

2024 INTERIM REPORT



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

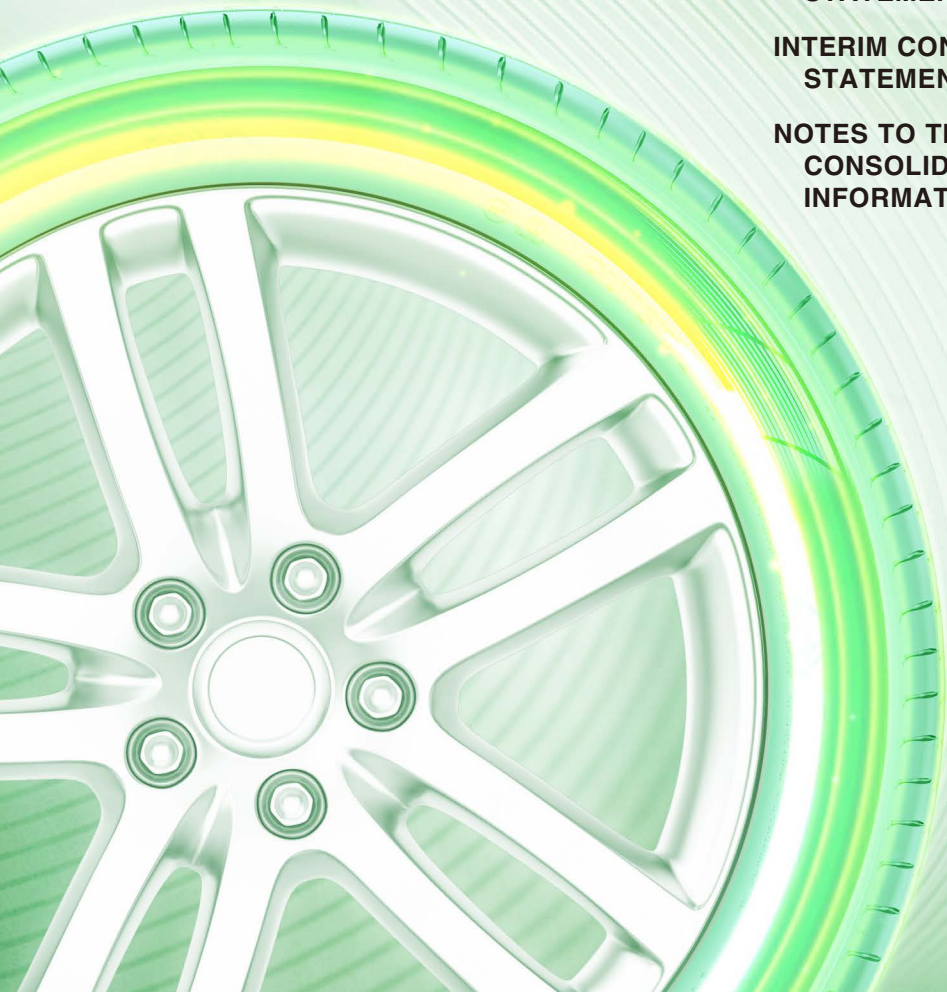
PURSUE EXCELLENCE



PRINX CHENGSHAN

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Corporate Information

Prinx Chengshan focuses on the design, research and development, manufacturing and sales of tires, and is one of the most influential tire enterprises in China. It has two tire production bases in Shandong and Thailand. The Company currently has four brands, namely PRINX (浦林), Chengshan (成山), Austone (澳通) and Fortune (富神), and three product categories, namely All Steel Radial Tires, Semi-Steel Radial Tires and Bias Tires, covering passenger, commercial, industrial, agricultural and some special vehicle tires.



Mission and Vision

- Leading tire innovation
- Contributing to smart travel and sustainable development
- Achieving a better life



Core Values

- Customer first, being responsible
- Devotion and professionalism, innovation and opening up



Board of Directors

Executive Directors

Mr. Che Baozhen (*Chief Executive Officer*)
 Mr. Shi Futao
 Ms. Cao Xueyu (*resigned on 28 March 2024*)
 Mr. Jiang Xizhou (*appointed on 28 March 2024*)

Non-executive Directors

Mr. Che Hongzhi (*Chairman*)
 Mr. Wang Lei (*resigned on 28 March 2024*)
 Mr. Shao Quanfeng
 Ms. Wang Ning (*appointed on 28 March 2024*)

Independent Non-executive Directors

Mr. Jin Qingjun
 Mr. Choi Tze Kit Sammy
 Mr. Wang Chuansheng

Audit Committee

Mr. Choi Tze Kit Sammy (*Chairman*)
 Mr. Wang Chuansheng
 Mr. Jin Qingjun

Nomination and Remuneration Committee

Mr. Jin Qingjun (*Chairman*)
 Mr. Che Baozhen
 Mr. Choi Tze Kit Sammy

Development Strategy and Risk Management Committee

Mr. Che Hongzhi (*Chairman*)
 Mr. Wang Chuansheng
 Mr. Jin Qingjun

Registered Office

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 Harbour Place, 2nd Floor
 103 South Church Street
 George Town
 Grand Cayman KY1-1106
 Cayman Islands

Authorized Representatives

Ms. Cao Xueyu
 Mr. Shi Futao

Company Secretary

Ms. Cao Xueyu (*CPA (Aust.), ACMA*)

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
 P.O. Box 1350
 Grand Cayman KY1-1108
 Cayman Islands

Hong Kong Share Registrar

Link Market Services (Hong Kong) Pty Limited
 Suite 1601, 16/F, Central Tower
 28 Queen's Road Central
 Central, Hong Kong

Company's Website

www.prinxchengshan.com

Stock Code

1809

Listing Date

9 October 2018

Financial Summary

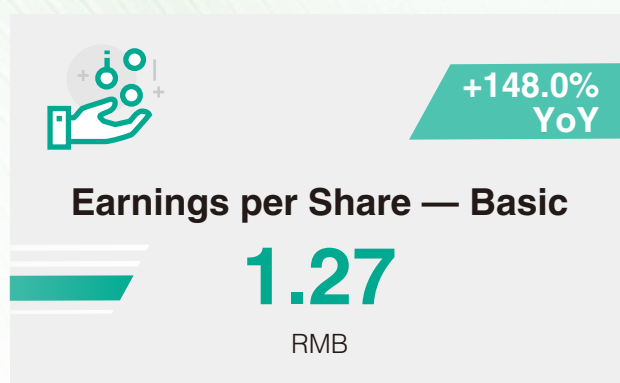
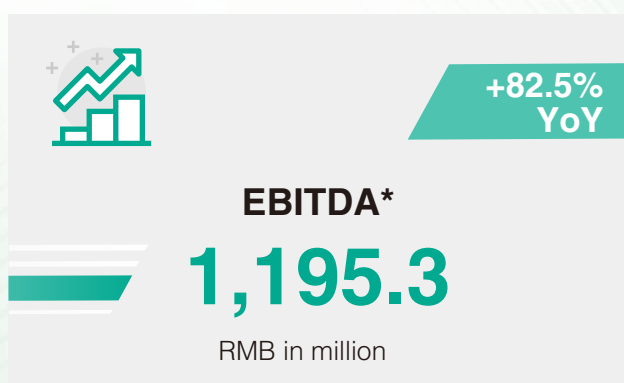
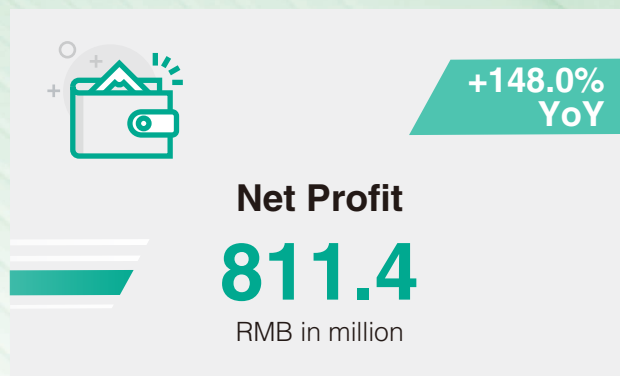
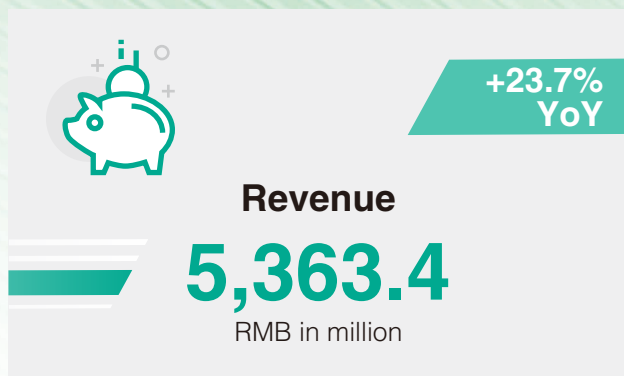
Summary of the Interim Condensed Consolidated Statement of Profit or Loss

	For the six months ended 30 June		For the year ended 31 December
	2024 RMB'000	2023 RMB'000	2023 RMB'000
Revenue	5,363,381	4,336,159	9,948,983
Profit before income tax	892,300	378,064	1,130,545
Income tax expense	(80,874)	(50,928)	(97,105)
Profit for the period/year	811,426	327,136	1,033,440
Profit attributable to:			
— Shareholders of the Company	811,419	327,134	1,033,391
— Non-controlling interests	7	2	49
	811,426	327,136	1,033,440

Consolidated Assets, Liabilities and Non-controlling Interests

	For the six months ended 30 June		For the year ended 31 December
	2024 RMB'000	2023 RMB'000	2023 RMB'000
Total assets	10,654,682	10,028,405	10,602,448
Total liabilities	(4,575,892)	(5,251,225)	(5,168,705)
Non-controlling interests	105	159	112
Equity attributable to shareholders of the Company	6,078,895	4,777,339	5,433,855

Major financial indicators for the six months ended 30 June 2024



* EBITDA is earnings before interests, taxes, depreciation and amortisation

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Industry dynamics

In the first half of 2024, benefiting from the growth in production and sales volume of domestic automobile industry and the steady increase in overseas tire market demand, the production and export volume of tires in China continued to increase. According to the latest data released by the National Bureau of Statistics, the output of rubber tires in China was approximately 526 million from January to June 2024, representing a year-on-year increase of 10.5%. According to the statistics of the General Administration of Customs of the PRC, the export volume of tires in China increased by approximately 5.3% from January to June 2024, and the export amount increased by approximately 6.5%.

The demand for original equipment (the “**OE**”) and replacement of tires depended on the production volume of new vehicles and vehicle ownership respectively.

In the domestic market, the production and sales volumes of commercial vehicles, passenger vehicles, and new energy vehicles (“**NEVs**”) in China continued to increase in the first half of 2024, driving the demand for tire OE. According to the statistical analysis of China Association of Automobile Manufacturers, from January to June 2024, the production and sales volume of China’s commercial vehicles reached 2.005 million and 2.068 million, representing a year-on-year increase of 2% and 4.9%, respectively; the production and sales volume of passenger vehicles reached 11.886 million and 11.979 million, representing a year-on-year increase of 5.4% and 6.3%, respectively. Meanwhile, the production and sales volume of NEVs reached 4.929 million and 4.944 million, representing a year-on-year increase of 30.1% and 32%, respectively, with a market penetration exceeding 35%. As of June 2024, the domestic vehicle ownership reached 345 million, with the number of NEVs reaching 24.72 million. The demand for passenger vehicle tires in the domestic OE and replacement market was higher, with strong exports and thriving production and sales volume; the demand for commercial vehicle tires in the domestic OE market showed stable growth but was affected by factors such as the downturn in real estate investment, infrastructure-related logistics and transportation operation as well as weak social retail consumption, leading to a decreasing trend in the demand from the replacement market. At the same time, tire production costs continued to increase in the first half of 2024. However, due to weak demand for commercial vehicle tires, the upward trend of tire prices encountered resistance; the price of passenger vehicle tires had a certain upward adjustment due to the strong demand.

In the international market, in the first half of 2024, the overall demand in the overseas market was strong. The U.S. market is in a normal replenishment phase, the market share in Southeast Asia has increased significantly, and the European market has shown stable growth in replacement demand. The demand for passenger vehicle tires in overseas markets is strong, while the demand for commercial vehicle tires is weak. The international market continued to be affected by various trade barriers, inflation, exchange rate fluctuations and geopolitical relations. In particular, since May 2024, due to the impact of the Red Sea crisis and other factors, marine transportation fees have increased again with space shortage. As a result of the good downstream demand, the impact of marine transportation fees on the profitability of tire enterprises is relatively small.

In recent years, under the background of the escalation of international trade barriers and the disruption of China's tires export, China's tire enterprises have adhered to the international strategic layout, established overseas production bases, aggressively expanded overseas production capacity, and strengthened their international competitive advantages with diversified production capacity layout, intelligent equipments and operation systems.

Operation Review

Prinx Chengshan Holdings Limited (hereinafter referred to as the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**” or “**Prinx Chengshan**”) has been deeply engaged in tire design, research and development, manufacturing and sales for forty-eight 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 30 June 2024 (the “**Reporting Period**”), the Group sold approximately 13.8 million sets of tires, representing a year-on-year increase of 19.3%. Among them, sales of All Steel Radial Tires amounted to approximately 4.1 million sets, representing a year-on-year increase of 10.8%; sales of Semi-Steel Radial Tires amounted to approximately 9.4 million sets, representing a year-on-year increase of 24.1%; sales of Bias Tires amounted to 0.22 million sets, representing a year-on-year decrease of 4.6%. During the Reporting Period, the Group recorded revenue of approximately RMB5,363.4 million, representing a year-on-year increase of 23.7%, and gross profit of approximately RMB1,320.5 million, representing a year-on-year increase of 60.4%. Profit attributable to owners of the Company amounted to approximately RMB811.4 million, representing a year-on-year increase of 148.0%, EBITDA (Note 1) amounted to approximately RMB1,195.3 million, representing a year-on-year increase of 82.5%, and EBITDA margin (Note 2) amounted to 22.3%, representing a year-on-year increase of 7.2 percentage points.

