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Prin'' Chengshan Holdings Limited

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Company Information

Board of Directors

Executive Director

Mr. Che Po Zhen (Chief Executive Officer) Mr. Shi Fu Tao
Ms. Cao Xueyu

Non-Executive Directors

Mr. Che Hongzhi (Chairman) Mr. Wang Lei
Mr. Shao Quanfeng

Independent non-executive directors

Mr. Zhang Xuehuo
Mr. Cai Zijie Mr. Wang Chuanshe ng

Audit Committee

Mr. Cai Zijie (Chairman) Mr. Wang Chuansheng
Mr. Zhang Xuemo

Nominating and Compensation Committee

Mr. Zhang Xuepuo (Chairman) Mr. Che Baozhen
Mr. Tsai Tzu-Chieh

Development Strategy and Risk Management Committee

Mr. Che Hongzhi (Chairman) Mr. Wang Chuansheng
Mr. Zhang Xuemo

Registered Office

P.O. Box 472
Har
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Plac
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2nd
Floo
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103
Sou
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Chu
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Stre
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Geo
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Cay
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KY1-
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Main Business Locations in China

China
Rongc
heng
City,
Shand
ong
Provin
ce
No.98, Nanshan North Road

Main Business Locations in Hong Kong

Hong Kong Kowloon
Unit A-1, 19/F,
Tower A, Billion
King Centre, 1
Wang Kwong
Road, Kowloon
Bay

Authorized Representative

Ms. Cao
Xueyu Mr.
Shi Fu Tao

Joint Company Secretary

Ms. Xueyu Cao *(CPA (Aust.), ACMA)*
Ms. Kaji Szeto *(ACG, HKACG)*
(Appointed on 19 July 2021)
Ms. Lam Yuk Ling *(ACG, HKACG)*
(resigned on July 19, 2021)

Legal Advisors

Merrill Lynch & Company
The Landmark, 15
Queen's Road
Central, Hong
Kong
33rd Floor, Duke Mansion

Auditors

Executive Accountant,
PricewaterhouseCoope
rs
Cent
ral,
Hon
g
Kon
g
22nd Floor, Prince's Building

Main Banks

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

Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Securities Registry

Computershare Hong
Kong Investor Services
Limited Hong Kong
Wanchai
Shop 1712-1716,
17/F, Hopewell
Centre, 183
Queen's Road
East

Company Website

www.prinxchengshan.com

Stock Code

1809

Release Date

October 9, 2018

Summary of the consolidated profit and loss account

	For the year ended December 31				
	2021 RMB thousand	2020 RMB thousand	2019 RMB thousand	2018 RMB thousand	2017 RMB thousand
Revenue	**7,537,161**	6,283,130	5,588,988	5,206,087	4,840,396
Maori	**1,039,148**	1,401,363	1,075,274	1,003,053	768,597
Finance(cost)/revenue	**(4,836)**	9,129	10,429	(4,595)	(9,587)
Profit before income tax	**265,902**	698,216	550,004	561,780	210,018
Income tax expense	**10,400**	(93,468)	(70,287)	(83,180)	(36,446)
Profit for the year	**276,302**	604,748	479,717	478,600	173,572
Profit attributable to					
- Our shareholders	**276,304**	604,820	479,717	478,600	173,698
- Non-controlling interests	**(2)**	(72)	-	-	(126)
	276,302	604,748	479,717	478,600	173,572
Earnings per share attributable to shareholders of the Company for the year					
-Basic(RMB)	**0.43**	0.95	0.76	0.90	0.40
-Dilution(RMB)	**0.43**	0.95	0.76	0.90	0.40

Consolidated assets, liabilities and non-controlling interests

	On December 31				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**4,931,751**	4,043,888	2,673,996	1,549,843	1,326,898
Current assets	**4,168,659**	3,445,990	3,154,252	3,706,577	2,649,089
Total Assets	**9,100,410**	7,489,878	5,828,248	5,256,420	3,975,987
Non-current liabilities	**1,710,889**	705,761	91,916	52,363	400,957
Current liabilities	**3,469,389**	3,003,914	2,322,014	2,158,100	1,973,781
Total liabilities	**5,180,278**	3,709,675	2,413,930	2,210,463	2,374,738
Net Asset Value	**3,920,132**	3,780,203	3,414,318	3,045,957	1,601,249
Equity attributable to the Company's shareholders	**3,920,332**	3,779,586	3,413,929	3,046,083	1,601,375
Non-controlling interests	**(200)**	617	389	(126)	(126)

Key Financial Indicators

	2021	2020	2019	2018	2017

Gross profit margin	**13.8%**	22.3%	19.2%	19.3%	15.9%
Net profit margin	**3.7%**	9.6%	8.6%	9.2%	3.6%
Return on Total Assets	**3.3%**	9.1%	8.7%	10.4%	4.5%
Return on Equity	**7.2%**	16.8%	14.9%	20.6%	11.2%
Gearing Ratio	**56.9%**	49.5%	41.4%	42.1%	59.7%

Key Financial Indicators for the Year Ended **December 31**, 2021

+20.0% YoY

Operating income

7,537.2

RMB million

-54.3% YoY

Net profit

276.3

RMB million

-8.5ppt YoY

Gross margin

13.8%

-6.0ppt YoY

Net Interest Rate

3.7%

+3.7% YoY

Net Asset Value

3,920.1

RMB million

-54.7% YoY

Earnings per share - Basic

0.43

Renminbi

Group Overview

Puling Chengshan Holdings Limited ("Company" or "Puling Chengshan") headquartered in Rongcheng City, Shandong Province, China, is a modern enterprise specializing in the research and development, manufacturing, sales and provision of full life-cycle services of tires, and is a leading domestic manufacturer in the commercial all-steel radial tire replacement market in China and one of the most influential tire enterprises in China. Over the years, with the core strategy of "cost leadership, efficiency-driven, differentiated competition and global operation", Puling Chengshan has insisted on global development and established two production bases in China and Thailand, as well as three sales centers in China, North America and Europe, forming a global development layout.

The three major products of the Company and its subsidiaries ("Group") are all-steel radial tires ("All Steel Radial Tires"), semi-steel radial tires

and bias tires ("bias tires") All-steel radial tires, which are the main source of the Group's revenue, are mainly used in medium/long-distance transportation, buses, mixed-road or off-road vehicles, light trucks, etc.; semi-steel radial tires are mainly used in passenger cars, pickup trucks, sport utility vehicles (SUVs), etc.; and bias tires are mainly installed in vehicles for agricultural and industrial off-road conditions. The Group's products have been certified by the relevant authorities in major tire markets around the world, including DOT in the U.S., ECE and R117 in the EU, etc.

The Group owns four famous tire brands, namely Prinx, Chengshan, Austone and Fortune. The

Group has a well-established and comprehensive global sales network covering major tire markets and

currently sells the Group's products through three main channels:

(i) Sales to the replacement market through distributors in China and overseas;

(ii) direct sales to automobile manufacturers; and

(iii) Sell to labeled customers.

Dear Shareholders:

On behalf of the board of directors (the "Board") of Poh Lam Seng San (the "Board"), I am pleased to present for review the results of operations and prospects of the Company for the year ending December 31, 2021.

Looking back to 2021, the tire industry is under pressure due to the development of the Newcastle Pneumonia Epidemic ("Epidemic") and the imbalance in the global supply chain. The Group is facing multiple pressures. First, the cost pressure from the increase in raw material prices. The difference between domestic and overseas responses to the epidemic brought about a mismatch between global supply and demand recovery, resulting in a significant increase in upstream raw material prices; coupled with the impact of domestic policies such as "dual control of energy consumption" ("dual control of energy consumption intensity and total volume") and "dual restrictions" ("restrictions on electricity and production), energy and labor costs increased, increasing the pressure on production costs in the manufacturing industry. Second, is the global supply chain imbalance brought about by the operational pressure. The unpredictability of shipping costs and the decrease in the efficiency of global shipping has increased the cost of product delivery and lengthened the delivery time, which has posed challenges to the inventory and operations of companies. In addition, the weak domestic market demand has intensified the price competition in the tire industry, and the industry as a whole has entered a phase of capacity liquidation and lower profitability.

Despite the tough operating environment, we have faced challenges proactively, responded to them proactively and adjusted our strategies in a timely manner to strengthen our resilience in the face of adversity. During the Reporting Period, the Group further optimized its sales structure by consolidating its market share in the commercial vehicle tire market and developing the passenger car tire segment, while successfully commencing production and operating the Thailand plant with high quality. During the year ended 31 December 2021 (the "Reporting Period") the Group recorded total revenue of RMB7.54 billion, representing a year-on-year increase of 20.0%, and net profit of RMB276 million, representing a year-on-year decrease of approximately 54.3%.

In 2021, the internal and external situation is complex and severe. All directors are dedicated to their duties and responsibilities. The Board of Directors paid close attention to the changes in the domestic and international epidemic and the development trend of the tire industry, gained insight into the changes in the industry landscape, established a new vision and mission of "leading tire innovation, contributing to smart mobility and sustainable development, and achieving a better life", formulated a medium- and long-term plan for the future, set a stage goal of achieving revenue of 16 billion yuan by 2025, and strived to drive sales volume growth with sales channels and brand building, continuously improved manufacturing capacity and level to meet market demand, and strengthened innovation in tire manufacturing and sales model. We aim to achieve sustainable and high-quality development by building sales channels and brands to drive sales growth, continuously improving our manufacturing capacity and level to meet market demand, and strengthening innovation in tire manufacturing and sales models.

During the reporting period, the Group actively pursued the transformation and upgrade of "smart" manufacturing and the expansion of its production capacity. The Group's first overseas production base, the first phase of the Thailand Tire Production Base ("Thailand Tire Production Base") reached full capacity in 2021 with excellent operating results, and in 2022, Puling Chengshan will receive additional production capacity. The expansion project of Shandong Tire Production Base ("Shandong Tire Production Base") (1.05 million all-steel radial tires/year and 2.8 million semi-steel radial tires/year) has successfully reached production at the end of the first quarter of 2022. The second phase of the project in Thailand (1.2 million all-steel radial tires per year and 4 million semi-steel radial tires per year) has reached capacity by the end of the first quarter of 2022. The Group is also planning to build its second production base in China, Anhui Tire Production Base ("Anhui Tire Production Base") to upgrade its intelligent manufacturing, focus on the needs of new energy users and enhance its manufacturing competitiveness.

Looking ahead to 2022, the volatility caused by the epidemic and geopolitical crisis will continue, and the business environment will be severe and complex. Meanwhile, global supply chain efficiency is expected to improve, upstream raw material prices are stabilizing, market demand is gradually improving, and growth in the new energy sector is strong. The Group will seize the opportunity to launch a passenger car branding program, upgrade its channels, further optimize its structure and increase its market share in the passenger car tire market; promote the construction and operation of the second phase of the Thailand plant to enhance the supply capacity of its overseas production bases and expand its market share in Europe and the United States; and continue to increase its investment in fleet services and tire recycling to strengthen its sustainable development capability.

In the face of challenges and opportunities, the Board of Directors will do its part to control the balance between sustainable development and risk prevention, strengthen the core competitiveness of the company in terms of products, brands and channels, further optimize the product structure and channel structure, and continue to create value for customers, contribute to society and bring returns to shareholders!

Lastly, I would like to express my gratitude to all staff for their hard work in the development of the Group! I would like to express my gratitude to all shareholders and friends for their support and assistance to the Group!

Che Hongzhi
President

Shandong, China, May 10, 2022

Management Discussion and Analysis

Business Review and Outlook

Industry News

In 2021, the continuation of the epidemic and the emergence of a new variant of the virus will pose a great challenge to the tire industry in which the Group operates. Due to the significant increase in raw material prices, coupled with the increase in energy prices in the second half of the year as a result of China's dual energy consumption control and power restriction policies, the Chinese tire manufacturing industry is facing severe cost pressure.

The Company's all-steel and semi-steel radial tires are under tremendous pressure in the domestic market. In the domestic market, domestic heavy truck vehicles are under pressure due to "National 5" and

The impact of the switch to the "National VI" standard led to rapid sales growth in the first half of 2021, which effectively boosted the sales of commercial vehicle tire packages; however, the severe decline in sales of heavy trucks from the third quarter of 2021 led to a decrease in the demand for commercial vehicle tires packages. Due to the slowdown of China's economic growth and the lack of cores in automobiles, the supporting market and replacement demand for passenger car tires were weak. Although the tire manufacturing enterprises have launched several rounds of "price increases", due to the weak demand and fierce competition in the domestic market, the increase in raw material prices could not be fully transferred to the sales price, resulting in a decline in the profit margin of the tire industry from the domestic market.

The overseas tire market rebounded in demand under the relaxation of epidemic prevention and control in overseas countries and regions and the positive fiscal stimulus policy. However, due to the sluggish international maritime transport and the sharp increase in maritime transport prices, the export of domestic and Southeast Asian production capacity to Europe and the United States is restricted, and the profit of overseas business is under pressure. At the same time, the continued impact of the epidemic in overseas markets and the low efficiency of international cargo clearance in 2021 have increased the waiting cost for overseas customers in the transportation sector, which in effect prolonged the recovery cycle of corporate capital.

In early 2021, the U.S. decided to continue to impose double anti-dumping duties on passenger car tires imported from China, following the release of the results of the five-year review of double anti-dumping on passenger car tires imported from China; at the same time, the Eurasian Economic Commission decided to extend anti-dumping measures on load tires originating from China until August 2026; in May 2021, the U.S. Department of Commerce announced the final anti-dumping decision on passenger car and light truck tires from Korea, Thailand, Vietnam and Taiwan, China. In May 2021, the U.S. Department of Commerce announced the final anti-dumping decision on passenger car and light truck tires from Korea, Thailand, Vietnam and Taiwan, China, and the Group applied a 17.06% tax rate with reference to other tire companies in Thailand. China's high-quality tire companies insist on going overseas and diversifying their production capacity to avoid national trade barriers.

Operations Review

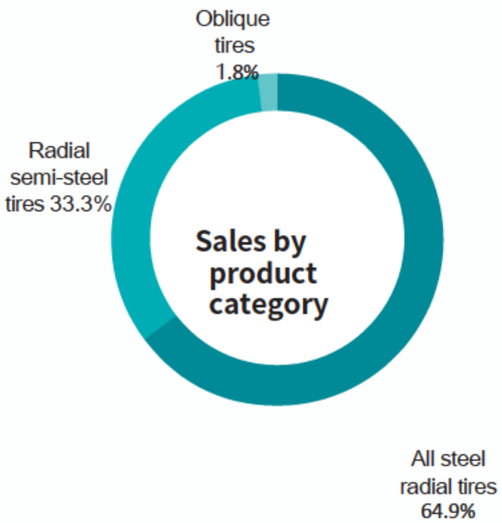
As a leading domestic manufacturer in China's commercial all-steel radial tire replacement market, Pulin Chengshan has been engaged in tire design, R&D, manufacturing and sales for 45 years, with the mission vision of "leading tire innovation, contributing to smart mobility and sustainable development, and achieving a better life", and insisting on the core strategy of "cost leadership, efficiency-driven, differentiated competition and global operation".

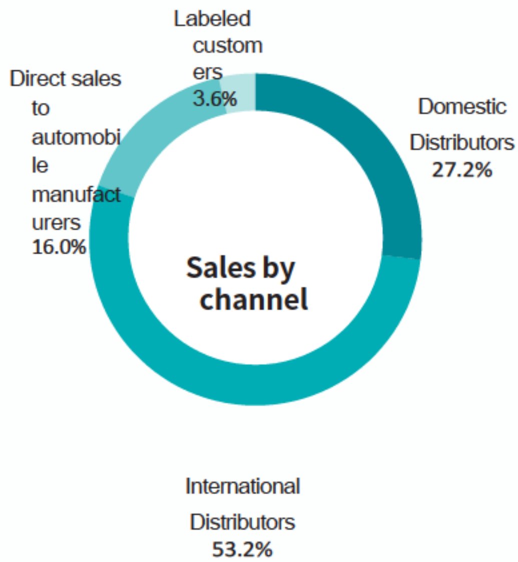
The Group enhances the happiness of drivers by providing a continuous supply of high-performance tires that incorporate the wisdom and care of Urahashi Seikiyama to global dealers and Chinese automobile manufacturers.

During the reporting period, the Group sold approximately 18.6 million tires, representing an increase of approximately 23.2% as compared to 2020. Of which, approximately 6.6 million all-steel radial tires were sold, representing an increase of approximately 3.0% as compared to 2020; approximately 11.6 million semi-steel radial tires were sold, representing an increase of approximately 42.9% as compared to 2020; and approximately 0.47 million bias tires were sold, representing a decrease of approximately 24.3% as compared to 2020. Operating revenue for the year was approximately RMB7,537.2 million, representing a year-on-year increase of approximately 20.0%, while gross profit was approximately RMB1,039.1 million, representing a year-on-year decrease of approximately 25.8%. Profit attributable to owners of the Company for the year ended 31 December 2021 was approximately RMB276.3 million, representing a year-on-year decrease of approximately 54.3%.

The Group will supply the replacement market mainly through distributors and the Group's domestic and international distributor channels will generate operating revenue of approximately RMB2,043.0 million (2020: approximately RMB1,947.2 million) and RMB4,010.9 million respectively for the year ending 31 December 2021

(Operating revenue from direct sales to automobile manufacturers amounted to approximately RMB1,209.2 million (2020: approximately RMB1,747.9 million), accounting for approximately 16.0% of the Group's total revenue, while operating revenue from customers of labeling amounted to approximately RMB274.0 million (2020: approximately RMB228.2 million) [illegible]
RMB274.0 million (2020: approximately RMB228.2 million), accounting for approximately 3.6% of the Group's total revenue. Among them, all-steel radial tires and semi-steel radial tires accounted for 64.9% and 33.3% of the Group's total revenue respectively, while bias tires accounted for approximately 1.8%. In addition, the innovative sales model "Chi On Tat" sales model is being explored and further matured, which will bring new sales growth points.





During the reporting period, the Group adopted the core values of "customer first, responsibility, professionalism, innovation and openness" and organized its work with a pragmatic, open and aggressive attitude.

(1) Drive development with technological innovation and enhance efficiency with lean production

During the reporting period, the Group continued to strengthen its technological research, innovate its R&D methods and continuously improve its R&D capabilities.

R&D capability. Relying on innovative platforms such as the National Enterprise Technology Center, Postdoctoral Workstation, Shandong Tire Manufacturing Innovation Center, Shandong Multi-scale Tire Full Life Cycle Engineering Research Center and Shandong Industrial Design Center, the Group conducts product development and process improvement to enhance the performance of existing products while developing technologies for future products, adding momentum to the sustainable development of the Company.

The Group has implemented a comprehensive and stringent quality control and production management system. The Group's Shandong tire production base promoted technological reforms to reduce costs and production site complexity; continued to promote lean production and implemented 151 cost improvement projects such as product lightweighting, energy saving and operation optimization, which achieved economic benefits beyond expectations; continued to increase automation, improve workshop site management and staff productivity, and improved the working hours of all-steel radial tires / semi-steel radial tire products by 1.2% and 4.4% respectively. The efficiency of all-steel radial tire and semi-steel radial tire products increased by 1.2% and 4.4% respectively, laying a solid foundation for building the Company's core competitive advantage.

The Group's production base in Thailand adopts first-class manufacturing equipment, leading-edge design concepts, intelligent manufacturing and management modes, and conducts R&D design with green and smart manufacturing standards, which is a solid step towards the Group's global development goal. The first phase of the production base in Thailand will commence construction in 2019 and enter operation in the second half of 2020, with full production capacity in 2021 and production capacity, quality and manufacturing costs reaching the expected targets. In 2021, under the unfavorable environment of the epidemic outbreak and its repetition, the management team overcame the difficulties and efficiently carried out all aspects of epidemic prevention and control, operation and management, information technology, and technology trial production. During the reporting period, the capacity utilization rate of all-steel radial tires ("TBR") and semi-steel radial tires ("PCR") at the tire production base in Thailand was 86.7%/94.8%, respectively. Orders were abundant, but delivery was hampered by the shortage of sea freight resources, which affected the delivery of orders. 91.1%/91.9% of the production volume was shipped for TBR/PCR respectively. The product quality is highly recognized by customers, and the relevant products have obtained certifications from EU ECE and R117, Thailand TISI, Malaysia SIRIM, etc. The factory has obtained ISO 9001 (quality system certification), ISO 14001 (environmental management system), ISO 45001 (occupational health management system) certificates and Thailand Green Factory Level 2 certification.

In May 2021, Poulin Chengshan launched the "Quality Culture Building" campaign to develop a quality improvement plan from both management and technology, and this campaign was highly recognized by the whole company, and all employees made a commitment to the company's quality improvement in 2021. 2021 International Quality Festival and Global Consumer Leadership Summit with the theme of "Quality Drives Growth" was held in Beijing on June 24, 2021. Naruyama Urahashi was awarded in the event
"In December 2021, as a representative of new manufacturing enterprises, Pulin Chengshan appeared at the theme event of 2021 China Green Tire Safety Week to popularize green tire-related knowledge for the public and help sustainable low-carbon travel.

(2) Continuously optimize the supply chain system and improve operational efficiency

The Group continued to optimize its supply chain system by analyzing big data to forecast and formulate production plans to stay close to customers' needs, while improving inventory management to form a closed-loop management process system that integrates customers, production, procurement and sales. During the reporting period, the Group's green supply chain activities included suppliers in the company's "Carbon Peak, Carbon Neutral" program, and adhered to the principle of sustainable development in the management, development and maintenance of suppliers; the Group adhered to the 5R procurement principle, and ensured timely procurement and a comprehensive balance of cost and value through clear objectives and process improvement, providing material security for multi-geographic production. The continuous optimization of the supply chain organization and management process has enabled efficient connection between the procurement side and the sales side and enhanced the operational efficiency of the company. In terms of logistics management, we have enhanced the management of carriers and the transportation process through the implementation of TMS (Transportation Management System) to improve customer satisfaction with the delivery process.

(3) Actively develop the market and deepen the distribution of channels to achieve double growth in sales volume and revenue

During the reporting period, the Group's sales volume and revenue increased significantly year-on-year, with domestic distribution, international distribution and domestic ancillary products progressing in tandem and the diversification of sales channels achieving remarkable results. The North American Sales Center achieved sales revenue of RMB1.52 billion, based on its early deployment in the North American market and the timely matching of the new production capacity of its production base in Thailand.

Distributor Channel

Domestic Distributors

Commercial Vehicle Tire Replacement Channel

The Group has a high penetration rate in the all-steel radial tire replacement market in the PRC. Starting from the end of the second quarter of 2021, the logistics and transportation industry and infrastructure construction industry upstream of heavy trucks experienced a downward trend that continued until the end of the year, which, coupled with the rapid growth of heavy truck vehicle ownership in recent years, led to a series of problems such as insufficient supply of goods, more vehicles and fewer goods, excess capacity and low freight prices, resulting in a shrinking all-steel tire replacement market. In the face of the severe business environment, the Group and its dealers shared the hardships and worked together to consolidate its share in the domestic commercial vehicle tire replacement market.

During the reporting period, the Group developed 24 new domestic distributors and added 129 new five-star stores to achieve the target. As at 31 December 2021, there were 167 domestic distributors and 612 five-star stores, with the cumulative contribution from five-star stores accounting for 32.24% of the Group's total sales volume in the domestic all-steel replacement market, further increasing the Group's market share in the domestic all-steel replacement market.

The Group has been actively strengthening the in-depth cooperation with its dealer partners. From April to May 2021, the "Pulim Sangyo Commercial Vehicle Dealership Experience Exchange and Training Conference" was held in Wuhan, Yangzhou, Chengdu and Xi'an to empower dealership operations through exchanges and sharing. On December 15-16, 2021, the "2021-2022 Poh Lam Sung San Commercial Vehicle Replacement Sales Center Dealer Conference" was held in Sanya, Hainan. Distributors from all over the country witnessed the glorious moment when the Chengshan Tire brand was renewed and awarded as one of the "Top 10 Influential Brands of Chinese Tires" by the World Brand Lab together with Puling Chengshan.

Passenger car tire replacement channel

In accordance with its strategic plan, the Group has continued to expand its passenger car tire business. Since the establishment of the new passenger car tire replacement sales center in the first half of 2020, the Group has optimized its organization, management and personnel structure, strengthened its sales team, and promoted channel construction, while increasing brand investment to better serve and develop the domestic passenger car tire replacement market. During the period, the operating revenue of the domestic passenger car replacement sales channel increased by 60.3% year-on-year.

In order to strengthen the communication and collaboration between the company and distributors, Puling Chengshan established the Passenger Car Distributor Committee and held the first meeting in Rongcheng on April 23, 2021. The company and the dealer representatives shared and exchanged views on environmental policies, industry market situation and sales planning, and jointly explored ways to break through the new market situation and create a win-win situation.

In April 2021, the "Xiaopu System", an all-channel digital sales system of Pulin Chengshan, was officially launched. The "Xiaopu System" instantly connects consumers, stores, dealers and factories, integrating data from factory transactions, store transactions and consumer services, building one-thing-one-code information carriers, and realizing real-time updates of tire sales data through the application. Consumers understand product information and pre/after-sales services through "Xiaopu Aijia"; stores complete transactions through "Xiaopu Yundian", and sales staff obtain sales information and analysis reports in real time through "Xiaopu Butler", achieving over 17,000 online store registrations, nearly 1 million completed transactions, and over 4 million software clicks in 2021.

During the reporting period, the Group's domestic distributor channel recorded operating revenue of RMB2,043.0 million, representing a 4.9% year-on-year increase from RMB1,947.2 million for the same period in 2020.

International Marketing

The overseas epidemic continued to be repetitive in 2021. In view of the overall poor industry situation and the disruption of sea transportation, the Group benefited from the increase in production capacity of the Thailand plant and achieved a 45% year-on-year growth in international sales volume in 2021 by exploring and expanding new ways of logistics supply chain. During the reporting period, the Group improved its overseas channel layout and sank its services. By setting up a European warehouse, the Group increased its flexibility in supplying goods to customers to meet their temporary needs and provide them with better services, while also providing convenience for the next step of promoting all-steel ancillary business in Europe.

During the reporting period, the Group developed 39 new overseas distributors and achieved operating revenue of RMB4,010.9 million from international marketing, representing a year-on-year increase of 70.0% compared with RMB2,359.9 million for the same period in 2020, of which approximately 43% of the revenue came from the tire production base in Thailand and approximately 57% of the revenue came from the tire production base in Shandong.

With excellent products and services, the overseas market of Poh Lam Seng San has been growing rapidly in recent years, and has successfully signed 275 overseas distributors to serve more than 100 countries around the world.

Selling directly to car manufacturers

Under the influence of the national policy of implementing the "National 6" standard for diesel heavy trucks, the production and sales volume of commercial vehicle OEMs increased in the first quarter of 2021, but the sales volume of new heavy trucks declined since May 2021 and continued to fall in the third and fourth quarters.

Grasping market opportunities, the Group continued to strengthen cooperation with mid-to-high-end OEMs and established cooperation relationships with a number of new energy vehicle manufacturers, demonstrating its development potential in the new energy field. During the reporting period, the Group formally entered the supporting supplier system of Guangzhou Auto Hino, Yutong Commercial Vehicle, Zhengzhou Nissan and Beijing Automobile, and realized the support of Puling brand with Jiangxi Isuzu pickup truck; meanwhile, the Company is participating in the development of new energy, pickup truck and SUV models of Great Wall Motor, and initiating the supporting project of BYD passenger car and the development plan of SAIC Volkswagen. As of the end of the reporting period, the Group had entered the supplier system of 68 automobile manufacturers. By cooperating with a number of well-established automobile companies, the Group will be able to improve its research and development standards and better meet the needs of its customers in terms of product performance. On 12 July 2021, the Company was ranked 48th in the "Top 100 Auto Parts Enterprises in China in 2021", and in 2021, the Group was awarded the honorary titles of Hubei Dayun Automobile (Excellent Supplier) Dongfeng Huashen Automobile (Excellent Supplier) Foton Reza (Value Contribution Award) Jiangling Automobile (Excellent Supplier) and Jinan Heavy Truck

Silver Award Supplier.

During the reporting period, the Group generated revenue of RMB1,209.2 million from operations directly with automobile manufacturers, compared with RMB1,209.2 million for the same period in 2020.
1,747.9 million decreased by 30.8% mainly due to the weak demand from customers.

Labeled Customers

The agreement between the Group and Co(Cooper Tire and Rubber Company) expires on June 30, 2021. The Group has advanced its position to ensure steady growth of the Group's export revenue by continuously developing its own brand business to supplement it. From 2022 onwards, the Group will no longer separately disclose the status of its labeled customers.

(4) Develop brand strategy - internationalization and localization combined, multi-brand, differentiated development

In 2021, Pulin Chengshan has clearly defined the corporate positioning of "New Manufacturing of Chinese Tires" and the development axis of "Green, Intelligent, International and Branding". Based on the profound insight of consumers, Chengshan has formulated the brand strategy for the next three years: internationalization and localization combined, multi-brand and differentiated development, and its four brands: Chengshan, Prinx, Austone and Fortune have completed the system renewal.

In December 2021, the Group took the lead in releasing a new brand image for its strong corporate brand "Chengshan Tire", positioning it as "the choice of Chinese drivers", with the return of the lighthouse element symbolizing Chengshan's 45-year core spirit, signifying Chengshan's determination to localize its development; with the brand positioning of "hard-working people", highlighting its brand values of "bravery and perseverance" and "toughness and durability".

Chengshan passenger car tire product line "Hua" series will be launched in 2022, with higher quality than similar products in the market and national cultural characteristics, interpreting the confidence of the new national brand, the company also launched a new star-studded store packaging and channel promotion policy.

In the face of the trend of smart and electrification in the automotive market, the Company has focused on creating a youthful brand, Pulin, which is positioned as high-end, technological and fashionable. Pulin will adopt a digital and youthful brand language to connect with consumers, while building diversified new retail digital channels, creating a convenient mobile service circle, and innovating user experience in multiple dimensions.

Aoton and Fushen have also launched differentiated brand images and strategies based on the characteristics of their respective markets. Through a comprehensive rebranding of the brand experience and value proposition, the company will use a younger language to restate its commitment to users and partners in the era of sustainable mobility
- Not just for some people, but for everyone to innovate and create. With the wisdom of new manufacturing and perceptible technology, we help every user to explore a better life.

With richer brand connotation, Chengshan Tire has been awarded "China's 500 Most Valuable Brands in 2021" by World Brand Lab, "Top 10 Influential Brands of China Tire in 2021" by World Managers Summit, and "Star of Auto Supply Chain" by 2021 Automotive Aftermarket Golden Star Award, with a brand value of RMB 34.158 billion, up about 17% year-on-year from 2020, ranking fourth in China's tire brands. The brand value was RMB34.158 billion, representing a year-on-year increase of approximately 17% over 2020, and ranked fourth among the tire brands in China. In March 2021, the Group was awarded the "2020 Express Delivery Supplier Award" by China Post Express Newspaper. In April 2021, the Group and Chengshan Tyre received the "Public Welfare First Bee Award" and "Truck Brothers Trusted Product" jointly presented by CAC Brothers and Jingdong Logistics respectively. In May 2021, for the fourth consecutive year, the Group was listed in the "China Brand Value Evaluation Information and China Brand Building Summit" in the "Energy and Chemical Group" of China Brand Value Evaluation Information.

(E) innovative sales model

During the reporting period, the Group continued to promote the full range of solutions for the commercial vehicle aftermarket under the service brand "Chi On Tat". The "Chi On Tat Model" takes truck tire leasing as the entry point, and through the effective application of intelligent technologies such as RFID (Radio Frequency Identification Technology) and TPMS (Tire Pressure Monitoring System) it can effectively improve the tire safety and operational efficiency of fleet customers, reduce the comprehensive usage cost of customers, and ultimately realize the management of the whole life cycle of tires. At the same time, through the integration of vehicle maintenance and after-market services, the company helps customers refine their management and create value for them.

The Group has established a presence in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim regions, where the logistics industry is most developed in the PRC, through the Chianta model. As of the reporting period, the Group focused on the transportation of hazardous chemicals, express delivery, bus passenger transportation and port transportation, and has established partnerships with a number of fleets to provide customers with a full range of tire service solutions.

During the reporting period, the innovative sales model yielded significant results, with steady growth in customer numbers and service revenues.

(6) Aggressive and expansion of production capacity

Based on the sales demand forecast, the Board of Directors approved in 2020 to start the expansion of the production capacity of 1.2 million all-steel radial tires/year and 4 million sets of semi-steel radial tires/year for the second phase of the tire production base in Thailand, which was slightly delayed in 2021 due to the epidemic in Thailand, The second phase of the project is expected to reach production in the first quarter of 2022, helping the Group to further develop overseas markets such as North America and Europe.

At the same time, the Board of Directors unanimously approved the commencement of the production capacity expansion project of Puling Chengshan (Shandong) Tire Co. In April 2021, the "Pulin Chengshan 1.05 million sets of all-steel radial tire quality improvement project" was successfully selected as one of the "2021 Shandong Province New and Old Dynamic Energy Conversion Major Project Database Preferred Projects". This list aims to strengthen the key projects of "Five-Year Breakthrough" for the transformation of new and old energy in Shandong Province, and better play the leading role of the selected projects in the construction of projects in the province.

Expansion of the Group's production capacity during the reporting period

	Actual at the end of 2020	Actual at the end of 2021	End of the first quarter of 2022	
Product Category	Production capacity (million bars)	Production capacity (million bars)	Estimated production capacity (million bars)	Expected increase %
All Steel Radial Tires	715	815	940	15.3%
Semi Steel Radial Tires	1,240	1,440	1,920	33.3%
Oblique Tires	120	120	120	-
Total	2,075	2,375	2,980	25.5%

(VII) Increase R&D investment and devote to innovation

The Group has strong R&D capabilities, with innovative platforms such as national-level enterprise technology center, post-doctoral workstation, Shandong Tire Manufacturing Innovation Center, Shandong Multi-scale Tire Full Life Cycle Engineering Research Center and Shandong Industrial Design Center. In 2021, based on PLM (Product Lifecycle Management Platform) the R&D department of the Company implemented parametric design, optimized tire performance simulation and prediction models, and interfaced with Laboratory Information Management System (LIMS) to achieve a success rate of over 95% in new product development, shorten design and production time, and speed up product design, production and market launch. As of the end of the reporting period, the Group had been granted 273 intellectual property rights, including 15 invention patents, 117 utility models, 118 design patents and 23 software copyrights.

During the reporting period, the Group focused on the following research and development projects:

— The new patterns developed have passed strict domestic and international tests, and the overall performance of the subjective and objective aspects have reached the level of first-tier international products;

— The innovation of production processes such as tandem compacting, second tread technology, EPS pre-vulcanization production process, one-touch start of extrusion line, and new process of wide base tire crown band winding were developed;

— Completed the appraisal of five scientific and technological achievements: "High Performance Radial Tire Technology for Commercial Light Vehicles", "Super High Performance EV01 Electric Vehicle Tire Technology", "Application of Tire Evaluation Body Linkage in Vehicle Stability Virtual Simulation Technology", "Electronic Radiation Process Technology for High Performance Passenger Tire Skeleton Material" and "Infinite Winding Design and Intelligent Manufacturing Technology for Wide Base Section Load Radial Tire Belt Ply";

— The "Green High Performance Truck Tire Series Technology Development and Industrialization Application" was recognized as a major scientific and technological achievement in the "13th Five-Year Plan" of Weihai City; and

— The "Low Rolling Resistance Green Radial Tire" was selected in August 2021 to enter the "2021 Shandong Innovative Industrial Products Catalogue" by the Shandong Department of Industry and Information Technology. 179 products were selected in the catalog, including 10 products for the rubber industry.

Urahashi Narayama is actively developing the market for new energy vehicle tires ("new energy vehicle tires") In 2018, Poh Lam established the "New Energy Vehicle Tire Collaborative Research Office" to accelerate the exploration of the new energy tire field. Its three technical innovation projects, including ultra-high-mileage green tires, special products for high-mileage new energy buses and ultra-low rolling resistance tires for new energy electric vehicles, have been approved by the evaluation expert group.

Our company has formed a separate product line for new energy vehicles, and the product performance is developed for the characteristics of new energy vehicles. In the IDIADA China test factory, the tire specification 225/60R18 100V AQUILA REV for Haval H6 was tested, and the overall performance reached the level of first-class products in the industry. At present, Pulin Shandong has successfully matched with Great Wall Ora series "Black Cat (R1)" and "White Cat (R2)", Dongfeng Liuqi Fengxing S50ev, FAW Pentium Huaihai and Xiamen Jinlin Bus, etc.

The Group has made the cooperation between industry, academia and research a development strategy of the Company and established an industry-academia-research cooperation committee in 2021. The Group will actively carry out cooperation projects with Jilin University, Shanghai Jiaotong University, Tongji University, Qingdao University of Science and Technology, Harbin Institute of Technology, Shandong University of Science and Technology, Shandong University of Science and Technology and other top-ranking universities in China to extend the cooperation between industry, academia and research, which is led by technology research and development, to management innovation, accelerate the digitalization and internationalization of enterprises, and inject new momentum for the high-quality and sustainable development of enterprises.

(H) Management promotion and talent reserve

In order to adapt to the change from single manufacturing base to multiple manufacturing bases, the Group has made organizational restructuring, standardized operational processes and standardized management. Through combing the two-level control structure, the Group has redefined the organizational structure and functions, so that the planning, purchasing, logistics and warehousing departments can be coordinated according to the market changes and targeted according to the characteristics and advantages of the branches; through centralized purchasing and production, we can effectively reduce costs, achieve faster order delivery and improve operational efficiency, so as to establish a reliable operation system for the future development of Pulin Chengshan. We will establish a reliable operation system for the future development of Puling Chengshan.

The Group actively brings in talents, pays attention to the integration of corporate culture, focuses on the cultivation and development of talents, conducts multi-disciplinary and multi-level training to enhance the leadership and business expertise of the team to meet the demand for talents for the rapid development of the Company's business. The Group has established a results-oriented employee competency evaluation mechanism to accelerate the selection and cultivation of outstanding talents and enhance the motivation and enthusiasm of employees. As the tire production base in Thailand continues to grow and the second phase of the project progresses, **Prinx Thailand is** actively expanding its recruitment channels to achieve full self-recruitment of employees. At the same time, Prinx Thailand has accelerated the selection and training of local employees. On the one hand, the supervisors assigned to the company and the Thai supervisors share their work and complement each other's strengths, effectively reducing cultural conflicts and improving communication efficiency; on the other hand, all employees participate in the preparation of SOP (Standard Work Process) manuals to train employees with multiple skills.

