

Shandong Linglong Tyre Co.

2021 Annual Financial Statements and Audit Report

# CPA Shandong Province Industry Report Anti-counterfeiting Page

Report Title: Financial Statements and Auditor's  
Report of Shandong Linglong Tyre  
Company Limited for the year 2021

Report Document Number:

PricewaterhouseCoopers Zhongtian Audit (2022) No.

10092 Client Name: Shandong Linglong Tyre Co.

Date of report: 2022-04-28

Signature Certified Public Accountant: Lan Shihong  
(CPA: 110001750039)

Qiao Zhouwei (CPA:  
310000073250)



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Report symbol: PricewaterhouseCoopers  
Zhongtian Audit No. 10092 (2022)

Firm Name: PricewaterhouseCoopers Zhongtian Accounting Firm (Special  
Purpose)  
(Tong Tong Partnership)

Firm Phone:

13764149027 Fax:

Correspondence Address:

Email: **carrie.j.yan@cn.pwc.com**

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Please report the user to verify the anti-  
counterfeiting mark in time: 1 . You can  
directly scan the anti-counterfeiting QR  
code identification by mobile phone;

2. Log on to the anti-counterfeiting enquiry website (<http://www.sdcpcpvfw.cn>) and enter the anti-counterfeiting  
number for enquiry.

Shandong Linglong Tyre Co.

2021 Annual Financial Statements and Audit Report

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[The] [Liaozhong]. \_Yizheng Ganzheng Glycoside... [2022]  
Yong Bod 10092 (Page  
6 of 6)

[I] Shareholders of Donglonglong report

Tyre Company Limited.

] Audit opinion

(i) count

We have audited the financial statements of Shaner Linglong Tire Company Limited (hereinafter referred to as "Linglong Tire"), which comprise the consolidated and company balance sheets as of 31 December 2021, and the consolidated and company statements of income, cash flows, changes in shareholders' equity and notes to the consolidated and company statements for the year ended 31 December 2021 (hereinafter referred to as "consolidated and company statements"). The consolidated balance sheet, the consolidated statement of income, the consolidated statement of cash flows, the consolidated statement of changes in shareholders' equity and the notes to the financial statements for the year ended 31 December 2021

We're looking for her.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and interim financial position of Ling Ridge Tire Company as of December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021 in conformity with accounting principles generally accepted in the Republic of China."

## II. Basis for forming the audit opinion

薯戈介]才互...趺叶]卜卧汁....月妊会计一叫||卜...熹贝||'| | <Jj况定拟L们= J'... 讣竹..... The " CPA...UXJ^Financials" of the Hualien Report **Hualien is a** further elaboration of the J's commitment to the J's and the J's to the J's and the J's to their responsibilities. We are very happy to see that the "J-1" and "J-U" programmes have been able to provide a good listening experience to the people who are interested in them, and t h e "J-1" and "J-U" programmes have been able to provide a good listening experience to the people who are interested in them, and the "J-1" programme has been able to provide a good listening experience to the people who are interested in them, and the "J-1" programme has been able to provide a good listening experience to the people who are interested in them, and the "J-1" programme has been able to provide a good listening experience to the people who are interested in them.

扩女...趺 幅嶂澜川乏言计'...口邛 (寸kj亘壺骠勺=贝||, 薯戈卜) 菩山>管F王令[艾E车仑月台乏>可, 并履行了职业道德

方而的共他责任。

### 三、 Audit matters in the context of the United Nations Office for Project Services

These are the most important matters that the auditor, in professional judgement, considers to be significant in the context of the current period.

The item is issued as a separate grey opinion. Overall, the market will be formed by the bombing of the pestle and mortar. We're supposed to be interested in these things.

我们在中叶1谚夏另U出（]勺关铛垄珂计\_弓烹）页纂（'蔻女II下：（

We're not going to be able to do anything about it, but we're going to be able to do something about it, and we're going to be able to do something about it.

[ ' II] Estimation of provision for decline in value of inventories

Jinhua Yongdao Zhongyao Accounting Firm (General Partnership)  
11/F PricewaterhouseCoopers Centre, Tower 2, The Link Corporate Plaza, 202 Hubin Road, Huangpu District, Shanghai,  
200021, P. R. China  
Tel: +86 (21) 2323 8888 Fax: +86 (21) 232323 8800 www/chcn.com



뿌싹흐

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[illegible]



The first one is the "Porpo" (Porpo) No. 10092 of[2022], which is the first of its kind in the world, and the second one is the "Porpo" (Porpo) No. 10092 of[2022].

### III. Key audit issues (continued)

[p. [...ching] Total number of  
cave pages]

|  |   |
|--|---|
| <p>The key to the problem is the fact that is not a problem for the people of the country.</p> | <p>How to deal with the key municipal snail programme in our audits</p> |
|--|---|



(f1) Estimation of allowance for diminution in value of inventories

See Notes to Financial Statements] [28)(b) Greetings for Accounting Estimates and Judgements Confrontation Notes to Financial Statements IV (8)

Inventory Portfolio

Month Ruthenium ridge" fiver - "door 1- '骸言' 货协令||乙' > 把【嘉

>3 5 5 229 blood 0 into the wood swish

The lower of cost or net realisable value of inventories is based on the cost of inventories.

High]; "The difference between the net realisation of the tomb HI is calculated as a pinch.

The net realisable value of inventories is estimated at the elbow.

We consider the age of the inventory, whether the inventory is slow-moving or damaged, the nominal value of the inventory, and the estimated costs, sales savings, and state tariffs that will be incurred.

m 'J'ff- the amount of the goods is too significant, and the provision for inventory decline was significantly estimated at the time we determined the provision for inventory decline) We determined the estimate of the provision for inventory decline to be the Guantin... snail.

The municipal accounting procedures we have implemented include.

' 'J' The bombing test was used to evaluate and determine the inventory at the management level.

The internal b of the provision for decline in value layer

taut inventory selected sample test stockage present

Costs 册【帕木狮】 主字皆量『叟卜』{‘手LJ』=‘『A峰’取

致和响参是叩合芳肢广「恰恰」识怦 be back.

The calculation of allowance for decline in value of inventories is very accurate, and it is very important for the management to calculate the change in value of inventories.

Evaluation of the Jade Juggling Estimates Involved in the Present Jungians.

Includes.

We will check the inventory price after the period and the recent selling price close to the negative balance and compare it with the estimated selling price of Suga.

Compare and analyse the cost of inventories assessed by management with the company's historical data on the cost of inventories.

- Compare and analyse the ratio of projected sales fees and related taxes to sales revenue as estimated by Sugamura with the historical ratio of the company's inventory of the same type.

|  |   |
|--|---|
|  | <p>Based on the audit procedures performed, we have obtained evidence that supports management's <del>and</del> of the provision for inventory write-downs. 0</p> |
|--|---|



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The second (2022) Yongpo 10092 of the Xibodhi Bodhi.

(page 4 of 6)

#### IV. Other information

王令灵它车公月台乏)元]亏薯=珏涇雇鲁X...I」马(山庸宜'圃、乡董责。) Doojar 'also Dinyin ' nursery, package eggplant  
treatment Wang Ling I Xi it Chelun Yue Tai lack of ministries tucked into the  
{ fl4ifiL fiTTDH'9HWe/FWM'J]I'I'J'fiTiI'J'Lifio "Chuan letter cover the information,

Annual  
2021

Our opinion on the financial statements does not cover other information] We  
also do not issue any form of assurance conclusion on other information."

(In conjunction with our financial statement accounting, find out what information is available  
on our Guyanese feet). In this process, consider  
Whether the rest of the information is consistent with the financial statements or the  
information we have obtained in the course of our calculations, or whether it appears to be  
so  
The boy in the orbit is misreported. Based on what we have already done, we  
should report this fact. If we determine that other information is m  
inappropriate, we should report that fact. In this regard, we do not have any e  
matters to report.

V. Responsibility of management and the Board of Auditors for the financial statements  
The management of Linglong Tyre Company is responsible for the eucalyptus lighting business clubi  
The financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Statements by Financial Institutions in the Republic of Korea. The Company's financial statements

允反映) 并设计、妾艾L予) ...不门纾捏扣"必'『鱼薯门勺内卅H寮胴L 以{吏贝才劣慢茗更芥 <芥靠构...[|'J'^ (蓼碾瑚苔旦戈钊奈灵  
导致的脏大锚报。

\$152MilfiJUH'QHIHZIFJ'] Management Negative Tribute Assessments Linglong company  
The going concern assumptions [such as the assumptions about the operation of a business, the  
assumptions about the operation of a business, the assumptions about the operation of a business, and  
the assumptions about the operation of a business, unless the management of the Tire Company  
The company's newest product is a new product that has been designed to be used in a variety of ways, such as a new product for the  
first time, a new product for the second time, a new product for the third time, a new product for the third time, and a new product for the third time.

The Accounting Committee is responsible for overseeing the financial reporting process

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of Linglong Tyre Company.

## VI. Responsibilities of certified public accountants for the audit of financial statements

Our Yan standard foot on the financial statements as a whole foot Touben there is fraud or error caused by the great misstatement of the reasonable assurance, and issued a market accounting report containing a market accounting opinion. Reasonable assurance is sufficient to ensure that the level of datekeeping. A market account executed in accordance with IFRSs will always detect a material misstatement when it is made. A misstatement is considered material if it could reasonably be expected, individually or in the aggregate, to affect the economic decisions of users of financial statements based on the financial statements. Anchor statements are generally considered to be material.

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Coopers

## 六、注册会计师对财务报表审计的责任(续)

在按照审计准则执行审计工作的过程中, 我们运用职业判断, 并保持职业怀疑。同时, 我们也执行以下工作:

(一) 识别和评估由于舞弊或错误导致的财务报表重大错报风险; 设计和实施审计程序以应对这些风险, 并获取充分、适当的审计证据, 作为发表审计意见的基础。由于舞弊可能涉及串通、伪造、故意遗漏、虚假陈述或凌驾于内部控制之上, 未能发现由于舞弊导致的重大错报的风险高于未能发现由于错误导致的重大错报的风险。

(二) 了解与审计相关的内部控制, 以设计恰当的审计程序。

(三) 评价管理层选用会计政策的恰当性和作出会计估计及相关披露的合理性。

(四) 对管理层使用持续经营假设的恰当性得出结论。同时, 根据获取的审计证据, 就可能导致对玲珑轮胎公司持续经营能力产生重大疑虑的事项或情况是否存在重大不确定性得出结论。如果我们得出结论认为存在重大不确定性, 审计准则要求我们在审计报告中提请报表使用者注意财务报表中的相关披露; 如果披露不充分, 我们应当发表非无保留意见。我们的结论基于截至审计报告日可获得的信息。然而, 未来的事项或情况可能导致玲珑轮胎公司不能持续经营。

(五) 评价财务报表的总体列报(包括披露)、结构和内容, 并评价财务报表是否公允反映相关交易和事项。

(六) 就玲珑轮胎公司中实体或业务活动的财务信息获取充分、适当的审计证据, 以对合并财务报表发表审计意见。我们负责指导、监督和执行集团审计, 并对审计意见承担全部责任。

我们与审计委员会就计划的审计范围、时间安排和重大审计发现等事项进行沟通, 包括沟通我们在审计中识别出的值得关注的内部控制缺陷。

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large

Falcon Waterways (2022) No. 10092  
(Sixth dome. Six dome.)

Responsibilities of the Fung Wong Fung Choi Fung Choi Association (Fung Wong Fung  
Wong)

This is the only way to request that you provide the Zeus Sub-Commission with information about your activities and cooperate with the Zeus Sub-Commission on all matters relating to the U.S. and other matters that may reasonably affect our independence, as well as the precautions to be taken (if applicable).

We have identified the most important issues that are related to the operation of the trade transaction and the key issues that will affect the operation of the trade transaction in the current financial year. We will describe in the lease transaction reports the key issues, except where disclosure is prohibited by laws and regulations, or in rare cases where it is reasonably expected that the negative consequences of the transaction will outweigh the benefits to the public interest, we will ensure that we do not waste time in dealing with these issues in the lease transaction reports.

普华永道中天  
会计师事务所(特殊普通合伙)

中国·上海市  
2022年4月28日



you're here, too. there are also a number of other countries that are important

Registratio  
n of Cape  
Shelter

Lam Sai Hung (Project Partner)

喬周瑋

乔周玮

怡和股份有限公司

2021年12月31日合并及公司资产负债表

金额单位为人民币元

| 资产          | 附注四<br>(除另注外) | 2021年12月31日<br>合并 | 2020年12月31日    | 2021年12月31日    | 2020年12月31日    |
|-------------|---------------|-------------------|----------------|----------------|----------------|
| 货币资金        | (1)           | 2,317,339,039     | 4,287,095,860  | 1,299,475,320  | 1,495,724,055  |
| 交易性金融资产     | (2)           | 20,810,538        | 28,873,251     |                |                |
| 应收票据        | (3)           | 206,947,101       |                | 199,698,837    |                |
| 应收账款        | (4), (1)-(6)  | 3,061,300,763     | 2,750,756,921  | 2,928,858,260  | 2,487,279,121  |
| 应收款项融资      | (5)           | 232,175,310       | 912,445,780    | 315,614,324    | 1,043,290,705  |
| 预付款项        | (6)           | 326,030,267       | 548,704,806    | 198,513,825    | 320,767,433    |
| 其他应收款       | (7), (1)-(2)  | 28,654,757        | 40,107,822     | 4,957,011,173  | 2,989,249,356  |
| 存货          | (8)           | 4,534,456,129     | 2,874,553,194  | 1,624,752,003  | 1,073,180,543  |
| 其他流动资产      | (9)           | 804,660,439       | 458,218,373    | 164,579,268    | 68,442,048     |
| 一年内到期的非流动资产 | (10)          | 11,002,297        |                |                |                |
| 流动资产合计      |               | 11,543,376,640    | 11,900,756,00  | 11,688,503,010 | 9,477,933,261  |
| 非流动资产       |               |                   |                |                |                |
| 长期应收款       | (10)          | 76,275,491        |                |                |                |
| 长期股权投资      | (11), (1)-(3) | 29,441,228        | 30,074,496     | 7,228,103,421  | 5,609,459,043  |
| 其他权益工具投资    | (12)          | 400,606,242       | 308,244,494    |                |                |
| 其他非流动金融资产   | (13)          | 217,840,679       | 87,171,738     | 91,164,863     | 25,606,593     |
| 投资性房地产      | (14)          | 144,087,091       | 71,464,870     | 1,758,467      | 1,932,381      |
| 固定资产        | (15)          | 12,419,500,883    | 11,813,236,885 | 2,953,043,738  | 3,251,260,755  |
| 在建工程        | (16)          | 5,140,016,319     | 1,615,839,031  | 333,820,393    | 159,943,614    |
| 使用权资产       | (17)          | 37,992,802        |                | 10,246,020     |                |
| 无形资产        | (18)          | 900,249,352       | 768,667,071    | 159,087,158    | 158,262,544    |
| 长期待摊费用      |               | 2,039,468         | 1,803,355      |                |                |
| 递延所得税资产     | (19)          | 449,343,017       | 306,133,337    | 178,382,301    | 69,611,242     |
| 其他非流动资产     | (20)          | 2,778,100,055     | 2,395,383,628  | 141,383,887    | 271,195,796    |
| 非流动资产合计     |               | 22,595,492,627    | 17,398,015,905 | 11,096,990,248 | 9,547,271,968  |
| 资产总计        |               | 34,138,869,267    | 29,298,771,912 | 22,785,493,258 | 19,025,205,229 |



胎股份有限公司

2021年12月31日合并及公司资产负债表(续)

除特别注明外，金额单位为人民币元

| 负债及股东权益     | 附注四  | 2021年12月31日<br>合并 | 2020年12月31日<br>合并 | 2021年12月31日<br>M   | 2020年12月31日<br>M |
|-------------|------|-------------------|-------------------|--|------------------|
| 短期借款        | (22) | 5,831,214,406     | 1,564,566,522     | 4,643,230,137  | 1,314,509,439    |
| 应付票据        | (23) | 4,173,179,308     | 3,307,766,543     | 3,801,279,774  | 2,956,202,033    |
| 应付账款        | (24) | 2,678,983,867     | 2,471,280,727     | 1,357,672,515  | 1,164,100,406    |
| 预收款项        |      | 191,897           |                   |  |                  |
| 合同负债        | (25) | 344,898,878       | 662,775,010       | 272,219,546  | 571,731,829      |
| 应付职工薪酬      | (26) | 156,573,882       | 158,238,452       | 91,718,536   | 83,999,567       |
| 应交税费        | (27) | 26,529,989        | 26,490,212        | 6,290,451  | 0,588,499        |
| 其他应付款       | (28) | 2,246,672,034     | 1,526,049,113     | 650,794,727  | 687,801,864      |
| 一年内到期的非流动负债 | (29) | 634,209,583       | 1,361,791,128     | 487,605,017  | 3,024,040        |
| 其他流动负债      | (30) | 49,655,702        | 87,203,855        | 33,241,189   | 76,790,888       |
| 流动负债合计      |      | 16,142,109,548    | 11,166,161,562    | 11,334,051,892   | 6,868,748,585    |
| 长期借款        | (31) | 718,664,450       | 1,077,585,481     | 115,000,000  | 570,000,000      |
| 租赁负债        | (32) | 32,239,924        |                   | 6,480,112  |                  |
| 长期应付款       | (33) | 205,306,685       |                   | 573,813,000  | 391,494,000      |
| 递延收益        | (34) | 641,267,908       | 542,825,320       | 49,599,822   | 52,261,497       |
| 递延所得税负债     | (19) | 11,043,680        |                   |  |                  |
| 非流动负债合计     |      | 1,608,522,647     | 1,620,410,801     | The Government of the United States of America, the United Kingdom of Great Britain and Northern Ireland and the United States of America. | 1,013,755,497    |
| 负债合计        |      | 17,750,632,195    | 12,786,572,363    | 12,078,944,826   | 7,882,504,082    |

李伟

(**₩** 外, 金額单位为人民币元)

2021년 12월 31일 "중" 2020년 12월 31일: 2021년 12월 31일 까지 2020년 12월 31일:  
2021년 12월 31일

Rear Rear Rear Rear Rear Rear Rear Rear Rear Rear Rear Rear Rear} Rear  
Rear                      깎뚝                      쇼히

后附财务报表附注为财务报表的组成部分。

조금

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옷하끼썰싯룻쌍뿔

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2021 @

股份有限公司

及公司利润

金额单位为人民币元)



| 附注四                     | 2021 & 6         | 2020 6Ä          | 2021 @@          | 2020 *M          |
|-------------------------|------------------|------------------|------------------|------------------|
| 营业收入 (41), 46.(4)       | 18,579,219.822   | 18,382,721,153   | 14,665,095,924   | 14,105,036,997   |
| 减: 营业成本 (41),(47), €(4) | (15,372,263,715) | (13,672,486,173) | (13,290,377,106) | (12,169,510,903) |
| 税金及附加 (42)              | (99,718,959)     | (104,707,393)    | (44,886,302)     | (61,849,443)     |
| 销售费用 (43), (47)         | (528,500,635)    | (543,332,966)    | (473,747,307)    | (469,113,231)    |
| 管理费用 (44), (47)         | (642,216,907)    | (508,804,698)    | (281,312,943)    | (233,304,908)    |
| 研发费用 (45), (47)         | (934,094,671)    | (763,398,433)    | (523,601,226)    | (476,576,687)    |
| 财务费用 (46)               | (134,262,526)    | (391,933,903)    | (135,529,153)    | (224,187,056)    |
| 其中: 利息费用                | (176,334,587)    | (267,780,087)    | (147,152,554)    | (202,587,831)    |
| 利息收入                    | 40,202,057       | 44,598,805       | 19,787,701       | 26,241,477       |
| 加: 其他收益 (53)            | 142,548,511      | 107,269,516      | 13,684,302       | 29,427,845       |
| 投资收益/(损失) (50), -L6(5)  | (29,155,218)     | 8,876,631        | 268,952,730      | 217,514,191      |
| 公允价值变动收益/(损失) (51)      | 25,244,336       | 4,682,636        | (1,441,730)      | 606,593          |
| 信用减值损失 (49)             | (20,545,507)     | (28,260,453)     | (17,748,311)     | (26,485,917)     |
| 资产减值损失 (48)             | (289,931,017)    | (168,580,038)    | (138,810,708)    | (73,101,849)     |
| 资产处置收益/(损失) (52)        | 33,927,907       | (3,198,205)      | 874,803          | (1,866,373)      |
| 营业利润                    | 730,251,421      | 2,318,847,674    | 41,152,973       | 616,589,259      |
| 加: 营业外收入 (54)           | 10,743,890       | 16,082,964       | 4,539,355        | 10,230,245       |
| 减: 营业外支出 (55)           | (27,125,201)     | (24,120,892)     | (12,918,595)     | (17,629,972)     |
| 利润总额                    | 713,870,110      | 2,310,809,746    | 32,773,733       | 609,189,532      |
| 减: 所得税费用 (56)           | 74,686,194       | (90,538,776)     | 82,171,428       | (49,033,414)     |
| 四、净利润                   | 788,556,304      | 2,220,270,970    | 114,945,161      | 560,156,118      |
| 经营持续性分类                 |                  |                  |                  |                  |
| 持续经营净利润                 | 788,556,304      | 2,220,270,970    | 114,945,161      | 560,156,118      |
| 所有权归属分类                 |                  |                  |                  |                  |
| 归属于母公司股东的净利润            | 788,711,788      | 2,220,426,409    | 114,945,161      | 560,156,118      |
| 少数股东损益                  | (155,484)        | (155,439)        | 不适用              | 不适用              |
| 五、其他综合收益的税后净额 (38)      | (359,102,963)    | (280,588,349)    |                  |                  |
| 归属于母公司股东的其他综合收益的税后净额    |                  |                  |                  |                  |
| 不能重分类进损益的其他综合收益         |                  |                  |                  |                  |
| 其他权益工具投资公允价值变动          | (16,398,347)     | 44,214,259       |                  |                  |
| 外币财务报表折算差额              | (f342,704,616)   | (324,802,608)    |                  |                  |
| 六、综合收益总额                | 429,453,341      | 1,939,682,621    | 114,945,161      | 560,156,118      |
| 归属于母公司股东的综合收益总额         | 429,608,825      | 1,939,838,060    | 114,945,161      | 560,156,118      |
| 归属于少数股东的综合收益总额          | (155,484)        | (155,439)        | 不适用              | 不适用              |
| 基本每股收益(人民币元) (57)       | 0.58             | 1.82             | 不适用              | 不适用              |
| 稀释每股收益(人民币元) (57)       | 0.58             | 1.77             | 不适用              | 不适用              |

后附财务报表附注为财务报表的组成部分。

企业负责人: 王锋

主管会计工作的负责人: 911

山东玲珑轮胎股份有限公司

2021 年度合并及公司现金流量表

单位：人民币元

| 项 目                       | 附注四          | 2021 6R          | 2020 &R          | 2021 Q@          | 2020 ÁB         |
|---------------------------|--------------|------------------|------------------|------------------|-----------------|
| 销售商品、提供劳务收到的现金            |              | 14,027,822.84    | 15,328,521,319   | 11,695,071,008   | 11,704,168,775  |
| 收到的税费返还                   |              | 326,881,359      | 269,117,043      | 196,810,875      | 93,548,889      |
| 收到其他与经营活动有关的现金            | (58)(a)      | 385,493,969      | 251,886,757      | 98,557,736       | 118,420,239     |
| 经营活动现金流入小计                |              | 14,740,197,682   | 15,849,525,119   | 11,991,439       |                 |
| 购买商品、接受劳务支付的现金            |              | 6,911,916,137.90 | 3                |                  |                 |
| 支付给职工以及为职工支付的现金           |              | (11,635,301,652) | (9,169,686,914)  | (10,779,668,128) | (8,086,034,690) |
| 支付的各项税费                   |              | (1,734,954,855)  | (1,484,587,510)  | (1,010,898,706)  | (808,775,819)   |
| 支付其他与经营活动有关的现金            | (58)(b)      | (375,631,064)    | (396,943,014)    | (250,479,498)    | (218,266,179)   |
| 经营活动现金流出小计                |              | (504,326,034)    | (506,684,650)    | (441,615,732)    | (487,213,226)   |
| 经营活动产生的现金流量净额             | (59)(a)(i)   | (14,250,213,603) | (11,557,904,088) | (12,382,962,064) | (9,600,289,914) |
|                           |              | 489,984,059      | 4,291,621,031    | (391,522,445)    | 2,315,847,089   |
| 投资活动产生的现金流                |              |                  |                  |                  |                 |
| 收回投资收到的现金                 |              | 21,792,517       | 100,766,506      |                  |                 |
| 取得投资收益所收到的现金              |              | 1,805,554        |                  |                  | 440,000,000     |
| 处置固定资产、无形资产和其他长期资产收回的现金净额 |              |                  |                  |                  |                 |
| 收到其他与投资活动有关的现金            | (58)(c)      | 105,263,381      | 23,116,887       | 22,383,078       | 25,076,646      |
| 投资活动现金流入小计                |              | 37,050,350       | 66,391,257       | 2,033,863,835    | 145,324,108     |
| 购建固定资产、无形资产和其他长期资产支付的现金   |              | 165,911,802      | 190,274,750      | 2,050,246,913    | 610,400,754     |
| 投资支付的现金                   |              | (4,888,915,833)  | (2,449,260,189)  | (248,283,548)    | (294,571,330)   |
| 支付其他与投资活动有关的现金            | (58)(d)      | (221,000,000)    | (18,543,955)     | (1,661,845,751)  | (1,408,896,000) |
| 投资活动现金流出小计                |              | (53,800,000)     | (60,027,603)     | (1,621,881,447)  | (943,819,884)   |
| 投资活动产生的现金流量净额             |              | (5,163,715,833)  | (2,597,811,727)  | (3,532,010,746)  | (2,647,287,214) |
|                           |              | (4,997,804,031)  | (2,407,556,977)  | (1,475,763,833)  | (2,036,886,460) |
| 筹资活动产生的现金流                |              |                  |                  |                  |                 |
| 吸收投资收到的现金                 |              |                  | 1,978,617,480    |                  | 1,978,617,490   |
| 取得借款收到的现金                 |              | 8,415,603,532    | 5,199,610,003    | 5,796,394,680    | 4,712,908,594   |
| 收到其他与筹资活动有关的现金            | (58)(e)      | 384,358,977      | 162,282,151      | 251,075,800      | 154,497,700     |
| 筹资活动现金流入小计                |              | 8,799,962,509    | 7,340,509,644    | 6,047,470,480    | 6,846,023,784   |
| 偿还债务支付的现金                 |              | (5,212,880,454)  | (7,895,563,490)  | (3,537,027,298)  | (6,571,185,637) |
| 支付其他与筹资活动有关的现金            | (58)(f)      | (802,844,038)    | (715,411,143)    | (792,129,689)    | (648,025,687)   |
| 筹资活动现金流出小计                |              | (9,293,374)      | (9,970,292)      | (5,476,615)      | (9,970,292)     |
| 筹资活动产生的现金流量净额             |              | (6,025,127,866)  | (8,620,944,251)  | (4,334,633,582)  | (7,229,181,616) |
|                           |              | 2,774,806,643    | (1,280,435,281)  | 1,712,836,898    | (383,157,832)   |
| 四、汇率变动对现金及现金等价物的影响        |              | (277,420,456)    | (66,552,114)     | (19,906,088)     | (28,705,323)    |
| 五、现金及现金等价物净(减少)/增加额       | (59)(a)(iii) | (2,010,405,785)  | 537,076,659      | (174,355,468)    | (133,901,626)   |
| 加：年初现金及现金等价物余额            |              | 3,799,214,557    | 3,262,137,898    | 973,081,134      | 1,106,982,760   |
| 六、年末现金及现金等价物余额            | (59)(b)      | 1,788,808,772    | 3,799,214,557    | 798,725,666      | 973,081,134     |

后附财务报表附注为财务报表的组成部分。

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李 伟

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山东玲珑科技股份有限公司

2021年12月31日资产负债表  
除特别说明外，金额单位均为人民币元

| 项 目   | 附注四              | 归属于母公司股东权益               |               |   |               |               |             |               | 少数股东权益                                  |   |
|---|------------------|--------------------------|---------------|---|---------------|---------------|-------------|---------------|---|---|
|   |                  | 股本                       | 其他权益工具        | Accordi<br>ng to<br>Hovenia<br>dulcimer | 减：库存股         | 其他综合收益        | 盈余公积        | 未分配利润         | e juice of the jujubes and the jujubes. |   |
| Opening balance at 1<br>January 2020  |                  | 1,200,014,046            | 270,495,883   | 2,665,733,964                           | (362,128,834) | 235,083,161   | 449,376,931 | 6,566,971,672 | 6,014,483                               | 11,031] 561,306                           |
| Increase in income<br>from craniofacial<br>integration in<br>2020   | (38)             |                          |               |   | -             | (280,588,349) | -           | 2,220,426,409 | (155'439)                               | 2,220,270,970<br>(280,588,349)            |
| Gyorvo-dong, North<br>Korean rocket series  |                  |                          |               |   | -             | (280,588,349) | -           |               | (155,439)                               | 1,939,682,621                             |
| Other   |                  |                          |               |   | 2,220,426,409 |               |             |               |   |   |
| Comprehensive<br>Income   |                  |                          |               |   |               |               |             |               |   |   |
| Comprehensive<br>Income and<br>Earnings Total   |                  |                          |               |   |               |               |             |               |   |   |
| Inputs and reductions in<br>Ordinary shares invested by Ga<br>(35), (36)  |                  | 63,798,000               | -             | 1,914,819,490                           |               |               |             |               |   | 1] 978,617] 490                           |
| Convertible bond<br>Cancellation  | (37)] xiii       | 109,953'766<br>(253,400) | (270,495,883) | 2,115,650,007<br>(3,917,564)            | 4,062,002     | -             |             | One.          |   | 1.955, 107]890.<br>(108'962)              |
| The share of<br>ordinary juice into the share of<br>the Jumai benefit<br>distribution of profits<br>(accountancy) | (36)] 11The<br>0 |                          |               | 113,777,709                             |               |               |             |               |   | 113,777,709                               |
| Withdrawal of surplus   | (39)             | one                      |               |   | Yeah.         | .....         |             | 56, 015] 612  |   | 1,373,512,412                             |
| Allocation of X-inch shares   | (37), (40)       |                          |               | (56,015,612)                            |               |               |             |               |   | 6,806,063,606                             |
| Year-end balance as at 31 December 2020   |                  |                          |               |   | 5,507,010     | -             | -           | (511,945,515) |   | (352,559,822)<br>(45,505,188) 505,392,543 |

6,806,063,606 (352,559,822)

8,219,436,954

- (506,438,505)  
5,859,044 16,512,199,549

山东玲珑轮胎股份有限公司

2021 年度合并股东权益变动表(续)  
(Fiflu主明外, 金额单位为人民币元)  
enti

| 项 目                | 附注四            | 归属于母公司股东权益    |        |                                      |                      |               | 少数股东权益      | 뵡송첸즌슴하                      |
|--------------------|----------------|---------------|--------|--------------------------------------|----------------------|---------------|-------------|-----------------------------|
|                    |                | 股本            | 其他权益工具 | 资本公积                                 | 减: 库存股               | 其他综合收益        | 盈余公积        | 未分配利润                       |
| 20215131H 1 Emmfim |                | 1,373,512,412 |        |                                      | (352,559,822)        | (45,505,188)  | 505,392,543 | 5,859,044 165123199549      |
| 2021 뽰쑤쑤꺄 꺄헛 헛헛    |                | 6,806,063,606 |        |                                      | 8,219,436,954        |               |             |                             |
| Rear Rear Rear     |                |               |        |                                      |                      |               |             |                             |
| Rear 촌뺄헛 촌첸툼       |                |               |        |                                      |                      |               |             | (155,484) ) 788] 556'304    |
| 헛뺄툼슴뺄툼             | (38)           |               |        |                                      | -                    | -             | -           | 788,711,788 - (359,102,963) |
| 툼슴헛헛헛헛             |                |               |        |                                      | -                    | (359,102,963) | -           | (155,484) 429,453,341       |
| 뺄헛헛헛헛헛헛헛           |                |               |        |                                      | -                    | (359,102,963) | -           |                             |
|                    |                |               |        |                                      |                      | 788,711,788   |             |                             |
| Bangkok Bangkok    | (35),(37) ,^+; | (1,386,711)   |        | -(1,386,711)                         | 22,527,696           |               |             | (297,567)                   |
| Bangkok Bangkok    | -              |               |        |                                      |                      |               |             |                             |
| Bangkok Bangkok    |                | (21,438,552)  |        |                                      |                      |               |             |                             |
| Bangkok Bangkok    |                |               |        |                                      |                      |               |             |                             |
| Bangkok Bangkok    |                |               |        |                                      |                      |               |             |                             |
| Bangkok Bangkok    |                |               |        |                                      |                      |               |             |                             |
| Bangkok Bangkok    |                |               |        |                                      |                      |               |             |                             |
| Bangkok Bangkok    |                |               |        |                                      |                      |               |             |                             |
| Bangkok Bangkok    |                |               |        |                                      |                      |               |             |                             |
| Bangkok Bangkok    |                |               |        |                                      |                      |               |             |                             |
| Bangkok Bangkok    |                |               |        |                                      |                      |               |             |                             |
| Bangkok Bangkok    |                |               |        |                                      |                      |               |             |                             |
| Bangkok Bangkok    |                |               |        |                                      |                      |               |             |                             |
| 호뺄슌첸               | (36)] +]       |               |        | Matters Relating to the Post-service | 2021뽰12뽰 31 Labourer |               |             | 51,401,726                  |
| 웬뺄슌툼               |                |               |        | Work of Mr LEUNG Chin-man            | (37),                |               |             |                             |
| 쑤뺄슌소강첸             | (39)           |               |        | (40)                                 |                      |               |             |                             |



|               |   |               |                          |
|---------------|---|---------------|--------------------------|
| 1,372,125,701 | - | -59,362,296   | 110,764,022              |
| 6,836,026,780 | ~ | - 11,494,516  | (11,494,515)             |
|               |   | 8,340,976     | -                        |
|               |   |               | (672,223,249)            |
|               |   | (262,328,854) | (404,608,151)            |
|               |   |               | 516,887,059              |
|               |   |               | 8,324,430,977            |
|               |   |               | ~ (663,582,273)          |
|               |   |               | 5,703,560 16,388,237,072 |

后附财务报表附注为财务报表的组成部分。

filkfiA: 또 쓴

主管会计工作的负责人: 촌촌촌

Representati  
ve of the  
United

Nations High

Commission

er for

Human

Rights

숫압쇄흑교룻씽= 꺾좁 흑

山东玲珑轮胎股份有限公司

2021 年度公司股东权益变动表  
( 别注明外, 金额单位为

| 项 目                      | 附注四        | @fr@           |               |               |               |               |                |
|--------------------------|------------|----------------|---------------|---------------|---------------|---------------|----------------|
| 2020 年 1 月 1 日年初余额       | 1,200,014, | 046270,495,883 | 2,809,537,505 | (362,128,834) | 449,376,931   | 2,678,690,256 | 7,045,985,787  |
| 2020 年度增减变动额             |            |                |               |               |               |               |                |
| 净利润                      |            |                |               |               |               | 560, 156, 118 | 560, 156, 118  |
| 左 母 入 次                  |            |                |               |               |               |               |                |
| 股东投入的普通股                 | (35), (36) | 63,798,000     | 1,914,819,490 |               |               |               | 1,978,617,490  |
| 可转债转股/(赎回)               |            | 109,953,766    | (270,495,883) | 2,115,650,007 |               |               | 1,955,107,890  |
| 注销普通股                    | (37),十三    | (253,400)      | (3,917,564)   | 4,062,002     |               |               | (108,962)      |
| 份支付计入股东                  |            |                |               |               |               |               |                |
| 益的金额                     | (36), 6U   | -              | 109,381,329   |               |               |               | 109,381,329    |
| 提取盈余公积                   | (39)       |                |               |               | 56,015,612    | (56,015,612)  |                |
| 对股东的分配                   | (37), (40) |                |               | 5,507,010     |               | (511,945,515) | (506,438,505)  |
| 2020 '4- 12 E  31 B'6/ % |            | 1,373,512,412  | -             | 6,945,470,767 | (352,559,822) | 505,392,543   | 2,670,885,247  |
|                          |            |                |               |               |               |               | 11,142,701,147 |

山东玲珑轮胎股份有限公司

2021 年度公司股东权益变动表(续)  
 主明外，金额单位为人民币元)

| 项 目                    | 附注四        | W274i         | 옷솜쳤호고붓  | 랏             | ME: 흑촌룻       | ME: 앞         | fitfié'ififliffj | fififfi films' |
|------------------------|------------|---------------|---|---------------|---------------|---------------|------------------|----------------|
|                        |            |               | Instituto de Instituciones y Consejerías (Instituto de Instituciones y Consejerías) |               | 송삼룻           |               |                  |                |
| 20215131H111513Mf£\$9i |            | 1,373,512,412 | -   | 6,945,470,767 | (352,559,822) | 505,392,543   |                  | 11,142,701,147 |
| 2021 sawmmmm 썰슬        |            |               |   |               |               | 2,670,885,247 |                  |                |
| 빵흑단헛                   |            |               |   |               |               |               |                  |                |
| 체 썰체 룫습왓2' 존           |            |               |   |               |               |               | 114,945,161      | 114,945,161    |
| 주 룫덥팍^박깎 쩡뽕            |            |               |   |               |               |               |                  |                |
| 찬쌔뎡호헛                  | (35), (36) |               |   |               |               |               |                  |                |
| Order 뽕뽕호뽕하2' 뽕        | (37), l'.. | (1,386,711)   |   | (21,438,552)  | 22,527,696    | -             |                  | (297,567)      |
| Order 찬툼 밝슌            |            |               |   |               |               |               |                  |                |
| Order                  | (36), l'.. |               |   | 53,719,688    | 59,362,296    |               | -                | 113,081,964    |
| 체박쌔뎡 체쌔헛슌쏘             |            |               |   |               |               |               |                  |                |
| 헛 저쌔 까박왓툼              | (39), (40) |               |   | -             | -             | 11,494,516    | (11,494,516)     | -              |
| 2021 투 12 낄 31 딴뽕겡슌툼   | (39)`(40)  |               |   | -             | 8,340,976     | -             | (672,223,249)    | (663,882,273)  |
|                        |            | 1,372,125,701 | -   | 6,977,751,883 | (262,328,854) | 516,887,059   | 2,102,112,643    | 10,706,548,432 |

后附财务报表附注为财务报表的组成部分。

Nam: 34

per cent.

主 썰슌하고송헛헛룻생:촌 촌

%i+1')1\$€lfi1fi)\z 孙再斌

Shandong Linglong Tyre Co.

Notes to the financial statements

2021

(Amounts in Renminbi Yuan unless

otherwise stated)

## Company Basics

Shandong Linglong Tyre Company Limited (hereinafter referred to as the **"Company"**), formerly known as Zhaoyuan Leo Rubber Products Company Limited, was established on 6 June 1994 by Yantai Tyre Factory and Hong Kong Leo Company Limited (hereinafter referred to as "Hong Kong Leo").

A Sino-foreign equity joint venture established in Zhaoyuan City, Shandong Province, People's Republic of China, with a registered capital of US\$2,500,000.

(equivalent to RMB21,750,000), Yantai Tyre Factory and Hong Kong Leo hold 60% and 40% of the Company's shares respectively.

of equity.

