



浦林成山
PRINX CHENGSHAN

Prinx Chengshan Holdings Limited
浦林成山控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1809



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2022 Annual Report

Catalogue

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Company Information

Board of Directors

Executive Director

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

Mr. Chee Wang Chi (Chairman) Mr. Wang
Chuan Sang
Mr. Zhang Xuemo

Non-Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Nomination and Remuneration Committee

Mr. Zhang Xuepuo
(Chairman) Mr.
Che Baozhen
Mr. Choi Tze Kit

Development Strategy and Risk Management Committee

Registered Office

P.O. Box 472

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ch Street George Town

Grand Cayman KY1-1106

Cayman Islands

Main business locations in China

China

Rongc

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City,

Shand

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Provin

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98 Nanshan North Road

Main Business Locations in Hong Kong

Kowloon, Hong Kong

Tower A, Billion

King Centre, 1

Wang Kwong

Road, Kowloon

Bay

Room A-1, 19th Floor

Authorised Representatives

Ms. Cao

Xueyu Mr.

Shi Fu Tao

Company Secretary

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

Ms. Kaji Szeto (*ACG, HKACG*)

(resigned on 1 September 2022)



Company Information

Legal Advisers

Mayfair Law Firm
The Landmark, 15
Queen's Road
Central, Hong
Kong
33/F Duke Mansion

Auditors

Executive Accountant,
PricewaterhouseCoopers
Central,
Hong
Kong
22/F Prince's Building

Main Banks

Bank of China
Agricultural
Bank of
China
Industrial
and
Commercial
Bank of
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
Wan Chai
17/F, Hopewell
Centre, 183
Queen's Road
East
Shops 1712-1716

Company website

www.prinxchengshan.com

Stock Code

1809

Availability date

October 9, 2018

Financial Summary

Summary of the Consolidated Profit and Loss Account

	For the year ended 31 December				
	2022 RMB1,000	2021 RMB1,000	2020 RMB1,000	2019 RMB1,000	2018 RMB1,000
Income	8,151,952	7,537,161	6,283,130	5,588,988	5,206,087
Maori	1,169,790	1,039,148	1,401,363	1,075,274	1,003,053
Finance(cost)/revenue	(71,499)	(4,836)	9,129	10,429	(4,595)
Profit before income tax	354,739	265,902	698,216	550,004	561,780
Income tax expense	39,083	10,400	(93,468)	(70,287)	(83,180)
Profit for the year	393,822	276,302	604,748	479,717	478,600
Profit attributable to					
- Shareholders of the Company	393,783	276,304	604,820	479,717	478,600
- Non-controlling interests	39	(2)	(72)	-	-
	393,822	276,302	604,748	479,717	478,600
Earnings per share attributable to shareholders of the Company for the year					
- Basic(RMB)	0.62	0.43	0.95	0.76	0.90
- Diluted(RMB)	0.62	0.43	0.95	0.76	0.90

Financial Summary

Consolidated assets, liabilities and non-controlling interests

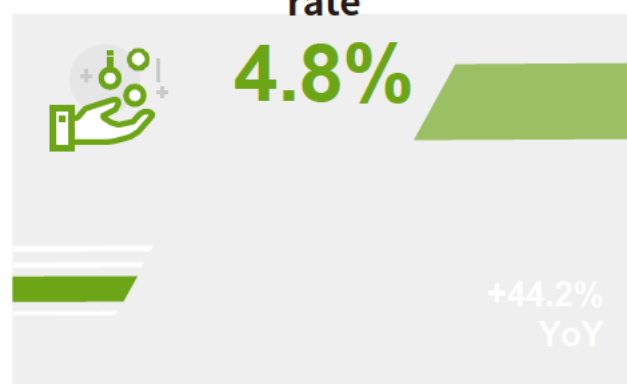
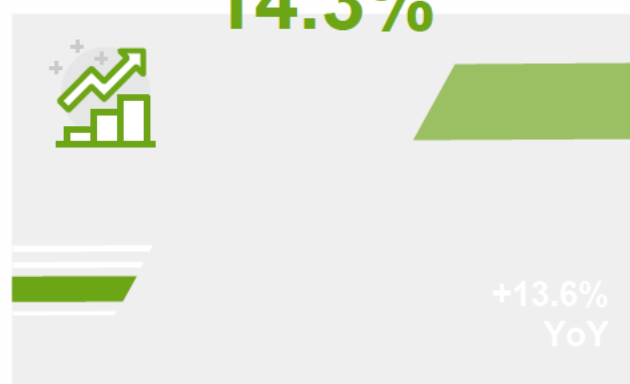
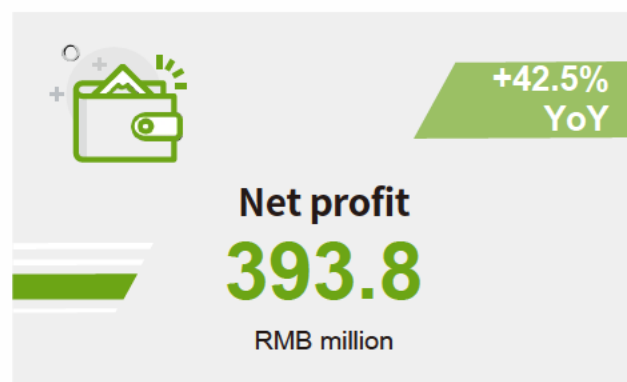
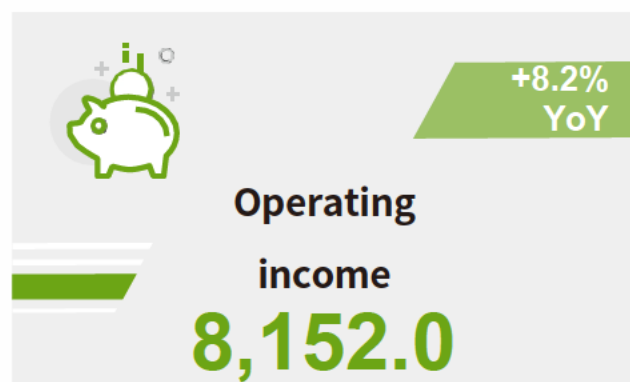
	At 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities	5,498,636	4,931,751	4,043,888	2,673,996	1,549,843
Non-current assets	4,487,107	4,168,659	3,445,990	3,154,252	3,706,577
Current assets	9,985,743				
Total assets		9,100,410	7,489,878	5,828,248	5,256,420
Non-current liabilities	1,537,342	1,710,889	705,761	91,916	52,363
Current liabilities	3,996,532	3,469,389	3,003,914	2,322,014	2,158,100
Total liabilities	5,533,874				
Total liabilities		5,180,278	3,709,675	2,413,930	2,210,463
Net Asset Value		3,920,132	3,780,203	3,414,318	3,045,957
	4,451,869				
Equity attributable to shareholders of the Company	4,452,030	3,920,332	3,779,586	3,413,929	3,046,083
Non-controlling interests	(161)	(200)	617	389	(126)

Key Financial Indicators

2022 2021 2020 2019 2018

Gross margin	14.3%	13.8%	22.3%	19.2%	19.3%
Net profit margin	4.8%	3.7%	9.6%	8.6%	9.2%
Total Return on Assets	4.1%	3.3%	9.1%	8.7%	10.4%
Return on Equity	9.4%	7.2%	16.8%	14.9%	20.6%
Gearing Ratio	55.4%	56.9%	49.5%	41.4%	42.1%

Key Financial Indicators for the year ending 31 December 2022



Group Overview

Poulin Chengshan Holdings Limited ("Company" or "Poulin Chengshan") headquartered in Rongcheng City, Shandong Province, China, is a modern enterprise specialising in the research and development, manufacturing, sales and provision of full life-cycle services of tyres. Over the years, with the core strategy of "cost leadership, efficiency drive, differentiation and global operation", Puling Chengshan has insisted on global development and established two production bases in China and Thailand, as well as three sales centres in China, North America and Europe, forming a global development layout.

The three main products of the Company and its subsidiaries ("Group") are all-steel radial tyres ("All Steel Radial Tyres"), semi-steel radial tyres

and Diagonal Tyre ("Diagonal Tyre"). All-steel radial tyres, which are the main source of the Group's revenue, are mainly used in medium/long haul, bus, mixed-road or off-road vehicles, light trucks, etc.; semi-steel radial tyres are mainly used in passenger cars, pick-up trucks, sport utility vehicles (SUVs), etc.; and bias tyres are mainly installed in agricultural and industrial off-road vehicles. The Group's products have been certified by the relevant authorities in major global tyre markets, including the Department of Transportation of the USA (DOT), the US Department of Transportation, the US Department of Transportation and the US Department of Transportation.

"The DOT, the Economic Commission of Europe ("ECE") and R117, among others.

The Group owns four well-known tyre brands, namely Prinx, Chengshan, Austone and Fortune. The

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

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

- (i) Selling to the replacement market through distributors in China and overseas;
- (ii) direct sales to motor vehicle manufacturers; and
- (iii) Selling to other customers.

道阻且长 行则将至
百年屹立 光火不惜



Chairman's Report



Dear Shareholders:

On behalf of the 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 31 December 2022.

2022 is a landmark year for Poh Lam Seng San. Despite the turbulent international and domestic environment, the Group has maintained its strategic focus and seized opportunities. With the tireless efforts of all staff, we have achieved encouraging operating results through flexible strategies and tenacity. Since our IPO in 2018, we have steadfastly pursued our international development strategy and our second production base in Thailand ("Thailand Tyre Production Base") has entered a stage of high quality and efficient operation. We are firmly committed to the smart transformation and upgrading of the industry, and the Shandong Tyre Production Base

("Shandong Tyre Production Base") expansion project will reach full production in 2022. The construction of an intelligent factory and the deployment of production capacity at home and abroad have laid a solid foundation for better development in the future. We have continued to improve our manufacturing technology, product craftsmanship and on-site management, and our product performance has improved to meet market demand and our sales structure continues to be optimised. In 2022, we achieved double growth in operating revenue and net profit, despite intense competition and uncertainty in the domestic and international tyre markets. For the year ended 31 December 2022

Reporting Period, the Group recorded total revenue of RMB8.15 billion, representing a year-on-year increase of approximately 8.2%, and net profit of RMB390 million, representing a year-on-year increase of 42.5%.



Chairman's Report

In 2022, all Directors performed their duties diligently and conscientiously. The Board paid close attention to the changes in the macro situation and the trend of the tyre industry, growing in the midst of changes and striving for progress in the midst of difficulties. On the one hand, the Group insisted on being market-oriented and took R&D and innovation as the key hand, developing 375 new products and conquering more than 20 key technologies throughout the year, winning the title of "Leader" benchmark enterprise in energy efficiency for seven consecutive years and further enhancing the core competitiveness of the industry. On the other hand, the Group deepened its lean management and made inward breakthroughs. 143 lean projects were implemented throughout the year, and the continuous improvement in management efficiency enhanced the ability to resist market risks. On the other hand, the Group continued to enhance its brand and optimize its channels to win the recognition of customers in the market. "XNEX" was awarded three international awards and the "Chengshan" brand was included in the list of "China's 500 Most Valuable Brands".

In 2023, the domestic and international environment and industry situation will remain complex and challenging, but worthy of anticipation. The Group will adhere to the principle of "seeking progress while maintaining stability and prioritising efficiency" and continue to enhance new advantages in quality development amidst difficult challenges. Firstly, the Group will maintain effective capital investment, strengthen the synergy between production, sales and research, release production capacity in a sustainable and efficient manner, achieve balanced development at home and abroad, and continue to enhance its competitive position in the industry. Secondly, the Group strengthened its internal management to achieve higher efficiency in tapping potential, and continuously improved production efficiency, organisational efficiency and staff efficiency to create superior performance through efficiency. Thirdly, the Group has implemented in-depth technological research and development innovation, grasped the market and customer needs closely, focused on breaking through high-end new energy tyres, and captured the market with high-tech and high value-added products. Fourthly, aiming to be the market leader, we will rely on the best products and services to enhance the brand effect and continue to improve the popularity and reputation of Puling Chengshan, so as to enter into a higher platform of competition.

I and members of the Board of Directors firmly believe that with our solid industry experience and good core competitiveness, all staff will be able to work together to provide better products and services to our customers, make greater contributions to society and bring greater value and returns to our shareholders!

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

CHE WANG CHI
Chairman

Shandong, China, 31 March

Management Discussion and Analysis

Business Review and Outlook

Industry News

In 2022, the Newcastle pneumonia epidemic and geopolitical conflicts presented challenges in terms of cost pressures and weak demand for the Company's tyre business. The New Zealand pneumonia epidemic has had a significant impact on domestic production and sales, while the world economy is in recession and the price of raw materials and sea freight is highly volatile, creating uncertainty in international sales. The tyre industry as a whole is experiencing an oversupply of tyres and competition is changing from incremental to stock competition.

The Company's all-steel and semi-steel radial tyres are under pressure from falling demand in the domestic market. The impact of the NPC Omicron strain was felt throughout the year and the situation in China was extremely challenging. Under such circumstances, the production and sales of commercial vehicles were at a low level due to a combination of factors, with a year-on-year decline of over 30%, especially for passenger vehicles and trucks. Commercial vehicle ancillary ~~was~~ accounted for a relatively high proportion of the Company's ancillary sales system, resulting in a significant year-on-year decline in the Company's ancillary sales volume during the reporting period; demand for terminal replacement of commercial vehicle tyres was weak due to factors such as low market start-up rates and insufficient demand for road freight. The production and sales of passenger cars were driven by the policy of "stabilizing growth and promoting consumption", and the production and sales of new energy vehicles in particular showed explosive growth. The Company's passenger car tyre sales volume in the end-use replacement market also achieved greater growth. In the domestic market, despite the pressure on the cost side of the tyre industry, competition is becoming increasingly fierce in the domestic market against the backdrop of oversupply, making it difficult to increase product prices.

In the international market, overall demand for all-steel radial and semi-steel radial tyres was moderate throughout the year, but a number of uncertainties led to narrow fluctuations in international sales. In the second quarter of 2022, sea freight rates plummeted to normal levels prior to 2021, with customers taking a wait-and-see attitude towards placing orders for shipments.



Management Discussion and Analysis

In 2022, global tyre companies will actively promote high value-added tyre products. With the explosive growth in the production and sales of new energy vehicles, companies are accelerating the research and development of high-performance tyres for new energy vehicles, entering the supplier system of new energy vehicle enterprises and actively capturing the replacement market share. At the same time, the integration of global tyre production capacity has accelerated, with major tyre companies cutting down on non-profitable business divisions and factories and investing in new businesses and products to boost their business growth; domestic tyre companies are also making efforts to build overseas factories, which have now become a new driving force for "external circulation", with international business becoming a major source of profit for domestic tyre companies.

Operations Review

As a leading domestic manufacturer in China's commercial all-steel radial tyre replacement market, Puling Chengshan has been engaged in tyre design, research and development, manufacturing and sales for 46 years, with the mission of "leading tyre innovation, contributing to smart mobility and sustainable development, and achieving a better life" as its vision.

The Group enhances the happiness of drivers by supplying a steady stream of high-performance tyres to global dealers and car manufacturers in the PRC, which are made with the wisdom and care of Urahashi Chengshan.

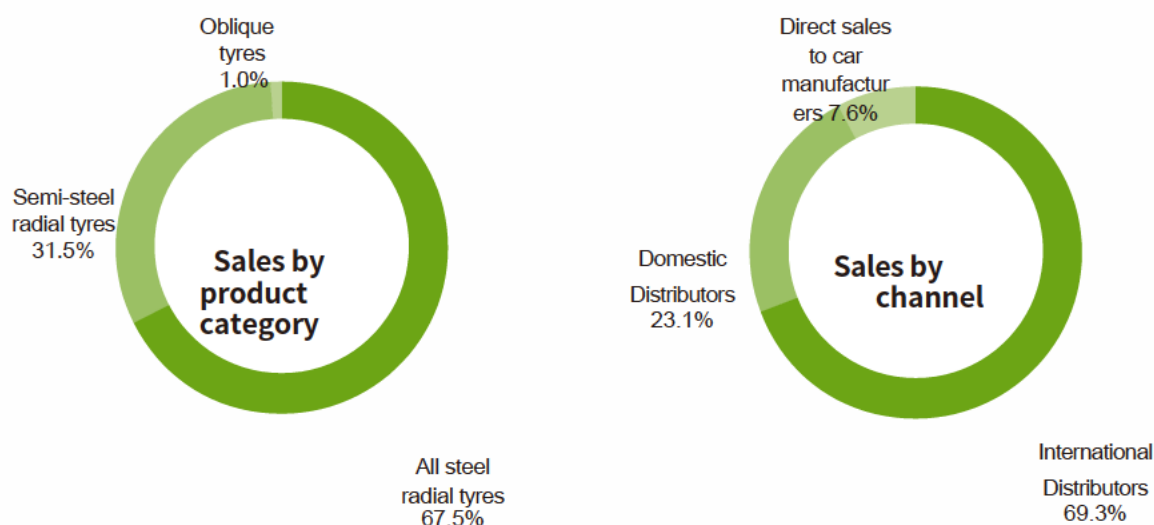
During the reporting period, the Group sold approximately 18.5 million tyres, which was basically flat year-on-year. Of which, approximately 6.7 million all-steel radial tyres were sold, representing a year-on-year increase of approximately 2.4%; approximately 11.5 million semi-steel radial tyres were sold, basically flat year-on-year; and approximately 0.27 million bias tyres were sold, representing a year-on-year decrease of approximately 41.3%. Sales revenue for the year was approximately RMB8,152.0 million, representing a year-on-year increase of approximately 8.2%, while gross profit was approximately RMB1,169.8 million, representing a year-on-year increase of approximately 12.6%. Profit attributable to owners of the Company for the year ended 31 December 2022 amounted to approximately RMB1,595.0 million.

393.8 million, an increase of approximately 42.5% year-on-year.

The Group supplied the replacement market mainly through distributors. For the year ended 31 December 2022, the Group's domestic and international distributor channels generated operating revenue of approximately RMB1,879.6 million (2021: approximately RMB2,043.0 million) and RMB5,653.3 million respectively

(2021: approximately RMB4,284.9 million) each accounting for approximately 23.1% and 69.3% of the Group's total revenue, and operating revenue from direct sales to automobile manufacturers of approximately RMB619.1 million (2021: approximately RMB1,209.2 million) accounting for approximately 7.6% of the Group's total revenue. In 2022, the Group will continue to make efforts in brand building and new business development to find new profit growth points.

Management Discussion and Analysis



During the reporting period, the Group adopted the core values of "Customer First, Responsible, Dedicated, Professional, Innovative and Open" and organised its work in a pragmatic, open and progressive manner.

(i) Driving development through technological innovation and enhancing efficiency through lean production

The Group insists on development driven by technological innovation. During the reporting period, the Group continued to strengthen technological research, innovate research and development means and continuously enhance its research and development capability. The Group pioneered the five-drum moulding machine and flexible tread winding technology for all-steel radial tyres, breaking the monopoly of new foreign technologies. Through the implantation of RFID chips inside the tyres, the Group has been able to monitor the identity card of the tyres and achieve automatic data identification during the production, sale, use and retreading of the tyres, thus realising the full lifecycle management and traceability of the tyres.

The Group has implemented a comprehensive and stringent quality control and production management system. During the reporting period, the Group actively conducted lean training covering middle management, junior management and technical staff, continued to promote lean production, and carried out experience learning and improvement promotion activities among factories to enhance internal operational efficiency. The Group has achieved good results through the implementation of 203 cost saving projects, including energy saving and operation optimization. The Group implemented 1,894 rationalisation proposals through cash or souvenir incentives to encourage staff to participate in improvement activities, thereby enhancing the standard of on-site management. The Group continued to increase automation, reduce manual labour and improve production efficiency. The man-hour efficiency of all-steel radial tyres and semi-steel radial tyres at the Shandong tyre production base increased by 3.8% and 8.4% respectively year-on-year, while the man-hour efficiency of all-steel radial tyres and semi-steel radial tyres at the Thailand tyre production base increased by 20.9% and 2.7% respectively year-on-year, building a sustainable competitive advantage for the Group in the long run. The Group's all-steel radial tyre/half-steel radial tyre production base in Thailand improved its efficiency by 20.9% and 2.7% year-on-year respectively.

Management Discussion and Analysis

The Thai tyre production base adopts first-class manufacturing equipment, leading-edge design concepts, intelligent manufacturing and management models, and carries out research and development designs in accordance with the standards of green and intelligent manufacturing, which is a solid step towards the Group's global development goal. The construction of the first phase of the Thai tyre production base will commence in 2019, and the operation will commence in the second half of 2020, with full production capacity in 2021 and production volume, quality and manufacturing costs reaching the expected targets. At present, the Thai tyre production base has obtained ISO 9001 (quality management system certification) ISO 14001 (environmental management system) ISO 45001 (occupational health management system) certificates and Thailand Green Factory Level 3 certification, as well as eight regional certifications including ECE and R117 certificates, DOT certification, Smartway certification, ECE and R117 certification.



Management Discussion and Analysis

(ii) Continuing to optimise the supply chain system and enhance operational efficiency

The Group continued to optimise its supply chain system by analysing and forecasting production plans and managing inventories through big data, forming a closed-loop management process system that integrates customers, production, procurement, logistics and sales, realising collaborative management of production, sales and inventory, and monitoring and controlling the development of the entire chain. During the reporting period, the Group relied on the optimization and upgrading of its information systems to establish demand forecasting models, apply multiple forecasting methods, identify key factors, achieve collaborative forecasting at an appropriate level of aggregation and continuously revise to adapt to changes. The Group's production base in Shandong and the production base in Thailand have seen significant improvements in plan achievement and accuracy rates. At the same time, the Group's logistics was smartened up to achieve integrated, flexible and socialised logistics. The Group's logistics operations have been smartened up, with a focus on reducing costs and increasing efficiency.

The "customer-centric" concept enables timely feedback on changes in customer needs. The Group has optimised the allocation of resources to achieve socialisation, making full use of the resources of the Group's distributors/secondary dealers across the country to share resources and inventories and to help each other for mutual benefit and win-win.

(3) Actively explore the market and optimise the distribution of channels

During the reporting period, the Group's sales volume was essentially flat and revenue improved year-on-year, with the domestic distribution business overcoming numerous difficulties to increase its market share; despite a complex and challenging external environment, revenue from the international distribution business grew significantly by 31.9% year-on-year.

Distributor Channels

Domestic Distributors

Commercial vehicle tyre replacement channels

The Group has a high penetration rate in the all-steel radial tyre replacement market in the PRC. 2022 saw the outbreak of various epidemics in the PRC, the disruption of infrastructure projects and the weakening of logistics and transportation across the country. Due to the weak domestic demand and sluggish market, demand in the passenger and freight markets remained low, while demand in the commercial vehicle tyre replacement market was sluggish. In the face of the severe market environment, the Group actively rationalised its sales structure and launched conference marketing initiatives, resulting in a 55% year-on-year increase in sales volume of metric tyres in the commercial vehicle tyre replacement channel.

Management Discussion and Analysis

During the reporting period, the Group deepened its channel reform, explored new online and offline channel models and actively implemented conference marketing. 53 meetings were held for commercial vehicle dealers, 43 conferences for the launch of new commercial vehicle tyres, 345 seminars for regional retailers on commercial vehicle tyre replacement and 846 roadshows for the commercial vehicle tyre replacement channel. 17 new domestic dealers were developed in 2022 and 109 new Star-rated stores were added. In 2022, the Group developed 17 new domestic distributors and added 109 new five-star shops. As at 31 December 2022, there were 168 domestic distributors and 879 five-star shops, with the accumulated contribution from five-star shops accounting for 41.4% 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.



Passenger car tyre replacement channels

In accordance with its strategic plan, the Group continued to expand its passenger car tyre business. During the reporting period, the Group achieved significant growth in sales volume in the passenger car tyre replacement market, with a nationwide sales network covering all provinces.

