had basically fully liberalised, other than China. The world has entered the post-pandemic era. The Group strengthened the pandemic control in production, sales, transportation and other links, took the initiative to assume the responsibility to fight against the pandemic as an enterprise, actively organised, arranged production, and provided customers with safe, continuous and stable product supply.

On 12 March 2022, the Tire Production Base in Shandong suspended production for one week in response to the local government's "static suspension". Through the launch of the emergency plan and the "internal control+external prevention" at a daily basis, the Group accurately implemented the prevention and control measures. For the resumption of work and production after the suspension, the Group adopts "point-to-point" management, and coordinates with the local bus company of the Tire Production Base in Shandong to open 17 commuting lines to solve the daily transportation problem of its employees. At the same time, the Group formulated the Manual for Pandemic Prevention and Control to improve the pandemic prevention and control mechanism and implement the pandemic prevention supervision and inspection system. In the first half of 2022, the Tire Production Base in Shandong organised 9 nucleic acid tests with more than 22,000 times testing results. At the same time, the Group strengthened the management of imported high-risk non-cold chain container cargo, and formulated the Control Plan for the Setting of Supervision Warehouses.

During the Reporting Period, in response to the local pandemic and the external prevention and control environment in Thailand, the Group strengthened the internal control and closely deployed according to schedule. Therefore, the pandemic did not have a significant impact on the production in Thailand. In addition to prevent and control the pandemic in a daily basis, the Group actively promoted the vaccination among employees from China and Thailand, carried out preventive nucleic acid testing, and added a long-term inspection mechanism to effectively minimise risks.

The overseas distribution channels were affected by the pandemic, with differences in geographical and timing obviously. Thus, the Group took advantage of the complementary effects of the sales channel, and adopting flexible sales strategies to respond to the COVID-19 pandemic spread trend and change of demand in different markets. Due to the impact of the pandemic, the collection of receivables from international customers slowed down and the overdue situation brought cash flow risks to the Company. For this reason, the Group reinforced the interdepartmental linkage and enhanced the awareness of the credit risk prevention to avoid bad debt loss.

The Group paid real-time attention to capital dynamics through rolling budgets, strategically adopted different methods for foreign exchange settlement, monitored and adjusted the scale of assets and liabilities denominated in foreign currencies in real time to avoid risks. As at the date of this report, the board (the "**Board**") of directors (the "**Directors**") of the Company is of the view that the Group is in a sound liquidity position and has sufficient working capital based on its business operations and capital investment, and has not been materially affected by the pandemic, so as to meet the expected capital investment plan.

Due to the fact that a financial staff of the Group's subsidiary in Thailand was confirmed with Covid-19 infection and several other financial staff were therefore quarantined as close contacts, the audit of the financial statements of the Group for the year ended 31 December 2021 was affected. The Company was unable to publish and despatch the audited annual results for the financial year ended 31 December 2021 (the "**2021 Annual Results**") on or before 31 March 2022 and the related annual report for the year ended 31 December 2021 (the "**2021 Annual Report**") on or before 30 April 2022 as required by the Listing Rules. However, in accordance with the Further Guidance on the Joint Statement in relation to Results Announcements in light of the Covid-19 released on 16 March 2020 ("**Further Guidance**") by the Securities and Futures Commission and the Stock Exchange, an issuer may defer the publication of the annual report initially for up to 60 days from the date of the Further Guidance if, among other things, on or before 15 May 2022. The Company has published its preliminary 2021 Annual Results without its auditors' agreement pursuant to the Further Guidance on 30 March 2022. The 2021 Annual Results have been published on 10 May 2022 and the 2021 Annual Report has been published and delivered on 12 May 2022.

For details, please refer to the Company's announcements dated 30 March 2022, 26 April 2022 and 10 May 2022.

The Group has closely monitored the development of the pandemic around the world and kept a close eye on the possible impact of the pandemic on its business and performance.

PROMOTING ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") AND SUSTAINABLE DEVELOPMENT

Business sustainability is a continuing concern of the Group. Currently, environmental, social and governance matters have been included in the duties scope of the Group's Development Strategy and Risk Management Committee. The Board takes full responsibility of and leads the Group's sustainable development management. Adhering to the green development philosophy, the Group is committed to building first-class green modern production enterprises by improving the environmental management system and related systems, implementing environmental protection responsibilities. As one of the first "green factories" selected by the Ministry of Industry and Information Technology of the People's Republic of China and a leader in energy consumption per unit in the industry, the Group continues to adopt environmental protection measures and upgrade production processes. During the Reporting Period, the Group invested resources in emission reduction, resource protection and waste management, continuous energy conservation and consumption reduction, improvement of the flue gas treatment system in the plant area and sewage treatment project in the plant area to reduce the adverse impact of business operations on the environment. 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.

During the Reporting Period, the Group continues to promote green supply chain projects with suppliers, and incorporates suppliers into the Company's goal and action of carbon peak and carbon neutrality. In the second half of the year, the Group plans to expand the green supply chain project into the supplier's sustainable development action, and will evaluate and review suppliers' business ethics, innovative management, green operation, employees caring and society aspect, etc., in order to establish a win-win sustainable development model with suppliers. This is a forward-looking project conducted under the policy background that China "strives to peak carbon emissions and achieve carbon neutrality and makes action plans for peaking carbon emissions by 2030", with industrial characteristics of tire companies and their upstream suppliers being major carbon emitters. The project aims to analyse the possible environmental and social responsibility risks of tire enterprises and their suppliers from a forward-looking perspective, explore possible opportunities of carbon emission reduction in the cooperation with suppliers and how to realize the efficient coordination of energy conservation and emission reduction with quality management and lean production, and jointly explore the value and opportunities of supply chain development in the future.

During the Reporting Period, the Group had established a friendly relationship with local government authorities and the public in Thailand. On Children's Day in January 2022, the Group donated a batch of stationery and sports equipment to local primary school. On Songkran Festival in April 2022, in response to the call of Chon buri Province government, Thailand, the Group donated 50 sets of living materials to the poor. In May 2022, the Group and the local school where the Tire Production Base in Thailand is located jointly carried out a fire emergency drill training, and donated 1,000 masks to the school. Through school-enterprise cooperation, we have successfully trained 50 college students and accepted 3 new college students.

In terms of environment, in the first half of 2022, the sewage treatment and reclaimed water reuse system of the Tire Production Base in Shandong was put into operation, and the reclaimed water consumption was 78,428 m^3, saving water charges of approximately RMB329,000. The volume of discharged water decreased by 50% year-on-year, the emissions of COD (Chemical Oxygen Demand, the major pollutants) and ammonia nitrogen decreased by 69% and 71% year-on-year, respectively. Meanwhile, the Group has completed the identification of sources of danger in the reclaimed water station. Through the process improvement and daily refined management, the Tire Production Base in Thailand achieved a year-on-year decrease of approximately 9% and 11% in electricity consumption and steam consumption per unit of production respectively.

BUSINESS STRATEGIES AND PROSPECTS

As at the date of this report, orders received by the Group show steady growth. Looking forward to the second half of 2022, the sea freight is expected to return to normal, and the price of raw materials is expected to stabilise. At the same time, benefiting from the favourable domestic policies, it is expected that the automobile and infrastructure industries will recover, which will boost the demand for tires and improve profitability. In particular, the Semi-Steel Radial Tires market may be superior to the All Steel Radial Tires market. The demand for Semi-Steel Radial Tires will be supported by the increase in production and sales volume of passenger vehicles. However, in terms of commercial vehicles, there are still limited favourable factors that can drive the demand for All Steel tires.

In the face of the pandemic and complex and volatile overseas landscape, Prinx Chengshan will persevere in promoting the implementation of strategies and solidly improve the work at the primary level.

(1) Focus on cost, quality and safety, and take multiple measures to promote cost reduction and efficiency enhancement.

(2) Continue to deepen tire technology innovation and R&D, open to the market and customers, and create value through technology application.

(3) Firmly promote the brand strategy and enhance the market expansion and sales capabilities of all channels and categories.

In the domestic commercial vehicle tire replacement market, the Group will continue to optimise the sales structure, carry out channel reform, and explore new online and offline channel models. Through sales data analysis, the Group will put the channel and price system in order to explore market demand.

In the commercial vehicle tire and the passenger vehicle tire OE market, the Group will actively explore new vehicle manufacturers and develop new vehicle model projects, making commercial vehicles and passenger vehicles keep pace with each other.

In the passenger vehicle tire replacement market, the Group will adhere to the operation concept of "sales volume improvement and quality improvement", and further improve network activity and single store output by virtue of the promotion opportunity of "new products"; meanwhile, the Group seized the new energy vehicle tire track through the omni-channel marketing and communication of Prinx 360°.

In the international market, the marketing team will timely adjust the strategy, keep up with the market demand, optimise the product structure, and continuously improve the market share and the overall profit level.

(4) Expand business scope and contribute to smart travel solutions: the Group continues to provide customers with a package of solutions for the post-commercial vehicle market under the service brand of "Zhianda". Through the combination of vehicle maintenance and tire leasing with truck and bus as the entry point, and through RFID, TPMS and other intelligent service equipment as the carriers, the Company has realised resource synergy, satisfied customers' travel safety needs, and continuously created value for customers.

(5) Pursue green and sustainable development. The Company promotes the use of new environmentally friendly materials, strengthens the research on tire renovation technology, recycling of rubber materials, and the application of bio-based materials, and increases efforts in energy conservation and consumption reduction, so as to make its due contributions to carbon peak and carbon neutrality in China.

(6) Focus on the construction of talent team and facilitate the comprehensive development of enterprises. Based on the strategic development needs of the Company, the Group has formulated a professional team training model and implemented a dual-channel plan. To enable employees to clearly understand their own development paths, choose positions suitable for themselves, and performs with their full potential. In this way, the Group can upgrade itself to a learning-oriented organisation.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2022, revenue of the Group amounted to approximately RMB4,091.2 million, representing an increase of approximately RMB338.9 million (or 9.0%) compared to approximately RMB3,752.3 million for the six months ended June 30, 2021.