In January 1995, Hong Kong Leo transferred its 40% equity interest in the Company to Hong Kong New Energy Chemical Group Limited (hereinafter referred to as "New Energy Chemical"); in August 1995, Yantai Tyre Factory and New Energy Chemical increased their capital in kind to the Company, and after the increase, the registered capital of the Company was US\$10,920,000. In August 1995, Yantai Tire Factory and New Energy Chemical increased their capital to the Company in kind, and the registered capital of the Company was USD10,920,000 after the capital increase; after the completion of the aforesaid changes, Yantai Tire Factory and New Energy Chemical held 75% and 25% equity interests in the Company; in June 2001, the equity interests held by Yantai Tire Factory were inherited by restructured Shandong Linglong Rubber Company Limited (renamed as Linglong Group Co. (hereinafter referred to as "Linglong Group Company") after restructuring; in January 2007, approved by Yantai Foreign Trade and Economic Cooperation Bureau, New Energy Chemical transferred its 25% equity interest in the Company to Hong Kong Huacheng Trading Company Limited (hereinafter referred to as "Huacheng Trading"); in December 2007, Huacheng Trading transferred its 25% equity interest in the Company to Hong Kong Huacheng Trading Company Limited (hereinafter referred to as "Huacheng Trading"). In December 2007, Huacheng Trading transferred its 25% equity interest in the Company to Hong Kong Yingcheng Trading Company Limited (hereinafter referred to as "Yingcheng Trading"); in August 2008, the Company used part of its undistributed profits of RMB351,405,000 (equivalent to US\$51,300,000) to increase its paid-in capital, and after the capital increase, the registered capital of the Company was changed to US\$62,220,000, which is the equivalent of US\$1,500,000 of the undistributed profits of the Company. After the capital increase, the registered capital of the Company was changed to USD 62,220,000, with Linglong Group Company and Yingcheng Trading holding 75% and 25% of the equity respectively. In March 2009, the Company was renamed as Shandong Linglong Tire Co.

Pursuant to the Capital Increase Agreement dated 31 December 2009, the Company

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Co.

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increased its registered capital by US\$15,014,359 (equivalent to US\$1,080,000).  
(otherwise stated)

After the completion of the subscription in February 2010, the registered capital of the Company was changed to US\$77,234,359, of which Linglong Group Company holds 60.42% equity interest in the Company and Yingcheng Trading Company holds 60.42% equity interest in Yingcheng Trading Company, and the registered capital of the Company was changed to US\$77,234,359. Ltd. After the completion of the subscription in February 2010, the registered capital of the Company was changed to US\$77,234,359, of which 60.42% was held by Linglong Group, 20.14% by Yingcheng Trading and 19.44% by 10 shareholders, including Jimao Co.

Pursuant to the Promoter Agreement signed in May 2010 and the overall change programme approved by the Board of Directors and the Shareholders' Meeting, our Company

The promoters, Linglong Group, Yingcheng Trading and Kiamo Limited, are 12 shareholders who have adopted a promotional approach to the establishment of the Company.

The Company was transformed into a joint stock limited company with a total share capital of RMB1,000,000,000 in accordance with the law, and in 2010, the Company was incorporated as a joint stock limited company.

On 28 June 2012, the Company received the Enterprise Legal Person Business Licence No. 370600400002377 issued by Shandong Administration for Industry and Commerce, with its registered office and head office in Zhaoyuan City, Shandong Province, the People's Republic of China. The parent company of the Company is Linglong Group Company and the actual controller is Wang Xicheng family.

Pursuant to Circular No. CSRC Permit [2016] 1175 issued by the China Securities Regulatory Commission on 30 May 2016

Ltd. to issue 200,000,000 ordinary shares of RMB to the public, the Company was permitted to issue 200,000,000 ordinary shares of RMB to the public. The Company was listed on the Shanghai Stock Exchange on 6 July 2016

The total share capital was changed to RMB1,200,000,000.

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(continued)

Pursuant to Circular No. CSRC Permit [2017] 2204 issued by the China Securities Regulatory Commission on 30 November 2017

Approval Response on Approving the Public Issue of Convertible Corporate Bonds by Shandong Linglong Tyre Co.

Issuance of 20,000,000 ordinary convertible bonds in March 2018, each bond issued with a nominal value of RMB

On 4 September 2020, the Company's convertible bonds amounted to RMB100, totalling RMB2,000,000,000. As at 4 September 2020, the Company's convertible bond

All of the bonds have been converted or redeemed, with a total of 109,967,812 shares converted.

Pursuant to the "Proposal on the Company's Repurchase of Shares by way of Concentrated Auction Trading" considered and approved at the meeting of the Board of Directors of the Company held on 17 January 2019, the Group repurchased part of the A-share social public shares for the purpose of equity incentives. As at 31 December 2019, the Group repurchased a total of 21,999,951 shares at a repurchase amount of 362,128,834

Dollars. Pursuant to the "Proposal on the Grant of Restricted Shares to the Incentive Recipients under the 2019 Restricted Stock Incentive Plan" considered and approved at the meeting of the Board of Directors of the Company held on 2 January 2020, the Company granted 12,807,000 shares of restricted stock to eligible employees.

Pursuant to the "Proposal on the Repurchase of

The "Resolution on the Repurchase and Cancellation of Restricted Shares Granted but Not Yet Released from Restricted Sale to Certain Incentive Participants", the Company repurchased and cancelled 253,400 restricted shares granted but not yet released from restricted sale held by 35 employees who did not satisfy 100% of the conditions for release of restricted shares for the current period, reducing the share capital by RMB253,400.

Pursuant to Circular No. CSRC Permit [2020] 2322 issued by the China Securities Regulatory Commission on 16 October 2020

Ltd., the Company was allowed to issue up to 100,000,000 RMB ordinary shares by way of capital increase to investors in the PRC. The Company actually issued 63,798,000 shares.

Shares were issued at RMB 31.21 per share.

On 26 August 2021 and 13 September 2021, the Company held the twenty-sixth meeting of the fourth session of the Board of Directors respectively.

At the Meeting and the Fourth Extraordinary General Meeting of 2021, the "Proposal on Adjusting the Use of the Repurchased Shares and Cancellation" was considered

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Company's basic and (continued). Based on the future development strategy of the Company and taking into account the Company's financial and operating conditions and other factors, the Company adjusted the use of the repurchased shares from the original "for the purpose of equity incentives for the Company's staff" to "for cancellation to reduce the registered capital", and wrote off 1,020,951 shares in the special securities account to reduce the share capital by RMB1,020,951. The Company adjusted the use of the repurchased shares from "for staff equity incentives" to "for cancellation to reduce registered capital" and cancelled 1,020,951 shares in the special securities account for the repurchase, reducing the share capital by RMB1,020,951.

2021 年 8 月 26 日，本公司召开第四届董事会第二十六次会议和第四届监事会第二十三次会议，审议通过《关于回购注销部分激励对象已获授但尚未解除限售的限制性股票的议案》，对 2019 年限制性股票激励计划中 56 名未 100%满足当期限制性股票解除限售条件的 275,220 shares of restricted shares granted but not yet released from restriction on sale held by employees subject to exclusion of restriction on sale conditions

The share capital was reduced by RMB275,220 as a result of the cancellation of restricted shares; and the share capital was reduced by RMB90,540 as a result of the repurchase and cancellation of 90,540 restricted shares held by 66 employees under the 2020 Restricted Share Incentive Scheme who had not yet fulfilled the conditions for release of restricted shares in respect of the current period. As at 31 December 2021, the Company

The total share capital of the Company is 1,372,125,701 shares with a par value of RMB1 each.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacture and sale of tyres, rubber products, rubber machinery and other equipment.

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(Amounts in Renminbi Yuan unless

otherwise stated)

(continued)

For details of major subsidiaries included in the scope of consolidation during the year, please refer to Note 5. Subsidiaries newly included in the scope of consolidation during the year are Shaanxi Linglong Tyre Company Limited (hereinafter referred to as "Shaanxi Linglong"), Anhui Linglong Tyre Company Limited (hereinafter referred to as "Anhui Linglong") and Yantai Linglong Tyre Company Limited (hereinafter referred to as "Yantai Linglong"), which were invested and set up in the current year. (hereinafter referred to as "Yantai Linglong").

These financial statements were approved for reporting by the Board of Directors of the Company on 28 April 2022

1. Principal accounting policies and accounting estimates

The Group determines specific accounting policies and accounting estimates based on the characteristics of production and operation, which are mainly reflected in the measurement of expected credit losses on receivables (Note II (9)), method of valuation of inventories and provision for provision for decline in value of inventories (Note II (10)), depreciation of investment properties, property, plant and equipment, amortisation of intangible assets and right-of-use assets (Note II (12)), Note II (13), Note II (16)), method of providing for estimated liabilities (Note II (21)), recognition of deferred income tax (Note II (25)), method of providing for estimated liabilities (Note II (21)), and recognition of deferred income tax (Note II (24)). ), Note 2(25)), accrual method for projected liabilities (Note 2(21)), recognition of deferred income tax (Note 2(24)), timing of revenue recognition and estimation of separate selling price of reward point programme (Note 2(22)).

Details of the critical judgements and significant accounting estimates applied by the Group in the determination of significant accounting policies and their critical assumptions are set out in note II(28).

(1) Basis of preparation of the financial statements

The financial statements have been prepared in accordance with the "Accounting Standards for Business Enterprises - Basic Standards", specific accounting standards and related regulations (hereinafter collectively referred to as "Accounting Standards for Business Enterprises") issued by the Ministry of Finance on 15 February 2006 and subsequent periods, and the disclosure requirements of "No. 15 Rules for Information Disclosure Preparation and Reporting of Publicly-Offered Stocks" issued by the China Securities Regulatory Commission. (hereinafter collectively referred to as "ASBEs"), and the disclosure requirements of the "No. 15 Rules for the Preparation of Information Disclosure and Reporting of Companies with Publicly Issued Securities" of China Securities Regulatory



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Company basics  
Commission.

As at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately RMB4,599 million, and the directors of the Company are of the opinion that the Group's current liabilities exceeded its current assets by approximately RMB4,599 million.

For the reasons set out below, it is considered that this situation will not affect the Group's continuing operations. For the year ended 31 December 2021, the Group has The Group has obtained bank credit facilities of approximately RMB11,554 million, of which approximately RMB5,778 million has been utilised and there are still unutilised bank facilities.

The credit facilities amounted to approximately HK\$5,776 million. The Directors of the Company are satisfied that the aforesaid credit facilities can continue to be utilised and can be extended upon maturity, as the Group has been consistently profitable in the previous years and has maintained good relationship and credit history with the banks. Based on the aforesaid facilities, the directors of the Company are satisfied that the Group is capable of repaying its debts as and when they fall due and therefore the financial statements have been prepared on a going concern basis.

Statement of compliance with enterprise accounting standards

The financial statements of the Company for the year 2021 comply with the requirements of the Accounting Standards for Business Enterprises (ASBEs) and give a true and complete picture of the Company's

Information about the consolidated and company financial position as of 31 December 2021 and the consolidated and company results of operations and cash flows for fiscal year 2021

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Notes to the financial  
statements

2021

(Amounts in Renminbi Yuan unless

otherwise stated)

Principal accounting policies

and accounting estimates

(continued)

The accounting year is from 1 January to 31 December of the Gregorian calendar.

local currency

The local currency of the Company is Renminbi. The subsidiaries of the Company determine their local currency of account according to the major economic environment in which they operate, and the subsidiaries of the Company, namely, Hong Kong Tiancheng Investment and Trading Company Limited (hereinafter referred to as "Hong Kong Tiancheng"), Linglong International Tyre (Thailand) Company Limited (hereinafter referred to as "Linglong Thailand"), Linglong AMERICAS INC. Ltd. (hereinafter referred to as "Linglong Thailand", Linglong AMERICAS INC. (hereinafter referred to as "Linglong USA"), Linglong Mexico, S.A. DE C.V. (hereinafter referred to as "Linglong Mexico"), KLM (hereinafter referred to as "Linglong Mexico"). (hereinafter referred to as "Linglong Mexico"), KELLY (SINGAPORE) INVESTMENT&TRADING PTE.

(hereinafter referred to as "Linglong Singapore") and CapitaMalls Limited, Hong Kong (hereinafter referred to as "CapitaMalls"), the local currency of which is US dollars; Linglong International Europe d.o.o. Zrenjanin. (hereinafter referred to as "Linglong Serbia"), Linglong Netherlands B.V. (hereinafter referred to as "Linglong Netherlands") and Linglong Germany GmbH, HANNOVER (hereinafter referred to as "Linglong Germany"). (hereinafter referred to as Linglong Germany GmbH, HANNOVER) are in euro; the other domestic subsidiaries of the Company are in RMB. The financial statements are presented in RMB.

(5) business combination

(a) Business combinations under the same control

The merger consideration paid and net assets acquired by the Group are measured at book value. The difference between the book value of net assets acquired by the Group and the book value of the merger consideration paid is adjusted to capital surplus (equity premium); if capital surplus (equity premium) is insufficient for elimination, it is adjusted to retained earnings. Expenses directly attributable to a business combination are charged to profit or loss as incurred. Transaction costs incurred for the issuance of equity securities or debt securities for the purpose of a business combination are included in the initial recognition amount of the equity securities or debt securities.

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Principal accounting policies

Business combinations

Business combinations not under common control

(continued)

The cost of consolidation incurred by the Group and the identifiable net assets acquired in consolidation are measured at fair value at the date of purchase. The difference between the cost of the combination and the fair value of the share of the acquiree's identifiable net assets acquired in the combination at the date of purchase is recognised as goodwill; the difference between the cost of the combination and the share of the acquiree's identifiable net assets acquired in the combination at the date of purchase is recognised in profit or loss for the current period. Expenses directly attributable to the business combination are recognised in profit or loss when incurred. Transaction costs of issuing equity or debt securities for the purpose of a business combination are included in the initial recognition amount of the equity or debt securities.

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statements

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Principal accounting policies

and accounting estimates

Methods for the preparation of consolidated financial statements

In preparing the consolidated financial statements, the scope of consolidation includes the Company and all subsidiaries.

The Group begins to include subsidiaries in the scope of consolidation from the date on which it obtains effective control over them, and ceases to include them in the scope of consolidation from the date on which it loses effective control over them. For subsidiaries acquired in a business combination under the same control, they are included in the Company's scope of consolidation from the date on which they come under the control of the same ultimate controlling party as the Company, and their net profits realised prior to the date of consolidation are reflected as a separate line item in the consolidated income statement.

In the preparation of consolidated financial statements, if the accounting policies or accounting periods adopted by the subsidiaries are not consistent with those of the Company, necessary adjustments are made to the financial statements of the subsidiaries in accordance with the accounting policies and accounting periods of the Company. For subsidiaries acquired in a business combination not under the same control, the financial statements of the subsidiaries are adjusted on the basis of the fair value of the identifiable net assets at the date of purchase.

All significant intra-group balances, transactions and unrealised profits are eliminated in the preparation of the consolidated financial statements. The portion of shareholders' equity, net profit or loss for the period and comprehensive income of a subsidiary that is not attributable to the Company is presented separately in the consolidated financial statements under the headings of shareholders' equity, net profit or loss and total comprehensive income attributable to the minority shareholders as minority interest, minority profit or loss and total comprehensive income, respectively. If the minority shareholders' share of a subsidiary's loss for the period exceeds the minority shareholders' share of the subsidiary's opening equity, the balance is eliminated to reduce minority interests. Unrealised gains and losses on internal transactions arising from the sale of assets by the Company to its subsidiaries are fully offset against net profit attributable to shareholders of the parent company; unrealised gains and losses on internal transactions arising from the sale of assets by the subsidiaries to the Company are offset against net profit attributable to shareholders of the parent company and minority interests in accordance with the Company's proportionate share of the distribution of the assets of the subsidiaries to the minority shareholders. Unrealised internal transaction gains or losses arising from the sale of assets between subsidiaries are allocated and set off against net profit attributable to shareholders of the parent company and minority interests in proportion

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Principal accounting policies  
to the parent company's share of the seller's subsidiaries.  
and accounting estimates

(continued)

If the same transaction is recognised differently between the Group as the accounting  
entity and the Company or a subsidiary, the transaction is adjusted from the Group's  
perspective.

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statements

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otherwise stated)

Principal accounting policies

and accounting estimates

Cash and cash equivalents

(continued)

Cash and cash equivalents are cash on hand, deposits that are readily available for disbursement, and investments that are held for a short period of time, are highly liquid, are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value.

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are recorded in the accounts by translating foreign currency amounts into the local currency of the accounts at the spot exchange rate on the date of the transaction.

At the balance sheet date, monetary items denominated in foreign currencies are translated into the local currency using the spot exchange rate at the balance sheet date. Exchange differences arising from special foreign-currency borrowings for the purpose of acquiring and constructing assets eligible for capitalisation of borrowing costs are capitalised in the period in which they arise; other exchange differences are recognised directly in profit or loss for the period. Non-monetary items denominated in foreign currencies and measured at historical cost are translated at the balance sheet date using the spot exchange rate at the date of the transaction. The effect of exchange rate changes on cash is shown separately in the statement of cash flows.

(b) Translation of foreign currency financial statements

Assets and liabilities in the balance sheet of a foreign operation are translated using the spot exchange rate at the balance sheet date, and items in shareholders' equity, except for undistributed earnings, are translated using the spot exchange rate at the time of occurrence. Income and expense items in the income statement of foreign operations are translated using the spot exchange rate on the date of the transaction. Translation differences arising from the above translations are included in other comprehensive income. Cash flow items of foreign operations are translated using the spot exchange rate on the date the cash flow occurs. The effect of exchange rate changes on cash is shown separately in the statement of cash flows.

(9) financial instrument

A financial instrument is a contract that creates a financial asset on one side and a financial liability or equity instrument on the other side. When the Group becomes a party to a financial instrument contract, it recognises the related financial asset or financial liability.

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Principal accounting policies

and accounting estimates

(continued)

Classification and measurement

The Group classifies financial assets into: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss, based on the business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are measured at fair value on initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are recognised directly in profit or loss; for other categories of financial assets, the related transaction costs are included in the initial recognition amount. For accounts receivable or notes receivable arising from the sale of products or provision of services that do not contain or do not take into account a significant financing component, the Group takes the amount of consideration that it expects to be entitled to receive as the initial recognition amount.

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## Notes to the financial statements

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### Principal accounting policies and accounting estimates

#### Financial instruments

##### Financial instruments

##### Financial instruments

##### Financial instruments

##### Financial instruments

##### Financial instruments

##### Financial instruments

##### Financial instruments

##### Financial instruments

##### Financial instruments

Debt instruments held by the Group are instruments that meet the definition of a

financial liability when analysed from the issuer's perspective and are measured using  
the following three separate approaches:

#### Measured at amortised cost:

The Group's business model for managing such financial assets is one in which the  
objective is to collect the contractual cash flows, and the contractual cash flow  
characteristics of such financial assets are consistent with those of the underlying  
lending arrangements, i.e. cash flows arising at a specific date, which are solely  
payments of principal and interest based on the amount of principal outstanding. The  
Group recognises interest income on such financial assets in accordance with the  
effective interest rate method. Such financial assets mainly include currency funds,  
notes receivable, accounts receivable, other receivables and long-term receivables.

#### Measured at fair value with changes recognised in other comprehensive income:

The Group's business model for managing these financial assets is to manage  
them with the objective of collecting the contractual cash flows as well as  
selling them, and the contractual cash flow characteristics of these financial assets  
are consistent with those of the underlying lending arrangements. Such financial  
assets are measured at fair value through other comprehensive income, except for  
impairment losses or gains, exchange gains or losses and interest income  
calculated using the effective interest method, which are recognised in profit or loss.  
Such financial assets mainly include receivables financing. The Group classifies  
other debt investments with maturity of one year or less from the balance sheet  
date as non-current assets with maturity of one year or less; other debt  
investments with maturity of one year or less at the time of acquisition are  
classified as other current assets.

#### At fair value through profit or loss:

The Group classifies debt instruments held by the Group that are not classified as at  
amortised cost and at fair value through other comprehensive income as at fair value



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Principal accounting policies

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Financial

instruments

Financial

assets

Classification

through profit or loss. At initial recognition, the Group designates certain financial assets as financial assets at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatches. Those maturing in more than one year from the balance sheet date and expected to be held for more than one year are presented as other non-current financial assets, and the rest are presented as financial assets held for trading.

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Principal accounting policies  
and accounting estimates

(9) Financial

(continued)

Financial

(continued)

assets

(ii) Classification

and

equity instrument

(continued)

Investments in equity instruments over which the Group has no control, joint control or significant influence are classified as financial assets held for trading at fair value through profit or loss; those expected to be held for more than one year from the balance sheet date are classified as other non-current financial assets.

In addition, the Group has invested certain non-trading equity instruments in financial assets designated on initial recognition as at fair value through other comprehensive income, which are presented as other investments in equity instruments. Dividend income related to such financial assets is recognised in profit or loss.

(ii) impairments

The Group recognises provision for losses on the basis of expected credit losses for financial assets measured at amortised cost, investments in debt instruments at fair value through other comprehensive income, contract assets and lease receivables. For lease receivables, the Group also chooses to measure the allowance for losses based on the expected credit losses over the entire duration.

The Group recognises expected credit losses by calculating the probability-weighted amount of the present value of the difference between the cash flows receivable under a contract and the cash flows expected to be received, taking into account information that is reasonable and supportable, such as past events, current conditions and forecasts of future economic conditions, weighted by the risk of default.

At each balance sheet date, the Group measures expected credit losses separately for financial instruments in different stages. If there has been no significant increase in credit risk since the initial recognition of a financial instrument, the Group measures the allowance for losses as the expected credit losses in the next 12 months; if there has been a significant increase in credit risk since the initial recognition of a financial instrument, but no credit impairment has occurred, the Group measures the allowance for losses as the expected credit losses over the entire duration of the financial instrument; if there has been a credit impairment of a financial instrument, the Group measures the allowance for losses as the expected credit losses over the entire duration of the financial instrument. If the financial instrument has been impaired since

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Principal accounting policies  
and accounting estimates

(continued)

Financial instruments

(continued)

assets

(continued)

Classification  
and measurement  
initial recognition, in the third stage, the Group measures the allowance for losses  
based on the expected credit losses over the life of the instrument.

(continued)

For financial instruments with low credit risk at the balance sheet date, the Group  
assumes that there has been no significant increase in credit risk since initial  
recognition, and considers them to be financial instruments in the first stage, and  
measures the provision for losses based on the expected credit losses in the next 12  
months.

For financial instruments in stages I and II, the Group calculates interest income on the  
basis of their carrying amount before provision for impairment and the effective interest  
rate. For financial instruments in stage III, interest income is calculated on the basis of  
their carrying amount less amortised cost after provision for impairment and the  
effective interest rate.

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(Amounts in Renminbi Yuan unless otherwise stated)

II Principal accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(ii) Impairment (continued)

For notes receivable, accounts receivable, accounts receivable financing and contract assets arising from ordinary operating activities, such as sales of goods and provision of services, the Group measures the allowance for losses on the basis of expected credit losses over the entire duration, regardless of whether or not there is a significant financing element. For lease receivables, the Group also chooses to measure the allowance for losses on the basis of expected credit losses over the entire duration.

When information on expected credit losses cannot be assessed at a reasonable cost for a single financial asset, the Group classifies receivables into portfolios based on credit risk characteristics and calculates expected credit losses on a portfolio basis, and the basis for determining the portfolios and the method of accrual are as follows:

|   |   |
|---|---|
| Banks   | with lower credit risk in the bankers'          |
| acceptances portfolio                                       |   |
| Accounts receivable portfolio                               | domestic customers                              |
| Accounts Receivable Portfolio                               | Overseas Customers                              |
| Accounts receivable portfolio receivables from subsidiaries |   |
| Other accounts receivable portfolio                         | employee imprest                                |
| Interest  | receivable from the other receivables           |
| portfolio   |   |
| Other receivables   | such as deposits and bonds in the other         |
| receivables portfolio                                       |   |
| Receivables from  | subsidiaries in the other receivables portfolio |

For accounts receivable and notes and accounts receivable financing arising from the sale of goods, provision of services and other ordinary operating activities classified as a portfolio, the Group calculates the expected credit losses by reference to the historical credit loss experience, taking into account the current situation and forecasts of future economic conditions, by using the risk of default exposures and the expected credit loss rate for the entire duration. For other receivables classified as a portfolio, the Group calculates the expected credit losses by reference to historical credit loss experience, current conditions and forecasts of future economic conditions, by using the exposure to default risk and the expected credit loss rate within the next 12 months or over the entire duration.

The Group recognises the provision or reversal of losses in profit or loss for the period.

For debt instruments held at fair value through other comprehensive income, the Group adjusts the other comprehensive income while recognising the impairment loss or gain in the current profit or loss.

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Principal accounting policies

and accounting estimates

Financial

instruments

Financial assets (continued)

Discontinuance of confirmation

A financial asset is derecognised when one of the following conditions is met: (1) the contractual right to receive cash flows from the financial asset is terminated; (2) the financial asset is transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the party to which the transfer is made; (3) the financial asset is transferred, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset (3) the financial asset is transferred, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but gives up control of the financial asset.

Upon derecognition of investments in other equity instruments, the difference between the carrying amount and the sum of the consideration received and the cumulative effect of changes in fair value that would have been recognised directly in other comprehensive income is credited to retained earnings; upon derecognition of the remaining financial assets, the difference between the carrying amount and the sum of the consideration received and the cumulative effect of changes in fair value that would have been recognised directly in other comprehensive income is credited to profit or loss for the period.

(b) financial liability

Financial liabilities are classified on initial recognition as financial liabilities at amortised cost and at fair value through profit or loss.

The Group's financial liabilities are mainly financial liabilities measured at amortised cost, including notes payable, accounts payable, other payables, borrowings and bonds payable. Such financial liabilities are initially measured at their fair value less transaction costs and subsequently measured using the effective interest method. Those with a maturity of less than one year (including one year) are presented as current liabilities; those with a maturity of more than one year but due within one year (including one year) from the balance sheet date are presented as non-current liabilities due within one year; and the rest are presented as non-current liabilities.

The Group derecognises a financial liability or the part of an obligation that has been discharged when the present obligation of the financial liability has been discharged in whole or in part. The difference between the carrying amount of the derecognised

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Principal accounting policies

and accounting estimates

Financial

portion and the consideration paid is recognised in profit or loss.

(continued)

equity instrument

An equity instrument is a contract that evidences ownership of a party's residual interest  
in assets net of all liabilities.

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Financial instruments

(9) Financial instruments

(a) Fair value determination of financial instruments

(b) Fair value determination of financial instruments

The fair value of financial instruments for which an active market exists is determined using quoted prices in an active market. Financial instruments for which no active market exists are valued using valuation techniques to determine fair value. In valuing financial instruments, the Group uses valuation techniques that are appropriate in the circumstances and supported by sufficient available data and other information, selects inputs that are consistent with the characteristics of the assets or liabilities that would be considered by a market participant in a transaction for the underlying assets or liabilities, and gives preference to the use of relevant observable inputs where possible. Unobservable inputs are used where relevant observable inputs are not available or practical to obtain.

(10) inventory (of material)

(a) categorisation

Inventories, which include raw materials, work in progress and finished goods, are measured at the lower of cost or net realisable value.

(b) Method of valuation of inventories issued

The cost of inventories at the time of issue is accounted for on a weighted average basis, and the cost of finished goods and products in process comprises raw materials, direct labour and manufacturing overheads allocated on a systematic basis under normal production capacity.

(c) Basis for determining net realisable value of inventories and provision for inventory write-downs

Provision for decline in value of inventories is made for the excess of the cost of inventories over their net realisable value. Net realisable value is determined in the ordinary course of activities as the estimated selling price of inventories, less costs estimated to be incurred to completion, estimated selling expenses and related taxes.

(d) The Group's inventory system is based on perpetual inventory.

(e) Amortisation method for low value consumables and packaging

Working capital materials include low-value consumables and packaging, etc., which are amortised using the lump-sum method.



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Financial instruments

(continued)

Long-term equity investments

(continued)

Long-term equity investments represent the Company's long-term equity investments in subsidiaries; the Group's long-term equity investments in associates.

Subsidiaries are investees over which the Company is able to exercise control.

Associates are investees over which the Group can exercise significant influence in making financial and operating decisions.

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Long-term equity

investments

(continued)

Investments in subsidiaries are presented in the company's financial statements at amounts determined in accordance with the cost method and are consolidated in the preparation of the consolidated financial statements after adjustments under the equity method; investments in associates are accounted for using the equity method.

Determination of investment costs

Long-term equity investments resulting from business combinations under the same control are recorded at the cost of investment at the date of consolidation based on the share of the book value of the equity interests of the parties being consolidated in the consolidated financial statements of the party ultimately in control; long-term equity investments resulting from business combinations not under the same control are recorded at the cost of consolidation as the cost of investment in long-term equity investments.

For long-term equity investments acquired by means other than business combinations, long-term equity investments acquired by paying cash are recognised at initial investment cost based on the actual purchase price paid; long-term equity investments acquired by issuing equity securities are recognised at initial investment cost based on the fair value of the equity securities issued.

(b) Subsequent measurement and gain/loss recognition methods

Long-term equity investments accounted for using the cost method are measured at initial investment cost, and cash dividends or profits declared by the investee are recognised as investment income in profit or loss for the period.

For long-term equity investments accounted for by the equity method, if the initial investment cost is greater than the fair value of the investee's share of the investee's identifiable net assets at the time of investment, the initial investment cost shall be regarded as the cost of the long-term equity investment; if the initial investment cost is less than the fair value of the investee's share of the investee's identifiable net assets at the time of investment, the difference shall be recognised in the current period's profit or loss and the cost of the equity investment shall be adjusted accordingly in the current period.

For long-term equity investments accounted for by the equity method, the Group recognises current investment gains or losses based on its share of the net profit or loss of the investee. Net losses incurred by the investee are recognised to the extent that the carrying amount of the long-term equity investment and other long-term equity interests that in substance constitute a net investment in the investee are written down

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(continued)

Investments in subsidiaries are accounted for as cost of investments. Except that the Group continues to recognise the amount of losses expected to be incurred if the Group has an obligation to incur additional losses and meets the conditions for recognition of estimated liabilities. Changes in the equity of the investee other than net profit or loss, other comprehensive income and profit distribution are adjusted to the carrying amount of the long-term equity investment and credited to capital surplus. The carrying value of long-term equity investments is reduced accordingly to the Group's share of the profit or cash dividends distributed by the investee when the distribution is declared. Unrealised gains or losses on internal transactions between the Group and the investee are eliminated to the extent that they are attributable to the Group in proportion to the Group's shareholding in the investee, and investment gains or losses are recognised on this basis. The corresponding unrealised losses on internal transaction losses between the Group and investees, of which the portion is attributable to asset impairment losses, are not offset.

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(continued)

Basis for determining control, joint control and significant influence over investees

(continued)

Control is the possession of power over an investee, the enjoyment of variable returns through participation in the relevant activities of the investee, and the ability to use the power over the investee to affect the amount of its returns.

Common control is control over an arrangement that is shared in accordance with relevant agreements and where the relevant activities of the arrangement require the unanimous agreement of the Group and the other participants sharing control before decisions can be made.

Significant influence means having the power to participate in decision-making with respect to the financial and operating policies of the investee, but not having the ability to control, or jointly control with others, the formulation of those policies.

(d) Impairment of long-term equity investments

Long-term equity investments in subsidiaries and associates are written down to their recoverable amounts when the recoverable amounts are less than their carrying amounts (note II (18)).

(12) investment property

Investment properties are buildings held for rental purposes and are initially measured at cost. Subsequent expenditures relating to investment properties are included in the cost of investment properties when it is probable that the related economic benefits will flow to the Group and the cost can be measured reliably; otherwise, they are charged to current profit or loss as incurred.

The Group adopts the cost model for subsequent measurement of all investment properties and depreciates buildings over their estimated useful lives and net salvage value rates. The estimated useful lives, net salvage rates and annual depreciation rates of investment properties are set out below:

|                   | Expected service life | Projected net<br>residual value<br>ratio | Annual<br>depreciation<br>rate |
|-------------------|-----------------------|--|--------------------------------|
| Houses, buildings | 25 years              | 10%                                      | 3.6 per cent                   |
| land use right    | 50 years              | 0 per cent                               | 2 per cent                     |

When the use of an investment property changes to self-use, the investment property is converted to a fixed asset or an intangible asset from the date of the change. When the use of an investment property is changed to earn rentals or for capital appreciation,

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Long-term equity  
investments

(continued)

Investment property is converted to a fixed asset from the date of change. When conversion occurs, the book value before conversion is used as the recorded value after conversion.

The estimated useful lives, estimated net residual values and depreciation methods of investment properties are reviewed and appropriately adjusted at the end of each year.

An investment property is derecognised when it is disposed of or permanently withdrawn from use and no economic benefits are expected from its disposal. Disposal proceeds from the sale, transfer, retirement or destruction of investment property, net of its carrying amount and related taxes, are included in profit or loss for the current period.

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Investment property (continued)

(continued)

When the recoverable amount of an investment property is less than its carrying amount, the carrying amount is written down to the recoverable amount (Note 2) (18)).

(13) fixed assets

(a) Fixed asset recognition and initial measurement

Fixed assets include land, buildings and structures, machinery and equipment, moulds, means of transport, electronic equipment and office equipment.

Fixed assets are recognised when it is probable that the economic benefits associated with them will flow to the Group and their cost can be measured reliably. Acquired or newly constructed fixed assets are initially measured at cost at the time of acquisition.

Subsequent expenditures relating to fixed assets are added to the cost of fixed assets when it is probable that the economic benefits associated with them will flow to the Group and their cost can be measured reliably; the carrying amount is derecognised in respect of replaced parts; all other subsequent expenditures are charged to current profit or loss as incurred.

(b) Depreciation methods for fixed assets

The Group's land outside Hong Kong is not subject to amortisation during the holding period and is tested for impairment in each accounting period. Depreciation of the Group's property, plant and equipment, other than land outside Hong Kong, is provided for using the average annual method and over the estimated useful lives of the assets based on their carrying amounts less their estimated net residual values. For fixed assets for which provision for impairment has been made, depreciation is determined in future periods on the basis of the carrying amount net of provision for impairment and on the basis of the remaining useful life.

The estimated useful lives, net residual value rates and annual depreciation rates of fixed assets are set out below:

|                      | Expected service life | Projected net<br>residual value<br>ratio | Annual<br>depreciation<br>rate |
|----------------------|-----------------------|--|--------------------------------|
| genius loci          | -                     | -  | -                              |
| Houses and buildings | 25 years              | 0-10 per cent                            | 3.6-4 per cent                 |

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carrier

Electronic and office

equipment

10-15 years

3-5 years

5-10 years

5-10 years

0-10 per cent

0 per cent

0-10 per cent

0-10 per cent

6-10 per cent

20 per cent-

33.3 per cent

9-20 per cent

9-20 per cent

The estimated useful lives, estimated net residual values and depreciation methods of fixed assets are reviewed and appropriately adjusted at the end of each year.

When the recoverable amount of a fixed asset is less than its carrying amount, the carrying amount is written down to the recoverable amount (Note 2)

(18)).

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Fixed assets (continued)

Disposal of fixed assets

Fixed assets are derecognised when they are disposed of or when no economic benefits are expected to arise from their use or disposal. Proceeds from the disposal of fixed assets sold, transferred, retired or destroyed, net of their carrying amounts and related taxes, are included in profit or loss for the current period.

construction in progress

Construction in progress is measured at actual costs incurred. Actual costs include construction costs, installation costs, borrowing costs eligible for capitalisation and other necessary expenditures incurred to bring construction in progress to its intended state of use. Construction in progress is transferred to fixed assets and depreciated from the following month when it reaches its intended useable condition. When the recoverable amount of construction in progress is less than its carrying amount, the carrying amount is written down to the recoverable amount (note II (18)).

(15) borrowing cost

Borrowing costs incurred by the Group that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get to its intended use begin to be capitalised and added to the cost of the asset when the expenditure on the asset and the borrowing costs have been incurred and the construction and acquisition activities that are necessary to bring the asset to its intended use have commenced. Capitalisation ceases when the asset has reached its intended use and borrowing costs incurred thereafter are charged to current profit or loss. If the construction of an asset is interrupted for more than three consecutive months, the capitalisation of borrowing costs is suspended until the construction of the asset recommences.

For specialised borrowings for the purpose of acquisition and construction of assets eligible for capitalisation, the amount of capitalisation of borrowing costs for specialised borrowings shall be determined by the amount of interest costs actually incurred during the period of specialised borrowings less the interest income earned on the unused borrowed funds deposited in the bank or the investment income earned on the temporary investment.

For general borrowings taken up for the acquisition and construction of assets eligible for capitalisation, the amount of borrowing costs capitalised for general borrowings is determined by multiplying the weighted average amount of capital expenditure incurred on the excess of cumulative asset expenditure over specialised



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Borrowings by the weighted

average effective interest rate

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on the general borrowings  
The effective interest rate is the rate used to discount future cash flows  
from the borrowing over the expected life of the borrowing or, where applicable, a  
shorter period, to the amount initially recognised for that borrowing.

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Intangible asset

(continued)

Intangible assets, which include land use rights and software, are measured at cost.

(a) land use right

Land use rights are amortised evenly over their useful lives of 50 years. If it is difficult to allocate the purchase price of land and buildings between land use rights and buildings, all of them are classified as fixed assets.

(b) hardware

The software is amortised evenly over its estimated useful life of three years.

(c) Periodic review of useful lives and amortisation methods

The estimated useful lives and amortisation methods for intangible assets with finite useful lives are reviewed and appropriately adjusted at the end of each year.

(d) Research and Development

Expenditure on internal research and development projects is categorised as research phase expenditure or development phase expenditure depending on its nature and whether there is a high degree of uncertainty about the eventual formation of an intangible asset from the research and development activities.

Expenditures incurred during the stage of planned investigation, evaluation and selection for the research of tyre and rubber machinery production processes are considered as research stage expenditures and are charged to current profit or loss when incurred; expenditures incurred during the stage of designing and testing for the final application of tyre production and rubber machinery processes prior to mass production are considered as development stage expenditures, and shall be capitalised if they satisfy the following criteria:

- The development of production processes for tyres and rubber machinery has been fully justified by the technical team;
- Management has approved budgets for the development of production processes for tyres and rubber machinery;
- The research and analysis of the previous market research demonstrated the marketability of the products produced by the tyre and rubber machinery production process;
- Adequate technical and financial support for tyre and rubber machinery production process development activities and subsequent mass production; and
- Expenditure on the development of production processes for tyres and rubber

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Expenditure in the development phase that does not fulfil the above conditions is recognised in profit or loss when incurred. Development expenditures that have been recognised in profit or loss in previous periods are not re-recognised as assets in subsequent periods. Development expenditures that have been capitalised in the development phase are presented as development expenditures on the balance sheet and are transferred to intangible assets from the date when the project reaches its intended use.

Impairment of intangible assets

When the recoverable amount of an intangible asset is less than its carrying amount, the carrying amount is written down to the recoverable amount (Note 2)  
(18)).

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(Long-term) amortised expenses

Long-term amortised expenses, which include improvements to fixed assets under operating leases and other expenses that have been incurred but are to be borne by the current and future periods and are spread over a period of more than one year, are amortised equally over the expected period of benefit and are stated at the net of actual expenditure less accumulated amortisation.