The Group mainly supplies replacement market through distributors. For the six months ended 30 June 2024, the Group's revenue from domestic distributor channel amounted to approximately RMB1,244.6 million, representing a year-on-year increase of 10.3%; the revenue from international distributor channel amounted to approximately RMB3,511.9 million, representing a year-on-year increase of 28.8%; the revenue from direct sales to automobile manufacturers amounted to approximately RMB606.9 million, representing a year-on-year increase of 26.3%. Among them, All Steel Radial Tires, Semi-Steel Radial Tires and Bias Tires accounted for approximately 57.1%, 41.1% (for the same period of 2023: 64.0% and 34.5%) and 1.8% (for the same period of 2023: 1.5%) of the Group's revenue from tires respectively. Revenue from the tire production base in Shandong (hereinafter referred to as the “**Tire Production Base in Shandong**”) and tire production base in Thailand (hereinafter referred to as the “**Tire Production Base in Thailand**”) of the Group accounted for approximately 64.9% and 35.1% of the Group's revenue from tires respectively (for same period of 2023: 72.0% and 28.0%).

Note 1: EBITDA is earnings before interests, taxes, depreciation and amortisation

Note 2: EBITDA margin = (EBITDA/sales revenue) × 100%

Management Discussion and Analysis

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 continued to focus on advanced manufacturing, accelerated intelligent transformation and upgrading, and promoted the high-quality development of the Company through innovation. The Group adheres to the concept of “customer first” and “quality first”, strengthens its quality awareness, implements comprehensive and strict quality control standards, ensures that the products meet the laws and regulations and customer’s special requirements, and makes continuous improvement. During the Reporting Period, the Tire Production Base in Shandong completed a total of 68 Lean Six Sigma projects, and all employees participated in improvement activities. In the first half of 2024, a total of 2,025 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 with green and intelligent manufacturing standards, which is a solid step for the Group’s global development goal.

(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 the market demand and formulated production plans and managed inventory to form a customer-centered management process system integrating production, procurement, logistics and sales to ensure synergy and efficiency of all aspects.

During the Reporting Period, the Group actively introduced domestic and overseas quality suppliers, which not only met the Company’s high quality requirements for purchased materials, but also made the procurement costs more reasonable. In the event of large changes in orders, the Group has realized the opening up of new sources and reduction of costs in the procurement of raw materials by forecasting the demand for raw materials through anticipating the trend of changes in market demand by leveraging on predictive models for big data analysis. Meanwhile, the Group has continued to improve the information management system of the supply chain and established a visual and traceable database to improve the accuracy and compliance rate of the procurement plan and to provide guidance for future procurement work. The Group has continued to optimize warehousing management and process improvement, further expand and develop auxiliary functions such as smart carpooling, electronic receipt, inventory warning and vehicle reservation, realizing electronic processes and documents which effectively improved the overall operational efficiency of warehousing and logistics operations by relying on WMS (Warehouse Management Software) and TMS (Transportation Management System).

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

During the Reporting Period, the sales volume and revenue of domestic distributors and direct sales to automobile manufacturer channels of the Group increased significantly year-on-year.

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 2024, despite the pressure in the domestic commercial vehicle tires replacement market and a significant shrinkage in terminal market demand, the Group's sales volume in the commercial vehicle tire replacement channel was flat compared with the same period last year and the profit increased significantly year-on-year. The adjustment of product structure showed initial achievements, and the proportion of high-end products continued to increase.

The Group has facilitated the digital transformation of retail stores in the domestic commercial vehicle tires replacement market and enhanced its comprehensive operation capability relying on a new business model "lighthouse e-station". During the Reporting Period, the Group had a total of 6,915 lighthouse e-station stores (including 1,003 platinum card members, 206 gold card members and 158 silver card members). Through the transformation of business model, customer segmentation in the domestic commercial vehicle tires replacement channel of the Group has become more refined and precise, increasing the stickiness of distributors, strengthening their loyalty to the Company, and playing a complementary role in market standardization. The accumulative contribution of the stores accounted for approximately 65% (as compared to 57% in the same period of 2023) of the Group's sales volume in the domestic commercial vehicle tires replacement market, representing a year-on-year increase of 8 percentage points.



H Load Series "CAR619H"



H Load Series "CST206H"

Prinx Chengshan has launched the commercial tires of "H Load Series", designed for the complex transportation environment in China. Utilizing two core technologies, "BWC-New Bead Nylon Reinforcement Technology" and "MT-Tread Infinite Winding Technology", the product has undergone multi-dimensional performance enhancements, providing drivers with a higher quality user experience.



PRO premium series “XLOAD PRO G60”



PRO premium series “XFENDER PRO D20”

Prinx Chengshan has launched the “PRO premium series” products: S10/S15, D20/D25, G60/G65, etc. We positioned “PRO premium series” as high-end commercial tires, incorporating three key technologies and two core technologies from Prinx Chengshan, with an aim to establish ourselves as a “leader in the high-end commercial tire segment”. The first new products included eight patterns and a total of 12 products, such as XFENDER PRO for engineering heavy-duty tires, XSTANCE PRO for long-distance transportation tires, XATOM PRO for ultra-low rolling resistance tires and XLOAD PRO for high-end light truck tires.

Management Discussion and Analysis

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, the Group's sales volume of passenger vehicle tire replacement channels increased significantly year-on-year through the implementation of "Dual High Development in Channel and Structure" strategy. The Group developed 18 new first-tier distributors and successfully ranked among the top two in the sales volume of proprietary labels of JD.com, achieving high-quality development in both online and offline sales, with products in short supply. Meanwhile, the Group continued to optimize the product structure for passenger vehicle tire replacement channels, and the proportion of products in 17 inches and above increased to 45.7%, leading the domestic mainstream market.

The Group actively utilizes digitalization to empower its sales business. During the Reporting Period, the Group continued to optimize the systematic functions of the "Xiaopu Cloud Store" and "Xiaopu Steward" systems. Xiaopu Cloud Store is a full channel digital management system for the passenger vehicle tire replacement business, and Xiaopu Steward is an intelligent mobile office platform specially designed for dealers and salespersons.

During the Reporting Period, the Group's revenue from domestic distributor channels amounted to approximately RMB1,244.6 million, representing an increase of 10.3% from approximately RMB1,128.5 million for the same period of 2023.



The first urban SUV tire of the Chengshan Hua series — “Huayue SUV Tire”



The first ultra-high-performance tire of the Chengshan Hua series — “Hua Ren PLUS Tire”

Management Discussion and Analysis

International Distributors

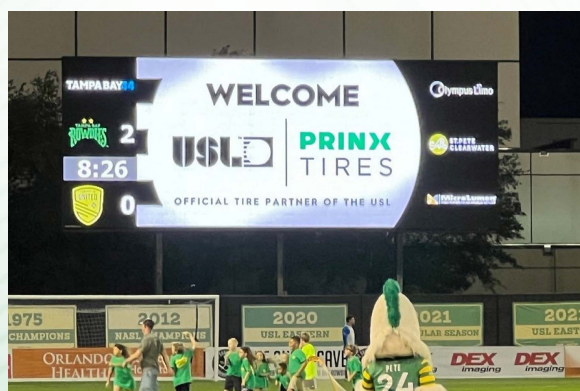
The Group's international marketing has been developed in a balanced manner in various regions, and the layout and expansion of overseas sales channels have achieved remarkable results. During the Reporting Period, the Group developed 37 new overseas distributors and launched the Secondary Supply project in the U.S. market, improving the nationwide sales coverage of secondary distributors, including retailers, through the warehouse resources of primary distributor. At the same time, the key new products launched such as 901 series for city buses, H series All-steel High-performance products and special tires which have gained widespread recognition in overseas markets, especially the breakthrough progress in the Asia-Pacific and African markets which further enhanced the global competitiveness of the Company's products.

In terms of overseas OE, the Group provided OE for the entire series of MG5 PRO Thailand version models of MG by leveraging on the geographical advantages of the production base in Thailand to accumulate experience and lay a foundation for the Group's subsequent expansion of overseas OEM business.

In terms of logistics optimization, the Group also demonstrates excellent operational capabilities. By signing agreements with shipping companies to lock in cabin insurance prices, we effectively reduced the marine transportation fees. At the same time, logistics costs were controlled through refined management during transportation, which effectively alleviated cost pressure and improved operational efficiency.

With excellent products and services, Prinx Chengshan has gained a good market reputation in overseas markets, with over 300 active distributors worldwide across six continents, and products covering 169 countries and regions in China and abroad.

The revenue from international marketing amounted to approximately RMB3,511.9 million, representing a year-on-year increase of approximately 28.8% from RMB2,727.0 million for the same period in 2023.



The brand of PRINX has successfully signed a contract with USL (United Soccer League), becoming the official partner of USL



PRINX 215/50R17 91V AQUILA PRO provided OE for the entire series of MG5 PRO Thailand version models of SAIC MG

Direct sales to automobile manufacturers

During the Reporting Period, benefiting from the recovery of domestic market demand for commercial vehicles, the sales volume and profit of the Group in the OE channels increased significantly. The Group has achieved comprehensive and balanced development in the market of commercial heavy-duty trucks, medium-duty trucks and light trucks, and maintained a high level of cooperation with the top five automobile manufacturers in various market segments. The proportion of OE tire export for heavy-duty and medium-duty commercial vehicles continued to increase. The OE business of passenger vehicle has been included in the cooperation with passenger vehicle manufacturers such as GWM, Xiaopeng and Chery. As at the date of this report, GWM and Chery projects have been supplied in batches, and BYD OE projects have been approved; at the same time, the Group has maintained high-quality cooperation with national logistics enterprises in the long haul, medium-to-short haul transportation and regional transportation.

With the further expansion of the brand and product influence of Chengshan, from 2022, the Group targeted at the domestic mid-to-high end logistics segment market, and reached strategic cooperation with the leading domestic express delivery and freight transportation companies.

During the Reporting Period, the Group's revenue from direct sales to automobile manufacturers amounted to approximately RMB606.9 million, representing an increase of 26.3% compared to approximately RMB480.7 million in the same period of 2023, mainly due to the increase in the number of OE for medium and heavy trucks and passenger vehicles.

Management Discussion and Analysis

(IV) Multi-brand and differentiated development strategy

The Group adhered to a multi-brand and differentiated brand strategy, insisted on empowering business-end distributors, deeply studied customer-end user needs, and built a loyal brand user base through various means.

Carrying out diverse market activities, continuously empowering domestic and overseas partners

During the Reporting Period, in the overseas market, the Group invited core customers from Europe, Asia-Pacific and other regions to hold a number of events in Thailand and visit Prinx Chengshan's green intelligent production base in Thailand and premium raw material suppliers. In the domestic market, through the branch associations and Li Auto Car Club and other activities, customers gained an in-depth understanding of intelligent manufacturing, product quality and service strength and experienced the Group's "home" culture, which enhanced customer cohesion and brand loyalty and further solidified the confidence in collaborative development.



In February 2024, the 2024 Prinx Chengshan's Domestic Passenger Vehicle Tire Distributor Conference with the theme of "Concerted Efforts and Dual High Development" was held in Qingdao

Successfully appearing at international exhibitions, going international and realizing glorious achievements

In June 2024, Prinx Chengshan showcased all series of high-performance new products of its four major brands, PRINX, Chengshan, Austone and Fortune at The Tire-Cologne in Germany. The Company comprehensively displayed its latest achievements in R&D of tires for passenger and commercial vehicles, presenting an excellent exhibition of tire technology for overseas customers and demonstrating the Company's brand strength to further enhance its international operational capabilities and influence.

Initiating diversified cooperation, deepening brand connotation and sustainable development

The Group has reached strategic cooperation by signing a contract with Marangoni, a well-known tire renovation material supplier in Europe. Marangoni has an excellent reputation in the field of tire renovation, and its unique cold renovation system "RINGTREAD" holds a leading position worldwide. After reaching a strategic cooperation, both parties will work together to significantly extend the service life of commercial vehicle tires and reduce CO₂ emissions to contribute to global energy conservation and emission reduction.



In June 2024, Prinx Chengshan participated in The Tire-Cologne in Germany



Prinx Chengshan and Marangoni, a well-known tire renovation material supplier in Europe, conducted cooperation

Constructing self-media with continued efforts through multimedia matrix layout

In terms of media communication, the Group utilized various forms of communication such as all kinds of social media and short video platforms in domestic and overseas markets, continuously made efforts in self-media. Through professional content creation, we ensured stable operation and continuous output of the platform's content, accurately covering the target audience and achieving growth of word-of-mouth. During the Reporting Period, the Group's self-media followers accumulated to over 0.42 million, and its content was exposed nearly 30 million times across the internet.

Management Discussion and Analysis

The Group's influence in the global market continued to increase. In May 2024, in the 2024 China Brand Value Evaluation of the China Council for Brand Development, the Group's brand value reached RMB3.079 billion, representing a year-on-year growth of 6.2%.

(V) Innovative sales model

The Group's "Zhianda" tire leasing model integrates digital products and services, providing truck owners with more convenient, efficient, and safe tire usage solutions. Through the digital means such as intelligent tire temperature and pressure chip technology, digital management systems, and big data analysis, tire leasing companies can achieve refined management and optimized allocation of the whole life cycle of tires. Moreover, the Company focused on remote monitoring and maintenance to conduct real-time monitoring of rental vehicles, vigorously developed national mobile rescue services and other digital services. More than 3,000 maintenance and rescue sites have been established nationwide, which further enhanced the truck owners' experience. With the continuous advancement of technology and the gradual maturity of the market, the tire leasing model and its digital products and services have been applied and promoted more extensively in Prinx's terminal market, which effectively improved the tire safety and operation efficiency of fleet customers, reduced the comprehensive use costs of customers, and ultimately realized the management of the whole life cycle of tires.

Meanwhile, the Group's Zhianda model organically combined automobile maintenance and tire leasing, assisting clients in refined management and creating value for clients. 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. 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

The Group's Tire Production Base in Shandong currently has a production capacity of 7.4 million sets/year of All Steel Radial Tires and 11.53 million sets/year of Semi-Steel Radial Tires, and the Tire Production Base in Thailand currently has a production capacity of 2 million sets/year of All Steel Radial Tires and 8 million sets/year of Semi-Steel Radial Tires. In the first half of 2024, the capacity utilization rate of All Steel Radial Tires/Semi-Steel Radial Tires at the Tire Production Base in Shandong was 86.3%/96.5%, respectively, and the capacity utilization rate of All Steel Radial Tires/Semi-Steel Radial Tires at the Tire Production Base in Thailand was 89.3%/97.6%, respectively.