Sales by product type	**For the six months ended June 30, 2022** ***RMB'000***	For the six months ended June 30, 2021 *RMB'000*
All Steel Radial Tires	**2,615,379**	2,610,054
Semi-Steel Radial Tires	**1,431,360**	1,057,368
Bias Tires	**44,456**	84,884
Total	**4,091,195**	3,752,306

For the six months ended June 30, 2022, revenue from sales of all steel radial tires increased by approximately 0.2% from approximately RMB2,610.1 million for the six months ended June 30, 2021 to approximately RMB2,615.4 million, which is a combined effect of the year-on-year decrease of 3.7% in sales volume and the year-on-year increase of 4.0% in average unit price; and revenue from sales of semi-steel radial tires increased by approximately 35.4% from approximately RMB1,057.4 million for the six months ended June 30, 2021 to approximately RMB1,431.4 million for the six months ended June 30, 2022, which was primarily attributable to the year-on-year increase of 11.1% in sales volume and the year-on-year increase of 21.9% in average unit price. Revenue from sales of bias tires decreased by approximately 47.6% from approximately RMB84.9 million for the six months ended June 30, 2021 to approximately RMB44.5 million for the six months ended June 30, 2022, which was primarily attributable to the year-on-year decrease of 53.3% in sales volume.

Sales by channel	**For the six months ended June 30, 2022** *RMB'000*	For the six months ended June 30, 2021 *RMB'000*
Distributors		
Domestic	**872,308**	1,039,470
International	**2,887,073**	1,845,908
	3,759,381	2,885,378
Direct Sales to Automobile Manufacturers	**331,814**	866,928
Total	**4,091,195**	3,752,306

For the six months ended June 30, 2022, revenue from sales to distributors (including private label customers) increased from approximately RMB2,885.4 million for the six months ended June 30, 2021 to approximately RMB3,759.4 million, representing an increase of 30.3% compared to the same period last year, which was primarily attributable to the release of production capacity of the phase II project of the Tire Production Base in Thailand, which led to a year-on-year increase of 56.4% in revenue from International distributors. However, the construction of domestic logistics transportation and infrastructure was sluggish, resulting in a year-on-year decrease of 16.1% in revenue from domestic distributors.

For the six months ended June 30, 2022, revenue from sales to automobile manufacturers decreased from approximately RMB866.9 million for the six months ended June 30, 2021 to approximately RMB331.8 million, representing a decrease of 61.7% compared to the same period last year, which was mainly due to the decrease in demand as a result of the low operating rate of automobile manufacturers.

Cost of Sales

The Group's cost of sales increased from approximately RMB3,133.6 million for the six months ended June 30, 2021 to approximately RMB3,554.3 million for the six months ended June 30, 2022, representing an increase of approximately 13.4%. Such increase was mainly attributable to the year-on-year increase of 3.3% in sales volume and the increase in the unit cost resulting from the increase in the prices of raw materials and the increase in ocean freight.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended June 30, 2022 amounted to approximately RMB536.9 million, representing a year-on-year decrease of approximately 13.2%, compared to approximately RMB618.7 million for the six months ended June 30, 2021. The gross profit margin for the six months ended June 30, 2022 was 13.1%, representing a year-on-year decrease of approximately 3.4 percentage points compared to 16.5% for the six months ended June 30, 2021, which was primarily attributable to the increase in raw material prices and the increase in sea freight rates, resulting in higher cost increases than selling prices.

Other Income

The Group's other income for the six months ended June 30, 2022 amounted to approximately RMB20.8 million, representing a decrease of RMB9.2 million from approximately RMB30.0 million for the six months ended June 30, 2021. The decrease was mainly due to the decrease in the income from sales of scraps and the decrease in government grants.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately RMB9.1 million from approximately RMB213.3 million for the six months ended June 30, 2021 to approximately RMB222.4 million for the six months ended June 30, 2022, representing a year-on-year increase of approximately 4.3%. The increase was primarily due to the corresponding increase in the variable selling expense due to the 3.3% increase in sales volume.

Research and Development Expenses

The Group's R&D expenses decreased from approximately RMB119.1 million for the six months ended June 30, 2021 to approximately RMB112.3 million for the six months ended June 30, 2022, representing a decrease of approximately 5.7% year on year. The decrease was mainly attributable to the slight delay in payment of the R&D expenses in the Tire Production Base in Shandong.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB96.3 million and RMB93.3 million for the six months ended June 30, 2022 and 2021 respectively, representing an increase of approximately 3.2% year on year, which was slightly higher than the same period last year.

Other Gains/(Losses)

The Group's other gains amounted to approximately RMB30.9 million and RMB34.5 million for the six months ended 30 June 2022 and 2021, respectively. This was mainly due to the exchange gain arising from the change in exchange rate between RMB and USD during the Reporting Period but in the corresponding period of 2021, other gains were mainly due to the compensation for lawsuit.

Finance Income

For the six months ended June 30, 2022 and 2021, the Group's finance income amounted to approximately RMB3.0 million and RMB5.5 million respectively. The decrease in finance income was due to the decrease in foreign exchange gains arising from foreign currency loans.

Finance Costs

For the six months ended June 30, 2022 and 2021, the Group's finance costs amounted to approximately RMB27.8 million and RMB0.5 million respectively. The increase in finance costs was mainly due to the increase in interest on borrowings and exchange loss arising from foreign currency loan.

Operating Profit

For the six months ended June 30, 2022, the Group's operating profit amounted to approximately RMB157.7 million, representing a decrease of approximately RMB99.9 million from the same period last year. The decrease in the operating profit was primarily due to the decline in gross profit and the increase of various expenses.

Income Tax Expense

The income tax expense of the Group changed from income tax expenses of approximately RMB17.2 million for the six months ended 30 June 2021 to income tax gains of approximately RMB25.6 million for the six months ended 30 June 2022, representing a decrease of approximately RMB42.8 million, which was due to the year-on-year decrease in profit of Prinx Chengshan (Shandong) Tire Co., Ltd. ("**Prinx Shandong**"), a wholly-owned subsidiary of the Company, during the Reporting Period and the recognition of deferred income tax assets of tax, resulting in the decrease in income tax.

Profit for the Period

Profit during the Reporting Period decreased by RMB86.8 million from RMB245.3 million for the six months ended June 30, 2021 to approximately RMB158.6 million. Such decrease was mainly due to the decrease in operating profit.

Profit Attributable to Shareholders of the Company

Due to the above factors, for the six months ended June 30, 2022 and 2021, the profit attributable to shareholders of the Company amounted to approximately RMB158.6 million and RMB245.4 million respectively.

Total Comprehensive Income for the Period

Total comprehensive income for the Reporting Period increased by RMB60.5 million from approximately RMB229.0 million for the six months ended June 30, 2021 to approximately RMB289.5 million. The increase in income was primarily a combine effect of the decrease in net profit for the period of approximately RMB86.8 million, while the foreign currency statement translation income incurred by entities whose functional currency is foreign currency was approximately RMB130.9 million.

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. The Group's borrowing demand was not seasonal. As at June 30, 2022, the Group had approximately RMB919.3 million in cash and cash equivalents (including restricted cash), representing an increase of approximately RMB64.8 million as compared to that as at December 31, 2021 (approximately RMB854.5 million), which was mainly due to the increasing cash inflow from financing activities. As at June 30, 2022, the Group had bank borrowings of approximately RMB2,426.1 million (December 31, 2021: approximately RMB1,898.0 million), of which, approximately RMB1,260.3 million was denominated in RMB and the rest was denominated in USD. Borrowings at floating interest rates accounted for 57.6%, and borrowings at fixed interest rates accounted for 42.4%. Such bank borrowings will be due within one year, one to two years, two to five years and over five years. During the Reporting Period, the borrowings were mainly used to meet the demand of export seller credit loan and capital expenditure. For details of the Group's bank loans, please refer to Note 22 to the consolidated financial statements.

The current ratio as at June 30, 2022 was approximately 1.1 (December 31, 2021: approximately 1.2). During the Reporting Period, the Company purchased banks' low-and medium-risk wealth management products totaling approximately RMB1,019.1 million to hedge risk while increasing financial returns. As at the end of the Reporting Period, the net balance of such wealth management products was approximately RMB147.7 million.

Inventories

As at June 30, 2022, the inventories of the Group amounted to approximately RMB1,540.5 million, representing an increase of approximately RMB55.6 million from approximately RMB1,484.9 million as at December 31, 2021, which was due to the increase in the inventories of raw materials, work in progress and finished products at the Tire Production Base in Thailand.

Trade and Notes Receivables

As of June 30, 2022, accounts receivables of the Group were approximately RMB1,803.2 million, representing an increase of approximately RMB419.5 million from approximately RMB1,383.7 million as at December 31, 2021. The increase was attributable to the increase in sales revenue.

Prepayments, Other Receivables and Other Current Assets included in Current Assets

As at June 30, 2022, prepayments, other receivables and other current assets included in current assets of the Group were approximately RMB287.8 million, representing an increase of approximately RMB28.1 million as compared to RMB259.6 million as at December 31, 2021. This increase was mainly due to the increase in the prepayments.

Financial Assets at Fair Value through Profit or Loss

As at June 30, 2022, the Group's financial assets at fair value through profit or loss were approximately RMB169.6 million, representing an increase of approximately RMB62.5 million from approximately RMB107.2 million as at December 31, 2021. The increase is primarily attributable to the increase in the funds for purchase of wealth management products.

Amounts Due from Related Parties

The Group's amounts due from related parties increased from approximately RMB78.8 million as at December 31, 2021 to approximately RMB119.5 million as at June 30, 2022, representing an increase of approximately RMB40.6 million. The increase was primarily due to the Company's amounts due from related parties, China National Heavy Duty Truck Group Co., Ltd. and its subsidiaries, and amounts due from Hebei Prinx Chengshan Tire Co., Ltd. increased by RMB17.0 million and approximately RMB23.6 million, respectively.

Trade Payables

As of June 30, 2022 and December 31, 2021, the Group's trade payables amounted to approximately RMB2,023.6 million and RMB1,957.6 million, respectively, representing an increase of approximately RMB66.0 million, which was mainly due to the increase in purchase of raw materials and the corresponding increase in payables.