(ix) intelligent manufacturing and information construction

During the reporting period, the Group continued to promote the construction of smart factories. The Shandong tire production base enhanced the level of automation and digitization from design to production process, the R&D department promoted the application of simulation and intelligent design platform, production realized intelligent scheduling, and increased the number and level of RFID (Radio Frequency Identification) equipment and automatic equipment to improve the accuracy of production process data. By implementing the transportation management system, we can improve the tracking and control of the logistics process of finished products. The production base in Thailand has realized the digitization of the whole production process, and has steadily improved the digitalization capability in resource allocation, process optimization, process control, quality control and traceability, etc. The product quality has been steadily improved.

In fiscal 2021, the Group's tire production base in Thailand, the North American company and the Shanghai sales company all converted their ERP systems to SAP.

The system will realize the digital reorganization of the process of each business segment ." Puling Chengshan Lean Digital Project" promotes digitalization in China Computer Users Association

The project was awarded the Golden Dragon Award in the Outstanding Benchmark Project of Transformation.

New Products

During the reporting period, the Group actively researched and developed new products and optimized the product structure in accordance with the global business layout and market development trend. 401 products were developed and launched during the reporting period, including 118 all-steel radial tires and 283 semi-steel radial tires, further enhancing market competitiveness and segment market share. The Group also developed 6 new models of all-steel radial tires and 10 new models of semi-steel radial tires with new patterns and products in accordance with the demand of the ancillary market, the development trend of the replacement market and the expansion of overseas markets.

As at the end of the reporting period, the Group had completed the trial production and certification of Chengshan series all-steel radial tires according to the European product plan, and the products had been sold in the European market; the research and development of four patterns of semi-steel radial tires under the Pulin brand had commenced in an orderly manner. In addition, the Group has developed two new patterns for the North American market and one new pattern for the Southeast Asian market. In addition, the Group also developed 3 models of all-steel radial tires and 4 models of semi-steel radial tires in accordance with the domestic market demand and related cooperation requirements.

Total sales volume of the Group's products and sales volume of new products developed during the reporting period

Product Category	New product sales	Total sales volume (million	New product sales

	(million)	pieces)	as a percentage of total sales
All Steel Radial Tires	270.7	658.0	41.1%
Semi Steel Radial Tires	587.2	1,156.7	50.8%
Oblique Tires	0.9	46.6	1.9%
Total	858.8	1,861.3	46.1%

"Chengshan" medium and long distance road dual drive tires, "Mountain Climber" CDH139 new launch

At present, due to the improvement of domestic road conditions and changes in vehicle models, the traditional drive pattern has gradually withdrawn from the long-distance high-speed market, and the use of three-wire or four-wire pattern for the drive wheel position can basically meet the demand. However, the performance of 3-wire and 4-wire pattern is still not enough in partial wet road, light snow road and climbing road grip. Chengshan accurately grasps the market trend and launches the CDH139 "Climbing Tiger", a dual-drive tire for medium and long-distance roads, to effectively meet the market and user needs.

In terms of new product development and mass production, the first passenger car tire in the "Hua" series of Pulim Sunshine's passenger car tire product line, "Huayu", will be launched in 2022. Focusing on long-mileage, high-performance passenger car tires, "Huayu" targets private car consumers who are "practical, responsible and love domestic products".

Change of Company Name

On 9 June 2021, the Chinese and foreign names of the Company were changed from "浦林成山(Cayman) Holding Limited" to "浦林成山控股有限公司" and the English name of the Company was changed from "Prinx Chengshan (Cayman) Holding Limited" to "Prinx Chengshan Holdings ("Change of Company Name")

Reason for changing company name

Since the IPO, the Group has expanded its customer base from the PRC to various overseas markets. In order to reflect the development of the Company's business to meet the changes in the external market environment and the need for sustainable development, the Group strives to become an international enterprise. The Board considers that the change of the Company's name can better reflect the existing business network of the Company and provide a more appropriate logo and image of the Company.

The new name will create an international image of the Company and will be beneficial to the Company's business development and communication with the relevant shareholders of the Company ("Shareholders") which is in the interests of the Company and the Shareholders as a whole.

Effect of Change of Company Name

The change of the Company's name will not affect the rights of any shareholder, nor will it affect the day-to-day business operations of the Company or its financial condition. All existing issued share certificates of the Company bearing the former name of the Company will continue to be valid evidence of legal title to the shares of the Company and will continue to be valid for trading, settlement, registration and delivery purposes.

Accordingly, the Company will not make any arrangement for the exchange of existing share certificates for new share certificates bearing the new name of the Company free of charge. The new share certificates bearing the new English name and the new Chinese name of the Company have been issued with effect from 10 June 2021.

In addition, both the English and Chinese stock short names of the Company for trading in the shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") remain unchanged.

Details of the change of company name are set out in the Company's announcement dated 15 April 2021, the circular dated 15 April 2021 and the announcement dated 15 June 2021.
The announcement was published in the 9th edition.

Responding to the Newcastle Pneumonia Outbreak

During the reporting period, the global economy continued to recover as countries took measures to balance infection control and economic activities. The Group strengthened the control of the epidemic in production, sales and transportation, took the initiative to assume the responsibility of fighting the epidemic and actively organized production to provide safe, continuous and stable supply of products to customers.

In view of the epidemic situation at home and abroad, the company has established an epidemic mechanism of "rapid response and precise epidemic prevention", and through the establishment of a team of primary epidemic prevention specialists, carried out staff control, environmental disinfection, epidemic publicity and material preparation, strictly implemented preventive and control measures in accordance with the government's requirements, built a firm epidemic prevention barrier, and made every effort to provide a safe operating environment for employees to ensure their health and safe production of the enterprise.

During the reporting period, we organized 6 vaccination sessions on a corporate scale, with a total of 10,819 doses. During the reporting period, we organized 6 vaccination sessions on a corporate scale, with a total of 10,819 doses. The number of booster vaccinations completed in Poh Lam Sung Sa (excluding Thailand) accounted for over 70%. For staff who need to go abroad or travel for work, the company confirmed the epidemic situation at the destination in advance, and refined the travel plan and made good travel arrangements on the basis of ensuring the health and safety of the staff sent. Before departure, the company issued epidemic prevention gift packs and supervised the whole process until the safe return to work.

During the reporting period, the spread of the outbreak in Thailand accelerated as the virus mutated and new strains spread rapidly. The unstable epidemic prevention policy in Thailand, repeated adjustments to the isolation period for returning to Thailand, and restrictions on the number of international flights have affected expatriates and factory surveyors to Thailand to a certain extent.

Due to the rapid spread of the epidemic in Thailand and the change of isolation policy, Prinx Thailand has taken measures to actively cope with it: on the one hand, Prinx Thailand has maintained full assistance and progress tracking for the visa application of equipment suppliers to Thailand, and has searched for channels to speed up the application; if there is a situation that they cannot go to Thailand in time, they will give timely warning and replace the personnel; for some of the urgent equipment, Prinx Thailand has implemented self-adjustment through remote communication with equipment suppliers on site; on the other hand, Prinx Thailand has strictly laid out the company's epidemic prevention plan and has continuously improved the epidemic prevention policy according to the development of the epidemic. On the other hand, Prinx Thailand has strictly deployed the company's epidemic prevention plan, continuously improved the epidemic prevention policy according to the development of the epidemic, ensured sufficient epidemic prevention materials, established an inspection mechanism, performed preventive nucleic acid testing, and actively solicited the support of the local government, and achieved 3,126 doses of vaccination for Chinese and Thai employees by the end of the year. The company's internal epidemic prevention and control is proper and the people's heart is stable, and it has not caused any obvious impact on the production.

Overseas distribution channels were affected by the epidemic, with significant geographical and time differences. In view of this, the Group utilized the complementary effect of each sales channel to maximize production capacity and adopted a flexible sales strategy to cope with the development of the epidemic and changes in market demand in different markets. Due to the impact of the epidemic, international customers' receivables were slowed down and overdue, posing cash flow risk to the enterprise. In response, the Group strengthened interdepartmental cooperation and raised awareness of credit risk prevention to avoid bad debt losses. Thanks to the Group's diversified market layout, there was no significant impact on the sales of international marketing channels in 2021.

The Group monitors and adjusts the size of foreign currency assets and liabilities in a timely manner through rolling budgeting and strategic use of different foreign exchange settlement instruments to hedge risks. As of the date of this report, based on the business operation and capital investment, the Board of Directors is of the view that the Group has a good liquidity position and sufficient working capital and has not been significantly affected by the epidemic and can meet the expected capital investment plan.

Except for the purchase of essential supplies by Prinx Thailand, there was no material financial burden or loss to the Group as a result of the outbreak.

The Group closely monitors the development of the epidemic around the world and keeps a close watch on the possible impact on its business and results if the epidemic recurs or even resurfaces.

Promote environmental, social and governance ("ESG") and sustainable development

Sustainable development in business and environmental protection is an ongoing concern for the Group. With the vision and mission of "leading tire innovation, contributing to smart mobility and sustainable development, and achieving a better life", Poulin Chengshan has continuously improved its sustainability governance and incorporated the concept of sustainable development into its operation management. As one of the first batch of "Green Factories" selected by the Ministry of Industry and Information Technology of the People's Republic of China and a leader in the industry in terms of energy consumption per unit, the Group has continuously adopted environmental protection measures and upgraded its production processes. During the reporting period, the Group invested approximately RMB50.679 million in emission reduction, resource protection and waste management, continuous energy saving and consumption reduction, improvement of plant flue gas treatment system and plant wastewater treatment works to reduce the adverse impact of its business operations on the environment. The Group aims to adopt advanced technologies and tools to carry out various green initiatives in its daily operations to meet the requirements of domestic and international policies and green consumption, and to promote the sustainable development of the enterprise.

During the reporting period, the Group organized a materiality assessment with key stakeholder board members, senior management, managers, supervisors, frontline staff, customers and suppliers, and identified important ESG areas for the Group. At the same time, the Group launched an internal campaign to collect prizes for the Group's ESG vision/slogan for sustainable development. 4,296 people participated in the campaign from the Shandong tire production base, the Thailand tire production base and the Hong Kong office. The Group promoted the concept of "Green Office, Low Carbon Life" in work and life. During the reporting period, the Group organized the "Green Office" competition in 2021 to enhance employees' awareness of responsibility and environmental protection, with everyone participating and starting from small things to achieve energy saving and emission reduction through improving employees' work and life habits.

In response to the SEHK's guidelines on the new ESG regulations, the Group has incorporated ESG issues into the scope of responsibilities of the Group's Development Strategy and Risk Management Committee. The Board is fully responsible for and leads the Group's sustainable development management and has established an ESG office to facilitate coordination and communication between the Board and the management and to assist the Board in discharging its relevant duties. To ensure the implementation of sustainable development strategies and guidelines, the management reports the progress of ESG issues to the Board of Directors at each quarterly meeting. At the same time, the Group's EHS Department (Environment, Health and Safety) Strategic Planning Department, Purchasing Department and other relevant departments actively consider and formulate medium and long-term targets and timelines for environmental KPIs and how to continuously strengthen ESG elements in supply chain management. In May 2021, the Group joined hands with Shanghai Jiaotong University to hold a kick-off meeting on sustainable supply chain. This project is a forward-looking project based on the national policy background of "doing a good job in achieving the carbon peak and carbon neutrality, and formulating an action plan to achieve the carbon peak by 2030" and the industry characteristics of tire enterprises and their upstream suppliers, who are major carbon emitters. The project aims to take a forward-looking perspective, analyze the possible environmental and social responsibility risks of tire enterprises and their suppliers, explore the possible carbon emission reduction opportunities in cooperation with suppliers, and how to realize the efficient synergy between energy saving and emission reduction, quality management and lean production, and jointly explore the value and opportunities of future supply chain development.

In the face of the challenges posed by the epidemic, the Group has put the health and safety of its employees first and taken a number of measures to protect them in a timely manner, arranging for employees from different countries and regions to work remotely as needed, making every effort to provide a safe operating environment for its employees and a safe, continuous and stable supply for its customers, and assuming its corporate responsibility to combat the epidemic.

During the reporting period, employees of Chengshan Group Limited ("Chengshan Group") and Puling Chengshan Holdings Limited donated RMB 700,000 to the Rongcheng Charity Association, including RMB 500,000 from the Charity One Day Donation, RMB 100,000 from the Love Foundation and RMB 100,000 from the Justice and Courage Fund. As the epidemic spreads in Thailand in 2021, the country has entered a critical period of epidemic prevention and control, and Prinx Thailand is actively helping the Thai people in the fight against the epidemic while doing its best to prevent and control the epidemic internally and with its external partners. At the end of the campaign, 36,000 masks were donated to help the villagers to cope with the shortage of supplies for epidemic prevention. On April 10, 2021, Prinx Thailand's management participated in an event organized by the Rubber Industry Association of the Chinese General Chamber of Commerce in Thailand, donating 1,000 bags of rice and 2,000 bags of instant noodles to the Thai people who were suffering from the epidemic.

During important festivals such as Spring Festival, Dragon Boat Festival and Thai New Year, the Group transported supplies from home to the stationed employees on two occasions. The company provided holiday lunch boxes to all employees and awarded employees who made outstanding contributions to epidemic prevention work.

In terms of environment, the tire production base in Thailand has hired a third-party environmental monitoring organization to conduct exhaust emission, noise, heat and dust tests on the factory in Thailand, and the test results have all met the requirements of the Thai government's environmental indicators.

Business Strategy and Outlook

Looking ahead to 2022, the external environment is complex and volatile. Although the global vaccination process has been accelerated, the progress of vaccination varies from country to country. In addition, the emergence and spread of new variants of the virus and the adoption of quarantine or blockade measures by countries to combat the epidemic have brought uncertainties to market demand and order delivery. Since March 2022, the production base of Rotaract in Shandong has been closed for one week to cope with the prevention and control of the epidemic, and some employees in the plant are under closed management to maintain delivery. In terms of supply chain, the economic recovery of major economies has slowed down in the post-epidemic era, and trade protection or manufacturing industries have returned to the country in search of economic momentum, which has exacerbated the disturbance of global supply chain to a certain extent.

The domestic commercial vehicle replacement market is expected to have lower orders in 2022 than the same period last year due to the decline in demand, the epidemic and the rising cost of raw materials; the domestic heavy truck enterprises have overdrawn the demand due to the impact of the switch between the "National 5" and "National 6" standards, and it is expected that the orders of the all-steel radial tire market related to them may show a short-term decline; some overseas markets for all-steel radial tires are recovering faster In addition, there are opportunities for business expansion. Orders from the passenger car replacement and ancillary markets are generally stable and positive, and demand for international marketing orders is strong, but the order execution progress may be under pressure in the short term due to the influence of sea freight positions and sea freight charges.

In the face of the difficult external situation and the industry difficulties, the Group will forge ahead and adopt the following strategies:

(1) Optimize management and strengthen operation. On the one hand, the Company reduced costs, compressed non-production expenses, lowered raw material procurement costs, and launched more technical lean projects to control expenses; on the other hand, it strengthened its operation to fight for the market, forming a two-way positive cycle of "pulling production with sales and promoting with production".

(2) Accelerate the transformation and promote the upgrade. The Group will continue to deepen its efforts in tire technology innovation and research and development, further transform to "intelligent manufacturing" and "quality manufacturing", transform to green development, transform to "manufacturing + service", promote the transfer of enterprises to the high-end of the industrial chain, and give full play to its advantages to lengthen the competitive chain. The Group will continue to improve the construction of the R&D system and develop advanced technologies such as tire cloud computing, intelligent design platform, application of multi-scale finite element analysis technology in three-dimensional modeling of tires, and development of ultra-quiet tire technology.

(3) Adopt an aggressive sales strategy to increase market share, achieve sales growth and ensure economies of scale.

In the domestic commercial vehicle tire replacement market, the Group will use the eight business dimensions as the backbone, grasp the timing, move forward in sales, build a culture with sentiment and build a foundation with service.

In the commercial vehicle tire market, the Group will seize the opportunity of the upward recovery of the commercial vehicle market, seek progress in a stable manner, actively explore new demand for supporting tires, and consolidate the Company's market position. At the same time, we will pay attention to the new energy supporting market, vigorously promote new technology products, increase the sales share of low rolling resistance and high performance products, build up new competitive advantages, and quickly upgrade the supporting specifications to establish a new and higher-end brand image.

In the passenger car tire replacement and ancillary market, the Group will implement the business philosophy of "customer first" and strengthen market interaction, customer communication and market feedback by means of the "2nd Distributor Committee", product private meetings and distributor conferences to strengthen the quality of the pipeline.

The international sales team will take advantage of the expansion of production capacity in Thailand to focus on sales in North America, Europe and Thailand, explore the growth potential of sales in Middle East Africa and Latin America, and do a good job in sea freight logistics and long-term contracts to ensure delivery of goods. The international sales team will overcome internal and external difficulties to contribute to the Company's growth in 2022.

(4) The Group plans to further promote the "Chi On Tat Model", deepen the advantageous field of tire leasing, utilize digital management system to improve customer adhesion, practice internal skills, establish a standardized management system and build a service network, and explore new business models such as tire recycling and tire testing to find new profit growth points.

(5) Pursue green and sustainable development. We promote the use of new environmental protection materials and strengthen the research on tire retreading technology, rubber material recycling and bio-based material application, so as to make the Group's due contribution to China's carbon peak and carbon neutrality.

Financial Review

Revenue

For the year ending 31 December 2021, the Group's revenue will be approximately RMB7,537.2 million, representing an increase of approximately RMB1,254.0 million as compared to approximately RMB6,283.1 million for the year ending 31 December 2020.

Sales by product category	2021 RMB thousand	2020 RMB thousand
All Steel Radial Tires	**4,888,933**	4,724,563
Semi Steel Radial Tires	**2,511,046**	1,380,601
Oblique Tires	**137,182**	177,966
Total	**7,537,161**	6,283,130

For the year ending December 31, 2021, revenue from the sale of all steel radial tires will increase from approximately RMB
4,724.6 million to approximately RMB4,888.9 million, representing an increase of approximately 3.5%, mainly due to the increase in sales volume as a result of the release of production capacity in Thailand
Revenue from sales of semi-steel radial tires increased by approximately 81.9% from approximately RMB1,380.6 million for the year ended December 31, 2020 to approximately RMB2,511.0 million for the year ended December 31, 2021, mainly due to the release of production capacity in Thailand, a 42.9% increase in sales volume of semi-steel radial tires and an increase in unit price of products. The increase was mainly due to the release of production capacity in Thailand, a 42.9% year-over-year increase in sales volume of semi-steel radial tires and higher unit prices. Revenue from sales of bias tires decreased by approximately 22.9% mainly due to the decrease

in sales volume of bias tires.

Sales by Channel	2021 RMB thousand	2020 RMB thousand
Distributor		
Domestic	**2,043,029**	1,947,173
International	**4,010,882**	2,359,897
	6,053,911	4,307,070
Direct sales to car manufacturers	**1,209,222**	1,747,878
Labeled Customers	**274,028**	228,182
Total	**7,537,161**	6,283,130

Revenue from sales to distributors increased to approximately RMB6,053.9 million for the year ended 31 December 2021 from approximately RMB4,307.1 million for the year ended 31 December 2020, mainly due to the gradual increase in market share as a result of the release of production capacity in Thailand and further development of domestic and overseas markets.

Revenue from sales to automobile manufacturers decreased to approximately RMB1,209.2 million for the year ended 31 December 2021 from approximately RMB1,747.9 million for the year ended 31 December 2020, mainly due to the decrease in demand from automobile manufacturers.

For the year ended 31 December 2021, revenue from sales to labeling customers increased to approximately RMB274.0 million from approximately RMB228.2 million for the year ended 31 December 2020, mainly due to the increase in unit price of the labeling business.

Cost of Sales

The cost of sales of the Group increased by approximately 33.1% from approximately RMB4,881.8 million for the year ended 31 December 2020 to approximately RMB6,498.0 million for the year ending 31 December 2021. Such increase was mainly due to the 23.2% year-on-year increase in sales volume and the increase in unit cost as a result of the increase in raw material prices and sea freight charges.

Gross profit and gross margin

The gross profit of the Group for the year ended 31 December 2021 was approximately RMB1,039.1 million as compared to approximately RMB1,401.4 million for the year ended 31 December 2020, representing a decrease of approximately 25.8%. The gross profit margin of the Group for the year 2021 was approximately 13.8%(2020: 22.3%) The decrease in gross profit and gross profit margin was mainly due to the increase in raw material prices and sea freight charges, which resulted in higher cost increases than selling prices.

Other income

Other income of the Group for the year ended 31 December 2021 was approximately RMB60.7 million, representing an increase of approximately RMB18.2 million from approximately RMB42.4 million for the year ended 31 December 2020. Such increase was mainly due to the increase in government subsidies of approximately RMB21.5 million to approximately RMB29.0 million for the year ended 31 December 2020; the increase in production capacity of Shandong Wheel Production Base and Thailand Wheel Production Base resulted in the increase in revenue from sales waste for the year ended 31 December 2021 from approximately RMB20.9 million for the year ended 31 December 2020 to approximately RMB31.7 million. The increase in sales waste revenue for the year ending 31 December 2021 from approximately RMB20.9 million for the year ending 31 December 2020 to approximately RMB31.7 million.

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately 11.9% from approximately RMB391.2 million for the year ended 31 December 2020 to approximately RMB437.8 million for the year ending 31 December 2021. Such increase was mainly due to the corresponding increase in variable selling expenses as a result of the increase in sales volume.

R&D Expenditure

The Group's research and development expenditure increased by approximately 60.7% from approximately RMB158.1 million for the year ended 31 December 2020 to approximately RMB254.0 million for the year ending 31 December 2021. Such increase was mainly due to the increase in investment in research and development of the Shandong wheel production base and the Thailand wheel production base, which actively developed products to meet the market demand.

Administrative Expenses

For the years ending December 31, 2021 and 2020, the Group's administrative expenses will be approximately RMB176.0 million and RMB171.3 million respectively, representing an increase of approximately 2.7%. The increase is mainly due to the expenses incurred for the production base of tires in Thailand and the preparation for the second plant in the PRC, on the other hand, the Company has compressed the non-essential expenses.

Other gains/(losses)

For the year ended 31 December 2021, the Group's other income increased by approximately RMB70.2 million from other loss of approximately RMB29.6 million for the year ended 31 December 2020 to a profit of approximately RMB40.6 million in 2021, mainly due to the receipt of litigation settlement by Pulin Shandong.

Financial income

For the years ending 31 December 2021 and 2020, the Group's finance income will be approximately RMB7.5 million and RMB14.6 million respectively. The decrease in finance income was due to the impact of the decrease in fund balance and the decrease in foreign exchange gain.

Financial Costs

For the years ending 31 December 2021 and 2020, the Group's finance costs will be approximately RMB12.4 million and RMB5.4 million respectively. The increase in finance costs was mainly due to the increase in loan interest as a result of the increase in loans.

Income tax expense

For the years ending 31 December 2021 and 2020, the Group's income tax income is approximately RMB10.4 million and income tax expense is RMB93.5 million, representing a decrease of approximately 111.1% due to lower income tax as a result of lower profits and recognition of deferred income tax assets for tax losses.

Profit for the year

The Group's profit for the year decreased from approximately RMB604.7 million for the year ended 31 December 2020 to approximately RMB328.4 million for the year ended
The decrease was mainly due to the decrease in gross profit and the increase in various expenses for the year ended December 31, 2021. The decrease was mainly due to the decrease in gross profit and the increase in various expenses.

Profit attributable to shareholders

Based on the above factors, the profit attributable to shareholders for the year ending 31 December 2021 will be approximately RMB276.3 million (2020: approximately RMB1.5 million).
($ 604.8 million)

Dividend distribution

For the years ending 31 December 2021 and 2020, the Group's total dividend distribution will be approximately RMB106.7 million and RMB116.0 million, representing a decrease of approximately 8.0%, which is due to the difference in exchange rate as the dividend distribution per share remains unchanged.

Total comprehensive income for the year

Total comprehensive income of the Group for the year decreased by approximately RMB236.7 million from approximately RMB468.9 million for the year ended 31 December 2020 to approximately RMB232.2 million for the year ended 31 December 2021. Such decrease was mainly due to the decrease in net profit and the loss on translation of foreign currency statements arising from the significant amount of foreign currency long term assets of the entity whose functional currency is foreign currency.

Liquidity and Financial Resources

The Group maintains a strong financial position and the Group's borrowing requirements are not seasonal. As at 31 December 2021, the Group's cash and cash equivalents (including restricted cash) amounted to approximately RMB854.5 million, representing an increase of approximately RMB235.5 million as compared to approximately RMB618.9 million as at 31 December 2020, which was mainly due to the increase in banker's acceptances margin. For details of the monetary value of the Group's cash and cash equivalents, please refer to note 24 to the consolidated financial statements. as at 31 December 2021, the Group's bank borrowings amounted to approximately RMB1,898.0 million

(2020: approximately RMB665.2 million) of which, RMB884.3 million is denominated in RMB and the rest in USD. Borrowings with variable interest rate of 18% and fixed interest rate of 82% will mature in one year, one to two years, two to five years and after five years respectively. The borrowings during the reporting period were mainly used for export sellers' credit facilities and capital project expenditures. Please refer to Note 28 to the consolidated financial statements for details of the Group's bank loans.

The current ratio at December 31, 2021 is approximately 1.1(2020: 1.1). During the reporting period, the Company commenced medium to low-risk banking business to hedge risks and increase financial returns. As at 31 December 2021, the balance of such banking business amounted to RMB85.1 million.

Inventory

As at 31 December 2021, the Group's inventories amounted to RMB1,484.9 million, representing an increase of RMB511.3 million as compared to RMB973.5 million as at 31 December 2020, which was attributable to the increase in raw materials, work-in-process and finished goods arising from the commencement of production at the production base of tires in Thailand.

Trade receivables

As at 31 December 2021, the Group's trade receivables amounted to RMB1,383.7 million, representing an increase of approximately RMB52.7 million as compared to RMB1,331.0 million as at 31 December 2020. Such increase was mainly due to the increase in business from the North American market and the corresponding increase in receivables.

Current assets Prepayments, other receivables and other current assets

As of December 31, 2021 and 2020, the Group's current assets prepayments, other receivables and other current assets amounted to approximately RMB
The increase of approximately RMB106.0 million was mainly due to the increase in the related deductible input tax. The increase was mainly due to the increase in the related deductible input tax.

Amounts due from related parties

As at 31 December 2021 and 2020, the Group's receivables from related parties amounted to RMB78.8 million and RMB215.4 million respectively, representing a decrease of approximately RMB136.6 million. Such decrease was mainly due to the decrease in operating revenue of RMB180.4 million from sales to China Heavy Duty Automobile Group year-on-year and the corresponding decrease in accounts receivable.

Trade payables

As at 31 December 2021 and 2020, the Group's trade payables amounted to RMB1,957.6 million and RMB1,434.2 million respectively, representing an increase of approximately RMB523.4 million, mainly due to the increase in raw material purchases arising from the expansion of production capacity and the corresponding increase in payables.

Other payables and accrued expenses

As at 31 December 2021 and 2020, the Group's other payables and accruals will be RMB1,030.9 million and RMB1,232.9 million, respectively, representing a decrease of approximately RMB202.0 million. Such decrease is mainly due to the purchase of machinery and equipment and the corresponding decrease of RMB186.4 million in payables for machinery and equipment.

Non-current assets Prepayments and other receivables

As at 31 December 2021 and 2020, the Group's non-current assets prepayments and other receivables amounted to approximately RMB79.1 million and RMB8.5 million, respectively, representing an increase of approximately RMB70.6 million. Such increase was mainly due to the increase in prepayments for construction of property, plant and equipment.

Gearing ratio

At December 31, 2021, the gearing ratio is 21.4% (2020: 2.0%). This ratio is calculated as net surplus/debt divided by total capital. Net surplus/debt is calculated as total borrowings less cash and cash equivalents and restricted cash. Total capital is calculated as equity plus convertible redeemable preference shares (on a converted basis) plus net surplus/debt, being total equity and financial liabilities at fair value through profit or loss and net surplus/debt as shown in the consolidated statement of financial position.

Treasury Policy

The Group has adopted a prudent financial management strategy for its treasury policies and has therefore maintained a strong liquidity position for the year ended 31 December 2021. The Group is committed to reducing credit risk through continuous credit assessment and evaluation of the financial position of its customers. To manage liquidity risk, the directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Asset Collateral

As at 31 December 2021, restricted cash balances of the Group of approximately RMB125.7 million (2020: approximately RMB55.8 million) were pledged as security for notes payable issued by the Group and used as guarantee for letters of credit. The Group has property, plant and equipment with a value of approximately RMB3,338.2 million (2020: approximately RMB2,380.4 million) were pledged as security for bank borrowings of RMB1,223.7 million and undrawn loan facilities of RMB191.3 million. Save for the above, the Group does not have any pledge of assets.

Investment

On December 25, 2018, Prinx Thailand, an indirect wholly-owned subsidiary of the Company, entered into a land purchase agreement with an independent third party to acquire a parcel of land located in Chonburi, Thailand. The Company intends to build a production base for tires in Thailand on the land. Details of the transaction are set out in the Company's announcement dated December 27, 2018. As the maximum applicable percentage ratios (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules of the Company.

The construction of the production base in Thailand has started in 2019, of which the construction of each plant in Phase I was completed in 2020 and entered into smooth operation. In the second half of 2020, the Company has started the construction of the second phase of the production base in Thailand with 1.2 million all-steel tires per year, and the total investment of the project is estimated to be approximately RMB541.0 million. In the first half of 2021, the Company has commenced the construction of the second phase of the semi-steel production base in Thailand with 4 million sets/year, and the total investment of the project is estimated to be approximately RMB896.0 million. The second phase of the project has reached production in the first quarter of 2022. There is still some unused factory space for the construction of Phase III (2 million sets of semi-steel tires per year) The Company will commence the project according to the overall situation.

In the second half of 2020, the Group commenced the expansion plan of its wholly-owned subsidiary, Pulin Shandong, with a total investment of approximately RMB666.0 million, which will add an annual production capacity of 1.05 million all-steel radial tires and 2.8 million semi-steel radial tires. Production will be completed in the first quarter of 2022.

Following the Board of Directors' approval of the plan to construct the second plant in the PRC in 2020, the Group initiated the site selection and validation process. Taking into account factors such as sales market demand, logistics and transportation convenience and operating costs, the Group has selected Feidong County, Anhui Province as the location for the construction of the second plant in the PRC, which has been approved by the Board of Directors. In April 2021, the Group's wholly-owned subsidiary, Anhui Pulin Chengshan Tire Company Limited, was registered in Anhui with a registered capital of RMB378 million.

On August 31, 2021, the Board of Directors considered and approved the resolution on the adjustment of the shareholding structure of Anhui Pulin Chengshan Tire Company Limited ("Anhui Company") agreeing to introduce Hefei Dongcheng Industry Investment Company Limited as a shareholder to increase the capital of Anhui Company, the registered capital of Anhui Company will be increased from RMB378 million to RMB1,000 million, of which, Pulin Shandong will subscribe RMB510 million, accounting for 51% of the registered capital; the new shareholder, Hefei Dongcheng Industry Investment Company Limited, will subscribe RMB490 million, accounting for 49% of the registered capital. The registered capital of Anhui Company will be increased from RMB378 million to RMB1.00 billion, of which, Pulin Shandong will subscribe RMB510 million, accounting for 51% of the registered capital; the new shareholder, Hefei Dongcheng Industry Investment Co. The Anhui project is currently undergoing the approval of the preliminary procedures and the approval of the land index, and the Group will make further announcement after the approval and signing of the agreement.

The construction of a second domestic plant in Anhui will be the Group's future investment plan.

Save as disclosed above, the Group has no other significant investments for the year ended 31 December 2021. As at the date of this annual report, the Group has not participated in any other significant investment except for the expansion plan of the production base of tires in Thailand and Pulim Shan Dong.

Risks and Uncertainties

(i) Macro environmental risks

Given the continuing impact of the epidemic, the supply chain problems that will remain unresolved in the near term, and weakening economic expectations, the global economy will continue to face serious challenges in 2022, and uncertainty about the global economic recovery has increased significantly. The IMF in its latest Global Economic Outlook (WEO) lowered its global economic growth forecast for 2022 by 0.5 percentage points to 4.4%, and lowered its growth forecast for major economies across the board for this year. With the massive spread of the Omicron strain, it is expected that major Western countries will adopt a fully liberalized disease prevention policy in 2022, which will bring about a re-adjustment and rebalancing of the supply chain of the global industrial chain and will bring great challenges and uncertainties to the logic of China's macroeconomic operations.

Although China's economy is under pressure in the short term, macroeconomic policy support will be further strengthened. On the one hand, in order to cope with the pressure of marginal economic weakness, monetary policy support continues to increase. Recently, the Loan Prime Rate (LPR) and Medium-term Lending Facility (MLF) rates have been reduced, and a reduction in the Required Reserve Ratio (RRR) has been implemented. Looking ahead to 2022, monetary policy is expected to be both quantitative and structural easing, while fiscal policy will play a more important role in stabilizing growth in 2022, and is expected to increase spending and reduce revenue at the same time.

(ii) Exposure to foreign exchange risk

With the instability of the world economy and the monetary tightening measures of various countries, the Group may be exposed to the risk of exchange rate fluctuations arising therefrom. For the year ended 31 December 2021, the Group's US dollar-denominated revenue from overseas operations accounted for approximately 56.1% (2020: 41.2%) of the total revenue, which was mainly used for the purchase of raw materials from overseas and Prinx Thailand's operating expenses were mainly settled in Thai Baht, therefore, the Group was exposed to foreign exchange risk arising from the US dollar and Thai Baht. If the exchange rate fluctuates significantly, it will have an impact on the Group's results. Exchange rate fluctuations and market trends are always the focus of the Group's attention. In this regard, the Company will strengthen the monitoring of foreign currency transactions and the size of foreign currency assets and liabilities, and may manage possible exchange rate fluctuations through various proactive precautionary measures such as optimizing export settlement currencies and using exchange rate financial instruments. The Company makes use of financial instruments such as forward exchange rates and options to reduce the impact of exchange rate fluctuations on the Company's overseas operations. During the reporting period, the Group entered into option contracts with cooperative banks to partially offset the risk of exchange rate fluctuations.

(3) Impact of the U.S. government's tariffs and double anti-bonding duties on products imported from China and Thailand

On March 22, 2018, then-President Trump signed a presidential memorandum declaring that he would impose a massive tariff on imports from China and restrict Chinese companies from investing in mergers and acquisitions in the U.S. Based on the results of the 301 investigation, on September 24, 2018, the U.S. imposed a 10% tariff on $200 billion of Chinese exports to the U.S. On May 10, 2019, the U.S. decided to increase the tariff on $2.5 billion of Chinese exports to the U.S. from 10% to 25%. The tariff will continue to be imposed on imports from China after President Biden takes office in 2021.

In addition, the U.S. Department of Commerce issued a "double anti-dumping" duty order on Chinese truck tires on February 15, 2019, imposing anti-dumping duties and countervailing deposits on truck products starting from that date. Puling Chengshan was ruled to have imposed anti-dumping and anti-consolidation bond rates amounting to 42.16%. On February 3, 2020, the U.S. Department of Commerce issued a notice to initiate the first administrative review of anti-dumping and anti-credit procedures for truck tires imported from China. On June 21, 2021, the U.S. Department of Commerce announced the initial rate of the first administrative review of the countervailing duty on China's truck tires, and a separate rate of 17.04% was applied to the Group's Shandong Company. On December 20, 2021, the U.S. Department of Commerce announced the final rate of the first administrative review of the countervailing duty on China's truck tires, and starting from December 23, 2021, the countervailing duty bond will be applied at a rate of 17.47% to the truck tires exported to the U.S. by the Group's Shandong Company. The above change in tax rate has greatly reduced the tax rate for the Group's exports to the United States and improved the competitiveness of the Group's products in the United States market. In addition, the Group also actively participated in the second administrative review of the US Department of Commerce's countervailing duty on imported truck tires from China, which was initiated on April 1, 2021, and the investigation period of the countervailing duty review is from January 1, 2020 to December 31, 2020. On February 28, 2022, the U.S. Department of Commerce announced the preliminary ruling rate for the second administrative review of the anti-counterfeiting measures against China's truck tires, and a separate rate of 17.85% was applied to the Group's Shandong Company, which is expected to be finalized by the end of December 2022. On December 8, 2021, the U.S. Department of Commerce announced the list of mandatory respondent companies for the sixth administrative review of the anti-subsidy investigation on China's semi-steel tires, and Sumitomo Rubber was selected as the mandatory respondent company.

On May 13, 2020, U.S. time, the United Steelworkers filed a petition with the U.S. Department of Commerce and the U.S. International Trade Commission to initiate an anti-dumping investigation of passenger car and light truck tires from Thailand, Vietnam, Korea and Taiwan, China, as well as an anti-subsidy investigation of passenger car and light truck tires from Vietnam. The U.S. Department of Commerce issued an anti-dumping levy on passenger car and light truck tires from Thailand on July 19, 2021. Since the Thai tire production base had not exported the U.S. tires in question during the investigation period, an average anti-dumping duty rate of 17.06% was applied. This will have a negative impact on the sales of the Group's tire production base in Thailand.

The uncertainty of anti-dumping and countervailing tax rates will bring risks to the Company's operation. In order to mitigate the impact on the Company, the Company will plan ahead and actively respond to the situation by taking countermeasures in the following aspects: firstly, to expand the sales of Thai tire production base in non-U.S. market and reduce the reliance on a single market; secondly, to develop products for non-U.S. market by relying on the Company's research and development strength, and to improve the competitiveness of Thai tire production base through product adjustment and enrichment.

(iv) Overseas investment risk

During the reporting period, the construction and operation of the Company's overseas production bases progressed steadily. The proportion of the Group's business from overseas will increase as the first phase of the tire production base in Thailand begins to operate in the second half of 2020 and the second phase of the project enters the construction and equipment installation period. Changes in the local economy, politics, policies and laws in Thailand may change the investment environment in Thailand and affect the construction period of the project investment, which may bring risks to the Company's operation and investment. Effective control of the epidemic in Thailand will affect the production and transportation of the tire production base in Thailand. As a result of the travel restrictions brought about by the epidemic control, some of the Chinese stationed staff could not arrive in Thailand in time to start their work or return to their home countries to visit their relatives as scheduled. The Group adopted comprehensive measures such as remote training to guide the office, implementation of SOP standardized shift training, arranging staff to come in batches, expanding recruitment channels, and adjusting some of the business to the head office after evaluation to reduce the impact of the epidemic on daily operation. In order to cope with the shortage of containers and the resulting difficulties in the storage of tires in Thailand, the Group made joint efforts both internally and externally to find new sea carriers to reduce shipping and transportation risks.