The capacity optimisation and upgrade project for the Semi-steel Radial production line of the Tire Production Base in Shandong of the Group, which was launched in the third quarter of 2023, completed the construction in the second quarter of 2024. In addition, the production capacity of the Phase III project of the Tire Production Base in Thailand (with production capacity of 2.0 million sets of Semi Steel Radial Tire per year), which has been launched at the same time, is being released currently and is expected to reach the production capacity in the fourth quarter of 2024.

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

The Group always adheres to the strategy of driving high-quality sustainable development through technological innovation. In terms of material research and development, the Group increased the research and application of new materials such as bio-based, renewable and degradable materials, high-performance rubber, and functional resins, continuously improved the sustainable technology application level of tires, and constantly enhanced the safety, durability, comfort, wear resistance and fuel economy of tires. The Group was actively promoting the intelligence of tires. The smart chip for truck and bus tires can not only monitor the internal pressure and temperature of the tires in real-time, but also accurately monitor the load on the tires, effectively enhancing the lifespan and driving safety of the tires. The Group effectively utilized industry-academia collaboration and cooperated with upstream and downstream customers to enhance innovation levels and meet market and customer needs.

During the Reporting Period, the Group continued to strengthen the construction of digital platforms and testing capabilities such as the PLM (Product Life Cycle Management), the LIMS (Laboratory Information Management System) and TDSS (Tencent Distributed Storage System). The installation and commissioning of 6 testing devices including a six-component force testing machine were completed and put into use, greatly enhancing the company's innovation capability and OE development capability. During the Reporting Period, new all-season tires, winter tires, snow tires, ice tires for passenger cars, and the high-performance Hua Ren PLUS products under the "Hua" series have been developed and received high praise from customers. This not only enriched the production line but also achieved product upgrades. In terms of commercial truck and bus tires, the focus was on completing the R&D of European winter tires and reserving next-generation high-end tire technology, achieving a product pattern of producing one generation, reserving one generation, and developing one generation.

As at the end of the Reporting Period, the Group has been granted 429 intellectual property rights, including 21 invention patents, 242 utility models, 166 design patents.

(VIII) Organizational management and corporate culture building

The Group focuses on improving organizational efficiency. In order to meet the needs of the Company's current operation as well as its future development, the Group continues to optimize its organizational structure, improve its standardized operational processes and regulate its management. During the Reporting Period, through reshaping key business links and strengthening their execution efficiency, the Group broke through the inherent habits and barriers of its business segments to achieve efficiency improvement of business processes, improvement of work efficiency and enhancement of human resources efficiency and a dual enhancement in its business scope and service quality.

Management Discussion and Analysis

Upholding the core value of “customer first”, the Group continuously optimized customer service experience and set an industry benchmark for service quality. At the same time, it fostered a positive work atmosphere to inspire employees’ sense of belonging and creativity. In terms of expanding international business, especially for overseas production bases, we particularly emphasized enhancing employees’ understanding and respect for local cultures, promoting deep communication and cooperation between Chinese and foreign employees. We continued to adhere to the principle of “Full Communication, Respect and Tolerance, Smooth Transition, and Learning from Innovation”, so as to create a result-oriented and value-driven integrated new culture, driving the steady progress of the enterprise.

(IX) Intelligent manufacturing and information construction

The Group continued to promote digital innovation and improvement of business systems. During the Reporting Period, the Group’s information technology department achieved significant phased results in improving quality, enhancing efficiency, and reducing costs by deeply engaging with frontline business and fully leveraging the team’s development capabilities. In multiple areas such as factory interconnection, intelligent manufacturing, energy management, three-dimensional warehousing and automated logistics, quality inspection laboratory management, supply chain collaboration, digital marketing and intelligent product services, a large number of precise optimizations based on the actual business of the Group have been carried out to meet the customized needs of different departments and different business users. In the field of tire manufacturing, the Group achieved a rapid replication model for new factories. The Company launched a network system monitoring platform to monitor the status of software and hardware nodes across the entire business, enabling rapid traceability and handling of faults at various infrastructure nodes. The Group’s data center has comprehensively improved the existing physical security environment, including the access control system, video surveillance system, fire protection system, dual power supply access, temperature and humidity control system, environmental alarm monitoring system, etc.

At the same time, the Group deepened digital transformation, deployed automated warehouse systems, optimized supply chain structure, significantly improved quality and output, and fully demonstrated the efficiency of intelligent production. Keeping up with the AI technology trend, the Group has innovatively introduced image recognition technology into tire shipment management, greatly enhancing operational precision and efficiency. Furthermore, the Group continued to make efforts in the fields of big data and machine learning, expanding application boundaries and providing strong data support for production optimization and market forecasting. This series of measures not only strengthened the Group’s technological attributes but also set a benchmark for digital transformation in the industry.

During the Reporting Period, the Group successfully launched the cost automation system, providing effective support for cost control and corporate decision-making. This move marks the Group’s step towards intelligent financial management, providing a solid foundation for refined operations and strategic planning. Overall, the Group is comprehensively advancing the construction of intelligent factories, empowering production with technological innovation, leading the future with digital transformation, and showcasing its leadership and forward-looking vision in the global tire industry.

New products

During the Reporting Period, the Group actively researched and developed new products, and completed the R&D and launched a total of 300 products, including 14 All Steel Radial Tires and 286 Semi-Steel Radial Tires. This series of new products not only enriched the product line but also further enhanced the Group's market competitiveness and penetration rate in different channels and segments. At the same time, to precisely meet market demand and accelerate the layout and expansion of overseas markets, the Group has proactively planned and reserved 13 newly designed All Steel Radial Tires and 9 new patterns and product series of Semi-Steel Radial Tires. These reserve projects not only demonstrated Prinx Chengshan's precise grasp of future market trends, but also laid a solid foundation for continuously leading industry transformation and deepening market deployment. Through these measures, the Group is steadily building a more diversified and high value-added product matrix to meet future challenges and opportunities with stronger market adaptability and competitiveness.

During the Reporting Period, the Group closely observed the market competition and committed to building a product matrix that integrates high value and deep connotation to significantly enhance the market competitiveness of the products. In terms of All Steel Radial Tires, we precisely focused on key market segments and strove to create a new generation of green and environmentally friendly products with low rolling resistance and high wear resistance, reflecting Prinx Chengshan's deep commitment to global environmental protection and sustainable development, and also meeting the market's urgent demand for efficient, energy-saving, and environmentally friendly tires. In terms of Semi-Steel Radial Tires, the Group aimed to create a new generation of high-performance tires and new energy tires based on the advanced tire design and manufacturing concept, in response to the market change trend and in line with the brand renewal strategy. These innovative products demonstrate the Group's keen insight into technological frontiers and quick response capabilities, further consolidating our market position in new energy vehicles and high-performance tires.

In terms of Semi-Steel Radial Tires (passenger vehicle tires) products, the Group launched "Hua Ren PLUS", the first ultra-high-performance tire of the Chengshan Hua series in China, which is positioned as a comfortable handling type, and continues the excellent overall performance, unique advantageous performance and stunning detail design of the flagship products of the "Hua" series, so as to be committed to providing users with a brand-new driving experience on the road. At the same time, the Group also actively deployed the international market, successively launching Prinx and Chengshan series of North American 4S, European Prinx UHP and 4S Van products, European Chengshan series 4S Van products, and Chengshan series of winter tires, further enriching the Group's semi-steel seasonal product line.

Management Discussion and Analysis

In terms of All Steel Radial Tires (commercial vehicle tires) products, the Group continued to lead the industry trend in innovation and excellence. Prinx Chengshan has launched the premium PRO series products such as S10/S15, D20/D25 and G60/G65. These products incorporate the latest innovative technologies in the R&D field, such as high wear resistance and uneven wear resistance. With outstanding performance, they have won enthusiastic market response and high recognition. At the same time, in the field of ultra-low rolling resistance technology, products such as S01 and D01 have achieved significant breakthroughs, with S01 even reaching the EU label A grade standard. This not only demonstrates Prinx Chengshan's profound accumulation and leading advantage in low and ultra-low rolling resistance technology, but also contributes significantly to energy saving and emission reduction in the global commercial vehicle industry.

In addition, the Group has also achieved significant accomplishments in the field of EU certification. The (EU) 2017/2400 certification for carbon emissions and fuel consumption was obtained for a batch of high-performance commercial tires, including the all-steel AR603, TH155 and TH135. This marks that the Group's products have reached the international top level in terms of environmental protection and energy efficiency. Earlier, five types of tires, namely Winter Excelia, AR603, DR606, TH135 and TH155, had also passed the "TÜV MARK" certification standards by TÜV SÜD, further consolidating Prinx Chengshan's leading position and brand influence in the global market.

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	139.5	409.3	34.1%
Semi-Steel Radial Tires	392.0	944.8	41.5%
Bias Tires	1.9	21.8	8.7%
Total	533.4	1,375.8	38.8%

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 enterprises by improving the environmental management system and related policies, implementing environmental protection responsibilities. As one of the first batch of “green factories” selected by the Ministry of Industry and Information Technology of the People’s Republic of China and a leader in energy consumption per unit in the industry, the Group continues to adopt environmental protection measures and upgrade production processes, and the energy consumption per tonne of the Group’s All Steel Radial Tires and Semi Steel Radial Tires both are better than the requirements of the industry’s Class 1 energy consumption standard. In recent years, Prinx Chengshan has continuously optimized its energy consumption structure, widely applied photovoltaic power generation clean energy, and built intelligent production workshops with internationally advanced standards. The numerical control rate of key equipment has reached 81%, and all terminal energy-using equipment has been fully electrified.

During the Reporting Period, Prinx Chengshan (Shandong) Tire Co., Ltd. (“**Prinx Shandong**”) actively fulfilled its social responsibilities and deeply integrated into the framework of community development, successfully implementing the “Community Co-construction” initiative — company volunteers participating in the public welfare action of community road surface renovation. Prinx Chengshan Tire (Thailand) Co., Ltd. (hereinafter referred to as “**Prinx Thailand**”) participated in the 2024 Corporate Green Industry Seminar organized by the Ministry of Industry of Thailand. The application for the Level 4 Green Industry Certificate for the Tire Production Base in Thailand has been submitted to the Ministry of Industry of Thailand, and it is expected to receive the certificate in the second half of 2024. The Group actively participated in community activities in Thailand, donating school supplies to the local Tacham primary school and festival items to the Nong Ya County government during the Songkran Festival.

BUSINESS STRATEGIES AND PROSPECTS

As of the date of this report, the orders received by the Group have been generally stable with a slight decrease. Among them, the orders for Semi-Steel Radial Tires from two production bases are strong, maintaining full production status. The orders for All Steel Radial Tires have slightly decreased due to the sluggish domestic market situation and the impact of international shipping prices. Looking ahead to the second half of 2024, due to persistent inflation, high interest rate environment, and the impact of international geopolitical risks and trade conflicts, there are uncertainties in the global economic development outlook. In the second half of 2024, the European Union will start imposing anti-dumping and countervailing duties on Chinese electric vehicles, which may somewhat drag down China’s automobile production. It is expected that the strong demand trend in the semi-steel tire OE market may weaken in the second half of the year, potentially narrowing the annual growth rate.

Management Discussion and Analysis

In the second half of 2024, despite the multiple challenges faced by the global economy, new opportunities are also emerging. Prinx Chengshan takes proactive responsibility, promptly implements upgrades beneficial for addressing current situations and long-term development, seizes the opportunity of the new energy vehicle era, actively embraces the wave of digitalization and intelligence, accelerates the intelligent and digital transformation of the tire industry, and achieves high-quality development amidst challenges.

- (1) Adhere to the “cost leadership” strategy, deepen the cost consciousness of all employees and build an efficient operation system.
- (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 “product + service” strategy, driving brand upgrade through product performance.

In the domestic commercial vehicle tire replacement market, the Group will continuously optimize channels and product structure, enhance brand influence and sales of medium to premium products, and increase the density of the retail network.

In the passenger vehicle tire replacement market, the Group will steadily advance towards the dual high-quality development of “channel + structure” by leveraging channel interaction, store empowerment, and consumer promotion, and by relying on the combined advantages of online and offline resources to maximize the utilization of existing resources.

In terms of commercial vehicle tire and passenger vehicle tire OE market, the Group will target the high-end OE market, enhancing brand positioning to drive the influence and recognition of various brands in the replacement market and international market.

In the international market, the Group will continue to strengthen its efforts in developing weak and untapped markets, focusing on increasing the sales of all-steel products. At the same time, the Group will promote the sales of all-steel tires in the European market by optimizing its claims policy.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, revenue of the Group amounted to approximately RMB5,363.4 million, representing an increase of approximately RMB1,027.2 million (or 23.7%) compared to approximately RMB4,336.2 million for the six months ended 30 June 2023.

Sales by product type	For the six months ended 30 June 2024		2023		Year-on-year change
	RMB'000	Percentage of total revenue	RMB'000	Percentage of total revenue	
All Steel Radial Tires	3,063,104	57.1%	2,774,811	64.0%	10.4%
Semi-Steel Radial Tires	2,205,359	41.1%	1,493,807	34.5%	47.6%
Bias Tires	94,918	1.8%	67,541	1.6%	40.5%
Total	5,363,381	100.0%	4,336,159	100.0%	23.7%

For the six months ended 30 June 2024, revenue from sales of All Steel Radial Tires increased by approximately 10.4% from approximately RMB2,774.8 million for the six months ended 30 June 2023 to approximately RMB3,063.1 million, which is attributable to the year-on-year increase of 10.8% in sales volume; and revenue from sales of Semi-Steel Radial Tires increased by approximately 47.6% from approximately RMB1,493.8 million for the six months ended 30 June 2023 to approximately RMB2,205.4 million for the six months ended 30 June 2024, which was primarily attributable to the year-on-year increase of 24.1% in sales volume and the increase in average unit price. Revenue from sales of Bias tires increased by approximately 40.5% from approximately RMB67.5 million for the six months ended 30 June 2023 to approximately RMB94.9 million for the six months ended 30 June 2024, which was primarily attributable to the increase in average unit price due to changes in product structure.