Other Payables and Accruals

As at June 30, 2022 and December 31, 2021, the Group's other payables and accruals amounted to approximately RMB1,417.0 million and RMB1,030.9 million, respectively, representing an increase of approximately RMB386.1 million, which was mainly due to the acceptance of purchased machinery and equipment and the corresponding increase in payables for machinery and equipment.

Prepayments and Other Receivables included in Non-Current Assets

As of June 30, 2022 and December 31, 2021, the Group's prepayments and other receivables included in non-current assets amounted to approximately RMB20.9 million and RMB79.1 million, respectively, representing a decrease of approximately RMB58.2 million. This decrease was mainly due to the decrease in prepayments arising from the purchase of machinery and equipment upon delivery.

Gearing Ratio

As at June 30, 2022, the gearing ratio was 27.2% (December 31, 2021: 21.4%). This ratio was 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 total equity plus 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 throughout the six months ended June 30, 2022. 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 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. The Group will take serious consideration of purchasing wealth management products and option contracts to hedge risks while increasing financial returns.

Pledge of Assets

As at June 30, 2022, the Group's property, plant and equipment with a net book value amounting to approximately RMB3,848.7 million (December 31, 2021: approximately RMB3,338.2 million) and restricted cash balances amounting to approximately RMB121.0 million (December 31, 2021: approximately RMB125.7 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

The construction of the Tire Production Base in Thailand began in 2019, of which the construction of the plants in phase I of the project was completed in 2020, and such plants are currently under stable operation. In the second half of 2020, the Company commenced the construction project of the phase II of the Tire Production Base in Thailand with a production capacity of 1.2 million sets of all steel tires per year, and the total investment amount of the project is expected to be approximately RMB541.0 million. In the first half of 2021, the Company has commenced the construction project of the phase II of the Tire Production Base in Thailand with a production capacity of 4.0 million sets of semi steel tires per year, and the total investment amount of the project is expected to be approximately RMB896.0 million. The phase II project has reached the designed production capacity in the first quarter of 2022. Some unused factory space remains available for construction of phase III (2.0 million sets of semi-steel tires per year), and the Company may initiate the project depending on the overall circumstances.

The Group has initiated the expansion plan of Prinx Shandong, in the second half of 2020. The total investment of the project is expected to be approximately RMB666.0 million, which will increase the annual production capacity of All Steel Radial Tires by 1.05 million units and the annual production capacity of Semi-Steel Radial Tires by 2.8 million units. The designed production capacity has been achieved in the first quarter of 2022.

Save as disclosed above, the Group did not have any other new significant investments for the six months ended June 30, 2022.

EXPOSURE TO RISKS

(I) Macro environment risks

In the second half of 2022, the world economic situation will be more complex and severe. High inflation continues, economic growth maybe out of control, and the Federal Reserve strongly expects to higher interest rates. Since the outbreak of the pandemic, the global industrial chain and supply chain have been disrupted and even broke, and policies have begun to be largely slack, which drive global inflation from the supply and demand sides. The Russia-Ukraine conflict has further aggravated the supply-side tension. The downward world economy may lead pressure to exports, increasing tension on imported inflation. The intensified interest rate by the Federal Reserve increased the risk of capital outflow in stages. At the same time, developing countries will suffer from the impact of internal currency depreciation and capital outflow.

At present, China's economy is more stable and moves to recovery, but external uncertainties will become more complicated in the second half of the year. If the major national engineering projects do not conduct as scheduled, and with insufficient domestic consumption, it will lead to tight logistics demands. Affected by the pandemic, the consumption demand in passenger vehicle market was suppressed in the first half of the year. Since late May, the central government and local governments have successively introduced a series of effective policies to stimulate automobile consumption, which played a positive role in the passenger vehicle market. In the global market, the intensified Russian-Ukraine conflict put a large impact on the global raw material costs, and the increased transportation costs has further caused the demand compression and congruity in the replacement market. At the same time, inflation and fluctuations in currency exchange rates among different regions have also continuously brought fluctuations in selling prices in overseas markets. This will affect the Group's profit and income in overseas markets. In response, we need to pay attention to the price of various markets in a timely manner, make risk management and rapid price adjustments accordingly.

(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. For the six months ended June 30, 2022, the Group's revenue denominated in USD from overseas operations accounted for approximately 70.6% of the total revenue, and the operating expenses of Prinx Thailand were mainly settled in THB. Therefore, the Group was exposed to foreign exchange risk arising from 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 Company 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 Company uses financial instruments such as forward exchange settlement and options to reduce the impact of exchange rate fluctuations on the Company's overseas business. During the Reporting Period, the Group entered into an option contract with bank partners to offset some risks of exchange rate fluctuations.

(III) Impacts caused by tariff and anti-dumping and countervailing security duty imposed by Europe and the US on products imported from the PRC and Thailand

On February 15, 2019, the U.S. Department of Commerce imposed a combined security rate of 42.16% of the anti-dumping and countervailing duty on Chinese truck and bus tires. The Group launched the administrative review process for anti-dumping and countervailing duty on imported truck and bus tires from the PRC. On June 30, 2022, the U.S. Department of Commerce announced the final determination of the first administrative review, Prinx Shandong will pay countervailing duty deposits for truck and bus tires exported to the U.S. at the tax rate of 17.85%. Such change in tax rate has greatly reduced the tax rate for the Group's exports to the United States and enhanced the competitiveness of the Group's products in the United States market.

The U.S. Department of Commerce issued an anti-dumping duty order against the tires for passenger vehicles and light trucks from Thailand on July 19, 2021. Since the Tire Production Base in Thailand had not exported the concerned tires to the United States during the investigation period, an average anti-dumping duty rate of 17.06% is applicable. In this regard, Prinx Chengshan Tire (Thailand) Co., Ltd ("**Prinx Thailand**"), an indirect wholly-owned subsidiary of the Company, has actively participated in the administrative review process and strived to reduce the tax rate of tires exported by Prinx Thailand to the U.S..

The Group actively expanded the sales in non-U.S. markets to reduce the reliance on a single market; developed non-U.S. market products by increasing its investment in R&D, adjusting and enriching its products and improved the competitiveness of the Tire Production Base in Thailand.

The European Union initiated an anti-dumping and countervailing investigation against the truck and bus tires imported from China on August 11, 2017 and October 14, 2017 respectively. From October to November 2018, the final-determination of the European Union on China's anti-dumping and countervailing has determined that the tax rate of EUR42.73 to 61.76 per tire was levied on truck and bus tires imported from China. As a result, the export cost of tires for trucks and buses from China to Europe has increased. From January to February 2019, the Group authorised the China Rubber Industry Association to file a final appeal on behalf of the Group. On May 4, 2022, the first-instance judgement was issued, ruling that the anti-dumping and countervailing measures against Chinese enterprises be revoked and effective since July 13, 2022. The tax rate of the Group's export of truck and bus tires from China to Europe will be lowered, which is expected to further expand the Group's market share in Europe. On July 8, 2022, the European Commission decided to restart the anti-dumping and countervailing investigations against the enterprises awarded with successful rulings. The Group again authorised the China Rubber Industry Association to represent the Group in the relevant process, and now the re-investigation is under way.

(IV) Risks in relation to overseas investments

During the Reporting Period, with the production commencement of the phase II project of the Tire Production Base in Thailand, the proportion of the Group's overseas business increased. The changes in local economy, politics, COVID-19 prevention and control, policies and laws in Thailand may change in the investment environment in Thailand, affect the construction period of project investment, and bring risks to the Company's operation and investment.

In view of this, the Group strictly strengthened the pandemic control within the Company, actively analysed the changes in the international economic, political and social environment, and timely adjusted the development strategy of the Tire Production Base in Thailand to adapt to the development of the situation in each period. At present, the Tire Production Base in Thailand is under operation, and every aspect of work is progressing steadily in accordance with the goals.

(V) Risks in relation to climate change

Many factors will pose different levels of policy and legal risks to the Group and affect changes in demand from consumers and downstream automobile manufacturers, including the increasing threat of climate change worldwide and the physical risks that extreme climate changes may pose to the Group (including production stoppage due to power outages caused by typhoons and thunderstorms and the failure of outdoor logistics to operate normally affecting order delivery timeliness), price fluctuations due to unstable supply of raw materials, as well as transition risks (including the introduction of relevant laws and policies and the adoption of a series of actions such as carbon tariffs and carbon trade barriers in countries or regions where the Group produces or markets).

In view of this, the Group has incorporated climate risk management into the Group's risk management system. The Group continuously evaluates the physical risks and transition risks brought about by climate changes and formulates relevant risk prevention plans, such as formulating emergency plans for natural disasters and emergencies, properly stockpiling raw materials for production, implementing safety inventory plans, and formulating corresponding workflow and safety measures for sudden abnormal weather changes. During the Reporting Period, the Tire Production Base in Shandong organised a total of 23 special drills for flood control, anti-typhoon, as well as fire and explosion protection in workshops.

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 foreign investment; (e) the laws and regulations relating to foreign exchange control and taxation; (f) the laws and regulations relating to labour and employment; (g) the laws and regulations governing the organization and behavior of the Company; (h) the laws and regulations relating to securities trading and regulation; (i) the laws and regulations relating to intellectual property; (j) the laws and regulations relating to data processing and data security; (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, etc. 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 had been no change in capital structure of the Company for the six months ended June 30, 2022. The capital of the Company comprises ordinary shares and other reserves.

Capital commitment and contingent liabilities

As at June 30, 2022, the Group's capital commitment was approximately RMB75.8 million (December 31, 2021: approximately RMB228.5 million). For the six months ended June 30, 2022, the Group had no contingent liability that would result in a significant impact (December 31, 2021: nil).

Significant investments, material acquisitions and disposals of subsidiaries, associated companies and joint ventures

The Group did not have any other significant investments, material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the Reporting Period.