In view of this, the Group will keep abreast of the changes in the investment environment of the Thai authorities and make arrangements in advance for the construction progress, product certification and personnel security, etc. Meanwhile, the Group will also make good strategic planning for sales in Thailand, and the Group will steadily advance the project financing plan, and the progress of each work is now progressing steadily according to the expected target.

(E) Climate change risks

Extreme climate change may pose physical risks to the Group, including power outages caused by typhoons and thunderstorms that may lead to production stoppages, the failure of outdoor logistics to operate normally affecting order delivery times and price fluctuations due to unstable supply of raw materials; and transition risks, including the introduction of relevant laws and policies in countries or regions where the Group's production or markets are located, the adoption of This will pose various degrees of policy and legal risks to the Group and affect changes in demand from consumers and downstream automobile manufacturers. The Group has incorporated climate risk management into its risk management system. We continuously assess the physical and transitional risks arising from climate change and formulate relevant risk prevention plans, such as formulating emergency plans for natural disasters and emergencies, appropriately stockpiling raw materials for production, implementing safety inventory plans, and formulating corresponding workflow and safety measures for abnormal changes in sudden weather.

Compliance with relevant laws and regulations

The Company strictly complies with the following laws and regulations that have a significant impact on its production and operations: (a) laws and regulations relating to mandatory product certification of tire products; (b) laws, regulations and policies relating to the entry and regulation of the tire industry; (c) laws and regulations relating to environmental protection and safety responsibilities; (d) laws and regulations relating to foreign investment; (e) laws and regulations relating to foreign exchange control and taxation; (f (g) laws and regulations governing the organization and conduct of companies; (h) laws and regulations governing securities trading and regulation; (i) laws and regulations governing intellectual property rights; (j) laws and regulations governing data processing and data security; and (k) other relevant laws, regulations, policies and regulatory requirements. The Company has also established an internal list of applicable laws and regulations, which is updated from time to time for compliance. In addition, depending on the scope of our business and investment activities, the Company from time to time inquires about the legal restrictions and regulations of the relevant regulatory authorities in the relevant jurisdictions, such as the U.S. and EU trade regulations regarding import tariffs and quotas, anti-dumping and sanctions regulations, etc. Based on the full collaboration between the Company's corporate department and external legal advisors, the Company is able to comply with the relevant laws and regulations in and outside of the PRC that have a significant impact on the Company through the Company's continuous and effective supervision.

Capital Structure

There was no change in the capital structure of the Company during the reporting period. The capital of the Company consists of ordinary shares and other reserves.

Capital Commitments and Contingent Liabilities

As at 31 December 2021, the Group had capital commitments of approximately RMB228.5 million (2020: approximately RMB774.8 million) During the reporting period, the Group had no contingent liabilities that would result in material impact (2020: Nil)

Significant investments, material acquisitions and disposals in respect of subsidiaries, associates and joint ventures

For the year ended 31 December 2021, the Group has established "Poulin Chengshan (Shanghai) Investment Company Limited", which is mainly responsible for the holding and management of different business segments in the PRC, "Poulin Chengshan (Shanghai) Tire Sales Company Limited", which is mainly responsible for the sales of semi-steel products in the PRC market, and "Chianta (Shanghai) Tire Service Company Limited", which mainly develops tire leasing Ltd.) The three companies are now operating normally. The establishment of the Shanghai subsidiary will further realize the strategic expansion of the Group's sales and marketing headquarters and open a new chapter in the international development of Pulin Chengshan.

As mentioned above, in April 2021, Anhui Company, a wholly-owned subsidiary of the Group, was registered in Anhui with a registered capital of RMB378 million. On 31 August 2021, the Board of Directors considered and approved the resolution on the adjustment of the shareholding structure of Anhui Company and agreed to introduce Hefei Dongcheng Industry Investment Company Limited as a shareholder to increase the capital of Anhui Company, which will increase the registered capital of Anhui Company from RMB378 million to RMB1,000 million, of which, Pulin Shandong will subscribe RMB510 million, accounting for 51% of the registered capital; the new shareholder, Hefei Dongcheng Industry Investment Company Limited, will subscribe RMB4.4 million, accounting for 50% of the registered capital. Ltd. will subscribe capital of RMB490 million, accounting for 49% of the registered capital. The specific details of the cooperation agreement between the two parties are still under negotiation and the Group will make further announcement upon the completion of the agreement.

Save as disclosed in the section headed "Investments", the Group did not have any material investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during the reporting period.

Future significant investments or capital asset plans

As mentioned above, the construction of the second domestic plant in Anhui will be the Group's future investment plan. On 31 August 2021, the Board of Directors considered and approved the investment proposal of the Anhui Tire Production Base Phase I Project, with a total investment estimated at approximately RMB3,000.0 million, which will add an annual production capacity of 800,000 all-steel radial tires and 5,000,000 semi-steel radial tires. The funding will be provided by shareholders' capital and syndicated loans. On December 20, 2021, the Board of Directors approved the Company's annual financial budget for 2022, which covers the investment plan for the Phase I project of Anhui Company with an estimated total investment of $1,748 million.

Save as disclosed above, the Board has not approved any other significant investments or capital asset additions.

Human Resources Management

As at 31 December 2021, the Group had 6,450 employees (as at 31 December 2020: 6,124). For the year ended 31 December 2021, the Group's employee benefit expenses amounted to approximately RMB613.7 million (as at 31 December 2020: approximately RMB579.9 million).

The Group pays salaries and bonuses to employees based on their duties and skills and based on the output of performance results, and adjusts salary levels in a timely manner with reference to the market standards of the industry. Through the evaluation of the value of the positions, the positions are divided into different professional sequences, and a ranking system is established. Through skills assessment and other means, employees with higher work skills are given additional skills subsidies and motivated.

In order to attract, retain, motivate and encourage employees to create value for the Company and its shareholders, the Group has established a training institute and has cooperated with a number of universities such as Qingdao University of Science and Technology, Shandong University of Science and Technology and Weihai Marine Vocational College to cultivate talents and build high-quality talent training bases and skills training bases. During the reporting period, the Group continued to strengthen all-round cooperation with key universities in the province and achieved better development in talent cultivation and construction of training bases, and further strengthened the Group's brand building as an employer among universities by supporting various cultural, sports and skill competitions and scholarship establishment in universities, thus winning a better reputation.

The Company has adopted a share option scheme (the "**2019 Share Option** Scheme") on 5 July 2019 (the "**2019** Adoption Date") and conditionally granted to certain eligible participants of the Group (the "Grantees", each a "Grantee") on 9 July 2019 (the "**2019 Grant Date"**) and 9 July 2020 (the "**2020** Grant Date") respectively 14,400,000 options and 835,500 options (the "Options", each an "Option") were granted to certain eligible participants of the Group (the "Grantees", each a "Grantee") on the 2020 Grant Date.

The Company adopted a new share option plan of the Company on May 17, 2021 (the "**2021** Adoption Date") (the "**2021 Share Option** Plan") and terminated the 2019 Share Option Plan. The Company conditionally granted 35,050,000 share options to certain grantees on June 28, 2021 (the "**2021** Grant Date"). All options granted and accepted prior to the termination and still outstanding continue to be effective and exercisable in accordance with the terms of those options and the terms of the 2019 Stock Option Plan. For details, please refer to the circular of the Company dated 16 April 2021 and the announcements of the Company dated 17 May 2021 and 18 June 2021 respectively. Details of the changes in share options for the year ended 31 December 2021 are set out in the section headed "Share Option Scheme" of this report.

The Company has also adopted a profit sharing plan on 5 July 2019. Details of the Company's adoption of the Profit Sharing Plan are set out in the section headed "Profit Sharing Plan" in this Annual Report of the Directors.

Directors and Senior Management

Executive Director

Mr. Che Bao Zhen, aged 39, was appointed as a Director on 22 May 2015 and appointed as a member of the Nomination and Remuneration Committee. He is also the general manager of Pulin (Shandong) Tyre Company Limited ("Pulin (Shandong) Tyre"), one of the subsidiaries of the Company, from April 2017 to January 2021. Mr. Che joined the Group in December 2005. He is a director of all the Company's subsidiaries (excluding Prinx Chengshan (Qingdao) Industrial Research & Design Co. ("Prinx (Europe)") and Prinx Chengshan Tire North America, Inc. Mr. Che is also the Chief Executive Officer of the Company. He has over 15 years of experience in the automotive tire industry and is responsible for the day-to-day operations, overall management, administration and strategic planning of the Group. Prior to joining the Group, Mr. Che was an employee of Chengshan Group from December 2003 to May 2010 and was responsible for external relations with external parties and asset management. In June 2010, Mr. Che was appointed as the assistant to the general manager of Shandong HaiZhongBao Marine Technology Co. In December 2010, Mr. Che was appointed as the Chairman of Rongcheng Chengshan Construction & Property Co.

In July 2003, Mr. Che obtained a Bachelor's degree in Computer Science and Technology from Beijing University of Science and Technology in Beijing, China. In October 2015, he further obtained a Master of Business Administration degree from Bond University in Queensland, Australia.

Mr. Che is the son of Mr. Che Hongzhi, the Chairman of the Board and a Non-executive Director.

Mr. Shi Fu Tao, aged 52, was appointed as a Director on 28 October 2015. Mr. Shi joined the Group as Chief Financial Officer in December 2005 and was promoted to the position of Director of Prinx (Shandong) Tyre in November 2014 and Deputy General Manager in September 2015. He is a director of Prinx Investment Holding Ltd. ("Prinx Investment"), a subsidiary of the Company, Prinx Chengshan (Hong Kong) Tyre Company Limited ("HK Tyre"), Prinx (Hong Kong) Rubber Company Limited ("Rubber"), Jinan Ji'anda Tyre Service Company Limited, Ji'anda (Shanghai) Tyre Service Co. Ltd. and Prinx Thailand. He has over 30 years of experience in accounting and financial management in the PRC. Mr. Shi is responsible for the overall financial management of the Group.

In December 2002, Mr. Shi obtained a master's degree in corporate finance from the University of Salford in the United Kingdom. He became a non-practising certified public accountant of the China Institute of Certified Public Accountants ("CICPA") in 1995. Mr. Shi became a Senior International Financial Manager ("SIFM") of the IFM in December 2011. In April 2014, he was awarded the Enterprise I Certificate of Shandong Province High-end Accounting Talent Training Project by the Organization Department of Shandong Provincial Committee, Shandong Department of Finance and Shanghai National Accounting Institute. Since January 2016, Mr. Shi has been a fellow member of the Chartered Institute of Management Accountants ("CIMA") and a global chartered accountant of the American Institute of Certified Public Accountants ("AICPA") respectively.

Ms. Cao Xueyu, aged 51, was appointed as a Director on 5 March 2018. She was also appointed as the joint company secretary of the Company on 29 March 2019. She joined the Group as a director of Poulin Hong Kong Tyres on 1 July 2016. Ms. Cao is responsible for the overall management, administration and strategic planning of the Group. She is a director of Prinx Rubber and Prinx Investment, the subsidiaries of the Company. Prior to joining the Group, Ms. Cao was the cost accountant and head of sales accounting of Nestle Qingdao Limited from June 1994 to January 1997. She was responsible for internal reporting documents relating to sales. In September 2000, she joined Best Western International Inc. as an accountant in the New Zealand domestic office and worked as an assistant accountant from April 2001 to May 2004. In September 2004, Ms. Cao was the finance manager of Fung Sing Enterprises Limited. She is responsible for overseeing the company's finance team and providing financial and management accounting support to the company's subsidiaries.

In April 2003, Ms. Cao was awarded the New Zealand Diploma in Business by the Auckland University of Technology, New Zealand. Since November 2015, she has been accredited as a Chartered Management Accountant by the Institute of Chartered Management Accountants. In October 2016, Ms. Cao was accredited as a certified public accountant by the Institute of Certified Public Accountants of Australia ("CPA Australia")

Non-Executive Directors

Mr. Chee Hong Chi, aged 65, was appointed as a Director on 22 May 2015. He was re-designated as a Non-executive Director on 5 March 2018. He was also appointed as the Chairman of the Board and the Chairman of the Development Strategy and Risk Management Committee. He is the founder of the Group. Mr. Che is a director of all subsidiaries of the Company (excluding Prinx (Europe), Qingdao Ji'anda Investment Co. He is also the legal representative of two of the Company's subsidiaries in China. Mr. Che is responsible for providing professional advice and strategic guidance to the Group. Since December 2003, he has been the Executive Director and Chairman of the Chengshan Group. He has approximately 21 years of experience in the tire manufacturing industry. Prior to founding the Group, Mr. Che was the chairman of Shandong Chengshan Tyre Company Limited from October 2000 to May 2010.

In July 1987, Mr. Che obtained a professional certificate in chemistry from Yantai College of Education. He was awarded the title of National Model Worker by the State Council of the PRC in April 2005. In June 2016, he was further awarded the title of Provincial Outstanding Party Member by the Shandong Provincial Committee of the PRC.

Mr. Che is the father of Mr. Che Baozhen, an executive director.

Mr. Wang Lei, aged 43, has been appointed as a Director since 20 April 2017. He was re-designated as a non-executive Director on 5 March 2018. Mr. Wang has also been a director of Pulin (Shandong) Tyre since 20 April 2017. He joined the Group on 28 December 2014 and has been a director of Pulin (Shandong) Tyre until 15 October 2015. Mr. Wang is responsible for providing professional advice and judgment to the Group. Prior to joining the Group, he was employed as the deputy head of the reception section of the general manager's office of Shandong Chengshan Tyre Company Limited in December 2001. In October 2007, he became the deputy director of the office of Chengshan Group; in December 2009, he became the director of the office of Chengshan Group and in March 2014, he became the deputy general manager of the administration center of Chengshan Group. In February 2017, he was appointed as the general manager of the administration center of Chengshan Group. Mr. Wang is responsible for the administrative management of the Company. He is an executive director of the Chengshan Group.

In July 1998, Mr. Wang obtained a post-secondary diploma in finance and accounting from Shandong Radio and Television University in Shandong Province, the PRC. In December 2001, he further obtained a bachelor's degree in economics and management from Shandong Provincial Party School in Shandong Province, the PRC. In December 2013, Mr. Wang was awarded the honorary title of 2012 Weihai New Long Marcher by the Weihai Communist Youth League.

Mr. Shao Quanfeng, aged 38, was appointed as a non-executive Director on 24 February 2020. In July 2007, Mr. Shao served as a general accountant of the Group Finance Department of China Heavy Duty Truck Group Company Limited; in May 2012, he served as a trainee assistant general manager of the Sales Department of China National Heavy Duty Truck Group Jining Commercial Vehicle Company Limited; in November 2012, he served as a trainee assistant general manager of the Special Purpose Vehicle Division of China National Heavy Duty Truck Group; in July 2014, he served as a trainee assistant general manager of the Sales Department of China National Heavy Duty Truck Group Jining Commercial Vehicle Company Limited.
(Hong Kong) Investment Holdings Limited, Finance Manager; in August 2018, he became the Business Organizer I of the Finance Department of China National Heavy Duty Truck Group International Limited; in December 2018, he became the Managing Director of China National Heavy Duty Truck (Hong Kong) International Capital Limited.

Mr. Shao obtained a bachelor's degree in accounting from Shandong University in the PRC in July 2007. In August 2011, Mr. Shao was awarded the title of Intermediate Accountant.

Independent non-executive directors

Mr. ZHANG Xuemo, aged 59, has been appointed as an independent non-executive director, the chairman of the Nomination and Remuneration Committee and a member of the Audit Committee and the Development Strategy and Risk Management Committee respectively with effect from 10 September 2018. Mr. Zhang has been the chairman of China Mining Investment Company Limited ("CMIC") since 1997. He is the founder of China Mining Investment. Mr. Zhang founded China Gold Development Group (Hong Kong) Limited ("China Gold"), a subsidiary of Zijin Mining Group Company Limited (the shares of which were listed on the Stock Exchange in 1999, Stock Code: 2899) and was the chairman of China Gold from 2003 to 2006. Mr. Zhang has been a director of China Gold since 2006 and was the chairman of Shandong Guoda Gold Co. Mr. Zhang is currently a director of Shandong Guoda Gold. Mr. Zhang has been in the investment industry for nearly 30 years and has extensive experience in overseas mining resources, energy, real estate, biomedical and health sectors.

Mr. Zhang has been an independent non-executive director of Doumeng Technology Limited (stock code: 1917), a company listed on the Stock Exchange, since 29 December 2021.

Mr. Zhang graduated from Xiamen University in China in 1985 with a bachelor's degree in international trade.

Mr. CHOI Chi Kit, aged 59, has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination and Remuneration Committee with effect from 10 September 2018. Mr. Tsai has approximately 36 years of experience in finance and auditing. Since 6 July 2018, Mr. Tsai has been an independent non-executive director of Minshang Venture Holdings Limited (formerly known as Cuisinart Holdings Limited) (Stock Code: 1632), a company whose shares are listed on the Stock Exchange. From October 2016 to August 2017, Mr. Tsai was an independent non-executive director of Ernest Borel Holdings Limited (stock code: 1856), a company listed on the Stock Exchange. From January 2007 to November 2015, Mr. Tsai was an independent non-executive director of Fofeng Group Limited (stock code: 546), a company listed on the Stock Exchange, and from February 2016 to February 2017, he was an independent non-executive director of Rong Yang Industrial Group Limited (stock code: 2078), a company listed on the Stock Exchange.

Mr. Choi graduated from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in 1985. He is a member of the Institute of Chartered Accountants in England and Wales.
("ICAEW"), a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a fellow member of the Hong Kong Institute of Directors.

Mr. Choi is currently a member of the Professional Conduct Committee, a member of the Professional Development Committee and a member of the Investigation Panel of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Board of Directors of the Chiu Sheung Mutual Association of Hong Kong Limited since October 2013. He was a council member of the Hong Kong Society of Chinese Accountants from 2010 to 2015. He was elected as an

Honorary Financial Advisor of the Hong Kong and Kowloon Wing Hing Tong Woven Ware Merchants Association in 2018.

Mr. WANG Chuansheng, aged 62, has been appointed as an independent non-executive director and a member of the Audit Committee and the Development Strategy and Risk Management Committee respectively since 10 September 2018. Mr. Wang has been the Director of the Department of Engineering of Qingdao University of Science and Technology since December 2016. In November 2015, Mr. Wang was appointed as a Taishan Scholar Distinguished Expert. From July 1982 to September 1984, Mr. Wang was a teacher in the Department of Mechanical Engineering of Shandong Institute of Chemical Technology. Since September 1984, Mr. Wang has been working at Qingdao University of Science and Technology (formerly known as Qingdao Institute of Chemical Technology)(the "University"). From September 1984 to November 1984, Mr. Wang was a teacher in the Department of Mechanical Engineering of the University. From November 1984 to June 1995, he served as the deputy director of the office of the Department of Chemical Engineering of the University, and from June 1995 to December 1995, he served as the deputy director of the Department of Mechanical Engineering and was promoted to the deputy dean of the School of Mechanical Engineering in December 1995 and further promoted to the deputy dean of the School of Mechanical and Electrical Engineering of the University in March 2002. From April 2004 to December 2016, Mr. Wang served as Dean of the School of Mechanical and Electrical Engineering of the University and was subsequently promoted to his current position.

Mr. Wang obtained a doctorate degree in chemical process machinery from the School of Mechanical and Electrical Engineering of Beijing University of Chemical Technology in the PRC in June 2000. He was accredited as a professor of Qingdao University of Science and Technology by the Senior Accreditation Committee for Teachers' Duties in Shandong Higher Education Institutions in December 1999.

In December 2001, Mr. Wang was awarded the "Second Prize of National Science and Technology Advancement" by the State Council of China for "Synchronous Rotor Compactor Technology" and again in December 2011 for "Industrial Continuous Waste Rubber and Waste Plastic Low Temperature Cracking Resource Utilization Technology and Equipment" by the State Council of China. In August 2020, Mr. Wang was awarded "Bachelor of Science in China Chemical Industry Society" by China Chemical Industry Association, and in September 2019, Mr. Wang was awarded "Medal for Celebrating the 70th Anniversary of the Founding of the People's Republic of China" by the Central Committee of the Communist Party of China, the State Council and the Central Military Commission.

Senior Management

Mr. JIANG Xizhou, aged 50, he joined the Company in August 2019 and served as the assistant to the president, the deputy general manager of the Company from January 2020, the deputy general manager of Shandong Company from January 2021, and the vice president of the Company and the director of the production and operation center of the Company, the general manager of Shandong Company and the director of the technology center from January 2021. He is currently responsible for the overall management of the Company's R&D center, manufacturing center, equipment power center and EHS. Prior to joining the Group, Mr. Jiang held various technical and management positions in Anhui Jiatong Tyre Co. From July 2015 to August 2017, he was the general manager of Anhui Jiatong Tyre Company Limited; from September 2017 to July 2019, Mr. Jiang was the manufacturing director of Jiatong Tyre (China) Investment Company Limited.

Mr. Jiang graduated from Hefei University of Technology with a bachelor's degree in polymer materials in July 1995.

Mr. Yu Hang, aged 45, who joined the Company in October 2020 as our Vice President in charge of sales management and marketing, will join us in 2021.
Mr. Yu has served as our Vice President and General Manager of Sales and Marketing Headquarters and Director of Service and Support Center since January. Prior to joining the Group, Mr. Yu served as the General Manager of Sales and Marketing Headquarters and the Director of Service and Support Center for
From July 2000 to December 2004, he served as Product Development Manager, Regional Sales Manager (Brittany, France) and Global Technical Manager for Eco-Racing (Shanghai) Headquarters (Clermont-Ferrand, France) from January 2005 to July 2009, he served as Director of Government Relations and Standards Compliance for Michelin Greater China; from August 2009 to December 2011, he served as Global Customer Director for the Original Fit Tyre Business of Michelin Group (Paris, France); from January 2012 to September 2020, he served as Vice President of Michelin Group Greater China. From January 2012 to September 2020, he served as Vice President of Michelin Group Greater China, and was also General Manager of the Original Tire Division, General Manager of the B2C Chi-Chi Retail Network and General Manager of the B2B business.

Mr. Yu was admitted to Xi'an University of Electronic Science and Technology in September 1995 for his bachelor's degree in communication engineering; from July 1998 to June 2000, he studied information science at the National Polytechnic University of Lorraine and obtained his master's degree; from August 2007 to July 2009, he studied executive business administration (EMBA) at the China Europe International Business School and obtained his master's degree. from August 2007 to July 2009.

Mr. HU Houbao, aged 42, joined the Company in July 2020 as the assistant to the president of the Company and manager of the strategic planning department, and has been the assistant to the president since January 2021, as well as the director of the quality management center, manager of the strategic planning department and the director of the industry-academia-research cooperation committee. Prior to joining the Group, Mr. Hu worked as an engineer in the technical department of Anhui Jiatong Tire Company Limited from July 2001 to August 2004, and he worked as the chief engineer of supplier management at SAIC Motor Corporation from April 2007 to July 2020. Mr. Hu is also a member of the National Technical Committee for the Standardization of Tires and Rims, a member of the Technical Expert Group of the Waste Rubber Comprehensive Utilization Branch of China Rubber Industry Association, a member of the Technical Expert Group for the Certification of Compulsory Products (TC14 Motor Vehicle Tires) the China National Certification and Accreditation Administration, and a member of the Soft Science Project of Shanghai Municipal People's Government.

Mr. Hu obtained his bachelor's degree in rubber engineering from Qingdao Institute of Chemical Technology in July 2001; he studied business management at Nanjing University of Aeronautics and Astronautics and obtained his master's degree from September 2004 to April 2007; he has been studying for a doctorate degree in management science and engineering at Tongji University since September 2016.

Mr. JU Xuning, aged 55, has been the deputy director of the production and operation center of the Company since January 2021. He has been the Deputy General Manager of the Company since February 2018. Mr. JU has also been the general manager of the semi-steel division of Rollin (Chengshan) Tire since July 2017. He joined the Group in March 2006 as the assistant to the director of quality system of Poulin (Shandong) Tyre. In November 2010, Mr. Ju was promoted to Deputy Director of Process Improvement Department. In January 2012, Mr. Ju was appointed as the Director of All Steel Product Technology. In August 2013, he became the Production Director and continued to serve as the Deputy Director of the Process Improvement Department. In March 2014, Mr. Ju was promoted to the position of Technology Director of Semi Steel Products. Prior to Mr. Ju's appointment to his current position, he was further promoted to the position of Quality Director of Pulin (Shandong) Tyre in December 2016 and was appointed as the Group's Technical Director of Semi-steel Products in July 2017. Mr. Ju is responsible for the overall operation and management of the Group's semi-steel business unit. He joined Rongcheng Rubber Factory as a trainee in July 1988 and was promoted to the head of the formula design section of the first phase of Rongcheng Guotai radial tire project in July 1995. In November 1997, he became the director of Technical Division I. In January 2004, Mr. Ju became the Chief Engineer of Shandong Chengshan Group Co.

In July 1988, Mr. Ju obtained a professional diploma in rubber engineering from Qingdao Institute of Chemical Technology. In December 2001, Mr. Ju was recognized as a senior engineer by the Shandong Provincial Engineering and Technical Service Evaluation Committee. In October 1998, Mr. JU received the First Class Provincial Scientific and Technical Progress Award - 300,000 sets/year radial tire industrial production technology from the Shandong Provincial Scientific and Technical Progress Award Jury. In December 1999, Mr. Ju was awarded the Second Class National

Science and Technology Progress Award - 300,000 sets/year radial tire industrial production technology by the Ministry of Science and Technology of the People's Republic of China. In April 2000, he was recognized as one of the Ten Outstanding Young Talents by the Rongcheng Chinese Communist Youth League, Rongcheng Broadcasting Bureau and Rongcheng Daily. In December 2013, he was awarded the First Prize of the 100 Technical Innovation Achievements of Weihai City Workers by the Weihai Labor Competition Committee.

Mr. WANG Yuet-Yuan, aged 48, has been the Director of Commercial Vehicle Replacement Sales Center of Sales and Marketing Headquarters since January 2021. He joined the Group in February 2004 as the regional manager of Poulin (Shandong) Tyre and was promoted to the position of sales manager of Northern China and deputy director of sales and marketing department in June 2009 and April 2010 respectively. In March 2014, Mr. Wang was further promoted to Director of Sales and Marketing Department. Mr. Wang is responsible for the overall sales of the Group's commercial vehicle tire replacement business. Prior to joining the Group, he joined Shandong Chengshan Tyre Company Limited in August 2001 as a sales consultant.

Mr. CHU Xiaohua, aged 38, has been the Director of International Sales Center of Sales and Marketing Headquarters since January 2021. He first joined the Group in May 2017 as the general manager of the Company's Qingdao International Marketing Center. Mr. Chu is responsible for the overall international sales of the Group. Prior to joining the Group, he first joined Qingdao Keon International Trading Company Limited in May 2008 as a salesperson. Mr. Chu was promoted to the position of deputy manager of the sales department in January 2013. He is responsible for the business development and maintenance of the Southeast Asia, Oceania and Russia markets. In May 2013, Mr. Chu was appointed as a manager by the Company and took up a position in its Singapore branch. He is responsible for the management of the Singapore branch in conjunction with the Company's head office. In December 2013, he was also responsible for the establishment of the Company's branch office in Dubai. In July 2015, Mr. Chu was a partner of American Tire and Wheel Centers Inc. He is responsible for the overall business operations, coordination of sales, marketing and logistics of the Company.

In July 2007, Mr. Chu received his bachelor's degree in International Economics and Trade from Qingdao Polytechnic University.

Mr. ZHANG Yougan, aged 47, joined the Group in June 2020 as the general manager of Puling (Shandong) TBManufacturing Center, and has been the deputy general manager and presiding officer of Prinx Thailand since October 2020 and the general manager of Prinx Thailand since May 2021. Prior to joining the Group, Mr. Zhang held various technical and management positions at Anhui Jiatong Tyre Co.

Mr. Zhang obtained a professional diploma in mechanical design and manufacturing from Hefei University of Technology in July 1996 and completed his EMBA studies at Shanghai Jiayu College of Management and Further Education in February 2009.

Joint Company Secretary

Ms. Cao Xueyu ("Ms. Cao"), one of the executive directors of the Company, is also one of the joint company secretaries of the Company ("Joint Company Secretaries")

Change of Joint Company Secretary

On 19 July 2021, Ms. Lam Yuk Ling ("Ms. Lam") has resigned as joint company secretary of the Company with effect from 19 July 2021 due to other work commitments. Ms. Lam confirmed that there is no disagreement with the Board and there are no other matters relating to her resignation that need to be brought to the attention of the Shareholders.

Ms. Szeto Ka Yee ("Ms. Szeto") has been appointed as Joint Company Secretary to replace Ms. Lam with effect from 19 July 2021. Ms. Szeto is currently a manager of the Listing Services Department of BMHK Limited and is responsible for providing company secretarial and compliance services to listed company clients. She has over 10 years of professional and in-house experience in the field of company secretarial services. She is a chartered secretary, a chartered corporate governance professional and a member of the Hong Kong Institute of Corporate Governance (formerly known as Hong Kong Chartered Secretaries) and the Chartered Institute of Governance (formerly known as the Institute of Chartered Secretaries and Administrators)

The Company has been granted by the Stock Exchange a waiver () from 19 July 2021 to 28 March 2022 ("Remaining Waiver Period") respect of strict compliance with Rule 3.28 and Rule 8.17 of the Listing Rules and in relation to Ms. Cao's eligibility to act as the Joint Company Secretary, provided that (i) Ms. Cao will be assisted by Ms. Szeto during the Remaining Waiver Period; (ii) the Modified Waiver will be withdrawn in the event of a material breach of the Listing Rules by the Company; and (iii) the Company is required to announce the reasons, details and conditions of such Modified Waiver and Ms. Szeto's qualifications and experience.) the Revised Waiver will be withdrawn in the event of a material breach of the Listing Rules by the Company; and (iii) the Company will be required to announce the reasons, details and conditions of such Revised Waiver and the qualifications and experience of Ms. Szeto. The Exchange may withdraw or vary the Amended Waiver if there is a change in the circumstances of the Company. Before the end of the remaining waiver period, the Company shall certify and seek confirmation from the Stock Exchange that during the remaining waiver period, Ms. Cao has acquired relevant experience and is capable of performing the duties of company secretary under Rule 3.28 of the Listing Rules with the benefit of Ms. Szeto's assistance without further waiver.

Details of the change of Joint Company Secretaries are set out in the announcement of the Company dated 19 July 2021.

The remaining waiver period expires on 28 March 2022. The Stock Exchange has agreed that Ms. Cao is qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules.

The Board is pleased to present the report and audited consolidated financial statements of the Group for the year ended 31 December 2021.

Share Option Scheme

The purpose of the Share Option Scheme is to attract, retain and motivate senior and middle management and key employees of the Company by providing them with the opportunity to acquire shares in the Company, linking their interests closely to the Company's performance and share performance, in order to enhance the value of the Company and attract human resources of value to the Group. The Company adopted the 2021 Stock Option Plan on the 2021 Adoption Date. the 2021 Stock Option Plan is effective for eight years from its 2021 Adoption Date.

2021 Stock Option Plan

The purpose of the 2021 Share Option Scheme is to replace the 2019 Share Option Scheme and to enable the Board to grant options to selected Eligible Participants (as defined below) as an incentive or reward for their contribution or potential contribution to the Group, as well as to recruit and retain high-calibre Eligible Participants and attract human resources of value to the Group. The Candidate will be shortlisted as a Qualified Participant to enable the Company to offer competitive remuneration packages to employ high quality candidates. As at the date of this report, the number of shares available for issue under the 2021 Share Option Scheme is 14,950,000 shares (as at the date of the annual report for the year ending 31 December 2020: 764,500 shares are covered by the 2019 Share Option Schemes), representing approximately 2.35% of the total number of shares in issue as at the date of this annual report (as at the date of the 2020 annual report: 0.12%).

Eligible Participant means any employee or employee designate (whether full-time or part-time) of any member of the Group or any Invested Entity, but does not include any independent non-executive director, provided that such employee designate is actually employed by the Group and has passed the required probationary period.

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

No option shall be granted to a grantee if the total number of shares issued and to be issued upon the exercise in full of the options granted to such grantee during any 12-month period (including both exercised and outstanding options) exceeds 1% of the total number of shares in issue. If a further grant of options to a grantee would, if exercised in full, result in the total number of shares issued or to be issued upon exercise of all options granted and to be granted to that grantee during the 12-month period up to and including the date of such further grant (including exercised, cancelled and outstanding options) exceeding 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders approval at a general meeting and such grantee and his associates shall abstain from voting.

As at the date of this annual report, the remaining term of the 2021 Share Option Scheme is approximately seven years.

Options granted in 2021

The Company conditionally granted 35,050,000 options to subscribe for an aggregate of 35,050,000 ordinary shares of US$0.00005 each in the capital of the Company [redacted]to certain grantees on the 2021 Grant Date, subject to acceptance by such grantees of the options. The exercise price of the Shares on the 2021 Grant Date is HK$8.568 per Share, being the highest of (i) the closing price of HK$8.510 per Share as stated in the daily quotations sheets published by the Stock Exchange on the Grant Date; (ii) the average closing price of HK$8.568 per Share as stated in the daily quotations sheets published by the Stock Exchange for the five business days immediately preceding the Grant Date; and (iii) the nominal value of each Share. The closing price on the business day prior to the 2021 Grant Date was HK$8.500 per Share.

Of the options granted, 5,500,000 options have been granted to directors, chief executives or substantial shareholders of the Company or associates (as defined in the Listing Rules)of any of them and 29,550,000 options have been granted to other senior management and employees of the Group, as follows:

Grantee's name	Positions Taken	At 2021 Date of award granted Number of share options	Not exercised at the beginning of the year	Exercised during the year	Lapsed during the year	Not exercised at the end of the year
Shi Fu Tao	Executive Director	5,000,000 copies	-	-	--	5,000,000 copies
Cao Xueyu	Executive Director and Joint Company Secretary	500,000 copies	-	-	--	500,000 copies
		5,500,000 copies	-	-	--	5,500,000 copies
Other senior management and employees		29,550,000 copies	-	-	750,000 copies	28,800,000 copies
Total:		35,050,000 copies	-	-	750,000 copies	34,300,000 copies

The share options granted will vest on each relevant date in accordance with the relevant specified proportions upon the achievement of the performance targets specified in the offer letter.

Subject to the terms of the 2021 Share Option Scheme, 35% of the options and the remaining 65% of the options may vest and be exercised at any time after the expiry of 36 months and 60 months from the date of grant respectively. Subject to the vesting schedule, the options are exercisable for a period of eight years from the 2021 grant date.

If such grantee fails to meet the relevant vesting conditions, options granted to such grantee and not vested will lapse in accordance with the terms of the 2021 Share Option Scheme.

During the reporting period, a total of 750,000 share options under the 2021 Share Option Scheme lapsed due to the departure or retirement of the grantees. At the end of the period, 34,300,000 share options were outstanding.

Details of the 2021 Share Option Scheme and the options granted are set out in the Company's circular dated 15 April 2021 and 17 May 2021 respectively.
In the announcement published on June 28, 2021 and in the announcement published on June 28, 2021.

The valuation of options granted for the year ended December 31, 2021 is set out in note 26 to the consolidated financial statements. the valuation of the value of the options is subjective and difficult to predict, depending on a number of assumptions used and subject to the limitations of the calculation model.

2019 Stock Option Plan

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

Pursuant to the terms of the 2019 Share Option Scheme, the Company may terminate the 2019 Share Option Scheme at any time by a resolution passed at a general meeting and in such event, no further offers of options may be made and no further options may be granted, provided that the provisions of the 2019 Share Option Scheme shall remain in full force and effect in all other respects. All options granted and accepted immediately prior to such termination and still outstanding will continue to be effective and exercisable in accordance with the terms of such options and the terms of the 2019 Share Option Scheme.

The 2019 Share Option Scheme aims to attract, retain and motivate senior and middle management and key employees of the Company by providing them with the opportunity to acquire shares in the Company, linking their interests closely to the Company's performance and share performance in order to enhance the value of the Company and attract human resources of value to the Group. As at the date of this report, no number of shares are available for issue under the 2019 Share Option Scheme as the Company has terminated the 2019 Share Option Scheme (as at the date of the Annual Report for the year ending 31 December 2020: 764,500 shares, representing approximately 0.12% of the total number of shares in issue as at that date)

Eligible Participant means any employee or employee designate (whether full-time or part-time) of any member of the Group or any Invested Entity, but does not include any independent non-executive director, provided that such employee designate is actually employed by the Group and has passed the required probationary period.

Share options granted in 2019

The Company conditionally granted 14,400,000 share options to certain grantees on the 2019 Grant Date to subscribe for a total of 14,400,000 Shares under the 2019 Share Option Scheme, subject to acceptance by such grantees of the share options. The exercise price of the Shares on the 2019 Grant Date is HK$7.244 per Share, being the highest of (i) the closing price of HK$7.130 per Share on the 2019 Grant Date; (ii) the average closing price of HK$7.244 per Share for the five business days preceding the 2019 Grant Date; and (iii) the nominal value of each Share. The closing price of HK$7.220 per Share on the business day prior to the 2019 Grant Date. The Grantee may accept the Offer to grant the Options within 28 days from the date of the Offer.

Of the options granted, 1,317,500 options were granted to the Directors, the chief executive or substantial shareholders of the Company or associates of any of them (as defined in the Listing Rules)and 13,082,500 options were granted to other senior management and employees of the Group, as follows:

Grantee's name	Positions Taken	In 2019 Date of award granted Number of share options	Not exercised at the beginning of the year	Exercised during the year	Cancelled during the year	Expires during the year	Not exercised at the end of the year
Che Baozhen	Executive Director	580,000 copies	580,000 copies	-	-	-	580,000 copies
Shi Fu Tao	Executive Director	512,000 copies	512,000 copies	-	-	-	512,000 copies
Cao Xueyu	Executive Director and Joint Company Secretary	225,500 copies	225,500 copies	-	-	-	225,500 copies
		1,317,500 copies	1,317,500 copies	-	-	-	1,317,500 copies
Other senior management and employees		13,082,500 copies	11,386,800 copies	578,500 copies	372,550 copies	619,000 copies	9,816,750 copies
Total:		14,400,000 copies	12,704,300 copies	578,500 copies	372,550 copies	619,000 copies	11,134,250 copies

The share options granted will vest on each relevant date in accordance with the relevant specified proportions upon the achievement of the performance targets specified in the offer letter.

If the performance of the participants of the Incentive Plan during the first three vesting periods does not meet the target and the options do not vest, the options granted may be exercised at any time from the fourth exercise period, i.e. 48 months after the date of grant in 2019, if the target is met and the deferred vesting conditions are met. The vesting ratio is the remaining unvested options after excluding the lapsed options.

If such grantee fails to meet the relevant vesting conditions, the unvested share options granted to such grantee will lapse. Subject to the vesting schedule, the options are exercisable for a period of six years from the 2019 grant date.