(18) Impairment of long-lived assets

Fixed assets, construction in progress, investment properties, right-of-use assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication of impairment as at the balance sheet date; intangible assets that have not yet reached a useable condition are tested for impairment at least annually, regardless of whether or not there is any indication of impairment. If the results of the impairment test indicate that the recoverable amount of an asset is less than its carrying amount, a provision for impairment is made and an impairment loss is recognised for the difference. The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of the asset's estimated future cash flows. Provision for asset impairment is calculated and recognised on an individual asset basis. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined using the asset group to which the asset belongs. An asset group is the smallest group of assets that can generate cash inflows independently.

The Group's land outside the country is tested for impairment at least

annually, regardless of whether there is any indication of impairment.

Once an impairment loss is recognised for the above assets, no

reversal of the portion of the value that has been recovered is allowed

in subsequent periods.

(19) remuneration of employees

Employee remuneration is the various forms of remuneration or compensation given by the Group for services rendered by employees or for the termination of the employment relationship, including short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

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Short-term remuneration

(continued)

Short-term remuneration includes salaries, bonuses, allowances and subsidies, employee benefits, medical insurance premiums, occupational injury insurance premiums, maternity insurance premiums, housing provident fund, trade union and education expenses, and short-term paid absences. The Group recognises short-term remuneration actually incurred as a liability in the accounting period in which the employee renders the service and recognises it in profit or loss or in the cost of the relevant asset. Of these, non-monetary benefits are measured at fair value.

Post-employment benefits

The Group classifies post-employment benefit plans as defined contribution plans and defined benefit plans. A defined contribution plan is a post-employment benefit plan under which the Group contributes a fixed fee to a separate fund and has no further obligation to pay; a defined benefit plan is a post-employment benefit plan other than a defined contribution plan. During the reporting period, the Group's post-employment benefits mainly consisted of basic pension insurance and unemployment insurance for employees, both of which are defined contribution plans.

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Employee remuneration (continued)

(continued)

(b) Post-employment benefits (continued)

Basic pension insurance

The Group's employees participate in the basic social pension insurance organised and implemented by the local labour and social security departments. The Group pays monthly pension insurance premiums to the local social basic pension insurance organisations based on the locally stipulated social basic pension insurance contribution base and ratio. Upon the retirement of employees, the local labour and social security authorities have the responsibility to pay social basic pension to retired employees. The Group recognises a liability for the amount payable, calculated in accordance with the above social security regulations, in the accounting period in which the employee renders the service, which is included in profit or loss for the period or in the cost of the relevant asset.

(c) Termination benefits

The Group recognises a liability arising from compensation for the termination of employment relationships with employees before the expiry of the employees' employment contracts, or when the Group proposes to offer compensation to encourage employees to voluntarily accept redundancy, and recognises a liability arising from compensation for the termination of employment relationships with employees as a charge to current profit or loss at the earliest of the date when the Group is unable to unilaterally withdraw the plan for termination of the relationship or the proposal for redundancy and when it recognises the costs related to the restructuring that involves the payment of termination benefits. The liability for compensation for the termination of labour relations with employees is recognised and charged to current profit or loss.

Severance benefits that are expected to be paid within one year from the balance sheet date are shown as employee compensation payable.

(20) dividend distribution

Cash dividends are recognised as a liability in the period in which they are approved by the General Meeting of Shareholders.

(21) projected liability

Present obligations arising from product quality assurance and other matters are recognised as estimated liabilities when it is probable that an outflow of economic

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Projected liabilities are measured initially on the basis of the best estimate of the expenditure required to settle the related present obligation, taking into account factors such as the risks and uncertainties associated with the contingency and the time value of money. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows; the amount of the increase in the carrying amount of the projected liability attributable to discount reductions made over time is recognised as interest expense.

At the balance sheet date, the carrying value of the projected liabilities is reviewed and adjusted appropriately to reflect the current best estimate.

Projected liabilities that are expected to be paid within one year from the balance sheet date are presented as current liabilities.

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The Group recognises revenue at the amount of consideration to which it expects to be entitled when the customer obtains control of the relevant goods or services.

Sales of goods

The Group manufactures tyre products and sells them to the purchaser. The Group recognises revenue at the amount of consideration to which it expects to be entitled when the purchaser obtains control of the tyre products.

Domestic sales: It is generally agreed in the sales contracts signed with domestic distribution customers and some ancillary customers that the point of transfer of control of the products is the point of delivery and signing, so the Group recognises sales revenue according to the point of arrival of the products to the domestic customers and the point of signing and acceptance by the customers. The sales contracts with some of the domestic ancillary customers usually stipulate that the point of transfer of control of the products is when the products are installed on line, therefore, the Group recognises sales revenue according to the point of time when the products are received by the customers. The credit period granted by the Group to its customers normally does not exceed 180 days, which is in line with the industry practice and has no significant financing element.

Overseas sales: It is generally agreed in the sales contracts signed between the Group and its foreign sales customers that the point of transfer of the principal risks and rewards of the products is the delivery on board the vessel at the port of shipment, and therefore the Group recognises revenue from overseas sales on the basis of the point of loading of the products on board the vessel.

The Group provides sales discounts to purchasers based on the quantity sold. The Group determines the amount of the discount based on historical experience and in accordance with the expected value method, and recognises revenue on the basis of the contractual consideration, net of the expected amount of the discount.

The Group has implemented a reward points programme since 2020, whereby reward points earned by customers for the purchase of tyre products can be redeemed for the relevant products at the points mall in the future. The Group allocates the sales proceeds between product sales revenue and reward points based on the relative proportions of the respective selling prices of the products sold and the reward points, with the portion relating to reward points recognised as a contractual liability in the first instance, to be carried forward and recognised



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as revenue when the customers redeem the reward points or when the reward  
points expire.

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Labour

The Group provides technology transfer and technology entrusted development services to external parties and recognises revenue over a period of time based on the progress of completed labour, where the progress of completed labour is determined in accordance with the proportion of costs incurred to the estimated total costs. At the balance sheet date, the Group re-estimates the progress of labour performed so that it reflects changes in performance.

When the Group recognizes revenue in accordance with the progress of completed labour, the Group recognizes accounts receivable for the portion for which the Group has obtained an unconditional right to receive payment, and recognizes contract assets for the remaining portion, and recognizes a provision for losses on the basis of expected credit losses for both the accounts receivable and the contract assets; if the contract price that the Group has received or receivable exceeds the amount of labour completed, the excess is recognized as a contract liability. The Group presents contract assets and contract liabilities under the same contract on a net basis.

Contract costs include contract performance costs and contract acquisition costs. Costs incurred by the Group for the provision of labour are recognised as contract performance costs and are carried forward to the cost of main operations in accordance with the progress of the completed labour when revenue is recognised. If the carrying value of contract costs exceeds the remaining consideration expected to be obtained for the provision of the labour less estimated costs to be incurred, the Group makes a provision for impairment of the excess and recognizes an asset impairment loss.

## (23) Government grants

Government grants are monetary or non-monetary assets acquired by the Group from the government without compensation, including tax rebates and financial subsidies.

Government grants are recognised when the Group is able to meet the conditions attached to them and they are receivable. Where government grants are monetary assets, they are measured at the amount received or receivable. Government grants that are non-monetary assets are measured at fair value or, if the fair value cannot be reliably obtained, at a nominal amount.

Asset-related government grants are government grants obtained by the Group for the purpose of acquiring, constructing or otherwise forming long-term assets. Government

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(continued)

grants related to revenue are government grants other than those related to assets.

(continued)

The Group recognises government grants related to assets as deferred income and apportions them to profit or loss over the useful lives of the related assets on a rational and systematic basis.

For government grants related to income, if they are used to compensate for related costs or losses in future periods, they are recognised as deferred income and charged to current profit or loss in the period in which the related costs or losses are recognised; if they are used to compensate for related costs or losses that have already been incurred, they are charged directly to current profit or loss.

The Group uses the same presentation for government grants of the same type.

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Government grants (continued)

Government grants related to ordinary activities are included in operating profit, while government grants not related to ordinary activities are included in non-operating income and expenditure.

For loans received by the Group at policy favourable interest rates, the actual amount of borrowings received is used as the recorded value of the borrowings, and the related borrowing costs are calculated on the basis of the principal amount of the borrowings and the interest rate of such policy favourable interest rates. The financial subsidies received directly by the Group are offset against the related borrowing costs.

(24) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognised for differences between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax assets are recognised for deductible losses that can be utilised in future years to offset taxable income in accordance with tax regulations. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is recovered or the liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, unless the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised for deductible temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that future taxable income will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and deferred tax liabilities are presented net of offset if the following conditions are also met:

- Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authorities on the same taxable entity within the Group;
- This taxable entity within the Group has the legal right to settle current income tax assets and current income tax liabilities on a net basis.

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Leasing is a contract whereby the lessor grants the lessee the right to use an asset

for a specified period of time in return for consideration. The Group as lessee

The Group recognises a right-of-use asset on the commencement date of the lease term and recognises a lease liability for the present value of the outstanding lease payments. Lease payments include fixed payments, as well as payments to be made when it is reasonably certain that the option to purchase or the option to terminate the lease will be exercised. Variable rentals, which are determined as a percentage of sales, are not included in the lease payments and are recognised in profit or loss when they are actually incurred. The Group presents lease liabilities that are payable within one year from the balance sheet date (including one year) as non-current liabilities due within one year.

II Principal accounting policies and accounting estimates (continued)

(25) Leases (continued)

The Group's right-of-use assets include buildings and structures leased to it. Right-of-use assets are initially measured at cost, which includes the initial measurement amount of the lease liability, lease payments paid on or before the commencement date of the lease term, initial direct costs, etc., net of lease incentives received. Depreciation is provided over the remaining useful life of the leased asset if the Group is reasonably certain that it will obtain ownership of the leased asset by the end of the lease term. If it is not reasonably certain that it will obtain ownership of the leased asset by the end of the lease term, depreciation is provided over the shorter of the lease term or the remaining useful life of the leased asset. When the recoverable amount is less than the carrying amount of the right-of-use asset, the Group writes down its carrying amount to the recoverable amount.

For short-term leases with a lease term of less than 12 months and leases of low-value assets with a low new-time value of an individual asset, the Group chooses not to recognise right-of-use assets and lease liabilities, and recognises the related rental expenses in profit or loss or in the cost of the related assets on a straight-line basis over the lease term in each period.

The Group accounts for a lease as a separate lease when there is a change in the lease and both of the following conditions are met: (1) the change in the lease expands the scope of the lease by increasing the right to use one or more leased assets; and (2) the increase in consideration is comparable to the separate price of the portion of the lease that expands the scope of the lease as adjusted for the contractual circumstances of that contract.

When a lease modification is not accounted for as a separate lease, the Group re-determines the lease term on the effective date of the lease modification and re-measures the lease liability by discounting the modified lease payments using a revised discount rate, except for contractual modifications directly attributable to the New Crown Pneumonia outbreak for which the simplified method is applied. Where a lease modification results in a reduction in the scope of the lease or a shortening of the lease term, the Group reduces the carrying value of the right-of-use asset accordingly and recognises the gain or loss related to partial or complete termination of the lease in profit or loss for the current period. If other lease modifications result in the remeasurement of the lease liability, the Group adjusts the carrying value of the right-of-use asset accordingly.

The Group as lessor

Leases that transfer substantially all the risks and rewards associated with ownership

of the leased asset are finance leases. Other leases are operating leases.

When the Group leases owned buildings, machinery and equipment and means of transport under operating leases, rental income from operating leases is recognised on a straight-line basis over the lease term.

II Principal accounting policies and accounting estimates (continued)

(26) share-based payment

Share-based payments are classified as equity-settled share-based payments and cash-settled share-based payments. Restricted share plans implemented by the Group are accounted for as equity-settled share-based payments.

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to the employees. If the option is exercisable immediately after the grant, the fair value is recognised in profit or loss at the date of grant, with a corresponding increase in capital surplus; if the option is exercisable only after completion of the services within the waiting period or fulfilment of the prescribed performance conditions, the Group makes its best estimation of the number of equity instruments that are exercisable at each balance sheet date of the waiting period on the basis of the latest available information on the changes in the number of employees who are eligible for exercising the option and whether the prescribed performance conditions have been fulfilled. On this basis, the services acquired during the period are recognised in profit or loss at fair value at the date of grant.

The Group does not recognise costs or expenses for share-based payments that ultimately fail to meet the conditions for feasibility, unless such conditions for feasibility are market or non-functional conditions, in which case they are deemed to be feasible irrespective of whether the market or non-functional conditions are met as long as the non-market conditions of all the conditions for feasibility are met.

When the Group modifies the terms of a share-based payment plan, if the modification increases the fair value of the equity instruments granted, the Group recognises the increase in acquired services accordingly, based on the difference between the fair value of the equity instruments before and after the modification at the date of modification. If the Group modifies the terms of feasibility in a manner favourable to the employees, the Group accounts for the modified terms of feasibility; if the Group modifies the terms of feasibility in a manner unfavourable to the employees, the accounting is disregarded unless the Group cancels some or all of the equity instruments granted. If the Group cancels the granted equity instruments, they are treated as accelerated exercise on the date of cancellation, and the amount that would have been recognised over the remaining waiting period is immediately recognised in profit or loss and capital surplus is recognised.

If the Group is required to repurchase unlocked restricted shares that have lapsed or been cancelled at the pre-agreed repurchase price, the Group recognises a liability and treasury stock based on the number of restricted shares and the corresponding



repurchase price.

(27) Segment information

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting system, and determines its reportable segments and discloses segment information on the basis of its operating segments.

An operating segment is a component of the Group that simultaneously meets the following conditions: (1) the component is capable of generating revenues and incurring expenses in its day-to-day activities; (2) the management of the Group is able to evaluate the operating results of the component on a regular basis in order to decide on the allocation of resources to the component and to evaluate its performance; and (3) the Group is able to obtain the component's accounting information on the component's financial position, results of operations and cash flows. Two or more operating segments may be consolidated into one operating segment if they have similar economic characteristics and meet certain conditions.

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Principal accounting policies

and accounting estimates

Critical accounting estimates and judgements  
(continued)

The Group evaluates critical accounting estimates and critical judgements used on an ongoing basis, based on historical experience and other factors, including reasonable expectations of future events.

The following critical accounting estimates present a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year:

Measurement of expected credit losses

The Group calculates expected credit losses by using default risk exposures and expected credit loss rates over the entire duration, and determines expected credit loss rates based on the probability of default and the loss rate on default. In determining the expected credit loss rate, the Group uses data such as historical credit loss experience and adjusts the historical data for current conditions and forward-looking information. In considering historical credit loss experience, management takes into account information such as the debtor's credit history, operating conditions, repayment ability and the ageing of accounts receivable.

In considering forward-looking information, the Group takes into account different macroeconomic scenarios, with the weighting of "baseline", "adverse" and "favourable" economic scenarios being 60%, 30% and 10%, respectively, for FY2021 (FY2020: 60%, 20% and 20%). The weightings of the "baseline", "unfavourable" and "favourable" economic scenarios are 60%, 30% and 10% respectively for 2021 (2020: 60%, 20% and 20%). The Group regularly monitors and reviews key macroeconomic assumptions and parameters relevant to the calculation of expected credit losses, including GDP and CPI, etc. In FY2021, the Group has taken into account the uncertainties arising from the CKP outbreak and updated the relevant assumptions and parameters accordingly. The key macroeconomic parameters used in each scenario are listed below:

|                              | economic scenario        |              |              |
|------------------------------|--------------------------|--------------|--------------|
|                              | standard of<br>reference | unfavourable | favourable   |
| gross domestic product (GDP) | 5.2 per cent             | 4.9 per cent | 5.6 per cent |
| consumer price index (CPI)   | 2.1%                     | 1.8 per cent | 2.4 per cent |

The key macroeconomic parameters used by the Group in the scenarios for FY2020 are set out below:

|                        | economic scenario        |              |              |
|------------------------|--------------------------|--------------|--------------|
|                        | standard of<br>reference | unfavourable | favourable   |
| gross domestic product | 5.5 per cent             | 4.5          | 6.0 per cent |

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Principal accounting policies

and accounting estimates

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Provision for decline in value of inventories is made for the excess of the cost of inventories over their net realisable value. The Group estimates the net realisable value of inventories, taking into account the age of inventories, the existence of slow-moving or damaged inventories, the estimated selling price of inventories, and the estimated costs and selling expenses to be incurred until completion, as well as relevant taxes. When the actual selling prices or costs and expenses of inventories differ from previous estimates, management will adjust the net realisable value accordingly. Estimates based on current experience may therefore differ from actual subsequent results and may result in significant adjustments to the carrying value of inventories in the balance sheet.

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Principal accounting policies

and accounting estimates

(continued) Accounting estimates and judgements (continued)

Income taxes and deferred income taxes

The Group pays corporate income tax in several jurisdictions. In the normal course of business, uncertainties exist as to the ultimate tax treatment of certain transactions and events. Significant judgement is required on the part of the Group in the provision of income tax expense for each region. If the outcome of the final determination of these tax matters is different from the amounts initially recorded, such differences will have an impact on the amount of income tax expense and deferred income tax in the period in which such final determination is made.

As mentioned in note III(2), the Company and certain subsidiaries of the Group are high-tech enterprises. The qualification of high-tech enterprises is valid for three years, upon expiry of which it is necessary to re-submit an application for recognition as a high-tech enterprise to the relevant government authorities. Based on the historical experience of re-accreditation of high-tech enterprises upon expiry in previous years and the actual situation of the Company and these subsidiaries, the Group believes that the Company and these subsidiaries will be able to continue to obtain the high-tech enterprise accreditation in the coming years, and thus calculate their corresponding deferred income tax at the preferential tax rate of 15%. If the Company and its subsidiaries fail to obtain the new high-tech enterprise certification after the expiry of the qualification in the future, they will be subject to income tax at the statutory rate of 25%, which will affect the recognised deferred income tax assets, deferred income tax liabilities and income tax expense.

For deductible losses that can be carried forward to future years, the Group recognises deferred income tax assets to the extent that it is probable that taxable income will be available in future periods against which the deductible losses can be utilised. Taxable income to be earned in future periods includes taxable income that the Group will be able to realise through its normal production and operating activities, as well as taxable income that will increase when taxable temporary differences arising in previous periods are reversed in future periods. The Group is required to use estimates and judgement in determining the timing and amount of taxable income to be earned in future periods. Differences between actual experience and estimates may result in adjustments to the carrying amount of deferred tax assets.

(d) Estimation of the separate selling price of the Reward Points Programme

As described in note 2(22), the Group operates a reward point programme whereby the Group allocates the proceeds from sales of tyre products to the reward points generated by customers based on the relative proportions of the individual

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Principal accounting policies

and accounting estimates

(continued)

selling prices of the products sold and the reward points, and allocates the proceeds from sales between the revenue from the sale of the products and the reward points. The Group determines the individual selling price of reward points based on the published method of using the reward points and the expected redemption rate of the points, in which the expected redemption rate of the reward points is estimated based on the Group's historical experience, taking into account factors such as mathematical and statistical data on the redemption of reward points. At the balance sheet date, the Group adjusts the balance of contractual liabilities based on the actual redemption of reward points and the expected redemption rate.

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II Principal accounting policies and accounting estimates (continued)

(29) Changes in significant accounting policies

In 2018, the Ministry of Finance ("MOF") issued the revised Accounting Standard for Business Enterprises ("ASBE") No. 21, "Leases" ("New Leases"). Leasing Guidelines"), issued in 2021, "Adjustment to the Provisions on Accounting for Rental Concessions Related to the New Crown Pneumonia Outbreak (Caijing [2021] No. 9), the Circular on the Issuance of Interpretation No. 14 of the Accounting Standards for Business Enterprises

The Group has adopted the above standards, circulars and notices (Caijing [2021] No. 1) and Q&A on the Implementation of Accounting Standards for Business Enterprises (企業會計準則實施問答).

The impact on the financial statements of the Group and the Company arising from the preparation of the 2021 financial statements and the implementation of the Q&A is set out below:

(a) tenancy

The Group and the Company implemented the new leasing standard for the first time on 1 January 2021. In accordance with the relevant regulations, the Group and the Company will not reassess the contractual options that existed before the date of initial implementation. The Group and the Company have adjusted the amount of retained earnings and related items in the financial statements at the beginning of 2021 for the cumulative effect of the standard, and the comparative financial statements for the year 2020 have not been restated.

| (i) | What and Why Accounting Policies Change   | Statement items affected   | Amount of impact |             |
|-----|---|----------------------------|------------------|-------------|
|     |   |                            | 1 January 2021   |             |
|     |   |                            | The Group        | The Company |
|     | For operating leases existing before the first-time implementation of the new leasing standards, the Group and the Company distinguish between different bridging methods based on the remaining lease term:  | usufructuary assets        | 33,786,538       | 3,830,053   |
|     |   | leasehold liability        | (30,955,572)     | (3,559,048) |
|     | Where the remaining lease term is more than 12 months, the Group and the Company are required to lease the property for a period of 12 months or more in accordance with the conditions of the leases under 2021.   | Non-current                | (2,830,966)      | (271,305)   |
|     | Lease liabilities are recognised for the remaining lease payments and incremental borrowing rates as at 1 January 2011, and the right-of-use assets are measured at an amount equal to the lease liabilities with necessary adjustments based on the expected rentals. The Group and the Company use a simplified approach to assess whether the right-of-use asset is impaired at the date of initial performance, which has | within one year be in debt |                  |             |

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no significant impact on the financial statements  
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as there is no lease loss contract at the date of  
(Amounts in Renminbi Yuan unless  
initial performance.  
otherwise stated)

Where the remaining lease term does not exceed 12 months, the Group and the Company adopt the simplified method of not recognising right-of-use assets and lease liabilities, which has no significant impact on the financial statements.

As a result of the implementation of the new leasing standards, prepaid rent and lease deposit expenses are included in cash outflows from financing activities, except for prepaid rent and lease deposit expenses related to short-term leases and leases of low-value assets with simplified treatment, which are still included in cash outflows from operating activities.

As at 1 January 2021, the weighted average of the incremental borrowing rates used by the Group and the Company in measuring the lease liabilities is 4.35% to 4.90% using the same discount rate for leases with similar characteristics.

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II Principal accounting policies and accounting estimates (continued)

(29) Changes in significant accounting policies (continued)

(a) Leases (continued)

- (ii) A reconciliation of the Group's and the Company's outstanding minimum operating lease payments disclosed under the previous leasing standard to the lease liabilities recognised under the new leasing standard as at 1 January 2021 is set out below:

|  | financial<br>statements | Company            |
|--|-------------------------|--------------------|
| Future minimum operating lease payments disclosed at 31 December 2020                                  | 26,364,814              | 6,091,751          |
| of the above minimum operating lease payments discounted at the incremental borrowing rate fair value  | 25,199,103              | 5,830,489          |
| Add: Finance lease payable at 31 December 2020   | -                       | -                  |
| Other (note 1)   | 12,035,430              | 1,441,787          |
| Less: present value of lease contract payments not exceeding 12 months                                 | <u>(3,447,995)</u>      | <u>(3,442,223)</u> |
| Lease liabilities recognised at 1 January 2021 (including non-current liabilities due within one year) |                         |                    |
| Current liabilities) (note II (29) (a) (i))  | <u>33,786,538</u>       |                    |
|  | <u>3,830,053</u>        |                    |

Note 1: The Group's and the Company's disclosure of outstanding minimum operating lease payments at 31 December 2020 does not include an element of renewal options. In determining the lease liability at the date of first performance, for leases where it is reasonably certain that renewal options will be exercised, the Group and the Company include the lease payments for the renewal period in the calculation of the lease liability.

(b) Presentation of transport costs

| Content of and reasons for changes in<br>accounting policies<br>statements                         | Affected   | Amount of impact |
|--|--|------------------|
|  | Project name   | 2020             |
|  | The Group  | The Company      |
| For transportation costs incurred before the transfer of control of goods to customers and for the | performance of sales contracts, the Group and the Company reclassify all of them from selling expenses to operating costs. |                  |



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|                  |               |                 |             |             |
|------------------|---------------|-----------------|-------------|-------------|
| Selling expenses | (419,590,903) | Operating costs | 419,590,903 | 337,412,077 |
|------------------|---------------|-----------------|-------------|-------------|

(Amounts in Renminbi Yuan unless

(c) Accounting for a change in the basis for determining contractual cash flows from a financial asset or financial liability as a result of a base rate reform

In preparing the financial statements for the year 2021, the Group and the Company have adopted the Accounting Standard Interpretation No. 14 of the Accounting Standards for Business Enterprises in relation to the accounting treatment for a change in the basis of determining contractual cash flows of a financial asset or a financial liability as a result of a reform of the reference rate. As of 31 December 2021, the Group and the Company have not yet completed the replacement of the reference base rate (Note XI(1)(b)).

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- (1) The principal types of tax applicable to the Group and their tax rates are set out below:

| Tax basis for tax types   |  | duty rate                              |
|---|--|--|
| Corporate income tax(a)   | Taxable income   | 15% - 25%                              |
| Value added tax (b)   | Taxable value added (taxable amount multiplied by taxable sales multiplied by the amount of applicable | 6 per cent, 9 per cent and 13 per cent |
| (Calculated by deducting the balance of the current input tax credit allowed at the tax rate) |  |  |
| VAT   | paid on urban maintenance and construction tax   | 5% - 7%                                |
| VAT   | paid on education surcharge  | 3 per cent                             |
| VAT   | paid on local education surcharges   | 2 per cent                             |
|   | Actual land area used for land use tax   | 1-14 \$/m2/year                        |

- (a) The income tax rate applicable to the Company and its subsidiaries, namely, Dezhou Linglong Tyre Company Limited (hereinafter referred to as "Dezhou Linglong"), Shandong Linglong Mechanical and Electrical Co. (hereinafter referred to as "Guangxi Linglong"), Hubei Linglong Tyre Company Limited (hereinafter referred to as "Hubei Linglong") are subject to an income tax rate of 15% (Note 3(2)), and other subsidiaries established and operated in the PRC are subject to an income tax rate of 25%. The income tax rates of the Company's major foreign subsidiaries are as follows:

Hong Kong profits tax: Hong Kong Tiancheng, a subsidiary of the Company, and Kai Tak Science and Trade, a subsidiary of Linglong Machinery and Electric, are companies registered in Hong Kong and are subject to Hong Kong profits tax at the applicable rates based on their taxable income. for the year 2021, if the annual taxable income is less than HK\$2,000,000, the applicable income tax rate is 8.25%, and above HK\$2,000,000, the applicable income tax rate is 16.5%.

Thailand Income Tax: Thailand Linglong, a subsidiary of the Company, is a company registered in Thailand and is subject to Thailand income tax at the applicable rate based on the taxable income of Thailand Linglong. The applicable income tax rate for the year 2021 is 20%. According to the letter of encouragement issued by the Board of Investment Promotion of Thailand (BOI) to Thai Linglong, Thai Linglong will be exempted from Thai income tax for eight years and halved for five years from the date of generation of business income, and Thai Linglong will be exempted from income tax for the year of 2021 (Note 3(2)).

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~~(As income tax: Linglong USA, a subsidiary of Hong Kong Tiancheng, is a U.S. company incorporated in the U.S. in 2014 and is subject to U.S. income tax. Income taxes, based on U.S. taxable income, are payable at the applicable federal and state tax rates. The applicable federal tax rate for fiscal year 2021 is 21 per cent and state tax rates range from 1 per cent to 10 per cent.~~

~~(As income tax: Linglong USA, a subsidiary of Hong Kong Tiancheng, is a U.S. company incorporated in the U.S. in 2014 and is subject to U.S. income tax. Income taxes, based on U.S. taxable income, are payable at the applicable federal and state tax rates. The applicable federal tax rate for fiscal year 2021 is 21 per cent and state tax rates range from 1 per cent to 10 per cent.~~

Dutch income tax: Holland Linglong, a subsidiary of Hong Kong Tiancheng, is a company registered in the Netherlands for the year 2017, and is subject to Dutch income tax.

Income tax is payable at the applicable rate on the taxable income of Holland Linglong. For the year 2021, an income tax rate of 15 per cent. applies to annual taxable income up to €245,000 and 25 per cent. applies to income tax above €245,000.

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The principal taxes applicable to the Group and their rates are set out below (continued):

(continued)  
Income tax in Serbia: Linglong Serbia, a subsidiary of Holland Linglong, is a company registered in Serbia for the year 2018 and is subject to Serbian income tax at the applicable rate based on the taxable income of Linglong Serbia. For 2021, the applicable income tax rate for Linglong Serbia is 15 per cent.

Singapore income tax: Singapore Linglong, a subsidiary of the Company, is a company incorporated in Singapore and is subject to Singapore income tax at the applicable rate based on the taxable income of Singapore Linglong. the applicable income tax rate for FY201021 is 17%.

German income tax: the Company's subsidiary, German Linglong, is a company registered in Germany and is subject to German income tax at the applicable rate based on German Linglong's taxable income. the applicable income tax rate for FY2021 is 15.825%.

Other subsidiaries of the Group established outside Hong Kong have not yet commenced formal operations for the current year and therefore have not generated any taxable income and are not subject to income tax.

Pursuant to the Notice on Enterprise Income Tax Policies Relating to the Deduction of Equipment and Apparatus (Cai Shui [2018] No. 54) and the Announcement on the Extension of the Implementation Period of Certain Tax Preferential Policies (Cai Shui [2021] No. 6) issued by the State Administration of Taxation and other relevant regulations, newly purchased equipment of the Group below RMB5 million during the period from 1 January 2018 to 31 December 2023 equipment may be included in the current period's costs and expenses in a lump sum in the month following the month in which the assets are put into use and deducted in the calculation of taxable income, and depreciation will no longer be calculated over a number of years.

- (b) Sales tax rate for technology transfer and technology outsourcing services provided by the Company in FY2021 and FY2020  
6%, the Company's sales tax rate on the provision of leasing services is 9% and the sales tax rate on domestic sales is 13%.

The sales of the Company's export products are subject to the "exemption, credit and refund" method, and the tax rebate rate for the Group's exports of tyres, cushion fabrics, capsules, rubber machinery, transformers and bridges is 13%; after 1 May 2021, the tax rebate rate for the Company's exports of bead steel wires was adjusted from 13% to 0%.

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Taxation  
Tax incentives  
(continued)  
corporate income tax

The Company obtained the Certificate of High and New Technology Enterprise (Certificate No. GR200837000272) in December 2008.

The Company passed the review of high-tech enterprises in October 2011, October 2014, October 2017 and August 2020 respectively, and obtained the renewed Certificate of High-tech Enterprises (certificate numbers GR201137000472, GR201437000395, GR201737000176 and GR202037000178), which was issued by the Ministry of Economic Affairs of the People's Republic of China in December 2011, and was approved by the Ministry of Economic Affairs of the People's Republic of China. GR202037000178).

The validity period of the certificates is 3 years. In accordance with the relevant provisions of Article 28 of the PRC Enterprise Income Tax, the tax rate applicable to the Company for the year 2021 is 15%.

Texas Linglong, a subsidiary of the Company, obtained the Certificate of High and New Technology Enterprise (Certificate No. GR201337000105) in December 2013, and passed the review of High and New Technology Enterprise and obtained the updated Certificate of High and New Technology Enterprise (Certificate No. GR201637000487 and GR201937000761) in December 2016 and November 2019 respectively. GR201937000761), both of which are valid for 3 years. In accordance with the relevant provisions of Article 28 of the PRC Enterprise Income Tax, the income tax rate applicable to Texas Linglong for the year 2021 is 15%.

Linglong Electromechanical, a subsidiary of the Company, obtained the Certificate of High and New Technology Enterprise (Certificate No. GR200837000237) in December 2008, and in October 2011, October 2014, October 2017 and August 2020, respectively.

Passed the re-examination of high-tech enterprises, and obtained the renewed "High-tech Enterprise Certificate" (Certificate No. GF201137000381, GR201437000646, GR201737000272 and GR202037000918).

The certificates are all valid for 3 years. In accordance with the relevant provisions of Article 28 of the PRC Enterprise Income Tax, the income tax rate applicable to Linglong Mechatronics for the year 2021 is 15%.

Guangxi Linglong, a subsidiary of the Company, obtained the Certificate of High and New Technology Enterprise (Certificate No. GR201645000022) in November 2016 and passed the High and New Technology Enterprise Re-examination in November 2020 and obtained the renewed Certificate of High and

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New Technology Enterprise (Certificate No. GR202045000261), both of which are valid for 3 years. According to the relevant provisions of Article 28 of the PRC Enterprise Income Tax, the income tax rate applicable to Guangxi Linglong for the year 2021 is 15%.

Hubei Linglong, a subsidiary of the Company, obtained the Certificate of High and New Technology Enterprise (Certificate No. GR202142003949) in December 2021, which is valid for 3 years. Pursuant to the relevant provisions of Article 28 of the PRC Enterprise Income Tax, the income tax rate applicable to Hubei Linglong for the year 2021 is 15%.

According to the BOI Letter of Encouragement issued by the Board of Investment of Thailand to Thai Linglong, Thai Linglong will be entitled to exemption from Thai corporate income tax for eight years and a 50% reduction for five years from the date of generation of business income. In FY2014, Thai Linglong has already generated business income, which is the first year of taxation for Thai Linglong, and in FY2021, it will still be the tax exemption period for Thai Linglong.

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(1) money funds

|                      | 31 December 2021     | 31 December 2020     |
|----------------------|----------------------|----------------------|
| (accountancy)        | 842,934              | 457,746              |
| a bank account       | 1,781,793,117        | 3,757,245,428        |
| Other monetary funds | 531,186,906          | 529,392,686          |
| Interest receivable  | <u>3,516,082</u>     | <u>-</u>             |
|                      | <u>2,317,339,039</u> | <u>4,287,095,860</u> |

|                           |             |               |
|---------------------------|-------------|---------------|
| Of which: deposits abroad | 804,356,078 | 2,002,282,363 |
|---------------------------|-------------|---------------|

Other monetary funds are  
analysed below:

|                              | 31 December 2021   | 31 December 2020   |
|------------------------------|--------------------|--------------------|
| Banker's acceptance bond (i) | 420,178,301        | 315,878,030        |
| Note pool margin(ii)         | 46,116,904         | 60,803,227         |
| Borrowing margin(iii)        | 30,000,000         | 146,000,000        |
| customs bond                 | 29,380,828         | 2,986,432          |
| the rest                     | <u>5,510,873</u>   | <u>3,724,997</u>   |
|                              | <u>531,186,906</u> | <u>529,392,686</u> |

(i) Banker's acceptance  
deposits:

At 31 December 2021, \$420,178,301 (31 December 2020.) of other monetary funds were held in other monetary funds:

(\$ 315,878,030) is the Group's security deposit pledged to the bank as \$3,397,822,425 (2020), and the Group's guarantee deposit pledged to the bank as \$ 3,397,822,425 (2020).

(31 December: \$2,371,123,746) Partial pledge of bankers' acceptances payable (Note IV(23)).

(ii) Note Pool Margin:

At 31 December 2021, \$46,116,904 (31 December 2020.) of the other monetary funds were held in other monetary funds:

60,803,227) and receivables financing \$44,944,814 (31 December 2020: receivables financing

344,083,507) (Note IV(5)) represents the Group's pledge to the bank as a security

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deposit for bankers' acceptances payable of \$136,976,723 (31 December 2020:  
(Amounts in Renminbi Yuan unless  
otherwise stated) (Note IV(23)).

(iii) Borrowing margin:

At 31 December 2021, \$30,000,000 (31 December 2020.) in other monetary  
funds:

146,000,000 (31 December 2020) was pledged to banks as \$300,000,000 (31  
December 2020: \$146,000,000) for the Group:

200,000,000) of short-term loans (Note IV(22)(a)(ii)).



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otherwise stated)

IV Notes to the consolidated financial statements (continued)

(2) Financial assets held for trading

|   | 31 December 2021  | 31 December 2020  |
|---|-------------------|-------------------|
| Investments in trading equity instruments | <u>20,810,538</u> | <u>28,873,251</u> |

Investments in trading equity instruments are shares of Hong Kong-listed companies acquired by the Group. As the above shares are held by the Group only for the purpose of selling in the near future, they are accounted for as investments in trading equity instruments, the fair value of which is determined on the basis of the closing price of the relevant listed companies on the last trading day of 2021.

(3) notes receivable

|                               | 31 December 2021   | 31 December 2020 |
|-------------------------------|--------------------|------------------|
| Commercial acceptances        | 208,995,255        | -                |
| Less: Provision for bad debts | <u>(2,048,154)</u> | <u>-</u>         |
|                               | <u>206,947,101</u> | <u>-</u>         |

(a) As at 31 December 2021, the Group's notes receivable, which are presented as endorsed or discounted but not yet due, are as follows:

|                        | Derecognised<br>derecognised | Not              |
|------------------------|------------------------------|------------------|
| Commercial Acceptances | <u>-</u>                     | <u>2,150,000</u> |

(b) provision for bad debts

The Group's notes receivable, all of which arose from the sale of goods and provision of services and other ordinary operating activities, are measured at the allowance for losses based on the expected credit losses over the entire period of their existence, regardless of whether there is a significant financing component. The portfolio made an allowance for bad debts of \$2,048,154 during the year, and there was no allowance for bad debts recovered or reversed, and there were no actual write-offs of notes receivable and allowance for bad debts.

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IV Notes to the consolidated financial statements (continued)

(4) accounts receivable

|                               | 31 December 2021     | 31 December 2020     |
|-------------------------------|----------------------|----------------------|
| Accounts receivable           | 3,225,407,215        | 2,897,151,418        |
| Less: Provision for bad debts | <u>(164,106,452)</u> | <u>(146,394,497)</u> |
|                               | <u>3,061,300,763</u> | <u>2,750,756,921</u> |

(a) The ageing of accounts receivable is analysed below:

|                       | 31 December 2021     | 31 December 2020     |
|-----------------------|----------------------|----------------------|
| Within one year       | 3,056,779,866        | 2,740,829,221        |
| One to two years      | 38,658,810           | 65,790,382           |
| Two to three years    | 41,092,686           | 16,527,421           |
| More than three years | <u>88,875,853</u>    | <u>74,004,394</u>    |
|                       | <u>3,225,407,215</u> | <u>2,897,151,418</u> |

(b) A summary analysis of the top five accounts receivable with balances grouped by party owed as at 31 December 2021 is set out below:

|  | Balance               | Bad debt provision amount | Percentage of total accounts receivable balance |
|--|-----------------------|---------------------------|---|
| Total accounts receivable of the top five balances | <u>864,069,370</u>    | <u>(8,918,336)</u>        |   |
|  | <u>26.79 per cent</u> |                           |   |

(c) During the year, the Group had no receivables derecognised as a result of the transfer of financial assets (2020: nil).

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IV Notes to the consolidated  
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(4) Accounts receivable (continued)

(d) provision for bad debts

The Group measures loss provision for accounts receivable, regardless of whether there is a significant financing component, based on expected credit losses over the entire duration. As at 31 December 2021, accounts receivable of RMB23,887,895 (31 December 2020: RMB25,682,884) were originally included in accounts receivable from ATLAS TIRE LLC. in the portfolio of overseas customers and accounts receivable from Zhejiang Zongtai Automobile Manufacturing Company Limited and Harbin Chengfa Tire Sales Company Limited in the portfolio of domestic customers due to the malfunction of the counterparties or the existence of payment disputes. Due to the poor operation of the counterparties or the existence of payment disputes, the Group assessed the expected probable cash flows to be recovered under different scenarios for these amounts and made a full provision for bad debts of RMB23,887,895 (31 December 2020: RMB25,682,884) based on the present value of the difference between the amount of the cash flows and the cash flows receivable under the contracts.