Future plans for substantial investments or capital assets

In April 2021, Anhui Prinx Chengshan Tire Co., Ltd ("**Anhui Company**"), a wholly-owned subsidiary of the Group, was registered in Anhui. It is the Group's future investment plan to construct the second domestic factory project in Anhui. On August 31, 2021, the Board considered and approved the investment proposal for the first phase of the Tire Production Base in Anhui and the proposal to adjust the shareholding structure of Anhui Company and agreed to introduce Hefei Dongcheng Industrial Investment Co., Ltd. as a shareholder to increase the capital of Anhui. The total investment of the project is expected to be approximately RMB3,000.0 million, which will increase the annual production capacity of All Steel Radial Tires by 800,000 sets and the annual production capacity of Semi-Steel Radial Tires by 5 million sets. The source of funding would be the shareholder's capital contribution and the syndicated loan as the registered capital of Anhui Company will be increased from RMB378 million to RMB1.00 billion, of which, Prinx Shandong will contribute RMB510 million, accounting for 51% of the registered capital; the new shareholder, Hefei Dongcheng Industrial Investment Co., Ltd. will contribute RMB490 million, accounting for 49% of the registered capital. On December 20, 2021, the Board approved the annual financial budget of the Company for 2022, which covers the investment plan of the first phase of the project of Anhui Company with an estimated total investment of RMB1.748 billion. The details of the cooperation agreement between the two parties are still under negotiation and the Anhui project is currently undergoing pre-approval procedures and land quota approval, and will commence construction when appropriate after obtaining the approval. The Group will make further announcement as and when appropriate.

Save as disclosed above, there was no plan authorized by the Board for other substantial investment or additions of capital assets.

Human resources management

As at June 30, 2022, the Group had a total of 6,455 employees (as at December 31, 2021: 6,450). The employee benefit expenses of the Group were approximately RMB289.5 million for the six months ended June 30, 2022 (for the six months ended June 30, 2021: approximately RMB299.3 million).

The Group implements performance management for all employees, adopts a value-oriented salary system, pays employees remuneration and bonuses based on the output of performance results, and timely understands and refers to the market standards of the same industry to adjust the salary level. Through position value assessment, positions are divided into different professional sequences, and a rank system is established. Through skills assessment and other methods, skill subsidies are provided to those with high work skills to provide incentives. During the Reporting Period, the Group strengthened performance management, transformed its human resources management towards the direction of stimulating the vitality of talents and improving organisational performance. Through the implementation of many projects, the Group achieved the measurement of talent effectiveness and stimulated the vitality of talents through job value and performance output.

To attract, retain, motivate and encourage the employees to contribute to creating values for the Company and shareholders, the Group has established a training institute and successively cooperated with a number of universities such as Qingdao University of Science and Technology, Shandong University of Science and Technology and Weihai Ocean Vocational College to train talents and jointly built a high-quality talent training base and a skill training base. During the Reporting Period, the Group continued to strengthen all-round cooperation with key universities in the province, and achieved good development in talent training, training base construction and other aspects. Through supporting various cultural, physical, skill competitions, scholarship establishment and other activities of colleges and universities, the Group further strengthened the employer brand building among colleges and universities, and won a good reputation. During the Reporting Period, the Group designed the training business into six special training programmes based on the training targets, ranks and positions, including induction training for new employees from fresh college students to continuous empowerment of existing employees. By setting up special training programmes, designing and developing training programmes based on job qualifications, the Company has built a training brand that is suitable for business and truly empowers business. The development of training courseware is mainly based on internal resources, which fully mobilises key business personnel to extract their experience, and adopts multi-form teaching methods to provide knowledge guarantee for business departments in terms of management thinking, management tools, experience empowerment, etc., and finally continuously accumulate and precipitate into the Group's own knowledge assets.

The Company adopted a share option scheme (the "**2019 Share Option Scheme**") on July 5, 2019 (the "**2019 Adoption Date**"), and 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 on July 9, 2019 (the "**2019 Grant Date**") and July 9, 2020 (the "**2020 Grant Date**").

The Company adopted its new share option scheme (the "**2021 Share Option Scheme**") on May 17, 2021 (the "**2021 Adoption Date**"), and terminated the 2019 Share Option Scheme. The Company conditionally granted 35,050,000 Options to certain Grantees on June 28, 2021 (the "**2021 Grant Date**"). All options granted and accepted and remained unexpired prior to such termination shall continue to be valid and exercisable in accordance with their terms and the terms of the 2019 Share Option Scheme. For more details, please refer to the circular issued by the Company on April 16, 2021, the announcement issued on May 17, 2021 and the announcement issued on June 18, 2021, respectively.

For the six months ended June 30, 2022, details of movements in the options are set out in the sections headed "2021 Share Option Scheme" and "2019 Share Option Scheme" in this report.

The Company had adopted the profit sharing scheme (the "**Profit Sharing Scheme**") on July 5, 2019. Details of the profit sharing scheme adopted by the Company are set out in the section headed "Profit Sharing Scheme" in the Directors' Report of this report.

Share Option Scheme

Share Option Scheme aims to attract, retain and provide incentives to senior and mid-level management and key employees of the Company, to provide them with the opportunity to obtain shares of the Company and to link their interests closely to the operating results and share performance of the Company with a view to increasing the value of the Company and to attracting human resources that are valuable to the Group.

2021 Share Option Scheme

The Company adopted the 2021 Share Option Scheme on the 2021 Adoption Date. The 2021 Share Option Scheme is effective within a period of eight years commencing from the 2021 Adoption Date.

The purpose of the 2021 Share Option Scheme is to replace the 2019 Share Option Scheme and to enable the Board to grant Options to selected Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high caliber eligible participants and attract human resources that are valuable to the Group. Proposed employees are included as Eligible Participants to enable the Company to offer a competitive remuneration package to recruit high caliber candidates. As at the date of this report, the number of Shares that may be issued under the 2021 Share Option Scheme is 14,950,000, representing approximately 2.3% of the total number of Shares in issue.

Eligible Participants mean: 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 of the Company and provided that the proposed employee is actually employed by the Group and is subject to pass the stipulated probation period.

The total number of Shares which may be issued upon exercise of all options to be granted under the 2021 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date. The Company may seek approval of the Shareholders in general meeting to refresh the 10% limit under the 2021 Share Option Scheme provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021 Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 30% of the total number of Shares in issue from time to time.

No Grantee shall be granted an Option if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Options granted to such Grantee (including both exercised and outstanding Options) in any 12-month period exceeding 1% of the total number of Shares in issue. Where any further grant of Options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all Options granted and to be granted to such Grantee (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Grantee and his/her associates abstaining from voting.

As at the date of this report, the remaining life of the 2021 Share Option Scheme is approximately six years and nine months.

Options Granted in 2021

On the 2021 Grant Date, the Company conditionally granted 35,050,000 Options to certain Grantees, subject to acceptance of the Grantees, to subscribe for a total of 35,050,000 ordinary shares (the "**Shares**") of USD0.00005 each in the share capital of the Company. The exercise price of the Shares on the 2021 Grant Date was HK$8.568 per Share, which is the highest among (i) the closing price of HK$8.510 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the Grant Date; (ii) the average closing price of HK$8.568 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the Grant Date; and (iii) the nominal value of each Share. The closing price for the business day immediately preceding the 2021 Grant Date was HK$8.500 per Share.

Among the Options granted, 5,500,000 Options were granted to the Directors, chief executives or substantial Shareholders of the Company, or an associate (as defined in the Listing Rules) of any of them and 29,550,000 Options were granted to other senior management and employees of the Group, details of which are as follows:

Name of Grantees	Position(s) held	Number of Options granted as at the 2021 Grant Date	Outstanding as at the beginning of the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at the end of the period
Shi Futao	Executive Director	5,000,000	5,000,000	0	0	0	5,000,000
Cao Xueyu	Executive Director and Joint Company Secretary	500,000	500,000	0	0	0	500,000
		5,500,000	5,500,000	0	0	0	5,500,000
Other Senior Management and employees		29,550,000	28,800,000	0	0	500,000	28,300,000
Total:		35,050,000	34,300,000	0	0	500,000	33,800,000

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.

Subject to the terms of the 2021 Share Option Scheme, 35% and the remaining 65% of the Options can be vested and exercised at any time after 36 months and 60 months from the Grant Date, respectively. Subject to the vesting schedule, the Options are exercisable within a period of eight years commencing from the 2021 Grant Date.

If the vesting conditions are not met by the Grantee, the unvested Options granted to such Grantee would lapse in accordance with the terms of the 2021 Share Option Scheme.

During the Reporting Period, no share options under the 2021 Share Option Scheme were exercised and a total of 500,000 share options were cancelled due to the resignation or retirement of the grantees. 33,800,000 Options were outstanding as at the end of the Reporting Period.

Details of the 2021 Share Option Scheme and the granted Options are set out in the circular issued by the Company on April 15, 2021, the announcement issued on May 17, 2021 and the announcement issued on June 28, 2021, respectively.

For the six months ended June 30, 2022 the valuation of Options granted is contained in Note 20 to the consolidated financial statements. The valuation of Options is quite subjective and subject to uncertainties, depending on the assumptions used in and limitations of calculation model.

2019 Share Option Scheme

The Company had adopted the Share Option Scheme on the 2019 Adoption Date, and terminated the 2019 Share Option Scheme on 2021 Adoption Date. Details of the termination of the 2019 Share Option Scheme are set out in the circular issued by the Company on April 15, 2021.

According to the terms of the 2019 Share Option Scheme, the Company may by resolution in general meeting at any time terminate the 2019 Share Option Scheme, and in such event, no further offer to grant an option nor further option shall be made, but in all other respects the provisions of the 2019 Share Option Scheme shall remain in force and effect. All options granted and accepted and remained unexpired immediately prior to such termination shall continue to be valid and exercisable in accordance with their terms and the terms of the 2019 Share Option Scheme.

The 2019 Share Option Scheme aims to attract, retain and provide incentives to senior and mid-level management and key employees of the Company, to provide them with the opportunity to obtain shares of the Company and to link their interests closely to the operating results and share performance of the Company with a view to increasing the value of the Company and to attracting human resources that are valuable to the Group. As at the date of this report, since the Company has terminated the 2019 Share Option Scheme, no Share may be issued under the 2019 Share Option Scheme (as at the date of the annual report for the year ended December 31, 2020: 764,500 shares, representing approximately 0.12% of the total number of Shares in issue on the date).