Management Discussion and Analysis

Sales by channel	For the six months ended 30 June 2024		For the six months ended 30 June 2023		Year-on-year change
	RMB'000	Percentage of total revenue	RMB'000	Percentage of total revenue	
Distributors					
Domestic	1,244,608	23.2%	1,128,462	26.0%	10.3%
International	3,511,865	65.5%	2,726,983	62.9%	28.8%
	4,756,473	88.7%	3,855,445	88.9%	23.4%
Direct Sales to Automobile Manufacturers	606,908	11.3%	480,715	11.1%	26.3%
Total	5,363,381	100.0%	4,336,159	100.0%	23.7%

For the six months ended 30 June 2024, revenue from sales to distributors (including private label customers) increased from approximately RMB3,855.4 million for the six months ended 30 June 2023 to approximately RMB4,756.5 million, representing an increase of 23.4% compared to the same period last year, which was mainly due to the robust demand in the passenger vehicle tires market. Despite the overall sluggish demand in the commercial vehicle tires market, benefiting from its advantages in products, channels, and brand, the Company actively seized market opportunities and led to the increase in revenue from domestic distributors by 10.3% year-on-year and the increase in revenue from international distributors by 28.8% year-on-year.

For the six months ended 30 June 2024, revenue from sales to automobile manufacturers increased from approximately RMB480.7 million for the six months ended 30 June 2023 to approximately RMB606.9 million, representing an increase of 26.3% compared to the same period last year, which was mainly due to a year-on-year increase of 15.2% in sales volume.

Cost of Sales

The Group's cost of sales increased from approximately RMB3,513.1 million for the six months ended 30 June 2023 to approximately RMB4,042.9 million for the six months ended 30 June 2024, representing an increase of approximately RMB529.8 million (or 15.1%). The increase was mainly due to the combined effect of an increase in cost of sales as a result of a year-on-year increase of approximately 19.3% in sales volume, and the refund of anti-dumping duty for passenger vehicle and light truck tires originating from Thailand (hereinafter referred to as "anti-dumping duty refund"), which offset approximately RMB145.2 million in cost of sales.

Gross Profit and Gross Profit Margin

The Group's gross profit increased from approximately RMB823.1 million for the six months ended 30 June 2023 to approximately RMB1,320.5 million for the six months ended 30 June 2024, representing a year-on-year increase of 60.4%, which was mainly due to the Group's continuous adjustment of product structure and business structure, the significant increase in product sales volume and the increase in gross profit per unit. The gross profit margin increased from 19.0% for the six months ended 30 June 2023 to 24.6%, representing an increase of 5.6 percentage points compared to the same period last year. Among them, the anti-dumping duty refund affected the gross profit margin by 2.7 percentage points, while the increase in the utilisation rate of the production capacity and adjustment of product structure improved the gross profit margin by 2.9 percentage points.

Other Income

The Group's other income increased from approximately RMB24.9 million for the six months ended 30 June 2023 to approximately RMB27.2 million for the six months ended 30 June 2024, representing a year-on-year increase of RMB2.3 million. The increase was mainly due to a year-on-year decrease of RMB1.6 million in government grants and a year-on-year increase of RMB3.9 million in the income from sales of scrap.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased from approximately RMB245.9 million for the six months ended 30 June 2023 to approximately RMB254.0 million, representing an increase of 3.3% from the same period last year. The increase was primarily due to the corresponding increase in the variable selling expense due to the increase in sales volume.

Research and Development Costs

The Group's R&D costs decreased from approximately RMB126.7 million for the six months ended 30 June 2023 to approximately RMB108.7 million, representing a decrease of approximately 14.2% year on year. The decrease was mainly due to the reversal of expenses related to R&D personnel as the result of the partial lapse of the 2021 equity incentive scheme.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB93.0 million and RMB81.0 million for the six months ended 30 June 2024 and 2023 respectively, representing an increase of approximately 14.9% year on year. The increase was attributable to the expansion of the Company's business scale.

Other Gains

The Group's other gains amounted to approximately RMB22.0 million and RMB17.2 million for the six months ended 30 June 2024 and 2023, respectively. This was mainly due to the decrease in losses from fair value change.

Management Discussion and Analysis

Finance Income

For the six months ended 30 June 2024 and 2023, the Group's finance income amounted to approximately RMB25.0 million and RMB9.6 million respectively. The increase in finance income was due to receiving interest of approximately RMB18.1 million related to anti-dumping tax refund.

Finance Costs

For the six months ended 30 June 2024 and 2023, the Group's finance costs amounted to approximately RMB43.9 million and RMB44.2 million respectively. The decrease in finance costs was mainly due to the decrease in interest on borrowing.

Operating Profit

For the six months ended 30 June 2024 and 2023, the Group's operating profit amounted to approximately RMB911.3 million and RMB412.5 million, respectively, representing a year-on-year increase of 120.9%. The increase in the operating profit was primarily due to the increase in gross profit.

Income Tax Expense

For the six months ended 30 June 2024 and 2023, the income tax expenses of the Group amounted to approximately RMB80.9 million and RMB50.9 million, respectively, representing an increase of approximately RMB30.0 million (a year-on-year increase of 58.8%), which was due to the year-on-year increase in profit of Prinx Chengshan (Shandong) Tire Co., Ltd., a wholly-owned subsidiary of the Company, and the year-on-year increase in profits of overseas subsidiaries, during the Reporting Period, resulting in the increase in income tax.

Profit for the Period

Profit during the Reporting Period increased by RMB484.3 million (or 148.0%) from RMB327.1 million for the six months ended 30 June 2023 to approximately RMB811.4 million. Such increase was mainly due to the increase in operating profit.

Profit Attributable to Shareholders of the Company

Due to the above factors, for the six months ended 30 June 2024 and 2023, the profit attributable to shareholders of the Company amounted to approximately RMB811.4 million and RMB327.1 million respectively.

Total Comprehensive Income for the Period

Total comprehensive income for the Reporting Period increased from approximately RMB438.0 million for the six months ended 30 June 2023 to approximately RMB832.7 million, representing an increase of 90.1% from the same period last year, which was primarily a combined effect of the increase in net profit for the period of approximately RMB484.3 million, and the foreign currency statement translation income incurred by entities whose functional currency is foreign currency.

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 30 June 2024, the Group had approximately RMB574.1 million in cash and cash equivalents (including restricted cash), representing a decrease of approximately RMB151.9 million as compared to that as at 31 December 2023 (approximately RMB726.0 million), which was mainly due to the use of cash generated from operating activities for repayment of bank loans and payment of dividends. Among them, approximately RMB263.1 million was denominated in RMB, approximately RMB292.1 million was denominated in USD, and the rest were denominated in HKD, EUR, and THB. As at 30 June 2024, the Group had bank borrowings of approximately RMB868.8 million (31 December 2023: approximately RMB1,211.3 million), of which, approximately RMB486.2 million was denominated in RMB and the rest was denominated in USD. Borrowings at floating interest rates accounted for 70.6%, and borrowings at fixed interest rates accounted for 29.4%. Approximately RMB498.3 million will be due within one year and approximately RMB370.5 million will be due within one to 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 30 June 2024 was approximately 1.3 (31 December 2023: approximately 1.1). During the Reporting Period, the Company purchased banks' time deposits to increase financial returns. As at the end of the Reporting Period, the net balance of such wealth management products was approximately RMB30.0 million.

Inventories

As at 30 June 2024, the inventories of the Group amounted to approximately RMB1,730.0 million, representing an increase of approximately RMB92.5 million from approximately RMB1,637.5 million as at 31 December 2023, which was due to the expansion of business scale.

Management Discussion and Analysis

Trade and Notes Receivables

As of 30 June 2024, accounts receivables of the Group were approximately RMB2,216.7 million, representing an increase of approximately RMB356.4 million from approximately RMB1,860.4 million as at 31 December 2023. The increase was attributable to the increase in sales revenue.

Prepayments, Other Receivables and Other Assets included in Current Assets

As at 30 June 2024, prepayments, other receivables and other assets included in current assets of the Group were approximately RMB361.5 million, representing a decrease of approximately RMB112.6 million as compared to RMB474.1 million as at 31 December 2023. This decrease was mainly due to the decrease in the prepayments of raw materials.

Financial Assets at Fair Value through Profit or Loss

As at 30 June 2024, the Group's financial assets at fair value through profit or loss were approximately RMB3.8 million, representing a decrease of approximately RMB174.6 million from approximately RMB178.4 million as at 31 December 2023. The decrease is primarily attributable to the decrease 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 RMB244.1 million as at 31 December 2023 to approximately RMB293.4 million as at 30 June 2024, representing an increase of approximately RMB49.3 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 RMB39.0 million and approximately RMB10.3 million, respectively.

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

As of 30 June 2024 and 31 December 2023, the Group's prepayments, Other Receivables and Other Assets included in non-current assets amounted to approximately RMB35.7 million and RMB7.0 million, respectively, representing an increase of approximately RMB28.7 million. This increase was mainly due to the increase in time deposits.

Trade Payables

As of 30 June 2024 and 31 December 2023, the Group's trade payables amounted to approximately RMB2,265.6 million and RMB2,391.7 million, respectively, representing a decrease of approximately RMB126.1 million, which was mainly due to the decrease in trade payables for raw materials.

Other Payables and Accruals

As at 30 June 2024 and 31 December 2023, the Group's other payables and accruals amounted to approximately RMB1,060.3 million and RMB1,218.5 million, respectively, representing a decrease of approximately RMB158.2 million, which was mainly due to the decrease in amount for purchased machinery and equipment.

Gearing Ratio

As at 30 June 2024, the gearing ratio was 5.1% (31 December 2023: 8.7%). 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 30 June 2024. 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 to increase financial returns.

Pledge of Assets

As at 30 June 2024, the Group's property, plant and equipment with a net book value amounting to approximately RMB640.0 million (31 December 2023: approximately RMB3,793.1 million) and restricted cash balances amounting to approximately RMB145.2 million (31 December 2023: approximately RMB178.0 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 phase I project with an annual production capacity of 0.8 million sets of All Steel Radial Tires and 4.0 million sets of Semi-Steel Radial Tires had been completed in 2020 and entered the stage of stable operation; the phase II project with an annual capacity of 1.2 million sets of All Steel Radial Tires and 4.0 million sets of Semi-Steel Radial Tires have gradually reached production in the first quarter of 2022.

Management Discussion and Analysis

The Group has initiated the expansion plan of Prinx Shandong in the second half of 2020. The total investment of the project is approximately RMB666.0 million, which increased 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.

On 31 August 2023, the Board considered and approved the resolution in relation to the capacity optimisation of the Tire Production Base in Shandong. The capability of producing high-performance Semi-Steel Radial Tires will be improved through technological transformation, equipment upgrading and process optimisation. Upon completion, the production capacity of Semi-Steel Radial Tires would increase to 11.53 million units per year. The total investment of the project was expected to be approximately RMB120.0 million. The project was completed in the second quarter of 2024. On the same day, the Board also considered and approved the proposal of the Phase III project of the Tire Production Base in Thailand (2 million sets of Semi-Steel Radial Tires per year). The total investment of the project is expected to be approximately RMB200.8 million. Currently, it is in the ramp-up stage of production capacity and expected to reach the production capacity by the fourth quarter of 2024. The capital source for the above projects would be the Group's own capital.

Save as disclosed above, the Group did not have any other new significant investments for the six months ended 30 June 2024.

EXPOSURE TO RISKS

(I) Macro environment risks

In 2024, the global economy showed a recovery trend. With the economic operation gradually recovering in the first half of the year, the export of automobile manufacturers remains strong. There are numerous risks and hidden dangers in key areas, and external environment is complex and grim. It is expected that sluggish domestic demand, global political and tariff barriers, as well as exchange rate impacts will pose significant challenges to exports in the second half of 2024. The domestic tire industry will face the risk of a decline in sales as affected by a number of factors such as unstable supply chain and fierce competition in sales. The Group will focus on the development opportunity of "dual circulation" and seek for technological innovation to improve the performance and durability of tires. In addition, with the advance of technology and the increasing awareness of environmental protection, the Group will continue to strive to provide safe, environment-friendly and high-performance products to meet the changing market demand.

(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 the risk of exchange rate fluctuations. For the six months ended 30 June 2024, the Group's revenue denominated in USD and in EURO from overseas operations accounted for approximately 65.5% of the total revenue, and the operating expenses of Prinx Thailand were mainly settled in THB. Therefore, the Group is exposed to foreign exchange risk arising from USD, EURO 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.

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

In recent years, countries and regions such as the United States, Europe, South Africa and Mexico have restricted the export of tires from other countries to them through the imposition of tariffs and anti-dumping and countervailing duty, and the Group has continued to reduce export tax rate by actively participating in the response to the complaints and investigation. Since 2019, the United States started to impose anti-dumping and countervailing duty on tires imported from China. Prinx Shandong actively participated in administrative review, which significantly reduced the duty rate of the Group's exports to the United States, and improved the competitiveness of the Group's products in the United States market. In addition, the U.S. Department of Commerce issued an anti-dumping levy order on Thailand's passenger vehicle and light truck tires on 19 July 2021. Prinx Thailand, an indirect wholly-owned subsidiary of the Company, is applicable to an average anti-dumping duty rate of 17.06%. On 6 September 2022, the U.S. Department of Commerce issued a notice to commence the first administrative review process of anti-dumping against imported passenger vehicles and light truck tires from Thailand, the investigation period of which is from 6 January 2021 to 30 June 2022. The U.S. Department of Commerce announced the preliminary ruling results of the first administrative review of the anti-dumping against Thailand's passenger vehicle and light truck tires in July 2023, and the final results in January 2024. And an average duty rate of 4.52% shall be applicable to the Group.

The U.S. Department of Commerce issued a notice on 11 September 2023 to initiate the second administrative review procedures against anti-dumping of passenger car and light truck tires from Thailand. The investigation period of this anti-dumping review shall be from 1 July 2022 to 30 June 2023. The Group participated in this review and filed a reply as a supplementary mandatory respondent. On 9 August 2024, the U.S. Department of Commerce issued the preliminary ruling of this administrative review, and an anti-dumping duty rate of 4.95% shall be applicable to Prinx Thailand. The final-determination result is expected to be announced in early 2025.

Management Discussion and Analysis

On November 7, 2023 (U.S. time), the U.S. Department of Commerce announced to initiate an anti-dumping investigation against Truck and Bus Tires imported from Thailand. The investigation period of this anti-dumping review shall be from 1 October 2022 to 30 September 2023. The Group participated in this anti-dumping investigation and filed a reply as a mandatory respondent. On 15 May 2024 (U.S. time), the U.S. Department of Commerce announced the preliminary ruling of the anti-dumping duty investigation against Truck and Bus Tires imported from Thailand. The preliminary dumping rate applicable to Prinx Thailand, a wholly-owned subsidiary of the Company, is 0%. The preliminary ruling by the U.S. Department of Commerce may subject to change, and it can only be confirmed upon the U.S. Department of Commerce makes a final affirmative ruling, the U.S. International Trade Commission makes a final affirmative ruling, and an order is issued. The decrease in duty rate will enhance the competitiveness of Thai tires products in the United States market, and enable to grab a larger market share.