The Group has been actively using digitalisation to empower its sales business. Following the launch of the "Xiaopu System", the all-channel digital sales system of Poulin Chengshan in 2021, the Group continued to optimise its digital build-up model and adopted the "project management" model to launch the bonus point mall project, the visit pass project and the shop pass project to further improve customer information and standardise the company's management process. At the same time, the Group also actively promoted new products to optimize the sales structure of passenger car tyres.

Management Discussion and Analysis

During the reporting period, the Group's operating revenue from domestic distributor channels amounted to RMB1,879.6 million, compared with RMB1,879.6 million for the same period in 2021.

2,043.0 million decreased by approximately 8.0% year-on-year.



International Marketing

Demand from overseas markets was stronger in the first half of 2022, before declining in the second half due to the economic downturn, particularly in North America. Ocean freight rates are at

The second quarter of 2022 saw a rapid plunge to normal levels and a significant devaluation of global currencies other than the US dollar. During the reporting period, the Group undertook an omni-channel expansion to fully reshape the North American company in terms of management systems, processes and teams, while enhancing the building of the European sales team in preparation for the growth of the European market in 2023 and the launch of New Poulin.

During the reporting period, the Group developed 88 new overseas distributors and achieved operating revenue (including labeling business) of approximately RMB5,653.3 million from international marketing, representing a year-on-year increase of 31.9% compared to RMB4,284.9 million (including labeling business) for the same period in 2021, of which approximately 54% of the revenue was generated from the tire production base in Thailand (2021: 43%) and approximately 46% of the revenue was generated from the tire production base in Shandong (2021: 57%). approximately 54% of the revenue was generated from the production base in Thailand (2021: 43%) and approximately 46% from the production base in Shandong (2021: 57%).

With excellent products and services, Poh Lam Seng San has maintained a high growth rate in overseas markets in recent years and has successfully contracted 260 overseas distributors to serve more than 100 countries worldwide.

Management Discussion and Analysis

The AUSTONE Distributor Conference was held in Bangkok on 10 December 2022 with over 150 guests.



In July and September 2022, Poh Lam Seng San exhibited at the International Wheel Show in Cologne, Germany and the IAA Commercial Vehicle Show in Hannover, Germany respectively.



Management Discussion and Analysis

Selling directly to car manufacturers

During the reporting period, the Group seized market opportunities and continued to strengthen cooperation with mid-to-high-end OEMs and established cooperation with a number of new energy vehicle manufacturers, demonstrating its development potential in the new energy sector. In the commercial vehicle segment, Pulin Chengshan actively explored new customers and initiated more than 20 new projects, successfully securing a joint venture project with "Jiangling Ford Quanshun". As at the end of the reporting period, the Group had entered the supplier system of 68 automobile manufacturers. The Company was selected on 22 September 2022

The company was ranked 45th in the "Top 100 China Auto Parts Enterprises 2022" list.

With the further expansion of Chengshan's brand and product influence, in 2022, the Group targeted the mid-to-high-end logistics segment in China and entered into strategic cooperation with the leading domestic express delivery companies, and became a high-volume tyre supplier for Jingdong Logistics, Cross Express and Metro.

During the reporting period, the Group generated RMB619.1 million from operating income directly from automobile manufacturers, compared with RMB2,030.0 million for the same period in 2021. 1,209.2 million decreased by 48.8%, mainly due to the weak demand in the domestic commercial vehicle market.



Management Discussion and Analysis

(iv) Implementing multi-brand and differentiated development strategies



Brand New

In terms of brand development, the Group has positioned itself as a "new Chinese tyre manufacturer", with "green, intelligent, international and branded" as the main axis of development of Pulin Chengshan. Based on the profound insight of consumers, Pulin Chengshan has formulated a brand strategy of "combining internationalisation with localisation, multi-branding and differentiation". The Group's four brands, Chengshan, Prinx, Austone and Fortune, have all been revitalised.

In December 2021, the Group took the lead in unveiling a new brand image for its powerful corporate brand "Chengshan Tyre", positioning it as the "choice of Chinese drivers", with the return of the lighthouse element symbolizing Chengshan's 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". In May 2022, the first product in the Chengshan brand's "Hua" series of high-performance passenger cars - "Hua Lian" was launched, with excellent durability and all-day velvet sidewalls, achieving a new benchmark for Chinese tyres. Dual Control" solves the pain points of SUV users, realising the product's dual advantages of stability and noise control, allowing users to enjoy a safe and comfortable driving experience.

Management Discussion and Analysis

In June 2022, two new products focusing on the new energy tyre industry, "XLAB" and "XNEX", were launched, with the brand positioning "For the Electric Era", focusing on high-performance electric vehicle tyres, from brand to market and channels, with continuous exploration and breakthrough innovation to empower the electric era. Through social media opinion leaders and professional product reviews, the concept of "choose Poulin for electric vehicle tyres" was embedded to convey the brand's superior ~~CE~~ ground contact efficiency performance and raise awareness of the products. At the same time, the innovative R&D concept, technology and design of Poulin has won three top international design awards, allowing Chinese design to influence the world.

In July 2022, Poulin brand was officially announced as the official partner tyre brand of Shanghai EIS Space Technology Co. The Group brings together the top forces of China's technological exploration to practice technological progress and innovation. As the Group's premium brand of electric vehicle tyres, Poulin has entered into a strategic cooperation agreement with Jingdong Auto. In October 2022, the first Jingdong Auto Super Experience Centre was opened, and Poulin became the only tyre brand to be located in Jingdong Super, with a stylish and interesting exploration experience area, together with other new energy vehicles and components. Together with other top-tier brands of new energy vehicles and components, the centre offers a new immersive consumer experience that combines product display, interactive experience and one-stop service. The cooperation between the Group and Jingdong Auto will enable the sharing of resources and complement each other's strengths, providing EV users with a more convenient and quality consumer experience.



Management Discussion and Analysis

The Group's brand "Aoton" is based on the brand identity of "proactive, people-oriented and comprehensive" and is committed to providing quality products and services to create safe and worry-free journeys for the people we love. 2022 Poh Lam Seng San took the Aoton brand to the European Trucking Championships in France.



The Group's brand "Fujin", with its brand identity of "problem solving, self-control and continuous improvement", is dedicated to advancing the performance of its tyre products through self-reflection and technological innovation, and is created for every strong person who is driven by his or her will. 2022 Poh Lam Seng San takes the Fujin brand to the European Truck Championship in Spain.



Through an all-encompassing rebranding of its experience and value proposition, the Group is using younger language to reassert its commitment to its customers and partners in an era of sustainable mobility - to innovate and create not just for some, but for everyone. Using the wisdom of new manufacturing and perceptible technology to help each and every user explore a better

life.

Management Discussion and Analysis

With richer brand content, the Group was awarded the "China's 500 Most Valuable Brands 2022" by the World Brand Lab with a brand value of RMB38,195 million, representing a year-on-year increase of approximately 12% compared to 2021 (RMB34,158 million). In September 2022, for the fifth consecutive year, the Group was listed in the "Energy and Chemical Group" of the "China Brand Value Evaluation Information and China Brand Building Summit", demonstrating the Group's outstanding brand strength.

(v) 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". Through the effective application of intelligent technologies such as RFID (Radio Frequency Identification Technology) and TPMS (Tyre Pressure Monitoring System) the "Chi On Tat Model" can effectively improve the safety of tyre use and operational efficiency of fleet customers, reduce the comprehensive usage costs of customers and ultimately realise the management of the whole tyre life cycle. During the reporting period, the Group combined the characteristics of tyre products and vehicles to establish on-site service standards and extend the service life of tyres. Through the establishment of a digital service platform, the Group has been able to drive the process control of its business with digitisation and standardisation, continuously improving its core product service capabilities, enhancing the efficiency of its execution operations and significantly enhancing customer service adhesion.

During the reporting period, the Group achieved continuous growth in the number of "Chi On Tat" customers and service rounds, built an external repair service platform and fully promoted its application. The service network has covered nearly 1,500 service providers across China (Liaoning, Beijing, Tianjin, Hebei, Shanxi, Shandong, Henan, Jiangsu, Jiangxi, Anhui, Hubei, Shanghai, Zhejiang, Fujian, Guangdong, etc.) providing customers with a guarantee of timely delivery.



Management Discussion and Analysis

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



(VI) Capacity deployment

The Group commenced the expansion of the production capacity of the second phase of the Thailand tyre production base in the second half of 2020 and the first half of 2021 with 1.2 million all-steel radial tyres per annum and 4 million sets of semi-steel radial tyres per annum, and the second phase of the project has already reached production in the first quarter of 2022. The Thai tyre production base has a production capacity of 2 million all-steel radial tyres per annum and 8 million sets of semi-steel radial tyres per annum, helping the Group to further develop overseas markets such as North America and Europe. During the reporting period, the capacity utilisation rate of all-steel radial tyres and semi-steel radial tyres at the Thailand tyre production base was 94.4%/57.1% respectively.

Management Discussion and Analysis

Meanwhile, the Group's production capacity expansion project of 1.05 million all-steel radial tyres per annum and 2.8 million sets of semi-steel radial tyres per annum at the Shandong Tyre Production Base, which commenced in the second half of 2020, reached production in the first quarter of 2022. The production capacity of the Shandong tyre production base has reached 7.4 million pieces/year of all-steel radial tyres and 11.2 million sets/year of semi-steel radial tyres. During the reporting period, the production capacity utilisation rate of all-steel radial tyres and semi-steel radial tyres at the Shandong Tyre Production Base was 69.0%/85.8% respectively.

Expansion of the Group's production capacity during the reporting period			
Product Category	Actual production capacity at the end of 2021 (million bars)	Actual production capacity at the end of 2022 (million bars)	% increase
All Steel Radial Tyres	815	940	15.3%
Semi Steel Radial Tyres	1,440	1,920	33.3%
Oblique tyres	120	120	-
Total	2,375	2,980	25.5%

(vii) R&D and Innovation

During the reporting period, the Group closely followed the development trend of the global automobile and tyre industry, always insisted on the basis of scientific research and innovation, utilised the platforms of the Company's national-level Enterprise Technology Centre, Postdoctoral Workstation, Shandong Tyre Manufacturing Innovation Centre, Shandong Multi-scale Tyre Whole Life Cycle Engineering Research Centre and Shandong Industrial Design Centre, and pursued green, balanced and sustainable development in a market-oriented manner, striving to create We are committed to creating high performance, high quality and high value-added tyre products, and continue to inject new momentum into the company's development through technological innovation. In 2022, Puling Chengshan will target the new energy vehicle market and increase the development of new products, application of new materials and new technologies. 375 new products will be developed throughout the year, including 29 all-steel tyres and 330 semi-steel tyres.



Management Discussion and Analysis

During the reporting period, the Group carried out a series of technological innovations in terms of products, simulations, formulations and processes, including silent cotton tyre technology, self-healing tyre technology, all-steel A-grade rolling resistance products, tyre pattern noise separation technology, bias wear simulation prediction technology with pattern PCR, ultra-low rolling resistance, high grip and high wear resistance EV tyre tread formulation technology, recycled rubber cracked carbon black full life cycle formulation application technology, new technology of infinite winding with bundle. In 2022, the Group granted 78 new patents, including 1 invention patent and 48 utility model patents. In 2022, the Group granted 78 new patents, including 1 invention patent and 48 utility model patents, and 330 intellectual property rights in total.

(viii) Organisational Management Upgrading and Corporate Culture Building

The Group continued to upgrade its management by optimising and upgrading its existing management system, business and organisational system, system and process system and posting system to accommodate the change from a single manufacturing base to a multi-manufacturing base control model and to meet the needs of the Company's future business development. During the reporting period, the Group adjusted its organisational structure, standardised its operational processes and standardised its management system. By promoting the application of technology to optimise processes, breaking down inherent habits and breaking down barriers between business segments, the Group achieved improved efficiency, reduced staff input and increased the breadth and depth of its business.

The Group actively recruited talents, implemented corporate culture building, focused on the cultivation and development of talents, and conducted multi-disciplinary and multi-level training to enhance the leadership and business professionalism of the team. During the reporting period, the Group held a comprehensive ideological and cultural rectification and corporate culture building mobilisation meeting. The meeting extensively solicited opinions and suggestions from staff, brought into play the collective wisdom and strength, guided all staff to unify their thoughts and attitudes, and clarified the objectives and tasks required, laying a solid ideological foundation for the commencement of activities throughout the year. By correctly understanding the differences between China and Thailand in terms of geography, language and culture, the production base in Thailand actively guided the staff to better understand the connotation and extension of the Group's corporate culture, and organised activities such as corporate culture knowledge competitions, speech contests, skills competitions, visualization board competitions, fun sports and handicraft competitions to continuously enhance the cohesion of all staff and cultivate common values.

Management Discussion and Analysis

(ix) Smart Manufacturing and Information Technology

During the reporting period, the Group continued to promote the construction of a smart factory, insisting on business objectives as the driving force to strengthen digitalisation, shifting from system construction in the past to capability precipitation, and digitalising and reusing common capability modules and resources at the Group level. In terms of production management, we have implemented electronic safety point inspection and electronic inspection of first and last parts, established an alarm mechanism to provide prompt feedback to the business department in case of continuous defects, and comprehensively built a big data analysis platform to realise joint analysis of various types of data in the production process. In 2022, the Group will put into operation all the equipment for the second phase of production expansion of the Thai tyre production base, and at the same time start the smart projects such as the No. 2 finished goods warehouse, the second phase of the embryo logistics line and the dense plastic film warehouse to realise the automatic management of production materials inventory. This will further enhance the storage and transshipment capacity of the Thai tyre production base.

New Products

During the reporting period, a total of 375 products were developed and launched, including 29 all-steel radial tyres and 330 semi-steel radial tyres, to further enhance market competitiveness and segment market share. In addition, 12 new all-steel products and 9 new semi-steel patterns were developed in accordance with global market demand.

During the reporting period, the Group pursued the construction of a high-value, high-content product matrix to enhance product competitiveness in accordance with the competitive market situation. In particular, the Group focused on all-steel radial tyres to create a new generation of green and environmentally friendly products with low rolling resistance and high wear resistance, in pursuit of global environmental protection and sustainable development; and semi-steel radial tyres to create a new generation of high-performance tyres and new energy tyres based on advanced tyre design and manufacturing concepts and in line with the changing market trend and brand renewal strategy. In China, the Group launched the first high-performance product of the Chengshanhua series - "Huayu", and two new products for electric vehicles under the Poulin brand: "XLAB" and "XNEX". The new products have been enhanced in terms of safety, energy saving, emission reduction and silent comfort to meet the needs of the conventional car market as well as to keep pace with the rapid development of the electric vehicle market. At the same time, the Group also actively expanded into the international market, developing a full range of new products for R/T and light truck in North America, as well as for summer, all-season and winter tires for Poulin in Europe. As at the end of the reporting period, the Group had completed the trial production and certification of the Chengshan series of all-steel radial tyres according to the product plan for the European market, and the products were already sold in the European market; the promotion and launch of new products of the Poulin brand of semi-steel radial tyres and their expansion were commenced in an orderly manner.

Management Discussion and Analysis

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

Product Categories	Sales of new products (million)	Total sales volume (million pieces)	New product sales as a percentage of total sales
All Steel Radial Tyres	219.0	673.6	32.5%
Semi Steel Radial Tyres	457.0	1,151.7	39.7%
Oblique tyres	0.2	27.4	0.7%
Total	676.2	1,852.7	36.5%

amendment to memorandum and articles of association

In order to (i) bring the memorandum and articles of association of the Company ("MA") into compliance with the applicable laws of the Cayman Islands and the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange Listing Rules") and (ii) make other consequential and housekeeping amendments, the Company passed a special resolution at the annual general meeting of the Company held on 16 June 2022 ("2022 AGM") to approve the adoption of a new memorandum and articles of association of the Company. At the annual general meeting of the Company held on 16 June 2022 (the "2022 AGM"), a special resolution was passed to approve the adoption of a new memorandum and articles of association of the Company.

For details, please refer to the Company's announcement dated 10 May 2022 in relation to the proposed amendments to the Memorandum and Articles of Association, the circular dated 13 May 2022 and the announcement dated 16 June 2022 in relation to the poll results of the 2022 Annual General Meeting.

Responding to the Newcastle Pneumonia Outbreak

During the reporting period, the Group strengthened the control of epidemic in production, sales and transportation, and took the initiative to assume the responsibility of fighting against epidemic and actively organised production to provide safe, continuous and stable supply of products to customers.

On 12 March 2022, in response to the local government's request to suspend production for one week, the Shandong Tyre Production Base was suspended. Through the activation of the emergency plan and the normalised "internal control + external prevention", the Group precisely implemented preventive and control measures. The Group adopted "point-to-point" management for the resumption of production after the standstill, coordinating with the local bus company of the Shandong Rotor Production Base to operate 17 commuter lanes to solve the daily transportation problems of employees resuming work and production. During the year 2022, the Group organised nucleic acid tests for 9 times at the Shandong Rotor Production Base, with over 222,000 tests conducted, and distributed 600,000 masks,

2,750 kilograms of disinfectant and 1,625 kilograms of alcohol. At the same time, the Group strengthened the management of imported high-risk non-cold chain container cargoes by formulating the "Control Plan for Supervised Warehouse Setting" and implementing the inspection mechanism.

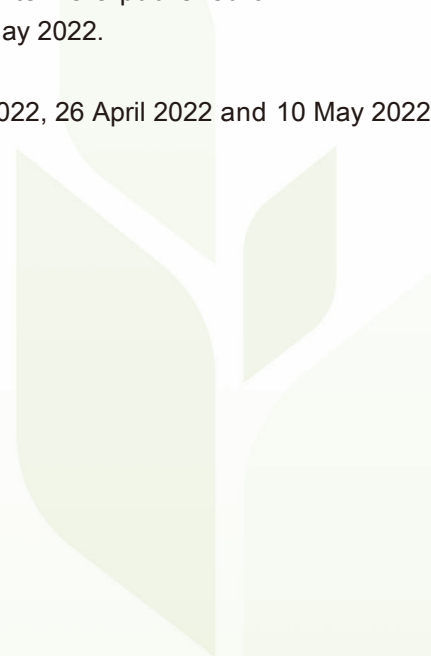
Management Discussion and Analysis

During the reporting period, in response to the local epidemic and the external control environment in Thailand, the Group strengthened internal control and tightened scheduling at the rotor production base in Thailand, and the epidemic did not have a significant impact on production in Thailand. In addition to the regular control of the epidemic, the Group actively promoted the booster vaccination of Chinese and Thai employees, launched preventive nucleic acid testing and introduced an additional inspection mechanism for the head of security, which effectively minimised the risk.

The Group monitors and adjusts the size of its foreign currency assets and liabilities in a timely manner to hedge its risks through rolling budgeting and immediate concern about capital dynamics and strategic use of different foreign exchange settlement tools. As at the date of this report, the Board is of the view that the Group has a good liquidity position and sufficient working capital based on its business operations and capital commitments, and has not been significantly affected by the epidemic to meet the expected capital commitments.

The audit of the Company's financial statements for the year ended 31 December 2021 was affected by the confirmation of a novel coronavirus (COVID-19) infection in a financial officer of the Group's Thai subsidiary, which resulted in the isolation of several other financial officers as close contacts. The audited annual results for the financial year ended 31 December 2021 (~~2021 Annual Results~~) ~~and related annual report for the year ended 31 December 2021~~ (~~2021 Annual Report~~) ~~has not been published and despatched by the Company on or before 31 March 2022 and 30 April 2022 respectively as required under the Listing Rules. However, in accordance with the "Further Guidance on the Joint Statement on the Publication of Results Announcements under the COVID-19 Pandemic"~~ ~~the Securities and Futures Commission and the Stock Exchange on 16 March 2020~~ ~~to~~ ~~Further Guidance~~"), ~~an~~ issuer may defer the publication of the Annual Report ~~if, among other things, the~~ issuer defers the publication of the Annual Report for an initial period of up to 60 ~~days~~ from the date of the Further Guidance (i.e. on or before 15 May 2022). (i.e. on or before 15 May 2022) The Company published its preliminary 2021 full year results, which had not been agreed with its auditors, on 30 March 2022 in accordance with the Further Guidance. the 2021 full year results were published on 10 May 2022 and the 2021 annual report was published and despatched on 12 May 2022.

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



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

The Group has an ongoing interest in the sustainable development of its business. Environmental, social and governance issues have now been incorporated into the terms of reference of the Group's Development Strategy and Risk Management Committee, and the Board of Directors is fully responsible for and leads the sustainable development management of the Group. In line with the concept of green development, the Group is committed to building a first-class green and modern production enterprise by improving its environmental management system and related systems and implementing environmental protection responsibilities. As one of the first "Green Factories" selected by the Ministry of Industry and Information Technology of the People's Republic of China and a leader in 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 complied with the continuous investment in emission reduction, resource protection, waste management, energy saving and consumption reduction, improvement of plant flue gas management system and plant sewage treatment works to reduce the adverse impact of its business operations on the environment. The Group aims to adopt advanced technologies and tools to implement 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.

In terms of the environment, the Shandong Tyre Production Base's wastewater treatment and water reuse system will be operational in 2022, with a 39% year-on-year decrease in external water discharge in 2022 and a year-on-year reduction in emissions of major pollutants COD and ammonia nitrogen, as well as the completion of the identification of dangerous sources at the water station. During the reporting period, the installation of exhaust gas treatment facilities in the refining, vulcanising and semi-finished product workshops of the Shandong tyre production base was completed. At the same time, we optimised the maintenance mechanism of the exhaust gas treatment facilities to ensure the effectiveness of the treatment. During the reporting period, rainwater and wastewater recycling facilities at the Thai tyre production base were put into operation, with approximately 38,000 cubic metres of rainwater recycled and 130,000 cubic metres of wastewater discharged; approximately 100,000 cubic metres were recycled; the recycling rate was 62% and the cost savings were RMB560,000. During the reporting period, a photovoltaic project with an installed capacity of 19.44 MW was completed at the Thai tyre production site. 1.8% and 5% reductions in electricity and steam consumption per unit of production were achieved at the Thai tyre production site in 2022 through process improvement and daily refinement of management.

Management Discussion and Analysis

During the reporting period, the Group continued its green supply chain programme with suppliers, incorporating them into the company's carbon peaking and carbon neutral target setting and actions. During the reporting period, the Group expanded the Green Supply Chain Project into a supplier sustainability initiative, which will assess and review suppliers' ethical business practices, innovative management, green operations and care for employees and the community, with a view to establishing a win-win sustainable development model with suppliers. This project is a forward-looking project based on the national policy background of "doing a good job in achieving carbon peaks and carbon neutrality, and formulating an action plan to achieve carbon peaks by 2030", and the characteristics of the industry that tyre enterprises and their upstream suppliers are major carbon emitters. The aim of the project is to take a forward-looking perspective on the potential environmental and social responsibility risks of tyre companies and their suppliers, explore the possible carbon reduction opportunities in cooperation with suppliers, and how to realise efficient synergy between energy saving and emission reduction, quality control and lean production, and jointly explore the value and opportunities of future supply chain development.

During the reporting period, the Group established good relations with local government authorities and people in Thailand. In January 2022, the Group donated a batch of learning sports equipment to a local primary school on Children's Day and in April 2022, the Group donated 50 sets of living materials to the poor people in response to the call from the Chonburi City Government. In May 2022, the Group conducted a fire drill training with a local school in Thailand where the rotor production site is located, and donated 1,000 masks to the school. In July 2022, the Thai company donated 18 barrels of paint to the local village primary school, and together with the villagers, completed the painting and renovation of the primary school's various communal facilities. In September 2022, we were invited by TISI to donate 30,000 baht to a temple in Thailand. In October 2022, the Group participated in a temple donation event in Pattani Province at the invitation of the Thai Police Department in District 2 for an amount of Baht 10,000. In October 2022, at the invitation of the Rayong Industrial Department, the Group participated in a donation of first aid supplies for flood victims in Thailand, with a value of Baht 10,800.