Eligible participants mean: 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 pass 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 Shares pursuant to the 2019 Share Option Scheme. The exercise price of the Shares on the 2019 Grant Date was 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 immediately preceding the 2019 Grant Date; and (iii) the nominal value of each Share. The closing price for the business day immediately preceding the 2019 Grant Date was HK$7.220 per Share. Grantees may accept the offer for the grant of Options within 28 days after the date of such offer.

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

Name of Grantees	Position(s) held	Number of Options granted as at the 2019 Grant Date	Outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at the end of the period
Che Baozhen	Executive Director	580,000	580,000	0	0	0	580,000
Shi Futao	Executive Director	512,000	512,000	0	0	0	512,000
Cao Xueyu	Executive Director and Joint Company Secretary	225,500	225,500	0	0	0	225,500
		1,317,500	1,317,500	0	0	0	1,317,500
Other Senior Management and employees		13,082,500	9,816,750	0	0	664,108	9,152,642
Total:		14,400,000	11,134,250	0	0	664,108	10,470,142

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 the share options granted shall be vested and exercisable from the expiry of 12 months, 24 months and 36 months, respectively, on the date of grant; if the share options are not vested due to the failure of meeting performance standards of the participants of the incentive scheme in the first three vesting periods, the share options granted shall be exercisable at any time from the expiry of 48 months from the 2019 Grant Date for the fourth exercise period subject to the fulfillment of performance standards in the fourth annual appraisal and the deferred vesting conditions, and the vesting proportion shall be the remaining unvested share options after excluding the lapsed share 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 share options were exercised, and a total of 664,108 share options cancelled due to resignation or retirement of grantees. 10,470,142 Options were outstanding as at the end of the Reporting Period.

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 pursuant to the 2019 Share Option Scheme. The exercise price of the Shares on the 2020 Grant Date was 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 immediately preceding the 2020 Grant Date; and (iii) the nominal value of each Share. The closing price for the business day immediately preceding the 2020 Grant Date was HK$7.820 per Share.

The Grantees of the Options granted in 2020 are the employees of the Group, and none of them are Directors, chief executives or substantial Shareholders of the Company, or their associates (as defined in the Listing Rules), details of which during the Reporting Period are as follows:

Position(s) held	Number of Options granted as at the 2020 Grant Date	Outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at the end of the period
Directors, chief executives or substantial Shareholders of the Company, or their associates	—	—	—	—	—	—
Other Senior Management and employees	835,500	716,250	0	0	40,500	675,750
Total:	835,500	716,250	0	0	40,500	675,750

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

If the vesting conditions are not met by the Grantee, the unvested Options granted to such Grantee would lapse. Subject to the vesting schedule, the Options are exercisable within a period of five years commencing from the 2020 Grant Date.

During the six months ended 30 June 2022, none of the share options granted in 2020 was exercised and a total of 40,500 share options were cancelled due to the resignation or retirement of the grantees. 675,750 Options were outstanding as at the end of the Reporting Period.

Details of the 2019 Share Option Scheme and the granted Options are set out in the circular issued by the Company on June 13, 2019, the announcements issued on July 15, 2019, July 9, 2019 and July 9, 2020, and the circular issued on April 15, 2021.

Options Exercised and Issued Shares

As mentioned above, no share options granted by the Company were exercised during the six months ended June 30, 2022.

PROFIT SHARING SCHEME

The Profit Sharing Scheme, which was adopted on July 5, 2019 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 and is distributed proportionally in three years. The Company hopes to provide employees with the opportunity to share the Company's development dividends through the above scheme, link personal interests closely to the Company's performance and enhance the value of the Company.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events affecting the Group that have occurred since the end of the Reporting Period.

Controlling Shareholder's Specific Performance Obligations under the Financing Agreement

On March 17, 2020, 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 immediate repayment of all outstanding loan together with accrued interest, all other amounts accrued under the Agreement, and other finance documents 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.

The relevant parties entered into an amendment and restatement agreement to amend and restate the Agreement (the "**Amended Agreement**") on July 3, 2021, pursuant to which the aggregate amount of the facility will increase from US$90 million to US$170 million. The term of the facility under the Agreement as amended by the Amended Agreement remains unchanged (i.e. four years after the date of the Agreement).

Save as disclosed above, there are no other material changes to the terms and conditions of the Agreement. As at the date of this report, the Controlling Shareholders directly and indirectly beneficially own 69.43% of the total issued share capital of the Company.

The details of the Amended Agreement are set out in the announcement issued by the Company on July 7, 2021.

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance through an effective board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency to all the Shareholders, to safeguard the interests of its Shareholders and enhance its value and accountability. The Company has adopted the Corporate Governance Code (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 code provisions under Part 2 of the Corporate Governance Code for the six months ended June 30, 2022. 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the six months ended June 30, 2022.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's relevant employees was noted by the Company during the six months ended June 30, 2022.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2022.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises three members, all being 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 Company's financial reporting procedures and internal controls.

The Audit Committee has reviewed the unaudited condensed consolidated interim results and interim report of the Group for the six months ended June 30, 2022, and hereby recognised that the interim results have been prepared in accordance with the relevant accounting standards and that the Company has made appropriate disclosures therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2022, none of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

2022 ANNUAL GENERAL MEETING

The Board views the annual general meeting as an important opportunity for direct communication with shareholders. The 2022 annual general meeting was held on June 16, 2022 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 June 16, 2022.

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

As at June 30, 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules, 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	69.43%
Mr. Che Baozhen	Interest in a controlled corporation	441,859,500 *(Note 2)*	Long position	69.43%
	Beneficial owner	580,000 *(Note 3)*	Long position	0.09%
Mr. Shi Futao	Beneficial owner	5,664,000 *(Note 4)*	Long position	0.89%
Ms. Cao Xueyu	Beneficial owner	773,000 *(Note 5)*	Long position	0.12%

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, 2022, 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 turns 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 turns 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, 2022, 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, 2022, Mr. Shi Futao held interests in 5,512,000 Shares through the options granted according to the Share Option Scheme under physically settled equity derivatives.

(5) As at June 30, 2022 Ms. Cao Xueyu held interests in 725,500 Shares through the options granted according to the Share Option Scheme under physically settled equity derivatives.

(6) The calculation is based on the total number of 636,440,000 Shares in issue as at June 30, 2022.

* *For identification purpose only*

Save as disclosed above, as at June 30, 2022, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at June 30, 2022, 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 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 (Hong Kong) Capital Holding Limited	Beneficial owner	61,672,000 *(Note 1)*	Long position	9.69%
Sinotruk (Hong Kong) International Investment Limited	Interest in a controlled corporation	61,672,000 *(Note 1)*	Long position	9.69%
Sinotruk (Hong Kong) Limited	Interest in a controlled corporation	61,672,000 *(Note 1)*	Long position	9.69%
Sinotruk (BVI) Limited	Interest in a controlled corporation	61,672,000 *(Note 1)*	Long position	9.69%
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	61,672,000 *(Note 1)*	Long position	9.69%
Chengshan Group	Beneficial owner	441,859,500 *(Note 2)*	Long position	69.43%
Beijing Zhongmingxin	Interest in a controlled corporation	441,859,500 *(Note 2)*	Long position	69.43%

* *For identification purpose only*

Name	Capacity/ Nature of interest	Number of shares	Long/Short position	Approximate percentage of shareholding in the Company
Shanghai Chengzhan	Interest in a controlled corporation	441,859,500 *(Note 2)*	Long position	69.43%
Ms. Li Xiuxiang	Interest in a controlled corporation	441,859,500 *(Note 2)*	Long position	69.43%
Ms. Bi Wenjing	Spouse interest	442,439,500 *(Note 3)*	Long position	69.52%

Notes:

(1) As at June 30, 2022, 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 turns 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 turns owned 100% of the issued share capital of Sinotruk (Hong Kong) Capital Holding Limited, which in turns owned 61,672,000 Shares. 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, Sinotruk (Hong Kong) Limited and Sinotruk (Hong Kong) International Investment Limited are deemed to be interested in 61,672,000 Shares held by Sinotruk (Hong Kong) Capital Holding Limited.

(2) As at June 30, 2022, Ms. Li Xiuxiang directly owned 50% of the equity interest in Shanghai Chengzhan, which owned 95% of the equity interest in Beijing Zhongmingxin, which in turns owned 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.

(4) The calculation is based on the total number of 636,440,000 Shares in issue as at June 30, 2022.

Save as disclosed above, as at June 30, 2022, 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 to be recorded in the register referred to in section 336 of the SFO.

* *For identification purpose only*

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, during the six months ended June 30, 2022, the Company or any of 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 debt securities of the Company or any other body corporate, or had exercised any such right.