(i) The accounts receivable for which the portfolio has a bad debt provision are analysed below:

Portfolio I: Domestic client portfolio

|                              | 31 December 2021                      |  |              | 31 December 2020                      |  |              |
|------------------------------|---------------------------------------|--|--------------|---------------------------------------|--|--------------|
|                              | Carrying<br>amount<br>sum of<br>money | provision for bad debts<br>Expected credit loss ratio for the entire<br>duration | Amount       | Carrying<br>amount<br>sum of<br>money | provision for bad debts<br>Expected credit loss ratio for the entire<br>duration | Amount       |
| Domestic client<br>portfolio |                                       |  |              |                                       |  |              |
| less than one<br>year        | 1,963,681,934                         | 1%   | (19,180,332) | 1,911,737,927                         | 1%   | (18,738,451) |

|                       |                      |             |                      |                      |             |                      |
|-----------------------|----------------------|-------------|----------------------|----------------------|-------------|----------------------|
| One to two years      | 31,424,274           | 50%         | (15,712,137)         | 55,286,044           | 50%         | (27,643,022)         |
| Two to three years    | 33,500,772           | 80 per cent | (26,800,618)         | 5,091,164            | 80 per cent | (4,072,931)          |
| More than three years | <u>60,079,018</u>    | 100%        | <u>(60,079,018)</u>  | <u>55,907,366</u>    | 100%        | <u>(55,907,366)</u>  |
|                       | <u>2,088,685,998</u> |             | <u>(121,772,105)</u> | <u>2,028,022,501</u> |             | <u>(106,361,770)</u> |

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IV Notes to the consolidated financial statements (continued)

(4) Accounts receivable (continued)

(d) Provision for bad debts (continued)

(i) The accounts receivable for which the portfolio has a bad debt provision are analysed as follows: (continued)

Portfolio II: Overseas Client Portfolio

|                             | 31 December 2021     |   |                     | 31 December 2020   |   |                     |
|-----------------------------|----------------------|---|---------------------|--------------------|---|---------------------|
|                             | Carrying amount      | provision for bad debts                                     |                     | Carrying amount    | provision for bad debts                                     |                     |
|                             | sum of money         | Expected rate of credit loss over the life of the programme | sum of money        | sum of money       | Expected rate of credit loss over the life of the programme | sum of money        |
| Overseas Customer Portfolio |                      |   |                     |                    |   |                     |
| (e) less than one year      | 1,093,097,932        | 0.4 per cent  | (4,161,408)         | 828,528,496        | 0.3 per cent  | (2,664,520)         |
| (e) One to two years        | 6,729,276            | 20 per cent   | (1,334,898)         | 1,621,788          | 20 per cent   | (329,960)           |
| (e) Two to three years      | 279,837              | 80 per cent   | (223,869)           | 9,701,929          | 80 per cent   | (7,761,543)         |
| (f) More than three years   | 12,726,277           | 100%  | (12,726,277)        | 3,593,820          | 100%  | (3,593,820)         |
|                             | <u>1,112,833,322</u> |   | <u>(18,446,452)</u> | <u>843,446,033</u> |   | <u>(14,349,843)</u> |
|                             | 2                    |   |                     | 3                  |   |                     |

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(5) Receivables financing (continued)

|                      | 31 December 2021   | 31 December 2020   |
|----------------------|--------------------|--------------------|
| Bankers' acceptances | <u>232,175,310</u> | <u>912,445,780</u> |

The Company and its subsidiaries discounted and endorsed a portion of bankers' acceptances depending on their daily fund management needs and met the conditions for derecognition; therefore, the bankers' acceptances were classified as financial assets at fair value through other comprehensive income.

As at 31 December 2021, the Group measures bad debt provision on the basis of expected credit losses over the entire duration. The Group considers that the credit risk characteristics of bank acceptances held are similar and there are no bank acceptances for which individual provision for impairment has been made. In addition, there is no significant credit risk associated with bankers' acceptances, which will not result in significant losses due to bank defaults, and therefore no provision for bad debts in respect of receivables financing has been made (31 December 2020: no provision has been made).

As at 31 December 2021, the Group's pledged bankers' acceptances receivable shown in receivables financing

The amount of \$44,944,814 (31 December 2020: \$344,083,507) (note IV(1)(ii)) is shown as

136,976,723 (31 December 2020: \$320,104,864) Partial pledge of bankers' acceptances payable (Note IV(23)).

As at 31 December 2021, the Group's endorsed or discounted notes receivable presented in receivables financing but not yet due are as follows:

|                      | Derecognised<br>derecognised | Not      |
|----------------------|------------------------------|----------|
| Bankers' acceptances | <u>4,126,170,225</u>         | <u>-</u> |

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(6) Prepayments

(a) The ageing analysis of prepayments is shown below:

|                       | 31 December 2021   |                     | 31 December 2020   |                     |
|-----------------------|--------------------|---------------------|--------------------|---------------------|
|                       | sum of money       | Percentage of total | sum of money       | Percentage of total |
| less than one year    | 312,701,054        | 95.91 per cent      | 538,749,855        | 98.19 per cent      |
| One to two years      | 5,543,728          | 1.70 per cent       | 6,334,425          | 1.15%               |
| Two to three years    | 4,918,883          | 1.51 per cent       | 600,640            | 0.11 per cent       |
| More than three years | <u>2,866,602</u>   | <u>0.88</u>         | <u>3,019,886</u>   | <u>0.55</u>         |
|                       |                    | <u>per cent</u>     |                    | <u>per cent</u>     |
|                       | <u>326,030,267</u> | <u>100.00</u>       | <u>548,704,806</u> | <u>100.00</u>       |
|                       |                    | <u>per cent</u>     |                    | <u>per cent</u>     |

As at 31 December 2021, prepayments aged over one year amounted to \$13,329,213 (31 December 2020: \$9,954,951), which were mainly prepayments for materials and services, which had not been settled as the materials and services had not yet been received or completed.

(b) A summary analysis of the top five prepayments with balances aggregated by party owed as at 31 December 2021 is set out below:

|   | As a percentage of prepayments<br>Percentage of total amount |              |
|---|--|--------------|
| Total prepayments with top five balances<br><u>per cent</u> | <u>163,202,479</u>   | <u>50.06</u> |

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(7) Other receivables

(continued)

|   | 31 December 2021    | 31 December 2020    |
|---|---------------------|---------------------|
| Compensation receivable                 | 37,557,756          | 38,436,658          |
| Imprest receivable from employees       | 12,190,235          | 12,202,313          |
| Deposits and bonds receivable           | 5,751,819           | 8,700,445           |
| Receivables for equipment and materials | 3,038,448           | 9,502,866           |
| Export tax refunds receivable           | 2,153,434           | 2,101,368           |
| the rest                                | 10,175,970          | 18,562,521          |
|   | <u>70,867,662</u>   | <u>89,506,171</u>   |
| Less: provision for bad debts           | <u>(42,212,905)</u> | <u>(49,398,349)</u> |
|   | <u>28,654,757</u>   | <u>40,107,822</u>   |

(a) The ageing analysis of other receivables is as follows:

|                       | 31 December 2021  | 31 December 2020  |
|-----------------------|-------------------|-------------------|
| less than one year    | 22,706,068        | 29,480,809        |
| One to two years      | 3,671,074         | 4,006,546         |
| Two to three years    | 332,189           | 11,224,253        |
| More than three years | 44,158,331        | 44,794,566        |
|                       | <u>70,867,662</u> | <u>89,506,171</u> |
|                       |                   | <u>3</u>          |
|                       |                   | <u>1</u>          |



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IV Notes to the consolidated financial statements (continued)

(7) Other accounts receivable (continued)

(b) (c) A statement of provision for losses and changes in its carrying amount:

|                        | Phase I Phase  |                         | III             |                         |                         |
|------------------------|--|-------------------------|-----------------|-------------------------|-------------------------|
|                        | Expected credit losses over the next 12 months (portfolio) |                         |                 |                         | Expected credit losses  |
|                        | Carrying amount  | provision for bad debts | Carrying amount | provision for bad debts | provision for bad debts |
| 31 December 2020       | 41,566,647   | (1,458,825)             | 47,939,524      | (47,939,524)            | (49,398,349)            |
| Change in current year | (11,295,189)   | (157,876)               | (7,343,320)     | 7,343,320               | 7,185,444               |
| 31 December 2021       | 30,271,458   | (1,616,701)             | 40,596,204      | (40,596,204)            | (42,212,905)            |

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IV Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

(b) Provision for losses and statement of changes in its carrying amount (continued):

As at 31 December 2021 and 31 December 2020, the Group had no other receivables in stage II. Other receivables in stages I and III are analysed below:

(i) An analysis of other receivables with individual bad debt provisions as at 31 December 2021 is as follows:

|                         | Carrying<br>amount | Expected rate of credit loss<br>over the life of the programme | provision for bad debts | rationale |
|-------------------------|--------------------|--|-------------------------|-----------|
| Phase III               |                    |  |                         |           |
| Compensation receivable | 37,557,756         | 100%   | 37,557,756              | i)        |
| Material receivables    | <u>3,038,448</u>   | 100%   | <u>3,038,448</u>        | ii)       |
|                         | <u>40,596,204</u>  |  | <u>40,596,204</u>       |           |

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IV Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

(b) Provision for losses and statement of changes in its carrying amount (continued):

(i) An analysis of other receivables with individual bad debt provisions at 31 December 2020 is as follows:

|                            | Carrying<br>amount | Expected rate of credit loss<br>over the life of the programme | provision for bad debts | rationale |
|----------------------------|--------------------|--|-------------------------|-----------|
| Phase III                  |                    |  |                         |           |
| Compensation receivable    | 38,436,658         | 100%   | 38,436,658              | i)        |
| Receivables from equipment | 6,464,418          | 100%   | 6,464,418               | ii)       |
| Material receivables       | <u>3,038,448</u>   | 100%   | <u>3,038,448</u>        | ii)       |
|                            | <u>47,939,524</u>  |  | <u>47,939,524</u>       |           |

i) As at 31 December 2021, an amount of RMB37,557,756 was due from PICC for insurance compensation. As the age of this receivable has exceeded three years and the PICC is unable to fix the loss for verification, the Group has assessed the expected probable cash flows to be recovered under different scenarios in respect of this amount and made a provision for bad debts in full of \$37,557,756 (31 December 2020: \$38,436,658) based on the present value of the difference between the amount and the cash flows receivable under the contract.

ii) As at 31 December 2021, the Group had a disputed prepayment for materials, which was aged over three years, for which the Group assessed the prepayment under different scenarios.

A provision for bad debts of \$3,038,448 (31 December 2020) is made in full based on the present value of the difference between the cash flows that may be recovered and the cash flows receivable under the contract:

A bad debt provision of \$9,502,866 was made for the full amount of prepaid equipment and materials.)

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IV Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

(b) Provision for losses and statement of changes in its carrying amount (continued):

(ii) As at 31 December 2021 and 31 December 2020, the portfolio's other receivables with bad debt provision were in stage 1, as analysed below:

|   | 31 December 2021   |                         |                           | 31 December 2020   |                         |                           |
|---|--------------------|-------------------------|---------------------------|--------------------|-------------------------|---------------------------|
|   | carrying<br>amount | Provision<br>for losses |                           | carrying<br>amount | Provision<br>for losses |                           |
|   | sum of money       | sum<br>of<br>mon<br>ey  | Percentage<br>of accruals | sum of money       | sum<br>of<br>mon<br>ey  | Percentage<br>of accruals |
| Employee reserve portfolio:                                   |                    |                         |                           |                    |                         |                           |
| less than one year  | 7,548,059          | -                       | 0 per cent                | 7,587,105          | -                       | 0 per cent                |
| One to two years  | 3,025,475          | -                       | 0 per cent                | 3,156,383          | -                       | 0 per cent                |
| Two to three years  | 184,538            | (184,538)               | 100%                      | 506,465            | (506,465)               | 100%                      |
| More than three years   | 1,432,1 6          | (1,432,163)             | 100%                      | 952,3 6            | (952,360)               | 100%                      |
|   | <u>3</u>           |                         |                           | <u>0</u>           |                         |                           |
|   | 12,190,2 3         | (1,616,701)             |                           | 12,202,3 1         | (1,458,825)             |                           |
|   | <u>5</u>           |                         |                           | <u>3</u>           |                         |                           |
| Portfolio of other receivables such as<br>deposits and bonds: |                    |                         |                           |                    |                         |                           |
| less than one year  | 15,158,009         | -                       | 0 per cent                | 21,893,704         | -                       | 0 per cent                |
| One to two years  | 645,599            | -                       | 0 per cent                | 850,163            | -                       | 0 per cent                |
| Two to three years  | 147,651            | -                       | 0 per cent                | 4,253,370          | -                       | 0 per cent                |
| More than three years   | 2,129,9 6          | -                       | 0 per cent                | 2,367,0 9          | -                       | 0 per cent                |
|   | <u>4</u>           | -82 -                   |                           | <u>7</u>           |                         |                           |
|   | 18,081,2 2         | -                       |                           | 29,364,3 3         | -                       |                           |
|   | <u>3</u>           |                         |                           | <u>4</u>           |                         |                           |
|   | 30,271,4 5         | (1,616,701)             |                           | 41,566,6 4         | (1,458,825)             |                           |

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(7) Other receivables (continued)

(c) Provision for bad debts for the year amounted to \$494,676, and other decreases due to exchange rate changes amounted to \$878,902 Dollar.

(d) The carrying amount of other receivables actually written off during the year was \$6,801,218, and the amount of provision for bad debts was \$6,801,218 Dollar.

(e) An analysis of the top five other receivables with balances aggregated by party owed at 31 December 2021 is set out below:

| Nature  | Balance        | Ageing       | Percentage of other accounts receivable |            |
|---|----------------|--------------|---|------------|
|   |                |              | Total Balance                           | Proportion |
|   |                |              |   | Bad Debt   |
|   |                |              | Provision                               |            |
| Insurance indemnity payment from China People's Insurance Company     | 37,557,756     |              |   |            |
| More than three years   | 53.00 per cent | (37,557,756) |   |            |
| Tax refunds from Spanish tax authorities                              | 3,244,017      | Within one   |   |            |
| year  | 4.58 per cent  | -            |   |            |
| Material receivables from Shanghai Essenma Metal Technology Group Co. | 3,038,448      |              |   |            |
| More than three years   | 4.29 per cent  | (3,038,448)  |   |            |
| Duty refund receivable from Thai Customs                              | 2,153,434      | Within one   |   |            |
| year  | 3.04 per cent  | -            |   |            |
| Tax reimbursement from the German tax authorities                     | 1,605,752      |              |   |            |
| Within one year   | 2.27 per cent  | -            |   |            |
| 47,599,407  | 67.18%         | (40,596,204) |   |            |
|   |                | (40,596,204) |   |            |

(8) inventory (of material)

(a) Inventories are classified as follows:

|                    | 31 December 2021 |   | 31 December 2020 |                 |   |               |
|--------------------|------------------|---|------------------|-----------------|---|---------------|
|                    | Carrying amount  | Provision for decline in value of inventories | book value       | Carrying amount | Provision for decline in value of inventories | book value    |
| raw materials      | 1,713,397,917    | (2,243,714)                                   | 1,711,154,203    | 1,166,608,840   | (2,243,714)                                   | 1,164,365,126 |
| in product         | 467,548,271      | -   | 467,548,271      | 375,612,728     | -   | 375,612,728   |
| manufactured goods | 2,517,028,170    | (161,274,515)                                 | 2,355,753,655    | 1,482,837,981   | (148,262,641)                                 | 1,334,575,340 |
|                    | 4,697,974,358    | (163,518,229)                                 | 4,534,456,129    | 3,025,059,549   | (150,506,355)                                 | 2,874,553,194 |

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(b) Provision for inventory write-downs is analysed below:  
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|                    | 2020<br>31 December | Increase in the<br>current year<br>make provision for<br>(capital<br>requirements) | Decrease in<br>current year                       |             | 2021<br>31 December |
|--------------------|---------------------|--|---|-------------|---------------------|
|                    |                     |  | melo<br>dic<br>inver<br>sion<br>(in<br>musi<br>c) | resell      |                     |
| raw materials      | (2,243,714)         | -  | -   | -           | (2,243,714)         |
| manufactured goods | (148,262,641)       | (291,226,293)  | 1,295,276   | 276,919,143 | (161,274,515)       |
|                    | (150,506,355)       | (291,226,293)  | 1,295,276   | 276,919,143 | (163,518,229)       |

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(8) (continued) (continued)

(c) The provision for inventory write-downs is shown below:

|                                    | Specific basis for determining net<br>realisable value                              | Inventory reversed or<br>written off during the<br>year | Reasons for provision<br>for price decreases |
|------------------------------------|---|---|--|
| raw materials                      | Estimated selling price of inventories of<br>less estimated costs to be incurred to | -   |  |
| completion                         | Costs incurred, estimated selling<br>expenses and                                   |   |  |
| Determination of<br>finished goods | the amount after taxes related to   | Sales made during the<br>year                           |  |

(9) Other current assets

|                                 | 31 December 2021   | 31 December 2020   |
|---------------------------------|--------------------|--------------------|
| Input tax to be offset          | 599,909,594        | 366,519,206        |
| Input tax pending certification | 169,171,908        | 14,663,551         |
| Prepaid income tax              | 26,544,656         | 33,196,848         |
| Futures Margin                  | 5,782,809          | 5,865,848          |
| Prepaid VAT                     | 2,861,560          | 1,902,958          |
| Share account funds(i)          | 389,912            | 35,645,535         |
| Advance consumption tax         | -                  | 424,427            |
|                                 | <u>804,660,439</u> | <u>458,218,373</u> |

(i) At 12 December 2021, At 31 December 2020, \$389,912 (31 December 2020) of other current assets:

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(\$35,645,535) represents the funds deposited in the Group's stock accounts.

(10) Long-term receivables

31 December 2021

31 December 2020



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Advances receivable from employees in lieu of property  
(continued)

|  |                   |          |
|--|-------------------|----------|
|  | 87,277,788        | -        |
| Less: Non-current assets due within one year | (11,002,297)      | -        |
|  | <u>76,275,491</u> | <u>-</u> |

During the year 2021, the Group assisted its employees in the transfer of the property rights of the properties purchased by the group with funds advanced to the employees in previous years (the property rights were directly transferred from the property developer to the employees). According to the agreements signed with the employees, the repayment period of the advances made on behalf of the corresponding properties was more than one year, and therefore, the Group accounted for the advances as long-term receivables.

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(11) (continued) equity

investments

associated company

|   |                     | Increase/decrease during the<br>year                       |                     |
|---|---------------------|--|---------------------|
|   | 2020<br>31 December | Net gain<br>or loss<br>adjusted by<br>the equity<br>method | 2021<br>31 December |
| Butterfly Dynamic<br>(Changchun) Technology Co. | <u>30,071,496</u>   | <u>(630,268)</u>   | <u>29,441,228</u>   |

- (i) In June 2020, the Group invested in Butterfly (Changchun) Technology Co., Ltd (hereinafter referred to as "Changchun Butterfly") with a capital contribution of RMB30,000,000, of which RMB15,000,000 was regarded as the new registered capital of Changchun Butterfly and the remaining RMB15,000,000 was credited to the capital surplus of Changchun Butterfly. The remaining RMB 15,000,000 is credited to the capital surplus of Changchun DieDuo. As at 31 December 2021, the Group's shareholding in Changchun DieDuo was 27.27%.

Information relating to the Group's interests in associates Relevant information is provided in note V(2).

- (12) Investments in other equity instruments

|   | 2021<br>31 December | 2020<br>31 December |
|---|---------------------|---------------------|
| Investments in non-trading equity instruments                                       |                     |                     |
| Listed Company Equity   |                     |                     |
| -CIMC Vehicles (Group) Co. Ltd. (i)<br>(hereinafter referred to as "CIMC Vehicles") |                     | <u>236,606,242</u>  |
| <u>258,244,494</u>  |                     |                     |

Equity in unlisted companies

-Jiangsu Xingda Steel Cord Company Limited(ii)

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2021 (hereinafter referred to as "Jiangsu Xingda") 50,000,000 -

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Notes to the consolidated

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(continued)

(hereinafter referred to as "Hai Yang Technology")                                          

84,000,000

-(hereinafter referred to as

"Haiyang Technology")

-Taiyuan Clintel Environmental Protection Technology Co.

(hereinafter referred to as "Clintel") 30,000,000 -

(hereinafter referred to as "Clintel") 30,000,000

400,606,242 308,244,494

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(12) (continued) Investments in other equity instruments (continued)

|                                | 2021<br>31 December | 2020<br>31<br>December |
|--------------------------------|---------------------|------------------------|
| CIMC vehicles                  |                     |                        |
| -Costs                         | 223,914,612         | 229,154,517            |
| -Cumulative fair value changes | <u>12,691,630</u>   | <u>29,089,977</u>      |
|                                | <u>236,606,242</u>  | <u>258,244,494</u>     |
| Jiangsu Xingda                 |                     |                        |
| -Costs                         | 50,000,000          | 50,000,000             |
| -Cumulative fair value changes | <u>-</u>            | <u>-</u>               |
|                                | <u>50,000,000</u>   | <u>50,000,000</u>      |
| Haiyang Technology             |                     |                        |
| -Costs                         | 84,000,000          | -                      |
| -Cumulative fair value changes | <u>-</u>            | <u>-</u>               |
|                                | <u>84,000,000</u>   | <u>-</u>               |
| Clintel (name)                 |                     |                        |
| -Costs                         | 30,000,000          | -                      |
| -Cumulative fair value changes | <u>-</u>            | <u>-</u>               |
|                                | <u>30,000,000</u>   | <u>-</u>               |
|                                | <u>400,606,242</u>  | <u>308,244,494</u>     |

- (i) In FY2019, the Group acquired shares of CIMC Vehicles, a company listed in Hong Kong, and as at 31 December 2021, the percentage of shareholding was 2.11%. The Group is unable to exercise significant influence over the financial and operating decisions of CIMC Vehicles and the Group treats this investment as a strategic investment of the Group and therefore accounts for it as an investment in other equity instruments for the purpose of strategic investment.
- (ii) In FY2020, the Group invested in Jiangsu Xingda with an agreed contribution of RMB50 million, and as at 31 December 2021, the shareholding ratio was 0.73%. The Group is unable to exercise significant influence over the financial and operating decisions of Jiangsu Xingda, and the Group regards this investment as a strategic

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(continued)

investment of the Group, and therefore accounts for it as an investment in other equity instruments for the purpose of strategic investment.

- (iii) In fiscal year 2021, the Group invested in Haiyang Technology with an agreed contribution of RMB84 million, and as at 31 December 2021, the shareholding ratio was 10.30%. The Group is unable to exercise significant influence over the financial and operating decisions of Haiyang Technology, and the Group regards this investment as a strategic investment of the Group, and therefore accounts for it as an investment in other equity instruments for the purpose of strategic investment.

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(12) Investments in other equity instruments (continued)

(iv) In fiscal year 2021, the Group invested in Clintel with an agreed contribution of RMB30 million, and as of 31 December 2021, the shareholding ratio was 6.00%. The Group is unable to exercise significant influence over the financial and operating decisions of Clintel, and the Group regards this investment as a strategic investment of the Group, and therefore accounts for it as an investment in other equity instruments for the purpose of strategic investment.

(13) Other non-current

financial assets

| 2021        | 2020        |
|-------------|-------------|
| 31 December | 31 December |

Investment in debt instruments

Fund company investments

-Nanjing Kucheng Qiushi Equity Investment Partnership

(Limited Partnership) (hereinafter referred to as "Kucheng Qiushi")

86,675,816

61,565,145

-Xianning Xingtuo Weisheng Equity Investment Management Partnership

(Limited Partnership) (hereinafter referred to as "Singtor VIA") 49,800,215

25,606,593

-Zhuhai Hengqin New Area Tianying Hezhi Investment Management Partnership

(Limited Partnership) (hereinafter referred to as "Zhuhai Tianying")

41,364,648

-(hereinafter referred to as

"Zhuhai Tianying")

-Guangdong Dezhai Hou Jiayan Equity Investment Partnership

(Limited Partnership) (hereinafter referred to as "DZHGYAN")

10,000,000

-(hereinafter referred to as

"TZG") 10,000,000

-Guangdong Dezhai Hou Qixiu Equity Investment Partnership

(Limited Partnership) (hereinafter referred to as "DZHQS")

30,000,000

-(hereinafter

referred to as "TJHQS") 30,000,000

|                    |                   |
|--------------------|-------------------|
| <u>217,840,679</u> | <u>87,171,738</u> |
|--------------------|-------------------|

| 2021        | 2020        |
|-------------|-------------|
| 31 December | 31 December |

all

|            |            |
|------------|------------|
| 41,000,000 | 50,000,000 |
|------------|------------|

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Notes to the consolidated  
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-Costs

(continued)

-Accumulated fair value changes

|                   |                   |
|-------------------|-------------------|
| 45,675,816        | 11,565,145        |
| <u>86,675,816</u> | <u>61,565,145</u> |

Xtor Vaisnavis (1860-1923), capital of Myanmar (Burma)

-Cost

50,000,000

25,000,000

-Cumulative fair value changes

(199,785)

606,593

|                   |                   |
|-------------------|-------------------|
| <u>49,800,215</u> | <u>25,606,593</u> |
|-------------------|-------------------|

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(continued)

Other non-current

financial assets (continued)

|   | 2021<br>31 December | 2020<br>31<br>December |
|---|---------------------|------------------------|
| Zhuhai Skyhawk  |                     |                        |
| -Costs  | 42,000,000          | -                      |
| -Cumulative fair value changes  | (635,352)           | -                      |
|   | <u>41,364,648</u>   | <u>-</u>               |
| praise the virtuous and virtuous<br>achievements of mankind               |                     |                        |
| -Costs  | 10,000,000          | -                      |
| -Cumulative fair value changes  | -                   | -                      |
|   | <u>10,000,000</u>   | <u>-</u>               |
|   | <u>0</u>            |                        |
| Virtue carries the heart of Qiushi<br>(idiom); filial piety and obedience |                     |                        |
| -Costs  | 30,000,000          | -                      |
| -Cumulative fair value changes  | -                   | -                      |
|   | <u>30,000,000</u>   | <u>-</u>               |
|   | <u>0</u>            |                        |
|   | <u>217,840,679</u>  | <u>87,171,738</u>      |

The above partnerships in which the Group has invested have set operating deadlines and the Group does not have significant influence over any of these partnerships, therefore, the Group has judged that these investments are non-trading investments in debt instruments and classified them as financial assets at fair value through profit or loss, which are presented as other non-current financial assets.

(14) investment property

|                                      | building           | land use right     | add up the total   |
|--------------------------------------|--------------------|--------------------|--------------------|
| 31 December 2020                     | 71,464,870         | -                  | 71,464,870         |
| New for the year (i)                 | 26,524,010         | 51,529,240         | 78,053,250         |
| Depreciation charged for<br>the year | <u>(4,232,675)</u> | <u>(1,198,354)</u> | <u>(5,431,029)</u> |



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93,756.205

50,330.886

144,087.091

- (i) In fiscal year 2021, the Company transferred properties with a carrying value of \$26,524,010 (original cost: \$29,456,699) and properties with a carrying value of \$1,060,000 (original cost: \$1,060,699) to the Company.  
Land with a nominal value of \$51,529,240 (original value: \$58,664,370) was leased out and transferred to investment properties to become  
The investment property is accounted for under the equity method. The depreciation of investment properties for the year was RMB5,431,029 (31 December 2020), and the depreciation of investment properties for the year was RMB2,660,000 (31 December 2020)  
(b) The total amount of the project is estimated to be \$2,854,240 per annum (see Table 1).

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4 Notes to the consolidated  
financial statements (continued)  
(15) fixed assets

|   | Land*<br>self-occupation | Houses and<br>buildings<br>self-occupation | machinery and<br>equipment<br>self-occupation | mould<br>self-occupation | carrier<br>self-occupation | Electronic and office<br>equipment<br>self-occupation | add up the total |
|---|--------------------------|--|---|--------------------------|----------------------------|---|------------------|
| original price                            |                          |  |   |                          |                            |   |                  |
| 31 December 2020                          | 303,472,457              | 4,570,295,949                              | 12,875,378,446                                | 1,856,260,889            | 76,254,371                 | 214,656,339   | 19,896,318,451   |
| Increase in the current year              |                          |  |   |                          |                            |   |                  |
| Acquisition                               | -                        | 2,250,241                                  | 29,893,604                                    | 207,136,423              | 11,232,396                 | 26,700,662  | 277,213,326      |
| Transfer from construction in progress    | -                        | 674,459,727                                | 990,631,653                                   | -                        | 893,805                    | 280,205   | 1,666,265,390    |
| Decrease in current year                  |                          |  |   |                          |                            |   |                  |
| Disposal and scrapping                    | -                        | (163,876,981)                              | (494,157,362)                                 | (3,023,567)              | (2,359,601)                | (2,044,365)   | (665,461,876)    |
| Transfer to investment property           | -                        | (29,456,699)                               | -   | -                        | -                          | -   | (29,456,699)     |
| Other*<br>*                               | (15,766,849)             | (22,540,354)                               | (73,806,423)                                  | (14,300,510)             | (228,044)                  | (757,550)   | (127,399,730)    |
| 31 December 2021                          | 287,705,608              | 5,031,131,883                              | 13,327,939,918                                | 2,046,073,235            | 85,792,927                 | 238,835,291   | 21,017,478,862   |
| Accumulated depreciation                  |                          |  |   |                          |                            |   |                  |
| 31 December 2020                          | -                        | (1,063,852,841)                            | (5,421,295,695)                               | (1,325,586,946)          | (42,628,510)               | (149,638,025)   | (8,003,002,017)  |
| Increase in the current year              |                          |  |   |                          |                            |   |                  |
| make provision for (capital requirements) | -                        | (178,209,522)                              | (719,607,541)                                 | (224,620,395)            | (8,431,791)                | (20,097,855)  | (1,150,967,104)  |
| Decrease in current year                  |                          |  |   |                          |                            |   |                  |
| Disposal and scrapping                    | -                        | 89,793,593                                 | 422,727,454                                   | 1,561,023                | 1,672,812                  | 1,872,924   | 517,627,806      |
| Transfer to investment property           | -                        | 2,932,689                                  | -   | -                        | -                          | -   | 2,932,689        |
| Other*<br>*                               | -                        | 13,036,610                                 | 21,114,164                                    | 9,413,935                | 118,949                    | 499,061   | 44,182,719       |

|                             |             |                 |                 |                 |              |               |                 |
|-----------------------------|-------------|-----------------|-----------------|-----------------|--------------|---------------|-----------------|
| 31 December 2021            | -           | (1,136,299,471) | (5,697,061,618) | (1,539,232,383) | (49,268,540) | (167,363,895) | (8,589,225,907) |
| provision for impairment    |             |                 |                 |                 |              |               |                 |
| 31 December 2020            | -           | (46,357,651)    | (33,721,898)    | -               | -            | -             | (80,079,549)    |
| Decrease during the year    | -           | 39,046,565      | 32,280,912      | -               | -            | -             | 71,327,477      |
| - disposal and obsolescence |             |                 |                 |                 |              |               |                 |
| 31 December 2021            | -           | (7,311,086)     | (1,440,986)     | -               | -            | -             | (8,752,072)     |
| book value                  |             |                 |                 |                 |              |               |                 |
| 31 December 2021            | 287,705,608 | 3,887,521,326   | 7,629,437,314   | 506,840,852     | 36,524,387   | 71,471,396    | 12,419,500,883  |
| 31 December 2020            | 303,472,457 | 3,460,085,457   | 7,420,360,853   | 530,673,943     | 33,625,861   | 65,018,314    | 11,813,236,885  |

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(15) Fixed assets

(continued)

(continued)

\* As at 31 December 2021, the land held by the Company's subsidiaries, Thai Linglong and Serbian Linglong, with indefinite useful lives had not been depreciated during the holding period. Management performed an impairment test on the above land and no provision for impairment of assets was required as the recent market value of the above land was higher than its carrying value.

\*\* Other changes were due to exchange rate differences in the translation of fixed assets of the Company's overseas subsidiaries from the local currency of the accounts to RMB and adjustments to the differences in the provisional valuation of fixed assets recorded by some of the Company's subsidiaries.

At 31 December 2021, the carrying value was \$143,025,956 (31

December 2020:

In addition, there is land with an indefinite useful life of \$146,372,957, with a carrying value of \$760,441,998 (original cost).

874,071,262) (31 December 2020: carrying value of \$778,237,369 (original value of \$894,525,711)) (31 December 2020: carrying value of \$778,237,369 (original value of \$894,525,711))

(\$)) and buildings with a book value of \$1,026,623,525 (original cost of \$1,577,657,567) (December 2020)

As at 31 December 2011: machinery and equipment with a book value of \$1,279,362,120 (original cost of \$1,797,968,535) are simultaneously

251,618,595 (31 December 2020: \$ nil) Short-term secured borrowings (note IV (22)(i)) and

457,299,986 (31 December 2020: \$678,356,938) Long-term collateralised borrowings (note IV(31)(i))

For collateral.

The depreciation of fixed assets for the year 2021 is RMB1,150,967,104 (2020: RMB1,124,617,764), of which depreciation expenses included in operating costs, selling expenses, administrative expenses and research and development expenses are RMB996,209,282, RMB13,242,735, RMB64,869,275, RMB76,645,812 (2020: RMB1,645,812) and RMB1,645,812 (2020: RMB1,645,812), respectively. The depreciation expenses of the Company are \$996,209,282, \$13,242,735, \$64,869,275, and \$76,645,812, respectively:

984,004,133, \$13,207,643, \$58,643,592, \$68,762,396).

The original cost transferred from construction in progress to fixed assets

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(15) Fixed assets

(continued)

(cost RMB1,666,265,390 (FY2020: RMB1,257,311,278).

dollars).

(i) Fixed assets temporarily idle

Machinery and equipment with a carrying value of \$7,081,713 (original cost \$63,035,399) as at 31 December 2021

(31 December 2020: book value of \$26,633,362, original cost of \$417,348,664)

Machinery and equipment

and buildings with a carrying value of \$0 (original cost \$26,308,787) (31 December 2020: carrying value of \$0)

The amount of \$3,350,000 (out of the original price of \$151,231,616) is temporarily inactive as it is no longer in use due to technological upgrading. The details are analysed below:

Temporarily idle fixed assets  
(continued)

(ii) Fixed assets with outstanding title deeds

(16) construction in progress

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### IV Notes to the consolidated financial statements (continued)

#### (16) Construction in progress (continued)

##### (a) Changes in major construction projects in progress

| Project Name                            | budgeted number | 2020<br>31 December  | Increase in the<br>current year | Other changes*       | Transfer<br>to fixed<br>assets<br>during<br>the year | 2021<br>31 December  | Engineerin<br>g inputs as<br>a<br>percentage<br>of budget | proj<br>ect<br>prog<br>ress | Capitalis<br>ation<br>of<br>borrow<br>ing<br>costs<br>Cumulativ<br>e amount | Of which:<br>Amount of<br>borrowing costs<br>capitalised in the<br>year | Borr<br>owing<br>costs for<br>the year<br>capitalisat<br>ion rate | Source of funds               |
|---|-----------------|----------------------|---------------------------------|----------------------|--|----------------------|---|-----------------------------|---|---|---|-------------------------------|
| Linglong Engineering Project, Serbia    | \$994 million   | 10,380,007           | 2,463,691,451                   | (133,024,452)        | -  | 2,341,047,006        | 39.34 per cent  | 39.34 per cent              | -   | -   | -   | own funds                     |
| Jilin Linglong Engineering Project      | 4,894 million   | 54,593,273           | 1,131,107,575                   | -                    | (325,159,399)  | 860,541,449          | 24.42 per cent  | 24.42 per cent              | 7,754,289   | 7,603,417   | 2.91 per cent   | Borrowings/own funds          |
| Hubei Linglong Phase I Project          | 5,409 million   | 465,762,573          | 751,873,529                     | -                    | (378,906,796)  | 838,729,306          | 54.25 per cent  | 54.25 per cent              | 1,237,007   | -   | -   | Proceeds/own funds            |
| Guangxi Linglong Engineering Project    | 4,083 million   | 261,457,642          | 468,172,159                     | -                    | (306,336,557)  | 423,293,244          | 92.51 per cent  | 92.51 per cent              | 11,658,542  | 1,312,330   | 2.91 per cent   | Proceeds/borrowings/own funds |
| Installation of machinery and equipment | inapplicable    | 220,795,437          | 243,422,515                     | -                    | (89,096,063)   | 375,121,889          | inapplicable  | inapplicable                | -   | -   | -   | Borrowing/own funds           |
| Thailand Linglong Engineering Project   | 924 million     | 404,776,855          | 100,790,028                     | (8,573,384)          | (414,096,170)  | 82,897,329           | 91.55 per cent  | 91.55 per cent              | -   | -   | -   | Borrowing/own funds           |
| Rubber Technology Engineering Project   | 876 million     | 85,150,101           | 13,308,277                      | -                    | (22,216,779)   | 76,241,599           | 12.24 per cent  | 12.24 per cent              | 59,429  | 59,429  | 2.91 per cent   | Borrowing/own funds           |
| Texas Linglong Engineering Project      | 2,778 million   | 22,731,029           | 121,096,201                     | -                    | (114,308,937)  | 29,518,293           | 91.71 per cent  | 91.71 per cent              | -   | -   | 2.91 per cent   | Borrowing/own funds           |
| Other incidental works                  | inapplicable    | 90,192,114           | 38,578,779                      | -                    | (16,144,689)   | 112,626,204          | inapplicable  | Not applicable              | -   | -   | -   | Borrowings/own funds          |
|   |                 | <u>1,615,839,031</u> | <u>5,332,040,514</u>            | <u>(141,597,836)</u> | <u>(1,666,265,390)</u>                               | <u>5,140,016,319</u> |   |                             | <u>20,709,267</u>   | <u>8,975,177</u>  |   |                               |

\* Other changes were mainly due to exchange rate differences arising from the translation of construction in progress from foreign currencies to Renminbi by the Company's overseas subsidiaries.

(b) No provision for impairment of construction in progress was made during the year.



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(17) usufructuary assets

Houses and buildings

original price

|                                |            |
|--------------------------------|------------|
| 31 December 2020               | -          |
| Changes in accounting policies | 33,786,538 |
| 1 January 2021                 | 33,786,538 |
| Increase in the current year   |            |
| Additional lease contracts     | 8,446,606  |
| Decrease in current year       |            |
| Change of Lease                | -          |
| 31 December 2021               | 42,233,144 |

Accumulated depreciation

|   |             |
|---|-------------|
| 31 December 2020                          | -           |
| Changes in accounting policies            | -           |
| 1 January 2021                            | -           |
| Increase in the current year              |             |
| make provision for (capital requirements) | (4,240,342) |
| Decrease in current year                  |             |
| Change of Lease                           | -           |
| 31 December 2021                          | (4,240,342) |

provision for impairment

|                                   |   |
|-----------------------------------|---|
| 31 December 2020                  | - |
| Changes in accounting policies    | - |
| 1 January 2021                    | - |
| Increase/decrease during the year | - |
| 31 December 2021                  | - |

book value

|                  |            |
|------------------|------------|
| 31 December 2021 | 37,992,802 |
| 31 December 2020 | -          |

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(18) intangible asset

|  | land use right | hardware     | add up the total |
|--|----------------|--------------|------------------|
| original price   |                |              |                  |
| 31 December 2020   | 887,486,013    | 94,293,575   | 981,779,588      |
| Increase in current year -- acquisitions                     | 198,899,646    | 15,751,947   | 214,651,593      |
| Decrease during the year - transfer to investment properties | (58,664,370)   | -            | (58,664,370)     |
| Decrease in current year - other*                            | -              | (153,102)    | (153,102)        |
| 31 December 2021   | 1,027,721,289  | 109,892,420  | 1,137,613,709    |
| cumulative amortisation                                      |                |              |                  |
| 31 December 2020   | (135,025,996)  | (78,086,521) | (213,112,517)    |
| Increase in current year - accruals                          | (20,681,990)   | (10,841,493) | (31,523,483)     |
| Decrease during the year - transfer to investment properties | 7,135,130      | -            | 7,135,130        |
| Decrease in current year - other*                            | -              | 136,513      | 136,513          |
| 31 December 2021   | (148,572,856)  | (88,791,501) | (237,364,357)    |
| book value   |                |              |                  |
| 31 December 2021   | 879,148,433    | 21,100,919   | 900,249,352      |
| 31 December 2020   | 752,460,017    | 16,207,054   | 768,667,071      |

\*Decrease in the current year-other is due to the exchange rate difference in translating the intangible assets of the Company's overseas subsidiaries from foreign currencies to Renminbi. Amortisation of intangible assets for the year 2021 amounted to RMB31,523,483 (2020: RMB30,723,470).