Business Strategy and Outlook

As at the date of this report, the Group has received a steady increase in orders. Looking ahead to 2023, market demand will remain weak with the global economic recession and inflation, while the Russian-Ukrainian war will continue to affect the global supply chain system. Since the epidemic prevention and control policy in China was released in December 2022, the Chinese economy is expected to rebound rapidly in 2023, showing a recovery trend. The replacement market is expected to pick up with the increase in residential activities.



Management Discussion and Analysis

In the face of the complex and ever-changing overseas situation, Puling Chengshan will persistently promote the implementation of the strategy and do a good job in improving the foundation.

- (1) Focusing on cost, quality and safety, we have taken a number of measures to promote cost reduction and efficiency.
- (2) The company continues to develop tyre technology innovation and research and development for the market and customers, creating value through technology applications.
- (3) We are committed to promoting our brand strategy and strengthening our market expansion and sales capabilities across all channels and categories.

In the domestic commercial vehicle tyre replacement market, the Group will continue to optimise its sales structure and carry out channel reform to achieve a balanced brand distribution and sales ratio; set up a support team and a solutions team to provide support and services to large fleets and dealer groups.

In the commercial vehicle tyre and passenger car tyre ancillary markets, the Group will actively explore new vehicle plants and develop new projects for new vehicle models. At the same time, the Group will further optimise and sort out its existing partner companies and new projects to minimise the impact of price wars on the Group's profitability.

In the passenger car tyre replacement market, the Group will strengthen the reinvention and promotion of new products and implement the "Inflation" programme to further increase the activity of the sales network by leveraging on the "New Product" promotion opportunity; at the same time, we will make use of the spring meeting promotion to quickly capture the 2023 passenger car tyre replacement market.

In the international market, the Group will focus on the "5Ps"(i.e. product, channel, price, promotion strategy and people) deployment and planning of its international marketing activities in 2023. Through rationalising the sales structure, improving the brand channels, flexible pricing and brand promotion strategy, and strengthening the capacity of the team, the Group will continue to increase its share and profitability in the international market.

- (4) Broadening business areas and contributing to smart mobility solutions: Under the service brand of "Chi On Tat", the Group will continue to dig deeper into the refinement management of the tyre service industry, and will also provide customers with one-stop senseless commercial vehicle after-market total service solutions through the integration of functions in related areas such as vehicle maintenance, so as to create value for customers in a multi-dimensional manner.

Management Discussion and Analysis

- (5) Pursue green and sustainable development. The Group will continue to increase research on key technology projects such as ultra-low rolling resistance and high wear resistance PCR tyres (including low rolling resistance technology at low temperature) self-repair and silent cotton overlay technology, the application of wet blending rubber and non-inflatable smart tyres, and realise the application of Catia in the design of semi-steel radial tyres. In terms of R&D capacity building, the Group will strengthen its testing capabilities, enhance the opportunities for dialogue with OEMs, and through the introduction of pattern engraving, tyre anatomy and subjective evaluation capabilities, deepen basic R&D, launch fist products, refine quality control, provide stable products, strengthen the R&D platform and shorten the R&D cycle to achieve the goal of increasing sales volume and preserving revenue.
- (6) Focus on building a talent pipeline to facilitate comprehensive corporate development The Group combines the strategic development needs of the company to develop a professional team training model and implement a dual-channel programme. We allow our employees to clearly define their own development path, choose the right position for themselves and maximise their potential, thus turning the enterprise into a learning organisation.

Financial Review

Income

For the year ended 31 December 2022, the Group's revenue was approximately RMB8,152.0 million, representing an increase of approximately RMB614.8 million as compared to approximately RMB7,537.2 million for the year ended 31 December 2021.

Sales by product category

	2022 RMB1,000	2021 RMB1,000
All Steel Radial Tyres	5,503,324	4,888,933
Semi Steel Radial Tyres	2,564,976	2,511,046
Oblique tyres	83,652	137,182
Total	8,151,952	7,537,161

Management Discussion and Analysis

For the year ended 31 December 2022, revenue from sales of all-steel radial tyres increased by approximately 12.6% to approximately RMB5,503.3 million from approximately RMB4,888.9 million for the year ended 31 December 2021, mainly due to a 2.4% year-on-year increase in sales volume and a 10.0% year-on-year increase in average unit price; revenue from sales of semi-steel radial tyres increased from approximately RMB2,511.0 million for the year ended 31 December 2021 to approximately RMB2,565.0 million for the year ended 31 December 2022. Revenue from the sale of semi-steel radial tyres increased by approximately 2.1% from approximately RMB2,511.0 million for the year ended 31 December 2021 to approximately RMB2,565.0 million for the year ended 31 December 2022, mainly due to a 2.6% year-on-year increase in average unit price; revenue from the sale of bias tyres decreased from approximately RMB137.2 million for the year ended 31 December 2021 to approximately RMB83.2 million for the year ended 31 December 2022. Revenue from sales of bias tyres decreased by approximately 39.0% to approximately RMB83.7 million from approximately RMB137.2 million for the year ended 31 December 2021, mainly due to a 41.3% year-on-year decrease in sales volume.

Sales by pipeline

	2022 RMB1,000	2021 RMB1,000
Distributor		
Domestic	1,879,559	2,043,029
International	5,653,270	4,284,910
	7,532,829	6,327,939
Direct sales to car manufacturers	619,123	1,209,222
Total	8,151,952	7,537,161

For the year ended 31 December 2022, revenue from sales to distributors (including licensed customers) increased by approximately 19.0% to approximately RMB7,532.8 million from approximately RMB6,327.9 million for the year ended 31 December 2021, mainly due to the year-on-year increase in revenue from international distributors as a result of the release of the production capacity of the second phase of the tyre production base in Thailand. However, revenue from domestic distributors decreased by 8.0% year-on-year as a result of the sluggish logistics and infrastructure construction in the PRC.

For the year ended 31 December 2022, revenue from sales to automobile manufacturers decreased to approximately RMB619.1 million from approximately RMB1,209.2 million for the year ended 31 December 2021, mainly due to the decrease in demand from automobile manufacturers as a result of the downturn in the vehicle market.

Cost of sales

The Group's cost of sales increased by approximately 7.5% from approximately RMB6,498.0

million for the year ended 31 December 2021 to approximately RMB6,982.2 million for the year ended 31 December 2022. Such increase was mainly due to the increase in unit cost as a result of the volatility of raw material prices and the increase in the overall value of raw material consumption.

Management Discussion and Analysis

Gross profit and gross margin

The Group's gross profit for the year ended 31 December 2022 was approximately RMB1,169.8 million, as compared to approximately RMB1,039.1 million for the year ended 31 December 2021, representing an increase of approximately 12.6%. The Group's gross profit margin for the year 2022 was approximately 14.3% (2021: 13.8%). The increase in gross profit and gross profit margin was mainly due to the overall increase in selling price which was higher than the increase in unit cost.

Other income

Other income of the Group for the year ended 31 December 2022 was approximately RMB35.0 million, representing a decrease of approximately RMB25.7 million from approximately RMB60.7 million for the year ended 31 December 2021. Such decrease was mainly due to the decrease in government subsidies of approximately RMB14.3 million for the year ended 31 December 2022, compared to RMB14.7 million for the year ended 31 December 2021, and the decrease in sales waste income of approximately RMB20.6 million for the year ended 31 December 2022, compared to RMB11.1 million for the year ended 31 December 2021.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 13.6% from approximately RMB437.8 million for the year ended 31 December 2021 to approximately RMB497.5 million for the year ended 31 December 2022. Such increase was mainly due to the corresponding increase in variable selling expenses as a result of the increase in sales volume and the increase in advertising expenses as a result of enhanced brand promotion.

R&D Expenditure

The Group's research and development expenditure decreased by approximately 9.8% from approximately RMB254.0 million for the year ended 31 December 2021 to approximately RMB229.2 million for the year ended 31 December 2022. Such decrease was mainly due to the Company's stringent management of R&D expenditure while enhancing R&D efficiency.

Administrative Expenses

For the years ended 31 December 2022 and 2021, the Group's administrative expenses amounted to approximately RMB184.6 million and RMB176.0 million respectively, representing an increase of approximately 4.9%. Such increase was mainly due to the combined effect of the commencement of the production of the second phase of the tyre production base in Thailand, the corresponding increase in administrative expenses and the Company's enhanced cost control.

Other gains/(losses)

For the year ended 31 December 2022, the Group's other income increased by approximately RMB96.1 million from approximately RMB40.6 million for the year ended 31 December 2021 to approximately RMB136.7 million in 2022, mainly due to the increase in foreign exchange gain on operating foreign currency net assets as a result of exchange rate changes.

Financial income

For the years ended 31 December 2022 and 2021, the Group's finance income was approximately RMB8.6 million and RMB7.5 million respectively. The increase in finance income was attributable to the increase in interest income from bank deposits.



Management Discussion and Analysis

Financial Costs

For the years ended 31 December 2022 and 2021, the Group's finance costs amounted to approximately RMB80.1 million and RMB12.4 million respectively. The increase in finance costs was mainly due to the increase in interest on loans as a result of the increase in loans and the increase in weighted average lending rate.

Income tax expense

For the years ended 31 December 2022 and 2021, the Group's income tax benefit was approximately RMB39.1 million and RMB10.4 million, representing an increase of approximately RMB28.7 million due to the increase in income tax benefit as a result of the recognition of deferred income tax assets for tax losses.

Profit for the year

The Group's profit for the year increased by approximately RMB117.5 million from approximately RMB276.3 million for the year ended 31 December 2021 to approximately RMB393.8 million for the year ended 31 December 2022. The increase was mainly due to the increase in gross profit as a result of the increase in unit price and the increase in foreign exchange gain on operating foreign currency net assets due to the change in exchange rates.

Profit attributable to shareholders

Based on the above factors, the profit attributable to shareholders for the year ending 31 December 2022 will be approximately RMB393.8 million (2021: approximately RMB1,060.8 million).
\$276.3 million)

Dividend distribution

For the years ended 31 December 2022 and 2021, the Group's total dividend distribution amounted to approximately RMB108.8 million and RMB106.7 million, representing an increase of approximately 2.0%, which was due to the difference in exchange rate as the dividend distribution per share remained unchanged.

Total comprehensive income for the year

The Group's total comprehensive income for the year increased by approximately RMB397.7 million from approximately RMB232.2 million for the year ended 31 December 2021 to approximately RMB629.9 million for the year ended 31 December 2022. The increase was mainly due to the increase in net profit and a gain on translation of foreign currency statements arising from a 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 2022, the Group's cash and cash equivalents (including restricted cash)

amounted to approximately RMB1,172.7 million, representing an increase of approximately RMB318.2 million from approximately RMB854.5 million as at 31 December 2021, which was mainly due to the increase in cash inflow from operating activities. For details of the monetary value of the Group's cash and cash equivalents, please refer to note 24 to the consolidated financial statements.

Management Discussion and Analysis

As at 31 December 2022, the Group's bank borrowings amounted to approximately RMB2,203.3 million (2021: approximately RMB1,898.0 million) of which, RMB1,079.2 million was denominated in Renminbi and the rest in United States dollars. Variable rate borrowings accounted for 36% and fixed rate borrowings accounted for 64%. Approximately RMB762.9 million was due within one year, approximately RMB1,104.9 million was due within one to two years, approximately RMB297.5 million was due within two to five years and approximately RMB37.9 million was due after five years. The borrowings during the reporting period were mainly used for the Company's daily operating activities and project construction. Please refer to Note 28 to the consolidated financial statements for details of the Group's bank loans.

The current ratio at 31 December 2022 was approximately 1.1 (2021: 1.2). During the reporting period, the Company commenced medium to low-risk banking business to hedge risks while increasing financial returns. As at 31 December 2022, the balance of such banking business amounted to RMB209.5 million.

Inventory

As at 31 December 2022, the Group's inventories amounted to RMB1,277.4 million, representing a decrease of RMB207.5 million as compared to RMB1,484.9 million as at 31 December 2021. The decrease was due to the Company's enhanced inventory management and optimized raw material procurement strategy.

Trade receivables

As at 31 December 2022, the Group's trade receivables amounted to RMB1,312.5 million, representing a decrease of approximately RMB71.2 million as compared to RMB1,383.7 million as at 31 December 2021. Such decrease was mainly due to the Company's enhanced management of its receivables process and effective control of the receivables balance.

Current assets Prepayments, other receivables and other current assets

As at 31 December 2022 and 2021, the Group's current assets prepayments, other receivables and other current assets amounted to approximately RMB1,060,000 respectively.

The increase of approximately RMB77.5 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 2022 and 2021, the Group's receivables from related parties amounted to RMB126.4 million and RMB78.8 million respectively, representing an increase of approximately RMB47.6 million. The increase was mainly due to the increase in receivables from related parties as a result of the extension of the aging of the related parties.

Trade payables

As at 31 December 2022 and 2021, the Group's trade payables amounted to RMB2,000.3 million and RMB1,957.6 million respectively, representing an increase of approximately RMB42.7 million,

mainly due to the increase in raw material purchases arising from the expansion of production capacity and the corresponding increase in payables.



Management Discussion and Analysis

Other payables and accruals

As at 31 December 2022 and 2021, the Group's other payables and accruals amounted to RMB1,071.3 million and RMB1,071.3 million respectively

1,030.9 million, an increase of approximately RMB40.4 million, mainly due to the purchase of machinery and equipment and the corresponding increase in payables for machinery and equipment.

Gearing ratio

The gearing ratio as at 31 December 2022 is 19.1% (2021: 21.4%). 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 measured 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 as a result has maintained a strong liquidity position for the year ended 31 December 2022. The Group is committed to mitigating 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 meets its funding requirements from time to time.

Security of Assets

As at 31 December 2022, restricted cash balances of the Group of approximately RMB190.6 million (2021: approximately RMB125.7 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 RMB3,757.0 million (2021: approximately RMB3,338.2 million) which are pledged as security for bank borrowings of RMB1,316.1 million and undrawn loan facilities of RMB328.6 million. Save for the above, the Group does not have any pledge of assets.

Management Discussion and Analysis

Investment

The construction of the Thai tyre production base will commence in 2019, with the construction of the first phase of each plant to be completed in 2020 and enter into smooth operation. In the second half of 2020, the Company will commence the construction of the second phase of the all-steel 1.2 million tyres per annum project in Thailand, with a total investment estimated at approximately RMB541.0 million. In the first half of 2021, the Company commenced the construction of the second phase of the Thai tyre production base with 4 million semi-steel bars per annum, the total investment of which is estimated to be approximately RMB896.0 million. The second phase of the project is expected to reach production in the first quarter of 2022. There is still some unused plant space available for the construction of Phase III (2 million semi-steel tyres per annum) The Company will commence the project as and when the situation warrants.

The Group's expansion plan for Puling Shandong will commence in the second half of 2020, with a total project investment estimated at approximately RMB666.0 million and an additional annual production capacity of 1.05 million all-steel radial tyres and 2.8 million semi-steel radial tyres, which will reach production in the first quarter of 2022.

Save as disclosed above, there were no other significant new investments made by the Group during the reporting period.

Risks and Uncertainties

(i) Macro environmental risks

In 2023, the global economy will slow down, Europe and the United States will face the risk of recession, and the global supply chain crisis and economic downturn brought about by the Russian-Ukrainian war will make it difficult for tyre exports to improve effectively, and Chinese tyre enterprises, especially those mainly engaged in foreign trade, will face the pressure of survival. On 30 January 2023, the International Monetary Fund (IMF) released its latest Global Economic Outlook (WEO), which shows that global economic growth is expected to be 2.9% in 2023 and 3.9% in 2024. In 2023, the domestic market is expected to recover as the economy recovers quickly from the epidemic in China, amidst the challenges facing international markets.





Management Discussion and Analysis

(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 2022, the Group's US dollar denominated revenue from overseas operations accounted for approximately 67.2%(2021: 56.1%) 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. Any significant fluctuation in exchange rates would have an impact on the Group's results. Exchange rate fluctuations and market trends are always a 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 optimising the currency of export settlements and the use of exchange rate financial instruments. The Company makes use of financial instruments such as forward balances and options to reduce the impact of exchange rate fluctuations on the Company's overseas operations. During the reporting period, the Group did not enter into any forward foreign exchange or hedging contracts.

(iii) Impact of tariffs and double reverse bonding duties imposed by the US government on imports from China and Thailand

On 22 March 2018, then President Donald Trump signed a Presidential Memorandum announcing 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 24 September 2018, the U.S. imposed a 10% tariff on US\$200 billion of Chinese imports to the U.S. On 10 May 2019, the U.S. decided to increase the tariff on US\$2.5 billion of Chinese imports to 25% from 10%. The tariff will continue to be imposed on imports from China after President Biden takes office in 2021.

Management Discussion and Analysis

In addition, the US Department of Commerce issued a "double anti-dumping" duty order on Chinese truck tyres on 15 February 2019, imposing anti-dumping duties and anti-subsidy bonds on truck products from that date onwards. The anti-dumping and anti-subsidy bond rates imposed on Puling Chengshan amounted to 42.16%. On 3 February 2020, the US Department of Commerce issued a notice to initiate the first administrative review of the anti-dumping and anti-crediting procedures for truck tyres imported from China. On 21 June 2021, the U.S. Department of Commerce announced the initial rate of the first administrative review of the countervailing duty on China's truck tyres, and a separate rate of 17.04% was applied to the Group's Shandong Company. On 20 December 2021, the U.S. Department of Commerce announced the final rate of the first administrative review of the countervailing duty on China's truck tyres, and starting from 23 December 2021, the Group's truck tyres exported to the U.S. will be subject to the countervailing duty bond at a rate of 17.47%. The above change in tax rate has significantly reduced the tax rate for the Group's exports to the United States and enhanced the competitiveness of the Group's products in the United States market. In addition, the Group also actively participated in the second administrative review of the US Department of Commerce's countervailing duty on imported truck tyres from the PRC, which was initiated on 1 April 2021, and the investigation period of this countervailing duty review is from 1 January 2020 to 31 December 2020. On 27 June 2022, the US Department of Commerce announced the final rate of the second administrative review of the anti-countervailing duty on China's truck tyres, and starting from 30 June 2022, the Group's truck tyres exported by Shandong Company to the US will be subject to the anti-countervailing duty bond at a rate of 17.85%. On 8 December 2021, the US Department of Commerce announced the list of mandatory respondent enterprises for the sixth administrative review of the anti-subsidy investigation on China's semi-steel tires, Sumitomo Rubber was selected as a mandatory respondent enterprise and the Group actively participated in this review.

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 tyres from Thailand, Vietnam, Korea and Taiwan, China, and an anti-subsidy investigation of passenger car and light truck tyres from Vietnam. The U.S. Department of Commerce issued an anti-dumping levy on passenger car and light truck tyres from Thailand on 19 July 2021, with an average anti-dumping duty rate of 17.06% applied as the Thai tyre production base had not exported the U.S. tyres in question during the investigation period. This will have a negative impact on the sales of the Group's tyre production base in Thailand. The US Department of Commerce issued a notice on 6 September 2022 to initiate the first administrative review of the anti-dumping procedures against passenger car and light truck tyres imported from Thailand, which will cover the period from 6 January 2021 to 30 June 2022.



Management Discussion and Analysis

The uncertainty of the anti-dumping and countervailing duty rates will pose risks to the Company's operations. In order to mitigate the impact on the Company, the Company will plan ahead and take proactive measures in the following areas: firstly, to expand the sales of the Thai tyre production base in non-US markets to reduce the reliance on a single market; secondly, to develop products for non-US markets by relying on the Company's research and development strength, and to enhance the competitiveness of the Thai tyre 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 coming from overseas will increase as the second phase of the tyre production base in Thailand reaches production. 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 investments, which may pose risks to the Company's operations and investments. During the reporting period, the local government authorities in Thailand tightened the frequency of routine inspections of businesses. The emergence of a new epidemic has reduced the pool of available staff and further reduced the willingness of Chinese staff to come to Thailand, affecting the staffing of Thai companies. The Group adopted a combination of measures to reduce the impact of the epidemic on its daily operations, including remote training and guidance, implementation of SOP standardisation and rotation of staff, batching of staff, expansion of recruitment channels, and reallocation of some operations to the head office after assessment.

In view of this, the Group will keep abreast of changes in the investment environment of the Thai authorities and make arrangements in advance for the progress of construction, product certification and staff protection, as well as make strategic planning for sales in Thailand.

(v) Climate change risks

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

Management Discussion and Analysis

Compliance with relevant legislation 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 for tyre products; (b) laws, regulations and policies relating to the entry and regulation of the tyre 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 organisation and conduct of companies; (h) laws and regulations relating to securities trading and regulation; (i) laws and regulations relating to intellectual property rights; (j) laws and regulations relating to data handling 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 its operations and investment activities, the Company makes enquiries from time to time on the legal restrictions and regulations of the relevant regulatory authorities in the relevant jurisdictions, such as the import tariff and quota regulations, anti-dumping and sanction regulations in the United States and the European Union trade regulations. With the full cooperation of the Company's corporate department and external legal advisers, the Company is able to comply with relevant laws and regulations within and outside the PRC that have a significant impact on the Company through the Company's continuous and effective monitoring.

Capital Structure

There were no changes to 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 2022, the Group had capital commitments of approximately RMB18.7 million (2021: approximately RMB228.5 million) During the reporting period, the Group had no contingent liabilities that would result in material impact (2021: Nil)

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

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.



Management Discussion and Analysis

Future plans for significant investments or capital assets

In April 2021, Anhui Pulin Chengshan Tyre Company Limited ("Anhui Company"), a wholly-owned subsidiary of the Group, was registered in Anhui. The construction of the second factory project in Anhui will be the Group's future investment plan. On 31 August 2021, the Board of Directors considered and approved the proposal to invest in the first phase of the Anhui Tyre Production Base Project and the proposal to adjust 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. Based on the domestic and external economic situation and the analysis of the Company's capacity utilisation rate forecast, the Group decided to suspend the implementation of the Anwei Tyre Project. As at the date of this annual report, the Group has not signed any formal agreement in relation to the investment or construction of the Anhui tyre project.

Save as disclosed above, no other significant investments or capital asset additions have been approved by the Board.

Human Resources Management

As at 31 December 2022, the Group had 6,144 employees (as at 31 December 2021: 6,450). For the year ended 31 December 2022, the Group's employee benefit expenses amounted to approximately RMB636.8 million (as at 31 December 2021: approximately RMB613.7 million).

During the reporting period, the Group carried out ranking assessments for various positions and used the value of the positions and skill levels as the basis for salary determination and salary adjustments. The Group implemented performance appraisals for all staff and used performance results as the basis for salary and bonus payments, and adjusted salary levels with reference to market standards in the industry.

In order to attract, retain, motivate and encourage employees to create value for the Company and its shareholders, the Group has established a training academy. The academy has continued to enrich and optimise school-enterprise cooperation programmes, career planning for fresh graduates, sponsorship of campus skills competitions, scholarship sponsorship and the creation of school-enterprise cooperation editions, which have greatly enhanced the Company's branding in partner institutions. The company's brand influence in partner institutions has been greatly enhanced. At the same time, for this year's school recruits, the Training Academy launched a two-month induction training programme to provide comprehensive management and training on the company's system, workplace role changes, work attitude and methods, understanding of the Group's industry, R&D and production processes, on-site management and mentorship, which greatly enhanced the stability of school recruits and helped them integrate into the department quickly.

Management Discussion and Analysis

During the reporting period, the Group focused on enhancing basic training management and strengthening the cultivation of key talents, with a view to improving the professional knowledge and production management capabilities of managers, forming scientific management methodologies and then raising the overall production management standards of the Company, and cultivating pragmatic, complex and application-oriented management talents who are capable of taking up management positions. In order to promote the implementation of corporate development strategies, the Group plans and organises special training programmes for key groups such as gold interviewers, project managers, new social recruits, university students, production managers and reserve managers. In order to motivate employees to learn and strengthen the construction of a professional and technical workforce, the Group continued to deepen the construction of professional pathways, achieving a 67% coverage rate of eight major sequences of professional skills assessment and a 55% coverage rate of technician level certification, further strengthening the results-oriented staff competency evaluation mechanism and facilitating the selection and cultivation of outstanding talents. At the same time, the Group provided employees with multiple learning channels, combining online and offline, breaking time and space constraints, making full use of fragmented time to learn and improve their professional and business capabilities, providing a solid talent pool for the company's strategic realization.