During the reporting period, a total of 578,500 share options were exercised, a total of 372,550 share options were cancelled and a total of 619,000 share options lapsed due to the departure or retirement of the grantees. A total of 11,134,250 share options were outstanding at the end of the period.

Options granted in 2020

The Company conditionally granted 835,500 options to subscribe for a total of 835,500 shares under the 2019 Share Option Scheme to certain grantees on the 2020 Grant Date, subject to acceptance by such grantees of the options. The exercise price of the Shares on the 2020 Grant Date is HK$7.960 per Share, being the highest of (i) the closing price of HK$7.960 per Share on the 2020 Grant Date; (ii) the average closing price of HK$7.894 per Share for the five business days preceding the 2020 Grant Date; and (iii) the nominal value of each Share. The closing price on the business day prior to the 2020 Grant Date was HK$7.820 per Share.

The grantees of the share options granted in 2020 are employees of the Group and none of the grantees are directors, chief executives or substantial shareholders of the Company or their associates (as defined in the Listing Rules), as detailed below during the reporting period:

Positions Taken	In 2020 Date of award granted Number of share options	Not exercised at the beginning of the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Not exercised at the end of the year
Directors, top executives of the Company Officers or substantial shareholders or their respective Contact Person	-	-	-	-	-	-
Other senior management and employees	835,500 copies	835,500 copies	-	22,250	97,000	716,250 copies
Total:	835,500 copies	835,500 copies	-	22,250	97,000	716,250 copies

The share options granted will vest on each relevant date in accordance with the relevant specified proportions upon the achievement of the performance targets specified in the offer letter.

If the performance of the participants of the Incentive Plan during the first two vesting periods does not meet the target and the options do not vest, the options granted may be exercised at any time from the third exercise period, i.e. 36 months after the date of grant, subject to the achievement of the target in the third year of assessment and the fulfilment of the deferred vesting conditions, with the vesting ratio The vesting ratio is the remaining unvested stock options after excluding the lapsed portion of the stock options.

If such grantee fails to meet the relevant vesting conditions, the unvested share options granted to such grantee will lapse. Subject to the vesting schedule, the options are exercisable over a period of five years from the date of grant 2020.

For the year ended December 31, 2021, a total of 22,250 options granted in 2020 were cancelled and a total of 97,000 options lapsed or expired due to the departure or retirement of the grantees. At the end of the year, 716,250 share options were not exercised.

Details of the 2019 Share Option Scheme and the options granted are set out in the circulars of the Company dated 13 June 2019, 15 July 2019,
in the announcements dated 9 July 2019 and 9 July 2020 and in the circular dated 15 April 2021.

Options exercised and shares issued

As described in the section "Options granted in 2019", a total of 578,500 options granted in 2019 were exercised during the year ended December 31, 2021, resulting in the issuance of a total of 578,500 common shares. The par value of each share issued was $0.00005 and the total share capital was $28.325. The issue price was HK$7.244 per share and the weighted average closing price immediately prior to the date of exercise of the options was HK$8.530. The closing price on the business day prior to the 2019 grant date was HK$7.22 per share.

A total of 19 grantees exercised the options and were issued shares, all of whom were employees of the Company.

The total proceeds from the issue of the Shares, amounting to HK$4,190,654, are intended to be used as ordinary working capital. As at 31 December 2021, the Group has fully utilized the proceeds.

Profit Sharing Plan

The profit sharing plan adopted by the Company on July 5, 2019, together with the share option plan, constitute the Company's long-term incentive plan (not both of which may participate)

The profit sharing plan aims to attract, retain and motivate our key employees, including equipment supervisors, engineers, IT, business, junior management or personnel with special contributions. It is planned that starting from 2019, a starting bonus will be paid when the actual annual profit reaches the profit target, and the portion exceeding the annual profit target will be withdrawn according to a certain percentage. In the event of significant changes in the external business environment, the Board of Directors will determine and adjust the conditions for the implementation of the profit-sharing plan in accordance with the actual situation. The amount of profit sharing depends on the combined coefficient of individual performance and the company's performance, and is paid proportionally over three years. Through the above plan, the Company hopes to provide employees with the opportunity to share the dividends of the Company's development and to link their personal interests closely with the Company's performance, thus enhancing the value of the Company.

Main Business

The Company is principally engaged in the manufacture and sale of tire products in the PRC and other global markets. An analysis of the Group's principal activities for the year ending 31 December 2021 is set out in note 1 to the consolidated financial statements.

Results

The financial results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 104 to 105 of this annual report.

Final dividend

The Board recommends the payment of a final dividend of HK$0.2 per ordinary share before tax for the year ending 31 December 2021. Such final dividend is subject to the approval of the shareholders of the Company at the annual general meeting ("AGM") to be held on 16 June 2022 and will be payable on or about 27 July 2022 to shareholders whose names appear on the register of members of the Company on 24 June 2022.

In accordance with the Law of the People's Republic of China on Enterprise Income Tax (EIT) the Regulations on the Implementation of the EIT Law of the People's Republic of China and the

In accordance with the Circular of the State Administration of Taxation on Issues Relating to the Recognition of Overseas Registered Chinese-Funded Holding Enterprises as Resident Enterprises in accordance with the Criteria of the De Facto Authority, the Company is required to withhold and pay 10% corporate income tax on behalf of the shareholders of non-resident enterprises upon the payment of final dividends to them, with the Company as the withholding agent. For all shareholders registered in the name of non-individuals on the register of members of the Company as at the date of share registration (including Hong Kong Securities Clearing Company (Nominees) Limited ("HKSCC") other corporate agents or trustees such as securities companies, banks, etc., or other organizations and bodies are regarded as non-resident corporate shareholders) the Company will pay a final dividend net of 10% corporate income tax. For all PRC resident enterprises, exempted entities and natural person shareholders whose names appear on the register of members of the Company on the record date for determining eligibility for the final dividend, the Company will not withhold and pay personal income tax on their behalf.

Any resident enterprise (as defined in the EIT Law) listed on the register of members of the Company which is legally established in the PRC or established under the laws of a foreign country (region) but has its effective management in the PRC and does not wish the Company to withhold and pay the above 10% corporate income tax on its behalf should submit to Computershare Hong Kong Investor Services Limited by 4:30 p.m. on 21 June 2022 Please submit to Computershare Hong Kong Investor Services Limited by 4:30 p.m. on June 21, 2022, a document issued by the competent tax authority certifying that the Company is not required to withhold and pay corporate income tax on the dividends to which it is entitled.

If you need to change your shareholder status, please contact your agent or trustee for the relevant procedures. The Company will withhold and pay corporate income tax on behalf of non-resident shareholders in strict accordance with the requirements of the law and relevant government authorities and in accordance with the register of shareholders of the Company as of the date of registration of shares. The Company shall not be responsible for and shall not accept any request or dispute regarding the withholding and payment of corporate income tax on behalf of any shareholder whose identity cannot be confirmed in a timely manner or is inaccurate.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 13 June 2022 to Thursday, 16 June 2022, both dates inclusive, during which period no transfer of shares will be effected. For the purpose of determining shareholders entitled to attend and vote at the Annual General Meeting to be held on Thursday, 16 June 2022, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 1712-1712, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 10 June 2022. Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Subject to the approval of shareholders at the AGM, the proposed final dividend will be paid to shareholders whose names appear on the register of members of the Company on Friday, 24 June 2022, being the record date for determining entitlement to the final dividend. The register of members of the Company will be closed from Wednesday, 22 June 2022 to Friday, 24 June 2022 (both dates inclusive) during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 21 June 2022.

Dividend Policy

The Company has adopted a dividend policy ("Dividend Policy") whereby the Board shall take into account the following factors before declaring or recommending a dividend:

- the actual and expected financial performance of the Company;
- Retained earnings and distributable reserves of the Company and each of the Group's subsidiaries;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the liquidity position of the Group;
- general economic conditions, the business cycle of the Group's operations and internal or external factors that may affect the Company's business, financial results and positioning; and
- Other factors considered relevant by the Board.

The payment of dividends is also subject to any applicable laws and the articles of association of the

Company (the "Articles of Association")

As set out in the Company's prospectus dated 24 September 2018 ("Prospectus") the Group plans to apply not less than 20% of the future net profits available for distribution attributable to equity shareholders to the payment of dividends after the Listing. Going forward, the Group will continue to evaluate its dividend policy in light of its own financial position and the prevailing economic environment.

Business Review

I. Review of the Company's business

The Company's main business is the research and development, manufacturing and sales of tires, with three major product categories: all-steel radial tires, semi-steel radial tires and bias tires, covering passenger, commercial, industrial, agricultural and some special vehicle tires. The company pursues the core strategy of cost leadership, efficiency drive, differential competition and global operation, focusing on the improvement of the industrial ecological chain, systematically, professionally and quickly responding to the ever-changing needs of customers and creating value for them. We are a green company that values safety, environmental protection, integrity, win-win situation and a strong sense of social responsibility.

For details, see the relevant sections in this chapter and "Business Review and Prospects" in this annual report under "Management's Discussion and Analysis". The following table sets forth a summary of financial ratios for the periods and dates indicated, as the Company's revenues are derived primarily from sales of tires:

	For the year ended December 31				
Financial Indicators	2021	2020	2019	2018	2017
Revenue growth(1)	20.0%	12.4%	7.4%	7.6%	26.7%
Net profit growth(2)	-54.3%	26.1%	0.2%	175.7%	-40.4%
Gross margin(3)	13.8%	22.3%	19.2%	19.3%	15.9%
Profit before interest and tax(4)	3.6%	11.0%	9.7%	10.9%	4.5%
Net profit margin(5)	3.7%	9.6%	8.6%	9.2%	3.6%
Equity Yield(6)	7.2%	16.8%	14.9%	20.6%	11.2%
Return on Total Assets(7)	3.3%	9.1%	8.7%	10.4%	4.5%
Gearing ratio(8)	56.9%	49.5%	41.4%	42.1%	59.7%
Trade receivables turnover days(9)	67	67	63	68	66
Inventory turnover days(10)	70	65	58	59	59

Notes:

(1) Revenue growth = (revenue for the period / revenue for the prior period - 1) * 100%;

(2) Net profit growth = (net profit for the period / net profit for the prior period - 1) * 100%;

(3) Gross margin = (gross profit for the period / revenue for the period) * 100%;

(4) EBIT margin = (net finance costs and profit before income tax expense for the period / income for the period) * 100%;

(5) Net profit margin = (net profit for the period / revenue for the period) * 100%;

(6) Return on equity = (profit for the year attributable to shareholders for the period / average equity attributable to shareholders of the Company at the beginning and end of the period) * 100%;

(7) Return on total assets = (net profit for the period / average total assets at the beginning and end of the period) * 100%;

(8) Gearing ratio = (total liabilities/total assets) * 100%;

(9) Trade receivables turnover days = (Total trade receivables at the beginning of period C + Total trade receivables at the end of period) / 2 / Revenue for the period * 365 days; and

(10) Inventory turnover days = (C opening inventory total + closing inventory total)/2/cost of goods sold during the period * 365 days.

The Company selects representative financial indicators from profitability, operating capacity and solvency to analyze the Company's growth capability. The Company's financial indicators are solid, including revenue growth of approximately 20.0% year-over-year and net profit decline of approximately 54.3% year-over-year in 2021. the Company realized profit before income tax of approximately RMB265.9 million in 2021, a decrease of approximately 61.9% year-over-year. The decrease in profitability was mainly due to the increase in prices of key raw materials, surge in ocean freight rates and weak demand in the domestic market. The Company's balance sheet ratio as of December 31, 2021 increased by approximately 7.4 percentage points year-over-year, mainly due to the expenses of the production expansion projects of Prinx Thailand and Pulim Shan Dong. While expanding production capacity in an orderly manner, the Company has sufficient liquidity and continues to maintain a strong debt service capacity. The Company's trade receivables turnover days for 2021 are around 67 days, in line with the turnover days for 2020. Inventory turnover days will be around 70 days, an increase of 5 days compared to the 2020 turnover days, due to the shortage of export containers, which leads to longer storage time for export goods. In summary, the Company has a high level of competitiveness and operational management capability to continue to create value for shareholders.

Details of significant events that occurred after the end of the financial year that had an impact

As of the date of this annual report, the overall impact of the global epidemic and the country's macro policy adjustment on the macro economy is still uncertain. The Group will continue to closely monitor the development of the epidemic, make further judgment and estimation accordingly, and take relevant countermeasures.

III. Development strategy of the Company

(i) Planning of the Company

1. With the vision and mission of "leading tire innovation, contributing to smart mobility and sustainable development, and achieving a better life", the Group firmly implements the four core development strategies of "cost leadership, efficiency-driven, differentiated competition and global operation", grasps the development trend of the industry, strives to enhance the innovation capability and core competitiveness of the enterprise, and contributes to smart mobility and sustainable development.

2. The Group has formulated a medium- and long-term plan to achieve steady growth and set a milestone of achieving revenue of RMB 16.0 billion by 2025. Through the realization of the strategic goal to return to the leading level of the domestic industry, to build a world-class tire manufacturer, to achieve technology-led tire innovation.

3. With the customer as the center, the market as the guide, and the sales target as the evaluation tool, the Group focuses on the six strategic dimensions of marketing, R&D, manufacturing, team, system and model to build an international first-class tire manufacturer. We will realize the synergy of the whole value chain, including procurement, supply chain, finance, manufacturing, quality, R&D and marketing, to support the high-quality development of the enterprise.

4. The Group has consolidated the construction of three teams of talents in management, R&D and production, and cultivated a corporate culture based on the core values of "customer first, responsibility, focus and professionalism, innovation and openness".

5. The Group pursues a multi-brand strategy, combining internationalization and localization. Its four brands, Puling, Chengshan, Aoton and Fushen, are developed differently to enhance brand competitiveness based on core products and help each user explore a better life with the wisdom of new manufacturing and perceptible technology.

6. Based on the Company's multi-scale tire full life cycle manufacturing innovation center to strengthen the core research and development capabilities, the Group continues to improve the value-added technology services, forming a competitive advantage in the market.

7. The Group is actively building the CS-LEAD model: "Two levels of control system construction to match strategy, System Building team, Learning organization, Cultivating engineer culture of craftsmanship, Talent evaluation and incentive mechanism. Excellence Engineer Culture, talent evaluation and motivation mechanism
(Assessment & Inspiring) Dual Development channel (Business and Management)", to realize

broadening the pipeline of employee growth, pay attention to employee happiness index, and become a company where employees feel happy, welcomed by customers, and respected by society.

(2)Opportunities for the Company

1. With the increase in vehicle ownership in China, coupled with the introduction of relevant policies to regulate the production order of the industry, such as the national adjustment of industrial structure and optimization of industrial layout, the development of the tire industry has been driven, bringing opportunities for the development of the Company.

2. RCEP (Regional Comprehensive Economic Partnership) has brought development opportunities to China's tire market. Under the background of the epidemic, the international economy is under pressure, while China's epidemic is under better control, domestic production has resumed and the export market is favorable.

3. Under the background of "Carbon Peak, Carbon Neutral", the Company has been promoting low carbon energy structure, smart manufacturing and digital transformation in recent years, laying the foundation for the Company to achieve low carbon transformation and high quality development.

4. The management system of the Company is improving, the management team is relatively stable and the staff structure is reasonable, which lays a good foundation of human resources for the development of the Company.

5. The Company has a reasonable capital structure, adequate cash flow and sound financial position, which provides good financial conditions for leapfrog development.

6. With the establishment of sales companies in Europe and the Americas and production bases in Thailand, the Company's global production and operation structure has taken shape and is more confident in meeting the challenges brought about by changes in the international situation.

7. With the development of deep cooperation mode and tire leasing business, our company is further close to the market, close to the customers, which enhances our ability to respond quickly to the needs of customers and provide more rapid and valuable services to customers.

IV. Environmental Policy and Performance of the Company

The Group complies with various environmental laws and regulations and the hazardous substances involved in the production process are stored, used and disposed of in accordance with the requirements of the regulations. Pollutants such as wastewater and waste gas generated by the Group in the production process are in compliance with national emission standards and disposal requirements. Hazardous wastes are stored and disposed of in accordance with the requirements of laws and regulations. The Company has established the "Environmental Compliance Obligation Identification Management Program" and "Environmental Information Exchange Management Program" to receive national and local policies and regulatory requirements on environmental protection and to take corresponding actions.

V. Future Outlook

Possible future developments of the Group are set out in the "Management's Discussion and Analysis" in this annual report.

VI. Risks and uncertainties and compliance with relevant laws and regulations

The principal risks and uncertainties to which the Group may be exposed and compliance with relevant laws and regulations are set out in the "Management's Discussion and Analysis" in this annual report.

Financial Summary

A summary of the consolidated income statement and consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

Major Customers and Suppliers

Main Customers

For the year ending 31 December 2021, the Group's top five customers accounted for approximately 21.2% (2020: 23.1%) of the Group's total revenue and the single largest customer of the Group accounted for approximately 8.1% (2020: 8.8%) of the Group's total revenue.

Main suppliers

For the year ended 31 December 2021, the Group's top five suppliers accounted for approximately 24.5% of the Group's total purchases (2020: 30.5%) and the Group's single largest supplier accounted for approximately 9.6% (2020: 13.0%) of the Group's total purchase volume.

During the reporting period, save as disclosed in note 36 to the consolidated financial statements, none of the Directors, any of their close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the issued shares of the Company) had an interest in any of the Group's five largest customers or suppliers.

Property, plant and equipment

Details of the movements in the Group's property, plant and equipment during the reporting period are set out in note 16 to the consolidated financial statements.

Share Capital

Details of the movements in the share capital of the Company during the reporting period are set out in note 25 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Company and the Group during the reporting period are set out in notes 27 and 38 to the consolidated financial statements respectively.

Available Distribution Reserves

As at 31 December 2021, the Company's distributable reserves amounted to approximately RMB2,211.0 million (as at 31 December 2020: approximately RMB2,211.0 million).
(2,194.0 million)

Bank loans and other borrowings

Details of the Group's bank borrowings and other borrowings as at 31 December 2021 are set out in note 28 to the consolidated financial statements.

Directors

During the reporting period and up to the date of this annual report, the directors were as follows:

Executive Directors:

Che
Baozh
en Shi
Fu
Tao
Cao
Xueyu

Non-executive Directors:

Che
Hongz
hi
Wang
Lei
Shao
Quanf
eng

Independent non-executive directors:

Zhang
Xuehu
o Cai
Zijie
Wang
Chuan
sheng

In accordance with Article 108 of the Articles of Association, Mr. Che Hongzhi, Mr. Cai Zijie and Mr.

Wang Lei shall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

A circular containing, among other things, details of the Directors subject to rotation and re-election at the Annual General Meeting will be despatched to the Shareholders in due course.

Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out on pages 43 to 50 of this annual report.

Confirmation of independence of independent non-executive directors

The Company has received from each of the independent non-executive Directors confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the independent non-executive Directors are independent for the year ending 31 December 2021.

Directors' Service Contracts and Engagement Letters

None of the directors have service contracts with the Group which are not determinable within one year without payment of compensation (other than statutory compensation) For details of directors' service contracts and engagement letters, please refer to the section headed "Corporate Governance Report" in this annual report.

Directors' interests in material transactions, arrangements or contracts

During the reporting period and up to the date of this annual report, save as disclosed in note 10 to the consolidated financial statements, none of the Directors had a material interest, either directly or indirectly, in a transaction, arrangement or contract to which the Company, any of its subsidiaries or fellow subsidiaries was a party and which was significant in relation to the business of the Group.

Management Contract

During the reporting period and up to the date of this annual report, the Company has not entered into or entered into any contract for the management and administration of the whole or any substantial part of the business.

Remuneration Policy

The primary responsibilities of the Company's Nomination and Remuneration Committee are to make recommendations to the Board on the appointment of Directors, succession management of the Board and the overall remuneration policy and structure relating to all Directors and senior management of the Group, to review performance-based remuneration and to ensure that the Directors do not determine their own remuneration.

In determining the remuneration of directors and senior management, the Board takes into account the remuneration levels of comparable companies, the time commitment and responsibilities involved as well as the employment conditions of other positions within the Group, the individual performance of each director and the performance of the Company.

Details of the remuneration of the directors and the five highest paid individuals during the reporting period are set out in note 10 to the consolidated financial statements.

Retirement and Employee Benefit Plans

Details of the Company's retirement and employee benefit plans are set out in Note 10 to the consolidated financial statements.

Stock Linkage Agreement

Save as disclosed in this annual report in relation to the Share Option Scheme, no share-linked agreements were entered into during the year or remained in force at the end of the year.

Changes in Directors' Information

The changes in information required to be disclosed in respect of any of the Directors during the period from the date of the Interim Report 2021 up to the date of this report are set out below:

Name of Director	Details of changes
Mr. Zhang Xuemo	Mr. Chang has been a member of Doumeng Technology Li, company listed on the Stock Exchange, since December 29, 2021 (Stock Code: (1917), an independent non-executive director.

Save as disclosed in this annual report in respect of "Directors" and above, there have been no changes to the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules in respect of any Directors.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2021, the Directors and chief executive of the Company had interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance () notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of (including interests and short positions which they are taken or deemed to have under such provisions of the SFO). (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code") as set out in Appendix 10 of the Listing Rules, which has been entered in the register required to be kept under section 352 of the SFO, are as follows:

Name	Nature of identity/interest	Number of shares	Good position/short position	Shareholding in our company Percentage of probability
Mr. Hongzhi Che	Spouse's Rights	441,859,500 (Note 1)	Good Warehouse	69.43%
Mr. Che Baozhen	Interest in Controlled	441,859,500	Good Warehouse	69.43%

	Corporations	(Note 2)		
	Beneficial Owners	580,000 (Note 3)	Good Warehouse	0.09%
Mr. Shi Fu Tao	Beneficial Owners	5,664,000 (Note 4)	Good Warehouse	0.89%
Ms. Cao Xueyu	Beneficial Owners	773,000 (Note 5)	Good Warehouse	0.12%

Notes:

(1) Mr. Chee Hong Chi is the spouse of Ms. Li Xiuxiang. As such, he is deemed to be interested in all the shares in which Ms. Li Xiuxiang is interested.

(2) As at 31 December 2021, Mr. Che Bao Zhen directly owned 50% equity interest in Shanghai Chengzhan Information Technology Centre ("Shanghai Chengzhan"), which in turn owned 95% equity interest in Beijing Zhongmingxin Investment Company Limited ("Beijing Zhongmingxin") which in turn had control over 42.50% equity interest in the Chengshan Group. As a result, Mr. Che Baozhen, Shanghai Chengzhan and Beijing Zhongmingxin are deemed to be interested in the interests of the Chengshan Group.

(3) As at 31 December 2021, Mr. Che Bao Zhen held his interest in these shares through options granted under the share option scheme under the physically settled equity derivatives.

(4) As at 31 December 2021, 5,512,000 of these shares held by Mr. Shi Fu Tao were held as interests in those shares through options granted under the share option scheme under the physically settled equity derivatives.

(5) As at 31 December 2021, Ms. Cao Xueyu held interests in 725,500 of these shares through options granted under the share option scheme under the physically settled equity derivatives.

(6) Based on the total number of issued shares of 636,440,000 as of December 31, 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executives of the Company had interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (which including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' rights to purchase shares or debentures

Save as disclosed in this annual report, at no time during the year ended 31 December 2021 was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and no Director or their spouse or children under the age of 18 years has been granted any right to subscribe for equity or debt securities of the Company or any other body corporate or has exercised any such right. Debenture securities of the Company or any other body corporate, or has exercised any such rights.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares

As at 31 December 2021, so far as is known to the Directors, the following persons (not being Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO and which were entered in the register required to be kept by the Company under section 336 of the SFO:

Name	Nature of identity/interest	Number of shares	Good position/short position	Shareholding in our company Percentage of probability
China National Heavy Duty Truck (Hong Kong) Investment Holdings Limited	Beneficial owner	61,672,000 (Note 1)	Goo d	9.69%
China National Heavy Duty Truck (Hong Kong) International Capital Limited Company	Interest in controlled corporation	61,672,000 (Note 1)	war eho use, goo d war eho use	9.69%
China National Heavy Duty Truck (Hong Kong) Co.	Interest in Controlled Corporations	61,672,000 (Note 1)	Good Warehouse	9.69%
Sinotruk (BVI) Limited	Interest in Controlled Corporations	61,672,000 (Note 1)	Good Warehouse	9.69%
China Heavy Duty Vehicle Group Co.	Interest in Controlled	61,672,000	Good Warehouse	9.69%

	Corporations			
		(Note 1)		
Chengshan Group	Beneficial Owners	441,859,500	Good Warehouse	69.43%
		(Note 2)		
Beijing Zhongmingxin	Interest in Controlled Corporations	441,859,500	Good Warehouse	69.43%
		(Note 2)		
Shanghai Chengzhan	Interest in Controlled Corporations	441,859,500	Good Warehouse	69.43%
		(Note 2)		
Ms. Li Xiuxiang	Interest in Controlled Corporations	441,859,500	Good Warehouse	69.43%
		(Note 2)		
Ms. Wenjing Bi	Spouse's Rights	442,439,500	Good Warehouse	69.52%
		(Note 3)		

Notes:

(1) As at 31 December 2021, China Heavy Duty Truck Group Limited held 100% interest in Sinotruk (BVI) Limited, which in turn held 51% of the issued share capital of China National Heavy Duty Truck (Hong Kong) Limited, which in turn held 100% of the issued share capital of China National Heavy Duty Truck (Hong Kong) International Capital Limited, which in turn holds 100% of the issued share capital of China National Heavy Duty Truck (Hong Kong) Investment Capital Limited, which holds 100% of the issued share capital of China National Heavy Duty Truck (Hong Kong)Investment Holdings Limited, which in turn holds 61,672,000 shares of the Company. Accordingly, China Heavy Duty Truck Group Limited, Sinotruk (BVI) Limited, China National Heavy Duty Truck (Hong Kong) Limited, China National Heavy Industry Corporation (Hong Kong) International Capital Limited is deemed to be interested in the 61,672,000 shares held by China National Heavy Industry Corporation (Hong Kong) Investment Holdings Limited.

(2) As at 31 December 2021, Ms. Li Xiuxiang directly owned 50% equity interest in Shanghai Chengzhan, which in turn owned 95% equity interest in Beijing Zhongmingxin, which in turn owned 42.50% equity interest in the Chengshan Group. As a result, Ms. Li Xiuxiang, Shanghai Chengzhan and Beijing Zhongmingxin are deemed to be interested in the interests of the Chengshan Group.

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

(4) Based on the total number of 636,440,000 shares in issue as of December 31, 2021.

Save as disclosed above, as at 31 December 2021, so far as the Directors are aware, there is no other person (not being a Director and chief executive of the Company) who has interests in the shares or underlying shares of the Company which is discloseable under Divisions 2 and 3 of Part XV of the SFO or which is required to be registered in the register of members of the Company.

Interests or short positions in the register referred to in section 336 of the Securities and Futures Ordinance.

Purchase, redemption or sale of listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

Right of First Refusal

There is no pre-emptive right provision under the Articles of Association and the laws of the Cayman Islands requiring the Company to offer new Shares to existing Shareholders on a pro rata basis.

Tax Relief

Under the laws of the Cayman Islands, no tax is currently imposed on the profits, income, gains or appreciation of individuals or companies arising from the holding of shares in the Company, and there is no taxation in the nature of inheritance tax and estate duty.

Non-Competitive Commitment

Chengshan Group, Mr. Che Hongzhi and Ms. Li Xiuxiang, the Chairman of the Board and non-executive directors of the Company, Mr. Che Baozhen and Ms. Bi Wenjing, the executive directors and chief executive officer of the Company, Rongcheng Dongsheng Housing Leasing Company Limited, Beijing Zhongmingxin, Rongcheng Chengyuan Equity Investment Centre, Rongcheng Hongsheng Equity Investment Centre, Rongcheng Chengda Equity Investment Centre, Rongcheng Chenghai Equity Investment Centre, Rongcheng Pucheng Equity Investment Centre, the Rongcheng Hao Cheng Equity Investment Centre and Beijing Baichuan Tong Consulting Company Limited ("Beijing Baichuan Tong") (the "Signing Non-Competition Deed Controlling Shareholders") as the then controlling shareholders of the Company entered into a non-competition deed ("Non-Competition Deed") on 10 September 2018, pursuant to which the Signing Non-Competition Deed Controlling Shareholders have irrevocably and unconditionally undertaken and covenanted that during the control period of the Group, they will not and will procure that its close associates (other than any member of the Group) not, directly or indirectly (whether in person or together with or on behalf of any person, firm or company) among other things, engage in, participate in or have an interest in or be involved in or acquire or hold (in each case whether as a shareholder, partner, agent or as an agent for or on behalf of the Company) any business which competes or is likely to compete with the Company's tire manufacturing business and tire selling business in the PRC. (whether as a shareholder, partner, agent or otherwise) such business.

For details of the non-competition covenants, please refer to the section "Relationship with Controlling Shareholders" in the prospectus.

On June 19, 2019, Beijing Bacchuantong transferred its entire 95% equity interest in Beijing Zhongmingxin to Shanghai Chengzhan. Upon completion of the transfer, Mr. Che Baozhen and Ms. Li Xiuxiang directly owned 50% equity interest in Shanghai Chengzhan, which in turn owned 95% equity interest in Beijing Zhongmingxin, which in turn owned 42.5% equity interest in Chengshan Group. As a result, Mr. Che Baozhen, Ms. Li Xiuxiang, Shanghai Chengzhan and Beijing Zhongmingxin are deemed to be interested in the interests of the Chengshan Group. Beijing Bacchantone ceased to be the controlling shareholder of the Company and Shanghai Chengzhan replaced Beijing Bacchantone as the controlling shareholder of the Company and Shanghai Chengzhan is also a close associate of Mr. Che Baozhen and Ms. Li Xiuxiang as defined in the Deed of Non-Competition.

The Company has received the signed annual confirmation from the controlling shareholder that they have complied with the non-competition deed during the reporting period for disclosure in this annual report.

The independent non-executive directors have reviewed the performance of the non-competition covenants during the reporting period based on the information provided by or given by the controlling shareholders of the Company and confirmed that they are satisfied that the controlling shareholders have complied with the non-competition covenants.

Directors' interests in competing businesses

Save as disclosed in this annual report, none of the Directors or their associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 December 2021.

Controlling shareholders' interests in contracts

Save as disclosed in the "Related Party Transactions" and "Continuing Connected Transactions" below and in Note 36 to the consolidated financial statements, none of the controlling shareholders of the Company or any of its subsidiaries had a material interest, directly or indirectly, in any contract entered into by the Company or any of its subsidiaries during the year ended 31 December 2021 which was significant in relation to the business of the Group.

Shareholders have waived or agreed to waive dividends

For the year ended December 31, 2021, the Board confirms that no shareholder has waived or agreed to waive any dividend.

Related Party Transactions

Details of such related party transactions are set out in note 36 to the consolidated financial statements and details of any related party transactions that constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules are disclosed below, while other related party transactions (other than the purchase of hydroelectric power from the Chengshan Group, which is fully exempt from the disclosure requirements under Chapter 14A of the Listing

Rules) do not constitute connected transactions.

The Board confirms that the Company has complied with the disclosure requirements as required under Chapter 14A of the Listing Rules in respect of the above related party transactions.

Continuing Connected Transactions

During the year ended 31 December 2021, the Group has entered into the following continuing connected transactions:

Name of relevant connected person with the Group	Nature of Transaction	Relationship	As of 2021 December 31 For the year ended of the annual cap (RMB in thousands)	As of 2021 December 31 For the year ended Actual transaction amount (RMB in thousands)
Chengshan Group	Chengshan Group is the controlling shareholder	Property Leasing	8,000	7,213
Rongcheng Chengshan Energy Service Co. ("Wing Shing Shing Shan Energy Saving Service")	Rongcheng Chengshan Energy Service is a wholly-owned subsidiary of the controlling shareholder Chengshan Group	Energy Management	5,000	2,602
Wing Seng Seng Shan Properties Limited ("Wing Seng Seng Shan Property")	Rongcheng Chengshan Property is wholly owned by the controlling shareholder, Chengshan Group	Property Services	6,400	5,964

Leasing of properties from the Chengshan Group

On 1 March 2018, Poulin (Shandong) Tyres entered into a property lease agreement with the Chengshan Group in relation to the lease of certain properties by the Group from the Chengshan Group ("Property Lease Agreement"), the term of which is effective from March 1, 2018 until February 28, 2021.

As the Original Property Lease Agreement expires on 28 February 2021 and the Group expects to enter into the transactions contemplated thereunder after its expiry, Poulin (Shandong) Tyre and Chengshan Group entered into a property lease agreement for 2021 ("**2021** Property Lease Agreement") on 18 December 2020 to renew the transactions contemplated under the corresponding existing property lease agreement. The scope of the leased properties is the same as the original Property Lease Agreement. The term is 34 months commencing from March 1, 2021 and ending on December 31, 2023.

The proposed annual caps for the transactions contemplated under the 2021 Property Lease Agreement for the years ending 31 December 2021, 2022 and 2023 are RMB8.0 million, RMB8.0 million and RMB8.0 million respectively. In arriving at the Annual Caps for the transactions contemplated under the 2021 Property Lease Agreement, the Directors have taken into account (i) the historical rental amounts paid by the Group to the Chengshan Group under the Existing Property Lease Agreement; (ii) the estimated total leased area; and (iii) the prevailing market prices of comparable property units in the local community.

As the Group previously leased certain properties from the Chengshan Group as office units, dormitories and staff canteens, it is in the interest of the Group to enter into the 2021 Property Lease Agreement in terms of cost, timing and stability. The Directors consider that in order to avoid unnecessary disruption to the Group's business operations, it would be beneficial to renew the Existing Property Lease Agreement if the relevant rental charges and other terms are favourable to the Group.

Accordingly, Poulin (Shandong) Tyres leased from the Chengshan Group (i) part of the office units with an area of 6,988.92 sq.m. located at No. 98, Nanshan North Road, Rongcheng City, Shandong Province, the PRC for use as office units; (ii) Nos. 49 to 53 and 55 (with an area of 11,597.92 sq.m.) in Guotai, Rongcheng City, Shandong Province, the PRC for use as dormitories; and (iii) No. 56 (with an area of 3,124.65 sq.m.) in Guotai District, Rongcheng City, Shandong Province, the PRC for use as staff canteen. No56, Guotai District, Rongcheng City, Shandong Province, the PRC (with an area of 3,124.65 sq.m.) as staff canteen.

Through the transactions contemplated under the Property Lease Agreement, the Group will continue to lease properties from the Chengshan Group. Accordingly, the Directors (including the independent non-executive Directors) consider that the continuation of the transactions under the Property Lease Agreement by the Group for the year ending 31 December 2021 is beneficial to the Company and the lease amount for such continuing connected transactions for the year ending 31 December 2021 is capped at RMB8.0 million and the actual transaction amount for such year is approximately RMB7.2 million.

Purchase of property services from Wing Seng Seng Shan Properties

On 5 January 2018, Puling (Shandong) Tyres entered into a property services agreement ("Property Services Agreement") with Rongcheng Chengshan Property for the provision of certain property services to the Group for a term commencing from 1 January 2018 until 31 December 2020.

As the original Property Services Agreement expires on 31 December 2020 and the Group expects to enter into the transactions contemplated thereunder after its expiry, Puling (Shandong) Tyre and Rongcheng Chengshan Property entered into a property services agreement for the year 2021 (the "**2021** Property Services Agreement") on 18 December 2020 to renew the transactions contemplated under the corresponding existing property services agreement. The services to be provided include plant access control, security, vehicle management, cleaning, landscaping, meeting room management and maintenance and repair of common areas and shared facilities. The term is for a period of three years commencing from January 1, 2021 to December 31, 2023.

The proposed annual caps for the transactions contemplated under the 2021 Property Services Agreement for the years ending 31 December 2021, 2022 and 2023 are RMB6.4 million, RMB6.4 million and RMB6.4 million respectively. The above annual caps are based on (i) the historical amounts paid by the Group to the Chengshan Group under the Existing Property Services Agreement; (ii) the new scope of services and management areas for which the Group has appointed the Chengshan Group; and (iii) the prevailing market prices for similar services in the PRC.

The principal business of the Chengshan Group includes property management. The Board considers that the provision of property management services by the Chengshan Group is conducive to the promotion of good quality of property management services. The arrangement with the Chengshan Group has been in existence for several years and the Directors therefore consider that in order to avoid unnecessary disruption to the Group's business operations, it would be beneficial to renew the existing property services agreement if the relevant fees and other terms are favourable to the Group.

Accordingly, Rongcheng Chengshan Property provides factory access control, security, vehicle management, cleaning, landscaping, maintenance and repair of common areas and shared facilities to Puling (Shandong) Tire.

Through the transactions contemplated under the Property Services Agreement, the Group will continue to procure property services from WCPS. Wing Sing Sing Properties has extensive professional experience and sufficient workforce to engage in the provision of integrated property services. Accordingly, the Directors (including the independent non-executive Directors) consider that the continuation of the transactions under the Property Services Agreement by the Group for the year ending 31 December 2021 is beneficial to the Company and the purchase amount of such continuing connected transactions for the year ending 31 December 2021 is capped at RMB6.4 million and the actual transaction amount for such year is approximately RMB6.0 million.

Purchase energy-saving services from Rongcheng Chengshan Energy Saving Service

On 28 March 2018, Puling (Shandong) Tyres entered into an energy management framework agreement (Energy Management Framework Agreement) with Rongcheng Chengshan Energy Saving Services for a term commencing on 28 March 2018 and ending on 31 December 2020.

As the original Energy Management Framework Agreement (as amended by the Supplemental Agreement) expires on 31 December 2020 and the Group expects to enter into the transactions contemplated thereunder after its expiry, Puling (Shandong) Tyre and Rongcheng Chengshan Energy Service entered into the 2021 Energy Management Framework Agreement ("2021 Energy Management Framework Agreement") on 18 December 2020 to renew the corresponding existing The transactions contemplated under the Existing Energy Management Framework Agreement. The scope of energy management services to be provided is consistent with the Original Energy Management Framework Agreement. It is for a period of three years commencing on 1 January 2021 and ending on 31 December 2023.

The proposed annual caps for the transactions contemplated under the 2021 Energy Management Framework Agreement for the years ending 31 December 2021, 2022 and 2023 are RMB5.0 million, RMB5.0 million and RMB5.0 million, respectively. The term is three years commencing from 1 January 2021 and ending on 31 December 2023.