In 2021, the Group's research and development expenditure totalled RMB934,094,671 (2020: RMB763,398,433), all of which are research expenditure charged to profit or loss in the current period.

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(19) Deferred tax assets and deferred  
tax liabilities  
(a) Deferred tax assets not offset

|   | 31 December 2021  |                        | 31 December 2020   |                        |
|---|---|------------------------|--|------------------------|
|   | Deductible temporary differences<br>and deductible losses | Deferred tax<br>assets | Deductible<br>temporary<br>differences<br>and deductible<br>losses | Deferred tax<br>assets |
| Provision for<br>impairment of<br>assets                                    | 333,521,790   | 50,309,685             | 328,586,977  | 49,811,799             |
| government grant  | 427,281,047   | 64,092,157             | 373,220,798  | 75,079,958             |
| Depreciation of<br>fixed assets and<br>Amortisation of<br>intangible assets | 38,877,956  | 5,831,693              | 53,189,725   | 7,898,807              |
| Provision for other<br>expenses   | 79,678,058  | 11,989,591             | 47,367,188   | 7,200,242              |
| freight forwarding  | 65,498,170  | 9,972,852              | 102,654,082  | 15,398,112             |
| projected liability   | 31,532,990  | 4,926,892              | 25,798,400   | 3,869,760              |
| Outstanding three<br>packages   |   |                        |  |                        |
| Claims and<br>rebates   | 55,206,182  | 9,981,647              | 39,265,192   | 6,881,982              |
| Other non-current<br>financial  |   |                        |  |                        |
| Fair value of<br>assets   |   |                        |  |                        |
| flux  | 835,137   | 125,271                | -  | -                      |
| Offsetting internal<br>unrealisations                                       |   |                        |  |                        |
| margins   | 860,197,712   | 140,629,028            | 859,074,774  | 151,425,268            |
| Deductible losses   | 1,407,635,341   | 220,780,310            | 235,882,126  | 43,866,500             |
| Contractual<br>liabilities  | 67,866,785  | 10,180,018             | 68,087,651   | 10,213,147             |
| Equity incentive<br>fees  | 125,792,767   | 18,868,915             | 216,044,787  | 33,104,388             |
| the rest  | 2,067,152   | 310,073                | -  | -                      |
|   | <u>3,495,991,087</u>                                      | <u>547,998,132</u>     | <u>-</u>   | <u>404,749,963</u>     |
|   |   | <u>2,349,171,700</u>   |  |                        |

Among them:

Expected within 1  
year

(including 1  
year) to

refund

Expected

- 64 -

115,208,568

132,841,753

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(19) Deferred tax assets and deferred tax

liabilities (continued)

(b) Deferred tax liabilities not offset

|  | 31 December 2021              |                                 | 31 December 2020              |                                 |
|--|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
|  | Taxable temporary differences | Deferred income tax liabilities | Taxable temporary differences | Deferred income tax liabilities |
| Accelerated depreciation of fixed assets                     | 650,467,394                   | 97,570,109                      | 623,739,638                   | 93,560,946                      |
| Change in fair value of financial assets held for trading    | 4,301,408                     | 709,732                         | 12,566,090                    | 2,073,405                       |
| Fair value of other non-current financial assets             | <u>45,675,816</u>             | <u>11,418,954</u>               | <u>12,171,738</u>             | <u>2,982,275</u>                |
| flux   | <u>700,444,618</u>            | <u>109,698,795</u>              | <u>648,477,466</u>            | <u>98,616,626</u>               |
| Expected within 1 year (including 1 year) to Amount returned |                               | 19,107,886                      |                               | 18,875,271                      |
| Expected after 1 year Amounts reversed                       |                               | <u>90,590,909</u>               |                               | <u>79,741,355</u>               |
|  |                               | <u>109,698,795</u>              |                               | <u>98,616,626</u>               |

(c) The Group's deductible losses for which no deferred income tax assets have been recognised are analysed below:

|                   | 31 December 2021   | 31 December 2020   |
|-------------------|--------------------|--------------------|
| Deductible losses | <u>153,419,145</u> | <u>181,116,040</u> |

As at 31 December 2021, management expects that the reversal of deductible losses arising from subsidiaries such as Shandong Linglong Rubber Technology Company Limited ("Rubber Technology") and Beijing Linglong Dandelion Science and Technology Development Company Limited ("Dandelion Technology") is unlikely to occur in future periods and therefore no deferred income tax assets have been recognised. ("Dandelion Technology") and Beijing Linglong Dandelion Technology Development Co.

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(19) Deferred tax assets and deferred tax

(d) liabilities (continued)  
Taxable income losses for which no deferred tax assets have been recognised will expire in  
the following years:

|                 | 31 December 2021   | 31 December 2020   |
|-----------------|--------------------|--------------------|
| 2021            | -                  | 5,111,697          |
| 2022            | 7,610,344          | 13,665,452         |
| 2023            | 20,694,633         | 38,607,051         |
| 2024            | 36,601,437         | 65,150,481         |
| 2025            | 44,862,509         | 52,551,936         |
| 2026 and beyond | 43,650,222         | 6,029,423          |
|                 | <u>153,419,145</u> | <u>181,116,040</u> |

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(19) Deferred tax assets and deferred tax  
liabilities (continued)

(e) Taxable temporary differences for which no deferred tax liabilities have been recognised

In respect of the possible tax effect of the accumulated undistributed profits of the Company's foreign subsidiaries, the Group has not recognised a deferred income tax liability in respect of the taxable temporary difference of RMB6,032,211,825 (31 December 2020: RMB4,928,311,977) as the Group is able to independently decide on its dividend distribution policy and does not have any plan to distribute dividends in the foreseeable future and does not have any intention to dispose of such subsidiaries. 977).

(f) The net deferred tax assets and deferred tax liabilities after offset are presented below:

|                                 | 31 December 2021 |                      | 31 December 2020 |                      |
|---------------------------------|------------------|----------------------|------------------|----------------------|
|                                 | Netting amount   | Balance after offset | Netting amount   | Balance after offset |
| Deferred tax assets             | (98,655,115)     | 449,343,017          | (98,616,626)     | 306,133,337          |
| Deferred income tax liabilities | (98,655,115)     | (11,043,680)         | (98,616,626)     | -                    |

(20) Other non-current  
assets

|   | 31 December 2021     | 31 December 2020     |
|---|----------------------|----------------------|
| Prepayments for land, property and construction equipment | 2,778,100,055        | 2,262,100,451        |
| Long-term loan margin (a)                                 | -                    | 133,283,177          |
|   | <u>2,778,100,055</u> | <u>2,395,383,628</u> |

(a) As at 31 December 2020, margin deposits of \$133,283,177 were pledged as collateral for the Group's long-term secured borrowings of \$678,356,938 (Note IV(31)(i)).

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4 Notes to the consolidated financial statements (continued)

(21) Provision for impairment of assets and losses

|  | 2020        | Increase<br>in the<br>current<br>year           |                                 | Decrease<br>in<br>current<br>year |           | 2021        |
|--|-------------|---|---------------------------------|-----------------------------------|-----------|-------------|
|  | 31 December | make provision for<br>(capital<br>requirements) | melodic inversion<br>(in music) | resel<br>l                        | the rest  | 31 December |
| Bad debt provision for notes receivable        | -           | 2,048,154                                       | -                               | -                                 | -         | 2,048,154   |
| Among them:                                    |             |   |                                 |                                   |           |             |
| Portfolio Provisioning for Bad Debts           | -           | 2,048,154                                       | -                               | -                                 | -         | 2,048,154   |
| Allowance for bad debts on accounts receivable | 146,394,497 | 19,570,757                                      | (1,568,080)                     | -                                 | (290,722) | 164,106,452 |
| Among them:                                    |             |   |                                 |                                   |           |             |
| Individual provision for bad debts             | 25,682,884  | -   | (1,504,267)                     | -                                 | (290,722) | 23,887,895  |
| Portfolio provision for bad debts              | 120,711,613 | 19,570,757                                      | (63,813)                        | -                                 | -         | 140,218,557 |
| Bad debt provision for other receivables       | 49,398,349  | 494,676   | -                               | (6,801,218)                       | (878,902) | 42,212,905  |
| Provision for decline                          | 150,506,355 | 291,226,293                                     | (1,295,276)                     | (276,919,143)                     | -         | 163,518,229 |

in value of  
inventories  
Provision for  
impairment of fixed  
assets

|                      |                    |                    |                      |                    |                      |
|----------------------|--------------------|--------------------|----------------------|--------------------|----------------------|
| 80,079,549           | -                  | -                  | (71,327,477)         | -                  | 8,752,072            |
| <u>426,378,7 5 0</u> | <u>313,339,8 8</u> | <u>(2,863,356)</u> | <u>(355,047,838)</u> | <u>(1,169,624)</u> | <u>380,637,8 1 2</u> |
| <u>0</u>             |                    |                    |                      |                    |                      |



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IV Notes to the consolidated  
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(22) short term loan

(a) Classification  
of short-term  
loans

|                              |                    | 31 December 2021     | 31 December 2020     |
|------------------------------|--------------------|----------------------|----------------------|
| Collateralised borrowing (i) | American dollar    | 251,618,595          | -                    |
| Pledged loans(ii)            | Chinese Yuan (CNY) | 300,000,000          | 200,000,000          |
| Guaranteed loans(iii)        | Chinese Yuan (CNY) | 200,234,722          | 250,057,083          |
|                              | American dollar    | 736,130,954          | -                    |
| credit loan                  | Chinese Yuan (CNY) | 2,980,193,289        | 662,599,602          |
|                              | American dollar    | <u>1,363,036,848</u> | <u>451,909,837</u>   |
|                              |                    | <u>5,831,214,408</u> | <u>1,564,566,522</u> |

(i) The short-term secured borrowings of \$251,618,595 are comprised of land with a carrying value of \$143,025,956 and land with a carrying value of \$4,025,956 and land with a carrying value of \$4,025,956, respectively.

760,441,998 (original value of \$874,071,262) (Note IV(15)) is secured by a mortgage on a building.

(ii) At 31 December 2021, the Group had short-term pledged borrowings of \$300,000,000 (31 December 2020

At 31 December 2020: \$200,000,000) represents \$30,000,000 of margin deposits (31 December 2020: \$200,000,000) held by the Group:

146,000,000 (Note 4(1)(iii)) was acquired as a pledge.

(iii) Bank guarantee borrowings are shown below:

|   | 31 December 2021   | 31 December 2020   |
|---|--------------------|--------------------|
| The Company provides guarantees for its subsidiaries: | <u>936,365,676</u> | <u>250,057,083</u> |

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IV Notes to the consolidated  
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(b) The interest rate band for short-term

borrowings is shown below:

interest rate range

31 December 2021

31 December 2020

0.38%~3.50%

0.65% to 4.05%

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(23) note payable

|                            | 31 December 2021     | 31 December 2020     |
|----------------------------|----------------------|----------------------|
| commercial promissory note | 638,380,160          | 616,537,933          |
| banker's acceptance        | 3,534,799,148        | 2,691,228,610        |
|                            | <u>4,173,179,308</u> | <u>3,307,766,543</u> |

At 31 December 2021, the Group 3,534,799,148 (31 December 2020: 2,691,228,610)  
The bankers' acceptance bills (\$) were pledged against the Group's margin deposits  
(Note 4(1)) and bankers' acceptance bills (Note 4(5)).

(24) accounts payable

|                   | 31 December 2021     | 31 December 2020     |
|-------------------|----------------------|----------------------|
| Material payables | 2,327,885,894        | 2,197,813,789        |
| Freight payable   | 193,021,757          | 225,737,073          |
| the rest          | <u>158,076,216</u>   | <u>47,729,865</u>    |
|                   | <u>2,678,983,867</u> | <u>2,471,280,727</u> |

At 31 December 2021, accounts payable aged over one year amounted to \$75,924,288  
(31 December 2020  
(at date: \$53,189,673), mainly for materials payable, which has not yet been finally settled.

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(25) Contractual liabilities

|                   | 31 December 2021   | 31 December 2020   |
|-------------------|--------------------|--------------------|
| Sales of products | 277,032,093        | 594,687,359        |
| received in       | <u>67,866,785</u>  | <u>68,087,651</u>  |
| advance Unused    | <u>344,898,878</u> | <u>662,775,010</u> |
| reward points     |                    |                    |

(26) Employee  
remuneration payable

|                      | 31 December 2021   | 31 December 2020   |
|----------------------|--------------------|--------------------|
| Short-term           | 156,573,882        | 158,238,452        |
| remuneration payable |                    |                    |
| (a)                  |                    |                    |
| Payable to defined   | <u>-</u>           | <u>-</u>           |
| benefit plans (b)    | <u>156,573,882</u> | <u>158,238,452</u> |

(a) short-term  
remuneration

|  | 2020        |                                 |                                | 2021           |
|--|-------------|---------------------------------|--------------------------------|----------------|
|  | 31 December | Increase in the<br>current year | Decrease<br>in current<br>year | 31<br>December |
| Wages, bonuses,<br>allowances and<br>labour cost | 158,238,452 | 1,454,266,757                   | (1,455,931,327)                | 156,573,882    |
| Employee benefits                                | -           | 39,593,791                      | (39,593,791)                   | -              |
| social security<br>contributions                 | -           | 94,077,970                      | (94,077,970)                   | -              |
| Of which: medical<br>insurance premiums          | -           | 84,344,484                      | (84,344,484)                   | -              |
| Employment<br>injury insurance<br>premiums       | -           | 9,439,876                       | (9,439,876)                    | -              |
| Maternity<br>insurance<br>premiums               | -           | 293,610                         | (293,610)                      | -              |
| Housing Provident Fund                           |             | <u>37,587,533</u>               | <u>(37,587,533)</u>            | -              |

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IV Notes to the consolidated

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|                    |                      |                        |                    |
|--------------------|----------------------|------------------------|--------------------|
| <u>158,238.452</u> | <u>1,625,526.051</u> | <u>(1,627,190.621)</u> | <u>156,573.882</u> |
|--------------------|----------------------|------------------------|--------------------|

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IV Notes to the consolidated  
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(26) Employee compensation  
payable (continued)

(b) Setting up a withdrawal  
plan

|                         | 2020     |                    |                      | 2021     |
|-------------------------|----------|--------------------|----------------------|----------|
|                         | 31       | Increase in        | Decrease             | 31       |
|                         | December | the current        | in current           | December |
|                         |          | year               | year                 |          |
| Basic pension insurance | -        | 158,830,658        | (158,830,658)        | -        |
| unemployment insurance  | -        | 6,763,785          | (6,763,785)          | -        |
| premium                 | -        |                    |                      | -        |
|                         | <u>-</u> | <u>165,594,443</u> | <u>(165,594,443)</u> | <u>-</u> |

(27) Taxes payable

|                                      | 31 December 2021  | 31 December 2020  |
|--------------------------------------|-------------------|-------------------|
| Property tax payable                 | 6,750,812         | 6,888,797         |
| Unpaid VAT                           | 5,652,959         | 308,209           |
| Land use tax payable                 | 3,472,886         | 4,749,949         |
| Stamp duty payable                   | 2,342,547         | 2,280,282         |
| Enterprise income tax payable        | 1,439,995         | 2,680,439         |
| Urban construction tax and education | 694,014           | 2,794,401         |
| surcharge payable                    |                   |                   |
| the rest                             | <u>6,176,776</u>  | <u>6,788,135</u>  |
|                                      | <u>26,529,989</u> | <u>26,490,212</u> |

(28) Other accounts payable

|                                    | 31 December 2021 | 31 December 2020 |
|------------------------------------|------------------|------------------|
| Payables for engineering equipment | 1,624,630,740    | 1,096,071,314    |
| and land                           |                  |                  |
| Restricted share repurchase        | 211,232,729      | 125,406,020      |
| obligations payable (note 13)      |                  |                  |
| Deposits and bonds payable         | 145,925,475      | 80,126,707       |
| Moulds payable                     | 61,779,799       | 42,944,868       |
| Payable for three-package claims   | 28,435,308       | 24,025,457       |
| Advertising payable                | 4,908,037        | 5,849,201        |

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|  |   |  |                      |                      |
|--|---|--|----------------------|----------------------|
| IV<br>financial statements (continued) | Notes to the consolidated<br>financial statements (continued) | Payable to intermediaries for services<br>rendered<br>the rest | 4,053,468            | 4,326,191            |
|  |   |  | 165,706,478          | 147,299,355          |
|  |   |  | <u>2,246,672,034</u> | <u>1,526,049,113</u> |
|  |   |  |                      |                      |

At 31 December 2021, other payables aged over one year amounted to \$501,259,452 (December 2020: \$501,259,452; December 2020: \$501,259,452; December 2020: \$501,259,452).

As at 31 December 2011: \$ 570,350,078), mainly represented amounts due for construction equipment, land and security deposits, which have not yet been settled as the construction works have not been completed or the other party has not yet called for collection.

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(29) Non-current liabilities due within one  
year

|   | 31 December 2021   | 31 December 2020     |
|---|--------------------|----------------------|
| Long-term loans due within one year<br>(note IV (31))   | 627,341,619        | 1,361,791,128        |
| Lease liabilities due within one year<br>(note IV (32)) | <u>6,867,964</u>   | -                    |
|   | <u>634,209,583</u> | <u>1,361,791,128</u> |

(30) Other current liabilities

|  | 31 December 2021  | 31 December 2020  |
|--|-------------------|-------------------|
| Projected cost of three packages         | 18,842,160        | 27,352,833        |
| Sales tax to be transferred              | 18,122,712        | 59,851,022        |
| Projected expenditure on arbitration (i) | <u>12,690,830</u> | -                 |
|  | <u>49,655,702</u> | <u>87,203,855</u> |

(i) The Group commissioned Bilfinger Tebodín DOO Company (hereinafter referred to as "BT Company") to provide services related to design, planning, environmental assessment and ground investigation in February 2019. In October 2019, the Group terminated the service contract with BT Company due to the failure of BT Company to provide qualified services according to the contract standard and failed to pay the service amount. The Group terminated the service contract with BT Company in October 2019 due to BT Company's failure to provide qualified relevant services in accordance with the contract standards and failed to make payment for the services. As at the date of approval of these financial statements, the case is still under trial. Based on the progress of the trial and after consulting with the lawyers, the Group estimated the possible loss to be incurred by the Group and provided a projected liability of \$12,690,830.



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IV Notes to the consolidated  
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(31) long term  
loan

|  | currency type      | 31 December 2021     | 31 December 2020       |
|--|--------------------|----------------------|------------------------|
| Collateralised borrowing (i)                             | Euro (currency)    | 457,299,986          | 678,356,938            |
| Guaranteed borrowing(ii)                                 | American dollar    | -                    | 934,932,719            |
|  | Euro (currency)    | -                    | 254,239,417            |
|  | Chinese Yuan (CNY) | 300,243,333          | -                      |
| Credit borrowing(iii)                                    | Chinese Yuan (CNY) | <u>588,462,750</u>   | <u>571,847,535</u>     |
|  |                    | <u>1,346,006,069</u> | <u>2,439,376,609</u>   |
| Less: Long-term loans due within one year (note IV (30)) |                    |                      |                        |
| Collateralised borrowing (i)                             | Euro (currency)    | (153,635,536)        | (170,771,457)          |
| Guaranteed borrowing(ii)                                 | American dollar    | -                    | (934,932,719)          |
|  | Euro (currency)    | -                    | (254,239,417)          |
|  | Chinese Yuan (CNY) | (243,333)            | -                      |
| Credit borrowing(iii)                                    | Chinese Yuan (CNY) | <u>(473,462,750)</u> | <u>(1,847,535)</u>     |
|  |                    | <u>(627,341,619)</u> | <u>(1,361,791,128)</u> |
|  |                    | <u>718,664,450</u>   | <u>1,077,585,481</u>   |

(i) Long-term  
secured  
borrowings:

At 31 December 2021, long-term borrowings of \$457,299,986 (31 December 2020: \$678,356,938) were as follows  
(\$ ) pledged against the Group's \$0 margin deposit (31 December 2020: \$133,283,177) (note IV(20))  
Charge and concurrently secured by land with a carrying value of \$143,025,956 (31 December 2020: \$146,372,957)  
(31 December 2020: carrying value of \$778,237,369 (original price of \$894,525,711)), a building with a carrying value of \$760,441,998 (original price of \$874,071,262) (31 December 2020: carrying value of \$778,237,369 (original price of \$894,525,711)), and buildings with a carrying value of \$1,026,623,525 (original price of \$1,577,657,567) (31 December 2020: carrying value of \$1,577,657,567) (31 December 2020: carrying value of \$1,577,567,567)). As at 31 December 2020: Carrying value of \$1,026,623,525 (original price of

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(31) long term  
loan \$1,577,657,567)

The Company has pledged machinery and equipment (Note IV(14)) amounting to \$1,279,362,120 (original cost \$1,797,968,535).

As at 31 December 2021, the long-term borrowings of Kasikorn Bank Bangkok Branch, Thailand, amounted to \$457,299,986 (Original currency: (31 December 2020: €63,340,580) (31 December 2020: \$678,356,938 (original currency: €84,530,460)), profit

Interest is payable monthly and the principal is repayable in instalments, with the final instalment due on 31 December 2024.

(ii) Long-term guaranteed loans:

|   | 31 December 2021 | 31 December 2020     |
|---|------------------|----------------------|
| The Company provided guarantees for its subsidiaries: |                  | <u>300,243,333</u>   |
|   |                  | <u>1,189,172,136</u> |

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(31) Long-term  
loans

(i) Long-term guaranteed loans (continued):

As at 31 December 2021, long-term loans and loans within one year of Bank of China Limited Jingmen Hi-Tech Zone Sub-branch

Interest on the maturing non-current liabilities of \$300,243,333 is payable monthly and the principal will be repaid in December 2024.

As at 31 December 2020, long-term borrowings and non-current liabilities due within one year with Australia and New Zealand Banking Group Limited ("ANZ") and Standard Chartered Bank (Hong Kong) Limited as the principal lenders amounting to \$934,932,719 (original: \$143,286,904) are payable monthly, and the principal amounts have been paid in May 2021, and the principal amounts have been paid in May 2021, and the principal amounts have been paid in May 2021, and the principal amounts have been paid in May 2021, and the principal amounts have been paid in June 2021 and June 2021, respectively. The interest is payable monthly and the principal was paid in May 2021 and the interest is payable monthly.

Repayment; long-term loans with ANZ Bank and Standard Chartered Bank (Hong Kong) Limited as principal lenders of \$254,239,417 (original amount).

The principal amount of the loan was repaid in May 2021 in the form of quarterly interest payments in the amount of €31,680,924 (currency: €31,680,924).

(iii) Long-term credit borrowing:

As at 31 December 2021, the long-term loans of China Construction Bank Zhaoyuan Sub-branch amounted to RMB102,888,222, with interest payable on a per annum basis.

Long-term loan from HSBC Qingdao Branch

160,317,778, with interest payable quarterly and principal to be repaid on 9 March 2022; HSBC Qingdao

Long-term loan from Island Branch of \$120,162,500 with interest payable quarterly and principal to be paid on 17 March 2022

Repayment is due on 31 December 2012; long-term loan from HSBC Qingdao Branch in the amount of RMB90,016,250, with interest payable quarterly and the principal will be Repaid on 31 March 2022; long-term loan from HSBC Qingdao Branch of RMB45,046,063, with interest paid on a monthly basis.

The principal will be repaid in one instalment on 6 June 2023; Long-term loan from HSBC Qingdao Branch 30,003,493

RMB, with interest payable monthly and principal to be repaid on 18 November 2023; HSBC Qingdao's long term

Borrowing of \$40,028,444 with interest payable monthly and principal to be repaid on 22

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(31) Long-term

December 2023

(continued)

As at 31 December 2020, the long-term loans of China Construction Bank Zhaoyuan Sub-branch amounted to RMB101,261,313, with an interest rate of RMB1,040,000 per annum.

Long-term loan from HSBC Qingdao Branch

200,430,222 with interest payable quarterly and principal to be repaid on 9 March 2022; HSBC Qingdao

Long-term loan of \$120,156,000 from the Island Branch, with interest payable quarterly and principal to be paid on 17 March 2022

Repayment on 31 December 2011; long-term loan of RMB150,000,000 from HSBC Qingdao Branch, interest payable quarterly, principal payable quarterly

It will be paid off by 31 March 2022.

(continued) rate range for long-term borrowings is:

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(34) Deferred income

government grant

|  | 2020        | Increase in the |                | Decrease in      |             | 2021        | Asset-related    |
|--|-------------|-----------------|----------------|------------------|-------------|-------------|------------------|
|  | 31 December | current year    | Elimination of | Charged to other | Other*      | 31 December | /Revenue-related |
|  |             |                 | finance costs  | gains            |             |             |                  |
| Hubei High Performance Tyre Project  | 190,968,374 | -               | -              | (4,006,328)      | -           | 186,962,046 | Asset-related    |
| Guangxi Linglong High Performance Radial Tyre Project  | 113,061,917 | -               | -              | (6,078,756)      | -           | 106,983,161 | Asset-related    |
| Preferential Policy Incentive Funding in Serbia  | 26,406,868  | 81,403,266      | -              | -                | (7,030,355) | 100,779,779 | Asset-related    |
| Texas Linglong Radial Tyre Investment Project  | 67,464,889  | -               | -              | (4,586,677)      | -           | 62,878,212  | Asset-related    |
| Linglong Construction Tyre Facility Project in Serbia  | 62,661,775  | -               | -              | -                | (6,288,041) | 56,373,734  | Asset-related    |
| Hubei Fixed Asset Interest Subsidy   | -           | 56,838,296      | -              | (1,529,524)      | -           | 55,308,772  | Asset-related    |
| Low rolling resistance semi-steel radial tyre project  | 14,780,874  | -               | -              | (1,042,333)      | -           | 13,738,541  | Asset-related    |
| Green High Performance Car Radial Tyre Key Technology R&D and Industry computerisation project | 13,366,589  | -               | -              | (942,140)        | -           | 12,424,449  | Asset-related    |
| Hubei High Quality Development Special Fund  | -           | 9,700,000       | -              | (41,400)         | -           | 9,658,600   | Asset-related    |
| Special Funds for R&D Equipment of High-tech Enterprises in Yantai Economic Development Zone   | 30,000,000  | -               | -              | (21,848,419)     | -           | 8,151,581   | Asset-related    |
| Specialised equipment grants   | 7,694,960   | -               | -              | (983,109)        | -           | 6,711,851   | Asset-related    |
| Special funds for innovative construction of technology centres                                | 6,000,000   | -               | -              | -                | -           | 6,000,000   | Asset-related    |

|  |             |             |   |              |              |             |               |
|--|-------------|-------------|---|--------------|--------------|-------------|---------------|
| Special funding for rubber fume control and renovation projects            | 4,642,857   | -           | - | (357,143)    | -            | 4,285,714   | Asset-related |
| Shandong Atlas Yantai Capital Fund Management Centre Blocking              |             |             |   |              | -            |             |               |
| Wall subsidy payments  | -           | 3,000,000   | - | (90,000)     |              | 2,910,000   | Asset-related |
| Grants for major science, technology and innovation projects               | 3,041,667   | -           | - | (140,000)    | -            | 2,901,667   | Asset-related |
| Special funding for foetal embryo transport modification                   | 2,734,550   | -           | - | (210,350)    | -            | 2,524,200   | Asset-related |
| Hubei Fixed Asset Investment Plan  | -           | 1,720,000   | - | (57,799)     | -            | 1,662,201   | Asset-related |
| Intelligent Manufacturing Innovation and Application Demonstration Project | -           | 1,013,400   | - | -            | -            | 1,013,400   | Asset-related |
|  | 542,825,320 | 153,674,962 | - | (41,913,978) | (13,318,396) | 641,267,908 |               |

\* Other changes were mainly due to exchange rate differences arising from the translation of deferred income from foreign currencies to RMB by the Company's overseas subsidiaries.

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|                     |                      |   |                    |                              |                    |                      |
|---------------------|----------------------|---|--------------------|------------------------------|--------------------|----------------------|
| (35) share capital  | 2020                 | Increase/decrease during the year       |                    |                              |                    | 2021                 |
|                     | 31 December          | Issue of new shares<br>bond conversions |                    | Subtotal, other, convertible |                    | 31 December          |
| RMB ordinary shares | <u>1,373,512,412</u> | <u>-</u>                                | <u>-</u>           | <u>(1,386,711)</u>           | <u>(1,386,711)</u> | <u>1,372,125,701</u> |
|                     | 2019                 | Increase/decrease during the year       |                    |                              |                    | 2020                 |
|                     | 31 December          | Issue of new shares<br>bond conversions |                    | Subtotal, other, convertible |                    | 31 December          |
| RMB ordinary shares | <u>1,200,014,046</u> | <u>63,798,000</u>                       | <u>109,953,766</u> | <u>(253,400)</u>             | <u>173,498,366</u> | <u>1,373,512,412</u> |

In fiscal 2021, the Company repurchased and cancelled 365,760 restricted shares of the Company's equity incentive recipients who left the Company and whose individual performance did not meet the standards, reducing the share capital by \$365,760 (fiscal 2020: (\$253,400)).

In fiscal year 2021, the Board of Directors approved the cancellation of 1,020,951 outstanding shares in the Company's special securities account for repurchase, which were originally planned to be used for employee share incentives, thereby reducing the share capital. 1,020,951.

In FY2020, approved by the China Securities Regulatory Commission under Circular 2322 of the Securities and Futures Commission, the Company was permitted to issue not more than 100 million ordinary shares of RMB to the public, and the actual issuance was as follows. The Company issued 63,798,000 shares at RMB31.21 per share. The aforesaid funds were in place on 26 November 2020 and have been



verified by PricewaterhouseCoopers Zhongtian Certified Public Accountants (Special General Partnership).  
The Company has certified and issued PricewaterhouseCoopers Zhongtian Assay (2020) No. 1049 and No. 1050.  
In fiscal year 2020, the conversion of convertible bonds will increase the share capital by \$109,953,766.

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(36) capital  
surplus

|                       | 2020                 |                                 |                             | 2021                 |
|-----------------------|----------------------|---------------------------------|-----------------------------|----------------------|
|                       | 31 December          | Increase in the<br>current year | Decrease in<br>current year | 31 December          |
| Equity premium (a)    | 6,688,952,447        | 47,998,638                      | (43,954,008)                | 6,692,997,077        |
| Other capital surplus | <u>117,111,159</u>   | <u>92,168,269</u>               | <u>(66,249,725)</u>         | <u>143,029,703</u>   |
| (a)(b)                | <u>6,806,063,606</u> | <u>140,166,907</u>              | <u>(110,203,733)</u>        | <u>6,836,026,780</u> |
|                       | 2019                 |                                 |                             | 2020                 |
|                       | 31 December          | Increase in the<br>current year | Decrease in<br>current year | 31 December          |
| Equity premium (a)    | 2,662,400,514        | 4,030,469,497                   | (3,917,564)                 | 6,688,952,447        |
| Other capital surplus | <u>3,333,450</u>     | <u>113,777,709</u>              | <u>-</u>                    | <u>117,111,159</u>   |
| (b)                   | <u>2,665,733,964</u> | <u>4,144,247,206</u>            | <u>(3,917,564)</u>          | <u>6,806,063,606</u> |

- (a) In FY2021, the unlocking of the Group's restricted shares increased capital surplus (share premium) by \$47,998,638 (FY2020: Nil), with a corresponding decrease in capital surplus (other capital surplus) by \$47,998,638 (FY2020: Nil).

In January 2021, the first tranche of the 2019 Restricted Share Incentive Scheme was released from restricted sale and the adjustment to equity premium was reduced by \$22,515,456 (2020: nil) as a result of the reduction of treasury shares.

In fiscal year 2021, the Company repurchased and cancelled restricted shares of equity incentive recipients who left the Company and whose individual performance was not up to the required standard, which reduced the capital surplus (equity premium) by \$5,654,650 (fiscal year 2020: \$3,917,564) (Note 4(35)).

In fiscal year 2021, the Company will repurchase the outstanding grants in the dedicated securities account that were originally planned to be used for the Company's employee equity incentives.

The repurchase and cancellation of 1,020,951 shares of the Company reduced capital surplus (share premium) by \$15,783,902 (FY2020: Nil) (Note 4(35)).

In fiscal 2020, 109,953,766 shares of convertible corporate bonds issued by the Company were converted (fiscal 2019: 10,124)

The Company redeemed the convertible bonds that had not been converted as of 3 September 2020, resulting in a premium of \$4,000,000 for the conversion of the bonds. 2,115,650,007 was credited to capital surplus.

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(36) capital

surplus

2020

2021

In FY2020, the Company issued 63,798,000 A-shares of RMB ordinary shares at an issue price of RMB1,000,000 per share.

31.21 per share, resulting in an equity premium of RMB1,914,819,490 after deduction of issue expenses.

- (b) In FY2021, the Group implemented a share incentive scheme, and the related share incentive expenses accrued during the year were recognised as capital surplus 83,132,251 (FY2020: \$93,330,685).

In fiscal year 2021, the Group recognised deferred income tax assets and capital surplus for the change in the fair value of restricted shares involved in the share incentive scheme between the grant date and the balance sheet date. In fiscal year 2021, due to the change in the share price, the Group eliminated deferred income tax assets and capital surplus by RMB9,215,069 (in fiscal year 2020, deferred income tax assets and capital surplus were recognised by RMB20,447,024). In fiscal year 2021, the Group eliminated deferred income tax assets and capital surplus by \$9,215,069 (recognized deferred income tax assets and capital surplus of \$20,447,024 in fiscal year 2020) due to changes in share price.

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(37) invent

ory  
unit

|  | 2020<br>31 December | Increase in the<br>current year | Decrease<br>in current<br>year | 2021<br>31 December |
|--|---------------------|---------------------------------|--------------------------------|---------------------|
| Repurchase of shares<br>for restricted |                     |                                 |                                |                     |
| share incentive                        | <u>352,559,822</u>  | <u>-</u>                        | <u>(90,230,968)</u>            | <u>262,328,854</u>  |
|  | 2019<br>31 December | Increase in the<br>current year | Decrease<br>in current<br>year | 2020<br>31 December |
| Repurchase of shares<br>for restricted |                     |                                 |                                |                     |
| share incentive                        | <u>362,128,834</u>  | <u>-</u>                        | <u>(9,569,012)</u>             | <u>352,559,822</u>  |

In FY2021, Phase I of the Group's 2019 Restricted Share Incentive Plan was partially eligible for unlocking, totalling 3,703,200 shares were removed from restricted stock, and the restricted stock repurchase obligation was released accordingly, reducing treasury stock by NT\$59,362,296.  
(2020: nil).

In FY2021, according to the "Shandong Linglong Tyre Co. Announcement on Implementation of Annual Equity Distribution for 2020", the Company distributed cash dividend of RMB4.9 (including tax) for every 10 shares, totalling RMB4.9 (including tax) for every 10 shares, totalling RMB4.9 (including tax) for every 10 shares.  
8,340,976 to restricted stockholders, with a corresponding reduction in treasury stock of \$ 8,340,976 (fiscal 2020:  
The Government of the Republic of Korea has also provided the necessary funding for the implementation of the Programme of Action for the Sustainable Development of Small Island Developing States (the Programme of Action).

In fiscal year 2021, the Company repurchased and cancelled restricted shares of equity incentive recipients who left the Company and whose individual performance was not up to the required standard, reducing treasury shares by \$5,722,843 (fiscal year 2020: \$4,062,002) (Note 4(35)).

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(37) invent

ory

unit

2020

2021

In fiscal year 2021, by resolution of the Twenty-sixth Meeting of the Fourth Session of the Board of Directors of the Company, the Company adjusted the use of the repurchased shares from "for the Company's employees' equity incentive" to "for cancellation to reduce the registered capital" and cancelled 1,020,951 shares in the repurchased shares in the special securities account, reducing treasury shares by RMB16,804,853 (fiscal year 2020: nil) (Note 4(35)). The Company also cancelled 1,020,951 shares in the special securities account for repurchase, resulting in a reduction of treasury shares by RMB16,804,853 (FY2020: Nil) (Note 4(35)).

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IV Notes to the consolidated financial statements (continued)

(38) Other comprehensive income

|  | Other comprehensive income in the balance sheet |                              |                      | Other comprehensive income in the income |   |                    |                                     |                                     |
|--|---|------------------------------|----------------------|--|---|--------------------|-------------------------------------|-------------------------------------|
|  | 2020<br>statement for the year                  | Attributable to<br>after tax | 2021                 | Before income tax                        | Less:<br>other comprehensive              | Less:<br>Income    | Attributable to parent after<br>tax | Attributable to parent after<br>tax |
|  | 31 December                                     | parent<br>companies          | 31 December          | Incurred                                 | Transfer out of<br>income for the year    | tax<br>expense     | Company                             | Minority<br>shareholders            |
| Other comprehensive income that cannot be reclassified to profit or loss |   |                              |                      |  |   |                    |                                     |                                     |
| Changes in fair value of investments in other equity instruments         | 29,089,977                                      | (16,398,347)                 | 12,691,630           | (16,398,347)                             | -   | -                  | (16,398,347)                        | -                                   |
| Other comprehensive income to be reclassified to profit or loss          |   |                              |                      |  |   |                    |                                     |                                     |
| Translation differences on foreign currency financial statements         | (74,595,165)                                    | (342,704,616)                | (417,299,781)        | (342,704,616)                            | -   | -                  | (342,704,616)                       | -                                   |
|  | <u>(45,505,188)</u>                             | <u>(359,102,963)</u>         | <u>(404,608,151)</u> | <u>(359,102,963)</u>                     | -   | -                  | <u>(359,102,963)</u>                | -                                   |
|  | Other comprehensive income in the balance sheet |                              |                      | Other comprehensive income in the income |   |                    |                                     |                                     |
|  | 2019  | Attributable<br>after tax    | 2020                 | Before income tax                        | Less:<br>other comprehensive              | Less:<br>Income    | Attributable to parent after<br>tax | Attributable to parent after<br>tax |
|  | 31 December                                     | parent<br>compa<br>nies      | 31<br>December       | inciden<br>ce                            | Transfer out<br>of income for<br>the year | tax<br>expen<br>se | Company                             | Minority<br>shareholders            |
| Other comprehensive income that cannot be reclassified to profit or loss |   |                              |                      |  |   |                    |                                     |                                     |
| Changes in fair value of investments in other equity instruments         | (15,124,282)                                    | 44,214,259                   | 29,089,977           | 44,214,259                               | -   | -                  | 44,214,259                          | -                                   |

Other comprehensive income to be reclassified to profit or loss

Translation differences on foreign currency financial statements

|                    |                      |                     |                      |   |   |                      |   |
|--------------------|----------------------|---------------------|----------------------|---|---|----------------------|---|
| <u>250,207,443</u> | <u>(324,802,608)</u> | <u>(74,595,165)</u> | (324,802,608)        | - | - | (324,802,608)        | - |
| <u>235,083,161</u> | <u>(280,588,349)</u> | <u>(45,505,188)</u> | <u>(280,588,349)</u> | - | - | <u>(280,588,349)</u> | - |

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(39) surplus plus

|                           | 2020                     |                            | 2021        |
|---------------------------|--------------------------|----------------------------|-------------|
|                           | 31 December              | Withdrawal during the year | 31 December |
|                           | Decrease during the year |                            |             |
| Statutory surplus reserve | 505,392,543              | 11,494,516 -               | 516,887,059 |
|                           | 2019                     |                            | 2020        |
|                           | 31 December              | Withdrawal during the year | 31 December |
|                           | Decrease during the year |                            |             |
| Statutory surplus reserve | 449,376,931              | 56,015,612 -               | 505,392,543 |

In accordance with the Company Law of the People's Republic of China and the Company's Articles of Incorporation, the Company is required to withdraw 10% of its annual net profit as legal reserve, which may be discontinued when the accumulated legal reserve reaches more than 50% of the registered capital. The statutory surplus reserve may be used to make up for losses or to increase share capital upon approval. As resolved by the Board of Directors, the Company will withdraw a statutory surplus reserve of RMB11,494,516 in 2021 at 10% of net profit (2020: RMB56,015,612 at 10% of net profit).