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

The Company adopted the Company's current share option scheme (~~the "2021 Share Option Scheme"~~) and terminated the 2019 Share Option Scheme on 17 May 2021 (~~the "2021 Adoption Date"~~) and conditionally granted 35,050,000 and 3,080,000 share options to certain grantees on 28 June 2021 (~~the "2021 Grant Date"~~) and 28 September 2022 (~~the "2022 Grant Date"~~) respectively. All options granted and accepted prior to termination and still outstanding continue to be effective and exercisable in accordance with the terms of those options and the terms of the 2019 Share Option Scheme. For details, please refer to the circular of the Company dated 16 April 2021 and the announcements of the Company dated 17 May 2021, 18 June 2021 and 28 September 2022 respectively. Details of the movements in share options for the year ended 31 December 2022 are set out in the section headed "Share Option Scheme" in 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 40, was appointed as a Director on 22 May 2015 and was 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 Company Limited ("Prinx (Qingdao)"), Shenzhen Ji'anda Tyre Technology & Service Company Limited, Shanghai Ji'anda Rubber Technology Company Limited, Prinx Chengshan Europe GmbH ("Prinx (Europe)") and Prinx Chengshan Tyre North America Inc. Mr. Che is also a director of the Company. Mr. Che is also the Chief Executive Officer of the Company. He has over 15 years of experience in the automotive tyre 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 the 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 general manager of Shandong Ocean Treasure Marine Technology Co. In December 2010, Mr. Che was appointed as the Chairman of Rongcheng Chengshan Construction & Property Company Limited.

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 obtained a further Master of Business Administration degree from Bond University in Queensland, Australia.

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

Mr. Shi Fu Tao, aged 53, 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 Director of Prinx (Shandong) Tyres in November 2014 and Deputy General Manager in September 2015. He is a director of Prinx Investment Holding Limited ("Prinx Investment"), a subsidiary of the Company, Prinx Chengshan (HK) Tyre Company Limited ("Prinx (HK) Tyre"), Prinx (HK) Rubber Company Limited ("Prinx (HK) Rubber"), Jinan Ji'anda Tyre Service Company Limited, Ji'anda (Shanghai) Tyre Service Co. Ltd., Poulin Chengshan Tyre North America 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 Chinese Institute of Certified Public Accountants in 1995. Mr. Shi became a Senior International Financial Manager of the International Financial Management Association 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.

Directors and Senior Management

Ms. Cao Xueyu, aged 52, 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 and will become the sole company secretary of the Company on 1 September 2022. 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 the Company's subsidiaries, Poulin Rubber and Prinx Investment. Prior to joining the Group, Ms. Cao was a cost accountant and head of sales accounting for 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 became the Finance Manager of Fung Sing Enterprises Limited. She was 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 obtained a New Zealand Diploma in Business from 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 CPA Australia.

Non-Executive Directors

Mr. Cheah Hong Chee, aged 66, 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 an Executive Director and Chairman of the Chengshan Group. He has over 20 years of experience in the tyre 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 Bo Zhen, an Executive Director.



Directors and Senior Management

Mr. Wang Lei, aged 44, 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) Tyres since 20 April 2017. He joined the Group on 28 December 2014 and was a director of Puling (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 in the general manager's office of Shandong Chengshan Tyre Company Limited in December 2001. In October 2007, he was the deputy director of the office of Chengshan Group. In December 2009, he was the director of the office of Chengshan Group and in March 2014, he was the deputy general manager of the administration centre of Chengshan Group. In February 2017, he was appointed as the General Manager of the Administration Centre of the Chengshan Group. Mr. Wang is responsible for the administration and management of the company. He is an executive director of the Chengshan Group.

In July 1998, Mr. Wang obtained a 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 Party School in Shandong Province, the PRC. In December 2013, Mr. Wang was awarded the honorary title of Weihai New Long Marcher of the Year 2012 by the Weihai Communist Youth League.

Mr. Shao Quanfeng, aged 39, was appointed as a non-executive director on 24 February 2020. In July 2007, Mr. Shao worked as a general accountant in the Group Finance Department of China Heavy Duty Truck Group Company Limited; in May 2012, he worked as a trainee assistant general manager of the sales department of China National Heavy Duty Truck Group Jinan Commercial Vehicle Co.

(Ltd. in August 2018; Managing Director of China National Heavy Duty Truck (Hong Kong) International Capital Limited in December 2018; Chief Financial Officer of Heavy Duty Truck (Jinan) Axle Company Limited in February 2022; Chief Financial Officer of China National Heavy Duty Truck Group International Limited in April 2022; Chief Financial Officer of Light Truck Sales Department and Light Truck Manufacturing Plant of China National Heavy Duty Truck Group Jinan Commercial Vehicle Co. Ltd. in February 2022; Chief Financial Officer of China National Heavy Duty Truck Group International Co.

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.

Directors and Senior Management

Independent Non-Executive Directors

Mr. ZHANG Xuemo, aged 60, 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 CMI. From 2003 to 2006, he was the Chairman of CMI. Mr. Zhang has been a director of China Gold since 2006 and was the chairman of Shandong Guoda Gold Company Limited ("Shandong Guoda Gold") from 2003 to 2011. 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 the overseas mining resources, energy, property, biomedical and health sectors.

Mr. Cheung 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 60, 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 fellow member of the Institute of Chartered Accountants in England and Wales, 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 Development Committee and the Promotion and Communications Committee of the Hong Kong Institute of Certified Public Accountants. He has also been a member of the Council of the Chiu Sheung Mutual Association of Hong Kong Limited since October 2013. He is a member of the Professional Conduct Committee and the Investigation Panel of the Hong Kong Institute of Certified Public Accountants from January 2020 to December 2022 and a Council Member of the Hong Kong Society of Chinese Accountants from 2010 to 2015. He was elected Honorary Financial Advisor of the Hong Kong & Kowloon Wing Hing Tong Woven Ware

Merchants Association in 2018.



Directors and Senior Management

Mr. WANG Chuansheng, aged 63, 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 was the deputy director of the office of the Department of Chemical Engineering of the University, and from June 1995 to December 1995, he was the deputy director of the Department of Mechanical Engineering, and in December 1995, he was promoted to the deputy dean of the School of Mechanical Engineering, and in March 2002, he was further promoted to the deputy dean of the School of Mechanical and Electrical Engineering of the University. From April 2004 to December 2016, Mr. Wang was the 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, China 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 Higher Education Institutions in Shandong Province in December 1999.

In December 2001, Mr. Wang was awarded the "Second Prize of National Scientific and Technological Progress" by the State Council of China for his "Synchronous Rotor Refiner Technology", and in December 2011, he was awarded the "Second Prize of National Scientific and Technological Progress" again by the State Council of China for his "Industrial Continuous Waste Rubber and Waste Plastic Low Temperature Cracking Resource Utilisation Technology and Equipment". In August 2020, Mr. Wang was awarded the "Bachelor of Science in Chemical Engineering Society of China" by the China Chemical Industry Association, and in September 2019, Mr. Wang was awarded the "Commemorative 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.

Directors and Senior Management

Senior Management

Mr. JIANG Xizhou, aged 51, joined the Company in August 2019 as the Assistant General Manager, and has been appointed as the Deputy General Manager of the Company since January 2020 and the Vice President of the Company and the Director of the Production and Operation Centre, the General Manager of Shandong Company and the Director of the Technology Centre of the Company since January 2021. He is currently responsible for the overall management of the Company's R&D centre, manufacturing centre, equipment power centre and EHS. Prior to joining the Group, Mr. Jiang held various technical and management positions at 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 in July 1995 with a Bachelor's degree in Polymer Materials.

Mr. JU Xuning, aged 56, has been the Deputy Director of the Production and Operation Centre 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 Poulin (Chengshan) Tyres since July 2017. He joined the Group in March 2006 as an assistant to the director of quality system of Poulin (Shandong) Tyres. In November 2010, Mr. Ju was promoted to Deputy Director of Process Improvement Department. Mr. Ju was appointed as the Technical Director of All Steel Products in January 2012. In August 2013, he became the Production Director and continued to serve as the Deputy Director of Process Improvement. In March 2014, Mr. Ju was promoted to the position of Technical 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) Tyres 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 division. He joined the 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 tyre project in July 1995. In November 1997, he was appointed as the head of the Technical Division I. In January 2004, Mr. JU was appointed as the head of the Technical Division I. In January 2004, Mr. Ju became the Chief Engineer of Shandong Chengshan Group Co.





Directors and Senior Management

In July 1988, Mr. Ju obtained a professional diploma in rubber engineering from the Qingdao Institute of Chemical Engineering. In December 2001, Mr. Ju was accredited as a Senior Engineer by the Shandong Provincial Engineering and Technical Services Evaluation Committee. In October 1998, Mr. JU was awarded the First Class Provincial Scientific and Technological Progress Award - 300,000 sets/year radial tyre industrial production technology by the Shandong Provincial Scientific and Technological Progress Award Jury. In December 1999, Mr. Ju was awarded the Second Class National Science and Technology Advancement Award - 300,000 sets/year radial tyre industrial production technology by the Ministry of Science and Technology of the People's Republic of China. In April 2000, he was recognised as one of the Ten Outstanding Young Talents by the Rongcheng Communist Youth League of China, the Rongcheng Broadcasting Bureau and the Rongcheng Daily. In December 2013, he was awarded the First Prize of the Weihai City Workers' Hundred Technical Innovation Achievements by the Weihai City Labour Competition Committee.

Mr. WANG Yuet Yue, aged 49, has been the Director of Commercial Vehicle Replacement Sales Centre of the 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 in June 2009 and April 2010 respectively. In March 2014, Mr. Wang was further promoted to Director of Sales and Marketing. Mr. Wang is responsible for the overall sales of the Group's commercial vehicle tyre 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 39, has been the Director of the International Sales Centre of the 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 Centre. 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 obtained a Bachelor's degree in International Economics and Trade from Qingdao Polytechnic University.

Directors and Senior Management

Mr. ZHANG Yougan, aged 48, joined the Group in June 2020 as the general manager of Puling (Shandong) Tyre Manufacturing Centre, and has been the deputy general manager 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 Company Limited from July 1996 to January 2015; from January 2015 to June 2017, he was the assistant general manager of Anhui Jiatong Tyre Company Limited; and from June 2017 to June 2020, he was the deputy general manager of Anhui Jiatong Tyre Company Limited.

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 Institute of Management and Further Education in February 2009.

Company Secretary

Ms. Cao Xueyu ("Ms. Cao"), one of the executive directors of the Company, is also the company secretary of the Company ("Company Secretary")

Resignation of Joint Company Secretary

The Company has been granted a waiver by the Stock Exchange for the period from 19 July 2021 to 28 March 2022 of strict compliance with Rules 3.28 and 8.17 of the Listing Rules and in relation to Ms. Cao's eligibility to act as the Joint Company Secretary. The Remaining Exemption Period expired 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. Accordingly, Ms. Szeto Ka Yee ("Ms. Szeto"), one of the joint company secretaries of the Company, resigned as the joint company secretary of the Company with effect from 1 September 2022. Upon the resignation of Ms. Szeto, Ms. Tsao became the sole company secretary of the Company. Ms. Szeto has confirmed that she has no disagreement with the Board and there are no matters relating to her resignation that need to be brought to the attention of the shareholders of the Company or the Stock Exchange.

Details of the resignation of the Joint Company Secretary are set out in the announcement of the Company dated 1 September 2022.





Report of the Directors

The Board is pleased to present its report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

Share Option Scheme

The 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.

2021 Share Option Scheme

The Company adopted the 2021 Share Option Scheme on the 2021 Adoption Date. the 2021 Share Option Scheme is valid for eight years from its 2021 Adoption Date.

The purpose of the 2021 Share Option Scheme is to replace the 2019 Share Option Scheme and to enable the Board to grant options to selected Eligible Participants (as defined below) as 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. Candidate employees will be shortlisted as eligible participants to enable the Company to offer competitive remuneration packages to high quality candidates. As at the date of this report, the number of shares available for issue under the 2021 Share Option Scheme is 11,870,000 shares, representing approximately 1.87% of the total number of shares in issue as at the date of this annual report (as at the date of the 2021 annual report: 2.35%)

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.

If the total number of shares issued and to be issued upon the exercise in full of the options granted to a grantee in any 12-month period (including both exercised and outstanding options) exceeds 1% of the total number of shares in issue, no option may be granted to that grantee. 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.

Report of the Directors

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

Options to be granted in 2021

The Company conditionally granted 35,050,000 share options to certain grantees on the 2021 Grant Date to subscribe for an aggregate of 35,050,000 ordinary shares of US\$0.00005 each in the capital of the Company, subject to acceptance by such grantees of the Share 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 were 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 were granted to other senior management and employees of the Group, as follows:

Name of grantee	Position held	at 2021 Date of award Share options granted Number	Not exercised at the beginning of the year	Exercised during the year	During the year Cancellation/ expiry	Not exercised at the end of the year
Shi Fu Tao	Executive Director	5,000,000 copies	5,000,000 copies	-	-	5,000,000 copies
Gao Xueyu and Company Secretary	Executive Director	500,000 copies	500,000 copies	-	-	500,000 copies
		5,500,000 copies	5,500,000 copies	-	-	5,500,000 copies
Other senior management and Employees		29,550,000 copies	28,800,000 copies	-	7,300,000 copies	21,500,000 copies
Total:		35,050,000 copies	34,300,000 copies	-	7,300,000 copies	27,000,000 copies

The share options granted will vest on each relevant date in 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 2021 grant date 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.

Report of the Directors

Share options granted in 2022

The Company conditionally granted 3,080,000 share options to certain grantees on the 2022 grant date to subscribe for a total of 3,080,000 shares of the Company, subject to acceptance by such grantees of the share options. The exercise price of the shares on the date of grant of 2022 is HK\$8.568 per share, being (i) the closing price of HK\$6.410 per share as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of HK\$6.298 per share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of each share; and

(iv) the highest of the exercise price (i.e. HK\$8.568 per share) on the grant date of 2021. 2022 The closing price on the business day prior to the grant date was HK\$6.400 per Share.

The grantees of the options granted in 2022 were employees of the Group and none of the grantees were 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 held	at 2022 Date of award granted	Not exercised at the beginning of the year	Exercised during the year	During the year Cancellatio n/expiry	Not exercised at the end of the year
	Number of share options				
Directors, the Company's Chief Executive Officer	-	-	-	-	-
officers or substantial shareholders or their associates	3,080,000	-	-	-	3,080,000
Other senior management and employees	<u>copies</u>	<u></u>	<u></u>	<u></u>	<u>copies</u>
Total:	3,080,000 <u>copies</u>	- <u></u>	- <u></u>	- <u></u>	3,080,000 <u>copies</u>

The share options granted will vest on each relevant date in 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 at any time after the expiry of 21 months and 45 months from the 2022 grant date respectively. Subject to the vesting schedule, the options are exercisable over a period of six years and nine months from the 2022 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.

Report of the Directors

During the reporting period, a total of 7,300,000 options under the 2021 Share Option Scheme lapsed or were cancelled. At the end of the period, 30,080,000 share options were outstanding.

At the beginning of the reporting period, the number of options available for grant under the 2021 Share Option Scheme was 14,950,000. At the end of the period, the number of options available for grant under the 2021 Share Option Scheme was 11,870,000. As at the date of this report, the number of options available for grant under the 2021 Share Option Scheme was 11,870,000, representing 1.87% of the issued shares of the Company.

Number of ordinary shares that may be granted under the 2021 Share Option Scheme for the year ending 31 December 2022 divided by the number of ordinary shares to be issued for the year ending 31 December 2022

The weighted average number of ordinary shares for the year ended 31 December 2011 was approximately 0.48%.

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

In the announcements published on 28 June 2021 and 28 September 2022.

The valuation of the options granted for the year ended 31 December 2022 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 is also subject to the limitations of the calculation model.

2019 Share Option Scheme

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 shall be made and no further options shall 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 valid 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.

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.

Report of the Directors

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 date of the 2019 Offer. 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 (as defined in the Listing Rules) of any party and 13,082,500 options were granted to other senior management and employees of the Group as follows:

Name of grantee	Posts taken up	in 2019		Exercised during the year	During the year	
		Date of award granted	Not exercised at the beginning of the year		Cancellation/expiry	Not exercised at the end of the year
		Number of share options				
Che Po Zhen	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	225,500 copies	225,500 copies	-	-	225,500 copies
	Company Secretary	1,317,500	1,317,500	-	-	1,317,500
Other senior management and employees		copies	copies	-	2,623,586	copies
		13,082,500	9,816,750		copies	7,193,164
		copies	copies			copies
Total:		14,400,000	11,134,250	-	2,623,586	8,510,664
		copies	copies		copies	copies

The share options granted will vest on each relevant date in 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 Scheme during the first three vesting periods has not met the target and the options have not vested, 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 share options after excluding the lapsed portion of the share options.

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

Report of the Directors

Share 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 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:

Posts taken up	at 2020		During the year		
	Date of award granted				
	Number of share options		Not		
	exercised at the beginning of the year		Cancellation/ lapse		
	Exercised during the year		the end of the year		
A Director, the chief executive or substantial shareholder of the Company or their associates	-	-	-	-	-
Other senior management and employees	835,500	716,250	-	183,453	532,797
Total:	835,500 copies	716,250 copies	-	183,453 copies	532,797 copies

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

The total number of options to be vested and exercisable from 12 months and 24 months after the 2020 grant date respectively; if the performance of the incentive scheme participants in the first two vesting periods has not met the target and the options have not vested, 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 third annual assessment and the fulfilment of the deferred vesting conditions, with the vesting ratio. The vesting ratio is the remaining unvested share options after excluding the lapsed portion of the share 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 2020 grant date.



Report of the Directors

During the reporting period, a total of 2,807,039 options under the 2019 Share Option Scheme lapsed or were cancelled. At the end of the period, 9,043,461 share options were not exercised.

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

Options exercised and shares issued

As mentioned above, no share options were granted by the Company during the reporting period.

Profit Sharing Plan

The profit sharing plan adopted by the Company on 5 July 2019 together with the share option scheme form the Company's long term incentive plan (not both)

The profit sharing scheme aims to attract, retain and motivate our key staff, including facility managers, engineers, IT, operations, junior management or those who have made exceptional contributions. It is planned that starting bonuses will be paid for actual annual profits achieved in 2019 and a percentage will be drawn in excess of the annual profit target. In the event of significant changes in the external operating environment, the Board of Directors will determine and adjust the terms of the profit-sharing plan in accordance with the actual circumstances. The amount of profit sharing is based on a combination of individual performance and company performance and is paid on a pro-rata basis over three years. Through this scheme, the Company hopes to provide employees with the opportunity to share in the dividends of the Company's development and to link their personal interests closely with the Company's performance, thereby enhancing the value of the Company.

Main business

The principal activities of the Company are the manufacture and sale of tyre products in the PRC and other global markets. An analysis of the Group's principal activities for the year ending 31 December 2022 is set out in note 1 to the consolidated financial statements.

Results

The financial results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 109 to 110 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 2022. This final dividend is subject to approval by the shareholders of the Company at the annual general meeting ("AGM") to be held on 22 May 2023 and will be payable on or about 12 June 2023 to shareholders whose names appear on the register of members of the Company as at 31 May 2023.

In accordance with the Law of the People's Republic of China on Enterprise Income Tax (the Regulations on the Implementation of the EIT Law of the People's Republic of China and the Circular of the State Administration of Taxation on Issues Relating to the Recognition of Overseas Registered Chinese Holding Enterprises as Resident Enterprises in accordance with the Criteria of the De Facto Management Body, 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 organisations 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, no corporate/personal income tax will be withheld and paid on behalf of the Company.

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 with its effective management in the PRC and which does not wish the Company to withhold and pay the above 10% EIT on its behalf should submit to Computershare Hong Kong Investor Services Limited by 4:30 p.m. on 25 May 2023 A document issued by the competent tax authority certifying that the Company is not required to withhold and pay corporate income tax in respect of the dividend to which it is entitled.

If you wish 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 at the date of registration of shareholdings. The Company will not be responsible for and will not entertain any claims or disputes regarding the withholding and payment of corporate income tax due to the identity of shareholders not being confirmed in a timely manner or inaccurately determined.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 16 May 2023 to Monday, 22 May 2023, both dates inclusive during which period no transfer of shares will be effected. For the purpose of determining the shareholders entitled to attend and vote at the Annual General Meeting to be held on Monday, 22 May 2023, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 1712-1716 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 15 May 2023. Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Subject to the approval of shareholders at the Annual General Meeting, the proposed final dividend will be paid to shareholders whose names appear on the register of members of the Company on Wednesday, 31 May 2023 being the record date for determining entitlement to the final dividend. The register of members of the Company will be closed from Monday, 29 May 2023 to Wednesday, 31 May 2023 (both dates inclusive) during which period no transfer of shares of the Company will be registered. 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 Thursday, 25 May 2023. The Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Dividend Policy

The Company has adopted a dividend policy ("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 ("Articles of Association")

As set out in the Company's prospectus dated 24 September 2018 ("Prospectus") the Group intends 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 the 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, manufacture and sale of tyres. It has three major product categories: all-steel radial tyres, semi-steel radial tyres and bias tyres, covering passenger, commercial, industrial, agricultural and some special vehicle tyres. The company pursues the core strategy of cost leadership, efficiency drive, differentiation 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. Poulin Chengshan is a green company that values safety, environmental protection, integrity, win-win situation and a strong sense of social responsibility.

Details are set out in the relevant sections of this chapter and in the "Management's Discussion and Analysis" section of this annual report under "Business Review and Outlook". The Company's revenue is derived primarily from the sale of tyres and the following table sets out a summary of financial ratios for the periods and dates indicated:

Financial Indicators	2022	For the year ended 31 December			
		2021	2020	2019	2018
Revenue growth ⁽¹⁾	8.2%	20.0%	12.4%	7.4%	7.6%
Net profit growth ⁽²⁾	42.5%	-54.3%	26.1%	0.2%	175.7%
Gross margin ⁽³⁾	14.3%	13.8%	22.3%	19.2%	19.3%
EBIT margin ⁽⁴⁾	5.2%	3.6%	11.0%	9.7%	10.9%
Net profit margin ⁽⁵⁾	4.8%	3.7%	9.6%	8.6%	9.2%
Return on equity ⁽⁶⁾	9.4%	7.2%	16.8%	14.9%	20.6%
Return on total assets ⁽⁷⁾	4.1%	3.3%	9.1%	8.7%	10.4%
Gearing ratio ⁽⁸⁾	55.4%	56.9%	49.5%	41.4%	42.1%
Trade receivables turnover days ⁽⁹⁾	61	67	67	63	68
Inventory turnover days ⁽¹⁰⁾	73	70	65	58	59



Report of the Directors

Notes:

- (1) Revenue growth = (revenue for the period / revenue for the previous period - 1) * 100%;
- (2) Net profit growth = (net profit for the period/net profit for the previous period - 1) * 100%;
- (3) Gross margin = (gross profit for the period/revenue for the period) * 100%;
- (4) EBIT margin = (profit before net finance costs and 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 total inventory + closing total inventory)/2/cost of goods sold in the period * 365 days.