During the specific implementation of the energy-saving service, the contracting parties agreed, after on-site tests and technical exchanges, that if the energy-saving service of Rongcheng Chengshan is useful to Pulin (Shandong) Tire energy system will be retrofitted with energy saving, and then Pulim (Shandong) Tire will generate huge energy saving benefits. The arrangement with the Chengshan Group has been in place for several years and will enable Pulim (Shandong) Tyre to achieve the goal of reducing electricity consumption costs while ensuring the smooth operation of the energy saving renovation project. Therefore, the Directors consider it beneficial to renew the existing energy management framework agreement.

The proposed Annual Caps for the transactions contemplated under the 2021 Energy Management Framework Agreement for the years ending 31 December 2021, 2022 and 2023 are RMB5.0 million, RMB5.0 million and RMB5.0 million, respectively. The above Annual Caps are based on (i) the historical amounts paid by the Group to the Chengshan Group under the Existing Energy Management Framework Agreement; and (ii) the expected energy saving and efficiency measures under the 2021 Energy Management Framework Agreement; (iii) the expected energy saving retrofit projects of Puling (Shandong)Tyres; and (iv) the proposed transactions to be entered into after arm's length negotiations between Rongcheng Chengshan Energy Saving Services and Puling (Shandong)Tyres with reference to the prevailing prices The price is arrived at on an arm's length basis.

Accordingly, Rongcheng Chengshan Energy Saving Service will continue to provide energy saving services to the Group from time to time pursuant to the Energy Management Framework Agreement. In addition, both parties intend to add an energy saving retrofit project for the energy system and carry out dedicated energy saving services, which mainly includes the energy saving retrofit of the air compressor system, pump system and electrical system of the existing energy system and replace them all with new energy-saving equipment.

Through the transactions contemplated under the Energy Management Framework Agreement, the Group will continue to procure energy saving services from Rongcheng Chengshan Energy Saving Services. Poulin (Shandong)Tyre will be able to pay for the investment costs of its energy saving projects with energy saving revenue, thereby reducing the pressure on internal capital resources. Accordingly, the Directors (including the independent non-executive Directors) consider that the continuation of the transactions under the Energy Management Framework Agreement by the Group for the year ending 31 December 2021 is beneficial to the Company and that the revised cap for these continuing connected transactions for the year ending 31 December 2021 in respect of the Purchase Amount is RMB5.0 million and the actual transaction amount for such year is approximately RMB2.6 million.

For the 2021 Property Services Agreement, the 2021 Energy Management Framework Agreement, as one or more of the applicable percentage ratios for the Annual Caps contemplated under each of the agreements is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules but are exempt from the independent shareholders' approval requirement.

For the purpose of the 2021 Property Lease Agreement, the transaction under the 2021 Property Lease Agreement is regarded as an asset acquisition pursuant to Rule 14.04(1)(a) of the Listing Rules. The value of the right-of-use asset recognised under the 2021 Property Lease Agreement is approximately RMB21.2 million. As the maximum percentage ratios exceed 0.1% but are less than 5%, the transaction is classified as a one-off connected transaction and is subject to the announcement and reporting requirements under Chapter 14A of the Listing Rules, but is exempt from the independent shareholders' approval requirement.

The Board (including the independent non-executive Directors) considers that the 2021 Property Services Agreement, the 2021 Energy Management Framework Agreement and the 2021 Property Lease Agreement (the "**2021** Agreements") were entered into in the ordinary course of the Group's business and that the terms of the 2021 Agreements and their annual caps are on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole .

Please refer to the Company's announcements dated 18 December 2020 and 30 December 2020 for details of the above renewal of the Continuing Connected Transaction Agreements which expire in 2020 and 2021.

For details of the above continuing connected transactions, including the specific pricing terms or procedures in each agreement and important information on the pricing policies and guidelines, please refer to the section headed "Continuing Connected Transactions" in the Prospectus. During the reporting period, the Group followed these pricing policies and guidelines in respect of the values and transaction terms under which the continuing connected transactions were entered into.

For the transactions under the Property Lease Agreement, the Property Services Agreement and the Energy Management Framework Agreement, as one or more of the applicable percentage ratios (other than the profits ratio(as defined in Rule 14.04(9) of the Listing Rules)expected to be more than 0.1% but less than 5%, the transactions contemplated under these agreements are subject to the reporting, annual review and announcement requirements under Rule 14A.76(2) of the Listing Rules The transactions contemplated under the Agreements are therefore subject to the reporting, annual review and announcement requirements under Rule 14A.76(2) of the Listing Rules, but are exempt from the circular and independent shareholders' approval requirements.

During the reporting period, the independent non-executive directors have reviewed the above continuing connected transactions and confirmed that the transactions have:

(i) entered into in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) The transaction was conducted in accordance with the agreement relating to the transaction on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors confirm that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of all its continuing connected transactions.

The Company's auditors were engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above.

The Directors confirm that the auditors have confirmed the matters set out in Rule 14A.56 of the Listing Rules.

Save as disclosed in this annual report, there were no connected transactions or continuing connected transactions of the Company during the reporting period that are discloseable under the provisions of Chapter 14A of the Listing Rules relating to disclosure of connected transactions.

Sanctioned business activities

For the year ended December 31, 2021, the Company has met its commitments to the Exchange with respect to conducting business in all countries subject to compliance with laws and regulations relating to economic sanctions, export controls, trade embargoes and broader prohibitions and restrictions on international trade and investment-related activities, including those adopted, enforced and implemented by the U.S. government, the European Union and its member states, the United Nations or the Australian government. Details of the Company's commitments are set out in the section of the Prospectus entitled "Business - Activities Conducted in Countries Subject to International Sanctions - Our Commitments and Internal Control Procedures".

During the reporting period, the Group did not conduct any business activities with countries subject to international sanctions.

Charitable Donations

During the reporting period, the Group had no charitable donations and other contributions.

Significant Legal Proceedings

During the year ended 31 December 2021, the Company was not involved in any material legal proceedings or arbitration. To the best knowledge of the Directors, there is also no material legal proceedings or claims pending or threatened against the Company.

Permissible Indemnity Provisions

The Company has appropriate insurance arrangements in place to cover the liability of its directors and officers in respect of legal proceedings to which their directors and senior management may be exposed arising out of corporate activities.

Subject to the Articles of Association, the Directors, Managing Directors, Alternate Directors, Auditors, Secretary and other officers for the time being of the Company, and the trustees (if any) for the time being of any of the affairs of the Company and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against any actions, costs, charges, losses, damages and expenses which they or any of them, any of their executors or administrators, shall or may incur or sustain in or about the execution of their duties or the assumed duties of their respective offices or trusts. Any actions, costs, charges, losses, damages and expenses which they or any of them, any of their executors or officers, will or may incur or suffer by reason of any act done, agreed to or omitted in the performance of their duties or the assumed duties of their respective offices or trusts, except to the extent, if any, incurred or suffered by them as a result of their own fraud or dishonesty. Such persons shall not at the same time be bound to account for the acts, receipts, neglects or defaults of any of them, or for their participation in any receipts for the purpose of complying with the Statutes, or for any deficiency or omission in the security of any bank or other person with whom any money or property of the Company is to be lodged or deposited for safe custody, or for any money to be withdrawn or invested by the Company, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts or in connection therewith. Any other loss, misfortune or damage which may occur in the performance of their respective duties or trusts or in connection therewith, unless arising out of or through their own fraud, dishonesty or recklessness. For the purpose of indemnifying the Company and/or the Directors (and/or other officers) specified for this purpose against any loss, damage, liability and claim which may be sustained or suffered by the Company and/or the Directors (and/or other officers) or any of them in respect of any breach of duty on the part of the Company, the Company may offer for the benefit of the Company or the Directors (and/or other officers) or any of them (b) to pay premiums or other sums for the purpose of maintaining insurance, bonds or other instruments.

Certain performance obligations of the Controlling Shareholders in respect of the Financing Agreement

On March 17, 2020, Prinx Thailand, as borrower, entered into a facility agreement (the "Agreement") with Bank of China (Hong Kong) Limited, Bank of China (Thailand) Corporation Limited and The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch (the "Lenders") as the appointed lead arrangers and original lenders, in relation to the $ 90 million Facility for a term of for a term of four years from the date of the Agreement.

Under the Agreement, Prinx Thailand shall cause:

(a) Mr. Che Bo Zhen, Mr. Che Hong Zhi and Ms. Li Xiuxiang ("Controlling Shareholders") remain the single largest shareholder of the Company; and

(b) The controlling shareholder still maintains management control of the Company.

In the event of a breach of certain performance obligations, the Lender will, among other things, have the right to cancel the commitments under the Agreement and declare immediate repayment of all outstanding loans together with accrued interest and all other accrued amounts and other financial instruments due and payable under the Agreement.

Details of the borrowing agreement with specific performance covenants are set out in the announcement of the Company dated 17 March 2020.

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

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

Details of the amended agreement are set out in the announcement of the Company dated 7 July 2021.

Events after the balance sheet date

Details of other significant events subsequent to the balance sheet date are set out in note 37 to the consolidated financial statements.

The Company plans to amend the memorandum of association and articles of association of the Company ("M&A") Please refer to the announcement and circular to be issued by the Company for details.

Audit Committee

The Company's Audit Committee has reviewed with management and the Company's external auditors the accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2021.

Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out on pages 81 to 83 of this annual report.
98 pages of Corporate Governance Report.

Public Holdings

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the total issued shares of the Company (being the minimum percentage of public float as required by the Stock Exchange and the Listing Rules) were held by the public at any time during the reporting period and up to the date of this annual report.

Auditors

PricewaterhouseCoopers has been appointed as auditors for the year ending 31 December 2021. PricewaterhouseCoopers have audited the accompanying financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

PricewaterhouseCoopers will be required to retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. A resolution for the re-appointment of PricewaterhouseCoopers as auditors will be proposed at the Annual General Meeting.

By order of the
Board of
Directors
Chairman and
Non-executive
Director
Che Hongzhi

Hong Kong, May 10, 2022

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2021.

Corporate Governance Practices

The Group is committed to maintaining a high standard of corporate governance through an effective board of directors, clear segregation of duties and accountability, well-developed internal control and risk assessment procedures and a high level of transparency to shareholders to achieve good corporate governance in order to protect shareholders' interests and enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules as its own corporate governance code. During the year ended 31 December 2021, the Company has complied with all applicable code provisions under the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Board of Directors

Responsibility

The Board is responsible for the overall leadership of the Group and oversees the Group's strategic decisions and monitors the business and performance. The Board has delegated authority and responsibility for the day-to-day management and operations of the Group to the senior management of the Group. To oversee specific aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee (the "Audit Committee"), the Nomination and Remuneration Committee (the "Nomination and Remuneration Committee") and the Development Strategy and Risk Management Committee (the "Development Strategy and Risk Committee") (collectively, the "Board Committees"). The Board has delegated to these Board Committees the responsibilities set out in their respective terms of reference.

All Directors shall ensure that they act in good faith, comply with applicable laws and regulations and perform their duties at all times in a manner consistent with the interests of the Company and the Shareholders.

The Company has arranged appropriate liability insurance coverage for legal proceedings against directors and will review the coverage of this insurance annually.

Composition of the Board of Directors

As at the date of this annual report, the Board consists of three executive directors, three non-executive directors and three independent non-executive directors, as follows:

Executive Directors:

Che Po Zhen (Chief
Executive Officer)
Shi Fu Tao
Cao Xueyu

Non-executive Directors:

Che Hongzhi
(Chairman)
Wang Lei
Shao Quanfeng

Independent non-executive directors:

Zhang
Xuehu
o Cai
Zijie
Wang
Chuan
sheng

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" in this annual report.

During the year ended 31 December 2021, the Board has complied with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of at least three independent non-executive Directors, at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with the requirement under Rule 3.10A of the Listing Rules in relation to the appointment of independent non-executive directors equivalent to one-third of the members of the Board. As each of the independent non-executive Directors has confirmed their independence pursuant to Rule 3.13 of the Listing Rules, the Company considers them to be independent.

None of the Directors has any personal relationships (including financial, business, family or other material/relevant relationships) with any other Directors or the most senior executives, other than those disclosed in the Directors' biographical information set out in the section headed "Directors and Senior

Management" in this annual report.

All directors, including the independent non-executive directors, bring a variety of valuable business experience, knowledge and expertise to the Board to enable it to operate efficiently and effectively. The independent non-executive directors are invited to serve on the Audit Committee and the Nomination and Remuneration Committee.

In view of the provisions of the CG Code requiring directors to disclose the number and nature of positions held in listed companies or organizations and other material commitments, as well as their status and length of service with the issuer, the directors have agreed to disclose their commitments to the Company in a timely manner.

Onboarding and Continuing Professional Development

All newly appointed Directors are provided with necessary induction training and information to ensure that they have an appropriate level of understanding of the operations and business of the Company and their responsibilities to them under the relevant statutes, laws, rules and regulations. Seminars are also regularly arranged for the Directors to update them on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the performance, position and prospects of the Company to enable the Board as a whole and each of the Directors to discharge their duties.

During the reporting period, all the existing directors have received relevant training on corporate governance and regulatory issues and have provided their training records. In view of the above, the Company considers that all directors have complied with code provision C.1.4 of the CG Code.

A summary of the continuing professional development activities in relation to the Group's business in which the Directors were involved for the year ended 31 December 2021 is as follows:

Name of Director	Training Format	Training Content
Executive Director		
Che Baozhen	Conferences / Seminars / Training Courses	Laws and regulations/corporate governance/business operations/industry-related
Shi Fu Tao	Conferences / Seminars / Training Courses	Laws and regulations/corporate governance/industry-related/capital markets
Cao Xueyu	Conferences / Seminars / Training Courses	Legal / Corporate Governance / Accounting
Non-Executive Directors		
Che Hongzhi	Conferences / Seminars / Training Courses	Industry-related/legal/governance
Wang Lei	Conferences / Seminars / Training Courses	Industry-related/legal/governance
Shao Quanfeng	Conferences / Seminars / Training Courses	Industry-related/legal/governance
Independent non-executive directors		
Zhang Xuemo	Conferences / Seminars / Training Courses	Industry Related/Legal Regulations/Capital Markets
Tsai Zijie	Conferences / Seminars / Training Courses	Legal / Corporate Governance / Accounting / Taxation
Chuan-Sheng Wang	Conferences / Seminars / Training Courses	Industry-related/legal regulations

The Company encourages continuous professional development for all Directors to develop and update their knowledge and skills. The Company Secretary of the Company updates and provides written training materials on the roles, functions and responsibilities of the Directors from time to time.

Chairman and Chief Executive Officer

In accordance with Code Provision C.2.1 of the CG Code, the roles of Chairman of the Board and Chief Executive Officer should be differentiated and performed by different individuals.

The Chairman of the Board (the "Chairman") and the Chief Executive Officer of the Company ("CEO") currently held by Mr. Chee Wang Chee and Mr. Chee Bo Zhen respectively, with a clear separation of functions between these two distinct positions. The Chairman is responsible for providing strategic advice and guidance on the development of the Group, while the CEO is responsible for the day-to-day operations of the Group.

Mr. Che Bo Zhen, the Chief Executive Officer, is the son of Mr. Che Hong Zhi, the Chairman.

Appointment and re-election of directors

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing on 10 September 2021, subject to termination in accordance with the terms of the service contract.

Mr. Che Hongzhi and Mr. Wang Lei, the non-executive Directors, have entered into a service contract with the Company for a term of three years commencing from 10 September 2021, which is terminable in accordance with the terms of the service contract.

Mr. Shao Quanfeng, a non-executive Director, has entered into a service contract with the Company for a term of three years commencing from 24 February 2020, which is terminable in accordance with the terms of the service contract.

Each of the independent non-executive directors has entered into a letter of appointment with the Company for a term of one year commencing on 10 September 2021, subject to termination in accordance with the terms of the service contract.

None of the Directors has entered into a service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation)

The Directors shall retire by rotation and shall offer themselves for re-election at each annual general meeting of the Company in accordance with Articles 108 and 112 of the Articles of Association. A Director appointed by the Board as an addition to the Board or to fill a casual vacancy on the Board shall be subject to re-election by the shareholders at the next annual general meeting of the Company or the first general meeting of the Company after his appointment respectively. In addition, when an independent non-executive director proposed for re-election has served the Company for more than nine years, his re-election is subject to the approval of a separate resolution at the annual general meeting.

The procedures and processes for the appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination and Remuneration Committee is responsible for reviewing the composition of the Board and making recommendations to the Board on the appointment, re-election and succession planning of Directors.

Please refer to the section headed "Report of the Directors" in this annual report for details of the Directors who will retire by rotation and stand for re-election at the AGM.

Board Meeting

The Company will adopt the practice of holding regular Board meetings at least four times a year, approximately once a quarter. All directors will be given not less than 14 days' notice to convene regular board meetings so that all directors will have the opportunity to attend the regular meetings and discuss the agenda items.

For other Board and Board committee meetings, the Company gives reasonable notice. Notice of meetings includes an agenda and relevant board papers and is sent to the directors or committee members at least three days prior to the date of the board meeting or board committee meeting to ensure that directors have sufficient time to review the papers and are adequately prepared to attend the meeting. If a director or committee member is unable to attend a meeting, he or she will be informed of the matters to be discussed and will have an opportunity to inform the chairman of his or her views prior to the meeting. The Company Secretary shall keep minutes of the meetings and provide copies of such minutes to all Directors for their information and records.

Minutes of Board meetings and committee meetings will record in detail the matters considered and decisions reached by the Board and Board committees, including any questions raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are/will be sent to the Directors for their consideration within a reasonable time after the meeting. The minutes of the Board meetings are open for inspection by all Directors.

Standard Rules for Conducting Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of all Directors, each of them has confirmed that they have complied with the required standard set out in the Model Code throughout the annual period ended 31 December 2021.

Employees of the Company who may have inside information about the Company are also required to comply with the Model Code in relation to securities transactions. During the year ended 31 December 2021, the Company is not aware of any non-compliance with the Model Code by the relevant employees of the Company.

Authorization of the Board of Directors

The Board reserves the right to make decisions on all material matters of the Company, including:

approval and supervision of all policy matters, overall strategy and budget, internal control and risk management systems, major transactions (particularly those that may involve conflicts of interest) financial data, appointment of directors and other major financial and operational matters. The Directors may seek independent professional advice in the performance of their duties at the Company's expense. They are also encouraged to seek independent advice from the senior management of the Company.

The day-to-day management, administration and operations of the Group are entrusted to the senior management. The Board regularly reviews the functions and responsibilities delegated to it. Management is required to obtain the approval of the Board before entering into any material transactions.

Corporate Governance Function

The Board recognises that corporate governance should be a shared responsibility of the Directors and that their corporate governance functions include:

(a) to review and monitor the Company's policies and practices in relation to compliance with legal and regulatory requirements;

(b) To review and monitor the training and continuous professional development of directors and senior management;

(c) To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;

(d) To develop and review the Company's corporate governance policies and practices, and to recommend its views and report to the Board on relevant matters;

(e) to review the Company's compliance with the CG Code and the disclosure in the Corporate Governance Report; and

(f) To review and monitor compliance with the Company's whistleblower policy.

Board Committees

Audit Committee

The Audit Committee comprises three members, namely Mr. Tsai Tzu Kit (Chairman) Mr. Wang Chuan Sang and Mr. Zhang Xuemo, all of whom are independent non-executive Directors. The terms of reference of the Audit Committee are published on the website of the Stock Exchange and the website of the Company. According to the terms of reference, the principal duties of the Audit Committee are as follows:

1. to make recommendations to the Board on the appointment, reappointment and/or removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of its resignation or dismissal;

2. monitoring the integrity of the financial statements, annual report and accounts, interim report and, if prepared for publicationquarterly reports, and reviewing significant financial reporting judgments contained therein;

3. Overseeing the Company's risk management, financial reporting system and internal control procedures;

4. overseeing the Company's corporate governance functions, including reviewing and monitoring the Company's policies and practices in relation to compliance with legal and regulatory requirements, and the training and continuous professional development of directors and senior management; and

5. To oversee the Company's continuing connected transactions, including meeting every six

months to review reports on continuing connected transactions. The major tasks of the Audit

Committee in FY2021 are as follows:

- Review of the FY 2021 Audit Plan Report;
- Review of the 2020 Annual Financial Report;
- Review of the 2021 interim results report;
- Discussing tax compliance issues;
- review of the Company's internal controls over connected transactions and continuing connected transactions; and
- Discuss and review the Company's internal control system.

The Audit Committee has reviewed the audited consolidated financial statements for the year ended December 31, 2021.

Nominating and Compensation Committee

The Nomination and Remuneration Committee currently comprises three members, namely two independent non-executive directors, Mr. Zhang Xuemo (Chairman) and Mr. Cai Zijie, and an executive director, Mr. Che Baozhen.

The terms of reference of the Nomination and Remuneration Committee are published on the website of the Stock Exchange and the website of the Company. According to the terms of reference, the principal duties of the Nomination and Remuneration Committee are as follows:

1. to review the structure, size and composition of the Board (including in terms of skills, knowledge and experience) at least annually and to make recommendations on any proposed changes to the Board to align with the Company's corporate strategy;

2. To make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies;

3. review and approve management's remuneration proposals in accordance with the Board's objectives and targets;

4. to be responsible for making recommendations to the Board, as directed by the Board, on the remuneration packages (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) of individual executive directors and senior management;

5. To make recommendations to the Board on the remuneration of non-executive directors;

6. to advise the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Managing Director;

7. to identify individuals suitably qualified to become directors and to select or make recommendations to the Board on the nomination of such individuals for directorships;

8. consider the salaries paid by comparable companies in the industries in which the Company operates, the time commitment and responsibilities involved, and the terms of employment of other positions in the Group;

9. review and approve compensation payable to executive directors and senior management for any loss or termination of their office or appointment to ensure that it is consistent with contractual terms and that it is fair and reasonable and consistent with market practice

10. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and, if not, are reasonably appropriate;

11. to ensure that no director or any of his associates (as defined in the Listing Rules) involved in deciding his own remuneration;

12. to review the expense reimbursement policies of the Company and its subsidiaries and associates at the relevant time or, if the context otherwise requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries and associates, or the business carried on by its present subsidiaries and associates or, as the case may be, their predecessors; and

13. Evaluate the independence of the independent non-executive directors.

The Company has adopted a nomination policy [illegible] In accordance with the Nomination Policy, the Nomination and Compensation Committee evaluates, selects and recommends to the Board candidates for election as directors based on criteria such as integrity, achievements and experience in the tire manufacturing industry, time available and the interests of the industry that the candidates represent and the diversity that the candidates will bring to the Board. The recommendations of the Nomination and Compensation Committee will be subsequently submitted to the Board of Directors for decision.

The main tasks of the Nomination and Remuneration Committee in FY 2021 are as follows:

- Reviewing the structure, size and composition of the Board of Directors;

- Review of the Board's Diversity Policy;

- Reviewing the remuneration of the Company's directors and senior management for 2020 and making recommendations to the Board for adjustments;
- Evaluating the performance of the executive directors and approving the terms of the executive directors' service contracts;
- Reviewing the remuneration policy and structure for directors and senior management of the Company for 2021;
- Discussion, review of the remuneration of the independent non-executive directors and confirmation of the terms of the contracts of appointment of the independent non-executive directors;
- Discuss and review the hiring and compensation of senior management;
- discussion, review of the second vesting of the Company's 2019 Stock Option Plan;
- Discussion, review of the Company's 2021 Stock Option Plan and grant;
- Discuss and review the motion for change of company secretary of the Joint Company Change Alliance;
- consideration of re-election of retiring directors at the 2021 annual general meeting; and
- Review whether any independent non-executive directors serve or will serve as directors of seven or more companies.

The Group actively attracts, selects and nurtures senior management personnel to support the implementation of its global development strategy. Through the implementation of internationalized, professional and diversified talent recruitment, training, assessment and succession programs, the Group strengthens the pool of talents with international operational vision and diversified professional experience and skills, and provides equal opportunities, inclusive corporate culture and sustainable development platform for talents through various aspects such as organization design, leadership development, culture building and compensation and incentive programs.

Directors' Remuneration

The Company has fully disclosed the remuneration of the directors and has disclosed it in note 10 to the consolidated financial statements in accordance with their names, amounts and categories. No director has waived or agreed to waive his or her remuneration for the year ending December 31, 2021.

Senior Management Compensation

The remuneration of the senior management of the Company, whose biographical details are set out on pages 43 to 51 of this annual reportfor the year ended 31 December 2021 is set out below:

Level of remuneration	Number of Senior Management
HK$1,500,001 to HK$2,500,000 (approximately RMB1,226,401 to RMB2,044,000)	5
HK$2,500,001 to HK$3,500,000 (approximately RMB2,044,001 to RMB2,861,600)	0
HK$3,500,001 to HK$4,500,000 (approximately RMB2,861,601 to RMB3,679,200)	1
HK$4,500,001 to HK$5,500,000 (approximately RMB3,679,201 to RMB4,496,800)	1

Board Member Diversity Policy

The Company believes that diversity of board members will have significant benefits in enhancing the performance of the Company. Accordingly, the Company has adopted a policy of diversity on the Board to ensure that the Company will consider diversity on the Board in setting the composition of the Board in terms of, among other things,gender, age, cultural and educational background, race, professional experience, skills, knowledge and tenure of service. All appointments to the Board are made on the basis of merit and the benefits of diversity on the Board are taken into account in considering candidates on objective terms. A summary of the Board's diversity policy is set out below:

Candidates will be selected based on a wide range of considerations, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and tenure of service. The final decision will be made based on the strengths of the candidates and their contributions to the Board. The Company is committed to maintaining gender diversity on the Board and avoiding a single gender Board.

Taking into account the expansion of the Group's domestic and overseas markets and operations, the Company has set the following board diversification target: to ensure that the following professionally competent and experienced board members are included on the board through training or selection within three years:

1) To have an international perspective and legal related professional background to monitor the international legal environment and improve the risk prevention mechanism in the implementation of the Group's internationalization strategy; and

2) We have the background and expertise in the upstream and downstream of the industry chain to deepen the synergy between the upstream and downstream of the supply chain.

In 2021, the Group will adopt a combination of training and practical experience to enhance the ability of the Board members to operate internationally. The Group will actively deploy to equip the Board of Directors with these capabilities and experience in the next two years to achieve this diversification goal and meet the needs of the Company's global operations.

The Company will review the Board members' diversity policy and measurable objectives in light of operational and development needs, and monitor the progress of achieving such objectives.

As at the date of this annual report, the Board comprises nine directors. Three of them are independent non-executive directors, which facilitate critical review and control of the management process. The Board is also highly diverse in terms of gender, age, educational background, professional experience, skills, knowledge and tenure of service.

Development Strategy and Risk Management Committee

The Development Strategy and Risk Management Committee comprises three members, namely two independent non-executive directors, Mr. Wang Chuansheng and Mr. Zhang Xuepuo, and a non-executive director, Mr. Che Hongzhi (Chairman)

The terms of reference of the Development Strategy and Risk Management Committee are published on the website of the Stock Exchange and the website of the Company. According to the terms of reference, the main duties of the Development Strategy and Risk Management Committee are as follows:

1. To understand and have a comprehensive view of the Company's operations;
2. To understand, analyze and monitor the current state of the international and domestic industry;
3. Understand and master the relevant national policies;
4. To study the Company's short, medium and long term development strategies or their related issues;
5. Providing advice on the Company's long-term development strategy, major investments, reforms and other major decisions;
6. Review and approve the development of strategic special studies;
7. To issue daily research reports on a regular or irregular basis;

8. Review and provide recommendations on the overall objectives and basic policies for compliance management and risk management;

9. To specify the strategic structure and resources to be used for the Company's risk management and to ensure their compatibility with the Company's internal risk management policies;

10. To review and make recommendations on the institutional set-up and responsibilities for compliance management and risk management; to oversee the Company's risk management and internal control systems on an ongoing basis and to ensure that the effectiveness of the risk management and internal control systems of the Company and its subsidiaries are reviewed at least annually. Such review should cover all significant aspects of control, including financial control, operational control and compliance control, and should specifically include:

    i. changes in the nature and severity of significant risks since the prior year's review and the Company's ability to respond to changes in its business and changes in its external environment;

    ii. Management's ongoing monitoring of the scope and quality of the risk and internal control system and its internal audit function;

    iii. the level of detail and frequency of communication of control results to the Board (or its specialized committees)

    iv. the significance of any significant control failures or control weaknesses identified during the period and the severity of any unforeseen consequences or emergencies resulting therefrom

    v. the effectiveness of the Company's procedures regarding financial reporting and compliance with the requirements of the Listing Rules

11. To review and advise on the institutional set-up and responsibilities for compliance management and risk management, and to ensure that the resources, staff qualifications and experience of the Company's accounting, internal audit and financial reporting functions, as well as the training programmes received by staff and the related budgets, are adequate;

12. To evaluate and advise on the risks of major decisions that require consideration and approval by the Board of Directors and the solutions to the relevant major risks;

13. Setting the boundaries of significant risks;

14. Overseeing, reviewing and advising the Board on relevant risk management policies;

15. Assessing and determining the Company's ESG-related risks and opportunities;

16. Ensure that proper and effective ESG risk management and internal control systems are in place;

17. To develop the Company's ESG management approach, strategy, priorities and objectives;

18. regularly review the Company's performance on ESG matters and discuss and review the Group's annual ESG report;

19. review and provide recommendations on compliance reports and risk assessment reports that are subject to review by the Board; and

20. To perform other duties as determined by the Board and as required by the listing

rules or regulatory rules of the place where the shares of the Company are listed. The

major tasks of the Development Strategy and Risk Management Committee for the year

2021 are as follows:

- To study the development strategy of the Company, discuss and review the medium and long-term strategic planning;

- Continuously overseeing the Company's risk management and internal control systems and providing advice on the Company's compliance management;

- Advising on the Company's ESG policy, regularly discussing, reviewing and monitoring progress on ESG;

- Discuss and review the Company's reports on outbreak risk management;

- Discussion, review of the motion to increase the registered capital of Prinx Thailand;

- Discussion, review of the Loan Agreement dated March 17, 2020 between Prinx Thailand and Bank of China (Hong Kong) Limited, Bank of China (Thailand) Corporation Limited and The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch, as amended and restated (increase in total amount of financing from $90.0 million to $170.0 million)

- Discussion and review of the motion on the establishment of Anhui Company;

- Consideration and approval of the Capital Increase and Shareholders' Agreement for Anhui Company; and

- Discuss and review the motion to change the company's name.

Minutes of Directors' Attendance

During the year ended December 31, 2021, the Company held four Board meetings, three Audit Committee meetings, three Nomination and Remuneration Committee meetings, four Development Strategy and Risk Management Committee meetings and one Annual General Meeting.

The attendance records of each of the Directors at the Board meetings, Board committee meetings and general meetings of the Company held during the year ended 31 December 2021 are set out in the following table:

Name of Director	Board of Directors	Audit Committee	Nominating and Compensation Committee	Development Strategy and Risk Management Committee	Annual General Meeting
Mr. Che Baozhen	4/4				
Ms. Cao Xueyu	4/4				1/1
Mr. Shi Fu Tao	4/4				1/1
Mr. Hongzhi Che	4/4		2/2		1/1
Mr. Lei Wang	4/4				1/1
Mr. Shao Quanfeng	4/4				1/1
Mr. Zhang Xuemo	4/4	3/3	2/2	4/4	1/1
Mr. Tsai Tzu-Chieh	4/4	3/3	2/2		1/1
Mr. Chuan-Sheng Wang	4/4	3/3		4/4	1/1

The Company arranges at least four regular Board meetings and the number of Board committee meetings as specified under the terms of reference of each Board committee each year to perform the functions of the Board committees. The Company also arranges meetings of the Chairman and the independent non-executive directors without the presence of the executive directors and non-executive directors.

Directors' responsibilities for financial reporting in relation to the financial statements

The Directors understand their responsibilities for preparing the financial statements of the Company for the year ending 31 December 2021, which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group.

Management has provided the Board of Directors with the necessary explanations and information to enable the Board of Directors to make an informed assessment of the Company's financial statements presented to the Board of Directors for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Group's continuity of operations.

A statement by the auditors about their reporting responsibilities in respect of the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 99 to 103 of this annual report.

Risk Management and Internal Control

In the course of conducting its business, the Group is exposed to a variety of risks, including business risks, financial risks, compliance risks and operational and other risks. The Board recognizes the responsibility for the Group's risk management and internal control systems and has the duty to review the effectiveness of these systems. The Audit Committee is responsible for the internal audit function of the Group, including the review of the Group's financial records, internal control procedures and risk management systems. The Development Strategy and Risk Management Committee is delegated by the Board to monitor the Group's risk management (including sanctions exposures)and the implementation of the Group's related internal control procedures on an ongoing basis. Under the supervision of the Board, the management of the Group is responsible for the design and implementation of the Group's risk management and internal control systems. These systems are in place to manage, not eliminate, the risk of failure to achieve business objectives and provide only reasonable, but not absolute, assurance against material misstatement or loss.

The Group has established a sound risk management and internal control process through which the Group monitors, evaluates and manages the risks faced by the Group in its business activities. The Group's risk management process is based on clearly defined risk identification criteria, risk control responsibilities and controls for each major category of risk. The Group's management actively monitors macroeconomic and tire industry trends and changes in laws and regulations in various jurisdictions, and evaluates the income and expenses of capacity expansion and overseas investments and their absorption capacity. The Group's risk management process clearly defines the management responsibilities, authorizations and approvals of each party in relation to the identification and management of key risks. The Group has adopted a series of internal control policies, procedures and programs designed to provide reasonable assurance of achieving its objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

In order to effectively reduce unnecessary financial risks and operational risks and further ensure the achievement of corporate operating objectives, the Group has set up a relatively independent internal audit department to establish a comprehensive internal control system. The Group relies on the independent consultant review function and has engaged an international consulting firm [illegible] June 2019 to provide the Group with corporate governance internal control consulting services for a period of three years. On the one hand, the Group's internal control and risk management will be evaluated from a more objective and independent perspective so as to comprehensively enhance the level of internal control management; on the other hand, the internal audit department of the Company will benefit from the continuous learning of useful experience through the participation of the team of the consulting firm in the internal control evaluation activities of the Group, which will also enhance the professional capability of the internal audit department of the Group.

The directors and senior management of the Group receive regular training on the continuing disclosure obligations of the listed group. The Group also engages external legal counsel and auditors to obtain their professional guidance on the disclosure obligations of inside information. The management of the Group is responsible for designing, implementing and maintaining the effectiveness of the internal control system, including the monitoring of the legal compliance of the disclosure of inside information, and the Board is responsible for overseeing and monitoring the appropriateness and effective implementation of the risk management and internal control measures implemented by the management.

The Group has taken measures to ensure effective implementation of the internal control system by setting up a team to organize and review the Group's internal control system and provide guidance to directors, senior management and employees on the internal control policies, the duties and responsibilities of directors and management of the listed Group under the Listing Rules and other applicable laws and regulations.

The Board conducted an annual review of the Group's risk management and internal control system. During the reporting period, the Board and the management have reviewed the effectiveness of the Group's risk management and internal control systems and confirmed that they are adequate and effective in mitigating the risks that may affect the achievement of the Group's strategic objectives.

Auditors' remuneration

The estimated remuneration of the Company's auditors for audit and non-audit services provided to the Company during the year ending 31 December 2021 is set out below:

Service Categories	Amount(RMB yuan)
Auditing Services	3,128,699
Non-audit services regarding tax advice	656,644
Total	3,785,343

Joint Company Secretary

On 29 March 2019, the Company appointed Ms. Cao, an executive Director, as the joint company secretary of the Company. The Company believes that Ms. Cao, with her legal and compliance knowledge and past experience as well as her thorough understanding of the business and operations of the Company, should be able to perform her duties as the Joint Company Secretary.

In order to maintain good corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also appointed Ms. Lam, Manager (resigned on 19 July 2021) and Ms. Szeto, Manager (appointed on 19 July 2021) Darwin Hong Kong

Limited, a company secretarial service provider, as the other joint company secretaries of the Company. Their principal contacts with the Company are Mr. Shi Fu Tao, an executive director of the Company, and Ms. Cao, an executive director and joint company secretary of the Company.

For the year ended 31 December 2021, Ms. Cao, Ms. Lin and Ms. Szeto have undergone not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Communication with shareholders and investor relations

The Company believes that effective communication with shareholders is important to enhance investor relations and to keep investors informed of the Group's business, performance and strategy. The Company also believes in the importance of timely and non-selective disclosure of information about the Company to enable shareholders and investors to make informed investment decisions.

The annual general meeting provides an opportunity for shareholders to communicate directly with the directors. The Chairman of the Company and the chairmen of the Board committees of the Company will attend the annual general meeting to answer questions from shareholders. The auditors will also attend the annual general meeting and answer questions on the audit practices, the preparation and content of the auditor's report, accounting policies and auditor independence.

To facilitate effective communication, the Company has adopted a Shareholder Communication Policy, which aims to establish mutual relationship and communication between the Company and its shareholders, and has a website (www.prinxchengshan.com), the Company will post updates on its business operations and development, financial data, corporate governance practices and other information on its website for public access.

Shareholders' Rights

In order to protect the interests and rights of shareholders, separate resolutions will be proposed at general meetings of the Company on various matters, including the election of individual directors.

All resolutions proposed at the General Meeting will be voted on by poll in accordance with the Listing Rules and the poll results will be published on the websites of the Company and the Stock Exchange in a timely manner after each General Meeting.

convening of extraordinary general meeting and proposal

Pursuant to the Articles of Association, shareholders may make proposals for consideration at general meetings of the Company. Any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to convene an extraordinary general meeting of the Company for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If such meeting is not called by the Board within 21 days of such deposit, the requisitionist(s) himself(themselves) may call the meeting in accordance with the normal procedure and all expenses reasonably incurred by the requisitionist(s) as a result of the failure of the Board to call a general meeting shall be reimbursed by the Company to the requisitionist(s).

The procedures for proposing a person for election as a director can be found on the Company's website.

Enquiries to the Board of Directors

Shareholders who wish to make enquiries to the Board of Directors about the Company may do so by emailing Investor Relations at the Company's headquarters at investor@prinxchengshan.com.

Changes to the bylaws document

The Memorandum and Articles of Association have been amended and restated with effect from the Listing Date. There were no changes to the Memorandum and Articles during the reporting period. The Company plans to amend the Memorandum and Articles. Please refer to the announcement and circular to be issued by the Company for details.

Independent Auditor's Report

To the shareholders of Poh Lam
Seng San Holdings Co.
(incorporated in the Cayman
Islands with limited liability)

Opinion

What we have reviewed

The consolidated financial statements of Poh Lam Seng San Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 188, comprise

- The consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year ended on that date;
- the consolidated statement of changes in equity for the year ended on that date;
- the consolidated statement of cash flows for the year ended on that date; and
- Notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

Our comments

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") [illegible] ("HKICPA") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Opinion Base

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants. Our responsibilities under those standards are described further in the section of this report entitled "Auditor's Responsibility for the Audit of the Consolidated Financial Statements".