On 5 April 2023 (Mexico time), the Ministry of Economy of Mexico announced the initiation of an anti-dumping investigation on the 13 to 22 inch passenger car and light truck tires imported from China. The investigation period for the anti-dumping investigation was from 1 July 2021 to 30 June 2022. The Group's Prinx Shandong participated in this anti-dumping investigation and filed a reply as a respondent company. Currently, the investigation is ongoing. On 5 April 2024, the Ministry of Economy of Mexico made a preliminary ruling, and determined not to impose provisional anti-dumping duty. The investigation is ongoing.

The Company's operations may be subject to the escalation of trade barriers. In this regard, the Company will make arrangements in advance and actively respond to the following aspects to reduce the impact on the Company: firstly, the Company will expand market sales and reduce reliance on a single market; secondly, the Company will improve the competitiveness of the enterprise through adjustment and enrichment of product by leveraging on the Company's R&D efforts.

(IV) Risks in relation to overseas investments

During the Reporting Period, the Tire Production Base in Thailand was affected by local economic, political, government policies and changes in laws, which may change the investment environment in Thailand and the construction period of the project investment and pose risks to the Company's operation and investment.

The Group will strengthen its internal management, actively analyse the changes in international economic, political and social environment, and timely adjust 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 operates steadily and carries out various work in an orderly manner.

(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 7 safety training sessions, 77 special drills and 4 disposal drills to improve the emergency response capabilities of the employees.

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, the Company has established a list of applicable laws and regulations which is updated from time to time for compliance. In addition, the Company made enquiries from time to time regarding legal restrictions under the laws of the relevant jurisdictions 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. Based on the full cooperation between the legal department of the Company and external legal advisors, and through the continuous and effective supervision of the Company, the Company is able to comply with the relevant laws and regulations within and outside the PRC that have a significant impact on the Company.

Management Discussion and Analysis

Capital structure

There was no change in capital structure of the Company for the six months ended 30 June 2024. The capital of the Company comprises ordinary shares and other reserves.

Capital commitment and contingent liabilities

As at 30 June 2024, the Group's capital commitment was approximately RMB107.6 million (31 December 2023: approximately RMB70.0 million). For the six months ended 30 June 2024, the Group had no contingent liability that would result in a significant impact (31 December 2023: nil).

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

Save as disclosed in the section headed "Investments", 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

Save as disclosed in the section headed "Investment", there was no plan authorized by the Board for other substantial investment or additions of capital assets during the Reporting Period.

Human resources management

As at 30 June 2024, the Group had a total of 6,252 employees (as at 31 December 2023: 6,532). The employee benefit expenses of the Group were approximately RMB351.5 million for the six months ended 30 June 2024 (for the six months ended 30 June 2023: approximately RMB316.6 million).

The Group continues to implement and improve performance management for all employees, introduces the rank evaluation system, deepens the promotion of a value-oriented salary system, pays employees remuneration and bonuses based on the rank certification and the output of performance results, and timely understands and refers to the market standards of the same industry to adjust the salary level. The Group has launched the E-HR system to achieved online operation of standardized business and initially achieved the data analysis of certain functions, which has significantly improved the standardisation, continuity and efficiency of business. The Group strengthened the in-depth mining of data analysis to provide effective management support and empowerment for business departments, and played an proactive role in personnel management, business analysis and management improvement during the Reporting Period.

To promote corporate culture and attract, develop and cultivate employees for the Company, the Group has established a Prinix institute. During the Reporting Period, the Group carried out activities such as book reading and summarising, film analysis and regular learning meetings to strengthen the Company's cultural concept of "customer first, being responsible, devotion and professionalism, innovation and opening up". The Group has launched the A/B talent echelon training model to promote the implementation the talent training route of "one post with multiple skills and one person capable of multiple posts". The Group successively cooperated with a number of universities such as Qingdao University of Science and Technology, Shandong University of Science and Technology, Wuhan University of Technology and Weihai Technician 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 Group has built a training brand that is suitable for business and truly empowers business. The development of the Group's training courseware is based on positional competence, relied on the team of internal instructors, and derived from the internalisation of positional skills. The Group fully mobilizes key business personnel to extract their experience, leverages the advantages of the E-learning digital learning platform such as flexibility, customization, and fragmentation and adopts multi-form and flexible teaching methods to provide knowledge guarantee for business departments in terms of corporate culture, management thinking, management tools, experience empowerment, etc., and finally continuously accumulate and precipitate into the Group's own knowledge assets to facilitate sustainable development.

Management Discussion and Analysis

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

The Company adopted its new share option scheme (the “**2021 Share Option Scheme**”) on 17 May 2021 (the “**2021 Adoption Date**”), and terminated the 2019 Share Option Scheme. The Company conditionally granted 35,050,000 Options, 3,080,000 Options and 960,000 Options to certain Grantees on June 28, 2021 (the “**2021 Grant Date**”), 28 September 2022 (the “**2022 Grant Date**”) and 28 September 2023 (the “**2023 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 16 April 2021, the announcements issued on 17 May 2021, 28 June 2021, 28 September 2022 and 28 September 2023, respectively.

For the six months ended 30 June 2024, details of movements in the options are set out in the sections headed “Share Option Schemes” in this report.

Share option schemes

Share option schemes aim 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 increase the value of the Company and to attract 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. As at the date of this report, the remaining life of the 2021 Share Option Scheme is approximately four years and eight months.

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.

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.

The Grantee may subscribe for Shares during such period as may be determined by the Directors (which shall not be more than eight years from the date of grant of the relevant Option and include the minimum period, for which an Option must be held before it can be exercised). Subject to the terms of the 2021 Share Option Scheme, Options can be vested at any time after the expiry of a period which may be determined by the Board from the date of grant of the relevant Option. The exercise price shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the Offer) but in any case the exercise price shall not be lower than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

During the Reporting Period, no share options under the 2021 Share Option Scheme were exercised or lapsed and a total of 9,565,500 share options were cancelled. 17,764,500 Options were outstanding as at the end of the Reporting Period.

Management Discussion and Analysis

At the beginning of the Reporting Period, the number of options that can be granted under the 2021 Share Option Scheme was 10,910,000. At the end of the period, the number of share options that can be granted under the 2021 Share Option Scheme was 10,910,000.

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 of Hong Kong Limited (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 (as defined in Chapter 17 of the Listing Rules) and employees of the Group.

Options granted in 2022

On the 2022 Grant Date, the Company conditionally granted 3,080,000 Options to certain Grantees to subscribe for a total of 3,080,000 ordinary shares of the Company, subject to acceptance of the Grantees. The exercise price of the Shares on the 2022 Grant Date was HK\$8.568 per Share, which is the highest among (i) the closing price of HK\$6.410 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\$6.298 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the Grant Date; (iii) the nominal value of each Share; and (iv) the exercise price on the 2021 Grant Date. The closing price for the business day immediately preceding the 2022 Grant Date was HK\$6.400 per Share.

The Grantees of the Options granted in 2022 are the employees of the Group, and none of them are Directors, chief executives or substantial Shareholder of the Company, or their associates (as defined in the Listing Rules) of any of them.

Share options granted in 2023

On the 2023 Grant Date, the Company conditionally granted 960,000 share options to certain Grantees, subject to acceptance of the Grantees, to subscribe for a total of 960,000 shares of the Company. The exercise price of the Shares on the 2023 Grant Date is HK\$8.568 per Share, which represents the highest among (i) the closing price of HK\$6.54 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\$6.48 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the grant date; (iii) the nominal value of each Share; and (iv) the exercise price on the 2021 Grant Date (i.e. HK\$8.568 per Share). The closing price for the business day immediately preceding the 2023 Grant Date was HK\$6.54 per Share.

The Grantees of the Options granted in 2023 are the employees of the Group, including one senior management (as defined in the Listing Rules), and none of them are Directors, chief executives or substantial Shareholder of the Company, or their associates (as defined in the Listing Rules) of any of them.

Details of the 2021 Share Option Scheme and the granted Options are set out in the circular issued by the Company on 15 April 2021, the announcements issued on 28 June 2021, 28 September 2022 and 28 September 2023, respectively.

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 15 April 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.

Management Discussion and Analysis

For the purpose of the 2019 Share Option Scheme, eligible participants means any employee or proposed employee (whether full time or part time) of any member of the Group or any invested entity, excluding any independent non-executive Directors and provided that the proposed employee is actually employed by the Group and is subject to pass the stipulated probation period.

The Grantee may subscribe for Shares during such period as may be determined by the Directors (which shall not be more than six years from the date of grant of the relevant Option and include the minimum period, for which an Option must be held before it can be exercised). Subject to the terms of the 2019 Share Option Scheme, Options can be vested at any time after the expiry of a period which may be determined by the Board from the date of grant of the relevant Option. The exercise price shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the Offer) but in any case the exercise price shall not be lower than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

During the Reporting Period, no share options were cancelled, a total of 107,556 share options were lapsed and a total of 276,000 share options were exercised under the 2019 Share Option Scheme. 5,792,845 Share options were outstanding as at the end of the period.

No options can be granted at the beginning and the end of the Reporting Period under the 2019 Share Option Scheme as the Company has terminated the 2019 Share Option Scheme on 2021 Adoption Date.

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. The offer of a grant of Options may be accepted within 28 days from the date of offer.

Among the Options granted in 2019, 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 (as defined in Chapter 17 of the Listing Rules) and employees of the Group.

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

Management Discussion and Analysis

Details of the share options outstanding and share options granted, exercised, cancelled and lapsed during the six months ended 30 June 2024 are as follows:

Name of participants	Position(s) held	Grant Date	Exercise price	At the Grant Date	Outstanding at the beginning of the period	Number of options				Outstanding at the end of the period	Exercisable period
						Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		
Che Baozhen	Executive Director	9 July 2019	HKD7.244	580,000	390,533	0	0	0	0	390,533	From 9 July 2020 to 8 July 2025 (Note 1 & 6)
Shi Futao	Executive Director	9 July 2019	HKD7.244	512,000	344,746	0	0	0	0	344,746	From 9 July 2020 to 8 July 2025 (Note 1 & 6)
		28 June 2021	HKD8.568	5,000,000	5,000,000	0	0	0	1,750,000	3,250,000	From 28 June 2024 to 27 June 2029 (Note 3 & 6)
Jiang Xizhou	Executive Director	9 July 2020	HKD7.960	255,000	130,050	0	0	0	0	130,050	From 9 July 2021 to 8 July 2025 (Note 2 & 6)
		28 June 2021	HKD8.568	5,000,000	5,000,000	0	0	0	1,750,000	3,250,000	From 28 June 2024 to 27 June 2029 (Note 3 & 6)
Other Senior Management (as defined in Chapter 17 of the Listing Rules) and employees		9 July 2019	HKD7.244	13,308,000	5,161,427	0	276,000 — (Note 7)	107,556	0	4,777,871	From 9 July 2020 to 8 July 2025 (Note 1 & 6)
		9 July 2020	HKD7.960	580,500	149,645	0	0	0	0	149,645	From 9 July 2021 to 8 July 2025 (Note 2 & 6)
		28 June 2021	HKD8.568	25,050,000	15,050,000	0	0	0	5,267,500	9,782,500	From 28 June 2024 to 27 June 2029 (Note 3 & 6)
		28 September 2022	HKD8.568	3,080,000	1,320,000	0	0	0	462,000	858,000	From 28 June 2024 to 27 May 2029 (Note 4 & 6)
		28 September 2023	HKD8.568	960,000	960,000	0	0	0	336,000	624,000	From 28 September 2024 to 27 May 2029 (Note 5 & 6)
Total				54,325,500	33,506,401	0	276,000	107,556	9,565,500	23,557,345	

Note 1 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 Options granted will be vested and exercisable after 12 months, 24 months and 36 months from the 2019 Grant Date, respectively; if the Options are not vested as the performance of the scheme participants in the first three vesting periods fails to meet the standards, in the event that the performance meets the standard upon the fourth annual assessment and the deferred vesting conditions are satisfied, the Options granted may be exercised at any time after the fourth exercise period (i.e., after 48 months from the 2019 Grant Date), and the vesting proportion is the remaining unvested Options after excluding the expired Options. If the vesting conditions are not met by the Grantee, the unvested Options granted to such Grantee would lapse. Subject to the vesting schedule, the Options are exercisable within a period of six years commencing from the 2019 Grant Date.

Note 2 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 the Options granted will be vested and exercised after 12 months and 24 months from the 2020 Grant Date, respectively; if the Options are not vested as the performance of the scheme participants in the first two vesting periods fails to meet the standards, in the event that the performance meets the standard upon the third annual assessment and the deferred vesting conditions are satisfied, the Options granted may be exercised at any time after the third exercise period (i.e., after 36 months from the 2020 Grant Date), and the vesting proportion is the remaining unvested Options after excluding the 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.

Note 3 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 2021 Grant Date; subject to the vesting schedule, the Options are exercisable within a period of eight years commencing from the 2021 Grant Date. 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; 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.

Note 4 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 21 months and 45 months from the 2022 Grant Date; subject to the vesting schedule, the Options are exercisable within a period of six years and nine months commencing from the 2022 Grant Date. 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; 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.

Note 5 Subject to the terms of the 2021 Share Option Scheme, 35% and the remaining 65% of the share options can be vested at any time after the expiration of 12 months and 33 months from the 2023 Grant Date, respectively.

Subject to the vesting schedule, the share options are exercisable within a period of five years and nine months commencing from the 2023 Grant Date. The share 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. If the vesting conditions are not met by the Grantee, the unvested share options granted to such Grantee would lapse in accordance with the terms of the 2021 Share Option Scheme.

Note 6 The exercise of share options shall be conditional upon fulfilment of the Company's annual performance objectives and personal performance objectives.

Note 7 The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$8.87 per share.

Save as disclosed above, (i) none of the Grantees is a Director, chief executives or substantial shareholder of the Company, or an associate (as defined in the Listing Rules) of any of them; (ii) none of the Grantees is a Participant who has granted or will grant options in excess of the individual limit of 1% as required under the Listing Rules in any 12-month period; and (iii) none of the Grantees is a Connected Entity Participant or Service Provider (as defined in the Listing Rules).