The Company selected representative financial indicators from three categories, namely profitability, operating capacity and solvency, to analyse the Company's growth capability. The Company's financial indicators are solid, including revenue growth of approximately 8.2% and net profit growth of approximately 42.5% in 2022. the Company achieved profit before income tax of approximately RMB354.7 million in 2022, an increase of approximately 33.4% year-on-year. The increase in profitability was mainly due to the release of production capacity in Puling Thailand which enhanced the overall profitability of the Company. The Company's gearing ratio as at 31 December 2022 decreased by approximately 1.5 percentage points year-on-year, mainly due to the improvement in corporate profitability. While expanding its production capacity in an orderly manner, the Company has sufficient liquidity to maintain a consistently strong debt servicing capacity. The Company's trade receivables turnover days in 2022 will be around 61 days, a decrease of 6 days compared to 2021. Inventory turnover days are around 73 days, an increase of 3 days from 2021 due to the increased share of operations in Poh Lam Thailand, which has higher inventory turnover days than Poh Lam Shan Dong. In summary, the Company is highly competitive and has the operational management capability to continue to create value for shareholders.

II. Development Strategy of the Company

(i) Planning of the Company

1. With the vision and mission of "leading tyre innovation, contributing to smart mobility and sustainable development, and achieving a better life", the Group is determined to implement its four core development strategies of "cost leadership, efficiency drive, differentiation and global operation", grasp the development trend of the industry, and strive to enhance the innovation capability and core competitiveness of the enterprise to facilitate smart mobility and sustainable development.
2. The Group has formulated a medium to long term plan to achieve a stable future. Through the realisation of the strategic objectives, the Group will return to the leading position in the domestic industry, establish itself as a world-class tyre manufacturer and achieve technology-led tyre innovation.
3. With customer focus, market orientation and sales target as the evaluation tool, the Group has made precise efforts in six strategic dimensions, namely marketing, R&D, manufacturing, team, system and model, to build a world-class tyre manufacturer. The company's high quality development is supported by the synergy of the entire value chain, including procurement, supply chain, finance, manufacturing, quality, research and development, and marketing.
4. The Group has consolidated the construction of three teams of talents in management, research and development 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 internationalisation with localisation. Its four brands, Poulin, Chengshan, Aoton and Fushen, are developed differently to enhance brand competitiveness based on core products and to help each user explore a better life with the wisdom of new manufacturing and perceptible technology.
6. Based on the enhanced core research and development capabilities of the Company's multi-scale tyre full lifecycle manufacturing innovation centre, the Group has continued to enhance its value-added technology services to form a competitive edge in the market.
7. The Group is actively building the CS-LEAD model: "Construction of a two-level control system to match strategy, System Building team, Learning organization, Cultivation of an engineer culture of craftsmanship, Assessment & Inspiring mechanism, Dual Development channel for business and management" to achieve the goal of broadening employee growth channels and focusing on employees. We are committed to broadening the growth channels of our employees, paying attention to the

happiness index of our employees, and becoming a company where our employees feel happy and respected by our customers. The company will be a company that is welcomed by customers and respected by society.

(ii) Opportunities for the Company

1. The increase in vehicle ownership in the PRC, coupled with the introduction of relevant policies to regulate the production order of the industry, such as the restructuring of the industry and optimisation of the industrial layout, has driven the development of the tyre industry and brought opportunities for the Company's development.
2. The RCEP (Regional Comprehensive Economic Partnership) has brought development opportunities to the Chinese tyre market and enhanced the competitiveness of the tyre-related industry chain.
3. Against the backdrop of "Carbon Neutral", the Company has continued to promote a low-carbon energy structure, smart manufacturing and digital transformation in recent years, laying the foundation for the Company's low-carbon transformation and high-quality development.
4. The management system of the Company has been improved, the management team is relatively stable and the staff structure is reasonable, which has laid a good foundation of human resources for the development of the Company.
5. The Company has a reasonable capital structure, adequate cash flow and financial soundness, providing good financial conditions for leapfrog development.
6. With the establishment of sales companies in Europe and the Americas and a production base in Thailand, the Company's global production and operations are now well established and are more confident in meeting the challenges posed by the changing international landscape.
7. With the development of the in-depth cooperation model and tyre leasing business, the Company has further moved closer to the market and to the customers, enhancing our ability to respond quickly to customer needs and providing more prompt and valuable services to our customers.

III. The Company's Environmental Policy and Performance

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 course of production comply with national emission standards and disposal requirements. Hazardous waste is stored and disposed of in accordance with statutory requirements. The Company has an Environmental Compliance Obligation Identification Management Program and an Environmental Information Exchange Management Program to receive national and local policies and regulatory requirements on environmental protection and to take corresponding actions.

IV. Future Outlook

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

V. Risks and uncertainties and compliance with relevant legislation and regulations

The principal risks and uncertainties to which the Group may be exposed and compliance with relevant legislation and regulations are set out in the "Management 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 pages 4 to 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

Major Customers and Suppliers

Major Clients

For the year ended 31 December 2022, the Group's top five customers accounted for approximately 17.8% (2021: 21.2%) of the Group's total revenue and the Group's single largest customer accounted for approximately 9.1% (2021: 8.1%) of the Group's total revenue.

Main suppliers

For the year ended 31 December 2022, the Group's top five suppliers accounted for approximately 23.7% (2021: 24.5%) of the Group's total purchases and the single largest supplier of the Group accounted for approximately 10.3% (2021: 9.6%) of the Group's total purchases.

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.



Report of the Directors

Reserves available for distribution

As at 31 December 2022, the Company's distributable reserves amounted to approximately RMB2,215.3 million (as at 31 December 2021: approximately RMB2,211.0 million)

Bank borrowings and other borrowings

Details of the Group's bank borrowings and other borrowings as at 31 December 2022 are set out in note 28 to the consolidated financial statements.

Director

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

Executive Directors:

Che
Bo
Zhen
Shi Fu
Tao
Cao
Xue
Yu

Non-executive Directors:

Che
Hongz
hi
Wang
Lei
Shao
Quanf
eng

Independent non-executive directors:

Zhang
Xuem
o Cai
Zijie
Wang
Chuan
sheng

In accordance with Article 108 of the Articles of Association, Ms. Cao Xueyu, Mr. Shao Quanfeng and

Mr. Wang Chuansheng shall retire from office 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 shareholders in due course.

Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out on pages 45 to 52 of this Annual Report.

Confirmation of independence of independent non-executive directors

The Company has received confirmation from each of the independent non-executive Directors 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 2022.

Directors' Service Contracts and Letters of Engagement

No director has a service contract with the Group which is not determinable within one year without payment of compensation (other than statutory compensation). 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 36 to the consolidated financial statements, none of the Directors or entities connected with 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 Contracts

During the reporting period and up to the date of this annual report, no contracts were entered into or entered into by the Company in respect of the management and administration of the whole or any substantial part of the business.

Remuneration Policy

The primary role of the Company's Nomination and Remuneration Committee is to make recommendations to the Board on the appointment of Directors, the 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 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 terms of employment 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 Schemes

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

Report of the Directors

Equity-linked Agreement

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

Changes in Directors' Information

The following changes in information relating to any of the Directors are required to be disclosed between the date of the Interim Report 2022 and the date of this report:-

Name of Director	Details of Changes
Mr. Choi Tze Kit	Choi ceased to be a member of the Professional Conduct Committee and a member of the Investigation Panel of the Hong Kong Institute of Certified Public Accountants with effect from 31 December 2022 and became a member of the Promotion and Communications Committee of the Hong Kong Institute of Certified Public Accountants with effect from 1 January 2023.

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 of the Directors.

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

As at 31 December 2022, the Directors and chief executives 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 the SFO) (including interests and short positions which they are taken or deemed to have under such provisions of the SFO). (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO or which have been 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 Model Code for Securities Transactions by Directors of Listed Issuers Model Code" as set out in Appendix 10 of the Listing Rules are as follows:

Name	Nature of identity/interest	Number of shares	Good position/short position	Shareholding in the Company Approximate percentage of
Mr. Che Hong Chi	Spouse's interests	441,859,500	Good	69.43%

Warehouse

Mr. Che Po Zhen	Interest in controlled corporations	(Note 1) 441,859,500	Good Warehouse	69.43%
	Beneficial owner	(Note 2) 580,000	Good Warehouse	0.09%
Mr. Shi Fu Tao	Beneficial owner	(Note 3) 5,664,000	Good Warehouse	0.89%
	Beneficial owner	(Note 4) 773,000	Good Warehouse	0.12%
(Note 5)				

Report of the Directors

Notes:

- (1) Mr. Chee Wang Chee is the spouse of Ms. Li Sau Heung. He is thereby deemed to be interested in all the shares in which Ms. Li Sau Heung is interested.
- (2) As at 31 December 2022, 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 39.79% equity interest in the Chengshan Group. As a result, Mr. Che Baozhen, Shanghai Chengzhan and Beijing Zhongmingshan are deemed to be interested in the interests of the Chengshan Group.
- (3) As at 31 December 2022, Mr. Che Po Zhen was interested in these shares through the options granted under the share option scheme under the physically settled equity derivatives.
- (4) As at 31 December 2022, 5,512,000 of these shares held by Mr. Shek Fu To 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 2022, 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 636,440,000 shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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 are 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 2022 was the Company or its subsidiaries a party to any arrangement to enable the Directors or the Company 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 his spouse or children under 18 years of age was granted any right to subscribe for equity or debt securities of the Company or any other body corporate or had exercised any such right. or debt securities of the Company or any other body corporate, or has exercised any such rights.

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

As at 31 December 2022, 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 the Company Approximate percentage
China National Heavy Duty Truck (Hong Kong) Investment Holdings Limited	Beneficial owner	61,400,000 (Note 1) 61,400,000	Good position	9.65%
China National Heavy Duty Truck (Hong Kong) International Capital	Interest in controlled corporation		warehouse use, good position	
Limited			warehouse use	
China National Heavy Duty Truck (Hong Kong) Co., Ltd.	Interest in controlled corporations	(Note 1) 61,400,000	Good Warehouse	9.65%
Sinotruk (BVI) Limited	Interest in controlled corporations	(Note 1) 61,400,000	Good Warehouse	9.65%
China Heavy Duty Vehicle Group Limited	Interest in controlled corporations	(Note 1) 61,400,000	Good Warehouse	9.65%
Chengshan Group	Beneficial owner	(Note 1) 441,859,500	Good Warehouse	69.43%

Beijing Zhongmingxin	Interest in controlled corporations	(Note 2) 441,859,500	Good Warehouse	69.43%
Shanghai Chengzhan	Interest in controlled corporations	(Note 2) 441,859,500	Good Warehouse	69.43%
Ms. Li Xiuxiang	Interest in controlled corporations	(Note 2) 441,859,500	Good Warehouse	69.43%
Ms. Bi Man Ching	Spouse's interests	(Note 2) 442,439,500	Good Warehouse	69.52%
(Note 3)				

Notes:

- (1) As at 31 December 2022, 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) International Capital Limited, which in turn holds 100% of the issued share capital of China National Heavy Duty Truck (Hong Kong) Investment Holdings Limited, which in turn holds 61,400,000 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 Vehicle (Hong Kong) International Capital Limited is deemed to be interested in the 61,400,000 shares held by China National Heavy Industry Vehicle (Hong Kong) Investment Holdings Limited.
- (2) As at 31 December 2022, 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 39.79% 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. Chebaozhen. As such, she is deemed to be interested in all the shares in which Mr. Chee Bo Zhen is interested.
- (4) Based on the total number of 636,440,000 shares in issue as at 31 December 2022.

Report of the Directors

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any other person (not being a Director and chief executive of the Company) who holds 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 2022.

Right of First Refusal

There are no provisions for pre-emptive rights under the Articles of Association and Cayman Islands law 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 or estate duty.

No Competition Pledge

Chengshan Group, Mr. Che Hongzhi, the chairman of the board of directors and a non-executive director of the Company, Ms. Li Xiuxiang, Mr. Che Baozhen, an executive director and the chief executive officer of the Company, Ms. Bi Wenjing, 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, Rongcheng Rongcheng Hao Cheng Equity Investment Centre and Beijing Baichuan Tong Consulting Company Limited ("Beijing Baichuan Tong") ("Signing Non-Competition Deed Controlling Shareholders") being the then controlling shareholders of the Company, entered into a non-competition deed dated 10 September 2018 ("Non-Competition Deed"), 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 hold 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) a business which competes or is likely to compete with the Company's business of manufacturing tyres and the business of selling tyres in the PRC. (whether as a shareholder, partner, agent or otherwise) such business.

For details of the Deeds of Non-Competition, please refer to the section "Relationship with Controlling Shareholders" in the Prospectus.



Report of the Directors

On 19 June 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 39.79% equity interest in the 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 from the controlling shareholders a signed annual confirmation that they have complied with the non-competition covenant 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 2022.

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 2022 which was significant in relation to the Group's business, including for the provision of services to the Group.

Shareholders have waived or agreed to waive the dividend

For the year ended 31 December 2022, 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. 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 under Chapter 14A of the Listing Rules in respect of the above related party transactions.

Continuing Connected Transactions

During the year ended 31 December 2022, the Group has entered into the following continuing connected transactions:

Name of relevant connected person with the Group	Nature of Transaction	Relationship	Up to 2022	Up to 2022
			Until 31	Until 31
			December	December
			Annual Period	Annual Period
			Annual cap	Actual transaction amount
			(RMB'000)	(RMB'000)
Chengshan Group	Chengshan Group is the controlling shareholder	Property Leasing	8,000	7,439
Wing Shing Shing Shan Energy Services Limited ("Wing Shing Shing Shan Energy Saving Service")	Rongcheng Chengshan Energy Services is a wholly-owned subsidiary of the controlling shareholder Chengshan Group	Energy Management	5,000	4,838
Wing Shing Shing Shan Properties Limited ("Wing Shing Shing Shan Property")	Rongcheng Chengshan Property is wholly owned by the controlling shareholder, Chengshan Group	Property Services	6,400	5,964

Leasing of property from the Seng Shan 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 1 March 2018 until 28 February 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) Tyres 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 property is the same as the original Property Lease Agreement. The term is 34 months commencing on 1 March 2021 and ending on 31 December 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.



Report of the Directors

As the Group has previously leased certain properties from the Chengshan Group for 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 agreements if the relevant rental charges and other terms are favourable to the Group.

Accordingly, Poulin (Shandong) Tyres leased from the Chengshan Group (i) certain 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 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. 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.

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 Group's transactions under the Property Lease Agreement for the year ending 31 December 2022 is beneficial to the Company and the lease amount for such continuing connected transactions for the year ending 31 December 2022 is capped at RMB8.0 million, while the actual transaction amount for such year is approximately RMB7.4 million.

Procurement of Property Services from Wing Shing Shing Shan Properties

On 5 January 2018, Poulin (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 and ending on 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) Tyres and Rongcheng Chengshan Property entered into a property services agreement for 2021 ~~2021~~ **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 on 1 January 2021 and ending on 31 December 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 engaged the Chengshan Group; and (iii) the prevailing market prices for similar services in the PRC.

The principal activities of the Chengshan Group include 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 therefore the Directors consider that in order to avoid undue 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.

Report of the Directors

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) Tyres.

Through the transactions contemplated under the Property Services Agreement, the Group will continue to procure property services from Wingson Properties. Wing Shing Shing Shan Properties has extensive professional experience and sufficient workforce to provide integrated property services. Accordingly, the Directors (including the independent non-executive Directors) consider that the continuation of the Group's transactions under the Property Services Agreement for the year ending 31 December 2022 is beneficial to the Company and that the purchase amount for these continuing connected transactions for the year ending 31 December 2022 is capped at RMB6.4 million and the actual transaction amount for such year is approximately RMB6.0 million.

Purchase of energy saving services from Wing Seng Seng Shan Energy Saving Services

On 28 March 2018, Pulin (Shandong) Tyres entered into an energy management framework agreement ~~Energy Management Framework Agreement~~ with Rongcheng Chengshan Energy Saving Services for a term commencing from 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) Tyres and Rongcheng Chengshan Energy Services entered into the 2021 Energy Management Framework Agreement ~~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 from 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 implementation of the energy saving service, the contracting parties, after on-site tests and technical exchanges, unanimously agreed that if the energy saving service of Rongcheng Chengshan is useful to Pulin

(The implementation of energy-saving improvements to the energy system of Pulin (Shandong) Tyre will result in significant energy-saving benefits for Pulin (Shandong) Tyre. The arrangement with the Chengshan Group has been in place for several years and will enable Pulin (Shandong) Tyre achieve its goal of reducing electricity consumption costs while ensuring the smooth operation of the energy saving renovation project. The Directors therefore consider that it would be 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 under the 2021 Energy Management Framework Agreement after arm's length negotiations between Rongcheng Chengshan Energy Saving Services and Puling (Shandong) Tyres with reference to the prevailing prices, 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 under the Energy Management Framework Agreement. In addition, the two parties intend to add an energy saving retrofit project for the energy system and carry out a dedicated energy saving service, which mainly includes the energy saving retrofit of the existing energy system of the air compressor system, pump system and electrical 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. Puling (Shandong) Tyre will be able to cover the cost of its investment in energy saving projects with energy saving revenue, thereby reducing the pressure on its 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 2022 is beneficial to the Company and that the revised cap for these continuing connected transactions for the year ending 31 December 2022 in respect of the purchase amount is RMB5.0 million, while the actual transaction amount for the year is approximately RMB4.8 million.

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

For the purpose of the 2021 Property Lease Agreement, the transaction under the 2021 Property Lease Agreement is regarded as an asset acquisition under Rule 14.04(1)(a) of the Listing Rules. The value of the right-to-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") 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. It is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Report of the Directors

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 and the Company's announcement dated 18 December 2020. During the reporting period, the Group followed these pricing policies and guidelines in respect of the values and transaction terms under which it entered into continuing connected transactions.

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

- (i) entered into in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) It was conducted in accordance with the agreement governing the transaction on terms that were 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 and has followed the policies and guidelines set out in the relevant connected transaction announcements and circulars in determining the prices and terms of the continuing connected transactions during the reporting period.

The Company's auditors have been 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 which are required to be disclosed under the provisions of Chapter 14A of the Listing Rules relating to disclosure of connected transactions.

Sanctioned business activities

For the year ended 31 December 2022, the Company has met its commitments to the Stock Exchange in relation 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 United States 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 - Business Activities 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's charitable donations and other contributions amounted to approximately RM2,672 (2021: Nil)

Major legal proceedings

During the year ended 31 December 2022, the Company was not involved in any legal proceedings or arbitration of material importance. To the best of the Directors' knowledge, there is also no litigation or claim of material importance 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 acting in relation to 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, or any of their executors or administrators, shall or may incur or sustain in or about the execution of their duties or in relation to their respective offices or trusts. Any actions, costs, charges, losses, damages and expenses which may be incurred or suffered by him or any of them, or by any of their executors or administrators, in or about the execution of their duties or the supposed duties of their respective offices or trusts, by reason of any act done, agreed to or omitted to be done by them, shall be indemnified and secured against all actions, costs, charges, losses, damages and expenses which may be incurred or suffered by them or any of them, or by any of their executors or administrators, in the execution of their duties or the supposed duties of their respective offices or trusts, otherwise than by their own fraud or dishonesty, if any. 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 drawn 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 relation thereto. Any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts or in relation thereto, but not by 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 the 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) in respect of any breach of duty on the part of the Company, the Company may offer to pay to the Company or the Directors (and/or other officers) or any of them for the benefit of the Company (b) to pay premiums or other sums for the purpose of maintaining insurance, bonds or other instruments.

Report of the Directors

Specific performance obligations of the Controlling Shareholder in respect of the Facility Agreement

On 17 March 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 respect of a \$ 90 million facility for a term of for a period of four years from the date of the Agreement.

Under the Agreement, Prinx Thailand shall procure that:

- (a) Mr. Chee Bo Zhen, Mr. Chee Wang Chi and Ms. Li Sau Heung (Controlling Shareholders) remain the single largest shareholder of the Company; and
- (b) The controlling shareholder retains management control of the Company.

In the event of a breach of certain performance obligations, the Lender will, among other things, be entitled to cancel the commitments under the Agreement and declare immediate repayment of the entire outstanding loan 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 3 July 2021 to amend and restate the Agreement (the "Amended Agreement"), pursuant to which the total 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 beneficially owned, directly and indirectly, 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.

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 31 December 2022.



Report of the Directors

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 82 to 82 of this Annual Report.

A 103-page 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 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 2022. 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
Chairman and Non-Executive
Director
CHE WANG CHI

Hong Kong, 31 March 2023

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2022.

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to protect shareholders' interests and enhance corporate value and accountability 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. The Company has adopted the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (CG Code) as its own corporate governance code. During the year ended 31 December 2022, the Company has complied with the applicable code provisions under Part II of the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

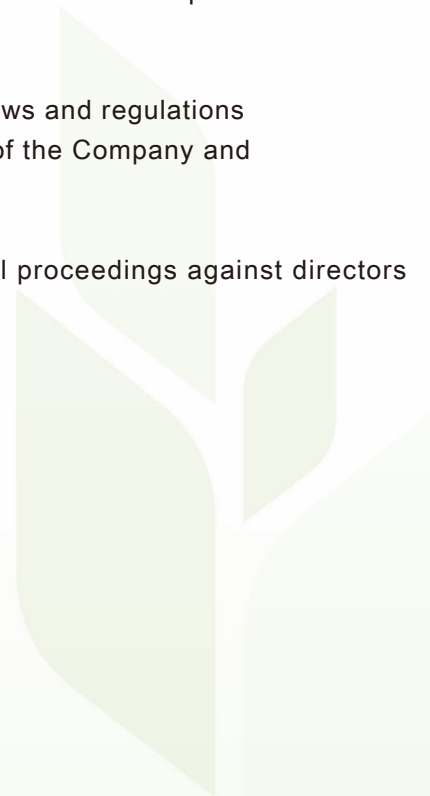
Board of Directors

Responsibility

The Board is responsible for the overall leadership of the Group and oversees the Group's strategic decisions as well as monitoring the business and performance. The Board has delegated authority and responsibility for the day-to-day management and operations of the Group to the Group's senior management. To oversee specific aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee (Audit Committee"), the Nomination and Remuneration Committee (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.





Corporate Governance Report

Board Composition

As at the date of this annual report, the Board comprises 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
Xuem
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 2022, 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 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 chief executives, other than those disclosed in the Directors' biographical information contained in the section headed "Directors and Senior Management" in this Annual Report.

All Directors, including the Independent Non-Executive Directors bring to the Board a diverse and valuable range of business experience, knowledge and expertise 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 organisations 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.

Entry and Continuing Professional Development

All newly appointed Directors are provided with the necessary induction 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 existing directors have received relevant training on corporate governance and regulatory issues and records of their training have been provided. 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 2022 is as follows:

Name of Director	Training Format	Training Content
Executive Director		
Che Po Zhen	Conferences / Seminars / Training Courses	Legal/governance/business operations/industry related
Shi Fu Tao	Conferences / Seminars / Training Courses	Legal/governance/industry-related/capital markets
Cao Xueyu	Conferences / Seminars / Training Courses	Legal / Corporate Governance / Accounting
Non-Executive Directors		
CHE WANG CHI	Conferences / Seminars / Training Courses	Industry Related/Legal Regulations/Corporate Governance
Wang Lei	Conferences / Seminars / Training Courses	Industry Related/Legal Regulations/Corporate Governance
Shao Quanfeng	Conferences / Seminars / Training Courses	Industry Related/Legal Regulations/Corporate Governance
Independent Non-Executive Directors		
CHEUNG Hok-man	Conferences / Seminars / Training Courses	Industry-related/legal/capital markets
CHOI TSZ KIT	Conferences / Seminars / Training Courses	Legal / Corporate Governance / Accounting / Taxation
WONG Chuen-sang	Conferences / Seminars / Training Courses	Industry related/legal regulations



Corporate Governance Report

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 are currently held by Mr. Chee Wang Chee and Mr. Chee Po Chun respectively, with a clear separation of functions between the two 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.

The Chief Executive Officer, Mr. Chee Bo Zhen, is the son of the Chairman, Mr. Chee Wang Chee.

Appointment and re-election of directors

Each of the executive directors has entered into a service contract with the Company for a specific term of three years, subject to termination in accordance with the terms of the service contract, which will automatically be renewed upon expiry.

Each of the non-executive directors has entered into a letter of appointment with the Company for a term of three years which is terminable in accordance with the terms of the service contract and the letter of appointment is automatically renewed upon expiry.