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

In accordance with the Code of Ethics for Professional Accountants ("Code") issued by the Hong Kong Institute of Certified Public Accountants, we are independent of the Group and have fulfilled the other ethical responsibilities set out in the Code.

Critical Audit Issues

The critical audit matters are those that, in our professional judgment, are considered to be the most significant to the audit of the consolidated financial statements for the period. These matters are addressed in our audit of, and opinion on, the consolidated financial statements as a whole. We do not express an opinion on these matters individually.

The key audit matter identified in our audit was "Provision for impairment of trade receivables".

Critical Audit Issues	How our audits address critical audit issues
Provision for impairment of trade receivables See Note 2.11 to the consolidated financial statements, Note 4(c), Note 9 and Note 22. As at 31 December 2021, the net carrying amount of the Group's trade receivables, after deducting the accumulated provision for impairment of RMB17.2 million, amounted to RMB1,118.0 million. For the purpose of measuring expected credit losses, trade receivables are grouped according to shared credit risk characteristics. The Group provides for impairment of trade receivables based on expected credit losses for the full period. The expected credit losses are assessed based on historical loss experience (including details of the counterparties' past settlements and credit losses incurred during the observation period) and prevailing market conditions and adjusted to reflect forward-looking factors.	We have obtained an understanding of management's internal controls and procedures for assessing the provision for impairment of trade receivables and have assessed the risk inherent in material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors. We have assessed and tested, on a sample basis, the key controls over the assessment of the Group's provision for impairment of trade receivables. We have evaluated the results of the prior period's assessment of the provision for impairment of receivables to assess the effectiveness of management's assessment process. We have performed the following procedures to assess the expected credit losses on trade receivables: - We have assessed the appropriateness of the provisioning methodology used by management, including the appropriateness of grouping the underlying trade receivables based on their credit risk characteristics. - We agreed to incorporate historical data, including the counterparties' past settlements and credit losses incurred during the observation period, on a sample basis from your relevant accounting records. - We have tested the accuracy of the ageing analysis of trade receivables on a sample basis. - We have reviewed the economic indicators selected by management in determining forward-looking factors and have evaluated the economic scenarios and related weighted probabilities applied by management based on our understanding of the relevant industries and with reference to external macroeconomic data.

- We have tested the mathematical accuracy of the calculation of the provision for impairment of trade receivables.

Critical Audit Issues	How our audits address critical audit issues
We consider the provision for impairment of trade receivables to be a critical audit matter because the carrying amount of trade receivables is significant and the estimation of the provision for impairment is inherently subjective and requires significant management judgment.	We have assessed the adequacy of disclosures relating to the provision for impairment of trade receivables in the context of the applicable financial reporting framework. Based on the above, we believe that the judgments and assumptions applied by management in assessing the provision for impairment of trade receivables are supported by the available evidence and the procedures performed.

Other Information

The directors of the Company are responsible for the other information. Other information includes all information contained in the Annual Report, except for the consolidated financial statements and our auditor's report.

Our opinion on the consolidated financial statements does not include other information and we do not express any form of forensic conclusion on that other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated to the best of our knowledge in the course of the audit.

Based on the work we have performed, if we believe that other information is materially misstated, we are required to report that fact. We have nothing to report in this regard.

Directors' and Audit Committee's responsibilities for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern and, where applicable, for disclosing matters relating to going concern and for using going concern as the basis of accounting, unless the directors intend that the Group should be wound up or cease to operate, or that there is no realistic alternative.

The Audit Committee is responsible for overseeing the financial reporting process of the Group.

Auditors' responsibility for the audit of the consolidated financial statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, our report. This report is made for no other purpose. We do not assume responsibility or liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but no assurance can be given that an audit conducted in accordance with Hong Kong Standards on Auditing will always identify a material misstatement when one exists. Misstatements can arise from fraud or error and are considered material if they could reasonably be expected, individually or in the aggregate, to affect the economic decisions that users of the consolidated financial statements make in reliance on the consolidated financial statements.

In performing our audit in accordance with Hong Kong Standards on Auditing, we exercised professional judgment and maintained professional scepticism. We also:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures to address those risks, and obtained sufficient and appropriate audit evidence to form the basis of our opinion. The risk of failure to detect a material misstatement due to fraud is greater than the risk of failure to detect a material misstatement due to error because fraud may involve conspiracy, fabrication, intentional omissions, false statements, or override of internal control.

- To obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- To assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- To draw conclusions about the appropriateness of the directors' adoption of the going concern basis of accounting. Based on the audit evidence obtained, determine whether there is material uncertainty relating to matters or circumstances that may cast significant doubt about the Group's ability to continue as a going concern. If we believe that material uncertainty exists, it is necessary to draw the user's attention to the relevant disclosures in the consolidated financial statements in the auditor's report. If such disclosures are inadequate, we modify our opinion. Our conclusion is based on the audited evidence obtained up to the date of the auditor's report. However, future events or circumstances may cause the Group to be unable to continue as a going concern.

- Evaluate the overall presentation, structure and content (including disclosures) of the consolidated financial statements and whether the consolidated financial statements present fairly the related transactions and events.

- We obtain sufficient appropriate audit evidence about the financial information of the entities or business activities in your group to enable us to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We accept full responsibility for our audit opinion.

Among other things, we communicated with the Audit Committee regarding the planned scope, timing, and significant audit findings of the audit, including any significant deficiencies in internal control that we identified during the audit.

We have also filed with the Audit Committee a statement that we have complied with the relevant professional ethical requirements regarding independence and communicated with them all relationships and other matters that could reasonably be considered to affect our independence and, where applicable, the actions taken or precautions applied to eliminate the threat.

From the matters communicated to the Audit Committee, we identified those matters that were most significant to the audit of the current year's consolidated financial statements and therefore constitute critical audit matters. We describe these matters in our auditor's report, except where public disclosure of the matter is not permitted by law or regulation or, in the rarest of circumstances, we have determined that we should not communicate a matter in our report if the negative consequences of communicating the matter in our report would reasonably be expected to outweigh the public benefits that would result.

The audit partner who issued this independent auditor's report is Chen Chaoguang.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, May 10, 2022

Consolidated Profit and Loss Table

For the year ended December 31, 2021

		For the year ended December 31	
		2021	2020
	Note	RMB thousand	RMB thousand
Revenue	6	**7,537,161**	6,283,130
Cost of sales	9	**(6,498,013)**	(4,881,767)
Maori		**1,039,148**	1,401,363
Selling and distribution expenses	9	**(437,849)**	(391,225)
Administrative Expenses	9	**(175,966)**	(171,334)
R&D Cost	9	**(253,979)**	(158,062)
Net impairment loss on financial assets	3.1(b)	**(1,577)**	(4,441)
Other income	7	**60,667**	42,420
Other gains/(losses) - net	8	**40,594**	(29,559)
Profit from operations		**271,038**	689,162
		7,544	
		(12,380)	
Financial income	11		14,557
Finance Costs	11		(5,428)
Finance costs - net	11	**(4,836)**	9,129
Share of results of associates		**(300)**	(75)
Profit before income tax		**265,902**	698,216
Income tax expense	12(a)	**10,400**	(93,468)
Profit for the year		**276,302**	604,748
Profit attributable to:			604,820
— Our shareholders			(72)
— Non-controlling interests		**276,304**	
		(2)	
		276,302	604,748

Earnings per share for profit attributable to shareholders of the

Company for the year			
— Basic (RMB yuan)	13	**0.43**	0.95
— Diluted (RMB)	13	**0.43**	0.95

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

	Note	For the year ended December 31 2021 RMB thousand	2020 RMB thousand
Profit for the year		**276,302**	604,748
Other comprehensive loss:			
Subsequent possible reclassification to P&L			
Exchange differences		**(44,112)**	(135,887)
Other comprehensive loss for the year (net of tax)		**(44,112)**	(135,887)
Total comprehensive income for the year		**232,190**	468,861
The following should be accounted for:			
- Our shareholders		**232,192**	468,933
- Non-controlling interests		**(2)**	(72)
Total comprehensive income for the year		**232,190**	468,861

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At December 31, 2021

	Note	On December 31 2021 RMB thousand	2020 RMB thousand
Assets			
Non-current assets			
Property, plant and equipment	16	**4,657,021**	3,852,024
Right-of-use assets	17	**116,293**	125,009
Intangible assets	18	**73,360**	52,080
Investments in associates		**6,008**	6,308
Prepayment	23	**79,069**	8,467
		4,931,751	4,043,888
Current assets			
Inventory	20	**1,484,864**	973,517
Trade receivables and bills receivable	22	**1,383,717**	1,331,037
Prepayments, other receivables and other current assets	23	**259,611**	153,642
Financial assets at fair value through profit or loss	21	**107,155**	153,479
Amounts due from related parties	36(b)	**78,820**	215,370
Restricted Cash	24	**125,679**	55,780
Cash and cash equivalents	24	**728,813**	563,165
		4,168,659	3,445,990
Total Assets		**9,100,410**	7,489,878
Equity and liabilities			
Equity attributable to the Company's shareholders			
Share Capital	25	**201**	200
Share premium	25	**2,185,598**	2,180,207
Reserves	27	**1,734,533**	1,599,179
		3,920,332	3,779,586
Non-controlling interests		**(200)**	617
Total Equity		**3,920,132**	3,780,203

Consolidated Statement of Financial Position

At December 31, 2021

	Note	On December 31 2021 RMB thousand	2020 RMB thousand
Liabilities			
Non-current liabilities			
Bank Loans	28	1,600,262	570,970
Leasing Liabilities	17	13,154	21,805
Deferred revenue	32	59,851	55,220
Deferred tax liabilities	33	37,622	57,766
		1,710,889	705,761
Current liabilities			
Trade payables	29	1,957,593	1,434,152
Other payables and accrued expenses	30	1,030,900	1,232,937
Contractual Liabilities	5	59,285	81,676
Leasing Liabilities	17	9,775	9,208
Quality Assurance Provision	31	66,753	69,482
Amounts due to related parties	36(b)	18,279	6,231
Current income tax liabilities		29,042	76,041
Bank Loans	28	297,762	94,187
		3,469,389	3,003,914
Total liabilities		5,180,278	3,709,675
Total equity and liabilities		9,100,410	7,489,878

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 104 to 188 were approved by the Board of Directors on May 10, 2022 and are signed on behalf of the directors listed below.

Che Baozhen

Shi Fu Tao

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Note	Equity attributable to the Company's shareholders					
		Share Capital (Note 25)	Share premium (Note 25)	Reserves (Note 27)	Total	Non-controlling interests	Total equity
Balance as of January 1, 2020		199	2,171,942	1,241,788	3,413,929	389	3,414,318
Total Benefits							
Profit for the year		-	-	604,820	604,820	(72)	604,748
Other comprehensive income							
Exchange differences		-	-	(135,887)	(135,887)	-	(135,887)
Total other comprehensive income (net of tax)		-	-	(135,887)	(135,887)	-	(135,887)
Total comprehensive income		-	-	468,933	468,933	(72)	468,861
Transactions with Shareholders							
Employee Stock Option Plan							
- Issue of shares	25, 27	1	8,265	(2,860)	5,406	-	5,406
- Value of Employee Services	26, 27	-	-	9,986	9,986	-	9,986
Cash Dividends	14	-	-	(115,989)	(115,989)	-	(115,989)
Transactions with non-controlling interests		-	-	(2,679)	(2,679)	-	(2,679)
Injection of non-controlling interests in subsidiaries		-	-	-	-	300	300
Total transactions with shareholders		1	8,265	(111,542)	(103,276)	300	(102,976)
Balance at December 31, 2020		200	2,180,207	1,599,179	3,779,586	617	3,780,203

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Note	Share Capital	Share premium	Reserves	Total	Non-controlling interests	Total equity
		Equity attributable to the Company's shareholders					
		(Note 25)	(Note 25)	(Note 27)			
Balance as of January 1, 2021		200	2,180,207	1,599,179	3,779,586	617	3,780,203
Total Benefits							
Profit for the year		-	-	276,304	276,304	(2)	276,302
Other comprehensive income							
Exchange differences		-	-	(44,112)	(44,112)	-	(44,112)
Total other comprehensive income (net of tax)		-	-	(44,112)	(44,112)	-	(44,112)
Total comprehensive income		-	-	232,192	232,192	(2)	232,190
Transactions with Shareholders							
Employee Stock Option Plan							
- Issue of shares	25, 27	1	5,391	(1,858)	3,534	-	3,534
- Value of Employee Services	26, 27	-	-	12,078	12,078	-	12,078
Cash dividends	14	-	-	(106,708)	(106,708)	-	(106,708)
Transactions with non-controlling interests		-	-	(350)	(350)	(815)	(1,165)
Total transactions with shareholders		1	5,391	(96,838)	(91,446)	(815)	(92,261)
Balance at December 31, 2021		201	2,185,598	1,734,533	3,920,332	(200)	3,920,132

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2021

	Note	For the year ended December 31 2021 RMB thousand	2020 RMB thousand
Cash flows from operating activities			
Cash from operations	34(a)	**473,316**	692,624
Interest Paid		**(34,542)**	(17,481)
Income Taxes Paid		**(56,649)**	(25,456)
Net cash from operating activities		**382,125**	649,687
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,376,578)**	(1,226,007)
Government Grants		**9,576**	18,445
Proceeds from disposal of property, plant and equipment	34(b)	**1,356**	1,293
Acquisition of right-of-use assets		**(1,625)**	-
Purchase of intangible assets	18	**(25,204)**	(5,775)
A third party repays the loan		**-**	2,000
Purchase of financial assets at fair value through profit or loss	21	**(2,624,390)**	(3,319,400)
Proceeds from the sale of financial assets at fair value through profit or loss			
Item	21	**2,671,331**	3,349,537
Interest received		**3,562**	5,866
Net cash used in investing activities		**(1,341,972)**	(1,174,041)

		For the year ended December 31	
	Note	2021 RMB thousand	2020 RMB thousand
Cash flows from financing activities			
Borrowing of proceeds	34(b)	**1,646,578**	762,284
Repayment of loans	34(b)	**(394,477)**	(434,124)
Payment of lease liabilities	34(b)	**(10,539)**	(9,184)
Employee Share Option Scheme - Issue of Shares		**3,534**	5,407
Cash dividends paid		**(104,900)**	(112,902)
Transactions with non-controlling interests		**(1,165)**	(2,679)
Capital injection by non-controlling shareholders		**-**	300
Net cash from financing activities		**1,139,031**	209,102
Net decrease in cash and cash equivalents		**179,184**	(315,252)
Cash and cash equivalents at the beginning of the year	24	**563,165**	914,495
Foreign exchange loss on cash and cash equivalents		**(13,536)**	(36,078)
Cash and cash equivalents at the end of the year	24	**728,813**	563,165

The accompanying notes form an integral part of these consolidated financial statements.

1 General Information, Reorganization and Basis of Presentation

1.1 General Information

Poh Lam Seng San Holdings Limited (formerly known as Poh Lam Seng San (Cayman) Limited, the "Company") was incorporated in the Cayman Islands on 22 May 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands (Law No. 3 of 1961, as consolidated and revised). The address of the registered office of the Company is Windward 3, Regatta Office Park, P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1- 1106. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since October 9, 2018.

The Company is an investment holding company and its subsidiaries (collectively, the "Group") are principally engaged in the manufacture and sale of tire products in the People's Republic of China (the "PRC") Thailand, Asia (excluding the PRC and Thailand) the Americas and other global markets.

The immediate holding company and ultimate holding company of the Group is Chengshan Group Limited ("Chengshan Group"), established in the People's Republic of China. It is ultimately held as to 76.43% by Mr. Che Bao Zhen and his spouse, Ms. Bi Wen Jing, Mr. Che Hong Zhi and his spouse, Ms. Li Xiuxiang (collectively referred to as the "Controlling Shareholders") and other individual shareholders.

These consolidated financial statements are presented in Renminbi thousand dollars ("RMB'000") and were approved for issue by the Board of Directors on May 10, 2022.

2 Summary of Major Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all years presented.

2.1 Preparation Standards

(i) Compliance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Section 3 of the Hong Kong Companies Ordinance.
The disclosure requirements of Chapter 622 are prepared.

(ii) Historical Cost Practices

The consolidated financial statements have been prepared on the basis of historical cost, as modified by the revaluation of financial instruments that are measured at fair value and changes in fair value through profit or loss.

2 Summary of significant accounting policies (continued)

2.1 Preparation standards (continued)

(iii) New and revised criteria adopted by the Group

The Group has applied the following standards and amendments for the first time for the reporting period beginning on 1 January 2021. The Group has not changed its accounting policies or made retrospective adjustments as a result of the adoption of these standards.

- Interest Rate Basis Reform - Phase 2 - HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)

The Group has also decided to adopt the following amendments as soon as possible:

- Covid-19 Related Rental Concessions - HKFRS 16 (Revised)

The above amendments did not have any material impact on the amounts recognized in prior periods and are not expected to have a material impact on current or future periods.

(iv) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the Group's financial year beginning 1 January 2020 and which have not been early adopted by the Group are as follows:

Standard Requirements	Main	Effective for annual periods beginning on or after
Hong Kong Accounting Standard 16 (Revised version)	Property, plant and equipment: Proceeds before intended use	January 1, 2022
Hong Kong Accounting Standard No. 37 (Revised version)	Loss Contracts - Performance Costs	January 1, 2022
Hong Kong Financial Reporting Standard No. 3 (Revised version)	Cite conceptual framework	January 1, 2022
Accounting Guideline 5 (Revised)		Combined

Accounting for Common Control Combinations 1 January
2022 HKAS 1(Amendment) Current or Non-current Classification of Liabilities 1
January 2023

Hong Kong Accounting Standard 12 (Revised version)	Deferred tax relating to assets and liabilities arising from a single transaction	January 1, 2023
Hong Kong Financial Reporting Standard 8 (Revised version)	Definition of Accounting Estimates	January 1, 2023

Hong Kong Financial Reporting Standard 17 Insurance Contracts
January 1, 2023

2 Summary of significant accounting policies (continued)

2.1 Preparation standards (continued)

(iv) New standards and interpretations not yet adopted (continued)

Standard	Main Requirements	Effective for annual periods beginning on or after
HK Interpretation 5 (2020) statements - Borrower's reconciliation of the financial statements containing	Presentation of financial Classification of term loans on demand repayment terms	January 1, 2023
HKAS 1 and HKFRS Practice Statement No. 2 (Revised version)	Disclosure of Accounting Policies	January 1, 2023
Hong Kong Financial Reporting Standard 10 and Hong Kong Accounting Standard 28 (Revised version)	Sale or capital injection of assets between an investor and its associates or joint ventures	To be determined
Hong Kong Financial Reporting Standards 2018 to Annual improvements for 2020		January 1, 2022

These criteria are not expected to have a material impact on the Group and foreseeable future transactions in the current or future reporting periods.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group has control over an entity when it is exposed to variable returns or has rights to variable returns as a result of its participation in the entity and is able to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated at the date control is lost.

The Group uses the equity method of accounting to account for business combinations.

Intra-group transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The results of subsidiaries and non-controlling interests in equity are shown separately in the consolidated statement of profit or loss, the consolidated statement of profit or loss, the statement of changes in equity and the balance sheet, respectively.

2 Summary of significant accounting policies (continued)

2.2 CONSOLIDATION PRINCIPLES AND EQUITY ACCOUNTING (Continued)

2.2.2 Associated Companies

Associates are all entities over which the Group has significant influence and over which it has no control or joint control. The Group generally holds 20% to 50% of the voting rights. Investments in associates are initially recognised at cost and accounted for using the equity method of accounting (see note below) 2.2.3).

2.2.3 Equity method

Under the equity method of accounting, investments are initially recognised at cost and subsequently adjusted to recognise the Group's share of the acquiree's post-acquisition profits or losses in profit or loss and its share of changes in the acquiree's other comprehensive income in other comprehensive income. Dividends received or receivable from associates are recognised as a deduction from the carrying amount of the investment.

When the Group's share of losses on equity accounted investments, including any other unsecured long-term receivablesequals or exceeds its interest in the entity, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity.

Unrealised gains on transactions between the Group and its associates are eliminated against the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies for investors accounted for under the equity method have been revised where necessary to ensure compliance with the policies adopted by the Group.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described in note 2.7.

2.2.4 Change in ownership interest

The Group treats transactions of non-controlling interests that do not result in a loss of control as transactions with shareholders of the Group. Changes in ownership interests result in adjustments between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in subsidiaries. Any difference between the amount of the adjustment to the non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to equity holders of the Company.

2 Summary of significant accounting policies (continued)

2.2 CONSOLIDATION PRINCIPLES AND EQUITY ACCOUNTING (Continued)

2.2.4 Changes in ownership interests (continued)

If the Group ceases to account for a combination of investments or is accounted for as equity due to a loss of control or significant influence, any retained interest in that entity is remeasured to its fair value, with changes in the carrying amount recognised in profit or loss. For retained interests in associates, joint ventures or financial assets that are subsequently accounted for as such, the fair value becomes the initial carrying amount. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are treated as if the Group had directly disposed of the related assets and liabilities. This may represent a reclassification of amounts previously recognised in other comprehensive income to profit or loss or a transfer to another class of interest as referred to/permitted by applicable HKFRSs.

If the ownership interest in a joint venture is significantly reduced but still has a material effect, only a proportionate share of the amount previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2.2.5 Business Combinations

The Group uses the acquisition method of accounting to account for all business combinations, regardless of whether equity instruments or other assets have been acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- Fair Value of Assets Transferred
- Liabilities arising from the acquisition of a business from a previous owner
- The Group's issued shareholdings
- the fair value of any asset or liability arising from a contingent consideration arrangement, and
- Fair value of previous interests in subsidiaries

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, with limited exceptions. The Group recognises any non-controlling interest in the acquiring entity on a purchase-by-purchase basis, either at fair value or as a proportionate share of the net identifiable assets of the acquired entity.

Acquisition-related costs are expensed as incurred.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.5 Business Combinations (continued)

- The consideration transferred.
- the amount of any non-controlling interest in the acquired entity, and
- Fair value of any equity interest in the pre-acquired entity at the date of acquisition

When the fair value of the identifiable net assets acquired is exceeded, the difference is recorded as goodwill. If these amounts are less than the fair value of the identifiable net assets of the acquired business, the difference is recognised directly in profit or loss as a bargain purchase.

If settlement of any part of the cash consideration is delayed, the future amounts payable are discounted to their present value at the date of exchange. The discount rate used is the entity's incremental borrowing rate, which is the rate at which similar borrowings could be obtained from independent financiers on comparable terms and conditions. Contingent values are classified as equity or financial liabilities. Amounts classified as financial liabilities are remeasured to fair value, and changes in fair value are recognised in profit or loss.

Where a business combination is carried out in stages, the carrying amount of the acquirer's previously held equity interest in the acquiree at the date of acquisition is remeasured to fair value at the date of acquisition. Any gain or loss arising from such remeasurement is recognised in profit or loss.

2.2.6 Separate Financial Statements

Investments in subsidiaries are carried at cost less impairment. Cost includes costs directly attributable to the investment. The results of subsidiaries are accounted for in the Company's accounts as dividends received and receivable.

If the dividend exceeds the total comprehensive income of the subsidiary in the period in which the dividend is declared, or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets (including goodwill)in the consolidated financial statements, the investment in the subsidiary is tested for impairment upon receipt of dividends from those investments.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the executive director who makes strategic decisions.

2 Summary of significant accounting policies (continued)

2.4 Foreign Currency Exchange

(a) Functions and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is the United States dollar ("US$"). The consolidated financial statements are presented in Renminbi, which is the presentation currency of the Group.

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency at the exchange rates ruling at the dates of the transactions. Exchange gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses and cash and cash equivalents relating to borrowings are presented in the consolidated statement of income within "Finance costs - net". All other foreign exchange gains and losses are presented in "Other gains/(losses) - net" in the consolidated statement of income.

(c) Group Companies

The results and financial position of all group entities with a functional currency different from the presentation currency (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(a) assets and liabilities presented in each statement of financial position are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each statement of income and comprehensive income are translated into the presentation currency at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the dates of the transactions, in which case income and expenses are translated at the rates prevailing on the dates of the transactions; and

(c) All resulting exchange differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes costs directly attributable to the acquisition.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the project will flow to the Group and the cost of the project can be measured reliably. The carrying amount of any component that is recorded as a separate asset is not recognised on replacement. All other repairs and maintenance costs are expensed in the income statement in the financial period in which they are incurred.

Land is not impaired. Other property and equipment, or each significant part of a property or equipment, is impaired on a straight-line basis over its estimated useful life as follows.

— Buildings	30 years
— Machinery and Plant Equipment	5 years to 14 years
— Furniture and fixtures	5 years to 10 years
— Automotive	5 years
— Tools	5 years

The assets' residual values and useful lives are reviewed and adjusted, where applicable, at the end of each reporting period.

Where the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount of the asset is reduced to its recoverable amount (note 2.7).

Gains and losses on such disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement under "Other gains/(losses), net".

Construction in progress ("construction in progress") which primarily represents buildings, plant and tools under construction or pending installation, is recorded at historical cost less accumulated impairment loss if any. Historical cost includes construction, acquisition and borrowing costs. No depreciation is provided for construction in progress until the assets are completed and ready for their intended use. When the assets are ready for use, the cost is transferred to property, plant and equipment and depreciated in accordance with the above policy.

2.6 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.2.5 and Note 2.7. Goodwill relating to the acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it may be impaired, and is stated at cost less accumulated impairment losses. Gains and losses relating to the sale of entities include the carrying amount of goodwill relating to the entities sold.

2 Summary of significant accounting policies (continued)

2.6 Intangible assets (continued)

(a) Goodwill (continued)

For the purposes of impairment testing, goodwill is allocated to cash-generating units. This allocation is made to the group of cash-generating units or cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The unit or group of units is identified as the lowest level for which goodwill is monitored for internal management purposes, i.e. operating segments.

(b) Trademark

Individually acquired trademarks are carried at historical cost. Trademarks have a specific useful life and are carried at cost less accumulated amortization. Amortization is calculated by apportioning the cost of licenses on a straight-line basis over their estimated useful lives of five to ten years based on the expected use of future operating plans.

(c) Computer Software

Purchased calculator software is capitalized on the basis of the costs incurred to acquire and bring that particular software to a useable condition. These costs are amortized over an estimated useful life of three to five years.

(d) Non-patented and patented technologies

Development costs directly attributable to the design and testing of non-patented and proprietary technologies are recognized as intangible assets and amortized on a straight-line basis over their estimated useful lives of five to ten years.

2.7 Impairment of non-financial assets

Goodwill and intangible assets with an indefinite useful life are not subject to amortization but are tested annually for impairment, or multiple times if events or changes in circumstances indicate that they may be impaired. Other assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized for the excess amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are classified at the lowest level for which cash flow receipts can be separately identified and are largely independent of cash flow receipts from other assets or groups of assets (cash-generating units) Non-financial assets (other than goodwill) that are impaired are reviewed for possible reversal of impairment at the end of each reporting period.

2 Summary of significant accounting policies (continued)

2.8 Financial Assets

(i) Classification

- financial assets that will subsequently be measured at fair value through other comprehensive income or through profit or loss; and

- Financial assets to be measured at amortized cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are included in profit or loss or other comprehensive income. For investments in debt instruments, the recording of gains and losses will depend on the business model in which the investment is held. For equity instruments that are not held for trading, the recording of gains and losses will depend on whether the Group has exercised the irrevocable option to record the equity investment at fair value through other comprehensive income on initial recognition.

For details of each class of financial assets, please refer to Note 19a.

The Group reclassifies debt investments when, and only when, there is a change in the business model for managing those assets.

(ii) Confirmation and termination confirmation

Regular purchases and sales of financial assets are recognized on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Volume

On initial recognition, the Group measures financial assets at their fair value plus, in the case of financial assets not at fair value through profit or loss, [illegible] directly attributable to the acquisition of the financial assets. Transaction costs for financial assets at fair value through profit or loss are recorded in profit or loss.

Financial assets should be considered as a whole when determining whether the cash flows from financial assets with embedded derivatives are solely payments of principal and interest.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(iii) Measurements (continued)

Debt Tools

The subsequent measurement of a debt instrument depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into three measurement categories:

- Amortised cost: Assets held to recover contractual cash flows are measured at amortised cost if the cash flows from those assets are solely payments of principal and interest. Any gain or loss arising on derecognition is recognised directly in profit or loss and is shown in other gains/(losses) - net together with foreign exchange gains and losses. Impairment losses are shown as a separate line item in the consolidated income statement. Interest income from these financial assets is included in finance income on an effective interest basis.

- Measured at fair value through other comprehensive income ("measured at fair value through other comprehensive income"): Assets held for the purpose of collecting contractual cash flows and selling financial assets are measured at fair value through other comprehensive income if the cash flows from those assets are solely payments of principal and interest. Changes in the carrying amount are included in other comprehensive income, except for impairment gains or losses recognised in profit or loss, interest income and foreign exchange gains and losses. On derecognition of a financial asset, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses) - net. Interest income from these financial assets is included in finance income or other income on an effective interest basis. Foreign exchange gains and losses are included in other gains/(losses) and impairment charges are shown as separate items in the statement of income.

- Assets that do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss ("[illegible]r loss")Gains or losses on debt investments that are subsequently measured at fair value through profit or loss are reported net in other gains/(losses) - net in the consolidated statement of income in the period in which they arise.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(iii) Measurements (continued)

Equity Tools

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, the fair value gains and losses are not subsequently reclassified to profit or loss upon derecognition of the investments. When the Group establishes the right to receive payments, dividends from these investments continue to be recognised in profit or loss as other income.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) - net in the consolidated income statement. Impairment losses (and reversals of impairment losses)onequity investments measured at fair value through other comprehensive income are not reported separately from other fair value movements.

(iv) Impairment

The Group assesses expected credit losses related to debt instruments carried at amortised cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details the Group's methodology for determining whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires an expected living loss to be recognised from the initial recognition of the receivable.

2.9 Offsetting financial instruments

Financial assets and liabilities may be offset against each other and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Statutory enforceable rights are not dependent on future events and must be enforceable in the ordinary course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Inventory

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress includes raw materials, direct labour, other direct costs and related production costs (based on normal operating capacity) It does not include borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 Summary of significant accounting policies (continued)

2.11 Trade receivables and bills receivable

Trade receivables and bills receivable are amounts due from customers for goods and services provided in the ordinary course of business. Trade and other receivables are classified as current assets if they are expected to be collected within one year or less (or, in the case of longer periods, the normal operating cycle of the business). If they are not collected, they are presented as non-current assets.

Trade and bills receivables are initially recognised for the unconditional amount of consideration, except where they contain significant financing elements, in which case they are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 2.8 for a description of the Group's impairment policy.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share Capital

Ordinary shares are classified as share capital. The share capital is determined using the nominal value of the shares issued.

Incremental costs directly related to the issuance of new shares or options are recorded as a deduction, net of tax, from the proceeds in equity.

2.14 Trade and other payables

Trade payables are obligations payable for goods or services purchased from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if they fall due within one year or less (or, in the case of longer periods, the normal operating cycle of the business). Otherwise, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.15 borrow money

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowing using the effective interest method.

Where it is probable that a loan will be drawn down in part or in full, the fee paid for the establishment of the loan facility is recognised as a transaction cost of the loan. In such cases, the fee is deferred until the drawdown of the loan occurs. Where there is no indication that a partial or full drawdown of the loan is probable, the fee is capitalized as an advance on the liquidity facility and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability eliminated or transferred to the other party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains or finance costs.

Borrowings will be classified as current liabilities unless the Group has an unconditional right to defer settlement of the debt for at least 12 months after the end of the reporting period.

2.16 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets that must be disposed of over an extended period of time for their intended use or sale) are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

For specific borrowings, investment income earned on temporary investments due to expenditures on assets to be qualified should be deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.17 Current and deferred income taxes

The tax charge for the period comprises current tax and deferred tax. Tax is recognised in the consolidated income statement, unless it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax expense is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates the status of tax returns with respect to situations where applicable tax laws are subject to interpretation and considers whether it is probable that uncertain tax treatment will be accepted by the tax authorities. The Group measures its tax balances based on the most probable amount or expected value, depending on which method better predicts the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences between the tax bases of assets and liabilities and the carrying amounts of assets and liabilities in the consolidated financial statements of the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction, does not affect accounting profit or loss or taxable profit or loss. Deferred income tax is calculated at the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided for taxable temporary differences arising on investments in subsidiaries, except where the Group controls the timing of the reversal of the temporary differences and where it is probable that the temporary differences will not reverse in the foreseeable future.

(c) Offset

Deferred income tax assets and liabilities are offset against each other when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and there is an intention to settle the income tax balances on a net basis.

2 Summary of significant accounting policies (continued)

2.18 Employee Benefits

(a) Pension Liability

The Group contributes to publicly or privately administered defined contribution retirement plans on a mandatory, contractual or voluntary basis. Once the Group has made a contribution, there is no further obligation to pay. Contributions are recognised as an employee benefit expense when they fall due.

(b) Other Employee Benefits

In addition to pension obligations, certain of the Group's employees participate in various employee social insurance schemes, including medical, housing and other benefits, established and administered by government agencies. In accordance with the relevant regulations, the Group's share of premiums and provident funds is calculated on the basis of a percentage of the employees' gross wages up to a prescribed ceiling (or on other bases)Once the Group has made contributions, there is no further payment obligation. The Group's contributions to these schemes are charged to the consolidated income statement as incurred.

2.19 Share-based payment

Share-based compensation benefits are provided to employees through the Employee Stock Purchase Plan. Information relating to the plan is set out in note 26.

Employee stock options

Employee benefit expense is recognized based on the fair value of options granted under the Employee Stock Option Plan with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (such as the entity's share price);

— excluding the impact of any services and non-market performance vesting conditions (such as profitability, sales growth targets and the entity's employees)a become the entity's target employees over a specified period of time; and

— This includes the effect of any non-vesting conditions (e.g. requiring employees to retain or hold shares for a specified period of time)

Non-market performance and service vesting conditions include assumptions related to the number of options expected to vest. Total expense over the vesting period (i.e., the period over which all specified vesting conditions are met)recognized.

2 Summary of significant accounting policies (continued)

2.19 Share-based payments (continued)

Employee stock options (continued)

At the end of each reporting period, the Group revises its estimate of the number of options expected to vest based on non-market performance and service vesting conditions. The impact of the revised original estimate, if any, on the consolidated statement of comprehensive income can be recognised, with a corresponding adjustment to equity.

If a share is forfeited because an employee fails to satisfy a service condition, any expense previously recognised in respect of the share will be reversed from the date of forfeiture.

Cash subscribed for the issue of shares on exercise of share options is credited to share capital (nominal value) and share premium (net of any directly attributable transaction costs).

Options granted by the Company to employees of the Group's subsidiaries in respect of their equity instruments are treated as capital contributions. The fair value of employee services acquired (measured by reference to the grant date fair value) is recognised as an increase in the investment in the subsidiary over the vesting period, with a corresponding credit to equity in the accounts of the parent entity.

2.20 Provisioning

Provisions are recognised when the Group has a present legal or constructive obligation as a result of an event that has occurred; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions include lease termination penalties and employee termination payments. No provision is recognised for future operating losses.

Where there are multiple similar obligations, the likelihood that resources will be required to discharge the obligation is determined after considering the overall type of obligation. A provision must be recognized even if the likelihood of outflow of resources associated with any one item included in the same class of obligation is not probable.

Provisions are calculated as the present value of the expenditures expected to be required to settle the obligation and using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Increases in the provision over time are recognised as interest expense.

2 Summary of significant accounting policies (continued)

2.21 Government Funding and Grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will receive the funding and that all attached conditions will be met.

Government grants related to costs are deferred and recognized as other income in the consolidated statement of income in the period in which the funding is required to match the costs to be reimbursed.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities, recorded as deferred income and credited to profit or loss on a straight-line basis over the expected life of the related assets.

2.22 Revenue Recognition

Revenue is measured at the fair value of the consideration received and receivable, being the amount receivable for goods supplied or services performed, net of discounts and returns. The Group recognises revenue when the amount of revenue can be measured reliably; it is probable that future economic benefits will flow to the entity; and specific conditions are met for each of the Group's activities, as described below. The Group makes estimates of return based on its historical results and taking into account the type of customer, the type of transaction and the characteristics of each arrangement.

Product Sales

Revenue from sales of goods directly to customers is recognized when control of the inventory has been transferred to the customer, primarily upon acceptance of the products by the customer. The customer has full discretion over the products and there are no outstanding obligations that could affect the customer's acceptance of those products. The Group receives cash or banker's acceptances from customers through banks before or after delivery of the products. The Group fulfils its obligation to receive consideration in advance by transferring control of the committed products, i.e. cash or banker's acceptances received from customers before delivery of the products are recognised as contractual liabilities (Note 5).

The Group's obligation to repair or replace defective products in accordance with standard warranty terms, which cannot be purchased separately and are used as a guarantee that the products sold will meet the agreed specifications at the time of sale, is recognised as a provision.

2 Summary of significant accounting policies (continued)

2.23 Interest income

Interest income arising from financial assets at fair value through profit or loss is included in the fair value gain/(loss) on those assets.

(Loss)Net.

Interest income from financial assets measured at amortized cost using the effective interest method and from financial assets measured at fair value through other comprehensive income is recognized in the income statement as part of other income for investment purposes.

Interest income is presented as financial income earned on financial assets held for cash management purposes.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial asset, except for financial assets that are subsequently impaired for credit. For credit-impaired financial assets, interest income is derived by multiplying the effective interest rate by the net carrying amount of the financial asset, net of provision for losses.

2.24 Leasing

Leases are recognised as right-of-use assets and corresponding liabilities at the date when the leased assets become available for use by the Group.

The Group leases various types of offices and apartments. Leases are generally for a fixed term, but may contain extension options as described below. Lease terms are negotiated on a case-by-case basis and contain a variety of terms and conditions. The lease agreements do not impose any covenants, except that the leased assets cannot be used as security for borrowings.

Lease payments are allocated between the liability and financing costs. Finance costs are charged to profit or loss over the lease term, whereby the same periodic interest rate is established for the balance of the liability in each period. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term.

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

Lease payments are discounted using the Group's incremental borrowing rate, which is the rate the Group would have to pay to borrow the funds required to acquire assets of similar value in a similar economic environment on similar terms and conditions.

For the purpose of determining the interest rate on incremental borrowings, the Group uses the most recent third-party financing obtained by individual lessees as the point of origin, adjusted to reflect changes in financing terms since the third-party financing was obtained.

2 Summary of significant accounting policies (continued)

2.24 Lease Agreement (continued)

Right-of-use assets are measured at cost and include the initial measurement amount of the lease liability and any lease payments made on or before the commencement date. Depreciation of right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over the estimated lease term.