(40) unallocated profit

|   | 2021          | 2020          |
|---|---------------|---------------|
| Undistributed profit at the beginning of the year                               | 8,219,436,954 | 6,566,971,672 |
| Add: Net profit for the year attributable to shareholders of the parent company | 788,711,788   | 2,220,426,409 |
| Less: Withdrawal of legal reserve   | (11,494,516)  | (56,015,612)  |
| Dividends payable on ordinary shares  | (672,223,249) | (511,945,515) |
| Undistributed profit at the end of the year                                     | 8,324,430,977 | 8,219,436,954 |

Pursuant to the resolution of the shareholders' general meeting on 6 May 2021, the Company paid a cash dividend to all shareholders at the rate of RMB1,000,000 per 10 shares.

The cash dividend of RMB4.9 (including tax), calculated on the basis of the Company's issued shares less the shares held in the repurchase account, will amount to RMB2.5 million. The total amount is \$672,223,249.



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Pursuant to the resolution of the Board of Directors dated 28 April 2022, the Board of

Directors proposes that the Company distribute a cash dividend to all shareholders of the  
Company at the rate of US\$1,000,000 per share.

RMB1.6 (inclusive of tax) for 10 shares, based on the total share capital of the Company of  
1,484,246,913 as at 15 April 2022

The total amount of cash dividends paid was \$237,479,506, calculated on the basis of the  
number of shares of the Company (note 9(2)).

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(41) Operating income  
(continued)  
and operating costs

|                                 | 2021                    | 2020                    |
|---------------------------------|-------------------------|-------------------------|
| Revenue from main operations(a) | 18,276,202,954          | 18,115,639,380          |
| Other operating income (b)      | <u>303,016,868</u>      | <u>267,081,773</u>      |
|                                 | <u>18,579,219,822</u>   | <u>18,382,721,153</u>   |
|                                 | 2021                    | 2020                    |
| Cost of main operations(a)      | (15,185,464,997)        | (13,476,883,813)        |
| Other operating costs (b)       | <u>(186,798,718)</u>    | <u>(195,602,360)</u>    |
|                                 | <u>(15,372,263,715)</u> | <u>(13,672,486,173)</u> |

(a) Revenue from main operations and cost of main operations

|                | 2021                    | 2020                    |
|----------------|-------------------------|-------------------------|
|                | Revenue from operations | Cost of operations      |
|                | operations              | Operating Costs         |
| Sales of tyres | <u>18,276,202,954</u>   | <u>(15,185,464,997)</u> |
|                | <u>18,115,639,380</u>   | <u>(13,476,883,813)</u> |

(b) Other operating income and other operating costs

|  | 2021               | 2020                 |
|--|--------------------|----------------------|
|  | Other operating    | Other operating      |
|  | income             | costs                |
| Sales of materials and scrap   |                    |                      |
| supply   | 108,748,434        | (20,465,731)         |
| Sales of transformers  | 50,227,387         | (43,890,731)         |
| Rental income (i)  | 5,361,130          | (5,431,029)          |
| The Group's rental income is derived from the leasing of owned premises. | <u>138,679,917</u> | <u>(117,611,227)</u> |
| the rest   | <u>303,016,868</u> | <u>(186,798,718)</u> |
|  | <u>303,016,868</u> | <u>(186,798,718)</u> |
|  | 2020               | 2020                 |
|  | Other operating    | Other operating      |
|  | income             | costs                |
| Sales of materials and scrap   |                    |                      |
| supply   | 133,735,668        | (87,200,264)         |
| Sales of transformers  | 71,043,118         | (66,333,755)         |
| Rental income (i)  | 3,284,037          | (2,854,241)          |
| The Group's rental income is derived from the leasing of owned premises. | <u>59,018,950</u>  | <u>(39,214,100)</u>  |
| the rest   | <u>267,081,773</u> | <u>(195,602,360)</u> |
|  | <u>267,081,773</u> | <u>(195,602,360)</u> |

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(41) Operating income and

(continued) operating costs

(c) The breakdown of the Group's operating revenue for FY2021 is as follows:

|                          | 2021                   |             |                           |           |             |                |
|--------------------------|------------------------|-------------|---------------------------|-----------|-------------|----------------|
|                          | Tyre product materials | Transformer | rental income other total |           |             |                |
|                          | and scrap              |             |                           | supply    |             |                |
| Revenue from main        | 18,276,202,954         | -           | -                         | -         | -           | 18,276,202,954 |
| operations               | 18,276,202,954         | -           | -                         | -         | -           | 18,276,202,954 |
| Of which: confirmed at a | -                      | -           | -                         | -         | -           | -              |
| certain point in         | -                      | 108,748,434 | 50,227,387                | 5,361,130 | 138,679,917 | 303,016,868    |
| time confirmed           | 18,276,202,954         | 108,748,434 | 50,227,387                | 5,361,130 | 138,679,917 | 18,579,219,822 |
| within a certain         |                        |             |                           |           |             |                |
| period of time           |                        |             |                           |           |             |                |

Other operating income

(i)

(i) Revenue from the sale of the Group's materials, scrap and transformers is recognised at a point in time.

As at 31 December 2021, the receipts corresponding to the Group's outstanding performance obligations under contracts entered into by the Group were as follows

The amount of revenue is RMB344,898,878, all of which the Group expects to recognise in 2022.

(42) Taxes and surcharges

|  | 2021       | 2020        | Contribution rates |
|--|------------|-------------|--------------------|
| property tax                           | 35,738,991 | 30,156,481  |                    |
| Urban maintenance and construction tax | 18,060,375 | 22,974,278  | See note III       |
| education surcharge                    | 13,639,936 | 17,280,329  | See note III       |
| land use tax                           | 12,913,196 | 19,817,206  | See note III       |
| the rest                               | 19,366,461 | 14,479,099  |                    |
|  | 99,718,959 | 104,707,393 |                    |

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(43) (continue)

|                                     | 2021               | 2020               |
|-------------------------------------|--------------------|--------------------|
| advertising cost                    | 194,320,510        | 173,723,977        |
| sales service fee                   | 69,666,265         | 83,074,675         |
| labour cost                         | 63,066,856         | 61,641,500         |
| Warehousing service fees            | 62,208,302         | 60,608,686         |
| three-package indemnity payment     | 53,888,508         | 72,987,670         |
| insurance premium                   | 23,144,909         | 20,929,200         |
| Office, travel and hospitality      | 22,363,373         | 31,435,560         |
| depreciation                        | 13,242,735         | 13,207,643         |
| Share-based payment expenses        | 11,708,132         | 13,177,142         |
| Depreciation of right-of-use assets | 614,923            | -                  |
| the rest                            | 14,276,122         | 12,546,913         |
|                                     | <u>528,500,635</u> | <u>543,332,966</u> |

(44) overheads

|                                     | 2021               | 2020               |
|-------------------------------------|--------------------|--------------------|
| labour cost                         | 386,454,114        | 268,548,378        |
| depreciation                        | 64,869,275         | 61,497,832         |
| Office, travel and hospitality      | 37,400,497         | 32,508,598         |
| Amortisation of intangible assets   | 29,305,384         | 27,632,097         |
| Consultancy services                | 22,789,121         | 21,096,540         |
| Share-based payment expenses        | 21,473,032         | 36,057,283         |
| insurance premium                   | 12,006,477         | 10,169,439         |
| repair cost                         | 10,135,568         | 4,275,303          |
| Employee benefits                   | 6,275,710          | -                  |
| Security expenditure                | 5,384,286          | 6,373,879          |
| power fee                           | 5,348,432          | 5,012,744          |
| post and telecommunications costs   | 3,413,414          | 3,821,424          |
| Depreciation of right-of-use assets | 1,424,464          | -                  |
| (sth. or sb) else                   | 35,937,133         | 31,811,181         |
|                                     | <u>642,216,907</u> | <u>508,804,698</u> |

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(45) (continued)

|                                | 2021               | 2020               |
|--------------------------------|--------------------|--------------------|
| Materials, labour costs        | 513,073,988        | 392,488,457        |
| labour cost                    | 187,313,097        | 163,796,605        |
| depreciation                   | 76,645,812         | 68,762,396         |
| Inspection and testing fees    | 52,133,163         | 40,879,988         |
| Technology development costs   | 29,317,753         | 21,536,364         |
| Share-based payment expenses   | 22,750,213         | 14,813,883         |
| R&D tooling costs              | 11,613,799         | 12,960,136         |
| power fee                      | 9,992,675          | 8,355,487          |
| Office, travel and hospitality | 5,137,439          | 2,785,657          |
| the rest                       | 26,116,732         | 37,019,460         |
|                                | <u>934,094,671</u> | <u>763,398,433</u> |

(46) financial cost

|  | 2021                | 2020               |
|--|---------------------|--------------------|
| interest expense                           | 185,024,613         | 270,434,555        |
| Add: Interest expense on lease liabilities | 1,811,803           | -                  |
| Less: capitalised interest                 | <u>(10,501,829)</u> | <u>(2,654,468)</u> |
| interest expense                           | 176,334,587         | 267,780,087        |
| Less: interest income                      | (40,202,057)        | (44,598,805)       |
| Currency exchange gains and losses         | (14,957,514)        | 155,693,125        |
| the rest                                   | 13,087,510          | 13,059,496         |
|  | <u>134,262,526</u>  | <u>391,933,903</u> |

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(47) Classification of costs by nature

Operating costs, selling expenses, administrative expenses and research and development expenses in the income statement are categorised according to their nature and are presented below:

|   | 2021                  | 2020                  |
|---|-----------------------|-----------------------|
| Changes in inventories of finished goods and work in progress | (1,403,044,875)       | (218,653,267)         |
| Raw materials and low value consumables consumed, etc.        | 12,872,482,351        | 10,428,976,269        |
| Employee remuneration costs                                   | 1,791,120,494         | 1,548,014,041         |
| Depreciation and amortisation of owned assets                 | 1,188,958,284         | 1,162,326,689         |
| Energy and power costs  | 859,205,748           | 853,279,899           |
| transport costs   | 573,896,574           | 458,082,084           |
| advertising cost  | 194,320,510           | 173,723,977           |
| Purchased finished goods                                      | 192,634,620           | 117,815,376           |
| Cost of routine repairs to fixed assets (i)                   | 91,740,660            | 71,688,782            |
| Share-based payment expenses                                  | 83,132,251            | 93,330,685            |
| sales service fee   | 69,666,265            | 83,074,675            |
| Office, travel and hospitality                                | 64,901,309            | 66,729,815            |
| Warehousing service fees                                      | 62,208,302            | 60,608,686            |
| three-package indemnity payment                               | 53,888,508            | 72,987,670            |
| Inspection and testing fees                                   | 52,133,163            | 40,879,988            |
| insurance premium   | 35,151,386            | 31,816,235            |
| Technology development costs                                  | 29,317,753            | 21,536,364            |
| Consultancy services  | 22,789,121            | 21,096,540            |
| Employee benefits   | 6,275,710             | -                     |
| Depreciation of right-of-use assets                           | 4,240,342             | -                     |
| the rest  | 632,057,452           | 400,707,762           |
|   | <u>17,477,075,928</u> | <u>15,488,022,270</u> |

- (i) For routine repair costs that do not qualify for capitalisation of fixed assets, the Group records those related to the production and processing of inventories in the cost of inventories and carries them forward to the cost of operations accordingly, and those related to the research and development, administrative and sales departments in research and development, administrative and sales expenses, respectively.

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(48) Impairment losses on assets

|   | 2021               | 2020               |
|---|--------------------|--------------------|
| Loss on decline in value of inventories | <u>289,931,017</u> | <u>168,580,038</u> |

(49) Credit impairment losses

|  | 2021              | 2020              |
|--|-------------------|-------------------|
| Bad debt losses on accounts receivable | 18,002,677        | 27,799,819        |
| Bad debt losses on notes receivable    | 2,048,154         | -                 |
| Bad debt losses on other receivables   | <u>494,676</u>    | <u>460,634</u>    |
|  | <u>20,545,507</u> | <u>28,260,453</u> |

(50) Investment gains/(losses)

|   | 2021                | 2020             |
|---|---------------------|------------------|
| Investment income from stock trading operations   | 12,792,517          | 49,703,339       |
| Dividend income received during the holding period of investments in other equity instruments | 1,805,554           | -                |
| (Loss)/gain on long-term equity investments accounted for by the equity method                | (630,268)           | 71,496           |
| Loss of investment in rubber futures business   | (16,749,650)        | (842,998)        |
| Loss on discounting of receivables financing  | (26,373,371)        | (47,261,858)     |
| Financial Products Investment Income  | <u>-</u>            | <u>7,206,652</u> |
|   | <u>(29,155,218)</u> | <u>8,876,631</u> |

(51) Gain/(loss) on change in fair value

|   | 2021               | 2020               |
|---|--------------------|--------------------|
| at fair value through profit or loss for the period |                    |                    |
| Financial assets -                                  |                    |                    |
| Investment in debt instruments                      | 32,668,941         | 12,171,738         |
| Investments in trading equity instruments           | <u>(7,424,605)</u> | <u>(7,489,102)</u> |
|   | <u>25,244,336</u>  | <u>4,682,636</u>   |

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(52) (continued) on disposal of  
assets

|  | 2021              | 2020               | Included in non-<br>executive<br>shareholders' equity<br>for the year 2021<br>Amount of recurring<br>gains and losses |
|--|-------------------|--------------------|---|
| Loss on disposal of fixed assets                 | (600,664)         | (3,198,205)        | (600,664)   |
| Gain on disposal of other non-<br>current assets | <u>34,528,571</u> | <u>-</u>           | <u>34,528,571</u>   |
|  | <u>33,927,907</u> | <u>(3,198,205)</u> | <u>33,927,907</u>   |

(53) Other gains

|  | 2021               | 2020               | Asset-related/<br>revenue-related |
|--|--------------------|--------------------|-----------------------------------|
| Government funding for<br>development  | 95,931,621         | 76,067,078         | revenue-related                   |
| Amortisation of deferred income  | 41,913,978         | 15,432,451         | Asset-related                     |
| Incentive funds for foreign trade<br>development                                       | 2,235,617          | 13,719,478         | revenue-related                   |
| Science and technology funding<br>and incentives for technology<br>development         | 2,166,250          | 2,048,900          | revenue-related                   |
| Reimbursement of handling fee<br>for withholding and payment of<br>personal income tax | <u>301,045</u>     | <u>1,609</u>       | -                                 |
|  | <u>142,548,511</u> | <u>107,269,516</u> |                                   |

(54) non-operating income

|  | 2021      | 2020      | Included in non-<br>recurrent for 2021<br>Amount of sexual gains<br>and losses |
|--|-----------|-----------|--|
| Income from fines                              | 4,225,711 | 7,046,558 | 4,225,711  |
| Proceeds from litigation<br>compensation       | 2,821,660 | 4,981,701 | 2,821,660  |
| sponsorship income                             | 110,000   | 130,000   | 110,000  |
| Proceeds of insurance premium<br>reimbursement | -         | 2,178,877 | -  |

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|   |  |            |            |            |
|---|--|------------|------------|------------|
| 4 | Notes to the consolidated<br>financial statements<br>(continued) | 3,586,519  | 1,745,828  | 3,586,519  |
|   |  | 10,743,890 | 16,082,964 | 10,743,890 |

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IV Notes to the consolidated  
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(55) non-operating  
expenses

|   | 2021              | 2020              | Included in non-<br>recurrent for 2021<br>Amount of<br>sexual gains and losses |
|---|-------------------|-------------------|--|
| Litigation/arbitration<br>expenses          | 12,690,830        | 63,063            | 12,690,830   |
| Loss on retirement of<br>non-current assets | 6,790,149         | 6,901,862         | 6,790,149  |
| Expenditure on external<br>donations        | 6,302,243         | 13,023,181        | 6,302,243  |
| Expenditure on forfeiture                   | 980,666           | 1,681,895         | 980,666  |
| Debt restructuring losses                   | -                 | 2,053,146         | -  |
| the rest                                    | 361,313           | 397,745           | 361,313  |
|   | <u>27,125,201</u> | <u>24,120,892</u> | <u>27,125,201</u>  |

(56) Income tax expense

|  | 2021                 | 2020              |
|--|----------------------|-------------------|
| Current income tax calculated in accordance<br>with tax laws and related regulations | 66,694,875           | 46,082,045        |
| Deferred income tax  | <u>(141,381,069)</u> | <u>44,456,731</u> |
|  | <u>(74,686,194)</u>  | <u>90,538,776</u> |

Reconciliation of income tax based on total profit based on the consolidated income  
statement using the applicable tax rate to income tax expense:

|   | 2021                | 2020                 |
|---|---------------------|----------------------|
| Total profit  | <u>713,870,110</u>  | <u>2,310,809,746</u> |
| Income tax expense at applicable rates  | (2,610,090)         | 130,200,407          |
| Non-deductible costs, expenses and losses   | 12,154,921          | 19,103,363           |
| Deductible losses for which no deferred tax<br>assets have been recognised in the current<br>period | 8,045,594           | 11,718,317           |
| Non-taxable income  | (45,000,000)        | (36,000,000)         |
| Impact of tax incentives  | (33,023,702)        | (30,852,788)         |
| Use of deductible losses for which no deferred tax<br>assets were recognised in prior periods       | <u>(14,252,917)</u> | <u>(3,630,523)</u>   |

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IV Notes to the consolidated  
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Income tax expense

(74,686,194)

90,538,77

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IV Notes to the consolidated

financial statements (continued)

(57) earnings per share

(a) basic earnings per share

Basic earnings per share is calculated by dividing consolidated net income attributable to the common shareholders of the parent company by the weighted average number of common shares outstanding of the parent company:

|   | 2021                 | 2020                 |
|---|----------------------|----------------------|
| Consolidated net income attributable to shareholders of the parent company          | 788,711,788          | 2,220,426,409        |
| Less: Cash dividends on restricted shares   | <u>(8,161,754)</u>   | <u>(5,398,048)</u>   |
| Consolidated net income attributable to ordinary shareholders of the parent company | 780,550,034          | 2,215,028,361        |
| Weighted average number of ordinary shares of the Company issued and outstanding    | 1,355,160,461        | 1,220,017,712        |
| basic earnings per share  | 0.58                 | 1.82                 |
| Among them:   |                      |                      |
| -Basic earnings per share from continuing operations:                               | 0.58<br>inapplicable | 1.82<br>inapplicable |
| -Basic earnings per share from discontinued operations:                             |                      | ble                  |

(b) diluted earnings per share

Diluted earnings per share is calculated by dividing consolidated net income attributable to common shareholders of the Parent Company, adjusted for dilutive potential common shares, by the weighted average number of adjusted common shares outstanding of the Company. In fiscal year 2021, the Company implemented a restricted stock incentive plan that was not dilutive and, therefore, diluted earnings per share was equal to basic earnings per share. In fiscal 2020, the Company's diluted earnings per share was 1.77.

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(58) Notes to the  
(continued)

Statement of Cash

(a) Flow Items

Other cash received relating to  
operating activities

|  | 2021               | 2020               |
|--|--------------------|--------------------|
| Project subsidies received                                     | 254,309,495        | 120,879,775        |
| Deposits and Guarantees  | 66,047,280         | 55,175,458         |
| Interest income  | 43,990,890         | 45,993,604         |
| Fines and liquidated damages, etc.                             | 4,225,711          | 7,046,558          |
| Proceeds from litigation indemnities and insurance settlements | 2,821,660          | 7,160,578          |
| the rest   | <u>14,098,933</u>  | <u>15,630,784</u>  |
|  | <u>385,493,969</u> | <u>251,886,757</u> |

(b) Other cash paid in relation to operating  
activities

|                                       | 2021               | 2020               |
|---------------------------------------|--------------------|--------------------|
| advertising cost                      | 195,593,291        | 183,465,899        |
| R&D expenditure                       | 117,560,323        | 110,576,956        |
| Office, travel and hospitality        | 64,901,309         | 66,729,815         |
| insurance premium                     | 35,151,386         | 31,816,235         |
| maintenance cost                      | 27,821,123         | 35,780,008         |
| Consultancy services                  | 22,789,121         | 21,096,540         |
| Commodity inspection and bank charges | 13,116,947         | 15,148,753         |
| Deposits and Guarantees               | 3,129,932          | 9,287,772          |
| Litigation expenses                   | -                  | 2,102,231          |
| the rest                              | <u>24,262,602</u>  | <u>30,680,441</u>  |
|                                       | <u>504,326,034</u> | <u>506,684,650</u> |

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Notes to the consolidated  
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(58) Notes to the statement

of cash flow items

(c) Other cash received relating to  
(continued) investing activities

2021

2020

Recovery of futures margin

37,050,350

59,184,605

Interest income from external finance

-

7,206,652

37,050,350

66,391,257

(d) Other cash paid relating to investing  
activities

2021

2020

Payment of futures margin

53,800,000

60,027,603

(e) Other cash received relating to  
financing activities

2021

2020

Recovery of loan deposits

249,283,177

161,784,451

Share incentive subscription fees

135,075,800

497,700

384,358,977

162,282

151

(f) Other cash paid in relation to financing  
activities

2021

2020

Cash paid for lease liabilities

4,934,512

-

Share repurchase expenses

4,358,862

2,630,292

Expenditure relating to funds raised

-

7,340,000

9,293,374

9,970,292

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IV Notes to the consolidated

financial statements (continued)

(59) Supplementary information on the statement  
of cash flows

(a) Supplementary information on the statement  
of cash flows

(i) Reconciliation of net profit to cash flows from  
operating activities

|  | 2021               | 2020                 |
|--|--------------------|----------------------|
| net profit   | 788,556,304        | 2,220,270,970        |
| Add: Impairment losses on assets                                     | 289,931,017        | 168,580,038          |
| Credit impairment losses   | 20,545,507         | 28,260,453           |
| Depreciation of fixed assets and investment properties               | 1,156,398,133      | 1,127,472,004        |
| Depreciation of right-of-use assets                                  | 4,240,342          | -                    |
| Amortisation of intangible assets                                    | 31,523,483         | 30,723,470           |
| Amortisation of deferred income                                      | (41,913,978)       | (15,432,451)         |
| Amortisation of long-term amortised expenses                         | 1,036,668          | 4,131,215            |
| Increase in projected liabilities                                    | 4,180,157          | 1,321,886            |
| Disposal and retirement of fixed assets and other non-current assets |                    |                      |
| (Gain)/loss  | (27,137,758)       | 10,100,067           |
| Gain on change in fair value   | (25,244,336)       | (4,682,636)          |
| financial cost   | 170,728,193        | 262,172,798          |
| Investment losses/(gains)  | 2,781,847          | (56,138,489)         |
| (Increase)/decrease in deferred tax assets                           | (152,424,749)      | 44,456,731           |
| Increase in deferred income tax liabilities                          | 11,043,680         | -                    |
| Increase in inventory  | (1,949,833,952)    | (284,418,895)        |
| Equity incentive fees  | 83,132,251         | 93,330,685           |
| Increase in operating receivables                                    | (1,476,646,229)    | (1,385,798,768)      |
| Increase in operating payables                                       | 1,599,087,479      | 2,047,271,953        |
| Net cash flows from operating activities                             | <u>489,984,059</u> | <u>4,291,621,031</u> |

(ii) Significant operating, investing and financing  
activities that do not involve cash receipts and  
disbursements

|                                      | 2021          | 2020          |
|--------------------------------------|---------------|---------------|
| Inventory purchases paid by bankers' | 4,506,952,495 | 3,577,628,181 |



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IV Notes to the consolidated  
financial statements (continued)

|   |             |             |
|---|-------------|-------------|
| Purchases of long-term assets against<br>bankers' acceptances** | 965,511,465 | 644,390,812 |
|---|-------------|-------------|

\* The Group endorsed part of the bankers' acceptances received from the sale of products for the payment of material purchases.

\*\* The Group endorsed part of the bankers' acceptances received from the sale of products for the purchase of long-term assets.

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IV Notes to the consolidated  
financial statements (continued)

(59) Supplementary information on the  
statement of cash flows (continued)

(a) Supplementary information on the  
statement of cash flows (continued)

(iii) Net change in cash and cash equivalents

|  | 2021                   | 2020                   |
|--|------------------------|------------------------|
| Year-end balance of cash and cash equivalents        | 1,788,808,772          | 3,799,214,557          |
| Less: opening balance of cash and cash equivalents   | <u>(3,799,214,557)</u> | <u>(3,262,137,898)</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(2,010,405,785)</u> | <u>537,076,659</u>     |

(b) Cash and cash equivalents

|  | 31 December 2021     | 31 December 2020     |
|--|----------------------|----------------------|
| in cash  | 1,782,636,051        | 3,757,703,174        |
| Of which: cash on hand   | 842,934              | 457,746              |
| Bank deposits available for payment                              | 1,781,793,117        | 3,757,245,428        |
| Cash equivalents (note IV (9))                                   | 6,172,721            | 41,511,383           |
| of which: other current assets readily available for payment (i) | 6,172,721            | 41,511,383           |
| Balance of cash and cash equivalents at end of year              | <u>1,788,808,772</u> | <u>3,799,214,557</u> |

(i) Other current assets readily available at 31 December 2021 include futures margins of \$5,782,809 (31 December 2020: \$5,865,848) and funds deposited in share accounts of \$389,912 (31 December 2020: \$35,645,535) (Note IV(9)).

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(60) Monetary items in foreign currency  
(continued)

| 31 December 2021         |                          |                             |               |
|--------------------------|--------------------------|-----------------------------|---------------|
|                          | Foreign currency balance | Converted<br>exchange rates | RMB balance   |
| Monetary funds -         |                          |                             |               |
| American dollar          | 165,343,783              | 6.3757                      | 1,054,182,357 |
| Euro (currency)          | 10,845,136               | 7.2197                      | 78,298,628    |
| Thai baht                | 260,525,699              | 0.1912                      | 49,812,514    |
| Mexican peso             | 68,255                   | 0.3116                      | 21,268        |
| Singapore dollar         | 40,070                   | 4.7179                      | 189,046       |
| Hong Kong dollar         | 403,598                  | 0.8176                      | 329,982       |
| Serbian dinars           | 90, 172, 178             | 0.0614                      | 5,536,572     |
| Accounts receivable --   |                          |                             |               |
| American dollar          | 172,777,709              | 6.3757                      | 1,101,578,839 |
| Thai baht                | 53,233,011               | 0.1912                      | 10,178,152    |
| Euro (currency)          | 1,869,841                | 7.2197                      | 13,499,691    |
| Other receivables -      | 2,665,525                | 6.3757                      | 16,994,588    |
| American dollar          |                          |                             |               |
| Thai baht                | 17,972,037               | 0.1912                      | 3,436,253     |
| Euro (currency)          | 920,221                  | 7.2197                      | 6,643,720     |
| Other accounts payable - |                          |                             |               |
| American dollar          | 19,166,004               | 6.3757                      | 122,196,692   |
| Thai baht                | 467,296,464              | 0.1912                      | 89,347,084    |
| Euro (currency)          | 19,433,245               | 7.2197                      | 140, 302, 199 |
| Accounts payable -       |                          |                             |               |
| American dollar          | 50,499,882               | 6.3757                      | 321,972,098   |
| Thai baht                | 569,701,188              | 0.1912                      | 108,926,867   |
| Euro (currency)          | 1,159,949                | 7.2197                      | 8,374,484     |
| Bank borrowings -        |                          |                             |               |
| American dollar          | 368,710,322              | 6.3757                      | 2,350,786,397 |
| Euro (currency)          | 63,340,580               | 7.2197                      | 457,299,986   |

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4 The above foreign currency monetary items refer to all currencies other than RMB (the scope of which is different from the foreign currency items in note XI(1)(a)).

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5 Interests in other subjects

(1) Interests in subsidiaries

(a) Composition of enterprise groups

| Name of Subsidiary   | Principal place of business | registered office            | Nature of business   | percentage of shareholding |               | Acquisition method  |
|--|-----------------------------|------------------------------|--|----------------------------|---------------|---------------------|
|  |                             |                              |  | direct                     | over head     |                     |
| Guangxi Linglong   | Guangxi, China              | Liuzhou, Guangxi Province    | Manufacture and sale of tyres and rubber products  | 100%                       | -             | constitute          |
| Texas Linglong   | Shandong, China             | Dezhou, Shandong Province    | Manufacture and sale of tyres and rubber products  | 100%                       | -             | constitute          |
| Beijing Linglong Tyre Co.<br>(hereinafter referred to as "Beijing Linglong")     | Beijing, China              | Tongzhou District, Beijing   | Technology development, import and export trade  | 100%                       | -             | constitute          |
| Linglong Tyre (Shanghai) Co.<br>(hereinafter referred to as "Shanghai Linglong") | Shanghai, China             | Changning District, Shanghai | sales of tyres and rubber products.  | 100%                       | -             | constitute          |
| Thai Linglong  | Thailand                    | Thailand                     | Import and export trade, technology development<br>Manufacture and sale of tyres and rubber products | 99.98 per cent             | 0.02 per cent | acquire (a company) |
| American Linglong  | United States of America    | United States of America     | Research and development, sales of tyres and raw materials   | -                          | 100%          | constitute          |
| Rubber Technology  | Shandong, China             | Yantai, Shandong Province    | Rubber machinery and equipment, rubber technology, tyre production technology                        | 100%                       | -             | constitute          |

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|   |                 |  |   |      |      |            |
|---|-----------------|--|---|------|------|------------|
| Mexican Lusciousness                                      | Mexico          | Mexico   | Import, export, purchase and sale of tyres and tyre raw materials                                   | -    | 100% | constitute |
| Dutch Linger  | the Netherlands | the Netherlands                                | Tyre sales and investment and financing   | -    | 100% | constitute |
| Beijing Tianchengdikun Culture and Sports Development Co. | Beijing, China  | capital of People's Republic of China          | Organisation of cultural and artistic exchange activities; technical advice, technology development | 100% | -    | constitute |
| (hereinafter referred to as "Tiancheng Dikun")            |                 |  |   |      |      |            |
| Singapore Linglong  | Singaporean     | Singaporean                                    | Tyre and raw material sales and investment and financing  | 100% | -    | constitute |
| Dandelion Technologies, Inc.                              | Beijing, China  | Beijing, capital of People's Republic of China | Technical advice, technology development, technology transfer                                       | 100% | -    | constitute |
| Hubei Linglong  | Hubei, China    | Jingmen City, Hubei Province                   | Tyre development, manufacturing and sales   | 100% | -    | constitute |
| German Linglong   | German          | German   | Import and export trade in tyres  | -    | 100% | constitute |

Shandong Linglong Tyre Co.

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5 Interests in other entities  
(continued)

(1) Interests in subsidiaries  
(continued)

(a) Composition of enterprise groups (continued)

| Name of Subsidiary  | Principal place of business | registered office  | Nature of business  | percentage of shareholding direct and indirect | Acquisition method |
|---|-----------------------------|--|---|--|--------------------|
| Serbia  | Serbia                      | Serbia   | Manufacture and retreading of automotive tyres  | - 100%   | constitute         |
| Shandong Dewei New Material Technology Co.  | Yantai, China               | Yantai, Shandong Province  | Material development, manufacturing and sales   | 51 per cent -                                  | constitute         |
| (hereinafter referred to as "Shandong Dewei")   | Yantai, China               | Sales of rubber machinery, moulds for tyre production, transformers, etc. in Yantai, Shandong Province |   |  |                    |
| Shandong Atlas International Trade Co. (hereinafter referred to as "Atlas International Trade") |                             |  | 100%  | - Established Shanghai,                        |                    |
| Shanghai Grunmax New Material Partnership (Limited Partnership)** ("Shanghai Grun")             |                             | Shanghai, China  | Technology development, technology transfer, technology consulting, technology services | - 67 per cent                                  |                    |
|   | Established                 |  |   |  |                    |
| Shandong Atlas Intelligent Technology Co.   | Shandong, China             | Yantai, Shandong Province  | Software development and sales of tyres and electromechanical equipment                 | - 100%   | constitute         |
| (hereinafter referred to as "Intelligent Technology")   |                             |  |   |  |                    |
| Hong Kong Ting Seng   | Mainland China/Hong         | Mainland   | Sales of tyres and rubber products, import and  | 100% -   | Same-control       |

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|  | Kong                     |                                  | export trade  |      |      | business combinations              |
|--|--------------------------|----------------------------------|---|------|------|------------------------------------|
| Shandong Linglong Tyre Co.                       | Shandong, China          | Zhaoyuan City, Shandong Province | Manufacture and sale of rubber machinery and transformers   | 100% | -    | Same-control business combinations |
| Cade Science and Trade                           | Mainland China/Hong Kong | Mainland                         | Import and export trade, real estate, network information and logistics information               | -    | 100% | Same-control business combinations |
| Shandong Atlas Rubber Technology Co.             | Yantai, China            | Yantai, Shandong Province        | Investment, development of tyre mould production projects   | -    | 100% | Same-control business combinations |
| (hereinafter referred to as "Atlas")             |                          |                                  |   |      |      |                                    |
| Qingdao Yakai Logistics Co.                      | Qingdao, China           | Qingdao, Shandong Province       | Warehousing and Logistics Services, Cargo Transportation  | -    |      | -                                  |
|  |                          |                                  | 90 per cent   |      |      | Business combination under the     |
| (hereinafter referred to as "Arcadia Logistics") |                          |                                  |   |      |      |                                    |
| Linglong Tyre Co.                                | Ji'nan, Shandong         | Jinan, Shandong Province         | Tyre production and sales, technical services, big data services                                  | 100% | -    | set up                             |
| (hereinafter referred to as "Jinan Linglong")    |                          |                                  |   |      |      |                                    |
| Jilin Linglong Tyre Co.                          | Changchun, Jilin         | Changchun City, Jilin Province   | Research and development, production and sale of tyres, import and export of goods and technology | 100% | -    | set up                             |
| (hereinafter referred to as "Jilin Linglong")    |                          |                                  |   |      |      |                                    |
| Shaanxi Linglong*                                | Tongchuan in Shaanxi     | Tongchuan City, Shaanxi Province | Manufacture and sale of tyres, technical services, import and export of goods and technology      | 100% | -    | set up                             |
| Anhui Linglong*                                  | Hefei, Anhui             | Hefei, Anhui Province            | Manufacture and sale of tyres, technical services, import and export of goods and technology      | 100% | -    | set up                             |
| Yantai Linglong*                                 | Yantai, China            | Yantai, Shandong Province        | Tyre production and sales, technology development   | 100% | -    | set up                             |



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5 Interests in other entities

(continued)

(1) Interests in subsidiaries (continued)

(a) Composition of enterprise groups (continued)

\* In August 2021, the Company established Shaanxi Linglong, a wholly-owned subsidiary in Tongchuan City, Shaanxi Province; in September 2021, the Company established Yantai Linglong, a wholly-owned subsidiary in Yantai City, Shandong Province. In September 2021, the Company set up a wholly-owned subsidiary in Yantai, Shandong Province.

In October 2011, the Company established a wholly-owned subsidiary, Anhui Linglong, in Hefei, Anhui Province.

\*\*Shanghai Grun is held as 65 per cent by the Company, 8 per cent by Heilongjiang Huaweijia Science and Technology Development Co., Ltd. and 27 per cent by other natural persons. Qingdao Yakai is 90 per cent owned by Cade Science and Trade and the other 10 per cent by Linglong Group Company, the parent company of the Company.

Shandong Dewei is held as 51% by the Company, 33% by Linyi Ruyao Material Technology Co., Ltd. and 16% by Shandong Wanxin Weina Material Technology Co.

Some of the Company's subsidiaries established overseas are subject to local foreign exchange management policies, under which the overseas subsidiaries are required to obtain approval from the local foreign exchange management before they can pay cash dividends to the Company and its investors. The amounts of cash and cash equivalents of overseas subsidiaries during the reporting period are set out below:

|                         | 31 December 2021   | 31 December 2020     |
|-------------------------|--------------------|----------------------|
| Thai Linglong           | 470,131,762        | 1,057,886,437        |
| North American Linglong | 127,874,280        | 43,729,897           |
| Serbia                  | 11,461,077         | 113,685,230          |
| Dutch Linglong          | 7,487,004          | 28,239,803           |
| the rest                | <u>2,150,497</u>   | <u>7,966,218</u>     |
| add up the total        | <u>619,104,620</u> | <u>1,251,507,585</u> |

(b) In fiscal year 2021, the Group did not have any subsidiaries with significant minority interests (fiscal year 2020: none).

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(continued)

(2) Interests in associated enterprises

(a) Summary information on immaterial associates

|  | 2021             | 2020          |
|--|------------------|---------------|
| Associates:  |                  |               |
| Total carrying value of investments                  | 29,441,228       | 30,071,496    |
| Total of the following by percentage of shareholding |                  |               |
| Net profit (i)                                       | (630,268)        | 71,496        |
| Other comprehensive income (i)                       | -                | -             |
| Total comprehensive income                           | <u>(630,268)</u> | <u>71,496</u> |

(i) Both net profit and other comprehensive income take into account the fair value of identifiable assets and liabilities at the time of acquisition of the investment and the impact of adjustments to the harmonised accounting policies.

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Divisional information)

The Group's reportable segments are business units that provide different products or services or operate in different geographical areas. As each business or geographical area requires different technology and market strategies, the Group manages the production activities of each reportable segment independently and evaluates the results of its operations separately in order to determine the allocation of resources to it and to evaluate its performance.

The Group has three reportable segments, namely:

- Mainland China and Hong Kong division, responsible for manufacturing and selling tyre products in Mainland China and Hong Kong.
- Overseas regional division, responsible for the production and sale of tyre products in overseas regions
- Mechanical division, responsible for the production and sale of mechanical related products

Inter-segment transfer prices are determined by reference to prices used for sales to third parties. Assets are allocated on the basis of segment operations and the location of assets, liabilities are allocated on the basis of segment operations, and expenses indirectly attributable to segments are allocated between segments in proportion to their revenues.