Management Discussion and Analysis

Options Exercised and Issued Shares

As mentioned above, 276,000 share options granted by the Company were exercised during the six months ended 30 June 2024.

2024 Share Award Scheme

On 31 May 2024, the Board of the Company resolved to adopt a share award scheme (the “**2024 Share Award Scheme**”) for employees selected by the Board. The purposes of the 2024 Share Award Scheme are: (i) to achieve the Group’s long-term business planning; (ii) to enhance the Group’s value; (iii) to promote the Group’s growth and to achieve sustainable development; and (iv) to share value returns with employees. The validity and effective period of the 2024 Share Award Scheme shall commence from 31 May 2024 for a term of 6 (six) years, but may be terminated earlier by the Board in accordance with the rules of the 2024 Share Award Scheme (the “**2024 Scheme Rules**”). For the 2024 Share Award Scheme, Employee represents any employee of any member of the Group (including but not limited to any executive Director, excluding any non-executive Director or independent non-executive Director); Selected employee (the “**Selected Employee**”) represents employees selected by the Board in accordance with the 2024 Scheme Rules to participate in the 2024 Share Award Scheme. Unless otherwise provided in the provisions of the 2024 Scheme Rules, the Board may, from time to time, exercise its absolute discretion to select any employee (excluding any excluded employee) as a Selected Employee to participate in the 2024 Share Award Scheme, and grant the relevant number of awarded shares to any Selected Employee for free.

According to the 2024 Share Award Scheme, the maximum number of shares that may be awarded during its term is limited to 4,200,000 shares, representing approximately 0.65% of the issued share capital of the Company as at 31 May 2024. Pursuant to the 2024 Share Award Scheme, the maximum number of awarded Shares that may be granted to any Selected Employee during its term shall not exceed 0.28% of the issued share capital of the Company from time to time (i.e., 1,800,000 shares as at 31 May 2024). Under the 2024 Share Award Scheme, all the awarded Shares granted to incentive recipients under the Scheme shall not be vested within 3 years (36 months) from the date of grant. In principle, the awarded Shares shall be vested in the following manner: (1) by the end of the third anniversary (36 months) from the date of grant, 30% of the awarded Shares granted to each incentive recipients shall be vested (the “**First Vesting**”); (2) by the end of the fourth anniversary (48 months) from the date of grant, another 30% of the awarded Shares granted to each incentive recipients shall be vested (the “**Second Vesting**”); (3) by the end of the fifth anniversary (60 months), the remaining 40% of the awarded Shares granted to each incentive recipients shall be vested (the “**Third Vesting**”). The Board is entitled to impose any conditions (including a period of continued service within the Group after the grant of the award and performance targets which must be attained) with respect to the vesting of the awarded Shares on the Selected Employee and any other conditions, restrictions or limitations, as it deems appropriate in its absolute discretion, and shall inform the Trustee and such Selected Employees the relevant conditions, restrictions and/or limitations of the award and awarded Shares. According to the 2024 Share Award Scheme, the Shares will be purchased by the 2024 Share Award Scheme Trustee on the Stock Exchange (costs to be borne by the Company), and will be vested before held in trust by the 2024 Share Award Scheme Trustee on behalf of selected employees pursuant to the 2024 Share Award Scheme.

The 2024 Share Award Scheme constitutes a share scheme under Chapter 17 of the Listing Rules. The 2024 Share Award Scheme was contemplated and adopted to be funded solely by the existing Shares pursuant to Rule 17.01(1)(b) of the Listing Rules and does not constitute a scheme involving the issue of new shares as referred to under Rule 17.01(1)(a) of the Listing Rules. Therefore, the adoption of the 2024 Share Award Scheme will not be subject to Shareholders' approval and the 2024 Share Award Scheme shall be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules.

The Company has entered into a trust deed with Futu Trustee Limited and appointed it as the trustee (the "**Trustee**") under the 2024 Share Award Scheme. To the best knowledge, information and belief of the Directors, after making reasonable enquiries, the Trustee or the Trustee Holdco or its ultimate beneficial owners are independent third parties and not connected with the Company or any of its connected persons under Chapter 14A of the Listing Rules. No instructions shall be given by a selected participant (including, without limitation, voting rights) to the Trustee in respect of the awarded Shares that have not been vested, and such other properties of the trust fund managed by the Trustee. The Trustee shall abstain and, where applicable, shall procure the Trustee Holdco to abstain from exercising the voting rights in respect of any Shares held directly or indirectly by it under the Trust (if any) (including but not limited to the awarded Shares, any bonus Shares and scrip Shares derived therefrom).

No award shall be made by the Board under the 2024 Share Award Scheme and no instructions to acquire any Shares shall be given to the Trustee under the 2024 Share Award Scheme where dealings in Shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time, or where dealing in Shares by a selected participant (including the Directors) or the granting the award are prohibited by or would result in a breach of the Listing Rules, the SFO or any other law or regulation.

The 2024 Share Award Scheme Trustee will purchase Shares on the Stock Exchange funded by the Group's internal resources for the purpose of the 2024 Share Award Scheme. From the date of adoption of the 2024 Share Award Scheme up to 30 June 2024, the Company had not purchased any of the Shares under the 2024 Share Award Scheme.

Since the adoption of the 2024 Share Award Scheme up to 30 June 2024, no award Shares have been granted to Selected Employees under the 2024 Share Award Scheme. As at the end of the Reporting Period, the number of awards that may be granted under the 2024 Share Award Scheme is 4,200,000.

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 17 March 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. The Agreement has expired and been terminated.

On 15 March 2024, Prinx Thailand (as borrower) and Bank of China (Thai) Public Company Limited (as lender) entered into a facility agreement (the "**BOC Agreement**") relating to US\$30 million facility with a term of one year. On 15 March 2024, Prinx Thailand (as borrower) and The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch (as lender) entered into a facility agreement (the "**HSBC Agreement**") relating to US\$48 million facility with a term of one year.

Under the BOC Agreement, Prinx Thailand shall procure that:

- (a) Mr. Che Baozhen, Mr. Che Hongzhi and Ms. Li Xiuxiang (the "**Controlling Shareholders**") shall jointly continue to be the largest shareholder of the Company; and
- (b) the Controlling Shareholders shall maintain management control over the Company.

Under the HSBC Agreement, Prinx Thailand shall procure that Controlling Shareholders remain as the single largest shareholder of the Company.

Upon breach of the specific performance obligations, Bank of China (Thai) Public Company Limited and The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch will (among other things) reserve the right to withdraw any commitments and demand repayment of all bank financing granted or available under the facility agreement.

As at the date of this report, the Controlling Shareholders directly and indirectly beneficially own 69.63% of the total issued share capital of the Company.

The details of the loan agreement with specific performance covenants are set out in the announcement issued by the Company on 17 March 2020, 17 July 2021 and 20 March 2024.

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 C1 to the Listing Rules as its own corporate governance code. The Company has been in compliance with the applicable code provisions under Part 2 of the Corporate Governance Code for the six months ended 30 June 2024. 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 C3 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 30 June 2024.

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 30 June 2024.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK\$0.15 per ordinary share before tax for the year six months 30 June 2024. The proposed interim dividend is approximately HK\$96 million in total. The interim dividend is expected to be paid to the shareholders of the Company on or around 23 October 2024.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders’ entitlement to the interim dividend, the register of members of the Company will be closed from 25 September 2024 (Wednesday) to 30 September 2024 (Monday) (both days inclusive), during which period no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on 30 September 2024 (Monday) are entitled to the interim dividend. In order to qualify for the interim dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen’s Road Central, Hong Kong not later than 4:30 p.m. on 24 September 2024 (Tuesday) for registration.

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. Jin Qingjun during the Reporting Period. 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 30 June 2024, 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 30 June 2024, none of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

2024 ANNUAL GENERAL MEETING

The Board views the annual general meeting as an important opportunity for direct communication with shareholders. The 2024 annual general meeting was held on 31 May 2024 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 31 May 2024.

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

As at 30 June 2024, 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	443,359,500 (Note 1)	Long position	69.63%
Mr. Che Baozhen	Interest in a controlled corporation	443,359,500 (Note 2)	Long position	69.63%
	Beneficial owner	390,533 (Note 3)	Long position	0.06%
Mr. Shi Futao	Beneficial owner	3,746,746 (Note 4)	Long position	0.59%
Mr. Jiang Xizhou	Beneficial owner	3,380,050 (Note 5)	Long position	0.53%

Corporate Governance and Other Information

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 30 June 2024, Mr. Che Baozhen directly owned 50% of the equity interest in Shanghai Chengzhan Information and Technology Center* (上海成展信息科技有限公司) ("**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 39.79% 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 30 June 2024, 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 30 June 2024, Mr. Shi Futao held interests in 3,594,746 Shares through the options granted according to the Share Option Scheme under physically settled equity derivatives.
- (5) As at 30 June 2024, Mr. Jiang Xizhou held interests in 3,380,050 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 636,716,000 Shares in issue as at 30 June 2024 and the Company did not hold any treasury shares as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, 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 30 June 2024, 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	54,873,500 (Note 1)	Long position	8.62%
Sinotruk (Hong Kong) International Investment Limited	Interest in a controlled corporation	54,873,500 (Note 1)	Long position	8.62%
Sinotruk (Hong Kong) Limited	Interest in a controlled corporation	54,873,500 (Note 1)	Long position	8.62%
Sinotruk (BVI) Limited	Interest in a controlled corporation	54,873,500 (Note 1)	Long position	8.62%
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	54,873,500 (Note 1)	Long position	8.62%
Shandong Heavy Industry Group Co., Ltd.* (山東重工集團有限公司)	Interest in a controlled corporation	54,873,500 (Note 1)	Long position	8.62%
Chengshan Group	Beneficial owner	436,600,000 (Note 2)	Long position	68.57%
	Interest in a controlled corporation	6,759,500 (Note 2)	Long position	1.06%
Beijing Zhongmingxin	Interest in a controlled corporation	443,359,500 (Note 2)	Long position	69.63%
Shanghai Chengzhan	Interest in a controlled corporation	443,359,500 (Note 2)	Long position	69.63%
Ms. Li Xiuxiang	Interest in a controlled corporation	443,359,500 (Note 2)	Long position	69.63%

Corporate Governance and Other Information

Name	Capacity/Nature of interest	Number of shares	Long/Short position	Approximate percentage of shareholding in the Company
Ms. Bi Wenjing	Spouse interest	443,750,033 (Note 3)	Long position	69.69%
Sino Legend Holding Group Limited	Beneficial owner	32,674,500 (Note 4)	Long position	5.13%
Sino Legend (China) Chemical Company Limited	Interest in a controlled corporation	32,674,500 (Note 4)	Long position	5.13%
Red Avenue New Materials Group Co., Ltd.	Interest in a controlled corporation	32,674,500 (Note 4)	Long position	5.13%
Red Avenue Investment Group Limited	Interest in a controlled corporation	32,674,500 (Note 4)	Long position	5.13%
ZHANG NING	Interest in a controlled corporation	32,674,500 (Note 4)	Long position	5.13%

Notes:

(1) As at 30 June 2024, Shandong Heavy Industry Group Co., Ltd. held 65% interest in China National Heavy Duty Truck Group Co., Ltd., which in turn owned 100% of the interests of Sinotruk (BVI) Limited. Sinotruk (BVI) Limited held 51% of the issued share capital of Sinotruk (Hong Kong) Limited. Sinotruk (Hong Kong) Limited held 100% of the issued share capital of Sinotruk (Hong Kong) International Investment Limited, which in turn held 100% of the issued share capital of Sinotruk (Hong Kong) Capital Holding Limited, which in turn holds 54,873,500 shares of the Company. As such, Shandong Heavy Industry Group Co., Ltd., China National Heavy Duty Truck Group Co., Ltd., Sinotruk (BVI) Limited, Sinotruk (Hong Kong) Limited and Sinotruk (Hong Kong) International Investment Limited are deemed to be interested in the 54,873,500 Shares held by Sinotruk (Hong Kong) Capital Holding Limited.

(2) As at 30 June 2024, 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 39.79% of the equity interest in Chengshan Group.

Chengshan Group holds 100% of the issued share capital of Chengshan Trade (Hong Kong) Limited, which directly holds 6,759,500 shares in the Company. Chengshan Group is deemed to be interested in the interests in Chengshan Trade (Hong Kong) Limited.

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) As at 30 June 2024, Sino Legend (China) Chemical Company, Ltd. held 100% interest in Sino Legend Holding Group Ltd., and Red Avenue New Materials Group Co., Ltd. held 100% interest in Sino Legend (China) Chemical Company, Ltd.. Red Avenue Investment Group Ltd. held 49.11% of the issued share capital of Red Avenue New Materials Group Co., Ltd., ZHANG NING directly held 100% of the issued share capital of Red Avenue Investment Group Ltd and Sino Legend Holding Group Ltd. held 32,674,500 shares of the Company. As such, ZHANG NING, Sino Legend (China) Chemical Company, Ltd., Red Avenue New Materials Group Co., Ltd. and Red Avenue Investment Group Ltd. are deemed to be interested in 32,674,500 Shares held by Sino Legend Holding Group Ltd..

Sino Legend Holding Group Ltd. has held 32,674,500 shares (5.13%) of the Company since February 2024.

- (5) The calculation is based on the total number of 636,716,000 Shares in issue as at 30 June 2024 and the Company did not hold any treasury shares as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, during the six months ended 30 June 2024, 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

Mr. Jiang Xizhou and Ms. Wang Ning were appointed as an executive Director and a non-Executive Director respectively on 28 March 2024, each for a term of three years. Ms. Cao Xueyu and Mr. Wang Lei resigned as an executive Director and a non-Executive Director, respectively, with immediate effect on the same date.

Please refer to the announcement of the Company dated 28 March 2024 for the details of the above changes of Directors and the biographical details of Mr. Jiang Xizhou and Ms. Wang Ning.