Payments relating to short-term leases and leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis. Short-term leases represent leases with a term of

For leases of 12 months or less.

All of the Group's office and apartment leases include extension options. These terms are used to maximise operational flexibility in relation to management contracts. Most of the extension options held are exercisable only by the Group but not by the relevant lessor.

In determining the term of the lease, the Group will consider all facts and circumstances giving rise to the economic incentive to exercise the extension option. The extension option will only count towards the term of the lease when the extension is reasonably certain.

Lease income from operating leases, where the Group is the lessor,[redacted]s income on a straight-line basis over the lease term. The initial direct costs incurred in acquiring an operating lease are added to the carrying amount of the related asset and recognised as an expense over the lease term on the same basis as the lease revenue is recognised. The related lease assets are included in the balance sheet according to their nature. The Group has no assets held as lessor for the year ended 31 December 2021.

2.25 R&D Costs

Research costs are expensed as incurred. Development costs directly attributable to the design and testing of identifiable and unique software products are recognized as intangible assets when the following conditions are met:

— It is technically feasible to complete the product so that it can be used;

— Management's intention to complete the product and use or sell it;

— The ability to use or sell the product;

— Can show how the product will generate possible future economic benefits;

— have sufficient technical, financial and other resources to complete the development of the product; and

— The expenses attributable to the product during the development period can be reliably measured.

2 Summary of significant accounting policies (continued)

2.25 R&D Costs (continued)

Directly related costs that are allocated as part of product costs include employee costs for new manufacturing technology development and an appropriate portion of related recurring expenses. Costs associated with the maintenance of new manufacturing processes are recognized as expenses as incurred.

Other development costs that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

2.26 Dividend distribution

The distribution of dividend distribution to the shareholders of the Company is recognised as a liability in the financial statements of the Group and the Company in the period in which the dividend is approved by the directors or shareholders of the Company, as appropriate.

2.27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the financial year (excluding any costs of settling equity interests other than ordinary shares) by the weighted average number of ordinary shares in issue.

(b) Diluted earnings per share

The figures used in determining basic earnings per share for the diluted earnings per share adjustment are based on:

- the after-tax impact of interest and other financing costs related to potentially dilutive common shares; and
- Weighted average number of additional common shares assumed to be issued upon conversion of all potentially dilutive common shares.

3 Financial Risk Management

3.1 Financial Risk Factors

The Group's operations expose the Group to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk) credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(a) Market Risk

(i) Foreign Exchange

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the functional currency of the Group's entity. The Group operates primarily in the PRC and is therefore exposed to foreign exchange risk arising from certain currencies relating primarily to the US dollar, as certain financial assets and liabilities are denominated in US dollars. The Group also has operations in Thailand and therefore foreign exchange risk arises when assets and liabilities are denominated in currencies other than the US dollar, the functional currency of operations in Thailand. However, the financial exposure of the Thailand operation is not material as at 31 December 2020 and 2021.

At 31 December 2020 and 2021, if the US dollar had weakened/strengthened by 5% against the Renminbi with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange losses/gains arising from the translation of cash and cash equivalents, trade receivables, trade payables and bank borrowings denominated in US dollars into Renminbi, the functional currency of the subsidiaries. Details of such changes are as follows:

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Year-end:		
(Decrease)/increase in profit after taxation		
- 5% devaluation against the Renminbi	(8,519)	(10,171)
- 5% appreciation against the RMB	8,519	10,171

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange (continued)

At December 31, 2020 and 2021, if the U.S. dollar had weakened/strengthened by 5% against the RMB with all other variables held constant, other comprehensive income for each year would have changed primarily as a result of translating the financial statements of entities with the U.S. dollar as their functional currency into the RMB. Details of these changes are as follows:

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Year-end:		
(Decrease)/increase in other comprehensive income	**(120,376)**	(91,874)
- 5% devaluation against the Renminbi		
- 5% appreciation against the RMB	**120,376**	91,874

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank borrowings. Bank borrowings obtained at floating rates expose the Group to cash flow interest rate risk and, if obtained at fixed rates, expose the Group to fair value interest rate risk. Interest rates and bank borrowings are disclosed in note 28.

As at 31 December 2021 and 2020, the Group's cash flow interest rate risk is relatively low.

(b) Credit Risk

The Group is exposed to credit risk in relation to its trade receivables, bills receivable, other receivables, amounts due from related parties and cash deposits with banks. The carrying amounts of trade receivables, notes receivable, other receivables, amounts due from related parties, cash and cash equivalents and restricted cash are the Group's maximum exposure to credit risk in relation to its financial assets.

The majority of the notes receivable were issued by state-owned banks in the PRC. The credit quality of the notes receivable has been assessed by reference to external credit ratings or historical information on the default rate of the counterparties. The existing counterparties have not been in default in the past.

The Group does not anticipate significant credit risk associated with cash deposits with banks as these deposits are substantially placed with state-owned banks as well as other large and medium-sized listed banks. Management does not expect any significant losses arising from the non-performance of these counterparties.

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group has a large number of customers and there is no concentration of credit risk. The Group has control procedures in place to ensure that follow-up action is taken to recover overdue debts. In addition, at the end of each reporting period, the Group reviews the recoverability of these receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the likelihood of default at initial recognition of the asset and also assesses whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. In assessing whether there has been a significant increase in credit risk, the Group compares the likelihood of default of an asset at the reporting date with the likelihood of default at the point of initial recognition, while also considering publicly available and reasonable forward-looking information. The following indicators need to be considered in particular:

- Internal credit ratings;
- External credit rating;
- actual or anticipated material adverse changes in business, financial or economic conditions that are expected to result in a significant change in the customer's ability to meet its obligations;
- actual or expected material changes in the debtor's/customer's results of operations;
- Significant changes in the expected performance and behaviour of customers, including changes in the payment status of the Group's customers and changes in the operating results of customers.

(i) Notes receivable, cash and cash equivalents and restricted cash

As at December 31, 2021, the Group's assessment is that the expected credit losses on notes receivable, cash and cash equivalents and restricted cash are not significant. That is, no provision for losses has been recognized for these financial assets.

(ii) Amounts due from related parties and other receivables

As at 31 December 2021, the Group's assessment is that the expected credit loss rate on amounts due from related parties and other receivables is not significant. That is, no provision for losses has been recognised in respect of these receivables.

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Trade receivables

The Group applies a simplified approach to the provision for expected credit losses under HKFRS 9, which allows for the adoption of a provision for expected losses for the duration of all trade receivables.

For the purpose of measuring expected credit losses, trade receivables are grouped based on common credit risk characteristics and days past due as described in note 19b. The expected loss rate is based on sales payments over a three-year period prior to December 31, 2021 or 2020, respectively, and the corresponding historical credit losses experienced during that period. Historical loss ratios are adjusted to reflect current and forward-looking information regarding factors affecting the ability of customers to settle their receivables, including gross domestic product and total retail sales of consumer goods.

At December 31, 2021 and 2020, the provision for losses on trade receivables is determined as follows.

	Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
December 31, 2021					
Expected loss ratio	1.1%	36.3%	60.0%	100.0%	-
Total book value (RMB thousand)	1,127,189	3,883	1,080	3,025	1,135,177
Provision for losses (RMB thousand)	(12,140)	(1,410)	(649)	(3,025)	(17,224)
December 31, 2020					
Expected loss ratio	1.1%	20.0%	50.0%	100.0%	-
Total book value (RMB thousand)	980,754	6,308	1,839	2,505	991,406
Provision for losses (RMB thousand)	(11,187)	(1,262)	(920)	(2,505)	(15,874)

In prior years, for trade receivables, the Group performed ongoing credit evaluations of the financial position of its debtors, but does not require collateral from debtors for outstanding balances.

Note 22 also details the closing loss provision for trade receivables as at 31 December 2021, which is consistent with the opening loss provision.

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Cash flow forecasting is carried out in the Group's operating entities and consolidated by the Group's Finance Department. The Group's finance department monitors rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet its operational needs. The forecasts take into account the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, where applicableexternal regulatory or legal requirements (e.g. currency restrictions)

The following table presents the Group's non-derivative financial liabilities, analysed by relevant maturity group based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table represent contractual undiscounted cash flows.

	Less than 1 year RMB thousand	1 to 2 years RMB thousand	2 to 5 years RMB thousand	More than 5 years RMB thousand	Total RMB thousand
At December 31, 2021					
Bank Loans	297,762	398,859	1,091,149	110,254	1,898,024
Interest payable on bank loans	50,519	42,038	28,369	2,711	123,637
Amounts due to related parties	18,279	-	-	-	18,279
Trade payables	1,957,593	-	-	-	1,957,593
Other payables	868,472	-	-	-	868,472
Leasing Liabilities	10,349	10,127	3,392	-	23,868
	3,202,974	451,024	1,122,910	112,965	4,889,873
At December 31, 2020					
Bank Loans	94,187	87,500	362,735	120,735	665,157
Interest payable on bank loans	15,176	13,275	20,652	4,413	53,516
Amounts due to related parties	6,231	-	-	-	6,231
Trade payables	1,434,152	-	-	-	1,434,152
Other payables	1,030,330	-	-	-	1,030,330
Leasing Liabilities	9,208	9,216	12,589	-	31,013
	2,589,284	109,991	395,976	125,148	3,220,399

3 Financial risk management (continued)

3.2 Capital Management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern, thereby providing returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Group monitors on a gearing basis. This ratio is calculated as net surplus/debt divided by total capital. Net surplus/debt is calculated as total borrowings (including "current and non-current borrowings" and lease liabilities as shown in the consolidated statement of financial position)less cash and cash equivalents and restricted cash. Total capital is calculated as total equity plus net surplus/debt.

The gearing ratios as of December 31, 2021 and 2020 are as follows

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Bank loans (Note *28*)	**1,898,024**	665,157
Total lease liabilities (Note *17*)	**22,929**	31,013
Less: Cash and cash equivalents (Note *24*)	**(728,813)**	(563,165)
Restricted Cash (Note *24*)	**(125,679)**	(55,780)
Net debt	**1,066,461**	77,225
Total Equity	**3,920,132**	3,780,203
Total Capital	**4,986,593**	3,857,428
Gearing ratio	**21.4%**	2.0%

The increase in gearing was mainly due to the increase in bank borrowings to finance the construction of production lines in Thailand and Shandong, Mainland China.

3 Financial risk management (continued)

3.3 Fair Value Estimates

The Group has adopted the amendments to HKFRS 13 for financial instruments measured at fair value in the consolidated statement of financial position, which require disclosure of fair value measurements at the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (unadjusted)(Level 1)
- In addition to the quoted prices included in level 1, other inputs that are observable for that asset and liability may be direct (i.e., for example, prices) or indirect (i.e., derived from prices)(level 2)
- Assets or liabilities are not based on inputs that are observable market data

(i.e., unobservable inputs)(Level 3) The following table presents the Group's assets

and liabilities measured at fair value as of December 31, 2021 and 2020.

	Level 1	Level 2	Level 3	Total
Assets as of				
December 31,				
2021				
Measured at fair value with changes included in	-	-	85,110	85,110
Financial assets for profit or loss				
- Wealth Management Products(a)				
- Listed Equity Securities	22,045	-	-	22,045
	22,045	-	85,110	107,155

At December 31, 2020

Assets

Measured at fair value with changes included in

Financial assets for profit or loss

- Wealth Management Products*(a)*	-	-	128,000	128,000
- Listed Equity Securities	25,479	-	-	25,479
	25,479	-	128,000	153,479

3 Financial Risk Management (continued)

3.3 Fair value estimation (continued)

For the years ended December 31, 2021 and 2020, there are no transfers between the fair value hierarchy used to measure the fair value of financial instruments, and there are no changes in the classification of financial assets as a result of changes in the purpose or use of those assets.

During the year, there were no additions or disposals between Level 1. The additions and disposals of Level 3 are disclosed in Note 21.

(a) Financial instruments at level ***3***

See Note 21 for disclosure of changes in Level 3 instruments for the years ending December 31, 2021 and 2020.

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

	In 2021 Fair value at 31 December RMB'000	Valuation Techniques	Unobservable input data	Range (Weighted average)	Relationship between unobservable inputs and fair value
Wealth Management Products	85,110	Discounted cash flow	Expected Yield	2.2% - 2.9% (2.6%)	A change in yield of 100 basis points would increase/decrease the fair value by approximately RMB830,000
	In 2020 December 31 Fair value of RMB thousand	Valuation Techniques	Unobservable Input Data	Range (Weighted average)	Unobservable input data and Fair Value Relationships
Wealth Management Products	128,000	Discounted cash flow	Expected Yield	1.15% - 2.95% (2%)	A change in yield of 100 basis points would increase/decrease the fair value by approximately RMB 1,254,000

4 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The Group makes estimates and assumptions about the future. These accounting estimates (as defined) the equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(a) Useful life of property, plant and equipment

The management of the Group determines the estimated useful lives of its property, plant and equipment and the related depreciation expenses. This estimate is based on historical experience of the actual useful lives of property, plant and equipment that are similar in nature and function. Technological innovations and actions taken by competitors in response to severe industry cycles may result in significant changes in estimates. Management periodically reassesses the useful lives. If the useful lives are less than previously estimated, management may increase depreciation expense or management may write off or write down assets that have been abandoned or sold and are technically obsolete or non-strategic assets.

(b) Income tax and deferred tax assets/liabilities

The Group is subject to income taxes in certain jurisdictions. Judgment is required in determining the provision for income taxes. Where the ultimate tax consequences of such matters differ from the amounts initially recorded, such differences will affect the provision for current and deferred income taxes in the period in which the tax determination is made.

The Group recognises deferred income tax assets relating to certain temporary differences and tax losses to the extent that management believes it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where expectations differ from the original estimates, such differences will impact the recognition of deferred tax assets and tax in the period in which such estimates are changed.

(c) Provision for impairment of trade receivables

For trade receivables (excluding non-financial assets) the Group applies the simplified approach to the provision for expected credit losses as required by HKFRS 9, which permits the use of a provision for expected losses for the duration of all trade receivables (excluding non-financial assets)The allowance for losses on financial assets is based on assumptions about default risk and expected loss rates. At the end of each reporting period, the Group makes these assumptions and selects inputs for the impairment calculations based on its historical history, current market conditions and forward-looking estimates, using judgement. Management reassesses these estimates at each balance sheet date.

4 Significant Accounting Estimates and Judgments (Continued)

(d) Net realizable value of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses. These estimates are based on current market conditions and past experience in the production and sale of products of a similar nature. These estimates may change significantly due to customer preferences and actions taken by competitors in response to industry cycles. Management reassesses these estimates at each balance sheet date.

(e) Provision for warranty claims

The Group generally provides a 48-month warranty period for its tires. Management estimates the related allowance for future warranty claims based on historical warranty claim information and recent trends that may indicate that historical cost information differs from future claims.

Factors that may affect the estimated claim information include the success of the Group's productivity and quality initiatives, as well as product costs.

5 Segment Information

The executive directors of the Company have been identified as the chief operating decision makers of the Group and are responsible for reviewing the Group's internal reporting in order to regularly assess the Group's performance and allocate resources.

The Group is principally engaged in the manufacture and sale of tire products. The chief operating decision maker assesses the performance of the Group's operations based on the measurement of operating results and considers the Group's operations as a single operating segment. As the Group's resources are consolidated, the information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment is focused on the operating results of the Group as a whole. Accordingly, the Group has identified one operating segment - the manufacture and sale of tire products.

The Group's revenue by geographical location (determined by the area where the goods are delivered) is as follows:

	For the year ended December 31	
	2021 Revenue RMB thousand	2020 Revenue RMB thousand
Mainland China	**3,201,826**	3,624,012
Americas	**2,240,164**	868,436
Asia (excluding Mainland China)	**573,157**	483,583

Africa	**702,147**	540,464
Middle East	**539,904**	495,596
Other countries	**279,963**	271,039
	7,537,161	6,283,130

5 Classified Information (continued)

The Group's non-current assets (excluding intangible assets, investments in associates and prepayments and other receivables) by geographical location (determined by the city/country in which the assets are located) are as follows

	On December 31 2021 RMB thousand	2020 RMB thousand
Mainland China	**2,228,778**	1,964,515
Thailand	**2,544,084**	2,011,194
Other	**452**	1,324
	4,773,314	3,977,033

No customer will contribute 10% or more to the Group's revenue for the years ending December 31, 2021 and 2020.

	In 2021 December 31 RMB thousand	In 2020 December 31 RMB thousand
Contractual Liabilities	**59,285**	81,676

(i) Significant changes in contractual liabilities

The Group received payments from customers in accordance with the contractual payment arrangements. There were no significant changes in contractual liabilities.

(ii) Recognized revenue related to contractual liabilities

The following table presents revenue related to contractual liabilities carried forward from recognized revenue for the years ended December 31, 2021 and 2020

	As of 2021 For the year ended December 31 RMB thousand	By 2020 For the year ended December 31 RMB thousand
Recognized gains included in the balance of contractual liabilities as at January 1, 2021 and January 1, 2020		Tire Products Sales

	81,676	46,431

(iii) Unfulfilled contracts related to the sale of tire products

As all the relevant contracts are for a term of one year or less, the Group has chosen the practical expedient method and has not disclosed the remaining performance obligations.

6 Revenue

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Revenue from customers and recognition at point in time		
Sales of tire products:		
- All Steel Radial Tires	**4,888,933**	4,724,563
- Semi Steel Radial Tires	**2,511,046**	1,380,601
- Oblique Tires	**137,182**	177,966
	7,537,161	6,283,130

7 Other gains

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Sales Waste	**31,661**	20,934
Government Grants	**29,006**	21,486
	60,667	42,420

8 Other gains/(losses) - net

	As of December 31	Year ended
	2021 RMB thousand	2020 RMB thousand
Gain on disposal of financial assets at fair value through profit or loss (Note *21*)	**4,052**	5,259
Financial assets at fair value through profit or loss		
Loss on changes in fair value (Note *21*)	**(3,435)**	(2,528)
Gain/(loss) disposal of property, plant and equipment (Note *34 (b)*)	**137**	(31)
Net foreign exchange loss	**(15,319)**	(24,216)
Donation	**-**	(7,042)

Litigation Compensation*(a)*	**52,697**	-
Other	**2,462**	(1,001)
	40,594	(29,559)

8 Other gains/(losses) - net (continued)

(a) On December 23, 2016, the Group's subsidiary, Poh Lam Cheng Shan (Shandong) Tire Co., Ltd [illegible] Lun Industrial & Trading Co., Ltd ("Qingdao New Hong Lun") failing to transfer the trademarks of ROAD SHINE and GOLD PARTNER to Poh Lam Shan Dong in accordance with the contract and requested Qingdao New Hong Lun to compensate Poh Lam Shan Dong for the economic loss suffered as a result of the breach of contract. According to the verdict of the first and second trials, Qingdao New Horizons should compensate Urakashantou, but Qingdao New Horizons refused to accept the verdict. On July 12, 2021, Qingdao New Horizons filed a petition for retrial with the Supreme People's Court of the PRC ("SPC") On November 18, 2021, the SPC denied the application for retrial. While taking advice from external legal advisers, the directors of the Company considered that the possibility of the Supreme People's Court of the PRC accepting further application for prosecution against Qingdao Xinhonglun was remote and therefore recognized all compensation received of RMB52,697,000 for the year ended 31 December 2021.

9 Expenses by nature

An analysis of expenses included in cost of sales, selling and distribution expenses, administrative expenses and research and development costs is as follows:

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Raw materials and consumables used	**6,209,793**	4,421,526
Wages and salaries, social benefits (including directors' remuneration) (Note *10*)	**613,662**	579,870
Changes in finished goods and work-in-process inventories	**(322,061)**	(151,261)
Depreciation (Note *16*)	**279,959**	204,564
Transportation costs and storage fees	**188,924**	193,151
Export Fees	**70,852**	50,039
Maintenance and Repair	**59,731**	53,037
Travel, meeting and office expenses	**46,893**	36,797
Provision for quality assurance (Note *31*)	**44,786**	27,334
Professional Service Fee	**29,370**	10,890
Advertising Cost	**18,792**	25,603
Property Insurance Premiums	**14,404**	10,046
Taxation	**12,832**	28,183
Depreciation of right-of-use assets (Note *17*)	**11,908**	13,947
Rental and real estate expenses	**9,340**	7,850
Write-down of inventories (Note *20*)	**7,287**	12,484
Amortization (Note *18*)	**3,924**	2,645
Auditors' Salary		
- Auditing Services	**3,129**	2,214
- Non-audit Services	**657**	116
Sales Commission	**1,815**	3,142
Provision for impairment of financial assets	**1,577**	4,441
Technical Service Fee	**1,477**	4,604

10 Employee benefit expenses (including directors' remuneration)

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Salary, Wages and Bonuses	**484,285**	470,882
Pension, housing fund, medical insurance and other benefits	**117,299**	99,002
Share-based compensation benefits	**12,078**	9,986
Total employee benefit expenses	**613,662**	579,870

(a) Pension Costs - Defined Contribution Plan

Employees of the Group's subsidiaries participate in defined contribution retirement plans organised by the relevant provincial governments, which require such subsidiaries to make monthly contributions based on a certain percentage of the employees' monthly salaries and wages (subject to certain ceilings)

For the years ending 31 December 2021 and 2020, the Group has no forfeited contributions available to the Group to reduce the current level of contributions.

(b) Directors' benefits and interests

The remuneration of each Director and the Chief Executive Officer is set out below:

For the year ended December *31*, *2021*

Name of Director	Gown Golc RMB thousand	Salary RMB thousand	Discretionary Bonus RMB thousand	Allowance and Physical Benefits(i) RMB thousand	Retiremen Benefit Plar Employer's contributior RMB thousand	Sha e-basec salary benefits RMB thousand	Total RMB thousand
Executive Director							
Che Baozhen	302	2,340	-	36	44	966	3,688
Shi Fu Tao	174	2,136	-	39	38	2,516	4,903
Cao Xueyu	174	245	-	-	15	542	976
Non-Executive Directors							
Che Hongzhi	232	-	-	-	12	-	244
Independent non-executive directors							
Zhang Xuemo	143	-	-	-	-	-	143

Tsai Zijie	186	-	-	-	-	-	186
Chuan-Sheng Wang	135	-	-	-	-	-	135
	1,346	4,721	- 75		109	4,024	10,275

(i) Includes housing allowance, medical and life insurance premiums.

10 Employee benefit expenses (including directors' remuneration)(continued)

(b) Directors' benefits and interests (continued)

For the year ending *December 31,* 2020

Name of Director	Gown Gold RMB thousand	Salary RMB thousand	Discretionary Bonus RMB thousand	Allowance and Physical Benefits(i) RMB thousand	Retirement Benefit Plan Employer's contribution RMB thousand	Shares Salary and Benefits RMB thousand	Total RMB thousand
Executive Director							
Che Baozhen	323	1,430	288	33	39	382	2,495
Shi Fu Tao	186	1,086	216	35	12	338	1,873
Cao Xueyu	186	270	130	-	16	149	751
Non-Executive Directors							
Che Hongzhi	248	-	-	-	12	-	260
Independent non-executive directors							
Zhang Xuemo	133	-	-	-	-	-	133
Tsai Zijie	160	-	-	-	-	-	160
Chuan-Sheng Wang	108	-	-	-	-	-	108
	1,344	2,786	634	68	79	869	5,780

(c) Director Termination Benefits

No termination benefits have been paid to any directors for the year ended 31 December 2021 (2020: Nil)

(d) Provision of consideration to third parties for the provision of director services

No consideration has been provided by the Company to third parties for services rendered to directors for the year ended 31 December 2021 (2020: Nil)

(e) Information on loans, quasi-loans and other transactions in favour of directors

There were no loans, quasi-loans and other transactions entered into between the Group and the Directors in favour of the Directors as at 31 December 2021 or at any time during the year ending 31 December 2021 (2020: Nil)

(f) Director's material interest in a transaction, arrangement or contract

Save as disclosed in note 36, there are no material transactions, arrangements and contracts involving the business of the Group to which the Company is a party and in which a director of the Company has a material interest (whether directly or indirectly) as at 31 December 2021 or at any time during the year ending 31 December 2021 (2020: Nil).

10 Employee benefit expenses (including directors' remuneration) (continued)

(g) Five Highest Paid Individuals

The five highest paid employees of the Group for the year ending 31 December 2021 include two (2020: two) directors, details of whose emoluments are set out in the analysis shown in note 10(b). Details of the total remuneration paid to the remaining three (2020: three) highest paid employees are as follows:

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Salary	**4,274**	4,450
Discretionary Bonus	**-**	499
Subsidies and in-kind benefits	**193**	91
Retirement Benefit Plan Employer Contribution	**173**	51
Share-based salary benefits	**4,632**	651
Total employee benefit expenses	**9,272**	5,742

The remuneration falls within the following range:

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Salary Range		
HK$1,500,001 to HK$2,000,000 (approximately RMB1,226,401 to RMB1,635,200)	**-**	2
HK$2,000,001 to HK$2,500,000 (approximately RMB1,635,201 to RMB2,044,000)	**1**	-
HK$3,000,001 to HK$3,500,000 (Approximately RMB2,452,801 to RMB2,861,600)	**-**	1
HK$4,000,001 to HK$4,500,000 (approximately RMB3,279,401 to RMB3,679,200)	**1**	-
HK$5,000,001 to HK$5,500,000 (Approximately RMB4,088,001 to RMB4,496,800)	**1**	-
	3	3

11 Finance costs - net

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Financial Costs:		
- Interest expenses on bank loans	(37,812)	(19,422)
- Interest expense on lease liabilities (Note *17*)	(888)	(1,247)
	(38,700)	(20,669)
Less: Amount capitalized for qualifying assets (Note *16*)	26,320	15,241
	(12,380)	(5,428)
Financial income:		
- Interest income from bank deposits	4,757	5,682
- Net foreign exchange gain on borrowings and dividends payable	2,787	8,875
	7,544	14,557
Finance costs - net	(4,836)	9,129

12 Taxes

(a) Income tax expense

The amount of income tax expense (credited)/charged to the consolidated income statement represents:

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Current income tax		
- China Corporate Income Tax	832	77,663
- Hong Kong and overseas profits tax	8,912	5,984
Deferred income tax (Note *33*)	(20,144)	9,821
Income tax expense	(10,400)	93,468

(i) Cayman Islands and British Virgin Islands Profits Tax

The Company and its subsidiary, Prinx Investment Holding Limited, are not subject to any taxation in the Cayman Islands and the British Virgin Islands. The Company has obtained the status of a PRC tax resident enterprise. The applicable profits tax rate for the year ending 31 December 2021 is 25% (2020: 25%).

12 Taxation (continued)

(a) INCOME TAX EXPENSE (continued)

(ii) Hong Kong profits tax

The Company's subsidiaries, Poh Lam Seng Shan (Hong Kong) Tyre Company Limited and Poh Lam (Hong Kong) Rubber Company Limited, are subject to Hong Kong Profits Tax. The applicable Hong Kong profits tax rate for the year ending 31 December 2021 is 16.5% (2020: 16.5%). Poulin Chengshan (Hong Kong) Tyre Company Limited has obtained the status of a PRC tax resident enterprise. The applicable profits tax rate for the year ending 31 December 2021 is 25% (2020: 25%).

(iii) China Enterprise Income Tax (EIT)

Provision for EIT is made for the taxable income of the Group's entities incorporated in Mainland China. The applicable corporate income tax rate is 25%, except for a subsidiary that qualifies as a high and new technology enterprise ("HTEE") was entitled to a preferential tax rate of 15% from 2020 to 2022. As at 31 December 2021, the Group has recognised but unused tax losses of RMB1,415,000 (2020: RMB6,057,000) which can be carried forward to offset future taxable gains of certain Mainland China entities and expire within 5 years.

(iv) Other overseas profits tax

For the year ending December 31, 2021, Poulin Chengshan Tire North America, a subsidiary of the Company incorporated in the State of California, is subject to a federal tax rate of 21% and a state tax rate of 8.84%.

Ltd. was established in Thailand, where the applicable income tax rate is 20%. Ltd. is entitled to full tax exemption for eight years from 2020 to 2027, as it qualifies as a major incentive industry enterprise and is approved by the local tax authorities in 2020.

Prinx Chengshan Tire Europe GmbH, incorporated in Germany, is subject to a consolidated tax rate of 31.72% set by the local authorities for the year ending December 31, 2021.

No provision for overseas profits tax has been made in respect of other subsidiaries of the Group as they have no assessable profit for the year ending 31 December 2021.

(v) Withholding Tax ("Withholding Tax")

As at 27 December 2019, the Company and its subsidiary, Puling Chengshan (Hong Kong) Tyre Company Limited, have been qualified as a PRC tax resident enterprise and are subject to corporate income tax for the year ending 31 December 2021. Starting from 2019, dividend payments between Puling Shan Dong, Puling Chengshan (Hong Kong)Tyre Company Limited and the Company are no longer subject to PRC withholding tax.

12 Taxation (continued)

(a) INCOME TAX EXPENSE (continued)

(v) Withholding Taxes ("Withholding Taxes") (Continued)

Under the applicable Thai tax regulations, dividend payments to foreign investors from companies incorporated in Thailand in respect of profits are generally subject to a 10% withholding tax. No withholding tax has been recognised on the unremitted earnings of Poh Lam Seng San Tires (Thailand) Limited as at 31 December 2021 as the directors are of the opinion that the Group will not distribute unremitted earnings in the foreseeable future.

Income tax on the Group's profit before tax differs from the theoretical amount that would arise from the use of the weighted average tax rate on the profits of the consolidated entities as follows:

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Profit before income tax	**265,902**	698,216
Taxes at applicable tax rates	**46,596**	177,474
Tax losses on unrecognized deferred income tax assets	**17,051**	1,529
Non-deductible expenses	**4,035**	3,816
High-tech Enterprise Qualification Tax Benefits	**(8,747)**	(70,918)
Additional deductions for R&D costs and other expenses	**(29,566)**	(15,428)
Tax-exempt treatment at subsidiaries	**(39,769)**	(3,005)
Income tax (credit)/expense	**(10,400)**	93,468

(b) Value Added Tax ("VAT")

The Company's subsidiaries in Mainland China and Thailand are subject to value-added tax on sales of self-produced products. The applicable tax rate for sales within the PRC is 13%. The applicable tax rate for sales within Thailand is 7%.

Input VAT on purchases of raw materials, fuel, utilities, certain property, plant and equipment, and other production materials (goods, transportation costs) [illegible] The VAT payable is the net difference between the sales VAT and the deductible input VAT.

13 Earnings per share

(a) Basic

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

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Profit attributable to shareholders of the Company	**276,304**	604,820
Weighted average number of common shares outstanding (in thousands)	**636,321**	635,178
Basic earnings per share (RMB)	**0.43**	0.95

(b) Stall thinning

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

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Profit attributable to shareholders of the Company	**276,304**	604,820
Weighted average number of common shares outstanding (in thousands)	**636,321**	635,178
Share Option Adjustment	**503**	1,025
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**636,824**	636,203
Diluted earnings per share (RMB)	**0.43**	0.95

14 Dividends

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Cash dividends paid by the Company *(a)*	**106,708**	115,989
Final dividend proposed to be paid by the Company *(b)*	**104,561**	107,107

(a) Dividends for the years ending December 31, 2021 and 2020 represent interim and final cash dividends paid by the Company to its shareholders.

(b) On 10 May 2022, the Board recommended a final dividend of HK$128 million (equivalent to approximately RMB105 million) for the year ended 31 December 2021 (based on the year-end exchange rate), which is HK$0.2 per ordinary share. This dividend will be approved by the shareholders at the annual general meeting of the Company. The dividend payable is not reflected in these financial statements.

15 Subsidiaries

Investments in subsidiaries are stated at cost less impairment,if any. Details of the Company's principal subsidiaries as at 31 December 2021 are set out below:

Company Name	Date of incorporation	Incorporation of country/location, legal status and certain legal entities	Registered share capital	Paid-in capital	Direct and indirect holdings 2020 December 31	Direct and indirect holdings 2021 December 3	Main Business
Directly held by the Company							
Poh Lam Seng San (HK) Tire Co.	June 6, 2014	Hong Kong, Limited Liability Company	178,000,000 USD	178,000,000 USD	100%	100%	Investment Holdings and Tire Products Trade
Prinx Investment Holding Limited	November 26, 2018	British Virgin Islands, Limited Liability Company	500 USD	0 USD	100%	100%	Investment Holdings

15 Subsidiaries (continued)

Company Name	Date of incorporation	Incorporation of country/ Location, Legal Status and certain legal entities	Registered share capital	Paid-in capital	Direct and indirect holdings 2020 December 31	Direct and indirect holdings 2021 December 31	Main Business
Indirectly held by the Company							
Puling Chengshan (Shandong) Tire Co. Ltd.	December 29, 2005	Shandong, China Wholly Foreign Owned Enterprises	158,000,000 USD	158,000,000 USD	100%	100%	Manufacture and trade of tire products
Prinx Chengshan Tire Europe GmbH	March 17, 2020	Darmstadt, Germany, GmbH & Co.	25,000 Euros	25,000 Euros	100%	100%	Manufacture and development of all kinds of rubber, synthetic fibers and similar products Development, Trading and Distribution
Urahashi Narayama (Qingdao) Industrial Research and Design Ltd.	January 12, 2017	Shandong, China Limited Liability Company	RMB10,000,000	RMB10,000,000	100%	100%	Technology Research and Tire Products Trade
Shandong Pulin Chengshan Tire Technology Research Ltd.	September 26, 2017	Shandong, China Limited Liability Company	RMB10,000,000	RMB9,250,000	92.5%	92.5%	Tire technology and equipment development, and Provide technical services
Qingdao Zhianda Investment Co.	March 8, 2018	Shandong, China Limited Liability Company	RMB76,800,000	RMB57,440,000	100%	100%	Investment Holdings and Tire Products Trade
Poh Lam Sung San Tires North America, Inc.	November 1, 2018	California, USA. Joint Stock Company	US$1,203,990	US$1,203,990	100%	100%	Investment holding and inflatable products and related products trading
Pulin (HK) Rubber Co.	December 13, 2018	Hong Kong,	20,000 USD	0 USD	100%	100%	Investment Holdings and Tire Products

Limited Liability Company	Trade

15 Subsidiaries (continued)

Company Name	Date of Incorporation	Country/place of incorporation, legal status and certain legal entities capital	Registered share capital	Paid-up capital	Direct and indirect holdings 2020 December 31	2021 December 31	Main Business
Indirectly held by the Company							
Poh Lam Seng San Tire (Thailand) Co.	December 20, 2018	Thailand, Limited Liability Company	8,252,319,600 Baht	8,252,319,600 Baht	100%	100% 100%	Manufacture and tradng of tire products
Shenzhen Zhi'anda Tire Technical Service Ltd.	May 2, 2018	Guangdong, China Limited Liability Company	RMB 40,000,000	RMB17,370,000	96.7%	100%	Provide tire rental service and wheel Tire Products Trade
Jinan Zhianda Tire Service Co.	June 7, 2018	Shandong, China Limited Liability Company	RMB20,000,000	RMB20,000,000	97.5%	100%	Provide tire rental service and wheel Tire Products Trade
Shanghai Zhianda Rubber Co.	January 14, 2019	Shanghai, China Limited Liability Company	RMB20,000,000	RMB14,315,000	90%	100%	Provide tire rental service and wheel Tire Products Trade
Pulin Chengshan (Anhui) Tire Co.	April 19, 2021	Anhui, China Limited Liability Company	RMB 378,000,000	RMB4,000,000	Not applicable	100%	Provide tire rental service and tire products trading
Chianta (Shanghai) Tire Service Co.	May 13, 2021	Shanghai, China Limited Liability Company	RMB 76,800,000	RMB11,240,000	Not applicable	100%	Provide tire rental service and tire products trading
Puling Chengshan (Shanghai) Tire Sales Co.	March 9, 2021	Shanghai, China Limited Liability Company	RMB 10,000,000	RMB9,000,000	Not applicable	100%	Provide tire rental service and tire products trading
Puling Chengshan (Shanghai) Investment Co.	February 9, 2021	Shanghai, China Wholly Foreign Owned Enterprises	US$12,800,000	US$4,100,000	Not applicable	100%	Investment Holdings and Tire Products Trade

(i) Poulin Chengshan (Anhui)Tyre Company Limited, Chianta (Shanghai)Tyre Service Company Limited, Poulin Chengshan (Shanghai)Tyre Sales Company Limited and Poulin Chengshan (Shanghai)Investment Company Limited were incorporated by Poulin Chengshan (Hong Kong)Tyre Company Limited on 19 April 2021, 13 May 2021, 9 March

2021 and 9 February 2021 respectively.

16 Property, plant and equipment

	Land and Buildings RMB thousand	Machine and Factory Equipment RMB thousand	Furniture and Fixtures RMB thousand	Cars RMB thousand	Tools RMB thousand	Construction n progress RMB thousand	Total amount RMB thousand
For the year ending **December 31,** 2020							
Net book value at the beginning of the period	500,562	825,801	16,418	10,975	89,479	1,020,780	2,464,015
Construction in progress transferred to	446,785	787,412	2,703	1,203	77,711	(1,315,814)	-
Other additions	-	-	1,021	-	-	1,705,607	1,706,628
Disposal	(276)	(672)	(99)	-	(277)	-	(1,324)
Depreciation expense (Note 9)	(21,566)	(139,436)	(4,228)	(2,935)	(36,399)	-	(204,564)
Exchange differences	(14,963)	(23,911)	(257)	(150)	(1,461)	(71,989)	(112,731)
Net book value at the end of the period	910,542	1,449,194	15,558	9,093	129,053	1,338,584	3,852,024
At December **31**, 2020							
Cost	1,124,555	3,309,976	44,029	31,221	502,199	1,338,584	6,350,564
Accumulated depreciation	(214,013)	(1,860,782)	(28,471)	(22,128)	(373,146)	-	(2,498,540)
Net book value	910,542	1,449,194	15,558	9,093	129,053	1,338,584	3,852,024
For the year ended December **31**, **2021**							
Net book value at the beginning of the period	910,542	1,449,194	15,558	9,093	129,053	1,338,584	3,852,024
Construction in progress transferred to	116,291	625,957	18,495	2,001	122,203	(884,947)	-
Other additions	-	-	4,566	-	-	1,247,140	1,251,706
Disposal	(5)	(267)	-	(100)	(847)	-	(1,219)
Depreciation expense (Note 9)	(40,360)	(178,471)	(5,038)	(2,860)	(53,230)	-	(279,959)
Exchange differences	(27,170)	(34,871)	(272)	(190)	(2,138)	(100,890)	(165,531)
Net book value at the end of the period	959,298	1,861,542	33,309	7,944	195,041	1,599,887	4,657,021
At December **31**, 2021							
Cost	1,213,655	3,882,900	66,115	32,401	608,698	1,599,887	7,403,656
Accumulated depreciation	(254,357)	(2,021,358)	(32,806)	(24,457)	(413,657)	-	(2,746,635)
Net book value	959,298	1,861,542	33,309	7,944	195,041	1,599,887	4,657,021

16 Property, plant and equipment (continued)

The amounts of depreciation expense included in cost of sales, selling and distribution expenses, administrative expenses and research and development costs for the years ended December 31, 2021 and 2020 are as follows

	For the year ended December 31	
	2021	2020
	RMB thousand	RMB thousand
Cost of Sales	**250,563**	181,449
Selling and distribution expenses	**209**	133
Administrative Expenses	**5,784**	4,549
R&D Costs	**23,403**	18,433
Total	**279,959**	204,564

As at 31 December 2021, the net book value of property, plant and equipment pledged as security for the Group's borrowings and undrawn borrowing facilities amounted to approximately RMB3,338,195,000 (2020: RMB2,380,424,000) (Note 28)

For the year ended 31 December 2021, the Group's borrowing costs in respect of the capitalisation of qualifying assets amounted to RMB26,320,000 (2020)
(Year: RMB15,241,000) (Note 11). Borrowing costs are capitalized at the effective interest rate.