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 2022, subject to termination in accordance with the terms of the service contract, which will be automatically renewed upon expiry.

No director 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 from office 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 to increase the membership of the Board or to fill a casual vacancy on the Board shall be subject to re-election by the shareholders at the first annual 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 approval by a separate resolution at the annual general meeting.

Corporate Governance Report

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.

For details of the Directors retiring by rotation and standing for re-election at the Annual General Meeting, please refer to the section headed "Report of the Directors" in this year's report.

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 regular meetings and discuss the business on the agenda.

For other Board and Board committee meetings, the Company gives reasonable notice. Notice of meetings, which includes an agenda and relevant Board papers, is given to the Directors or committee members at least three days before the date of the Board meeting or Board committee meeting to ensure that the Directors have sufficient time to review the papers and are adequately prepared to attend the meeting. If a Director or a member of a committee 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 will be sent to the Directors for their consideration within a reasonable time after the meeting. Minutes of Board meetings are open for inspection by all Directors.

Standard Code for dealing in securities

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2022.

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 2022, the Company was not aware of any non-compliance with the Model Code by any relevant employees of the Company.

Authorisation from the Board

The Board reserves the right to make decisions on all major issues of the Company, including: approval and oversight of all policy matters, overall strategy and budgeting, internal controls 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. 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 Functions

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) Reviewing and monitoring the training and continuing 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) review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- (f) To review and monitor the Company's compliance with the Company's whistleblowing 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 resignation or dismissal of that auditor;
2. to monitor the integrity of the financial statements, annual report and accounts, interim report and, if prepared for publication quarterly reports, and to review significant financial reporting judgements contained therein;
3. Overseeing the Company's risk management, financial reporting systems 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 key tasks of the Audit

Committee in FY2022 are as follows:

- Review of the Annual Audit Plan 2022 report;
- Review of the 2021 Annual Financial Report;
- Review of the 2022 interim results report;
- To discuss tax compliance issues;
- review of the Company's internal controls over connected transactions and continuing connected transactions;
- discuss and review the Company's 2022 Internal Audit Report and 2023 Internal Audit Plan; and
- To discuss and review the Company's internal control system.

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2022.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently comprises three members, namely two independent non-executive directors, Mr. Cheung Hok-wo (Chairman) and Mr. Choi Chi-kit, and an executive director, Mr. Chee Bo-chun.

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 main 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 complement the Company's corporate strategy;
2. To make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
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. making 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 on succession planning for Directors, in particular the Chairman of the Board and the Managing Director;
7. (b) 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 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, where they are

not, are reasonable and appropriate;

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

Corporate Governance Report

12. to review the policy for reimbursement of expenses by the directors and senior management of the Company and its subsidiaries and associated companies 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 associated companies, or of the businesses carried on by its present subsidiaries and associated companies or, as the case may be, their predecessors;
13. assessing the independence of the independent non-executive directors; and
14. To review and/or approve matters relating to the Share Plan as set out in Chapter 17 of the Listing Rules.

The Company has adopted a nomination policy. In accordance with the Nomination Policy, the Nomination and Remuneration Committee evaluates, selects and recommends to the Board candidates for election as Directors based on criteria such as integrity, achievements and experience in the tyre 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 Remuneration Committee will subsequently be submitted to the Board for decision.

The main tasks of the Nomination and Remuneration Committee in FY2022 are as follows:

- to review the structure, size and composition of the Board;
- Review of the Board's Diversity Policy;
- Reviewing the remuneration of directors and senior management for 2021 and making recommendations to the Board for adjustments;
- To assess the performance of the Executive Directors;
- Review the remuneration policy and structure for directors and senior management of the Company for 2022;
- Discussion, review of the remuneration of the independent non-executive directors and confirmation of the contractual terms of appointment of the independent non-executive directors;
- discussion, review of the remuneration of the non-executive directors and confirmation of the terms of the contracts of service of the non-executive directors;
- To discuss and review the recruitment and remuneration of senior management;
- Discussion, review of organisational structure;
- To discuss and review the second grant of the Company's 2021 Share Option Scheme;

- To discuss and review the motion for the resignation of the Joint Company Secretary of the Company;
- consideration of re-election of retiring directors at the 2022 annual general meeting; and
- Review whether there are independent non-executive directors who are or were directors of seven or more companies.



Corporate Governance Report

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

a mechanism to ensure that the Board has access to independent views and opinions

To ensure that the Board receives independent advice and recommendations from the independent non-executive directors, the Nomination and Remuneration Committee and the Board endeavour to assess the independence of the directors on an annual basis in relation to all relevant factors relating to the independent non-executive directors, including the following:

- Possess the character, integrity, professional knowledge, experience and stability necessary for the performance of his or her duties;
- the time and attention devoted to the Company's affairs;
- A firm commitment to its independent role and to the Board;
- a declaration of his conflict of interest as an independent non-executive director;
- is not involved in the day-to-day management of the Company and is not involved in any relationship or situation that would impair its independent judgment; and
- The Chairman meets regularly with the Independent Non-Executive Directors in the absence of the Executive Directors.

During the reporting period, the Company has reviewed the implementation and effectiveness of these mechanisms and considers them to be effective and adequate.

Directors' remuneration

The Company has fully disclosed the remuneration of its directors and has disclosed it in note 10 to the consolidated financial statements in accordance with their names, amounts and categories. None of the Directors have waived or agreed to waive their remuneration for the year ending 31 December 2022.

Remuneration of senior management

The remuneration of the Company's senior management, whose biographical details are set out on pages 45 to 52 of this annual report for the year ended 31 December 2022 is set out below:

Level of remuneration Management	Number of Senior
HK\$1,000,001 to HK\$2,000,000 (approximately RMB893,301 to RMB1,786,600)	3
HK\$2,000,001 to HK\$3,000,000 (approximately RMB1,786,601 to RMB2,679,900)	1
HK\$3,000,001 to HK\$4,000,000 (approximately RMB2,679,901 to RMB3,573,200)	-
HK\$4,000,001 to HK\$5,000,000 (approximately RMB3,573,201 to RMB4,466,500)	-
HK\$5,000,001 to HK\$6,000,000 (approximately RMB4,466,501 to RMB5,359,800)	1

Board Member Diversity Policy

The Company believes that diversity on the Board 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 diversity on the Board is considered in the composition of the Company's Board from a number of perspectives, including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments to the Board will be made on the basis of merit and the benefits of diversity on the Board will be 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 contribution to the Board. The Company is committed to maintaining gender diversity on the Board and to avoid having a single gender Board.



Corporate Governance Report

During the reporting period, the Board, through the Nomination and Remuneration Committee, has reviewed the implementation and effectiveness of the Board's policy on diversity of Board members and has confirmed that the Board has the appropriate mix of skills and experience required to implement the Company's policy.

As at the date of this Annual Report, the Board comprises nine Directors, including one female Director. The Company considers that gender diversity has been achieved on the Board. The Company will continue to maintain at least one female director on the Board and is committed to improving gender diversity in the search for suitable candidates. Three of the Board members are independent non-executive directors to 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.

In view of the expansion of the Group's domestic and overseas markets and operations, the Company has set the following board diversity target: within three years, through training or selection, to ensure that the board includes directors of the following professional competence and experience:

- 1) a global perspective and legal-related professional background to monitor the international legal environment and improve risk prevention mechanisms in the context of the implementation of the Group's internationalisation strategy; and
- 2) We have the industry background and expertise to deepen synergies up and down the supply chain.

In 2022, the Group has adopted a combination of training and practical experience to enhance the international operational capabilities of the Board members. We are actively working to equip the Board with these competencies and experience in the coming year 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 the light of operational and development needs, and monitor progress towards achieving these objectives.

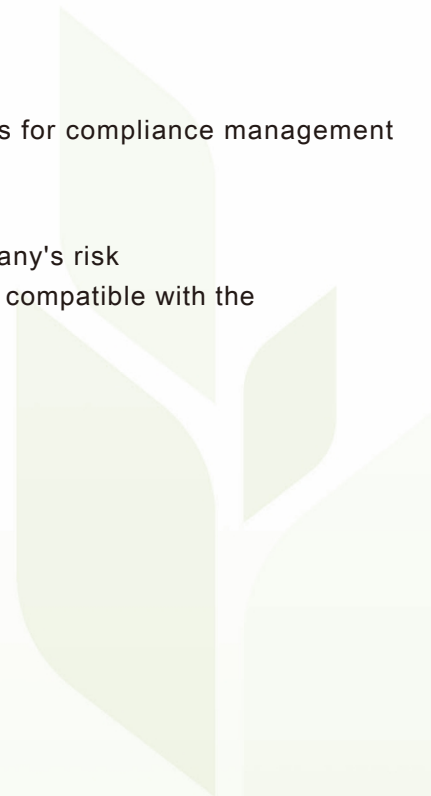
As at 31 December 2022, the proportion of female and male employees (excluding directors) in the Group was approximately 31.9% and 68.1% respectively. Accordingly, the Company also considers that it has generally achieved gender diversity in its workforce. The Group will continue to consider diversity perspectives, including gender diversity, in its recruitment.

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 Stock Exchange's website and the Company's website. 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, analyse and monitor the current state of the international and domestic industry;
3. Knowledge and understanding of relevant national policies;
4. To examine the short, medium and long term development strategies of the Company or their related issues;
5. Advising on the Company's long-term development strategy, major investments, reforms and other major decisions;
6. Review and approval of the Development Strategy Special Study Report;
7. To produce daily research reports on a regular or irregular basis;
8. Reviewing and advising on the overall objectives and underlying policies for compliance management and risk management, including ESG aspects;
9. to specify the strategic structure and resources to be used for the Company's risk management, including significant ESG risks, and to ensure that they are compatible with the Company's internal risk management policies;



10. To review and advise on the institutional set-up and responsibilities for compliance management and risk management, including ESG aspects; to oversee the Company's risk management and internal control systems on an ongoing basis, including for significant ESG risks, and to ensure that the effectiveness of the Company's and its subsidiaries' risk management and internal control systems are reviewed at least annually. Such review should cover all material aspects of control, including financial controls, operational controls and compliance controls and should include, in particular:
 - 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 the external environment;
 - ii. Management's ongoing monitoring of the scope and quality of work of the risk and internal control systems and their internal audit function;
 - iii. the level of detail and frequency of communication of control findings to the Board (or its specialist 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 arising therefrom
 - v. the effectiveness of the Company's procedures in relation to 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. Assessing and advising on the risks of major decisions that require Board consideration and approval and the resolution of related significant risks;
13. Establishing material risk thresholds and regular assessments of significant ESG risks;
14. Overseeing, reviewing and advising the Board on relevant risk management policies, including significant ESG risks;
15. Assessing and determining the Company's ESG-related risks and opportunities;
16. ensure that there is a proper and effective ESG risk management and internal control system 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. to review and make recommendations on compliance reports and risk assessment reports that are subject to review by the Board; and

Corporate Governance Report

20. To perform such other duties as the Board may determine and as may be required by the listing rules or regulatory requirements of the place where the shares of the Company are listed. The principal tasks of the Development Strategy and Risk Management Committee in FY2022 are as follows:

- To study the development strategy of the Company, discuss and review the medium and long-term strategic planning;
- To provide ongoing oversight of the Company's risk management and internal control systems and to advise on the Company's compliance management;
- Advising on the Company's ESG policy and regularly discussing, reviewing and monitoring progress on ESG;
- discuss and review the Company's annual ESG report;
- discuss and review the Company's industry analysis reports;
- discuss and review the Company's anti-corruption policy and whistleblowing policy; and
- To discuss and review a motion to amend the Memorandum and Articles of Association.

Minutes of Directors' Attendance

During the year ended 31 December 2022, the Company held four Board meetings, four 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 2022 are set out in the following table:

Name of Director	Board of Directors	Audit Committee	Nomination and Remuneration Committee	Development Strategy and Risk Management Committee	Annual General Meeting
Mr. Che Po Zhen	4/4		3/3		1/1
Ms. Cao Xueyu	4/4				1/1

Mr. Shi Fu Tao	4/4				1/1
Mr. Che Hong Chi	4/4			4/4	1/1
Mr. Lei Wang	4/4				1/1
Mr. Shao Quanfeng	4/4				1/1
Mr. Zhang Xuemo	4/4	4/4	3/3	4/4	1/1
Mr. Choi Tze Kit	4/4	4/4	3/3		1/1
Mr. Wang Chuansheng	4/4	4/4		4/4	1/1

The Company arranges at least four regular Board meetings and as many Board committee meetings as specified in 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 Independent Non-Executive Directors without the presence of the Executive 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 2022, 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 with the necessary explanations and information to enable the Board to make an informed assessment of the Company's financial statements presented to the Board for approval.

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

A statement by the auditors about their reporting responsibilities in respect of the Company's consolidated financial statements is set out in the Independent Auditor's Report on pages 104 to 108 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 risk, financial risk, compliance risk and operational and other risks. The Board recognises its responsibility for the Group's risk management and internal control systems and has a 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 authorised by the Board to monitor, on an ongoing basis, the Group's risk management (including sanctions exposures) and the implementation of the Group's related internal control procedures. 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.

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The Group has established a robust 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 tyre industry trends and changes in laws and regulations in various jurisdictions, and assesses the income and expenditure profile and absorbability of capacity expansion and overseas investments. The Group's risk management process clearly defines the management responsibilities, authorisations and approvals of each party in relation to the identification and management of key risks and has clear written policies on key risk management processes that are communicated to all its management and employees. The Group has adopted a range of internal control policies, procedures and plans designed to provide reasonable assurance that objectives are being achieved, 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, thereby ensuring the achievement of corporate operating objectives, the Group has established a relatively independent internal audit department to establish a sound internal control system, the Group relies on an independent consultancy review function and has engaged an international consulting firm (Consulting Firm") to provide the Group with corporate governance internal control consulting services for a period of three years from June 2019. The agreement was renewed for a further three years following its expiry in June 2022. On the one hand, it will evaluate the Group's internal control and risk management from a more objective and independent perspective, with a view to enhancing the level of internal control and management in general; on the other hand, the internal audit department of the Company has participated in the internal control evaluation activities of the Group by the team of the Consulting Firm throughout the process, and will continue to learn useful experience, which will also enhance the professional capacity 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 legal compliance in relation to 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 controls implemented by the management.

In conducting its affairs, the Group makes due reference to the disclosure requirements under the Listing Rules and to the requirements set out by the Securities and Futures Commission of Hong Kong in 2012. The "Guidelines on Disclosure of Inside Information" were issued in June.

The Company has established a system, including external information release management requirements, processes and procedures, to comply with its disclosure obligations in relation to price sensitive information and/or inside information. The key steps involved are as follows:

- the adoption by the Board and the Company Secretary of regular financial and operating reports to enable systematic and timely identification of the existence of insider information;
- monitoring business and corporate developments and events through core management to enable timely identification of information that may constitute inside information;



Corporate Governance Report

- make extensive disclosure to the public through financial reports, announcements and the company's website;
- Ensure that inside information is kept strictly confidential until it is disclosed to the public; and
- To authorise designated persons (including directors, company secretaries and board office managers) to engage in dialogue with shareholders, investors, analysts, etc., subject to compliance with the relevant disclosure obligations and requirements of the Listing Rules.

The system remains in place. The Company will also continue its efforts to further enhance its role in business operations, corporate development and compliance with laws and regulations.

The Group has taken steps to ensure the effective implementation of the internal control system by setting up a team to organize and review the Group's internal control system and to 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 systems. The Board and management have conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2022 and have 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 2022 is set out below:

Service Categories	Amount(RMB yuan)
Auditing Services	4,000,000
Non-audit services regarding tax advice	694,000
Total	4,694,000

Company Secretary

On 29 March 2019, the Company appointed Ms. Cao, an Executive Director, as the Joint Company Secretary of the Company. On 1 September 2022, Ms. Szeto, the joint company secretary of the Company, resigned from such position and Ms. Cao became the sole company secretary of the Company with effect from that date.

Details of the resignation of the Joint Company Secretary are set out in the announcement of the Company dated 1 September 2022.

For the year ended 31 December 2022, Ms. Cao and Ms. Szeto have undertaken 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 Board adopted a shareholder communication policy on 9 October 2018. The Board reviewed the Shareholder Communications Policy during the year ended 31 December 2022 to ensure its implementation status and effectiveness. With the following measures in place, the Company considers that the Shareholder Communications Policy has been effectively implemented during the reporting period.

Objectives

The purpose of the Shareholder Communication Policy is to ensure that the Company's shareholders, including individual and institutional shareholders and potential investors, communicate with each other in a manner that enhances shareholder value in the long term. The approach set out in the policy is to ensure that shareholders and potential investors, including analysts who report and analyse the Company's performance, have timely access to information about the Company, thereby enabling shareholders to exercise their rights in an informed manner on the one hand, and enhancing communication with the Company on the other.

General Policy

The Board maintains an ongoing dialogue with shareholders and potential investors. The Board will regularly review the shareholder communication policy to ensure its effectiveness.

The main channels through which the Company communicates information to shareholders and potential investors are: the Company's financial reports (interim and annual reports) the annual general meeting and other general meetings that may be convened; and the publication of all disclosures submitted to the Stock Exchange and in corporate communications on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.prinxchengshan.com).).

The Company always ensures that information is communicated to shareholders and potential investors in an effective and timely manner.

Communication channels

Shareholder Enquiries

The contact details of the Company are set out on the Company's website to enable shareholders to make any enquiries relating to the Company.

Shareholders who have any questions about their shareholdings should raise them with the Company's branch share registrar in Hong Kong and provide details of their communications.





Corporate Governance Report

Corporate Communications

Corporate communications (as defined in the Listing Rules) to shareholders, any document issued or to be issued by the Company for the information or action of shareholders, including but not limited to (i) the directors' report, annual accounts together with the auditors' report; (ii) annual and interim reports; (iii) notices of meetings; (iv) listing documents; (v) circulars; and (vi) proxy forms, should be promptly (v) circulars; and (vi) proxy forms, which should be delivered to shareholders in a timely manner and in a bilingual language that is easy to understand so that shareholders can understand the contents of the communications. Shareholders may choose how they wish to receive the Corporate Communication (in printed or electronic form) and in what language (English or Chinese or both). Shareholders may change their preference at any time by notifying the Company by post or email.

In order to transmit timely and effective communications, shareholders are advised to provide the Company's Hong Kong branch share registrar with, among other things, their contact details and, in particular, email addresses.

Company website

The corporate communication on the Company's website (www.prinxchengshan.com) provides shareholders with corporate information such as major business activities and the latest developments of the Company. It also provides information on the Group's corporate governance and the composition and functions of the Board and Board Committees. Following the approval of the results by the Board, the Company will publish its results announcement on the Stock Exchange's website and the Company's website. The results announcement contains details of the Group's performance and results, proposed dividend payments (if any) and closure of register of members (if applicable) and any other information that may be required to be disclosed under the Listing Rules from time to time.

Information of the Company published on the website of the Stock Exchange will also be posted on the Company's website immediately thereafter.

Press releases and newsletters published by the Company from time to time are also available on the Company's website. Information posted on the Company's website is updated regularly.

General Meeting

General meetings provide an excellent opportunity for constructive communication between the Company and its shareholders. Shareholders are encouraged to attend the general meeting in person or, if unable to attend, to appoint a proxy to attend and vote on their behalf. The Chairman of the Company and the Chairmen of the Company's Board Committees will be present at the AGM to answer questions from shareholders. The auditors will also attend the AGM and answer questions on the audit practices, the preparation and content of the auditor's report, accounting policies and auditor independence.

Shareholder Privacy

The Company recognises the importance of protecting the privacy of its shareholders and will not disclose shareholder information without the consent of the shareholders except as required by the Stock Exchange, the Securities and Futures Commission or applicable laws and regulations.

Corporate Governance Report

Communication with the capital markets

Briefings for investors and analysts are held on or after the date of the annual results announcement and the interim results announcement. Relevant senior executives attend the meetings to answer questions from attendees and to facilitate communication between the Company and its shareholders and investors. The Company also organises a variety of events as required, including on-site surveys with investors and analysts, individual meetings and media and investor open days.

The Company aims to foster investor relations and enhance communication with existing shareholders and potential investors. The Company welcomes feedback from investors, stakeholders and members of the public. Enquiries to the Board or the Company can be made by mail to the Company's principal place of business in Hong Kong.

Shareholders' Rights

To protect the interests and rights of shareholders, separate resolutions will be proposed at general meetings of the Company on various matters, including the selection 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 the respective General Meetings.

convening of and proposal for an extraordinary general meeting

In accordance with the Articles of Association, members may make proposals for consideration at general meetings of the Company. Any one or more members 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 require an extraordinary general meeting of the Company to be called 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 within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the ordinary course, and all expenses reasonably incurred by the requisitionist(s) as a result of the failure of the Board to convene a general meeting shall be reimbursed to the requisitionist(s) by the Company.

The procedures for proposing a person for election as a Director are available on the Company's website.





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Make an enquiry to the Board

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

Changes to the constitution documents

The Memorandum and Articles of Association have been amended and restated for adoption by a special resolution passed on 16 June 2022.

For details, please refer to the Company's announcement dated 10 May 2022 in relation to the proposed amendments to the Memorandum and Articles of Association, the circular dated 13 May 2022 and the announcement dated 16 June 2022 in relation to the poll results of the 2022 Annual General Meeting.

Independent Auditor's Report

To all shareholders of Poh Lam Seng Shan
Holdings Limited
(Incorporated in the Cayman Islands with limited
liability)

Comments

What we have reviewed

The consolidated financial statements of Poh Lam Seng San Holdings Limited (the "Company") and its subsidiaries (the "Group") but on pages 109 to 196, comprise

- The consolidated statement of financial position as at 31 December 2022;
- the consolidated profit and loss account for the year ended on that date;
- 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 cash flow statement 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 2022 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of opinion

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.

Independent Auditor's Report

Key Audit Issues

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

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
<p>Provision for impairment of trade receivables</p> <p>See note 2.11 to the consolidated financial statements, note 4(c), Note 9 and Note 22.</p> <p>As at 31 December 2022, the net carrying amount of the Group's trade receivables, after deducting the accumulated provision for impairment of RMB20.8 million, amounted to RMB1,194.9 million.</p> <p>For the purpose of measuring expected credit losses, trade receivables are grouped according to shared credit risk characteristics.</p> <p>We have assessed the appropriateness of the management's approach to provisioning, including based on</p> <p>A provision for impairment is made for the amount. Expected credit losses are based on</p> <p>Historical loss experience (including details of the counterparty's past settlements and credit losses incurred during the observation period) and current market conditions are assessed and adjusted to reflect forward-looking factors.</p>	<p>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.</p> <p>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.</p> <p>We have evaluated the results of the previous period's assessment of the provision for impairment of receivables to assess the effectiveness of management's assessment process.</p> <p>We have performed the following procedures to assess the expected credit losses on trade receivables:</p> <p>The appropriateness of grouping the credit risk characteristics of the underlying trade receivables.</p> <ul style="list-style-type: none">• We agreed to include historical data, including historical settlements of counterparties and credit losses incurred during the observation period, on a sample basis, in the relevant accounting records of the Group.• We have tested the accuracy of the ageing analysis of trade receivables on a sample basis.

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- We have reviewed the economic indicators selected by management in determining forward-looking factors and have assessed 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.

Independent Auditor's Report

Critical Audit Issues

How our audits address critical audit issues

We consider the provision for impairment of trade receivables to be a relevant We have assessed the impact of the provision for impairment of trade receivables in the context of the applicable financial reporting framework.

The key audit items are due to the carrying amount of the trade receivables.

The amounts are significant and the estimates of impairment allowances are inherently subjective in nature and require significant management judgement.

The adequacy of the disclosure.

Based on the above, we consider that the judgements and assumptions applied by management in assessing the provision for impairment of trade receivables are supported by the available evidence and the processes performed.

Other Information

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

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

In conjunction 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 done, 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, disclosing matters relating to going concern and using going concern as the basis of accounting, unless the directors intend to

liquidate the Group or cease operations or there is no practical alternative.