Save as disclosed above, 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 2024

	Note	Unaudited Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	7	5,363,381	4,336,159
Cost of sales		(4,042,886)	(3,513,078)
Gross profit		1,320,495	823,081
Selling and distribution expenses		(254,043)	(245,937)
Administrative expenses		(93,035)	(80,971)
Research and development costs		(108,693)	(126,720)
Other income		27,226	24,903
Other gains — net		22,025	17,238
Net reversal of impairment losses on financial assets		(2,712)	941
Operating profit	8	911,263	412,535
Finance income	9	24,972	9,593
Finance costs	9	(43,943)	(44,242)
Finance costs — net	9	(18,971)	(34,649)
Share of result of associates		8	178
Profit before income tax		892,300	378,064
Income tax expense	10	(80,874)	(50,928)
Profit for the period		811,426	327,136
Profit attributable to:			
— Shareholders of the Company		811,419	327,134
— Non-controlling interests		7	2
		811,426	327,136
Earnings per share for profit attributable to shareholders of the Company for the period			
— Basic (RMB)	11	1.27	0.51
— Diluted (RMB)	11	1.27	0.51

The accompanying 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 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Profit for the period	811,426	327,136
Other comprehensive income:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	12,015	69,018
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	9,299	41,842
Other comprehensive income for the period, net of tax	21,314	110,860
Total comprehensive income for the period	832,740	437,996
Attributable to:		
— Shareholders of the Company	832,733	437,994
— Non-controlling interests	7	2
Total comprehensive income for the period	832,740	437,996

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

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	<i>Note</i>	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	5,226,592	5,263,535
Right-of-use assets	14	116,332	116,790
Intangible assets	13	86,336	84,874
Investment in associates		6,248	6,240
Prepayments, other receivables and other assets	18	35,688	7,022
Deferred tax assets	25	3,984	3,664
		5,475,180	5,482,125
Current assets			
Inventories	15	1,729,966	1,637,462
Trade and notes receivables	17	2,216,721	1,860,369
Prepayments, other receivables and other assets	18	361,524	474,083
Financial assets at fair value through profit or loss	16	3,783	178,360
Amounts due from related parties	27(b)	293,366	244,085
Cash and cash equivalents		428,964	547,920
Restricted cash		145,178	178,044
		5,179,502	5,120,323
Total assets		10,654,682	10,602,448
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	19	202	201
Share premium	19	2,187,843	2,185,598
Reserves	21	3,890,850	3,248,056
		6,078,895	5,433,855
Non-controlling interests		(105)	(112)
Total equity		6,078,790	5,433,743

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	<i>Note</i>	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Liabilities			
Non-current liabilities			
Bank borrowings	22	370,425	332,413
Lease liabilities	14	17,724	18,674
Deferred income		79,227	84,116
Deferred tax liabilities	25	54,370	46,121
		521,746	481,324
Current liabilities			
Trade payables	23	2,265,562	2,391,670
Other payables and accruals	24	1,060,291	1,218,522
Contract liabilities		44,218	48,013
Lease liabilities	14	12,586	12,163
Provision for warranties		86,478	80,481
Dividend payable		650	—
Amounts due to related parties	27(b)	23,527	925
Current income tax liabilities		62,498	56,682
Bank borrowings	22	498,336	878,925
		4,054,146	4,687,381
Total liabilities		4,575,892	5,168,705
Total equity and liabilities		10,654,682	10,602,448

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 2024

	Note	Unaudited Equity attributable to shareholders of the Company			Non- controlling interests RMB'000	Total equity RMB'000	
		Share capital RMB'000 (Note 19)	Share premium RMB'000 (Note 19)	Reserves RMB'000 (Note 21)			Total RMB'000
Balance at 1 January 2024		201	2,185,598	3,248,056	5,433,855	(112)	5,433,743
Comprehensive income							
Profit for the period		—	—	811,419	811,419	7	811,426
Other comprehensive income							
Currency translation difference		—	—	21,314	21,314	—	21,314
Total other comprehensive income, net of tax		—	—	21,314	21,314	—	21,314
Total comprehensive income		—	—	832,733	832,733	7	832,740
Transactions with shareholders							
Issue of shares under employee share scheme		1	2,245	(426)	1,820	—	1,820
Employee share option schemes — value of employee services	20,21	—	—	(15,899)	(15,899)	—	(15,899)
Cash Dividends	12	—	—	(173,614)	(173,614)	—	(173,614)
Total transactions with shareholders		1	2,245	(189,939)	(187,693)	—	(187,693)
Balance at 30 June 2024		202	2,187,843	3,890,850	6,078,895	(105)	6,078,790

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Note	Unaudited Equity attributable to shareholders of the Company			Non- controlling interests RMB'000	Total equity RMB'000	
		Share capital RMB'000 (Note 19)	Share premium RMB'000 (Note 19)	Reserves RMB'000 (Note 21)			Total RMB'000
Balance at 1 January 2023		201	2,185,598	2,266,231	4,452,030	(161)	4,451,869
Comprehensive income							
Profit for the period		—	—	327,134	327,134	2	327,136
Other comprehensive income							
Currency translation difference		—	—	110,860	110,860	—	110,860
Total other comprehensive income, net of tax		—	—	110,860	110,860	—	110,860
Total comprehensive income		—	—	437,994	437,994	2	437,996
Transactions with shareholders							
Employee share option schemes							
— value of employee services	20,21	—	—	1,505	1,505	—	1,505
Cash Dividends	12	—	—	(114,190)	(114,190)	—	(114,190)
Total transactions with shareholders		—	—	(112,685)	(112,685)	—	(112,685)
Balance at 30 June 2023		201	2,185,598	2,591,540	4,777,339	(159)	4,777,180

The accompanying 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 2024

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Cash flows from operating activities		
Cash used in from operations	642,647	484,749
Interest received	23,948	10,733
Interest paid	(53,435)	(47,645)
Income tax paid	(67,345)	(5,846)
	<u>545,815</u>	<u>441,991</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(321,337)	(188,560)
Proceeds from government grants	—	17,707
Proceeds from disposal of property, plant and equipment	5,073	4,904
Purchase of intangible assets	(5,698)	(2,844)
Purchase of financial assets at fair value through profit or loss	(689,900)	(1,447,449)
Proceeds from disposal of financial assets at fair value through profit or loss	864,955	1,586,957
Dividend received	—	181
	<u>(146,907)</u>	<u>(29,104)</u>
Cash flows from financing activities		
Proceeds from borrowings	622,037	32,300
Repayment of borrowings	(968,114)	(496,514)
Principal elements of lease payments	(7,415)	(6,294)
Cash dividends paid	(168,083)	(111,509)
Employee share option scheme — issuance of share	1,820	—
	<u>(519,755)</u>	<u>(582,017)</u>
Net decrease in cash and cash equivalents	(120,847)	(169,130)
Cash and cash equivalents at the beginning of period	547,920	982,037
Exchange gain on cash and cash equivalents	1,891	23,977
	<u>428,964</u>	<u>836,884</u>
Cash and cash equivalents at the end of period	428,964	836,884

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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 69.15% by Mr. Che Baozhen and his spouse, Ms. Bi Wenjing, Mr. Che Hongzhi and his spouse, Ms. Li Xiuxiang (collectively the “Controlling Shareholders”) and other individual shareholders.

These condensed consolidated interim financial information are presented in thousands of Renminbi (“RMB’000”) and were approved for issue by the Board of Directors on 23 August 2024.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2024 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 2023, 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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 2023, 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.

(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.

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants — Amendments to HKAS 1
- Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause — Hong Kong Interpretation 5 (Revised)
- Lease Liability in Sale and Leaseback — Amendments to HKFRS 16
- Supplier Finance Arrangements — Amendments to HKAS 7 and HKFRS 7

(b) The following new amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2024 and have not been early adopted by the Group:

**Effective for
annual periods
beginning
on or after**

Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
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The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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 2023.

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 2023.

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

5.2 Liquidity risk

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

5 Financial risk management (Continued)

5.2 Liquidity risk (Continued)

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 <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total Amount <i>RMB'000</i>
At 30 June 2024					
Bank borrowings	498,336	68,325	302,100	—	868,761
Interest payables for bank borrowings	27,729	11,858	8,343	—	47,930
Amounts due to related parties	23,527	—	—	—	23,527
Trade payables	2,265,562	—	—	—	2,265,562
Other payables	862,134	—	—	—	862,134
Lease liabilities	12,808	10,697	7,101	—	30,606
	3,690,096	90,880	317,544	—	4,098,520
At 31 December 2023					
Bank borrowings	878,925	51,616	280,797	—	1,211,338
Interest payables for bank borrowings	22,074	12,300	15,816	—	50,190
Amount due to related parties	925	—	—	—	925
Trade payables	2,391,670	—	—	—	2,391,670
Other payables	1,000,839	—	—	—	1,000,839
Lease liabilities	13,005	10,587	8,717	—	32,309
	4,307,438	74,503	305,330	—	4,687,271

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).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

- 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 2024				
Assets				
Financial assets at fair value through profit or loss				
— Wealth management products (a)	—	—	—	—
— Listed equity securities	3,783	—	—	3,783
— Interest rate swap	—	—	—	—
Financial assets at fair value through other comprehensive income				
— Notes receivable (a)	—	—	253,757	253,757
	3,783	—	253,757	257,540
As at 31 December 2023				
Assets				
Financial assets at fair value through profit or loss				
— Wealth management products (a)	—	—	150,982	150,982
— Listed equity securities	12,689	—	—	12,689
— Interest rate swap	—	14,689	—	14,689
Financial assets at fair value through other comprehensive income				
— Notes receivable (a)	—	—	177,804	177,804
	12,689	14,689	328,786	356,164

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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 2024 RMB'000	Valuation Technique	Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair value
Notes receivable	253,757	Discounted cash flow	Expected discount interest rate	1.1%–2.3% (1.7%)	A change in the yield rate by 100 basis points would increase/decrease the fair value approximately RMB2,495,000

	Fair value at 31 December 2023 RMB'000	Valuation Technique	Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair value
Wealth management products	150,982	Discounted cash flow	Expected yield rate	1.9%–2.45% (2.2%)	A change in the yield rate by 100 basis points would increase/decrease the fair value approximately RMB1,478,000
Notes receivable	177,804	Discounted cash flow	Expected discount interest rate	1.6%–3.6% (2.6%)	A change in the yield rate by 100 basis points would increase/decrease the fair value approximately RMB1,733,000

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

6 Segment information

The executive directors of the Company have been identified as the chief operating decision-makers (“CODM”) 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 segments denote business units operating in different locations. In terms of distinct technologies and marketing strategies required by different operating locations, hereto the CODM individually manage production and operating activities, evaluate operating results of different segments on a regular basis to assess the business performance and allocate resources.

The Group has two segments as follows:

- Mainland China and Hong Kong as one segment for manufacturing and selling tire products.
- Overseas regions as the other segment for manufacturing and selling tire products.

The transferring prices between different segments are decided in reference of the third party’s selling prices.

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	
	2024 Revenue RMB’000	2023 Revenue RMB’000
Mainland China	1,851,516	1,744,446
Americas	1,777,498	1,033,796
Africa	309,005	445,296
Asia (excluding Mainland China)	530,429	375,046
Middle East	452,664	442,238
Other countries	442,269	295,337
	5,363,381	4,336,159

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

6 Segment information (Continued)

	For the six months ended 30 June 2024		
	Domestic RMB'000	Overseas RMB'000	Total RMB'000
Segment revenue	3,478,167	1,885,214	5,363,381
Segment results	623,938	696,557	1,320,495
Selling and distribution expenses			(254,043)
Administrative expenses			(93,035)
Research and development costs			(108,693)
Net reversal of impairment losses on financial assets			(2,712)
Other income			27,226
Other gains — net			22,025
Finance costs — net			(18,971)
Share of result of associates			8
Profit before income tax			892,300
	For the six months ended 30 June 2023		
	Domestic RMB'000	Overseas RMB'000	Total RMB'000
Segment revenue	3,121,749	1,214,410	4,336,159
Segment results	561,603	261,478	823,081
Selling and distribution expenses			(245,937)
Administrative expenses			(80,971)
Research and development costs			(126,720)
Net reversal of impairment losses on financial assets			941
Other income			24,903
Other gains — net			17,238
Finance costs — net			(34,649)
Share of result of associates			178
Profit before income tax			378,064

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

6 Segment information (Continued)

The Group's non-current assets (excluding intangible assets, investment in associates, prepayments and other receivables and deferred tax assets) by geographical location, which is determined by the city/country in which the asset is located, is as follows:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Domestic	2,446,670	2,214,380
Overseas	2,896,254	3,165,945
	5,342,924	5,380,325

7 Revenue

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Revenue from customers and recognised at point in time		
Sales of tire products:		
— All steel radial tires	3,063,104	2,774,811
— Semi-steel radial tires	2,205,359	1,493,807
— Bias tires	94,918	67,541
	5,363,381	4,336,159

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

8 Operating profit

The operating profit of the Group is stated after charging the following:

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Depreciation of property, plant and equipment (<i>Note 13</i>)	(248,349)	(220,988)
Depreciation of right-of-use assets (<i>Note 14</i>)	(6,790)	(7,892)
Provisions for warranty claims	(21,217)	(20,050)
Amortisation of intangible assets (<i>Note 13</i>)	(4,242)	(3,666)
Provision for impairment of trade receivables (<i>Note 17</i>)	(2,712)	941
Provision for write-down of inventories (<i>Note 15</i>)	(5,056)	(6,983)
Anti-dumping duty refund	145,205	—
Other income		
— Sales of scraps	16,929	12,975
— Government grants	10,297	11,928
Other gains — net		
— Gains on disposal of financial assets at fair value through profit or loss	1,893	5,359
— Losses from fair value change of financial assets at fair value through profit or loss	(1,415)	(11,232)
— Gains/(losses) on disposal of property, plant and equipment	624	(676)
— Net other foreign exchange gains	20,439	24,387

9 Finance costs — net

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Finance costs:		
— Interest expense on bank borrowings	(43,066)	(47,064)
— Lease liabilities (<i>Note 14</i>)	(557)	(231)
— Net foreign exchange losses on borrowings	(320)	(50)
	(43,943)	(47,345)
Less: amounts capitalised on qualifying assets	—	3,103
	(43,943)	(44,242)
Finance income:		
— Interest income derived from bank deposits	24,972	9,593
	24,972	9,593
Finance costs — net	(18,971)	(34,649)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

10 Income tax expense

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

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Current income tax		
— PRC corporate income tax	29,046	242
— Hong Kong and overseas profits tax	43,899	3,129
Deferred income tax (Note 25)	7,929	47,557
Income tax expense	80,874	50,928

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Profit before income tax	892,300	378,064
Tax calculated at applicable tax rates	211,868	88,103
Expenses not deductible for tax purpose	2,001	911
Tax exemption of a subsidiary	(79,671)	(28,304)
Tax benefit from High and New-Technology Enterprise qualification	(34,239)	(24,535)
Additional deduction of research and development cost and other expense	(14,054)	(12,348)
Tax losses for which no deferred income tax asset was recognised	1,232	—
Utilisation of previously unrecognised tax losses	(6,263)	—
Others (a)	—	27,101
Tax charge	80,874	50,928

(a) Others represent the relevant tax expense for the internal equity interest transfer of a subsidiary of the Group.