CHANGE OF DIRECTOR INFORMATION

The Directors confirm that no information is required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	Note	Unaudited Six months ended 30 June 2022 *RMB'000*	 2021 *RMB'000*
Revenue	7	**4,091,195**	3,752,306
Cost of sales		**(3,554,315)**	(3,133,590)
Gross profit		**536,880**	618,716
Selling and distribution expenses		**(222,375)**	(213,293)
Administrative expenses		**(96,257)**	(93,289)
Research and development costs		**(112,263)**	(119,055)
Other income		**20,810**	29,995
Other gains — net		**30,942**	34,535
Operating profit	8	**157,737**	257,609
Finance income	9	**3,020**	5,484
Finance costs	9	**(27,761)**	(545)
Finance (costs)/income — net	9	**(24,741)**	4,939
Share of result of associates		**38**	—
Profit before income tax		**133,034**	262,548
Income tax expense	10	**25,563**	(17,199)
Profit for the period		**158,597**	245,349
Profit attributable to:			
— Shareholders of the Company		**158,577**	245,353
— Non-controlling interests		**20**	(4)
		158,597	245,349
Earnings per share for profit attributable to shareholders of the Company for the period			
— Basic (RMB)	11	**0.25**	0.39
— Diluted (RMB)	11	**0.25**	0.39

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 2022

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit for the period	**158,597**	245,349
Other comprehensive income/(loss):		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences	**74,701**	(6,171)
Items that will not be reclassified to profit or loss		
Currency translation differences	**56,171**	(10,185)
Other comprehensive income/(loss) for the period, net of tax	**130,872**	(16,356)
Total comprehensive income for the period	**289,469**	228,993
Attributable to:		
— Shareholders of the Company	**289,449**	228,997
— Non-controlling interests	**20**	(4)
Total comprehensive income for the period	**289,469**	228,993

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 2022

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	**5,257,237**	4,657,021
Right-of-use assets	14	**114,572**	116,293
Intangible assets	13	**74,734**	73,360
Investment in associates		**6,046**	6,008
Prepayments and other receivables	18	**20,868**	79,069
		5,473,457	4,931,751
Current assets			
Inventories	15	**1,540,502**	1,484,864
Trade and notes receivables	17	**1,803,188**	1,383,717
Prepayments, other receivables and other current assets	18	**287,756**	259,611
Financial assets at fair value through profit or loss	16	**169,609**	107,155
Amounts due from related parties	27(b)	**119,458**	78,820
Cash and cash equivalents		**798,336**	728,813
Restricted cash		**120,966**	125,679
		4,839,815	4,168,659
Total assets		**10,313,272**	9,100,410
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	19	**201**	201
Share premium	19	**2,185,598**	2,185,598
Reserves	21	**1,919,601**	1,734,533
		4,105,400	3,920,332
Non-controlling interests		**(180)**	(200)
Total equity		**4,105,220**	3,920,132

As at 30 June 2022

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Liabilities			
Non-current liabilities			
Bank borrowings	22	1,717,290	1,600,262
Lease liabilities	14	11,415	13,154
Deferred income		76,217	59,851
Deferred tax liabilities	25	8,777	37,622
		1,813,699	1,710,889
Current liabilities			
Trade payables	23	2,023,640	1,957,593
Other payables and accruals	24	1,416,964	1,030,900
Contract liabilities		43,780	59,285
Lease liabilities	14	11,945	9,775
Provision for warranties		67,101	66,753
Dividend payable		105,875	—
Amounts due to related parties	27(b)	16,277	18,279
Current income tax liabilities		—	29,042
Bank borrowings	22	708,771	297,762
		4,394,353	3,469,389
Total liabilities		6,208,052	5,180,278
Total equity and liabilities		10,313,272	9,100,410

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 2022

	Note	Unaudited Equity attributable to shareholders of the Company				Non-controlling interests	Total equity
		Share capital	Share premium	Reserves	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 19)	*(Note 19)*	*(Note 21)*			
Balance at 1 January 2022		201	2,185,598	1,734,533	3,920,332	(200)	3,920,132
Comprehensive income							
Profit for the period		—	—	158,577	158,577	20	158,597
Other comprehensive loss							
Currency translation difference		—	—	130,872	130,872	—	130,872
Total other comprehensive loss, net of tax		—	—	130,872	130,872	—	130,872
Total comprehensive income		—	—	289,449	289,449	20	289,469
Transactions with shareholders							
Employee share option schemes							
— value of employee services	20,21	—	—	4,437	4,437	—	4,437
Cash Dividends	12	—	—	(108,818)	(108,818)	—	(108,818)
Total transactions with shareholders		—	—	(104,381)	(104,381)	—	(104,381)
Balance at 30 June 2022		201	2,185,598	1,919,601	4,105,400	(180)	4,105,220

For the six months ended 30 June 2022

		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 21)*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2021		200	2,180,207	1,599,179	3,779,586	617	3,780,203
Comprehensive income							
Profit for the period		—	—	245,353	245,353	(4)	245,349
Other comprehensive loss							
Currency translation difference		—	—	(16,356)	(16,356)	—	(16,356)
Total other comprehensive loss, net of tax		—	—	(16,356)	(16,356)	—	(16,356)
Total comprehensive income		—	—	228,997	228,997	(4)	228,993
Transactions with shareholders							
Employee share option schemes — issue of shares		1	4,080	(655)	3,426	—	3,426
— value of employee services	20,21	—	—	3,402	3,402	—	3,402
Cash dividends	12	—	—	(106,708)	(106,708)	—	(106,708)
Total transactions with shareholders		1	4,080	(103,961)	(99,880)	—	(99,880)
Balance at 30 June 2021		201	2,184,287	1,724,215	3,908,703	613	3,909,316

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 2022

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash used in from operations	**(106,167)**	(60,390)
Interest received	**2,335**	—
Interest paid	**(30,090)**	(16,954)
Income tax refund/(paid)	**2,818**	(59,249)
Net cash used in from operating activities	**(131,104)**	(136,593)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(248,793)**	(793,290)
Proceeds from government grants	**19,334**	1,566
Proceeds from disposal of property, plant and equipment	**28**	1,473
Purchases of land use rights	**—**	(1,209)
Purchase of intangible assets	**(3,927)**	(738)
Purchase of financial assets at fair value through profit or loss	**(1,019,142)**	(755,200)
Proceeds from disposal of financial assets at fair value through profit or loss	**957,970**	862,046
Interest received	**—**	1,734
Net cash used in investing activities	**(294,530)**	(683,618)
Cash flows from financing activities		
Proceeds from borrowings	**701,058**	943,126
Repayment of borrowings	**(228,592)**	(63,617)
Principal elements of lease payments	**(6,249)**	(5,260)
Cash dividends paid	**—**	(104,900)
Employee share option scheme — issuance of share	**—**	3,426
Net cash generated from financing activities	**466,217**	772,775
Net increase/(decrease) in cash and cash equivalents	**40,583**	(47,436)
Cash and cash equivalents at the beginning of period	**728,813**	563,165
Exchange gain/(loss) on cash and cash equivalents	**28,940**	(3,439)
Cash and cash equivalents at the end of period	**798,336**	512,290

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 Holdings Limited (formerly named as 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 Windward 3, Regatta Office Park, P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, 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"), Thailand, Asia (except PRC and Thailand), America and other global markets.

The immediate holding company and ultimate controlling company of the Group is Chengshan Group Co., Ltd. ("Chengshan Group"), which was established in the PRC. The company is ultimately held as to 76.43% 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 30 August 2022.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 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 2021, 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 2021, 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.

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to HKAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018–2020
- Reference to the Conceptual Framework — Amendments to HKFRS 3
- Amendments to AG 5 Merger Accounting for Common Control Combinations.

(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 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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 expenses. 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 2021.

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 does 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 2021.

There have been no material changes in the risk management department or 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 2022					
Bank borrowings	**708,771**	**1,225,044**	**417,401**	**74,845**	**2,426,061**
Interest payables for bank borrowings	**73,155**	**45,217**	**28,150**	**1,291**	**147,813**
Amounts due to related parties	**16,277**	**—**	**—**	**—**	**16,277**
Trade payables	**2,023,640**	**—**	**—**	**—**	**2,023,640**
Other payables	**1,252,155**	**—**	**—**	**—**	**1,252,155**
Lease liabilities	**11,945**	**8,184**	**3,231**	**—**	**23,360**
	4,085,943	**1,278,445**	**448,782**	**76,136**	**5,889,306**
At 31 December 2021					
Bank borrowings	297,762	398,859	1,091,149	110,254	1,898,024
Interest payables for bank borrowings	50,519	42,038	28,369	2,711	123,637
Amounts due to related parties	18,279	—	—	—	18,279
Trade payables	1,957,593	—	—	—	1,957,593
Other payables	868,472	—	—	—	868,472
Lease liabilities	10,349	10,127	3,392	—	23,868
	3,202,974	451,024	1,122,910	112,965	4,889,873

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 2022				
Assets				
Financial assets at fair value through profit or loss				
— Wealth management products (a)	**—**	**—**	**147,743**	**147,743**
— Listed equity securities	**21,866**	**—**	**—**	**21,866**
— Notes receivable (a)	**—**	**—**	**115,283**	**115,283**
	21,866	**—**	**263,026**	**284,892**
As at 31 December 2021				
Assets				
Financial assets at fair value through profit or loss				
— Wealth management products (a)	—	—	85,110	85,110
— Listed equity securities	22,045	—	—	22,045
— Notes receivable (a)	—	—	265,764	265,764
	22,045	—	350,874	372,919

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 2022 *RMB'000*	Valuation Technique	Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair value
Wealth management products	**147,743**	**Discounted cash flow**	**Expected yield rate**	**2.0%–2.9% (2.5%)**	**A change in the yield rate by 100 basis points would increase/ decrease the fair value by approximately RMB1,442,000.**
Notes receivable	**115,283**	**Discounted cash flow**	**Expected discount interest rate**	**2.1%–3.8% (3.0%)**	**A change in the yield rate by 100 basis points would increase/ decrease the fair value by approximately RMB1,120,000.**

	Fair value at 31 December 2021 *RMB'000*	Valuation Technique	Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair value
Wealth management products	85,110	Discounted cash flow	Expected yield rate	2.2%–2.9% (2.6%)	A change in the yield rate by 100 basis points would increase/decrease the fair value by approximately RMB830,000.
Notes receivable	265,764	Discounted cash flow	Expected discount interest rate	1.9%–3.8% (2.9%)	A change in the yield rate by 100 basis points would increase/decrease the fair value by approximately RMB2,584,000.

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.