(a) Segment information at 31 December 2021 and 2021 is presented below:

|   | Tyre business                   |                  | Total<br>operations | inter-segment eliminations for machinery<br>operations |                  |
|---|---------------------------------|------------------|---------------------|--|------------------|
|   | Mainland China and<br>Hong Kong | overseas<br>area |                     |  |                  |
| Revenue from external transactions      | 13,113,178,562                  | 5,389,584,672    | 76,456,588          | -  | 18,579,219,822   |
| Revenue from inter-segment transactions | 1,223,938,024                   | -                | 648,462,536         | (1,872,400,560)  | -                |
| business costs                          | (12,452,664,815)                | (4,185,717,070)  | (608,428,676)       | 1,874,546,846  | (15,372,263,715) |
| Interest income                         | 46,221,941                      | 15,223,245       | 811,479             | (22,054,608)   | 40,202,057       |
| interest expense                        | (179,566,470)                   | (17,595,751)     | (1,226,974)         | 22,054,608   | (176,334,587)    |
| Credit impairment losses                | (17,927,950)                    | (1,948,647)      | (668,910)           | -  | (20,545,507)     |
| Impairment losses on assets             | (261,601,800)                   | (26,614,754)     | (1,714,463)         | -  | (289,931,017)    |
| Depreciation of right-of-use assets     | (1,920,773)                     | (118,614)        | (2,200,955)         | -  | (4,240,342)      |
| Depreciation and amortisation           | (922,157,530)                   | (342,187,628)    | (30,219,277)        | 105,606,152  | (1,188,958,283)  |
| Total profit                            | (407,864,411)                   | 1,076,449,787    | 43,152,249          | 2,132,485  | 713,870,110      |
| Income tax expense                      | 93,074,940                      | (1,608,022)      | (8,387,788)         | (8,392,936)  | 74,686,194       |
| net profit                              | (314,789,471)                   | 1,074,841,765    | 34,764,461          | (6,260,451)  | 788,556,304      |

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non-current asset

|              |               |               |            |              |               |
|--------------|---------------|---------------|------------|--------------|---------------|
| Increase (i) | 3,588,578,555 | 2,810,904,853 | 29,147,007 | (87,452,597) | 6,341,177,818 |
|--------------|---------------|---------------|------------|--------------|---------------|

(i) Non-current assets exclude financial assets, long-term equity investments and deferred tax assets.

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VI Segment information (continued)

(b) Segment information for the year 2020 and 31 December 2020 is set out below:

|   | Tyre business                |                 | Machinery Business | Inter-segment set-off | add up the total |
|---|------------------------------|-----------------|--------------------|-----------------------|------------------|
|   | Mainland China and Hong Kong | overseas area   |                    |                       |                  |
| Revenue from external transactions                      | 12,989,163,322               | 5,314,232,962   | 79,324,869         | -                     | 18,382,721,153   |
| Revenue from inter-segment transactions                 | 978,743,044                  | -               | 351,736,006        | (1,330,479,050)       | -                |
| business costs  | (11,263,840,653)             | (3,432,384,704) | (361,241,265)      | 1,384,980,449         | (13,672,486,173) |
| Interest income   | 39,549,869                   | 4,047,889       | 1,001,047          | -                     | 44,598,805       |
| interest expense  | (249,338,700)                | (18,441,387)    | -                  | -                     | (267,780,087)    |
| Credit impairment losses                                | (26,244,335)                 | (861,434)       | (1,154,684)        | -                     | (28,260,453)     |
| Impairment losses on assets                             | (135,151,147)                | (31,479,895)    | (1,948,996)        | -                     | (168,580,038)    |
| Depreciation and amortisation                           | (870,683,931)                | (372,522,891)   | (30,132,070)       | 111,012,203           | (1,162,326,689)  |
| Total profit  | 876,774,325                  | 1,597,548,982   | 8,139,475          | (171,653,036)         | 2,310,809,746    |
| Income tax expense                                      | (83,372,442)                 | (5,742,978)     | (2,384,914)        | 961,558               | (90,538,776)     |
| net profit  | 793,401,883                  | 1,591,806,004   | 5,754,561          | (170,691,478)         | 2,220,270,970    |
| Total assets  | 21,912,667,797               | 8,306,345,491   | 1,133,746,901      | (2,053,988,277)       | 29,298,771,912   |
| Total liabilities                                       | 11,708,621,333               | 1,618,474,946   | 580,992,364        | (1,121,516,280)       | 12,786,572,363   |
| Depreciation and amortisation Other than Non-cash costs | 80,937,248                   | 8,459,060       | 3,934,377          | -                     | 93,330,685       |
| Long-term investments in associates                     |                              |                 |                    |                       |                  |
| Equity investment                                       | 30,071,496                   | -               | -                  | -                     | 30,071,496       |
| non-current asset Increase (i)                          | 1,750,766,350                | 1,029,048,505   | 13,924,815         | (18,810,844)          | 2,774,928,826    |

(i) Non-current assets exclude financial assets, long-term equity investments and deferred tax assets.

(c) The Group's total revenue from external transactions in domestic and other countries and regions, and the Group's total non-current assets other than financial assets, long-term equity investments and deferred income tax assets located in domestic and other countries and regions are set out below:

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Co.

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Revenue from external  
transactions (in RMB Yuan unless  
otherwise stated)

2021

2020

|                              |                       |                       |
|------------------------------|-----------------------|-----------------------|
| Domestic sales               | 10,118,397,708        | 10,091,246,799        |
| Export and Overseas Sales    | <u>8,460,822,114</u>  | <u>8,291,474,354</u>  |
|                              | <u>18,579,219,822</u> | <u>18,382,721,153</u> |
|                              |                       |                       |
| Total non-current assets     | 31 December 2021      | 31 December 2020      |
| Mainland China and Hong Kong | 14,298,561,128        | 11,751,093,304        |
| overseas area                | <u>7,123,424,842</u>  | <u>4,915,301,536</u>  |
|                              | <u>21,421,985,970</u> | <u>16,666,394,840</u> |

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## VII Related party relationships and transactions

### (1) Parent company situation

#### (a) Basic information about the parent company

|                             | Place of registration | Nature of business   |
|-----------------------------|-----------------------|--|
| Linglong Group of Companies | Shandong Zhaoyuan     | Wheel rims, agricultural industrial pumps, transformers, motors manufacturing; Management of the company's production, scientific research needs of raw and auxiliary materials and so on. |

The actual controller of the Company is the Wang Xicheng family (including Wang Xicheng, Wang Feng, Wang Lin and Zhang Guangying).

#### (b) Registered capital of the parent company and changes therein

| 31 December 2020            | Increase during the year | Decrease during the year | 31 December 2021 |
|-----------------------------|--------------------------|--------------------------|------------------|
| Linglong Group of Companies | 120,000,000              | -                        | 120,000,000      |

#### (c) Parent company's shareholding and voting rights in the Company

|                             | 31 December 2021   |                | 31 December 2020            |                |
|-----------------------------|--------------------|----------------|-----------------------------|----------------|
|                             | Shareholding Ratio |                | Proportion of Voting Rights |                |
|                             | Proportion of      | Shares Held    | Proportion of voting rights |                |
| Linglong Group of Companies | 42.50%             | 42.50 per cent | 44.45 per cent              | 44.45 per cent |

### (2) Subsidiaries

Basic information on subsidiaries and related information is provided in Note V (1).

### (3) Other related parties

|   | Relationship with the Group |
|---|-----------------------------|
| Zhaoyuan Linglong Thermal Power Co. parent company      | Controlled by the same      |
| Zhaoyuan Shanling Automobile Sales Co. parent company   | Controlled by the same      |
| Shandong Linglong Yingcheng Hospital Co. parent company | Controlled by the same      |
| Zhaoyuan Linglong Cement Co. parent company             | Controlled by the same      |
| Shandong Xinglongsheng Logistics Co.                    | Controlled by the same      |

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parent company  
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Zhaoyuan Linglong Customs Brokerage Co.

Controlled by the same

parent company

Shandong Linglong Real Estate Co.

Controlled by the same

parent company

Shandong Linglong Automobile Trade Co.

Controlled by the same

parent company

Zhaoyuan Linglong Auto Mall Co.

Controlled by the same

parent company

Shandong Central Asia Tyre Proving Ground Co.

Controlled by the same

parent company

Zhaoyuan Linglong Auto Sales Co.

Controlled by the same

parent company

Linglong Group Beijing Zhongcheng Yingtai Science and Trade Co.

Controlled by the same

parent company

Jinan Yida Pharmaceutical Co.

Controlled by the same

parent company

Shandong All the Way Traffic Technology Co.

Controlled by the same

parent company

Shandong Shanling New Energy Development Co.

Controlled by the same

parent company



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## 7 RELATED PARTY RELATIONSHIPS

### (3) AND THEIR TRANSACTIONS

(continued)

Other related parties (continued)

|   | Relationship with the Group   |
|---|---|
| Zhaoyuan Yipin Property Co.                           | Controlled by the same parent company   |
| Yingcheng (Yantai) Education Development Co.          | Controlled by the same parent company   |
| Shandong Sanying Equipment & Instruments Co.          | Controlled by the same parent company   |
| Zhaoyuan Xinglongsheng Auto Sales Co.                 | Controlled by the same parent company   |
| Yingcheng (Yantai) Business Information Co.           | Controlled by the same parent company   |
| Yingcheng (Yantai) Catering Service Co.               | Controlled by the same parent company   |
| Zhaoyuan Linglong Auto Repair Service Co.             | Controlled by the same parent company   |
| Dezhou Shanling New Energy Development Co.            | Controlled by the same parent company   |
| Dezhou Oudian Environmental Protection Technology Co. | Controlled by the same parent company   |
| Linglong Group Texas Science and Trade Co.            | Controlled by the same parent company   |
| Wucheng County Ouden Property Co.                     | Controlled by the same parent company   |
| Yantai Dahua Environmental Construction Co.           | whose controller is a close family member of the Company's de facto controller      |
| Zhaoyuan Hongwei Construction Engineering Co.         | whose key management personnel are close family members of directors of the Company |
| Shandong Iditar Automotive & Tyre Testing Ground Co.  | Its key management personnel may be appointed by the Company's parent company.      |

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7 RELATED PARTY RELATIONSHIPS AND THEIR TRANSACTIONS (continued)

(4) Connected transactions

(a) Purchase of goods and services

| related party   | Contents of connected transactions   | Pricing policy for connected transactions | 2021        | 2020        |
|---|--|---|-------------|-------------|
| Zhaoyuan Linglong Thermal Power Co.                                   | Procurement of power and materials<br>Acceptance of transport services and clearance   | Pricing by mutual agreement               | 443,641,837 | 469,458,328 |
| Shandong Linglong Xinglongsheng Logistics Co.                         | related services<br>Acceptance of hospitality services and training  | Pricing by mutual agreement               | 174,371,007 | 162,593,396 |
| Linglong Group of Companies   | training service   | Pricing by mutual agreement               | 51,099,620  | 47,762,637  |
| Shandong Edyta Automotive and Tyre Proving Ground has limited company | Acceptance of premises, workshop services<br>affair  | Pricing by mutual agreement               | 16,894,751  | 15,495,198  |
| Zhaoyuan Shanling Auto Sales Co.                                      | Acceptance of vehicle maintenance services<br>Services, procurement of materials<br>Acceptance of vehicle maintenance, wheeling<br>Tyre demounting and car rental services | Pricing by mutual agreement               | 8,198,110   | 6,270,120   |
| Zhaoyuan Linglong Auto Sales Co.                                      | affair   | Pricing by mutual agreement               | 3,773,551   | 4,381,643   |
| Dezhou Oudian Environmental Protection Technology Co.                 | Purchasing power   | Pricing by mutual agreement               | 3,169,291   | -           |
| Shandong Linglong Yingcheng Hospital Co.                              | Access to medical services   | Pricing by mutual agreement               | 2,320,083   | 424,755     |
| Shandong Sanying Equipment &  | Procurement of   | Pricing by mutual                         | 1,516,613   | -           |

Shandong Linglong Tyre Co.

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Instruments Co.

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|  |   |                             |                    |                    |
|--|---|-----------------------------|--------------------|--------------------|
|  | castings                                    | agreement                   |                    |                    |
|  | Acceptance of vehicle maintenance, wheeling |                             |                    |                    |
| Shandong Linglong Auto Trade Co.             | Tyre removal service                        | Pricing by mutual agreement | 1,149,612          | 413,478            |
| Shandong Shanling New Energy Development Co. | Purchasing power                            | Pricing by mutual agreement | 993,586            | 1,072,184          |
| Yingcheng (Yantai) Business Information Co.  | Purchase of materials                       | Pricing by mutual agreement | 906,230            | -                  |
| Jinan Yida Pharmaceutical Co.                | Purchase of medicine                        | Pricing by mutual agreement | 426,182            | 297,218            |
| Linglong Group Texas Science and Trade Co.   | Acceptance of hospitality services          | Pricing by mutual agreement | 207,474            | 164,129            |
|  | Acceptance of vehicle repairs, rentals      |                             |                    |                    |
| Zhaoyuan Linglong Auto Repair Service Co.    | coach service                               | Pricing by mutual agreement | 145,252            | -                  |
| Zhaoyuan Xinglongsheng Auto Sales Co.        | Procurement of materials                    | Pricing by mutual agreement | 82,566             | -                  |
| Yingcheng (Yantai) Catering Service Co.      | Acceptance of catering services             | Pricing by mutual agreement | 29,953             | -                  |
| Zhaoyuan Linglong Auto Mall Co.              | Acceptance of automotive repair services    | Pricing by mutual agreement | 13,805             | 478,966            |
| Zhaoyuan Linglong Customs Brokerage Co.      | Acceptance of customs declaration services  | Pricing by mutual agreement | -                  | 359,823            |
|  |   |                             | <u>708,939,523</u> | <u>709,171,875</u> |

Shandong Linglong Tyre Co.

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7 RELATED PARTY

(4) RELATIONSHIPS AND THEIR TRANSACTIONS  
(continued)

Connected transactions  
(continued)

(b) Sales of goods

| related party   | Contents of connected transactions | Pricing policy for connected transactions | 2021              | 2020              |
|---|------------------------------------|---|-------------------|-------------------|
| Shandong Linglong Real Estate Co.                     | Sales material and spare parts     | Pricing by mutual agreement               | 5,875,569         | 5,744,341         |
| Zhaoyuan Linglong Thermal Power Co.                   | Sales material and spare parts     | Pricing by mutual agreement               | 4,961,100         | 5,700,303         |
| Shandong Sanying Equipment & Instruments Co.          | Sales of scrap                     | Pricing by mutual agreement               | 2,101,255         | -                 |
| Zhaoyuan Shanling Auto Sales Co.                      | Sales of tyres                     | Pricing by mutual agreement               | 2,069,888         | 1,516,842         |
| Shandong Linglong Yingcheng Hospital Co.              | Sales material and spare parts     | Pricing by mutual agreement               | 2,021,619         | 13,461            |
| Dezhou Shanling New Energy Development Co.            | Sales material and spare parts     | Pricing by mutual agreement               | 1,308,027         | -                 |
| Dezhou Oudian Environmental Protection Technology Co. | Sales material and spare parts     | Pricing by mutual agreement               | 1,045,340         | -                 |
| Shandong Central Asia Tyre Proving Ground Co.         | Sales material and spare parts     | Pricing by mutual agreement               | 424,866           | 254,606           |
| Shandong All the way Traffic Technology Co.           | Sales material and spare parts     | Pricing by mutual agreement               | 394,212           | 3,459,083         |
| Linglong Group of Companies                           | Sales of fixed assets              | Pricing by mutual agreement               | 165,470           | 52,567            |
| Linglong Group Texas Science and Trade Co.            | sales force                        | Pricing by mutual agreement               | 150,072           | -                 |
| Zhaoyuan Linglong Auto Sales Co.                      | Sales of rims                      | Pricing by mutual agreement               | 48,980            | -                 |
| Wucheng County Ouden Property Co.                     | sales force                        | Pricing by mutual agreement               | 16,445            | -                 |
| Zhaoyuan Linglong Cement Co.                          | Sales material and spare parts     | Pricing by mutual agreement               | -                 | 109,212           |
| Shandong Xinglongsheng Logistics Co.                  | Sales material and spare parts     | Pricing by mutual agreement               | -                 | 7,876             |
| Zhaoyuan Yipin Property Co.                           | Sales material and spare parts     | Pricing by mutual agreement               | -                 | 7,675             |
| Shandong Shanling New Energy Development Co.          | Sales material and spare parts     | Pricing by mutual agreement               | -                 | 1,263,718         |
|   |                                    |   | <u>20,582,843</u> | <u>18,129,684</u> |

(c) tenancy

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The Group acts as lessor.  
otherwise stated)

| Name of lessee                                  | Types of leased<br>assets | 2021             | 2020             |
|---|---------------------------|------------------|------------------|
| Shandong Xinglongsheng<br>Logistics Co.         | area                      | 1,840,367        | 1,834,862        |
| Yingcheng (Yantai)<br>Education Development Co. | house                     | <u>45,872</u>    | <u>45,872</u>    |
|   |                           | <u>1,886,239</u> | <u>1,880,734</u> |

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7 ~~Otherwise Stated~~)

(4) RELATED PARTY RELATIONSHIPS AND THEIR TRANSACTIONS (continued)

Connected transactions (continued)

(c) Leases (continued)

The Group as lessee added right-of-use assets during the year:

| Name of Lessor                       | Type of leased asset | 2021             | <u>2020</u> |
|--------------------------------------|----------------------|------------------|-------------|
| Shandong Xinglongsheng Logistics Co. |                      | <u>7,379,077</u> | -           |

Interest expense on lease liabilities assumed by the Group as lessee during the year:

| Name of lessor                             | Types of leased assets | 2021             | <u>2020</u> |
|--|------------------------|------------------|-------------|
| Linglong Group of Companies                | house                  | 1,419,830        | -           |
| Linglong Group Texas Science and Trade Co. | house                  | 298,501          | -           |
| Shandong Xinglongsheng Logistics Co.       | area                   | <u>81,369</u>    | -           |
|  |                        | <u>1,799,700</u> | <u>-</u>    |

(d) Remuneration of key management personnel

|  | 2021             | 2020             |
|--|------------------|------------------|
| Remuneration of key management personnel | <u>6,313,356</u> | <u>8,192,236</u> |

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otherwise stated)

VII Related party relationships and transactions (continued)

(5) Related party balances

|                              |   | 31 December 2021   |                               | 31 December 2020   |                               |
|------------------------------|---|--------------------|-------------------------------|--------------------|-------------------------------|
|                              |   | Carrying<br>amount | provision<br>for bad<br>debts | Carrying<br>amount | provision<br>for bad<br>debts |
| accounts<br>receivable       | Shandong Linglong Real Estate Co.             | 3,707,233          | -                             | 6,491,106          | -                             |
|                              | Shandong Linglong Yingcheng Hospital Co.      | 1,828,930          | -                             | -                  | -                             |
|                              | Shandong Central Asia Tyre Proving Ground Co. | 480,098            | -                             | -                  | -                             |
|                              | Shandong All the way Traffic Technology Co.   | 262,459            | -                             | -                  | -                             |
|                              | Zhaoyuan Shanling Auto Sales Co.              | 181,700            | -                             | 125,292            | -                             |
|                              | Shandong Sanying Equipment & Instruments Co.  | 62,756             | -                             | -                  | -                             |
|                              |   | <u>6,523,176</u>   | <u>-</u>                      | <u>6,616,398</u>   | <u>-</u>                      |
|                              |   | 31 December 2021   |                               | 31 December 2020   |                               |
| accounts<br>payable          | Zhaoyuan Linglong Thermal Power Co.           | 49,030,279         |                               | 52,626,248         |                               |
|                              | Shandong Xinglongsheng Logistics Co.          | 22,272,761         |                               | 25,655,334         |                               |
|                              | Shandong Sanying Equipment & Instruments Co.  | 108,928            |                               | -                  |                               |
|                              | Linglong Group of Companies                   | 63,397             |                               | 181,382            |                               |
|                              | Zhaoyuan Linglong Auto Repair Service Co.     | 41,900             |                               | -                  |                               |
|                              | Zhaoyuan Linglong Auto Sales Co.              | -                  |                               | 394,326            |                               |
|                              |   | <u>71,517,265</u>  |                               | <u>78,857,290</u>  |                               |
|                              |   | 31 December 2021   |                               | 31 December 2020   |                               |
| Other<br>accounts<br>payable | Yantai Dahua Environmental Construction Co.   | 1,068,149          |                               | 1,068,149          |                               |
|                              | Shandong Xinglongsheng Logistics Co.          | 862,477            |                               | 1,654,121          |                               |
|                              | Zhaoyuan Shanling Auto Sales Co.              | 451,780            |                               | 86,874             |                               |
|                              | Linglong Group of Companies                   | 323,252            |                               | 65,391             |                               |
|                              | Zhaoyuan Hongwei Construction Engineering Co. | 195,043            |                               | 595,043            |                               |
|                              |   | <u>2,900,701</u>   |                               | <u>3,469,578</u>   |                               |
|                              |   | 31 December 2021   |                               | 31 December 2020   |                               |
| Other<br>receivables         | Linglong Group of Companies                   | 186,981            |                               | -                  |                               |

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otherwise stated)

|            |                               | 31 December 2021          |   | 31 December 2020           |
|------------|-------------------------------|---------------------------|---|----------------------------|
|            |                               | Carrying amount           |   | Carrying amount            |
|            |                               | Provision for bad debts   |   | Provision for bad<br>debts |
| notes      | Shandong Linglong Real Estate | <u>7,320,000 (71,736)</u> | - | <u>-</u>                   |
| receivable | Co.                           |                           |   |                            |



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## VII Related party relationships and transactions (continued)

### (6) Related Party Commitments

The following are the Group's commitments relating to related parties that have been contracted for at the balance sheet date and are not yet required to be shown on the balance sheet:

tenancy

31 December 2021      31 December 2020

- leased-in

|   |         |                   |
|---|---------|-------------------|
| Shandong Xinglongsheng Logistics Co.        |         | 364,800           |
| 3,591,960                                   |         |                   |
| Linglong Group of Companies                 | -       | 22,766,831        |
| Linglong GroupBeijing Zhongcheng Intec Ltd. | -       | 6,023             |
|   | 364,800 | <u>26,364,814</u> |

## VIII. Commitments

### (1) Capital expenditure commitments

The following are the Group's capital expenditure commitments contracted for at the balance sheet date which are not yet required to be shown on the balance sheet:

31 December 2021      31 December 2020

|   |                      |
|---|----------------------|
| Land, buildings and machinery and equipment | <u>5,827,922,056</u> |
|   | <u>6,211,216,462</u> |

### (2) Operating lease commitments

The Group's future minimum lease payments due under non-cancellable operating leases entered into are summarised below:

31 December 2021      31 December 2020

|                       |                |                   |
|-----------------------|----------------|-------------------|
| less than one year    | 364,800        | 8,151,349         |
| One to two years      | -              | 4,553,366         |
| Two to three years    | -              | 4,553,366         |
| More than three years | -              | 9,106,733         |
|                       | <u>364,800</u> | <u>26,364,814</u> |

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IX. Events after the balance sheet date  
(non-adjusting)

(1) Significant non-adjusting events

(a) a non-public offering of additional shares

The non-public offering of Renminbi ordinary shares (A shares) of the Company and their listing and trading on the Shanghai Stock Exchange has been approved by the Group in 2021. The twenty-seventh meeting of the fourth session of the Board of Directors, held on 13 September 2021, and the 2021 meeting of the Board of Directors, held on 29 September 2021, were held on the same day.

Reviewed at the Fifth Extraordinary General Meeting of 2012 and the Twenty-ninth Meeting of the Fourth Session of the Board of Directors held on 28 December 2021

The meeting was passed. On 2 March 2022, the Company received the "Approval of the Approval of the Non-public Offering of Shares by Shandong Linglong Tire Company Limited" (关于核准山东玲珑轮胎股份有限公司非公开发行股票的批复) (证监许可[2022]395号) from the China Securities Regulatory Commission (中國證券監督委員會), which approved the non-public offering of not more than 137,212,570 ordinary shares of Renminbi (A shares) to the investors. As at 2022

Completion of the private offering of 112,121,212 RMB ordinary shares (A shares) to investors as at 29 March 2011

The total amount of proceeds raised by the Group through the private offering of RMB ordinary shares (A shares), after deduction of sponsorship, underwriting fees and other issuance costs (excluding the corresponding value-added tax), was RMB2,404,999,997 at an issue price of RMB21.45 per share. The total net proceeds raised by the Group through the private offering of RMB ordinary shares (A shares), after deduction of sponsorship and underwriting fees and other issuance expenses (excluding the corresponding value-added tax), amounted to RMB2,384,806,219, of which

The Company's share capital was RMB112,121,212 and capital surplus was RMB2,272,685,007.

(b) Impact of the Russian-Ukrainian military conflict on companies

Since the end of February 2022, there have been significant changes in the global political situation as a result of the Russia-Ukraine military conflict ("Russia-Ukraine Conflict"). The Group's second overseas plant layout is in Serbia, which, as a non-Nordic, EU member, is dependent on Russian supply for its energy needs such as natural gas. As at the date of approval of the reporting of these financial statements, Linglong Serbia was still in the construction stage and the direct impact of the Russia-Ukraine conflict on the construction of Linglong Serbia was limited. However, with the continuous changes in the development of the Russia-Ukraine situation, there are uncertainties in respect of the supply of energy, manufacturing, product marketing

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and logistics and transportation of Linglong in Serbia, which may adversely affect the Group's financial position and results of operations in 2022 and subsequent years. As at the date of approval of these financial statements, the extent of such adverse effects cannot be accurately estimated.

(2) Explanation of the distribution of profits

sum of money

Dividends to be distributed(a)

237,479,506

(a) In accordance with the resolution of the Board of Directors dated 28 April 2022, the Board of Directors proposes that the Company distribute dividends to all shareholders 237,479,506, which is not recognised as a liability in these financial statements (note IV (40)).

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(Amounts in Renminbi Yuan unless

X Operating lease receipts after the balance sheet date

The undiscounted cash amount of lease receipts receivable by the Group as lessor after the balance sheet date is summarised below:

|                     | 31 December 2021 |
|---------------------|------------------|
| Within one year     | 2,469,163        |
| One to two years    | 463,163          |
| Two to three years  | 441,729          |
| Three to four years | 227,959          |
| Four to five years  | 208,963          |
|                     | <u>3,810,977</u> |

## XI Financial instruments and related risks

The Group's operations expose it to a variety of financial risks, which consist primarily of market risk (primarily foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (1) market risk

#### (a) Foreign exchange risk

The Group's customers include domestic customers in the PRC and a large number of overseas customers, and its business is mainly settled in Renminbi, United States dollars, Euros and Thai Baht. Therefore, the Group's recognised foreign currency assets and liabilities and future foreign currency transactions are exposed to foreign exchange risk. The finance department at the Group's head office is responsible for monitoring the size of the Group's foreign currency transactions and foreign currency assets and liabilities in order to minimise the exposure to foreign exchange risk; to this end, the Group may enter into forward foreign exchange contracts or currency swaps for the purpose of hedging foreign exchange risk.

As at 31 December 2021 and 31 December 2020, the amounts of foreign-currency financial assets and foreign-currency financial liabilities held by companies within the Group whose carrying currency is RMB are translated into RMB are set out below:

|                     | 31 December 2021   |                      |           |                    |
|---------------------|--------------------|----------------------|-----------|--------------------|
|                     | United States      | Euro                 | Thai baht | add up the total   |
| Foreign currency    | dollar projects    | projects             | projects  |                    |
| financial assets -  |                    |                      |           |                    |
| money funds         | 327,833,148        | 56,534,395           | -         | 384,367,543        |
| accounts receivable | 317,219,550        | 3,301,744            | -         | 320,521,294        |
|                     | <u>645,052,698</u> | <u>- 159,836,139</u> | <u>-</u>  | <u>704,888,833</u> |
|                     | 8                  | 9                    |           | 7                  |

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11 Financial instruments and related risks (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

|   | 31 December 2020                 |                     |                       |                      |
|---|----------------------------------|---------------------|-----------------------|----------------------|
|   | United States<br>dollar projects | Euro<br>projects    | Thai baht<br>projects | add up the total     |
| Foreign currency<br>financial assets -      |                                  |                     |                       |                      |
| money funds                                 | 402,366,666                      | 40,357,810          | -                     | 442,724,476          |
| accounts receivable                         | <u>185,648,8 9</u>               | <u>3,071,7 9 2</u>  | <u>-</u>              | <u>188,720,6 8 4</u> |
|   | <u>2</u>                         |                     |                       |                      |
|   | <u>588,015,5 5</u>               | <u>43,429,6 0 2</u> | <u>-</u>              | <u>631,445,1 6 0</u> |
|   | <u>8</u>                         |                     |                       |                      |
| Foreign currency<br>financial liabilities - |                                  |                     |                       |                      |
| short term loan                             | 451,909,837                      | -                   | -                     | 451,909,837          |
| accounts payable                            | 81,375,395                       | 1,012,209           | -                     | 82,387,604           |
| Other accounts<br>payable                   | <u>27,169,4 0</u>                | <u>(2,468,033)</u>  | <u>-</u>              | <u>24,701,3 7 0</u>  |
|   | <u>3</u>                         |                     |                       |                      |
|   | <u>560,454,6 3</u>               | <u>(1,455,824)</u>  | <u>-</u>              | <u>558,998,8 1 1</u> |
|   | <u>5</u>                         |                     |                       |                      |

As at 31 December 2021, if RMB had strengthened or weakened by 4% against USD and other factors remained unchanged, the Group's net profit would have been increased or decreased by approximately RMB28,725,000 (31 December 2020: approximately RMB916,000) in respect of the Company's USD financial assets and USD financial liabilities with RMB as the base currency; and if RMB had strengthened or weakened by 4% against EUR and other factors remained unchanged, the Group's net profit would have been decreased or increased by approximately RMB1,792,000 (31 December 2020: approximately RMB1,592,000) in respect of the Company's EUR financial assets and EUR financial liabilities. For all types of euro financial assets and euro financial liabilities, if RMB appreciated or depreciated by 4% against the euro, with all other factors held constant, the Group would decrease or increase its net profit by approximately RMB1,792,000 (31 December 2020: approximately RMB1,517,000).

As at 31 December 2021 and 31 December 2020, the amounts of foreign-currency financial assets and foreign-currency financial liabilities held by companies within the Group whose carrying currency is US dollars and which are translated into Renminbi are set out below:

|  | 31 December 2021    |                      |                       |                   |
|--|---------------------|----------------------|-----------------------|-------------------|
|  | Renminbi<br>Project | Euro projects        | Thai baht<br>projects | add up the total  |
| Foreign currency<br>financial assets - |                     |                      |                       |                   |
| money funds                            | 353,130             | 7,559,791            | 49,812,514            | 57,725,435        |
| accounts receivable                    | -                   | -                    | 10,178,152            | 10,178,152        |
| Other receivables                      | -                   | -                    | 3,436,254             | 3,436,254         |
|  | <u>353,1 3</u>      | <u>126 7,559,7 9</u> | <u>63,426,9 2</u>     | <u>71,339,8 4</u> |
|  | <u>0</u>            | <u>1</u>             | <u>0</u>              | <u>1</u>          |

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XI Financial instruments and related risks (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

|   | 31 December 2020    |                   |                       |                      |
|---|---------------------|-------------------|-----------------------|----------------------|
|   | Renminbi<br>Project | Euro<br>projects  | Thai baht<br>projects | add up the total     |
| Foreign currency<br>financial assets -      |                     |                   |                       |                      |
| money funds                                 | 352,207             | 16,223,095        | 53,315,890            | 69,891,192           |
| accounts<br>receivable                      | -                   | -                 | 15,726,038            | 15,726,038           |
| Other receivables                           | -                   | -                 | 8,382,971             | 8,382,971            |
|   | <u>352,207</u>      | <u>16,223,095</u> | <u>77,424,899</u>     | <u>94,000,201</u>    |
| Foreign currency<br>financial liabilities - |                     |                   |                       |                      |
| accounts payable                            | 5,755,897           | -                 | 114,403,270           | 120,159,167          |
| Other accounts<br>payable                   | 56,908,065          | 50,982,424        | 116,983,200           | 224,873,689          |
| long term loan                              | 932,596,355         | -                 | -                     | 932,596,355          |
|   | <u>62,663,962</u>   | <u>50,982,424</u> | <u>231,386,470</u>    | <u>1,277,629,214</u> |

于 2021 年 12 月 31 日，对于记账本位币为美元的公司各类人民币金融资产和人民币金融负债，如果美元对人民币升值或贬值 4%，其他因素保持不变，则本集团将增加或减少净利润约 2,268,000 元(2020 年 12 月 31 日：约 2,493,000 元)；对于各类欧元金融资产和 For all types of financial assets and financial liabilities denominated in Euro, if the U.S. dollar had strengthened or weakened by 4% against the Euro, with all other factors held constant, the Group would have increased or decreased its net profit by approximately \$18,214,000 (31 December 2020: approximately \$37,068,000); for all types of financial assets and financial liabilities denominated in Thai baht, if the U.S. dollar had strengthened or weakened by 4% against the Thai baht, with all other factors held constant, the Group would have increased or decreased its net profit by approximately \$5,000 (31 December 2020: approximately \$5,000) increase or decrease net profit by approximately \$5,394,000 (31 December 2020: increase or decrease by approximately \$4,080,000); and The net profit was about \$6,158,000);

(b) interest rate risk

The Group's interest rate risk arises mainly from long-term interest-bearing debt such as long-term bank borrowings. Financial liabilities with floating interest rates expose the Group to cash flow interest rate risk and financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of fixed-rate and floating-rate contracts based on the prevailing market conditions. As at 31 December 2021, the Group's long-term interest-bearing liabilities comprised RMB-denominated floating rate contracts linked to LIBOR amounting to RMB485,574,528 and USD-denominated floating rate contracts linked to 3-month LIBOR amounting to RMB457,299,986 (Note

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IV(31)) (31 December 2020: RMB2,112,948, 254), and as at 31 December 2020:  
(Amounts in Renminbi Yuan unless  
RMB2,112,948, 254). 254), as at 2021  
RMB2,112,948, 254)

The replacement of the reference rate had not been completed as at 31 December.

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XI Financial instruments

and related risks (continued)

(1) Market risk (continued)

(b) Interest rate risk (continued)

The finance department at the Group's head office monitors the level of the Group's interest rates on an ongoing basis. Rising interest rates will increase the cost of new interest-bearing debt as well as the interest expense on the Group's outstanding interest-bearing debt with floating interest rates and adversely affect the Group's financial results. Management will make timely adjustments based on the latest market conditions, and these adjustments may be made by entering into interest rate swaps arrangements to mitigate interest rate risk. During the year 2021, the Group entered into an interest rate swap with the Bank of Mitsubishi

The contracts totalled RMB31,000,000, using floating interest rates for fixed interest rates and US dollar borrowings for RMB borrowings.

At 31 December 2021, if the interest rate on borrowings based on the floating rate LIBOR increases or decreases by 50 basis points, the interest rate on borrowings based on the floating rate LIBOR will increase or decrease by 50 basis points.

points, while other factors remain constant, the Group's net profit would decrease or increase by approximately \$4,348,000 (December 2020

(As at 31 December 2010: about \$9,412,000);

(c) Other price risk

The Group's other price risk arises mainly from investments in various types of equity instruments and investments in debt instruments, which are subject to the risk of changes in the prices of investments in equity instruments and debt instruments.

As at 31 December 2021, if the expected prices of the Group's investments in various types of equity instruments and investments in debt instruments had increased or decreased by 4%, with all other factors held constant, the Group would have increased or decreased its net profit by approximately \$7.6 million (31 December 2020: \$4.3 million) and increased or decreased its other comprehensive income by approximately \$12.8 million ( 31 December 2020: \$10,125,000).

(2) credit risk

The Group manages credit risk by portfolio classification. Credit risk arises mainly from currency funds, bills receivable, accounts receivable, receivables financing, other receivables and long-term receivables. The carrying amounts of the Group's financial assets at the balance sheet date represent its maximum exposure to credit risk.

The Group's currency funds are mainly bank deposits placed with reputable state-owned banks and other large and medium-sized listed banks with high credit ratings, which the Group considers to be free from significant credit risk and will incur virtually no



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XI Financial instruments  
and related risks (continued)

significant losses due to bank defaults.

In addition, for notes receivable, accounts receivable, receivables financing, other receivables and long-term receivables, the Group has set up relevant policies to control credit risk exposure. The Group evaluates the creditworthiness of customers and sets credit periods accordingly, based on its assessment of the customer's financial position, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group regularly monitors the credit history of its customers. For customers with poor credit history, the Group will use written reminders, shorten the credit period or cancel the credit period in order to ensure that the Group's overall credit risk is within a manageable range.

As at 31 December 2021, the Group had no material collateral or other credit enhancements held as a result of debtors' pledges.

(31 December 2020: nil).

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XI Financial instruments

and related risks (continued)

(3) liquidity risk

Each subsidiary within the Group is responsible for its own cash flow forecast. On the basis of the consolidated cash flow forecasts of the subsidiaries, the head office treasury department continuously monitors short-term and long-term funding requirements at the Group level to ensure that adequate cash reserves are maintained, and continuously monitors compliance with the provisions of the borrowing agreements and obtains commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding requirements.

At the balance sheet date, the undiscounted contractual cash flows of each of the Group's financial liabilities are presented below by maturity date:

|                           | 31 December 2021      |                    |                    |                         |                       |
|---------------------------|-----------------------|--------------------|--------------------|-------------------------|-----------------------|
|                           | less than one<br>year | One to two years   | Two to five years  | More than five<br>years | add up the total      |
| short term loan           | 5,895,515,938         | -                  | -                  | -                       | 5,895,515,938         |
| banknote payable          | 4,173,179,308         | -                  | -                  | -                       | 4,173,179,308         |
| accounts payable          | 2,678,983,867         | -                  | -                  | -                       | 2,678,983,867         |
| Other accounts<br>payable | 2,246,672,034         | -                  | -                  | -                       | 2,246,672,034         |
| leasehold liability       | 8,638,595             | 8,162,876          | 13,807,551         | 17,031,945              | 47,640,967            |
| long term loan            | <u>651,263,993</u>    | <u>17,812,546</u>  | <u>733,460,266</u> | <u>-</u>                | <u>1,402,536,805</u>  |
|                           | 15,654,253,735        | 25,975,422         | 747,267,817        | 17,031,945              | 16,444,528,919        |
|                           | 31 December 2020      |                    |                    |                         |                       |
|                           | less than one<br>year | One to two years   | Two to five years  | More than five<br>years | add up the total      |
| short term loan           | 1,576,472,556         | -                  | -                  | -                       | 1,576,472,556         |
| banknote payable          | 3,307,766,543         | -                  | -                  | -                       | 3,307,766,543         |
| accounts payable          | 2,471,280,727         | -                  | -                  | -                       | 2,471,280,727         |
| Other accounts<br>payable | 1,526,049,113         | -                  | -                  | -                       | 1,526,049,113         |
| long term loan            | <u>1,403,177,902</u>  | <u>576,432,941</u> | <u>520,468,987</u> | <u>-</u>                | <u>2,500,079,830</u>  |
|                           | <u>10,284,746,841</u> | <u>576,432,941</u> | <u>520,468,987</u> | <u>-</u>                | <u>11,381,648,769</u> |

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## Fair value estimation

The level within which a fair value measurement result belongs is determined by the lowest level within which the inputs that are significant to the fair value measurement as a whole belong:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than level 1 inputs that are observable for the underlying asset or liability, either directly or indirectly. Level 3: Unobservable inputs for the related asset or liability.