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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	
	2024 RMB'000	2023 RMB'000
Profit attributable to the shareholders of the Company	811,419	327,134
Weighted average number of ordinary shares in issue (thousands)	636,716	636,440
Basic earnings per share (RMB)	1.27	0.51

(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.

The diluted earnings per share is the same as basic earnings per share since share options would have an anti-dilutive effect for the six months ended 30 June 2024 and 2023.

12 Dividends

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Cash dividend paid by the Company (a)	173,614	114,190
Interim dividends declared by the Company (b)	87,170	—

- (a) Dividend during the six months ended 30 June 2024 and 2023 represented cash dividend declared and paid by the Company to its equity holders.
- (b) On 23 August 2024, the Board of Directors has resolved to declare an interim dividend in respect of the six months ended 30 June 2024 of HKD96 million (equivalent to approximately RMB87 million at the half-year end exchange rate), representing HKD0.15 per ordinary share.

The interim dividend has not been recognised as a dividend payable in this interim financial information but will be recognised as an appropriation from the retained earnings for the year ending 31 December 2024.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

13 Capital expenditure

	Unaudited							Intangible assets
	Property, plant and equipment						Total	
	Land and buildings	Machinery and factory equipment	Furniture and fixtures	Vehicles	Tools	Construction in progress		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Six months ended 30 June 2024								
Opening net book amount as at 1 January 2024	1,499,756	3,354,612	28,128	14,189	203,891	162,959	5,263,535	84,874
Additions	767	20,605	1,809	219	2,054	170,749	196,203	5,698
Transferred from Construction in progress	4,009	45,443	301	1,125	18,512	(69,390)	—	—
Disposals	(988)	(2,439)	(203)	—	(818)	—	(4,448)	—
Depreciation and amortisation	(28,015)	(174,982)	(4,411)	(2,328)	(38,613)	—	(248,349)	(4,242)
Exchange difference	6,916	11,838	97	5	665	130	19,651	6
Closing net book amount as at 30 June 2024	1,482,445	3,255,077	25,721	13,210	185,691	264,448	5,226,592	86,336
Six months ended 30 June 2023								
Opening net book amount as at 1 January 2023	1,309,764	2,715,731	16,256	6,173	215,002	1,007,907	5,270,833	85,741
Additions	—	44,218	135	1,778	489	200,966	247,586	2,844
Transferred from Construction in progress	227,848	818,948	3,751	7,514	15,489	(1,073,550)	—	—
Disposals	—	(5,441)	—	—	(139)	—	(5,580)	—
Depreciation and amortisation	(26,290)	(154,086)	(3,265)	(1,760)	(35,587)	—	(220,988)	(3,666)
Exchange difference	40,570	70,434	169	49	4,398	1,035	116,655	52
Closing net book amount as at 30 June 2023	1,551,892	3,489,804	17,046	13,754	199,652	136,358	5,408,506	84,971

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

14 Leases

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Right-of-use assets		
— Land use rights	84,381	86,311
— Buildings	31,951	30,479
	116,332	116,790
Lease liabilities		
Current		
— lease liabilities	12,586	12,163
Non-Current		
— lease liabilities	17,724	18,674
	30,310	30,837

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 RMB8,133,000 and RMB12,765,000 (31 December 2023: RMB8,021,000 and RMB16,832,000) 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 2024 RMB'000	2023 RMB'000
Depreciation of right-of-use assets (Note 8)		
— Land use rights	1,930	1,930
— Buildings	4,860	5,962
	6,790	7,892
Interest expense (Note 9)	557	231
Expense relating to short term leases	8,059	9,603

The total cash payment for leases during the period was RMB15,474,000.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

15 Inventories

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Raw materials	405,960	483,819
Work-in-progress	127,449	119,645
Finished goods	1,196,557	1,033,998
	1,729,966	1,637,462

Write-downs of inventories amounting to RMB5,056,000 were made for the six months ended 30 June 2024.

16 Financial assets at fair value through profit or loss

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Financial assets at fair value through profit or loss		
— Wealth management products (a)	—	150,982
— Listed equity securities (b)	3,783	12,689
— Interest rate swap (c)	—	14,689
	3,783	178,360

	Unaudited 30 June 2024 RMB'000
At the beginning of the period	178,360
Additions	689,900
Disposals	(864,955)
Gains on disposal of financial assets at fair value through profit or loss	1,893
Fair value losses on financial assets at fair value through profit or loss	(1,415)
At the end of the period	3,783

(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.

(c) The interest rate swap contract is derivative financial instrument and is fair valued based on the interest rate under the observation period.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

17 Trade and notes receivables

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Trade receivables	1,986,936	1,704,459
Less: provision for impairment of trade receivables	(23,972)	(21,894)
Trade receivables — net	1,962,964	1,682,565
Notes receivable	253,757	177,804
Trade and notes receivables — net	2,216,721	1,860,369

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

As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade and notes receivables based on invoice date were as follows:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Up to 3 months	2,031,369	1,731,104
4 to 6 months	112,062	111,492
7 to 12 months	86,545	29,132
1 to 2 years	2,710	2,805
2 to 3 years	1,929	1,839
Over 3 years	6,078	5,891
	2,240,693	1,882,263

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

	Unaudited 30 June 2024 RMB'000
At the beginning of the period	21,894
Reversal of provision for impairment of trade receivables (Note 8)	2,712
Foreign exchange gain	(634)
At the end of the period	23,972

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

18 Prepayments, other receivables and other assets

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Non-current		
Prepayments for purchase of property, plant and equipment	5,688	7,022
Long-term bank deposits	30,000	—
	35,688	7,022
Current		
Prepayments for inventory	77,124	161,284
Other assets — value added tax to be deducted	259,645	268,051
— prepaid sales tax	13,422	12,487
Other receivables	11,333	32,261
	361,524	474,083
	397,212	481,105

19 Share capital and share premium

				Number of authorised shares
Authorised share capital:				
As at 1 January 2023, 31 December 2023 and 30 June 2024				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 2023	636,440,000	201	2,185,598	2,185,799
Employee share option schemes — Exercise of options (Note 20)	276,000	1	2,245	2,246
As at 30 June 2024	636,716,000	202	2,187,843	2,188,045

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

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.

On 28 September 2022 (the “2022 Grant Date”), the board of directors resolved to grant 3,080,000 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 approximately seven years commencing from the grant date.

On 28 September 2023 (the “2023 Grant Date”), the board of directors resolved to grant 960,000 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 approximately six years commencing from the grant date.

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

	Unaudited			
	30 June 2024		30 June 2023	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	HKD8.33	33,506,401	HKD8.27	39,123,461
Granted during the period	—	—	—	—
Exercised during the period	HKD7.24	(276,000)	—	—
Lapsed during the period	HKD7.24	(107,556)	HKD8.38	(4,392,257)
Forfeited during the period	HKD8.57	(9,565,500)	—	—
As at 30 June	HKD8.25	23,557,345	HKD8.26	34,731,204

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

20 Share options (Continued)

Due to the unfulfillment of the Company's annual performance for the year ended 31 December 2023, the Company forfeited certain number of shares under the 2021 Share Option Scheme, which represented the credit to employee benefit expense. During the six months end 30 June 2024, an employee benefit expense credit of amounting to RMB15,899,000 with a corresponding decrease in equity is recognized in profit or loss.

During the six months end 30 June 2023, an employee benefit expense charge of amounting to RMB1,505,000 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 2024	(70,715)	478,989	42,999	2,752,464	44,319	3,248,056
Profit for the period	—	—	—	811,419	—	811,419
Cash dividends (Note 12)	—	—	—	(173,614)	—	(173,614)
Employee share option schemes						
— value of employee services	—	—	—	—	(15,899)	(15,899)
Issue of shares under employee share scheme	—	—	—	—	(426)	(426)
Currency translation differences	—	—	21,314	—	—	21,314
Balance at 30 June 2024	(70,715)	478,989	64,313	3,390,269	27,994	3,890,850
Balance at 1 January 2023	(70,715)	346,301	(10,299)	1,965,951	34,993	2,266,231
Profit for the period	—	—	—	327,134	—	327,134
Cash dividends (Note 12)	—	—	—	(114,190)	—	(114,190)
Employee share option schemes						
— value of employee services	—	—	—	—	1,505	1,505
Issue of shares under employee share scheme	—	—	—	—	—	—
Currency translation differences	—	—	110,860	—	—	110,860
Balance at 30 June 2023	(70,715)	346,301	100,561	2,178,895	36,498	2,591,540

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

22 Bank borrowings

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Current		
Current portion of non-current bank borrowings		
— Secured	36,087	542,808
— Unsecured	89,427	206,817
	125,514	749,625
Short-term bank borrowings		
— Unsecured	372,822	129,300
	498,336	878,925
Non-current		
Bank borrowings		
— Secured	169,623	189,329
— Unsecured	200,802	143,084
	370,425	332,413
Total borrowings	868,761	1,211,338

As at 30 June 2024, the secured bank borrowings of RMB205,710,000 were secured by property, plant and equipment amounting to RMB639,961,000.

As at 31 December 2023, the secured bank borrowings of RMB732,137,000 and undrawn borrowing facilities of RMB323,041,947 were secured by certain property, plant and equipment amounting to RMB3,793,148,000.

As at 30 June 2024, the weighted average effective interest rates on borrowings from banks were 4.59% (31 December 2023: 3.64%).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

22 Bank borrowings (Continued)

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
RMB	486,230	647,201
USD	382,531	564,137
	868,761	1,211,338

23 Trade payables

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Accounts payable	1,405,127	1,498,145
Notes payable (a)	860,435	893,525
	2,265,562	2,391,670

(a) As at 30 June 2024, RMB848,219,000 (31 December 2023: RMB863,600,000) notes payable represented bank acceptance notes secured by certain restricted bank balances and RMB12,216,000 (31 December 2023: RMB29,925,000) secured by certain notes receivable.

As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade payables based on invoice date were as follows:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Within 3 months	1,994,791	1,800,559
4 to 6 months	217,675	513,970
7 to 12 months	31,412	42,950
Above 1 year	21,684	34,191
	2,265,562	2,391,670

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

24 Other payables and accruals

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Payables for purchase of property, plant and equipment	346,716	473,184
Payroll and employee benefit payables	179,411	204,545
Accrued expense	167,000	143,612
Accrued sales rebates and commission	156,500	139,469
Freights and custom duty payable	117,360	107,755
Deposit from customers and suppliers	68,549	73,507
Other tax payables	18,746	13,138
Interest payables	769	11,138
Other payables	5,240	52,174
	1,060,291	1,218,522

25 Deferred income tax

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Deferred tax assets:		
— Deferred tax assets to be recovered within 12 months	36,378	40,358
— Deferred tax assets to be recovered after more than 12 months	13,570	14,352
Total deferred tax assets	49,948	54,710
Set-off of deferred tax liabilities pursuant to set-off provisions	(45,964)	(51,046)
Deferred tax assets, net	3,984	3,664
Deferred tax liabilities:		
— Deferred tax liabilities to be settled within 12 months	(14,927)	(14,402)
— Deferred tax liabilities to be settled after more than 12 months	(85,407)	(82,765)
Total deferred tax liabilities	(100,334)	(97,167)
Set-off of deferred tax assets pursuant to set-off provisions	45,964	51,046
Deferred tax liabilities, net	(54,370)	(46,121)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

25 Deferred income tax (Continued)

	Unaudited 30 June 2024 RMB'000
At the beginning of period	(42,457)
Charge to the consolidated statement of profit or loss (<i>Note 10</i>)	(7,929)
At the end of period	(50,386)

26 Capital commitments

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Purchase of property, plant and equipment — Contracted but not provided for	107,555	69,972

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 2024 and 2023, and balances arising from related party transactions as at 30 June 2024 and 31 December 2023.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

27 Related party transactions (Continued)

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
Rachem (China) Co., Ltd.	Ultimate parent company of Red Avenue New Materials Group Co., Ltd., a shareholder of the Company
Sino Legend (China) Chemical Company Ltd	Ultimate parent company of Red Avenue New Materials Group Co., Ltd., a shareholder of the Company

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

27 Related party transactions (Continued)

(a) Transactions with related parties

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Continuing transactions		
(i) Purchase of utilities		
— Chengshan Group	96,900	93,512
(ii) Purchase of raw materials		
— Sino Legend (China) Chemical Company Ltd	16,149	—
— Rachem (China) Co., Ltd.	9,417	—
	25,566	—
(iii) Sale of goods		
— Sinotruk	244,202	124,799
— Yunnan Prinx Chengshan Tire Co., Ltd.	12,346	12,281
— Hebei Prinx Chengshan Tire Co., Ltd.	32,112	50,305
	288,660	187,385
(iv) Rental and estate management expenses paid and payable		
— Rongcheng Chengshan Properties Co., Ltd.	3,208	2,982
— Chengshan Group	3,956	3,775
	7,164	6,757
(v) Service received		
— Rongcheng Chengshan Energy-Saving Services Co., Ltd.	5,481	3,777

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

27 Related party transactions (Continued)

(b) Balances with related parties

(i) Amounts due from related parties

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Current		
Trade balances		
— Sinotruk	260,788	221,832
— Hebei Prinx Chengshan Tire Co., Ltd.	32,578	22,253
	293,366	244,085

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 2024 RMB'000	Audited 31 December 2023 RMB'000
1–3 months	231,536	219,359
4–6 months	58,877	24,017
7–12 months	2,953	709
	293,366	244,085

(ii) Amounts due to related parties

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Current		
Contract liabilities		
— Yunnan Prinx Chengshan Tire Co., Ltd.	904	204
Trade payables		
— Sino Legend (China) Chemical Company Ltd.	15,413	—
— RACHEM (China) Co., Ltd	7,210	—
— Chengshan Group	—	721
	23,527	925

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2024

27 Related party transactions (Continued)

(b) Balances with related parties (Continued)

(ii) Amounts due to related parties (Continued)

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 <i>RMB'000</i>
Less than 3 months	—	721

(iii) Lease liabilities

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 <i>RMB'000</i>
Non-current — Chengshan Group	12,765	16,832
Current — Chengshan Group	8,133	8,021
	20,898	24,853

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.