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

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Independent Auditor's Report

auditor's responsibility for the audit of the consolidated financial statements

Our objective is to obtain reasonable assurance as to 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 corporate. This report serves 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 it does not guarantee that an audit conducted in accordance with Hong Kong Standards on Auditing will always detect a material misstatement when one exists. Misstatements may be caused by fraud or error and could be regarded as material if they could reasonably be expected, either individually or in the aggregate, to affect the economic decisions that users of the consolidated financial statements would make in reliance on the consolidated financial statements.

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

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures to address those risks, and obtain 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, forgery, intentional omission, false statements or override of internal control.
- An understanding of internal control relevant to the audit was obtained 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 adopted by the directors and the reasonableness of the accounting estimates and related disclosures made.
- 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 on the Group's ability to continue as a going concern. If we consider 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. Where 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.
- To assess the overall presentation, structure and content (including disclosures) of the consolidated financial statements and whether the consolidated financial statements present fairly the underlying transactions and events.

- Obtain sufficient appropriate audit evidence about the financial information of entities or activities within the 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 the audit opinion.

Independent Auditor's Report

Among other things, we communicated with the Audit Committee about 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 submitted to the Audit Committee a statement that we have complied with the relevant professional ethical requirements relating to independence and communicated with them all relationships and other matters that might 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 have identified those matters that are most significant to the audit of the consolidated financial statements for the year and therefore constitute key audit matters. We describe these matters in the auditor's report, except where public disclosure of the matter is not permitted by law or regulation, or in extremely rare circumstances, where we determine that we should not communicate a matter in our report if we reasonably expect that the negative consequences of communicating the matter in our report outweigh the public benefits that would flow from it.

The audit partner who has issued this independent auditor's report is Meng Jiangfeng.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2023

Independent
Auditor's
Report

Annual Report 2002
Company Limited

Pulin Chengshan Holdings **108**

Consolidated Profit and Loss Account

For the year ended 31 December 2022

For the year ended 31 December			
	Note	2022 RMB1,000	2021 RMB1,000
Income	6	8,151,952	7,537,161
Cost of sales	9	(6,982,162)	(6,498,013)
Maori		1,169,790	1,039,148
Selling and distribution expenses	9	(497,489)	(437,849)
Administrative Expenses	9	(184,636)	(175,966)
R&D Costs	9	(229,196)	(253,979)
Net impairment loss on financial assets	3.1(b), 9	(3,815)	(1,577)
Other income	7	34,951	60,667
Other gains - net	8	136,708	40,594
Operating profit		426,313	271,038
Financial income	11	8,629	7,544
Financial Costs	11	(80,128)	(12,380)
Finance costs - net	11	(71,499)	(4,836)
Share of results of associates		(75)	(300)
Profit before income tax		354,739	265,902
Income tax expense	12(a)	39,083	10,400
Profit for the year		393,822	276,302
Profit attributable to:			
- Shareholders of the Company		393,783	276,304
- Non-controlling interests		39	(2)
		393,822	276,302
Earnings per share for profit attributable to shareholders of the Company for the year			
- Basic(RMB Yuan)	13	0.62	0.43
- Diluted(RMB)	13	0.62	0.43

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

Independent
Auditor's
Report

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

For the year ended 31 December

	Note	2022 RMB1,000	2021 RMB1,000
Profit for the year		393,822	276,302
Other comprehensive income/(loss):			
Subsequent possible reclassification to P&L			
Exchange differences		143,251	(21,323)
Items that will not be reclassified to profit or loss thereafter			
Exchange differences		92,801	(22,789)
Other comprehensive income/(loss) for the year (net of tax)		236,052	(44,112)
Total comprehensive income for the year		629,874	232,190
The following should be accounted for:			
- Shareholders of the Company		629,835	232,192
- Non-controlling interests		39	(2)
Total comprehensive income for the year		629,874	232,190

Consolidated Statement of Financial Position

At 31 December 2022

		At 31 December	
	Note	2022 RMB1,000	2021 RMB1,000
Assets			
Non-current assets			
Property, plant and equipment	16	5,270,833	4,657,021
Right to use assets	17	107,766	116,293
Intangible assets	18	85,741	73,360
Investments in associates		5,933	6,008
Prepayment	23	8,855	79,069
Deferred tax assets	33	19,508	-
		5,498,636	4,931,751
Current assets			
Inventory	20	1,277,371	1,484,864
Trade receivables and bills receivable	22	1,312,473	1,383,717
Prepayments, other receivables and other current assets	23	337,141	259,611
Financial assets at fair value through profit or loss	21	261,065	107,155
Amounts due from related parties	36(b)	126,374	78,820
Restricted Cash	24	190,646	125,679
Cash and cash equivalents	24	982,037	728,813
		4,487,107	4,168,659
Total assets		9,985,743	9,100,410
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	25	201	201
Share premium	25	2,185,598	2,185,598
Reserves	27	2,266,231	1,734,533
		4,452,030	3,920,332
Non-controlling interests		(161)	(200)
Total equity		4,451,869	3,920,132

Consolidated Statement of Financial Position

At 31 December 2022

		At 31 December	
	Note	2022 RMB1,000	2021 RMB1,000
Liabilities			
Non-current liabilities			
Bank Loans	28	1,440,375	1,600,262
Lease liabilities	17	5,988	13,154
Deferred revenue	32	76,047	59,851
Deferred tax liabilities	33	14,932	37,622
		1,537,342	1,710,889
Current liabilities			
Trade payables	29	2,000,310	1,957,593
Other payables and accruals	30	1,071,303	1,030,900
Contractual liabilities	5	48,720	59,285
Lease liabilities	17	12,400	9,775
Provision for quality assurance	31	75,919	66,753
Amounts due to related parties	36(b)	2,093	18,279
Current income tax liabilities		22,885	29,042
Bank Loans	28	762,902	297,762
		3,996,532	3,469,389
Total liabilities		5,533,874	5,180,278
Total equity and liabilities		9,985,743	9,100,410
The accompanying notes form an integral part of these consolidated financial statements.			

The consolidated financial statements on pages 109 to 196 were approved by the Board of Directors on 31 March 2023 and signed on its behalf by the following Directors

Che Po Zhen
Directors

Shi Fu Tao
Director

consolidated statement of changes in equity

For the year ended 31 December 2022

Share Capital	Share premium	Equity attributable to shareholders of the Company					Total equity Note
			Reserves	Total Non-controlling interests			
		(Note 25)	(Note 25)	(Note 27)			
Balance at 1 January 2021		200	2,180,207	1,599,179	3,779,586	617	3,780,203
Overall 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 Share Option Scheme							
- 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 31 December 2021		201	2,185,598	1,734,533	3,920,332	(200)	3,920,132

consolidated statement
of changes in equity

For the year ended 31 December 2022

Share Capital	Share premium	Equity attributable to shareholders of the Company				Total equity Note
		(Note 25)	(Note 25)	(Note 27)		
Balance at 1 January 2022		201	2,185,598	1,734,533	3,920,332	(200) 3,920,132
Overall benefits						
Profit for the year		-	-	393,783	393,783	39 393,822
Other comprehensive income						
Exchange differences		-	-	236,052	236,052	- 236,052
Total other comprehensive income (net of tax)		-	-	236,052	236,052	- 236,052
Total comprehensive income		-	-	629,835	629,835	39 629,874
Transactions with Shareholders						
Employee Share Option Scheme						
-value of employee services	26, 27	-	-	10,681	10,681	- 10,681
Cash dividends	14	-	-	(108,818)	(108,818)	- (108,818)
Total transactions with shareholders		-	-	(98,137)	(98,137)	- (98,137)
Balance at 31 December 2022		201	2,185,598	2,266,231	4,452,030	(161) 4,451,869

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Consolidated Cash Flow Statement

For the year ended 31 December 2022

	Note	For the year ended 31 December	
		2022 RMB1,000	2021 RMB1,000
Cash flows from operating activities			
Cash generated from operations	34(a)	888,024	473,316
Interest paid		(73,331)	(34,542)
Income tax paid		(9,272)	(56,649)
Net cash generated from operating activities		805,421	382,125
Cash flows from investing activities			
Purchase of property, plant and equipment		(578,291)	(1,376,578)
Government Grants		22,956	9,576
Proceeds from sale of property, plant and equipment	34(b)	392	1,356
Purchase of right-to-use assets		-	(1,625)
Purchase of intangible assets	18	(19,013)	(25,204)
Purchase of financial assets at fair value through profit or loss	21	(2,213,242)	(2,624,390)
Disposals at fair value through profit or loss			
Proceeds from financial assets	21	2,096,895	2,671,331
Interest received		8,629	3,562
Net cash used in investing activities		(681,674)	(1,341,972)

Consolidated Cash Flow Statement

For the year ended 31 December 2022

For the year ended 31 December

	Note	2022 RMB1,000	2021 RMB1,000
Cash flows from financing activities			
Borrowing of proceeds	34(b)	712,934	1,646,578
Repayment of loans	34(b)	(504,353)	(394,477)
Payment of lease liabilities	34(b)	(12,599)	(10,539)
Employee Share Option Scheme - Issue of Shares		-	3,534
Cash dividends paid		(106,102)	(104,900)
Transactions with non-controlling interests		-	(1,165)
Net cash generated from financing activities		89,880	1,139,031
Net decrease in cash and cash equivalents		213,627	179,184
Cash and cash equivalents at the beginning of the year	24	728,813	563,165
Exchange gains/(losses) on cash and cash equivalents		39,597	(13,536)
Cash and cash equivalents at the end of the year	24	982,037	728,813

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

Annual Report 2002
Company Limited

Poulin Chengshan Holdings

1 General Information, Reorganisation and Basis of Presentation

1.1 General Information

Poh Lam Seng San Holdings 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 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. 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 ("SEHK") since October 2018.

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

The Group's immediate and ultimate holding company is Chengshan Group Limited ("Chengshan Group"), a company established in the PRC. The Chengshan Group is ultimately held as to 69.15% by Mr. Che Baozhen and his spouse, Ms. Bi Wenjing, Mr. Che Hongzhi and his spouse, Ms. Li Xiuxiang (collectively referred to as the "Controlling Shareholders") and other individual shareholders.

These consolidated financial statements are presented in Renminbi dollars ("RMB'000") and approved for issue by the Board of Directors on 31 March 2023.

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 Basis of preparation

- (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.

Prepared in accordance with the disclosure requirements of Cap 22 ("Hong Kong Companies Ordinance")

- (ii) Historical Cost Practices

The consolidated financial statements have been prepared on the basis of historical cost, as modified by the revaluation of certain financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.

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2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (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 1 January 2022. The Group has not changed its accounting policies or made retrospective adjustments as a result of the adoption of these standards.

- Property, Plant and Equipment: Proceeds before Intended Use - HKAS 16 (Amendment)
- Loss Contracts - Performance Costs - HKAS 37 (Amendment)
- Annual Improvements to Hong Kong Financial Reporting Standards 2018 to 2020
- Conceptual Framework for Citation - HKFRS 3 (Revised)
- Merger Accounting for Common Control Mergers - Accounting Guideline N5 (Revised)

The above amendments did not have any material impact on the amounts recognised 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 2022 and which have not been early adopted by the Group are as follows:

Criteria requirements	Key	Effective for annual periods beginning on or after
HKFRS 17 2023 HKAS 1 (Amendment)	Insurance Contracts Current or Non-current Classification of Liabilities	1 January 2023
HKAS 1 and HKFRS Practice Statement N2 (Revised)	Disclosure of Accounting Policies	1 January 2023
Definition of Accounting Hong Kong Accounting Standard 12 (revised version)	Estimates in HKAS 8 (Amendment) Deferred tax relating to assets and liabilities arising from a single transaction	1 January 2023 1 January 2023



2 Summary of significant accounting

policies (continued)

2.1 Basis of preparation (continued)

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

Effective for
annual
periods
beginning on
or after

Criteria requirements	Key	
HK Interpretation 5 (2020) Presentation of Financial Statements - Borrower's Interests in the Financial Statements Containing	Classification of Term Loans on Demand Terms (HK Interpretation 5 (2020))	1 January 2023
Hong Kong Financial Reporting Standard 10 and Hong Kong Accounting Standard 28 (revised version)	Sale or capital injection of assets between the investor and its associate or joint venture to be determined	

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 the non-controlling interests in equity are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

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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 investee's post-acquisition profits or losses in profit or loss and its share of changes in other comprehensive income of the investee 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 receivables equals 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 investees accounted for using 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 shareholders 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 amount previously recognised in other comprehensive income in respect of that entity is treated as if the Group had directly disposed of the related asset or liability. 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
- 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 initially measured at their fair values at the date of acquisition, with a few exceptions. The Group recognises any non-controlling interest in the acquired 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.

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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

Where the excess exceeds the fair value of the identifiable net assets acquired, 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 can be obtained from independent financiers on comparable terms and conditions. Contingent consideration is classified as either equity or a financial liability. 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 accounted for 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 the dividend in respect of 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) Trading & 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 recognised in profit or loss.

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

(c) Group Companies

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

- (a) assets and liabilities presented in each statement of financial position have been translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement and the statement of comprehensive income are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, 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.

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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 reporting period in which they are incurred.

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

— Buildings	30 years
— Machinery and Plant Equipment	5 to 14 years
— Furniture and fixtures	5 to 10 years
— Cars	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 losses 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 policy described above.

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 at which goodwill is monitored for internal management purposes, i.e. an operating segment.

(b) Trademark

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

(c) Computer Software

Purchased calculator software is capitalised on the basis of the costs incurred in acquiring and bringing that particular software to useable condition. These costs are amortised over an estimated useful life of three to ten years.

(d) Patented Technology

Development costs directly attributable to the design and testing of proprietary technology are recognised as intangible assets and amortised 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 amortisation but are tested annually for impairment, or repeatedly 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, the excess is recognised as an impairment loss. 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 there are separately identifiable cash inflows, which are largely independent of those of other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

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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 amortised 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 asset, see 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

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised 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) Metering

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, ~~less the~~ directly attributable to the acquisition of the financial assets. Transaction costs for financial assets at fair value through profit or loss are expensed 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. Interest income from these financial assets is included in finance income using the effective interest method. 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.
- **Fair value through other comprehensive income (fair value through other comprehensive income):** Assets held to recover contractual cash flows and assets sold for cash flows 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 credited to finance income or other income using the effective interest method. Exchange gains and losses are included in other gains/(losses) and impairment charges are shown as separate items in the statement of profit or loss.
- **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. 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 income statement in the period in which they arise.

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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. Dividends from these investments continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

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) on equity 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 relating 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 approach to 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 are offset against each other and the net amount is 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 also be enforceable in the ordinary course of business and in the event of default, insolvency or bankruptcy of the company or counterparty.

2.10 Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises 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 receivables are recognised initially at the unconditional amount of consideration, except where they contain a significant financing component, in which case they are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Notes receivable are measured at fair value and movements thereon are included in other comprehensive income. See note 2.8 for a description of the Group's impairment policy.

2.12 Cash and cash equivalents

For the purpose of preparing the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits with financial institutions and other short-term highly liquid investments with original maturities of three months or less which are readily convertible into cash at firm amounts and which are subject to an insignificant risk of changes in value.

2.13 Share capital

Ordinary shares are classified as share capital. Share capital is determined using the nominal value of the shares in issue.

Incremental costs directly attributable to the issue of new shares or options are shown 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.

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2 Summary of significant accounting policies (continued)

2.15 Borrowing

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 the 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 this case, the fee is deferred until the drawdown of the loan occurs. In the absence of indications that it is probable that the loan will be drawn down in part or in full, the fee is capitalised as an advance on the liquidity facility and amortised 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 that has been extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised as a finance cost in profit or loss.

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, which are assets that necessarily take a substantial period of time to get ready 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.

In respect of specific borrowings, investment income earned on temporary investments as a result of expenditure on assets to be qualified should be deducted from the borrowing costs eligible for capitalisation.

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 tax

The tax charge for the year 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 charge is calculated in accordance with the tax legislation enacted or substantively enacted at the balance sheet date in the countries in which the Company's subsidiaries and associates operate and generate taxable income. Management regularly assesses the position of tax returns with respect to situations where applicable tax legislation is 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 provided in full, 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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and are not accounted for if they arise 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 that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

(and tax law) calculations.

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

A provision for deferred income tax liabilities is made 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 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.

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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 schemes 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 social insurance schemes for employees, including medical, housing and other benefits, which are established and administered by government agencies. In accordance with 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 limit (or on some other basis). Once the Group has made its contributions, there is no further payment obligation. Contributions made by the Group to these schemes are charged to the consolidated income statement as incurred.

2.19 Share-based payments

Share-based compensation benefits are provided to employees through an employee share option scheme. Information relating to the scheme is set out in note 26.

Employee share options

Employee benefit expense is recognised based on the fair value of options granted under the Employee Share Option Scheme 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 (e.g. the share price of the entity);
- excluding the effect of any services and non-market performance vesting conditions (e.g. profitability, sales growth targets and employees of the entity) which become the target employees of the entity 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 take into account assumptions relating to the number of share options expected to vest. Total expense over the vesting period (i.e. the period over which all specified vesting conditions are satisfied) is recognised.

2 Summary of significant accounting policies (continued)

2.19 SHARE-BASED PAYMENTS (continued)

Employee share options (continued)

At the end of each reporting period, the Group revises its estimate of the number of options that are 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 the employee fails to comply with a service condition, any expenses 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)

Share options granted by the Company to employees of the Group's subsidiaries over their equity instruments are treated as capital contributions. The fair value of employee services acquired (measured by reference to the fair value at the date of grant) 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 taking into account the overall type of obligation. A provision must be recognised even if the likelihood of outflow of resources relating to 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.

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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 relating to costs are deferred and recognised as other income in the consolidated income statement 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 as deferred income and are 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 bases its return estimates on its historical results, taking into account the type of customer, the type of transaction and the characteristics of each arrangement.

Product Sales

Revenue from the sale of goods directly to customers is recognised when control of the inventory has been transferred to the customer, principally 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 conform to 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 net fair value gain/(loss)~~loss~~.

Interest income from financial assets measured at amortised cost using the effective interest method and from financial assets measured at fair value through other comprehensive income is recognised in the consolidated 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 gross 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 Lease Agreement

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 flats. Leases are generally for fixed terms in excess of 12 months, but may contain extension options as described below. Lease terms are negotiated on a case-by-case basis and contain various 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 apportioned between the liability and the finance cost. Finance costs are charged to profit or loss over the lease term, whereby the same periodic rate of interest is charged on the remaining balance of the liability for 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 that the Group would have to pay to borrow the funds required to acquire an asset 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.

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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 12 months or less with no option to purchase.

All of the Group's office and flat leases include extension options. These terms are used to maximise operational flexibility in relation to management contracts. The majority 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 take into account all facts and circumstances giving rise to the economic incentive to exercise the option to extend. The option to extend 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, is recognised as 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 financial position according to their nature. The Group has no assets held as lessor for the year ended 31 December 2022.

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 recognised 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 demonstrate 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 expenditure attributable to the product during the development period can be reliably measured.

2 Summary of significant accounting policies (continued)

2.25 Research and development costs (continued)

Directly related costs that are allocated as part of the cost of products include the cost of employees for the development of new manufacturing technologies and an appropriate portion of the related recurrent expenditure. Costs associated with the maintenance of new manufacturing processes are recognised as an expense 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 the 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 post-income tax effect of interest and other finance costs related to potentially dilutive ordinary shares, and
- Weighted average number of additional ordinary shares assumed to be issued upon conversion of all potentially dilutive ordinary 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.

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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 that relate 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, which is the functional currency of operations in Thailand. However, the financial exposure of the Thailand operation is not material at 31 December 2021 and 2022.

At 31 December 2021 and 2022, if the US dollar had weakened/strengthened by 5% against the Renminbi with all other variables held constant, the profit after taxation for each year would have been mainly attributable to the exchange losses 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

The change is due to the change in income/revenue. Details of these changes are as follows

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Year-end:		
(Decrease)/increase in profit after taxation		
-5% devaluation against the Renminbi	(14,902)	(8,519)
-5 per cent appreciation against the Renminbi	14,902	8,519



3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange (continued)

At 31 December 2021 and 2022, if the US dollar had weakened/strengthened by 5% against Renminbi with all other variables held constant, other comprehensive income for each year would have changed primarily as a result of the translation of the financial statements of entities with US dollar as their functional currency into Renminbi. Details of these changes are as follows:

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Year-end: (Decrease)/increase in other comprehensive income	(150,328)	(120,376)
-5% devaluation against the Renminbi		
-5 per cent appreciation against the Renminbi	150,328	120,376

(ii) Cash flow and fair value interest rate risk

The Group's revenue and operating cash flows are substantially unaffected by changes in market interest rates. The Group's interest rate risk arises from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Details of the Group's borrowings are disclosed in note 28. The Group enters into interest rate swaps to reduce its interest rate risk (disclosed in note 21)

At 31 December 2022 and 2021, if interest rates on variable rate borrowings had increased/decreased by 5% with all other variables held constant, the post-tax profit for each year would have changed primarily due to an increase/decrease in interest expense on variable rate borrowings. Details of these changes are as follows:

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Year-end: (Decrease)/increase in profit after taxation		
- 5% devaluation against the Renminbi	1,822	256

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- 5% appreciation against the Renminbi

(1,822)

(256)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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, bills 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 expect to have significant credit risk associated with cash deposits with banks as these deposits are largely 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.

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 an 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 reasonably forward-looking information. The following indicators are highlighted for consideration:

- 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) CREDIT RISK (continued)

(i) Cash and cash equivalents and restricted cash

As at 31 December 2022, the Group's assessment is that the expected credit loss rates on cash and cash equivalents and restricted cash are not material. This means that no provision for losses has been recognised in respect of these financial assets.

(ii) Amounts due from related parties and other receivables

As at 31 December 2022, the Group's assessment is that the expected credit loss rate on amounts due from related parties and other receivables is not significant. This means that no provision for losses has been recognised in respect of these receivables.

(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 an expected loss provision for the duration of all trade receivables.

For the purpose of measuring expected credit losses, trade receivables are grouped based on the common credit risk characteristics and number of days past due as described in note 19 b. The expected loss rate is based on sales payments over a three year period to 31 December 2022 or 2021 respectively and the corresponding historical credit losses experienced during that period. Historical loss ratios are adjusted to reflect current and forward-looking information on relevant factors affecting the ability of customers to settle their receivables, including gross domestic product and total retail sales of consumer goods.

The provision for losses on trade receivables as at 31 December 2022 and 2021 is determined as follows.

	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	
31 December 2022					
Expected loss ratio	1.1%	26.4%	48.7%	100.0%	-
Total book value (RMB'000)	1,199,621	9,065	3,132	3,968	1,215,786
Provision for losses (RMB'000)	(12,961)	(2,393)	(1,525)	(3,968)	(20,847)
	Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total

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31 December 2021					
Expected loss ratio	1.1%	36.3%	60.0%	100.0%	-
Total book value (RMB'000)	1,127,189	3,883	1,080	3,025	1,135,177
Provision for losses (RMB'000)	(12,140)	(1,410)	(649)	(3,025)	(17,224)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) CREDIT RISK (continued)

(iii) Trade receivables (continued)

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 2022, which is consistent with the opening loss provision.