### (1) Continuing assets and liabilities measured at fair value

Continuing assets measured at fair value at 31 December 2021 are presented below by the three levels described above:

|   | first level        | second level | third level        | add up the total   |
|---|--------------------|--------------|--------------------|--------------------|
| financial asset                           |                    | level        |                    |                    |
| Financial assets held for trading -       |                    |              |                    |                    |
| Investments in trading equity instruments |                    | -            | -                  | 20,810,538         |
| 20,810,538                                |                    |              |                    |                    |
| Receivables financing -                   |                    |              |                    |                    |
| Bills receivable                          | -                  | -            | 232,175,310        | 232,175,310        |
| Investments in other equity instruments - |                    |              |                    |                    |
| Equity instruments                        | 236,606,242        | -            | 164,000,000        | 400,606,242        |
| Other non-current financial assets -      |                    |              |                    |                    |
| debt instrument                           | -                  | -            | 217,840,679        | 217,840,679        |
| Total assets                              | <u>257,416,780</u> | <u>-</u>     | <u>614,015,989</u> | <u>871,432,769</u> |

The assets measured at fair value on an ongoing basis at 31 December 2020 are presented below by the three levels described above:

|   | first level | second level | third level | add up the total |
|---|-------------|--------------|-------------|------------------|
| financial asset                           |             | level        |             |                  |
| Financial assets held for trading -       |             |              |             |                  |
| Investments in trading equity instruments | 28,873,251  | -            | -           | 28,873,251       |
| Receivables financing -                   |             |              |             |                  |
| notes receivable                          | -           | -            | 912,445,780 | 912,445,780      |
| Investments in other equity instruments - |             |              |             |                  |
| equity instrument                         | 258,244,494 | -            | 50,000,000  | 308,244,494      |
| Other non-current financial assets -      |             |              |             |                  |

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|   |                    |          |                      |                      |
|---|--------------------|----------|----------------------|----------------------|
| (Amount in RMB Yuan unless<br>otherwise stated) |                    |          |                      |                      |
| debt instrument                                 | -                  | -        | 87,171,738           | 87,171,738           |
| Total assets                                    | <u>287,117,745</u> | <u>-</u> | <u>1,049,617,518</u> | <u>1,336,735,263</u> |

The Group recognises conversions between levels on the date of occurrence of the event giving rise to the conversion between levels. There were no conversions between level 1 and level 2 during the year.

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Fair value

(1)

estimates  
Continuing assets and liabilities at fair  
value (continued)

For financial instruments that are traded in an active market, the Group determines their fair value using their quoted prices in an active market; for financial instruments that are not traded in an active market, the Group uses valuation techniques to determine their fair value.

The movements in level 3 assets above are  
shown below:

|   | Investments in other equity instruments  | Receivables<br>financing | Other non-<br>current<br>financial asset | Total assets     |
|---|--|--------------------------|--|------------------|
|   | Equity investments in unlisted companies | notes receivable         | Investment in<br>debt<br>instruments     |                  |
| 31 December 2020  |  | 912,445,780              | 87,171,733                               | 1,049,617,518    |
|   | 50,000,000                               | 0                        | 8  |                  |
| Purchase  | 114,000,000                              | 11,536,127,381           | 107,000,000                              | 11,757,127,381   |
| For Sale  | -  | (11,763,378,500)         | (9,000,000)                              | (11,772,378,500) |
| settle a bill   | -  | (426,645,980)            | -  | (426,645,980)    |
| Total current gains or losses                               |  |                          |  |                  |
| Gains or losses recognised in profit or loss for the period |  | (26,373,371)             | 32,668,941                               | 6,295,570        |
| (a)   |  |                          |  | 0                |
| 31 December 2021  |  | 232,175,310              | 217,840,679                              | 614,015,989      |
|   | 164,000,000                              | 0                        |  | 9                |
| Assets still held at 31 December 2021                       |  |                          |  |                  |
| Unrealised gains and losses on production in 2021           |  |                          |  |                  |
| Changes in gains or losses - changes in fair value          |  |                          |  |                  |
| Gain/loss on activities                                     |  | -                        | 44,840,679                               | 44,840,679       |
|   |  |                          |  |                  |
|   |  |                          |  |                  |
|   | Investments in other equity instruments  | Receivables<br>financing | Other non-<br>current<br>financial asset | Total assets     |
|   | Equity investments in unlisted companies | notes receivable         | Investment in<br>debt<br>instruments     |                  |
| 31 December 2019  | -  | 454,462,590              | 75,000,000                               | 529,462,590      |
|   |  | 0                        |  | 0                |
| Purchase  | 50,000,000                               | 9,638,611,114            | -  | 9,688,611,114    |
| For Sale  | -  | (8,595,762,707)          | -  | (8,595,762,707)  |
| settle a bill   | -  | (537,603,359)            | -  | (537,603,359)    |
| Total current gains or losses                               |  |                          |  |                  |

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Fair value

(1)

Continuing assets and liabilities at fair  
(continued)

|  |            |              |            |               |
|--|------------|--------------|------------|---------------|
| Gains or losses recognised in profit or loss (a) | _____      | (47,261,858) | 12,171,738 | (35,090,120)  |
| 31 December 2020                                 | _____      | 912,445.78   | 87,171,738 | 1,049,617,518 |
|  | 50,000.000 | 0            |            |               |

Assets still held at 31 December 2020

Unrealised gains and losses on production in 2020

Changes in gains or losses - changes in fair value

|                         |       |       |            |            |
|-------------------------|-------|-------|------------|------------|
| Gain/loss on activities | _____ | -     | 12,171,738 | 12,171,738 |
|                         | =     | _____ | _____      | _____      |

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Fair value

(1)

Continuing assets and liabilities at fair  
value (continued)

(a)

Gains or losses recognised in profit or loss for the period are included in the income statement under the headings of gains on changes in fair value and investment income.

As at 31 December 2021, the Group's level 3 financial assets mainly consisted of bankers' acceptances, investments in debt instruments and

For investments in equity instruments (31 December 2020: bankers' acceptances, investments in debt instruments and investments in equity instruments), the valuation techniques used for their fair values are the expected return method and the comparable company method, etc. The unobservable inputs are their expected rates of return, price-earnings ratios of comparable companies, price-to-sales ratios, etc., and the management evaluates their fair values based on the above inputs. For investments in fund companies, the Group engages independent third-party appraisers to assess the net asset value of the investee fund companies and accordingly determines the fair value of the corresponding investments in fund companies as at the balance sheet date.

(2)

Discontinued assets and liabilities measured at fair value

As at 31 December 2021, the Group had no assets and liabilities measured at fair value on a discontinued basis (December 2020 31st: nil).

(3)

Assets and liabilities not measured at fair value but for which fair value is disclosed

The Group's financial assets and financial liabilities measured at amortised cost mainly include receivables, short-term loans, payables, lease liabilities, long-term loans and bonds payable.

Except for the financial liabilities described below, the difference between the carrying amount and the fair value of financial assets and financial liabilities not measured at fair value is insignificant.

|                         | 31 December 2021   |                    | 31 December 2020   |                    |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
|                         | Carrying Value     | Fair Value         | Carrying Value     | Fair Value         |
| Financial liabilities - |                    |                    |                    |                    |
| Long-term borrowings    |                    | <u>403,131,555</u> | <u>406,350,122</u> | <u>326,428,355</u> |
|                         | <u>328,232,910</u> |                    |                    |                    |

Long-term borrowings whose fair value is determined as the present value of the contractual future cash flows discounted at a market rate with comparable credit ratings and providing virtually identical cash flows under the same conditions are in Level 3.

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XIII. Share-based payments

(1) Restricted Share Incentive Scheme

Pursuant to the "Proposal on the Company's Repurchase of Shares by way of Concentrated Auction Trading" considered and approved at the meeting of the Board of Directors of the Company held on 17 January 2019, the Group repurchased part of the A-share social public shares, all of which were used for the purpose of share incentives. As at 31 December 2019, the Group repurchased a total of 21,999,951 shares, with the repurchase amount of 362,128,834.

The Company held its fourth Extraordinary General Meeting of 2019 on 27 December 2019 resolved to consider and approve

"Proposal on the Company's <2019 Restricted Stock Incentive Plan (Draft)> and its Summary", "Proposal on the Company's

<Management Measures for the Implementation and Assessment of the 2019 Restricted Stock Incentive Plan> and <Request to the General Meeting of Shareholders to Award the Motion to authorise the Board of Directors to handle matters relating to the 2019 Restricted Stock Incentive Plan. Pursuant to 2 January 2020

(the "2019 Restricted Stock Incentive Plan"), which was approved by the resolution of the Seventh Meeting of the Fourth Session of the Board of Directors held on 29 September 2019, the Company implemented the Restricted Stock Incentive Plan with 12,807,000 restricted shares to 291 incentive recipients, with the grant date as the date of grant as the date of grant. Stock Incentive Plan, with a grant date of

2 January 2020 at a grant price of RMB 10.38 per share. 2019 Restricted Stock Incentive Plan Subdivision

Three phases of release, 12 months, 24 months and 36 months from the date of registration of the grant, respectively.

The unlocking percentage was 30%, 30% and 40% respectively, and the registration of the grant was completed on 17 January 2020. According to the incentive plan proposal, if the incentive recipients leave the Company before the expiry of the unlocking period, the shares shall not be unlocked and the Company shall repurchase and cancel the corresponding restricted shares at the corresponding repurchase price.

On 19 January 2021, the Group held the twentieth meeting of the fourth session of the Board of Directors and considered and passed the "Proposal on the Grant of Restricted Shares to the Incentive Recipients under the 2020 Restricted Share Incentive Scheme" (the "2020 Restricted Share Incentive Scheme"), and agreed to fix 19 January 2021 as the date of grant to (the "2020 Restricted Stock Incentive Plan"), and agreed to set 19 January 2021 as the grant date for the



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grant of restricted stock to 554

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Incentive recipients were granted 8,172,000 restricted shares at a price of \$16.59 per share.

2020 Restricted Shares

The Scheme will be released in three phases, 12 months, 24 months and 36 months respectively from the date of registration of the grant.

The restricted shares will be released after one month, and the percentage of release will be 30%, 30% and 40% respectively. On 25 February 2021, the restricted shares were fully registered.

The Company has received prepayments of equity incentive contributions from incentive recipients under the 2020 Restricted Stock Incentive Plan 135,573,500 (of which \$497,700 will be received in 2020 and \$135,075,800 in 2021). A liability of \$135,573,500 was also recognised in respect of the restricted share repurchase obligation.

On 5 January 2021, the Group held the nineteenth meeting of the fourth session of the Board of Directors.

Division 2019 Restricted Stock Incentive Plan Phase I Unrestricted Sale Conditions Achieved", the Company considers that all the conditions for the release of restricted shares under Phase I of the 2019 Restricted Stock Incentive Plan have been fulfilled, and the number of incentive recipients eligible for the release of restricted shares under Phase I of the 2019 Restricted Stock Incentive Plan is 282, and the number of restricted shares that can be released from restricted sale is 3,703,200 shares, accounting for 0.27% of the Company's current total share capital, reducing treasury shares by a total of \$59,362,296 and restrictions.

The share repurchase obligation is \$36,846,840.

As approved at the 2020 Annual General Meeting on 6 May 2021, the Group has offered to all shareholders a dividend of HK\$1,000,000 for every 10 shares of the Group.

Cash dividends of \$4.9 (including tax) were paid, which reduced treasury stock and restricted stock repurchase obligations by a total of \$8,340,976.

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XIII ~~Share-based payments~~ (continued)

(1) Restricted Share Incentive Scheme (continued)

On 26 August 2021, the Group held the Twenty-sixth Meeting of the Fourth Session of the Board of Directors and the Twenty-third Meeting of the Fourth Session of the Supervisory Committee to consider and approve the "Proposal on the Repurchase and Cancellation of Restricted Shares Granted to Certain Incentive Recipients but Not Yet Released from Restricted Sales". In FY2012, the Company repurchased and cancelled restricted shares of the equity incentive recipients who had left the Company and whose individual performance did not reach the required standard, thereby reducing the share capital by RMB365,760 yuan. In fiscal year 2021, the Company repurchased and cancelled the restricted shares of employees who left the Company and did not meet the personal performance standards, reducing the share capital by \$365,760 and the treasury shares by \$5,722,843.

In fiscal year 2021, by the resolution of the Twenty-sixth Meeting of the Fourth Session of the Board of Directors of the Company, the Company adjusted the use of the repurchased shares from the original "for the equity incentives of the Company's employees" to "for cancellation in order to reduce the registered capital", and cancelled 1,020,951 shares in the repurchased shares in the special securities account, reducing the treasury shares by RMB16,804,853. The Company also cancelled 1,020,951 shares in the special securities account for repurchase, reducing treasury shares by RMB16,804,853.

(2) Statement of Changes in Restricted Stock During the Year

|   | 2021              | 2020              |
|---|-------------------|-------------------|
| Restricted stock issued and outstanding at the beginning of the year (shares) |                   |                   |
|   | 12,553,600        | -                 |
| Restricted stock granted during the year (shares)                             | 8,172,000         | 12,807,000        |
| Restricted shares released from sale during the year (shares)                 |                   |                   |
|   | (3,703,200)       | -                 |
| Restricted shares repurchased during the year (shares)                        |                   |                   |
| (365,760) ( 253,400)  |                   |                   |
| Restricted shares issued and outstanding at the end of the year (shares)      | <u>16,656,640</u> | <u>12,553,600</u> |
| Share-based payment expenses for the year                                     | 83,132,251        | 93,330,685        |
| Accumulated share-based payment expenses                                      | 176,462,936       | 93,330,685        |

(3) As at 31 December 2021, the remaining term of the 2019 Restricted Share Incentive Plan to 4 January 2023 is approximately 1 year; the remaining term of the 2020 Restricted Share Incentive Plan to 18 January 2024 is approximately 2 years.

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- (4) **Method of Determining fair value of restricted shares at grant date**  
(Method of Determining fair value otherwise stated)

The Group uses the closing price of the Company's stock on the date of grant to determine the fair value of restricted stock on the date of grant. At the date of grant, the fair value of each restricted share under the 2019 Restricted Stock Incentive Plan was \$23.16, with the difference between it and the incentive recipients' capital increase price of \$10.38 per share of \$12.78 recorded in share-based payment expense. the fair value of each restricted share under the 2020 Restricted Stock Incentive Plan was \$42.05, with the difference between it and the incentive recipients' capital increase price of \$16.59 per share of \$25.46 recorded in share-based payment expense. 25.46 was recorded in share-based payment expense.

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## Capital Management

The objectives of the Group's capital management policies are to safeguard the Group's ability to sustain, and thereby provide returns to, its shareholders and benefits to other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's total capital is shareholders' equity as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements and monitors capital using equity ratios (equity ratio = total liabilities/shareholders' equity \* 100 per cent).

The equity ratios of the Group as at 31 December 2021 and 2020 are set out below:

|              | 31 December 2021    | 31 December 2020   |
|--------------|---------------------|--------------------|
| Equity ratio | <u>108 per cent</u> | <u>77 per cent</u> |

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otherwise stated) to the financial statements of the XV Company

(1) accounts receivable

|                               | 31 December 2021     | 31 December 2020     |
|-------------------------------|----------------------|----------------------|
| Accounts receivable           | 3,074,210,244        | 2,617,085,721        |
| Less: Provision for bad debts | <u>(145,351,984)</u> | <u>(129,806,600)</u> |
|                               | <u>2,928,858,260</u> | <u>2,487,279,121</u> |

(a) The ageing of accounts receivable is analysed below:

|                       | 31 December 2021     | 31 December 2020     |
|-----------------------|----------------------|----------------------|
| Within one year       | 2,921,252,639        | 2,476,558,472        |
| One to two years      | 37,503,935           | 63,613,460           |
| Two to three years    | 39,866,725           | 18,128,444           |
| More than three years | <u>75,586,945</u>    | <u>58,785,345</u>    |
|                       | <u>3,074,210,244</u> | <u>2,617,085,721</u> |

(b) A summary analysis of the top five accounts receivable with balances grouped by party owed as at 31 December 2021 is set out below:

|  | Balance            | Bad debt<br>provision amount | Percentage of<br>accounts receivable<br>balance<br>Percentage of total |
|--|--------------------|------------------------------|--|
| Total accounts receivable of the top five balances | <u>811,534,285</u> |                              |  |
| (6,272,795)  |                    | <u>26.40 per cent</u>        |  |

(c) During the year, the Company had no receivables derecognised due to transfer of financial assets (2020: Nil).

(d) provision for bad debts

The Company measures the allowance for losses on accounts receivable, regardless of whether there is a significant financing component, based on expected credit losses over the entire life of the receivables. As at 31 December 2021, accounts receivable of RMB16,106,735 were originally included in accounts receivable from ATLAS TIRE LLC. in the portfolio of overseas customers and accounts receivable from Zhejiang Zongtai Automobile Manufacturing Company Limited and Harbin Chengfa Tire Sales Company Limited in the portfolio of domestic customers, due to the poor operation of the counterparty companies or the existence of disputes over payment of the goods, therefore, the Group evaluated different scenarios for the accounts receivable, and

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based on the difference between the expected cash flow to be recovered and the contractual cash flow receivable. Therefore, the Group assessed the expected cash flows that might be recovered under different scenarios for these amounts and made a full provision for bad debts of RMB16,106,735 based on the present value of the difference between the cash flows and the cash flows receivable under the contracts.

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15 Notes to the Corporate Financial  
Statements Project (continued)

(1) Accounts receivable (continued)

(d) Provision for bad debts (continued)

(i) The accounts receivable for which the portfolio has a bad debt  
provision are analysed below:

Portfolio I: Domestic client portfolio

| 31 December 2021          |               |  |               | 31 December 2020   |  |  |               |
|---------------------------|---------------|--|---------------|--------------------|--|--|---------------|
| Carrying amount           |               | provision for bad debts  |               | Carrying amount    |  | provision for bad debts  |               |
| sum of money              |               | Expected rate of credit loss<br>over the life of the programme | sum of money  | sum<br>of<br>money |  | Expected rate of credit loss over<br>the life of the programme | sum of money  |
| Domestic client portfolio |               |  |               |                    |  |  |               |
| Within one year           | 1,891,871,969 | 1%   | (18,916,902)  | 1,845,164,786      |  | 1%   | (18,453,177)  |
| One to two years          | 29,773,844    | 50%  | (14,886,922)  | 53,580,821         |  | 50%  | (26,790,411)  |
| Two to three years        | 32,554,650    | 80 per cent  | (26,043,720)  | 4,779,319          |  | 80 per cent  | (3,823,455)   |
| More than three years     | 55,239,330    | 100%   | (55,239,330)  | 51,201,590         |  | 100%   | (51,201,594)  |
|                           | <u>0</u>      |  |               | <u>4</u>           |  |  |               |
|                           | 2,009,439,793 |  | (115,086,874) | 1,954,726,520      |  |  | (100,268,637) |

Portfolio II: Overseas

Client Portfolio

31 December 2021

31 December 2020

|                             | Carrying amount |  | provision for bad debts |  |  | Carrying amount |  | provision for bad debts |  |
|-----------------------------|-----------------|--|-------------------------|--|--|-----------------|--|-------------------------|--|
|                             | sum of money    | Expected credit loss ratio for the entire duration | Amount                  |  |  | sum of money    | Expected credit loss ratio for the entire duration | Amount                  |  |
| Overseas Customer Portfolio |                 |  |                         |  |  |                 |  |                         |  |
| less than one year          | 300,841,107     | 0.5 per cent                                       | (1,504,206)             |  |  | 196,122,019     | 0.5 per cent                                       | (980,611)               |  |
| One to two years            | 2,979,768       | 20 per cent  | (595,954)               |  |  | 1,216,296       | 20 per cent  | (243,259)               |  |
| Two to three years          | -               | 80 per cent  | -                       |  |  | 9,701,929       | 80 per cent  | (7,761,543)             |  |
| More than three years       | 12,058,215      | 100%   |                         |  |  | 2,832,914       | 100%   | (2,832,914)             |  |
|                             | <u>5</u>        |  | <u>(12,058,215)</u>     |  |  | <u>4</u>        |  |                         |  |
|                             | 315,879,090     |  | <u>(14,158,375)</u>     |  |  | 209,873,158     |  | <u>(11,818,327)</u>     |  |



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XV Notes to the corporate financial statements (continued)

(1) Accounts receivable (continued)

(d) Provision for bad debts (continued)

As at 31 December 2021, except for the above accounts receivable for which provision for bad debts is made individually and in combination, the

The Company also has accounts receivable from subsidiaries of \$732,784,626 (31 December 2020: \$452,486,043) for which no provision for bad debts has been made.

- (e) Provision for bad debts for the year amounted to \$17,158,285 and reversal of provision for bad debts amounted to \$1,504,268.

Other decreases due to exchange rate changes  
amount to \$108,633.

- (f) There were no actual write-offs of accounts receivable and bad debt provisions during the year.

(2) Other receivables

|   | 31 December 2021     | 31 December 2020       |
|---|----------------------|------------------------|
| Receivables from subsidiaries           | 4,650,097,972        | 2,975,290,914          |
| Dividends receivable from subsidiaries  | 300,000,000          | -                      |
| Insurance compensation receivables      | 13,666,684           | 13,986,503             |
| Imprest receivable from employees       | 4,769,369            | 5,442,735              |
| Receivables for equipment and materials | 3,038,448            | 3,038,448              |
| the rest                                | <u>2,749,558</u>     | <u>9,003,555</u>       |
|   | 4,974,322,031        | <u>7</u> 3,006,762,157 |
| Less: provision for bad debts           | <u>(17,310,858)</u>  | <u>(17,512,801)</u>    |
|   | <u>4,957,011,173</u> | <u>2,989,249,356</u>   |

- (a) The ageing analysis of other receivables is as follows:

|                       | 31 December 2021  | 31 December 2020  |
|-----------------------|-------------------|-------------------|
| less than one year    | 4,954,879,968     | 2,986,815,547     |
| One to two years      | 1,381,952         | 1,528,671         |
| Two to three years    | 144,538           | 146,839           |
| More than three years | <u>17,915,573</u> | <u>18,271,100</u> |

$$\frac{4.974.322,031}{7} = \frac{3.006.762,15}{7}$$

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XV Notes to the corporate financial statements (continued)

(2) Other accounts receivable (continued)

(b) Provision for losses and changes in its carrying amount

|                        | Phase I Phase  |                    | III                |                 |              |
|------------------------|--|--------------------|--------------------|-----------------|--------------|
|                        | Expected credit losses over the next 12 months (portfolio) |                    |                    |                 | Expected     |
|                        | credit losses over lifetime (credit impairments incurred)  |                    |                    |                 | Total        |
|                        | Carrying amount  |                    | Bad debt provision | Carrying amount | Bad debt     |
|                        | provision  | Bad debt provision |                    |                 |              |
| 31 December 2020       | 2,989,737,206  | (487,850)          | 17,024,951         | (17,024,951)    | (17,512,801) |
| Change in current year | 1,967,879,693  | (117,876)          | (319,819)          | 319,819         | 201,943      |
| 31 December 2021       | 4,957,616,899  | (605,726)          | 16,705,132         | (16,705,132)    | (17,310,858) |

At 31 December 2021 and 31 December 2020, the Company did not have any other receivables in stage II. Other receivables in stages I and III are analysed below:

(i) An analysis of other receivables with individual bad debt provisions as at 31 December 2021 is as follows:

|                         | Carrying amount | Expected rate of credit loss<br>over the life of the<br>programme | provision for bad<br>debts | rationale |
|-------------------------|-----------------|---|----------------------------|-----------|
| Phase III               |                 |   |                            |           |
| Compensation receivable | 13,666,684      | 100%  | 13,666,684                 | i)        |
| Material                | 3,038,448       | 100%  | 3,038,448                  | ii)       |

receivables

16.705,1 3 2

16.705,1 3 2

Shandong Linglong Tyre Co.

Notes to the financial statements

2021

(Amounts in Renminbi Yuan unless otherwise stated)

XV Notes to the corporate financial statements (continued)

(2) Other receivables (continued)

(b) Provision for losses and changes in their carrying amount (continued)

(i) An analysis of other receivables with individual bad debt provisions at 31 December 2020 is as follows:

|                         | Carrying amount   | Expected rate of credit loss<br>over the life of the<br>programme | provision for bad<br>debts | rationale |
|-------------------------|-------------------|---|----------------------------|-----------|
| Phase III               |                   |   |                            |           |
| Compensation receivable | 13,986,503        | 100%  | 13,986,503                 | i)        |
| Material receivables    | <u>3,038,448</u>  | 100%  | <u>3,038,448</u>           | ii)       |
|                         | <u>17,024,951</u> |   | <u>17,024,951</u>          |           |

i) At 31 December 2021, an amount of RMB13,666,684 was due from PICC for insurance compensation. The age of this receivable has exceeded three years and the PICC is unable to set up a loss to verify it, therefore, the Company has assessed the cash flows expected to be potentially recoverable under different scenarios in respect of this amount and has made a provision for bad debts of \$13,666,684 (31 December 2020: \$13,986,503) in full, based on the present value of the difference between the amount and the cash flows receivable from the contract.

ii) At 31 December 2021, the Company's prepayment for materials was in dispute and therefore the Company assessed the cash flows expected to be potentially recoverable under different scenarios for this payment and a provision for bad debts of \$3,038,448 (31 December 2020: \$3,038,448) has been made in full based on the present value of the

difference between this and the cash flows receivable on the contract.

Shandong Linglong Tyre Co.

Notes to the financial statements

2021

(Amounts in Renminbi Yuan unless otherwise stated)

XV Notes to the corporate financial statements (continued)

(2) Other receivables (continued)

(b) Provision for losses and changes in their carrying amount (continued)

(ii) As at 31 December 2021 and 31 December 2020, the portfolio's other receivables with bad debt provision were in stage 1, as analysed below:

|  | 2021 31 December 2009 |                      |                        | 31 December 2020 |                      |                        |
|--|-----------------------|----------------------|------------------------|------------------|----------------------|------------------------|
|  | carrying amount       | Provision for losses |                        | carrying amount  | Provision for losses |                        |
|  | sum of money          | sum of money         | Percentage of accruals | sum of money     | sum of money         | Percentage of accruals |
| Employee reserve portfolio:                                |                       |                      |                        |                  |                      |                        |
| less than one year   | 3,002,692             | -                    | 0 per cent             | 3,456,414        | -                    | 0 per cent             |
| One to two years   | 1,160,951             | -                    | 0 per cent             | 1,498,471        | -                    | 0 per cent             |
| Two to three years   | 144,538               | (144,538)            | 100%                   | 44,765           | (44,765)             | 100%                   |
| More than three years                                      | 461,188               | (461,188)            | 100%                   | 443,085          | (443,085)            | 100%                   |
|  | <u>4,769,369</u>      | <u>(605,726)</u>     |                        | <u>5,442,735</u> | <u>(487,850)</u>     |                        |
| Portfolio of other receivables such as deposits and bonds: |                       |                      |                        |                  |                      |                        |
| less than one year   | 1,779,304             | -                    | 0 per cent             | 8,068,219        | -                    | 0 per cent             |
| One to two years   | 221,001               | -                    | 0 per cent             | 30,200           | -                    | 0 per cent             |
| Two to three years   | -                     | -                    | 0 per cent             | 102,074          | -                    | 0 per cent             |
| More than three years                                      | <u>749,253</u>        | <u>-</u>             | 0 per cent             | <u>803,064</u>   | <u>-</u>             | 0 per cent             |
|  |                       |                      |                        | <u>4</u>         |                      |                        |

|                               |                        |                  |            |                        |                  |            |
|-------------------------------|------------------------|------------------|------------|------------------------|------------------|------------|
|                               | <u>2,749,5 5 8</u>     | <u>-</u>         |            | <u>9,003,5 5</u>       | <u>-</u>         |            |
|                               |                        |                  |            | <u>7</u>               |                  |            |
| Receivables from subsidiaries |                        |                  |            |                        |                  |            |
| less than one year            | 4,650,097,972          | -                | 0 per cent | 2,975,290,914          | -                | 0 per cent |
| Dividends receivable          |                        |                  |            |                        |                  |            |
| less than one year            | <u>300,000,0 0 0</u>   | <u>-</u>         | 0 per cent | <u>-</u>               | <u>-</u>         | 0 per cent |
|                               | <u>4,957,616.8 9 9</u> | <u>(605.726)</u> |            | <u>2,989,737,2 0 6</u> | <u>(487,850)</u> |            |



Shandong Linglong Tyre Co.

Notes to the financial statements

2021

(Amounts in Renminbi Yuan unless otherwise stated)

XV Notes to the corporate financial statements (continued)

(2) Other receivables (continued)

- (c) Provision for bad debts for the year amounted to \$117,876, and other decreases due to changes in exchange rates amounted to 319,819.
- (d) There were no other receivables actually written off during the year.
- (e) An analysis of the top five other receivables with balances aggregated by party owed at 31 December 2021 is set out below:

|                       | characteristic         | balances             | age of accounts    | Percentage of other accounts receivable balances<br>Percentage of total |
|-----------------------|------------------------|----------------------|--------------------|---|
| Jilin Linglong        | Subsidiary borrowings  | 1,132,939,250        | less than one year | 22.78 per cent  |
| Hubei Linglong        | Subsidiary borrowings  | 891,408,511          | less than one year | 17.92 per cent  |
| Linglong Mechatronics | Subsidiary debit loans | 763,380,107          | less than one year | 15.35 per cent  |
| Guangxi Linglong      | Subsidiary debit loans | 685,550,826          | less than one year | 13.78 per cent  |
| Jinan Linglong        | Subsidiary debit loans | 407,341,676          | less than one year | 8.19 per cent   |
|                       |                        | <u>3,880,620,370</u> |                    | <u>78.02 per cent</u>   |

(3) Long-term equity investments

|              | 31 December 2021     | 31 December 2020     |
|--------------|----------------------|----------------------|
| Subsidiaries | <u>7,228,103,421</u> | <u>5,609,459,043</u> |

Shandong Linglong Tyre Co.

Notes to the financial  
statements

2021

(Amounts in Renminbi Yuan unless  
otherwise stated)

15 Notes to the Corporate Financial  
Statements Project (continued)

(3) Long-term equity investments  
(continued)

associated company

|            | 2020          | Increase/decrease during<br>the year |                       |                           |          | 2021          | Provision for<br>impairment Distribution<br>declared during the<br>year |                   |
|------------|---------------|--------------------------------------|-----------------------|---------------------------|----------|---------------|---|-------------------|
|            | 31 December   | Additional<br>investments            | Reduced<br>investment | provide for<br>impairment | the rest | 31 December   | Balance at<br>end of year   | cash<br>dividends |
| Guangxi    |               |                                      |                       |                           |          |               |   |                   |
| Linglong   | 1,599,335,844 | 206,995,136                          | -                     | -                         | -        | 1,806,330,980 | -   | 150,000,000       |
| Texas      | 655,427,240   | 5,993,915                            | -                     | -                         | -        | 661,421,155   | -   | 150,000,000       |
| Linglong   | 229,216,000   | 620,029,950                          | -                     | -                         | -        | 849,245,950   | -   | -                 |
| Hong Kong  | 1,243,458     | 1,846,185                            | -                     | -                         | -        | 3,089,643     | -   | -                 |
| Tiancheng  | 1,222,861,061 | 6,369,859                            | -                     | -                         | -        | 1,229,230,920 | -   | -                 |
| Beijing    | 228,154,475   | 5,067,878                            | -                     | -                         | -        | 233,222,353   | -   | -                 |
| Linglong   | 50,000,000    | -                                    | -                     | -                         | -        | 50,000,000    | -   | -                 |
| Thailand   | 201,524,088   | 3,504,512                            | -                     | -                         | -        | 205,028,600   | -   | -                 |
| Linglong   | 5,000,000     | -                                    | -                     | -                         | -        | 5,000,000     | -   | -                 |
| g          | 63,352        | -                                    | -                     | -                         | -        | 63,352        | -   | -                 |
| electromec | 1,202,667,525 | 401,936,447                          | -                     | -                         | -        | 1,604,603,972 | -   | -                 |
| hanical    | 41,286,000    | 5,257,092                            | -                     | -                         | -        | 46,543,092    | -   | -                 |
| Shanghai   | 30,000,000    | -                                    | -                     | -                         | -        | 30,000,000    | -   | -                 |
|            | 3,000,000     | 123,404                              | -                     | -                         | -        | 3,123,404     | -   | -                 |

Linglong  
Rubber  
Technology  
Tiancheng  
Dikun  
Singapore  
Linglong  
Hubei  
Linglong  
Intelligent  
Technology  
Dandelion  
Technolog  
y  
Shandong Atlas  
Internatio  
nal Trade  
Jinan  
Linglong  
Jilin  
Linglong  
Shaanxi  
Linglong

Shandong Linglong Tyre  
Co.

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2021

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otherwise stated)

XV Notes to the corporate

financial statements (continued)

(4) Operating income and operating costs

|                              | 2021                    | 2020                    |
|------------------------------|-------------------------|-------------------------|
| Revenue from main operations | 12,667,364,899          | 12,630,636,638          |
| Other operating income       | <u>1,997,731,025</u>    | <u>1,474,400,359</u>    |
|                              | <u>14,665,095,924</u>   | <u>14,105,036,997</u>   |
|                              | 2021                    | 2020                    |
| Main operating costs         | (11,449,819,166)        | (10,840,527,080)        |
| Other operating costs        | <u>(1,840,557,940)</u>  | <u>(1,328,983,823)</u>  |
|                              | <u>(13,290,377,106)</u> | <u>(12,169,510,903)</u> |

(a) Revenue from main operations and cost of main operations

|                | 2021  | 2020  |
|----------------|---|---|
|                | Revenue from operations                         | Cost of operations                              |
|                | Operating Costs                                 | Revenue from                                    |
| Sales of tyres | <u>12,667,364,899</u> ( <u>11,449,819,166</u> ) | <u>12,630,636,638</u> ( <u>10,840,527,080</u> ) |

(b) Other operating income and other operating costs

|                              | 2021                   | 2020                   |
|------------------------------|------------------------|------------------------|
|                              | Other operating income | Other operating costs  |
| Sales of materials and scrap | 1,722,015,166          | (1,668,078,490)        |
| the rest                     | <u>275,715,859</u>     | <u>(172,479,450)</u>   |
|                              | <u>1,997,731,025</u>   | <u>(1,840,557,940)</u> |
|                              | Other operating income | Other operating costs  |
|                              | 1,272,537,533          | (1,230,702,416)        |
|                              | <u>201,862,826</u>     | <u>(98,281,407)</u>    |
|                              | <u>1,474,400,359</u>   | <u>(1,328,983,823)</u> |

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Notes to the financial  
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2021

(Amounts in Renminbi Yuan unless  
otherwise stated)

XV Notes to the corporate  
financial statements (continued)

(4) Operating income and operating costs (continued)

(c) The Company's operating income is broken down as follows:

|   | 2021                  |   |                    |                       |
|---|-----------------------|---|--------------------|-----------------------|
|   | Tyre Products         | Sales materials<br>and<br>waste materials | the rest           | add up the total      |
| Revenue from main operations              | 12,667,364,899        | -   | -                  | 12,667,364,899        |
| Of which: confirmed at a point in<br>time | 12,667,364,899        | -   | -                  | 12,667,364,899        |
| Confirmation at a given<br>point in time  | -                     | -   | -                  | -                     |
| Other operating income (i)                | -                     | 1,722,015,166                             | 275,715,859        | 1,997,731,025         |
|   | <u>12,667,364,899</u> | <u>1,722,015,166</u>                      | <u>275,715,859</u> | <u>14,665,095,924</u> |

(i) Revenue from the sale of materials and scrap materials is recognised at a point in time.

At 31 December 2021, revenue corresponding to the Company's performance obligations under contracts entered into but not yet completed

The amount is \$272,219,546, all of which the Company expects to recognise revenue in 2022.

(5) investment income

|   | 2021                | 2020               |
|---|---------------------|--------------------|
| Distribution of dividends from<br>subsidiaries  | 300,000,000         | 240,000,000        |
| Financial Products Investment<br>Income         | -                   | (346,477)          |
| Loss on discounting of<br>receivables financing | (14,297,620)        | (21,502,438)       |
| Loss of investment in futures<br>business       | <u>(16,749,650)</u> | <u>(636,894)</u>   |
|   | <u>268,952,730</u>  | <u>217,514,191</u> |

Shandong Linglong Tyre  
Co.

Supplementary information to  
the financial report  
2021

(Amounts in Renminbi Yuan unless

- Breakdown of non-recurring gains and losses

|  | 2021               | 2020               |
|--|--------------------|--------------------|
| Gain/loss on disposal of non-current assets  | 33,927,907         | (10,100,067)       |
| Government grants recognised in profit or loss   | 142,548,511        | 107,269,516        |
| Litigation/arbitration compensation expenses   | (12,690,830)       | (63,063)           |
| Proceeds from litigation compensation  | 2,821,660          | 4,981,701          |
| Except for effective hedging operations related to the Group's normal operating business   |                    |                    |
| In addition to the above, financial assets and financial liabilities held for trading are not recognised in the consolidated financial statements. |                    |                    |
| Gains and losses on changes in fair value and disposal of trading financial assets, trading  |                    |                    |
| Investment income from easy financial liabilities  | 23,092,757         | 60,749,629         |
| Debt restructuring (losses)/gains  | -                  | (2,053,146)        |
| Reversal of provision for impairment of receivables individually tested for impairment   | 1,504,267          | 3,513,951          |
| Income from fines  | 4,225,711          | 7,046,558          |
| Other net non-operating income and expenses  | (10,737,852)       | (11,048,116)       |
|  | 184,692,131        | 160,296,963        |
| Income tax effect  | (38,441,083)       | (25,627,767)       |
|  | <u>146,251,048</u> | <u>134,669,196</u> |

Basis of preparation of the statement of non-recurring gains and losses

According to the "Interpretative Announcement No. 1 on Information Disclosure of Companies Issuing Public Securities - Non-recurring Gains and Losses" [2008] of the China Securities Regulatory Commission, non-recurring gains and losses refer to gains and losses arising from transactions and events that are not directly related to the Company's normal business operations, and those that, although related to the normal business operations, are of a special nature and occasional nature, which affects the users of the statements' proper judgement of the Company's operating results and profitability. Gains and losses arising from transactions and events that are not directly related to the Company's normal business operations and that, although related to normal business operations, are of a special and occasional nature that affects the ability of users of the statements to make a correct judgement on the Company's operating performance and profitability.

II Return on net assets and earnings per share

|  |  | weighted average<br>Return on net<br>assets (%) | earnings<br>per share       |                                  |
|--|--|---|-----------------------------|----------------------------------|
|  |  |   | basic earnings<br>per share | diluted<br>earnings per<br>share |
|  |  |   |                             |                                  |

Shandong Linglong Tyre  
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2021

|   |   |       |      |      |
|---|---|-------|------|------|
| 2021<br>(Amounts in Renminbi Yuan unless<br>otherwise stated) | Net profit attributable to ordinary<br>shareholders of the Company  | 4.79  | 0.58 | 0.58 |
|   | Attributable to the Company's<br>ordinary shareholders after<br>extraordinary gains and losses<br>Net profit for ordinary<br>shareholders | 3.90  | 0.47 | 0.47 |
| 2020  | Net profit attributable to ordinary<br>shareholders of the Company  | 17.69 | 1.82 | 1.77 |
|   | Attributable to the Company's<br>ordinary shareholders after<br>extraordinary gains and losses<br>Net profit for ordinary<br>shareholders | 16.61 | 1.71 | 1.66 |