17 Right-of-use assets

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Right-of-use assets		
- Land Use Rights	**94,030**	96,261
- Buildings	**22,263**	28,748
	116,293	125,009
Leasing Liabilities		
Imminent		
- Leasing Liabilities	**9,775**	9,208
non-current		
- Leasing Liabilities	**13,154**	21,805
	22,929	31,013

The Group's land use rights are located in the PRC.

The current and non-current portions of the lease liabilities are RMB7,439,000 and RMB7,673,000 (2020: RMB7,212,000)
(Note 36(b)(iii)), representing amounts due to related parties, respectively)

The income statement shows the following amounts related to leases:

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Depreciation of right-of-use assets (Note *9*)		
- Land Use Rights	**3,856**	3,836
- Buildings	**8,052**	10,111
	11,908	13,947
Interest expense (Note *11*)	**888**	1,247

Short-term lease related expenses	**14,446**	15,329

The total cash payment in respect of the leases in 2021 is RMB24,985,000 (2020: RMB25,138,000)

18 Intangible assets

	Goodwill	Trademark	Computer Software	Non-exclusive and Patent Technology	Total
	RMB thousand	RMB thousand	RMB thousand	RMB thousand	RMB thousand
For the year ending December 31, 2020					
Net book value at the beginning of the period	43,436	54	4,069	1,391	48,950
Additions	-	-	4,650	1,125	5,775
Amortization expense (Note *9*)	-	(15)	(2,292)	(338)	(2,645)
Net book value at the end of the period	43,436	39	6,427	2,178	52,080
At December 31, 2020					
Cost	43,436	1,572	26,260	3,497	74,765
Cumulative Amortization	-	(1,533)	(19,833)	(1,319)	(22,685)
Net book value	43,436	39	6,427	2,178	52,080
For the year ended December 31, 2021					
Net book value at the beginning of the period	43,436	39	6,427	2,178	52,080
Additions	-	-	24,984	220	25,204
Amortization expense (Note *9*)	-	(14)	(3,449)	(461)	(3,924)
Net book value at the end of the period	43,436	25	27,962	1,937	73,360
At December 31, 2021					
Cost	43,436	1,572	51,244	3,717	99,969
Cumulative Amortization	-	(1,547)	(23,282)	(1,780)	(26,609)
Net book value	43,436	25	27,962	1,937	73,360

For the year ended 31 December 2021, the amortisation of the Group's intangible assets has been charged to administrative expenses in the consolidated income statement.

18 Intangible assets (continued)

Goodwill impairment test

Management reviews the performance of the business based on performance measures. It has identified one operating segment - Manufacture and Sale of Tire Products. Goodwill is monitored by management at the operating segment level. The following is a summary of goodwill for the operating segments:

	Beginning of the period RMB thousand	Additions RMB thousand	Impairment RMB thousand	Other Adjustments RMB thousand	Tota RMB thousand
For the year ended December 31, 2021	43,436	-	-	-	43,436

	Beginning of the period RMB thousand	Additions RMB thousand	Impairment RMB thousand	Other Adjustments RMB thousand	Tota RMB thousand
For the year ending December 31, 2020	43,436	-	-	-	43,436

The recoverable amounts of the cash generating units ("CGUs") are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management for a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates described below. The growth rate does not exceed the long-term average growth rate of the cash generating unit's operations.

For the cash-generating units, the key assumptions used in the value-in-use calculations, long-term growth rates and discount rates are as follows.

	On December 31 2021	2020
Sales volume (% annual growth rate)	**3% - 14%**	5%-16%
Selling Price (% annual growth rate)	**1% - 3%**	1% - 3%
Gross margin (% of revenue)	**15%-18%**	20% - 23%
Long-term growth rate	**3%**	3%
Pre-tax discount rate	**18%**	18%

These assumptions have been used in the analysis of the cash-generating units within the operating segments.

Sales volumes represent the average annual growth rate over the five-year forecast period. This is based on past performance and management's expectations of market development.

Selling prices represent the average annual growth rate over the five-year forecast period. It is based on current industry trends and includes long-term inflation forecasts for each region.

Gross margin is the average gross margin as a percentage of revenue over the five-year forecast period. It is based on current sales margin levels and sales mix and has been adjusted to reflect expected future price increases for rubber, a key raw material, which management does not expect to be able to pass through to customers through price increases.

18 Intangible assets (continued)

Goodwill impairment testing (continued)

The long-term growth rates used are post-tax and reflect

the specific risks of the relevant operating segments. As at

December 31, 2020 and 2021, the directors of the Company

have assessed no impairment of goodwill.

The directors of the Company have given reasonable consideration and assessment to possible changes in other key assumptions and have not identified any circumstances that might cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

19a Financial instruments by category

	By amortized cost Quantitative financial assets RMB thousand	At a fair value Measurements and their changes included in profit or loss Financial Assets RMB thousand	Total RMB thousand
At December 31, 2021			
Financial Assets			
Measured at fair value with changes included in			
Financial assets for profit or loss	-	107,155	107,155
Amounts due from related parties	78,820	-	78,820
Trade receivables and bills receivable	1,383,717	-	1,383,717
Other receivables	49,764	-	49,764
Cash and cash equivalents	728,813	-	728,813
Restricted Cash	125,679	-	125,679
Total	2,366,793	107,155	2,473,948

	By amortized cost Amount of financial liabilities RMB thousand

At December 31, 2021	
Financial liabilities	
Leasing Liabilities	22,929
borrow money	1,898,024
Trade payables	1,957,593
Other payables	868,472
Amounts due to related parties	18,279
Total	4,765,297

19a FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	By amortized cost Quantitative financial assets RMB thousand	At a fair value Measurements and their changes included in profit or loss Financial Assets RMB thousand	Total RMB thousand
At December 31, 2020			
Financial Assets			
Measured at fair value with changes included in			
Financial assets for profit or loss	-	153,479	153,479
Amounts due from related parties	215,370	-	215,370
Trade receivables	1,331,037	-	1,331,037
Other receivables	20,928	-	20,928
Cash and cash equivalents	563,165	-	563,165
Restricted Cash	55,780	-	55,780
Total	2,186,280	153,479	2,339,759

	By amortized cost Amount of financial liabilities RMB thousand
At December 31, 2020	
Financial liabilities	
Leasing Liabilities	31,013
borrow money	665,157
Trade payables	1,434,152
Other payables	1,030,330
Amounts due to related parties	6,231
Total	3,166,883

19b Credit quality of financial assets

Trade receivables and bills receivable

The Group has policies in place to ensure that credit is available to customers with appropriate credit histories. The credit quality of trade receivables that are neither past due nor further impaired is assessed by reference to the reputation of the counterparty, credit history and management's judgement. The Group classifies trade and bills receivables as follows:

Category 1 - Notes receivable.

Category 2 -2. Trade receivables from customers.

19b Credit quality of financial assets (continued)

TRADE RECEIVABLES AND BILLS RECEIVABLE

(Continued)

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Category 1	265,764	355,505
Category 2	1,135,177	991,406
Total	1,400,941	1,346,911

Bank Deposit

Management considers the credit risk of bank deposits to be relatively minimal The majority of the Group's bank deposits are placed with major financial institutions that have high investment grade credit ratings, such as the Group's major bankers.

20 Inventory

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Raw Materials	426,117	229,544
In Production	84,242	72,385
Finished products	974,505	671,588
	1,484,864	973,517

For the year ended 31 December 2021, the cost of inventories recognised as expenses and included in "cost of sales" amounted to RMB5,874,228,000 (2020: RMB4,245,879,000) Write-down of inventories of RMB7,287,000 for the year ended 31 December 2021 (2020: RMB12,484,000)

21 Financial assets at fair value through profit or loss

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
At the beginning of the year	**153,479**	180,885
Additions	**2,624,390**	3,319,400
For Sale	**(2,671,331)**	(3,349,537)
Disposals at fair value through profit or loss		
Gain on financial assets (Note *8*)	**4,052**	5,259
Financial assets at fair value through profit or loss		
Fair value loss (Note *8*)	**(3,435)**	(2,528)
At the end of the year	**107,155**	153,479

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Financial assets measured at fair value through profit or loss		
- Wealth Management Products*(a)*	**85,110**	128,000
- Listed equity securities*(b)*	**22,045**	25,479
	107,155	153,479

(a) Wealth management products are valued at fair value using the discounted cash flow method. The main input used by the Group is the written estimated rate of return on contracts with counterparties. The fair value is in [illegible] of the fair value hierarchy (Note 3.3).

(b) The fair value of listed equity securities is based on quoted market prices.

22 Trade receivables and bills receivable

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Trade receivables	**1,135,177**	991,406
Less: Provision for impairment of trade receivables	**(17,224)**	(15,874)
Trade receivables - net	**1,117,953**	975,532
Notes Receivable	**265,764**	355,505
Trade and bills receivables - net	**1,383,717**	1,331,037

At the balance sheet date, the carrying amounts of trade and bills receivables approximate their fair values.

The aging analysis of trade receivables and notes receivable at December 31, 2021 and 2020, based on the invoice date, is as follows

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Within 3 months	**1,227,739**	1,205,817
4 to 6 months	**152,247**	126,191
7 to 12 months	**12,967**	4,251
1 to 2 years	**3,883**	6,308
2 to 3 years	**1,080**	1,839
More than 3 years	**3,025**	2,505
	1,400,941	1,346,911

The movements in the Group's provision for impairment of trade receivables and bills receivable are as follows:

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
At the beginning of the year	**15,874**	11,963
Provision for impairment of trade receivables (Note 9)	**1,577**	4,188
Trade receivables written off as uncollectible during the	**(227)**	(277)

22 TRADE RECEIVABLES AND BILLS RECEIVABLE (Continued)

The creation and release of the provision for impaired receivables is included in "Administrative expenses" in the consolidated statement of income. Amounts charged to the allowance account are generally written off to the extent that additional cash is not expected to be recovered.

The carrying amounts of the Group's trade receivables and bills receivable are denominated in the following currencies:

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Renminbi	626,418	790,635
USD	759,846	543,461
Euro	14,677	12,815
	1,400,941	1,346,911

23 Prepayments, other receivables and other current assets

	On December 31	
	2021 RMB thousand	2020 RMB thousand
non-current		
Prepayment for purchase of property, plant and equipment	79,069	8,467
Imminent		
Inventory prepayment	56,631	54,679
Other receivables		
- Customs Deposit	19,295	225
- Other	30,469	20,703
Other current assets - Value-added tax credit pending	153,216	78,035
	259,611	153,642
	338,680	162,109

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

24 Cash and cash equivalents

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Cash on hand	6	26
Cash at bank (Note *19b*)	854,486	618,919
	854,492	618,945
Less: Restricted cash *(a)*	(125,679)	(55,780)
	728,813	563,165

(a) As at 31 December 2021, restricted cash balances of RMB105,451,000 (2020: RMB53,241,000) were pledged as security for the issue of notes payable of the Group and RMB20,228,000 was pledged as bank guarantee for the issue of letters of credit (2020: RMB2,539,000)

Cash at bank and on hand is denominated in the following currencies:

	On December 31	
	2021 RMB thousand	2020 RMB thousand
RMB	215,926	111,413
USD	582,415	475,759
HKD	8,469	6,300
EUR	38,479	19,367
THB	9,203	6,106
	854,492	618,945

25 Share Capital and Share Premium

	Number of authorized shares
Authorized share capital:	
On January 1, 2020 and December 31, 2020 and 2021	1,000,000,000

	Number of shares issued	Par value of ordinary shares RMB thousand	Share premium RMB thousand	Total RMB thousand
At December 31, 2019	635,000,000	199	2,171,942	2,172,141
Employee Share Option Scheme - Exercise of Share Options (Note *26*)	861,500	1	8,265	8,266
At December 31, 2020	635,861,500	200	2,180,207	2,180,407
Employee Share Option Scheme - Exercise of Share Options (Note *26*)	578,500	1	5,391	5,392
At December 31, 2021	636,440,000	201	2,185,598	2,185,799

26 Share options

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 5 July 2019 (the "2019 Adoption Date") the Company adopted a share option scheme (the "2019 Share Option Scheme") The number of shares which may be issued under the 2019 Share Option Scheme is 16,000,000 shares, representing approximately 2.5% of the total number of shares in issue as at the 2019 Adoption Date.

On 9 July 2019 (the "2019 Grant Date") the Board resolved to grant 14,400,000 share options to certain eligible employees under the 2019 Share Option Scheme at an exercise price of HK$7.24 per share. The exercise of the share options is subject to the achievement of the Company's annual performance targets and individual performance targets. Assuming all conditions for the exercise of the options under the 2019 Share Option Scheme have been fulfilled, 1/3, 1/3 and 1/3 of the options are exercisable after 12 months, 24 months and 36 months from the date of grant. Pursuant to the vesting schedule, the options granted in 2019 under the 2019 Share

Option Scheme are exercisable over a period of six years from the date of grant. The aggregate fair value of the options granted at the 2019 grant date was determined to be HK$25,709,438 assuming that the Company's annual performance targets and individual performance targets are met.

26 Share options (continued)

On 9 July 2020 ("2020 Grant Date") the Board resolved to grant 835,500 share options to certain eligible employees under the 2019 Share Option Scheme at an exercise price of HK$7.96 per share. The exercise of the share options is subject to the achievement of the Company's annual performance targets and individual performance targets. Assuming all conditions for the exercise of the options under the 2019 Share Option Scheme have been fulfilled, 1/2 and 1/2 of the options are exercisable 12 months and 24 months from the date of grant. If the options do not vest during the first two vesting periods due to the failure of the Scheme participants to meet the performance targets, the options granted may be exercised at any time from the third exercise period (i.e. 36 months from the date of grant in 2020), up to the remaining unvested options after excluding the lapsed options, if the third annual assessment is met and the deferred vesting conditions are deemed to be met. According to the vesting schedule, the options granted in 2020 under the 2019 Share Option Scheme are exercisable over a period of five years from the date of grant. Assuming the Company's annual performance targets and individual performance targets are met, the aggregate fair value of the share options granted in the year ending 31 December 2020 is determined to be HK$1,707,728 as at the date of grant in 2020.

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 17 May 2021 ("2021 Adoption Date") the Company adopted the existing share option scheme ("2021 Share Option Scheme") and replaced the 2019 Share Option Scheme. The number of shares which may be issued under the 2021 Share Option Scheme is 50,000,000 shares, representing approximately 7.9% of the total number of shares in issue as at the 2021 Adoption Date.

On 28 June 2021 ("2021 Grant Date") the Board resolved to grant 35,050,000 share options to certain eligible employees under the 2021 Share Option Scheme at an exercise price of HK$8.57 per share. The exercise of the share options is subject to the achievement of the Company's annual performance targets and individual performance targets. Assuming all conditions for the exercise of the options under the 2021 Share Option Scheme have been fulfilled, 35% and 65% of the options are exercisable 36 months and 60 months from the date of grant. Under the vesting schedule, the 2021 Share Option Scheme is exercisable over a period of eight years from the date of grant.

26 Share options (continued)

A summary of the share options granted under the Scheme is set out below:

	2021		2020	
	Average exercise price per share option	Number of share options	Average exercise price per share option	Number of share options
On January 1	HK$7.28	13,539,800	HK$7.24	14,400,000
Granted during the year	HK$8.57	35,050,000	HK$7.96	835,500
Exercised during the year	HK$7.24	(578,500)	HK$7.24	(861,500)
Expires during the year	HK$7.97	(1,466,000)	HK$7.24	(647,000)
Confiscated during the year	HK$7.28	(394,800)	HK$7.24	(187,200)
On December 31	HK$8.24	46,150,500	HK$7.28	13,539,800
Vested and exercisable as at December 31	HK$7.28	7,320,457	HK$7.24	3,660,388

The share options outstanding at the end of the year have the following expiration dates and exercise prices:

Grant Date	Expiration Date	Exercise Price	Share Options 2021 December 31	Share Options 2020 December 31
July 9, 2019	July 9, 2025	HK$7.244	11,134,300	12,704,300
July 9, 2020	July 9, 2025	HK$7.960	716,200	835,500
June 28th, 2021	June 28, 2029	HK$8.568	34,300,000	-
Total			46,150,500	13,539,800
Weighted average remaining contractual life of options outstanding at the end of the period			6.97 years	5.00 years

26 Share options (continued)

The aggregate fair value of the options granted at the grant date in 2021 was determined to be HK$94,555,000 assuming that the Company's annual performance targets and individual performance targets are met. The fair value of the share options was assessed using a binomial option pricing model which takes into account the exercise price, the term of the options, the present price, the expected volatility, the expected dividend yield, the risk-free interest rate and the expected forfeiture rate after vesting as at the date of grant. If a share is forfeited because an employee fails to meet the service condition, any expense previously recognized for the share is reversed from the date of forfeiture.

Key valuation inputs for the options granted during the year ended December 31, 2021 include:

	2021 Share Option Scheme	2019 Share Option Scheme
Exercise Price	HK$8.568	HK$7.960
Current price as at the date of grant	HK$8.510	HK$7.960
Expected Volatility	36.88%	37.52%
Expected Dividend Yield	2.35%	2.75%
Risk-free interest rate	1.07%	0.374%
Expiration date	June 28, 2029	July 9, 2025
Expected forfeiture rate after vesting	3%	5%

As at 31 December 2021, the grantees of the share options satisfied the above exercise conditions under the 2021 Share Option Scheme. For the two share option schemes mentioned above, an employee benefit expense of RMB12,078,000 (2020: RMB9,986,000) and the corresponding increase in equity is recognised as profit or loss.

27 Reserves

	Share Capital Reserve	Legal Reserves(i)	Foreign exchange reserves	Reserved Earnings(i)	Share option reserve	Total
	RMB thousand	RMB thousand	RMB thousand	RMB thousand	RMB thousand	RMB thousand
Balance at **December 31**, 2019	(70,715)	200,918	(66,352)	1,170,971	6,966	1,241,788
Profit for the year	-	-	-	604,820	-	604,820
Cash dividends (Note *14*)	-	-	-	(115,989)	-	(115,989)
profit to statutory reserve	-	61,850	-	(61,850)	-	-
exchange differences	-	-	(135,887)	-	-	(135,887)
Employee Stock Option Plan						
— Issue of shares	-	-	-	-	(2,860)	(2,860)
— Value of employee services (note *26*)	-	-	-	-	9,986	9,986
and transactions with non-controlling interests	-	-	-	(2,679)	-	(2,679)
Balance at **December 31,** 2020	(70,715)	262,768	(202,239)	1,595,273	14,092	1,599,179
Profit for the year	-	-	-	276,304	-	276,304
Cash dividends (Note *14*)	-	-	-	(106,708)	-	(106,708)
profit to statutory reserve	-	31,935	-	(31,935)	-	-
exchange differences	-	-	(44,112)	-	-	(44,112)
Employee Stock Option Plan						
— Issue of shares	-	-	-	-	(1,858)	(1,858)
— Value of employee services (note *26*)	-	-	-	-	12,078	12,078
and transactions with non-controlling interests*(ii)*	-	-	-	(350)	-	(350)
Balance at **December 31**, 2021	(70,715)	294,703	(246,351)	1,732,584	24,312	1,734,533

(i) Pursuant to the PRC Company Law and the articles of association of the Group's PRC subsidiaries ("PRC subsidiaries") the PRC subsidiaries are required to allocate 10% of the profit attributable to each owner of the PRC subsidiaries (after offsetting the accumulated losses of previous years) to the statutory reserve (as shown in the statutory financial report) until such reserve reaches 50% of the registered capital of each of the PRC subsidiaries.

Under the provisions of the Thai Civil and Commercial Code, a Thai company is required to appropriate at least 5% of the profits derived from the Company's operations to a legal reserve at the time of each dividend distribution until such reserve is not less than 10% of the registered share capital. The legal reserve is not distributable.

These reserves may only be used to cover losses incurred in previous years or to increase capital. PRC entities may transfer their respective statutory reserves to paid-in capital, provided that the balance of the statutory reserves after the transfer is not less than 25% of the registered capital.

(ii) Ltd. acquired a 3.3% equity interest in Shenzhen Ji'anda Investment Co. The difference between the consideration and the carrying amount of the non-controlling interest of RMB350,000 was credited to reserves.

28 Bank loans

	On December 31	
	2021 RMB thousand	2020 RMB thousand
non-current		
Bank Loans		
- Secured	1,138,154	570,970
- Unsecured	462,108	-
	1,600,262	570,970
Imminent		
Current portion of non-current bank borrowings		
- Secured	85,582	-
- Unsecured	32,980	-
	118,562	-
Short-term bank loans		
- Unsecured	179,200	94,187
	297,762	94,187
Total amount borrowed	1,898,024	665,157

At 31 December 2021, the weighted average effective interest rate on bank borrowings was 3.21% (2020: 3.15%).

As at 31 December 2021, there were secured bank borrowings of RMB1,223,736,000 (2020: RMB570,970,000) and undrawn borrowing facilities of RMB9,271,000 (2020: RMB352,345,000) secured by certain property, plant and equipment in the amount of RMB3,338,195,000 (2020: RMB2,380,424,000) secured by certain property, plant and equipment (Note 16)

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

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Renminbi	884,288	240,000
USD	1,013,736	425,157

	1,898,024	665,157

28 BANK LOANS (continued)

The Group has the following undrawn borrowing facilities:

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Fixed rate:		
- Expires in one year	**1,879,691**	2,131,407
- Expires after one year	**276,030**	42,874
Variable Rate:		
- Expires in one year	**309,400**	863,621
- Expires after one year	**191,271**	-

The exposure of the Group's borrowings to changes in interest rates at the end of the reporting period and the contractual repricing dates of the borrowings are as follows:

	2021	On December 31	2020	Account for loans
	RMB thousand	of total loans Amount	RMB	Total Percentage
floating-rate loan	**331,138**	**18%**	277,350	42%
Fixed Rate Borrowing				
-Re-pricing or expiration date:				
Within 1 year	**269,561**	**14%**	94,187	14%
1-2 years	**360,195**	**19%**	58,724	9%
2-5 years	**937,130**	**49%**	234,896	35%
	1,898,024	**100%**	665,157	100%

The maturities of bank borrowings at the balance sheet date were as follows:

	On December 31	
	2021	2020

	RMB thousand	RMB thousand
Within 1 year	**297,762**	94,187
1 to 2 years	**398,859**	87,500
2 to 5 years	**1,091,149**	362,735
More than 5 years	**110,254**	120,735
	1,898,024	665,157

28 Bank loans (continued)

The effective interest rates at the balance sheet date were as follows

	2021		2020	
	Renminbi	US Dollar	Renminbi	USD
Bank Loans	**2.64%-4.3%**	**2.05%-3.68%**	2.64%	2.07% - 3.68%

The carrying amounts and fair values of non-current bank borrowings are as follows

	Carrying value		Fair Value	
	2021	2020	2021	2020
	RMB thousand	RMB thousand	RMB thousand	RMB thousand
Bank Loans	**1,600,262**	**570,970**	1,599,183	569,505

The fair value of non-current bank borrowings is based on the discounted cash flow method using current market interest rates available to the Group at each balance sheet date from financial institutions with substantially the same terms and characteristics.

29 Trade payables

	On December 31	
	2021	2020
	RMB thousand	RMB thousand
Accounts payable	**1,089,372**	923,572
Notes Payable*(a)*	**868,221**	510,580
	1,957,593	1,434,152

(a) As at 31 December 2021, notes payable of RMB848,333,000 (2020: RMB417,560,000) represent banker's acceptances secured by certain restricted bank balances and RMB19,888,000 (2020: Nil) secured by certain notes receivable.

At the balance sheet date, the carrying amount of trade payables approximates to their fair value.

29 Trade payables (continued)

The Group's trade payables are denominated in the following currencies:

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Renminbi	**1,515,055**	1,050,242
USD	**272,054**	335,080
Euro	**2,176**	536
Japanese Yen	**2,339**	-
Thai Baht	**165,969**	48,294
	1,957,593	1,434,152

The aging analysis of trade payables at December 31, 2021 and 2020, based on the invoice date, is as follows

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Within 3 months	**1,475,529**	1,043,498
4 to 6 months	**469,319**	321,674
7 to 12 months	**3,315**	37,849
More than one year	**9,430**	31,131
	1,957,593	1,434,152

30 Other payables and accrued expenses

	On December 31 2021 RMB thousand	On December 31 2020 RMB thousand
Salary and employee benefits payable	150,695	192,182
Accrued sales discounts and commissions	120,557	145,365
Payable for purchase of property, plant and equipment	396,754	583,118
Accrued expenses	114,751	125,849
Shipping costs payable	116,180	70,074
Customer Margin	60,470	46,291
Other taxes payable	11,733	10,425
Interest payable	5,571	2,301
Other payables	54,189	57,332
	1,030,900	1,232,937

31 Quality Assurance Provision

	Product Warranty RMB thousand
On December 31, 2019	76,221
Additional provision (Note 9)	27,334
Used during the year	(34,073)
At December 31, 2020	69,482
Additional provision (Note 9)	44,786
Used during the year	(47,515)
At December 31, 2021	66,753

32 Deferred revenue

	Deferred Government Grants RMB thousand
On December 31, 2019	42,098
Add	19,105
Included in the consolidated statement of income	(5,983)
At December 31, 2020	55,220
Add	9,576
Included in the consolidated statement of income	(4,945)
At December 31, 2021	59,851

33 Deferred income tax

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

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Deferred tax assets:		
- Deferred tax assets recovered within 12 months	**54,715**	31,171
- Deferred tax assets recovered after more than 12 months	**1,909**	3,233
	56,624	34,404
Deferred tax liabilities:		
- Deferred tax liabilities settled within 12 months	**(7,772)**	(22,164)
- Deferred tax liabilities settled after more than 12 months	**(86,474)**	(70,006)
	(94,246)	(92,170)

Net deferred tax liabilities	**(37,622)**	(57,766)

33 DEFERRED INCOME TAXES (Continued)

The total changes in the deferred income tax accounts are as follows:

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
At the beginning of the year	**(57,766)**	(47,945)
Deductions during the year (Note *12*)	**20,144**	(9,821)
At the end of the year	**(37,622)**	(57,766)

The movements in deferred tax assets and liabilities during the year, excluding the offsetting of balances in the same tax jurisdictions as follows

Deferred tax assets

	Tax losses RMB thousand	Impairment RMB thousand	Accrued expenses RMB thousand	Warranty RMB thousand	Government Grants RMB thousand	Other RMB thousand	Total RMB thousand
On December 31, 2019	-	2,255	10,357	7,951	6,299	1,295	28,157
(Deducted from)/charged to the consolidated income statement	-	943	3,461	(2,416)	2,659	1,600	6,247
At December 31, 2020	-	3,198	13,818	5,535	8,958	2,895	34,404
(Deducted from)/charged to the consolidated income statement	13,847	1,087	1,573	1,047	1,375	3,291	22,220
At December 31, 2021	13,847	4,285	15,391	6,582	10,333	6,186	56,624

33 DEFERRED INCOME TAXES

(Continued)

Deferred tax liabilities

	Fair value gains arising from business combinations RMB thousand	Depreciation difference RMB thousand	Total RMB thousand
On December 31, 2019	21,044	55,058	76,102
(Credited)/deducted from the consolidated income statement	(3,185)	19,253	16,068
At December 31, 2020	17,859	74,311	92,170
(Credited)/deducted from the consolidated income statement	(3,185)	5,261	2,076
At December 31, 2021	14,674	79,572	94,246

34 Cash from operations

(a) Reconciliation of profit before income tax to cash generated from operations

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Profit before income tax	**265,902**	698,216
Adjustments were made to the following:		
- Share of results of associates	**300**	(75)
- Depreciation of property, plant and equipment (Note *16*)	**279,959**	204,564
- Depreciation of right-of-use assets (Note *17*)	**11,908**	13,947
- Amortization of intangible assets (Note *18*)	**3,924**	2,645
- Gain on disposal of financial assets at fair alue through profit or loss (Note *8*)	**(4,052)**	(5,259)
- Financial assets at fair value through profit or loss		
Losses arising from changes in fair value (Note *8*)	**3,435**	2,528
- Deferred income relating to property, plant and equipment	**(4,945)**	(5,323)
- Share-based payments (Note *26*)	**12,078**	9,986
- (Gain)/loss on disposal of property, plant and equipment (Note *8*)	**(137)**	31
- Provision for impairment of financial assets	**1,577**	4,441
- Write-down of inventories (Note *20*)	**7,287**	12,484
- Finance costs - net (Note *11*)	**4,836**	(9,129)
Changes in working capital (excluding foreign exchange differences on consolidation):		
- (Increase)/decrease in pledged bank deposits	**(69,899)**	68,124
- Increase in inventories	**(518,515)**	(230,658)
- Increase in trade receivables and bills receivable	**(41,480)**	(352,328)
- Increase in prepayments, other receivables and other current assets	**(104,674)**	(9,453)
- Decrease/(increase) in amounts due from related parties	**136,550**	(142,630)
- Increase in trade payables	**523,444**	235,436
- Increase/(decrease) in amounts due to related parties	**12,048**	(13,584)
- Decrease in provision for warranties	**(2,729)**	(6,739)
- (Decrease)/increase in other payables and accrued expenses	**(21,110)**	180,155
- (Decrease)/increase in contractual liabilities	**(22,391)**	35,245

Cash from operations	**473,316**	692,624

34 Cash generated from operations (continued)

(b) In the consolidated cash flow statement, proceeds from the disposal of property, plant and equipment comprise:

	For the year ended December 31	
	2021 RMB thousand	2020 RMB thousand
Net book value (Note *16*)	**1,219**	1,324
Gain/(loss)disposal of property, plant and equipment (Note *8*)	**137**	(31)
Proceeds from disposal of property, plant and equipment	**1,356**	1,293

A reconciliation of the liabilities arising from financing activities is as follows:

	Bank Loans RMB thousand	Leasing Liabilities RMB thousand	Total RMB thousand
As of December 31, 2[illegible](with notes)	357,359	10,681	368,040
Cash Flow			
- Inflow of financing activities	762,284	-	762,284
- Outflow from operating activities	(17,481)	-	(17,481)
- Outflows from financing activities	(434,124)	(9,184)	(443,308)
Non-Cash Movements			
- Increase in right-to-use assets	-	28,269	28,269
- Interest expense	19,422	1,247	20,669
- Foreign Exchange	(20,002)	-	(20,002)
As of December 31,2020 (with notes)	667,458	31,013	698,471
Cash Flow			
- Inflow of financing activities	1,646,578	-	1,646,578
- Outflow from operating activities	(34,542)	-	(34,542)
- Outflows from financing activities	(394,477)	(10,539)	(405,016)
Non-Cash Movements			
- Increase in right-to-use assets	-	1,567	1,567
- Interest expense	37,812	888	38,700
- Foreign Exchange	(19,232)	-	(19,232)

As of **December 31**,2021 (Note)	1,903,597	22,929	1,926,526

Note: The balances of these financial liabilities include "bank borrowings", "lease liabilities", interest payable and "other payables and accruals".

35 Commitment

The Group's capital commitments as at each balance sheet date are as follows:

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Purchase of property, plant and equipment - Contracted but not provided for	**228,479**	774,816

36 Related party transactions

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

Except as disclosed elsewhere in the consolidated financial statements, the following is a summary of significant transactions in the ordinary course of business between the Group and its related parties for the years ending 31 December 2021 and 2020 and the balances arising from related party transactions at each balance sheet date.

The names and relationships with related parties are set out below:

Related Party	Relationships
Chengshan Group	Direct Holding Company
China Heavy Duty Vehicle Group Limited and its subsidiaries ("China National Heavy Duty Truck")	The ultimate parent company of the Company's shareholder, China National Heavy Industry (Hong Kong) Investment Holdings Limited
Wing Seng Seng Shan Properties Limited	Entity controlled by the immediate holding company
Rongcheng Chengshan Energy Service Co.	Entity controlled by direct holding company
an associate of the Group incorporated on 12	July 2018 and in which the Group has a 22% equity interest, Yunnan Pulin Chengshan Tyre Co.
Hebei Pulin Chengshan Tyre Company Limited	incorporated on 30 August 2019 and an

associate of the Group in which the Group has a 39% equity interest

36 RELATED PARTY TRANSACTIONS

(Continued)

(a) Transactions with related

	For the year ended December 31 2021 RMB thousand	2020 RMB thousand
Continuous Trading		
(i) Purchase of Utilities		
- Chengshan Group	**172,320**	165,153
(ii) Products for sale		
- China National Heavy Duty Truck	**371,932**	552,305
- Yunnan Pulin Chengshan Tire Co.	**51,153**	35,681
- Hebei Pulin Chengshan Tire Co.	**27,429**	35,986
	450,514	623,972
(iii) Rent paid and payable and property management expenses	**5,964**	5,009
- Wing Seng Seng Shan Properties Limited		
- Chengshan Group	**7,213**	7,825

For the year ended December 31, 2021, the total depreciation and financing expenses for related party leases amounted to RMB7,814,430 (2020: RMB7,924,000) recorded in the consolidated income statement.

	2021	2020
(iv) Services Provided		
— Rongcheng Chengshan Energy Service Co.	**2,602**	2,745

(v) Key Management Compensation

Key management comprises directors and senior management. The remuneration paid or payable to key management for the services of employees is shown below:

	2021	2020
— Salary, director's fee, bonus, pension, housing fund, medical insurance and other benefits	**14,643**	13,800
— Share-based compensation benefits	**9,810**	2,271
	24,453	16,071

36 RELATED PARTY TRANSACTIONS

(Continued)

(b) Balances with related parties

	On December 31	
	2021	2020
	RMB thousand	RMB thousand
(i) Amounts due to related parties		
Imminent Contractual Liabilities		
— Yunnan Pulin Chengshan Tire Co.	1	3,319
— Hebei Pulin Chengshan Tire Co.	1	1,314
	2	4,633
Trade payables		
— Chengshan Group	17,650	716
— Rongcheng Chengshan Energy Service Co.	627	882
	18,277	1,598
	18,279	6,231

The carrying amounts of the Group's amounts due to related parties are denominated in the following currencies:

	On December 31	
	2021	2020
	RMB thousand	RMB thousand
Renminbi	18,279	6,231

The ageing analysis of trade payables to related parties as at each date of the statement of financial position is as follows:

	On December 31	
	2021	2020
	RMB thousand	RMB thousand
Less than 3 months	**18,277**	1,598

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (continued)

(ii) Amounts due from related parties

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Imminent		
Trade receivables		
- China National Heavy Duty Truck	**74,558**	211,507
- Hebei Pulin Chengshan Tire Co.	**4,262**	3,863
	78,820	215,370

The ageing analysis of trade receivables from related parties as at each date of the statement of financial position, based on invoice dateis as follows

	On December 31	
	2021 RMB thousand	2020 RMB thousand
Less than 3 months	**78,820**	215,370

(iii) Lease liabilities

	On December 31	
	2021 RMB thousand	2020 RMB thousand
non-current		
- Chengshan Group	**7,673**	15,113
Imminent		
- Chengshan Group	**7,439**	7,212
	15,112	22,325

37 Events occurring after the reporting period

From the balance sheet date to the date when this report is required to be disclosed, there has been no event that has materially affected the Group.

38 Changes in the Company's balance sheet and reserves

	Note	On December 31 2021 RMB thousand	2020 RMB thousand
Assets			
Non-current assets			
Property, plant and equipment		1	1
Interest in subsidiaries		2,229,022	2,233,189
Deferred tax assets		1,237	525
		2,230,260	2,233,715
Current assets			
Financial assets at fair value through profit or loss		22,044	25,479
Cash and cash equivalents		7,545	5,090
		29,589	30,569
Total Assets		2,259,849	2,264,284
Rights and Benefits			
Share Capital	25	201	200
Share premium	25	2,185,598	2,180,207
Reserves	a	64,956	76,814
Total Equity		2,250,755	2,257,221
Liabilities			
Current liabilities			
Other payables and accrued expenses		2,337	435
Amounts due to related parties		6,757	6,628
		9,094	7,063
Total liabilities		9,094	7,063
Total equity and liabilities		2,259,849	2,264,284

The balance sheet of the Company was approved by the Board of Directors on May 10, 2022 and signed by the following representatives

Che Baozhen

Directors

Shi Fu Tao

Director

38 CHANGES IN THE COMPANY'S BALANCE SHEET AND RESERVES (Continued)

Note *(a)* Changes in the Company's reserves

	Foreign exchange reserves RMB thousand	Retained earnings/profitability (accumulated losses) RMB thousand	Reserves RMB thousand	Total RMB thousand
Balance at **December 31,** 2019	130,845	3,169	6,966	140,980
Profit for the year	-	113,041	-	113,041
Cash [illegible](Note *14*)	-	(115,989)	-	(115,989)
Exchange differences*(i)*	(68,344)	-	-	(68,344)
Employee Stock Option Plan				
- Issue of [illegible](Note *25*, *27*)	-	-	(2,860)	(2,860)
[illegible]employee services (Notes *26*, *27*)	-	-	9,986	9,986
Balance as of **December 31,** 2020	62,501	221	14,092	76,814
Profit for the year	-	107,419	-	107,419
Cash [illegible](Note *14*)	-	(106,708)	-	(106,708)
Exchange difference*(i)*	(22,789)	-	-	(22,789)
Employee Stock Option Plan				
- Issue of [illegible](Note *25*, *27*)	-	-	(1,858)	(1,858)
[illegible]employee services (Notes *26*, *27*)	-	-	12,078	12,078
Balance at **December 31**, 2021	39,712	932	24,312	64,956

(i) The functional currency of the Company is the U.S. dollar.