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	
	2022 Revenue *RMB'000*	2021 Revenue *RMB'000*
Mainland China	**1,204,122**	1,872,036
Americas	**1,832,063**	901,832
Africa	**333,234**	327,819
Asia (excluding Mainland China)	**317,592**	293,387
Middle East	**316,791**	276,986
Other countries	**87,393**	80,246
	4,091,195	3,752,306

7 Revenue

	Unaudited Six months ended 30 June	
	2022 *RMB'000*	2021 *RMB'000*
Revenue from customers and recognised at point in time		
Sales of tire products:		
— All steel radial tires	**2,615,379**	2,610,054
— Semi-steel radial tires	**1,431,360**	1,057,368
— Bias tires	**44,456**	84,884
	4,091,195	3,752,306

8 Operating profit

	Unaudited Six months ended 30 June	
	2022 ***RMB'000***	2021 *RMB'000*
Depreciation of property, plant and equipment *(Note 13)*	**(152,972)**	(124,998)
Depreciation of right-of-use assets *(Note 14)*	**(8,022)**	(6,924)
Provisions for warranty claims	**(22,599)**	(22,783)
Amortisation of intangible assets *(Note 13)*	**(2,694)**	(1,642)
Provision for impairment of trade receivables *(Note 17)*	**189**	(564)
Provision for write-down of inventories *(Note 15)*	**(13,040)**	(2,586)
Other income		
— Sales of scraps	**12,316**	13,875
— Government grants	**8,494**	16,120
Other gains — net		
— Gains on disposal of financial assets at fair value through profit or loss	**1,460**	846
— (Losses)/gains from fair value change of financial assets at fair value through profit or loss	**(178)**	1,135
— (Losses)/gains on disposal of property, plant and equipment	**(267)**	293
— Net other foreign exchange gains/(losses)	**28,948**	(4,403)
— Compensation for lawsuit *(a)*	**—**	35,982

(a) On 23 December 2016, Prinx Chengshan (Shandong) Tire Co., Ltd. ("Prinx Shandong"), a subsidiary of the Group, sued Qingdao Xinhonglun Industry and Trade Co., Ltd. ("Qingdao Xinhonglun") for its failing to transfer the trademarks of ROAD SHINE and GOLD PARTNER to Prinx Shandong as stipulated in a contract, and required Qingdao Xinhonglun to compensate for the economic losses of Prinx Shandong for the breach. In the first and second instances of verdict, Qingdao Xinhonglun should compensate Prinx Shandong but it refused to accept. On 12 July 2021, Qingdao Xinhonglun filed an application to the Supreme People's Court of the PRC ("SPC") for retrial. On 18 November 2021, the SPC rejected such retrial application. Concurrent with the opinion of external legal advisor, the directors of the Company considered that the possibility of accepting further prosecutorial protest application from Qingdao Xinhonglun by the Supreme People's Procuratorate of the PRC was remote, and accordingly recognised all of the compensation received. During the six months ended 30 June 2021, Prinx Shandong received the compensation of RMB35,982,000 and received all the compensation amounting to RMB52,697,000 during the year ended 31 December 2021.

9 Finance (costs)/income — net

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Finance costs:		
— Interest expense on bank borrowings	**(34,744)**	(18,328)
— Lease liabilities *(Note 14)*	**(379)**	(448)
— Net foreign exchange losses on borrowings	**(6,110)**	—
	(41,233)	(18,776)
Less: amounts capitalised on qualifying assets	**13,472**	18,231
	(27,761)	(545)
Finance income:		
— Net foreign exchange gains on borrowings	**—**	3,201
— Interest income derived from bank deposits	**3,020**	2,283
	3,020	5,484
Finance (costs)/income — net	**(24,741)**	4,939

10 Income tax expense

The amounts of tax expense (credited)/charged to the consolidated statements of profit or loss represent:

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax	**(28)**	4,569
— Hong Kong and overseas profits tax	**3,310**	4,513
Deferred income tax *(Note 25)*	**(28,845)**	8,117
Income tax expense	**(25,563)**	17,199

10 Income tax expense (Continued)

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit before income tax	**133,034**	262,548
Tax calculated at applicable tax rates	**21,330**	62,814
Expenses not deductible for tax purpose	**3,160**	3,420
Tax exemption of a subsidiary	**(48,031)**	(19,891)
Tax benefit from High and New-Technology Enterprise qualification	**9,992**	(17,144)
Additional deduction of research and development cost and other expense	**(12,014)**	(12,000)
Tax charge	**(25,563)**	17,199

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	
	2022	2021
	RMB'000	*RMB'000*
Profit attributable to the shareholders of the Company	**158,577**	245,353
Weighted average number of ordinary shares in issue (thousands)	**636,440**	635,520
Basic earnings per share (RMB)	**0.25**	0.39

11 Earnings per share (Continued)

(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	
	2022	2021
	RMB'000	*RMB'000*
Profit attributable to the shareholders of the Company	**158,577**	245,353
Weighted average number of ordinary shares in issue (thousands)	**636,440**	635,520
Adjustments for share options	**—**	953
Weighted average number of ordinary shares for diluted earnings per share	**636,440**	636,473
Diluted earnings per share (RMB)	**0.25**	0.39

12 Dividends

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Cash dividend paid by the Company *(a)*	**—**	106,708
Final dividends declared by the Company *(b)*	**108,818**	—

(a) Dividend during the six months ended 30 June 2021 represented cash dividend declared and paid by the Company to its equity holders.

(b) On 16 June 2022, the Board of Directors declared a final dividend in respect of the year ended 31 December 2021 of HK$128 million (equivalent to approximately RMB109 million) representing HK$0.2 per ordinary share and approved by the shareholders at the Annual General Meeting of the Company.

13 Capital expenditure

	Unaudited							
	Property, plant and equipment							Intangible assets
	Buildings	Machinery and factory equipment	Furniture and fixtures	Vehicles	Tools	Construction in progress	Total	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2022								
Opening net book amount as at 1 January 2022	959,298	1,861,542	33,309	7,944	195,041	1,599,887	4,657,021	73,360
Additions	—	84,064	1,118	455	391	557,250	643,278	3,927
Transferred from Construction in progress	255,734	734,617	3,596	4,326	63,971	(1,062,244)	—	—
Disposals	—	(244)	(51)	—	—	—	(295)	—
Depreciation and amortisation	(13,005)	(111,598)	(2,663)	(2,024)	(23,682)	—	(152,972)	(2,694)
Exchange difference	29,572	26,481	119	60	10,131	43,842	110,205	141
Closing net book amount as at 30 June 2022	1,231,599	2,594,862	35,428	10,761	245,852	1,138,735	5,257,237	74,734
Six months ended 30 June 2021								
Opening net book amount as at 1 January 2021	910,542	1,449,194	15,558	9,093	129,053	1,338,584	3,852,024	52,080
Additions	—	—	698	—	—	765,438	766,136	8,012
Transferred from Construction in progress	121	47,036	932	1,284	26,780	(76,153)	—	
Disposals	—	(266)	(2)	—	(645)	—	(913)	—
Depreciation and amortisation	(17,512)	(81,866)	(2,323)	(1,560)	(21,737)	—	(124,998)	(1,642)
Exchange difference	(2,975)	(4,731)	(50)	(29)	(284)	(8,929)	(16,998)	(9)
Closing net book amount as at 30 June 2021	890,176	1,409,367	14,813	8,788	133,167	2,018,940	4,475,251	58,441

14 Leases

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Right-of-use assets		
— Land use rights	92,100	94,030
— Buildings	22,472	22,263
	114,572	116,293
Lease liabilities		
Current		
— lease liabilities	11,945	9,775
Non-Current		
— lease liabilities	11,415	13,154
	23,360	22,929

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 RMB7,554,000 and RMB3,898,000 (31 December 2021: RMB7,439,000 and RMB7,673,000) 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	
	2022 RMB'000	2021 RMB'000
Depreciation of right-of-use assets *(Note 8)*		
— Land use rights	1,930	1,926
— Buildings	6,092	4,998
	8,022	6,924
Interest expense *(Note 9)*	379	448
Expense relating to short term leases	9,885	9,446

The total cash payment for leases during the period was RMB16,134,000.

15 Inventories

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Raw materials	424,871	426,117
Work-in-progress	104,583	84,242
Finished goods	1,011,048	974,505
	1,540,502	1,484,864

Write-downs of inventories amounting to RMB13,040,000 were made for the six months ended 30 June 2022.

16 Financial assets at fair value through profit or loss

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Financial assets at fair value through profit or loss		
— Wealth management products *(a)*	147,743	85,110
— Listed equity securities *(b)*	21,866	22,045
	169,609	107,155

	Unaudited 30 June 2022 RMB'000
At the beginning of the period	107,155
Additions	1,019,142
Disposals	(957,970)
Gains on disposal of financial assets at fair value through profit or loss	1,460
Fair value losses on financial assets at fair value through profit or loss	(178)
At the end of the period	169,609

(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 and notes receivables

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Trade receivables	**1,704,929**	1,135,177
Less: provision for impairment of trade receivables	**(17,024)**	(17,224)
Trade receivables — net	**1,687,905**	1,117,953
Notes receivable	**115,283**	265,764
Trade and notes receivables — net	**1,803,188**	1,383,717

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

As at 30 June 2022 and 31 December 2021, the aging analysis of the trade and notes receivables based on invoice date were as follows:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Up to 3 months	**1,431,303**	1,227,739
4 to 6 months	**341,283**	152,247
7 to 12 months	**39,681**	12,967
1 to 2 years	**1,392**	3,883
2 to 3 years	**3,506**	1,080
Over 3 years	**3,047**	3,025
	1,820,212	1,400,941

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

	Unaudited 30 June 2022 RMB'000
At the beginning of the period	**17,224**
Provision for impairment of trade receivables *(Note 8)*	**(189)**
Reversal of trade receivables written off during the period as uncollectible	**(11)**
At the end of the period	**17,024**

18 Prepayments, other receivables and other current assets

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Non-current		
Prepayments for purchase of property, plant and equipment	20,868	79,069
Current		
Prepayments	81,670	56,631
Other receivables		
— Deposits in Customs Office	—	19,295
— Others	44,291	30,469
Other current assets — value added tax to be deducted	161,795	153,216
	287,756	259,611
	308,624	338,680

19 Share capital and Share premium

	Number of authorised shares
Authorised share capital:	
As at 1 January 2021, 31 December 2021 and 30 June 2022	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 31 December 2021	636,440,000	201	2,185,598	2,185,799
As at 30 June 2022	636,440,000	201	2,185,598	2,185,799

20 Share options

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 5 July 2019 (the "2019 Adoption Date"), the share option scheme (the "2019 Share Option Scheme") was adopted by the Company. The number of shares issuable pursuant to the 2019 Share Option Scheme was 16,000,000 shares, being approximately 2.5% of the total number of shares in issue on the 2019 Adoption Date.

On 9 July 2019 (the "2019 Grant Date"), the board of directors resolved to grant 14,400,000 shares of options to certain eligible employees under the 2019 Share Option Scheme, the exercise price is HKD7.24 per share. The exercise of share options shall be conditional upon fulfilment of the Company's annual performance objectives and personal performance objectives. Assuming all the conditions for exercise of the share options are fulfilled in accordance with the 2019 Share Option Scheme, the proportion of 1/3, 1/3 and 1/3 of the share options may be exercised after the 12 months, 24 months, 36 months from the date of grant. Subject to the vesting schedule, options granted in 2019 under the 2019 Share Option Scheme are exercisable within a period of six years commencing from the grant date. Total fair value of options as at the 2019 Grant Date was determined to be HKD25,709,438, assuming the Company's annual performance objectives and personal performance objectives can be fulfilled.

On 9 July 2020 (the "2020 Grant Date"), the board of directors resolved to grant 835,500 shares of options to certain eligible employees under the 2019 Share Option Scheme, the exercise price is HKD7.96 per share. The exercise of share options shall be conditional upon fulfilment of the Company's annual performance objectives and personal performance objectives. Assuming all the conditions for exercise of the share options are fulfilled in accordance with the 2019 Share Option Scheme, the proportion of 1/2 and 1/2 of the share options may be exercised after the 12 months and 24 months from the date of grant. 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, the deferred vesting conditions are considered satisfied and 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. Subject to the vesting schedule, options granted in 2020 under the 2019 Share Option Scheme are exercisable within a period of five years commencing from the grant date. Total fair value of options as at the 2020 Grant Date granted during year ended 31 December 2020 were determined to be HKD1,707,728, assuming the Company's annual performance objectives and personal performance objectives can be fulfilled.

Pursuant to an ordinary resolution passed at annual general meeting of the Company held on 17 May 2021 (the "2021 Adoption Date"), the current share option scheme (the "2021 Share Option Scheme") was adopted by the Company and replaced the 2019 Share option schemes. The number of shares issuable pursuant to the 2021 Share Option Scheme was 50,000,000 shares, being approximately 7.9% of the total number of shares in issue on the 2021 Adoption Date.

20 Share options (Continued)

On 28 June 2021 (the "2021 Grant Date"), the board of directors resolved to grant 35,050,000 shares of options to certain eligible employees under the 2021 Share Option Scheme, the exercise price is HKD8.57 per share. The exercise of share options shall be conditional upon fulfilment of the Company's annual performance objectives and personal performance objectives. Assuming all the conditions for exercise of the share options are fulfilled in accordance with the 2021 Share Option Scheme, the proportion of 35% and 65% of the share options may be exercised after the 36 months and 60 months from the date of grant. Subject to the vesting schedule, the 2021 Share Option Scheme are exercisable within a period of eight years commencing from the grant date.

Set out below are summaries of options granted under the plan:

	Unaudited			
	30 June 2022		30 June 2021	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
As at 1 January	**HKD8.24**	**46,150,500**	HKD7.28	13,539,800
Granted during the period	**—**	**—**	HKD8.57	35,050,000
Exercised during the period	**—**	**—**	HKD7.24	(566,500)
Lapsed during the period	**HKD7.82**	**(1,204,608)**	HKD7.24	(498,000)
As at 30 June	**HKD8.25**	**44,945,892**	HKD8.23	47,525,300

During the six months end 30 June 2022, an employee benefit expense of amounting to RMB4,437,000 (During the six months ended 30 June 2021: RMB3,402,000) with a corresponding increase in equity is recognized in profit or loss.

21 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 2022	**(70,715)**	**294,703**	**(246,351)**	**1,732,584**	**24,312**	**1,734,533**
Profit for the period	**—**	**—**	**—**	**158,577**	**—**	**158,577**
Cash dividends *(Note 12)*	**—**	**—**	**—**	**(108,818)**	**—**	**(108,818)**
Employee share option schemes						
— value of employee services	**—**	**—**	**—**	**—**	**4,437**	**4,437**
Currency translation differences	**—**	**—**	**130,872**	**—**	**—**	**130,872**
Balance at 30 June 2022	**(70,715)**	**294,703**	**(115,479)**	**1,782,343**	**28,749**	**1,919,601**
Balance at 1 January 2021	(70,715)	262,768	(202,239)	1,595,273	14,092	1,599,179
Profit for the period	—	—	—	245,353	—	245,353
Cash dividends *(Note 12)*	—	—	—	(106,708)	—	(106,708)
Employee share option schemes						
— value of employee services	—	—	—	—	3,402	3,402
— issue of shares	—	—	—	—	(655)	(655)
Currency translation differences	—	—	(16,356)	—	—	(16,356)
Balance at 30 June 2021	(70,715)	262,768	(218,595)	1,733,918	16,839	1,724,215

22 Bank borrowings

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Current		
Current portion of non-current bank borrowings		
— Secured	171,671	85,582
— Unsecured	34,180	32,980
	205,851	118,562
Short-term bank borrowings		
— Unsecured	502,920	179,200
	708,771	297,762
Non-current		
Bank borrowings		
— Secured	1,195,099	1,138,154
— Unsecured	522,191	462,108
	1,717,290	1,600,262
Total borrowings	2,426,061	1,898,024

As at 30 June 2022, the secured bank borrowings of RMB1,366,770,000 (31 December 2021: RMB1,223,736,000) and undrawn borrowing facilities of RMB176,698,000 (31 December 2021: RMB191,271,000) were secured by property, plant and equipment amounting to RMB3,848,671,000 (31 December 2021: RMB3,338,195,000).

As at 30 June 2022, the weighted average effective interest rates on borrowings from banks were 3.36% (31 December 2021: 3.21%).

22 Bank borrowings (Continued)

The carrying amounts of the Group's bank borrowings were denominated in the following currencies:

	Unaudited 30 June 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*
RMB	**1,260,291**	884,288
USD	**1,165,770**	1,013,736
	2,426,061	1,898,024

23 Trade payables

	Unaudited 30 June 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*
Accounts payable	**1,212,968**	1,089,372
Notes payable *(a)*	**810,672**	868,221
	2,023,640	1,957,593

(a) As at 30 June 2022, RMB662,188,000 (31 December 2021: RMB848,333,000) notes payable represented bank acceptance notes secured by certain restricted bank balances and RMB3,094,000 (31 December 2021: RMB19,888,000) secured by certain notes receivable and RMB145,390,000 (31 December 2021: nil) notes payable were secured by banking facility.

As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables based on invoice date were as follows:

	Unaudited 30 June 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*
Within 3 months	**1,330,294**	1,475,529
4 to 6 months	**643,758**	469,319
7 to 12 months	**36,857**	3,315
Above 1 year	**12,731**	9,430
	2,023,640	1,957,593

24 Other payables and accruals

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Payables for purchase of property, plant and equipment	**719,566**	396,754
Payroll and employee benefit payables	**154,425**	150,695
Freight payables	**147,475**	116,180
Accrued expense	**142,799**	114,751
Accrued sales rebates and commission	**111,595**	120,557
Deposit from customers	**57,811**	60,470
Other tax payables	**10,384**	11,733
Interest payables	**10,225**	5,571
Other payables	**62,684**	54,189
	1,416,964	1,030,900

25 Deferred income tax

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

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Deferred tax assets	**79,317**	56,624
Deferred tax liabilities	**(88,094)**	(94,246)
Deferred tax liabilities, net	**(8,777)**	(37,622)

	Unaudited 30 June 2022 *RMB'000*
At the beginning of period	**(37,622)**
Credit to the consolidated statement of profit or loss *(Note 10)*	**28,845**
At the end of period	**(8,777)**

26 Capital commitments

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

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Purchase of property, plant and equipment — Contracted but not provided for	**75,803**	228,479

27 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 2022 and 2021, and balances arising from related party transactions as at 30 June 2022 and 31 December 2021.

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")	Ultimate parent company of Sinotruk (Hong Kong) Capital Holding Limited, a shareholder of the Company
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 names 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.

27 Related party transactions (Continued)

(a) Transactions with related parties

	Unaudited Six months ended 30 June 2022 RMB'000	2021 RMB'000
Continuing transactions		
(i) Purchase of utilities		
— Chengshan Group	**77,865**	90,590
(ii) Sale of goods		
— Sinotruk	**246,055**	248,918
— Yunnan Prinx Chengshan Tire Co., Ltd.	**19,815**	16,513
— Hebei Prinx Chengshan Tire Co., Ltd.	**23,576**	18,403
	289,446	283,834
(iii) Rental and estate management expenses paid and payable		
— Rongcheng Chengshan Properties Co., Ltd.	**2,982**	2,902
— Chengshan Group	**3,843**	3,856
	6,825	6,758
(iv) Service received		
— Rongcheng Chengshan Energy-Saving Services Co., Ltd.	**2,160**	1,247

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.

27 Related party transactions (Continued)

(b) Balances with related parties

(i) Amounts due to related parties

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Current		
Contract liabilities		
— Yunnan Prinx Chengshan Tire Co., Ltd.	454	1
— Hebei Prinx Chengshan Tire Co., Ltd.	—	1
	454	2
Trade payables		
— Chengshan Group	15,196	17,650
— Rongcheng Chengshan Energy-Saving Services Co., Ltd.	627	627
	15,823	18,277
	16,277	18,279

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

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Less than 3 months	15,823	18,277

27 Related party transactions (Continued)

(b) Balances with related parties (Continued)

(ii) Amounts due from related parties

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Current		
Trade balances		
— Sinotruk	91,576	74,558
— Hebei Prinx Chengshan Tire Co., Ltd.	27,882	4,262
	119,458	78,820

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 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Less than 3 months	119,458	78,820

(iii) Lease liabilities

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Non-current		
— Chengshan Group	3,898	7,673
Current		
— Chengshan Group	7,554	7,439
	11,452	15,112

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.

By Order of the Board
Prinx Chengshan Holdings Limited
Che Hongzhi
Chairman and Non-executive Director

Shandong, the PRC, August 30, 2022

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