(c) Liquidity risk

Cash flow forecasting is carried out in the Group's operating entities and is 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, compliance with covenants, compliance with internal balance sheet ratio targets and, where applicable, external regulatory or legal requirements (e.g. currency restrictions)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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 RMB1,000	1 to 2 years RMB1,000	2 to 5 years RMB1,000	More than 5 years RMB1,000	Tota RMB1,000
At 31 December 2022					
Bank Loans	762,902	1,104,944	297,502	37,929	2,203,277
Interest payable on bank borrowings	74,703	29,844	29,185	520	134,252
Amounts due to related parties	2,093	-	-	-	2,093
Trade payables	2,000,310	-	-	-	2,000,310
Other payables	874,943	-	-	-	874,943
Lease liabilities	12,776	4,258	1,879	-	18,913
	<u>3,727,727</u>	<u>1,139,046</u>	<u>328,566</u>	<u>38,449</u>	<u>5,233,788</u>
At 31 December 2021					
Bank Loans	297,762	398,859	1,091,149	110,254	1,898,024
Interest payable on bank borrowings	50,519	42,038	28,369	2,711	123,637
Amounts due to related parties	18,279	-	-	-	18,279
Trade payables	1,957,593	-	-	-	1,957,593
Other payables	868,472	-	-	-	868,472
Lease liabilities	10,349	10,127	3,392	-	23,868
	<u>3,202,974</u>	<u>451,024</u>	<u>1,122,910</u>	<u>112,965</u>	<u>4,889,873</u>

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.

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

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3 Financial risk management (continued)

3.2 Capital Management (continued)

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 at 31 December 2022 and 2021 are as follows:

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Bank borrowings (Note 28)	2,203,277	1,898,024
Total lease liabilities (note 17)	18,388	22,929
Less: Cash and cash equivalents (Note 24)	(982,037)	(728,813)
Restricted Cash (Note 24)	(190,646)	(125,679)
Net debt	1,048,982	1,066,461
Total equity	4,451,869	3,920,132
Total Capital	5,500,851	4,986,593
Gearing ratio	19.1%	21.4%

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.

3.3 Fair value estimate

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 the asset and liability may be direct (i.e. e.g. price) or indirect (i.e. derived from price) (level 2)
- Inputs for which the asset or liability is not based on observable market data (i.e. unobservable inputs) (level 3)

3 Financial risk management (continued)

3.3 Fair value estimates (continued)

The following table presents the Group's assets and liabilities measured at fair value as at 31 December 2022 and 2021.

	Level 1	Level 2	Level 3	Total	
At 31 December 2022					
Assets					
Measured at fair value with changes included in					
Financial assets for profit or loss					
- Wealth Management Products(a)	-	-	-	209,482	209,482
- Listed Equity Securities	21,044	-	-	-	21,044
- Interest rate swaps	-	30,539	-	-	30,539
Measured at fair value with changes included in					
Other financial assets with comprehensive income					
- Notes receivable(a)	-	-	-	117,534	117,534
	21,044	30,539	-	327,016	378,599
December 2021					
Measured at fair value with changes included in					
Financial assets for profit or loss					
- Wealth Management Products(a)	-	-	-	85,110	85,110
- Listed Equity Securities	22,045	-	-	-	22,045
Measured at fair value with changes included in					
Other financial assets with comprehensive income					
- Notes receivable(a)	-	-	-	265,764	265,764
	22,045	-	-	350,874	372,919

For the years ended 31 December 2022 and 2021, there have been no transfers between the fair value hierarchy used to measure the fair value of financial instruments and there have been 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

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Level 2 and Level 3 are disclosed in Note 21.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments in level 3

Quantitative information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2022 RMB1,000	Valuation Techniques	Unobser vable input data	Range (Weighted average)	Relationship between unobservable inputs and fair value
Wealth Management Products	209,482	Discounted Cash Flow	Expected yield	1.8% - 2.55% (2.2%)	A change in yield of 100 basis points would increase/decrease the fair value by approximately RMB2,050,000
Notes receivable	117,534	Discounted Cash Flow	Expected Discount Rate	1.8% - 3.8% (2.8%)	A change in yield of 100 basis points would increase/decrease the fair value by approximately RMB1,143,000
	In 2021 By 31 December Fair value RMB1,000	Valuation Techniques	Unobservable Input data	Range (Weighted average)	Unobservable input data Relationship to fair value
Wealth Management Products	85,110	Discounted Cash Flow	Expected yield	2.2% - 2.9% (2.6%)	Yield change of 100 basis points would increase/decrease the fair value by approximately RMB830,000
Notes receivable	265,764	Discounted Cash Flow	Expected Discount Rate	1.9% - 3.8% (2.9%)	Yield change of 100 basis points would increase/decrease the fair value Approximately RMB2,584,000

4 Critical accounting estimates and judgements

Estimates and judgements 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) do not 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 the 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 of similar nature and function. Technological innovations and actions taken by competitors in response to severe industry cycles may result in significant changes to the estimate. 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 tax in certain jurisdictions. Judgement is required in determining the provision for income taxes. Where the final 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 when management believes that 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 uses judgement in making these assumptions and selecting inputs for impairment calculations based on its historical history, current market conditions and forward-looking estimates. Management reassesses these estimates at each balance sheet date.

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4 Significant accounting estimates and judgements (continued)

(d) Net realisable value of inventories

The net realisable 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 are subject to significant changes 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 quality assurance claims

The Group normally provides a 48-month warranty period for its tyres. 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, and the cost of products.

(f) Impairment of the Group's assets

The Group follows the guidance in HKAS 36 in determining whether the Group's assets are impaired. As stated in HKAS 36, the excess of an entity's net assets over its market value is an indication of impairment and requires an estimate of the recoverable amount. As at 31 December 2022, the market value of the Group was approximately RMB3,457 million, which was lower than the Group's net asset value of RMB4,432 million. The Group is required to assess whether its assets are impaired. Such assessment requires significant judgement and estimates. In making these judgements and estimates, the Group assesses and considers qualitative and quantitative factors that will affect the value in use of the assets or cash-generating units, such as the extent of the difference between the net asset value and the market value, the composition of the Group's assets, the results of historical impairment testing and the timing.

The Group has performed impairment testing in accordance with HKAS 36 and has determined that there is no impairment of other assets or cash-generating units.

5 Segment Information

The Executive Directors of the Company have been identified as the Group's chief operating decision maker 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 tyre products. A segment is a business unit operating in a different geographical area. In terms of the different technologies and marketing strategies required for different operating locations, the chief operating decision maker manages production and operating activities separately and regularly evaluates the operating results of the different segments to assess business performance and allocate resources.

5 Segment information (continued)

The Group has the following two divisions:

- Mainland China and Hong Kong is a division for the manufacture and sale of tyre products.
- Overseas locations are other divisions that

manufacture and sell tyre products. Transfer

prices between segments are determined by

reference to the selling prices of third parties.

The Group's revenue by geographical location (determined by where the goods are delivered) follows:

For the year ended 31 December		
	2022 Income RMB1,000	2021 Income RMB1,000
Mainland China	2,698,755	3,201,826
United States	3,019,405	2,240,164
Asia (excluding Mainland China)	671,197	573,157
Africa	655,958	702,147
Middle East	610,471	539,904
Other countries	496,166	279,963
	8,151,952	7,537,161

	For the year ended 31 December 2022		
	Domestic	Overseas	Total
	RMB'000	RMB'000	RMB'000
Segment revenue	5,106,363	3,045,589	8,151,952
Divisional Results	563,365	606,425	1,169,790

Selling and distribution expenses	Net impairment loss on financial assets
Administrative expenses	Other income
R&D Costs	Other gains - net finance costs - net

Notes to the Consolidated Financial Statements

share of results of associates

(497,489)
(184,636)
(229,196)
(3,815)
34,951
136,708
(71,499)
(75)

Profit before
income tax

354,739

5 Segment

information

For the year ended 31 December 2021

(continued)

	Domestic RMB1,000	Overseas RMB1,000	Total RMB1,000
Segment revenue	5,726,276	1,810,885	7,537,161
Divisional Results	775,061	264,087	1,039,148
Selling and distribution expenses			(437,849)
Administrative Expenses			(175,966)
R&D Costs			(253,979)
Net impairment loss on financial assets			(1,577)
Other income			60,667
Other gains - net			40,594
Finance costs - net			(4,836)
Share of results of associates			(300)
Profit before income tax			265,902

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

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Domestic	2,245,703	2,228,778
Overseas	3,132,896	2,544,536
	5,378,599	4,773,314

For the years ended 31 December 2022 and 2021, no customer contributed 10% or more to the Group's revenue.

	In 2022 31 December RMB1,000	In 2021 31 December RMB1,000
Contractual liabilities	48,720	59,285

(i) Significant changes in contractual liabilities

The Group received payments from customers in accordance with the contractual payment

No arrangements. There were no significant changes in contractual liabilities.

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5 Segment information (continued)

(ii) Recognised revenue relating to contractual liabilities

The following table shows the revenue recognised for the years ended 31 December 2022 and 2021 in relation to contractual liabilities carried forward

	Up to 2022 31 December Annual RMB1,000	Up to 2021 31 December Annual RMB1,000
Included in the balance of contractual liabilities as at 1 January 2022 and 1 January 2021		
Recognised gains		
Sales of tyre products	59,285	81,676

(iii) Outstanding contracts relating to the sale of tyre products

As all the relevant contracts are for a term of one year or less, the Group has chosen the practicable expedient and has not disclosed the remaining performance obligations.

6 Inco

	For the year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue from customers and recognition of tyre product sales at point in time:		
-All Steel Radial Tyre	5,503,324	4,888,933
-Half Steel Radial Tyre	2,564,976	2,511,046
-Oblique tyres	83,052	137,182
	8,151,952	7,537,161

7 Other

	For the year ended 31 December 2022 RMB1,000	2021 RMB1,000
Sales waste	20,612	31,661
Government Grants	14,339	29,006
	34,951	60,667

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8 Other gains -

net

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Gain on disposal of financial assets at fair value through profit or loss (note 21)	8,025	4,052
at fair value through profit or loss		
Gains/(losses) changes in fair value of financial assets (note 21)	29,538	(3,435)
(Loss)/gain on disposal of property, plant and equipment (Note 34 (b))	(208)	137
Net foreign exchange gain/(loss)	97,254	(15,319)
Litigation Compensation(a)	-	52,697
Other	2,099	2,462
	136,708	40,594

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 by Poh Lam Shan Dong as a result of the breach of contract. According to the judgment of the first and second trial, Qingdao New Horizons should compensate Urakashim Santo, but Qingdao New Horizons refused to accept it. On 12 July 2021, Qingdao New Horizons filed an application for retrial with the Supreme People's Court of the PRC ("SPC"). On 18 November 2021, the SPC dismissed the application for retrial. Having considered the opinion of the external legal adviser, the directors of the Company are of the view that the probability of the Supreme People's Procuratorate of the PRC ("SPC") accepting further application for prosecution against Qingdao Xinhonglun is remote and therefore recognised all compensation received in the amount of RMB52,697,000 for the year ended 31 December 2021. During the year ended 31 December 2022, Puling Shandong did not receive any notice of retrial by the Supreme People's Court as a result of the intervention of the Supreme People's Procuratorate.

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9 Expenditure by nature

The expenses included in cost of sales, selling and distribution expenses, administrative expenses and research and development costs are analysed as follows:

	For the year ended 31 December	
	2022 RMB1,000	2021 RMB1,000
Raw materials and consumables used	6,167,102	6,209,793
Changes in finished goods and work-in-progress inventories	52,277	(322,061)
Wages and salaries, social benefits (including directors' emoluments)(Note 10)	636,797	613,662
Depreciation(Note 16)	386,883	279,959
Transportation costs and storage charges	190,396	188,924
Advertising costs	73,473	18,792
Export fees	67,311	70,852
Maintenance and Repair	49,897	59,731
Travel, conference and office expenses	47,875	46,893
Provision for warranties (Note 31)	46,222	44,786
Professional Services Fee	27,860	30,847
Taxation	16,473	12,832
Property Insurance Premiums	16,389	14,404
Depreciation of right-of-use assets (note 17)	15,906	11,908
Write-downs of inventories (Note 20)	12,992	7,287
Rental and real estate expenses	9,363	9,340
Amortisation of intangible assets (note 18)	6,632	3,924
Sales Commission	6,597	1,815
Auditors' Salaries		
-Audit Services	4,000	3,129
-Non-Audit Services	694	657
Provision for impairment of financial assets (Note 22)	3,815	1,577
Other expenses	58,344	58,333
	7,897,298	7,367,384

10 Employee benefit expenses (including directors' remuneration)

	For the year ended 31 December	
	2022 RMB1,000	2021 RMB1,000
Salaries, wages and bonuses	486,606	484,285
Pensions, Housing Provident Fund, Medical Insurance and other benefits	139,510	117,299
Share-based compensation benefits	10,681	12,078

No

Total employee benefit expenses

636,797

613,662

10 Employee benefit expenses (including directors' remuneration)^(continued)

(a) Pension Costs - Defined Contribution Schemes

Employees of the Group's subsidiaries participate in defined contribution retirement schemes organised by the relevant provincial governments, which require the subsidiaries to make monthly contributions based on a percentage of the employees' monthly salaries and wages (subject to certain ceilings)

For the years ended 31 December 2022 and 2021, 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 of the Directors and the Chief Executive is set out below:

For the year ended 31 December 2022

Name of Director	Robe Golc RMB1,000	Salary RMB1,000	Bonus at your discretion RMB1,000	Allowan ces and benefits in kind(i) RMB1,000	Retiremer t Benefi Scheme Employer's Contribution RMB1,000	Share-based salary benefits RMB1,000	Total RMB1,000
Executive Director							
Che Po Zhen	314	2,400	-	36	45	51	2,846
Shek Fu To	181	2,160	-	36	39	2,615	5,031
Cao Xueyu	181	266	-	-	15	317	779
Non-Executive Directors							
CHE WANG CHI	242	-	-	-	12	-	254
Independent Non-Executive Directors							
CHEUNG Hok-man	155	-	-	-	-	-	155
CHOI TSZ KIT	207	-	-	-	-	-	207
WONG Chuen-sang	155	-	-	-	-	-	155
	1,435	4,826	-		111	2,983	9,427
			72				

(i) Includes premiums for housing allowance, medical and life insurance.

10 Employee benefit expenses (including directors' emoluments)(continued)

(b) Directors' benefits and interests (continued)

For the year ended 31 December 2021

Name of Director	Robe Gold RMB1,000	Salary RMB1,000	Bonus at your discretion RMB1,000	Allowa nces and benefits in kind(j) RMB1,000	Retiremen t Benefit Scheme Employer's Contribution RMB1,000	Share-based salary benefits RMB1,000	Tota RMB1,000
Executive							
Director	302	2,340	-	36	44	966	3,688
Che Po Zhen							
Shek Fu To	174	2,136	-	39	38	2,516	4,903
Cao Xueyu	174	245	-	-	15	542	976
Non-Executive Directors							
CHE WANG CHI	232	-	-	-	12	-	244
Independent Non-Executive Directors							
CHEUNG Hok-man	143	-	-	-	-	-	143
CHOI TSZ KIT	186	-	-	-	-	-	186
Wong Chuen Sang	135	-	-	-	-	-	135
	1,346	4,721	-	75	109	4,024	10,275

(i) Includes housing allowance, medical and life insurance premiums.

(c) Directors' Post-Office Benefits

No post-employment benefits have been paid to any directors for the year ended 31 December 2022 (2021: Nil)

(d) Provision of consideration to third parties for the giving of director's services

During the year ended 31 December 2022, no consideration was provided by the Company to third parties for services rendered to directors (2021: 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 2022 or at any time during the year ended 31 December 2022 (2021: Nil)

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10 Employee benefit expenses (including directors' emoluments)(continued)

(f) Director's material interest in a transaction, arrangement or contract

Save as disclosed in note 36, at 31 December 2022 or at any time during the year ending 31 December 2022, there were no material transactions, arrangements and contracts involving the business of the Group to which the Company was a party and in which the directors of the Company had a material interest (whether directly or indirectly)(2021: Nil)

(g) Five highest paid individuals

The five highest paid employees of the Group for the year ended 31 December 2022 include two (2021: two) directors, details of whose emoluments are set out in the analysis shown in note 10(b). Details of the total emoluments paid to the remaining three (2021: three) highest paid employees follows:

	For the year ended 31 December	
	2022 RMB1,000	2021 RMB1,000
Salary	3,963	4,274
Bonus at your discretion	216	-
Allowances and in-kind benefits	92	193
Retirement Benefit Scheme Employer's Contribution	85	173
Share-based salary benefits	4,633	4,632
Total employee benefit expenses	8,989	9,272

Remuneration within the following range:

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salary range		
HK\$1,500,000 to HK\$2,000,000 (approximately RMB1,339,950 to RMB1,786,600)	1	-
HK\$2,000,001 to HK\$2,500,000 (approximately RMB1,786,601 to RMB2,233,250)	1	1
HK\$4,000,001 to HK\$4,500,000 (approximately RMB3,573,201 to RMB4,019,850)	-	1
HK\$5,000,001 to HK\$5,500,000 (Approximately RMB4,466,501 to RMB4,913,150)	-	1
HK\$5,500,001 to HK\$6,000,000 (approximately RMB4,913,151 to RMB5,359,800)	1	-
	3	3

Notes to the Consolidated

11 Finance costs -

net

	For the year ended 31 December	
	2022 RMB1,000	2021 RMB1,000
Financial costs:		
- Interest expenses on bank borrowings	(87,676)	(37,812)
- Interest expense on lease liabilities (note 17)	(679)	(888)
- Net foreign exchange losses on borrowings and dividends payable	(11,110)	-
	(99,465)	(38,700)
Less: amount capitalised in respect of qualifying assets (note 16)	19,337	26,320
	(80,128)	(12,380)
Financial income:		
- Interest income from bank deposits	8,629	4,757
- Net foreign exchange gains on borrowings and dividends payable	-	2,787
	8,629	7,544
Finance costs - net	(71,499)	(4,836)

12 Taxes

(a) Income tax expense

The amount of income tax expense included in the consolidated income statement represents:

	For the year ended 31 December	
	2022 RMB1,000	2021 RMB1,000
Current income tax		
- China Corporate Income Tax	(54)	832
- Hong Kong and overseas profits tax	3,169	8,912
Deferred income tax (note 33)	(42,198)	(20,144)
Income tax expense	(39,083)	(10,400)

12 Taxation (continued)

(a) INCOME TAX EXPENSE (continued)

(i) Cayman Islands and British Virgin Islands Profits Tax

The Company and its subsidiary, Prinx Investment Holding Limited, are not subject to any Cayman Islands and British Virgin Islands tax. The Company has obtained the status of a PRC tax resident enterprise. The applicable profits tax rate for the year ending 31 December 2022 is 25% (2021: 25%).

(ii) Hong Kong profits tax

The Company's subsidiaries, Poh Lam Seng Shan (HK) Tyre Company Limited and Poh Lam (HK) Rubber Company Limited, are subject to Hong Kong Profits Tax. The applicable Hong Kong profits tax rate for the year ending 31 December 2022 is 16.5% (2021: 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 2022 is 25% (2021: 25%).

(iii) China Enterprise Income Tax

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 which qualifies as a high and new technology enterprise ("HTEE") is entitled to a preferential tax rate of 15% from 2020 to 2022. As at 31 December 2022, the Group has recognised but unused tax losses of RMB1,613,000 (2021: RMB92,313,000) which can be carried forward to offset future taxable gains of certain Mainland China entities and expire in 5-10 years.

(iv) Other overseas profits tax

For the year ending 31 December 2022, 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% (2021: 21%, 8.84%).

Ltd. was established in Thailand, where the applicable income tax rate is 20%. Ltd. is entitled to a full tax exemption for eight years from 2020 to 2027 as it qualifies as a Major Industry Incentive 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% (2021: 31.72%) set by the local authorities for the year ending 31 December 2022.

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 2022 (2021: Nil)

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12 Taxation (continued)

(a) INCOME TAX EXPENSE (continued)

(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 2022, and from 2019 onwards, dividend payments between Puling Shandong, Puling Chengshan (Hong Kong) Tyre Company Limited and the Company are no longer subject to PRC withholding tax.

Under the applicable Thai tax regulations, dividend payments in respect of profits made by companies incorporated in Thailand to foreign investors are generally subject to a 10% withholding tax. No withholding tax has been recognised in respect of the unremitted earnings of Poh Lam Seng San Tyre (Thailand) Company Limited as at 31 December 2022 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 31 December	
	2022 RMB1,000	2021 RMB1,000
Profit before income tax	354,739	265,902
Tax at applicable tax rates	60,683	46,596
Tax losses on unrecognised deferred income tax assets	5,896	17,051
Non-tax deductible expenses	5,093	4,035
Tax Benefits for High-tech Enterprise Status	14,503	(8,747)
Additional deduction for R&D costs and other expenses	(25,593)	(29,566)
Tax-exempt treatment in subsidiaries	(99,665)	(39,769)
Income tax credit	(39,083)	(10,400)

(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 the purchase of raw materials, fuel, utilities, certain property, plant and equipment and other production materials (goods, transportation costs, etc.) is deductible. The VAT payable is the net difference between the sales VAT and the deductible input VAT.

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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 31 December	
	2022 RMB1,000	2021 RMB1,000
Profit attributable to shareholders of the Company	393,783	276,304
Weighted average number of ordinary shares in issue (in thousands)	636,440	636,321
Basic earnings per share (RMB)	0.62	0.43

(b) thinning out

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

	For the year ended 31 December	
	2022 RMB1,000	2021 RMB1,000
Profit attributable to shareholders of the Company	393,783	276,304
Weighted average number of ordinary shares in issue (in thousands)	636,440	636,321
Share Option Adjustment	-	503
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	636,440	636,824
Diluted earnings per share (RMB)	0.62	0.43

Diluted earnings per share is the same as basic earnings per share as the employee share options outstanding at 31 December 2022 have an anti-dilutive effect on earnings per share.

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Dividends

For the year ended 31 December

	2022 RMB1,000	2021 RMB1,000
Cash dividends paid by the Company (a)	108,818	106,708
Final dividend proposed to be paid by the Company (b)	113,706	104,561

- (a) Dividends for the years ending 31 December 2022 and 2021 represent interim and final cash dividends paid by the Company to its shareholders.
- (b) On 31 March 2023, the Board of Directors recommended a final dividend of HK\$128 million (equivalent to approximately RMB114 million) for the year ended 31 December 2022 (based on the year-end exchange rate), being 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 2022 are set out below:

						Direct and indirect holdings		
Company Name	Date of incorporation	Country of incorporation/place, legal status and type of legal entity	Main business Country/Location	Registered share capital	Paid-up share capital	2021 31 December	2022 31 December	Main business
Directly held by the Company								
Poh Lam Seng San (HK) Tyres Limited	June 6, 2014	Hong Kong, the Limited Liability Company	Hong Kong	US\$178,000,000	US\$178,000,000	100%	100%	Investment holding and Tyre Products Trading
Prinx Investment Holding Limited	November 26, 2018	British Virgin Islands, Limited Liability Company	Hong Kong	500 USD	500 USD	100%	100%	Investment holding

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Notes to the Consolidated Financial Statements

15 Subsidiaries (continued)

						Direct and indirect holdings		
Company Name	Date of incorporation	Country of incorporation/place, legal status and type of legal entity	Main business Country/Location	Registered share capital	Paid-up share capital	2021 31 December	2022 31 December	Main business
The Company indirectly holds								
Puling Chengshan (Shandong) Tyres Company Limited by Shares	29 December 2005	Shandong, China Wholly Foreign Owned Enterprises	China	US\$158,000,000	US\$158,000,000	100%	100%	Manufacture of tyre products and Trade
Prinx Chengshan Tire Europe GmbH	17 March 2020	Darmstadt, Germany, GmbH Co.	Germany	EUR 25,000	EUR 25,000	100%	100%	Manufacture of all kinds of rubber, synthetic fibres or similar goods, and Development, Trading and Distribution
Urahashi Narayama (Qngdao) Industrial Research Facility Design Ltd.	January 12, 2017	Shandong, China Limited Liability Company	China	RMB10,000,000	RMB10,000,000	100%	100%	Technical Research and Tyre Products Trading
Shandong Pulin Chengshan Tyre Technology Research Limited	September 26, 2017	China Shan Dong Company Limited, The Limited Liability Company	China	RMB10,000,000	RMB9,250,000	92.5%	92.5%	Tyre technology and equipment development, Provision of technical services
Qingdao Ji'anda Investment Co.	March 8, 2018	Shandong, China Limited Liability Company	China	RMB76,800,000	RMB57,440,000	100%	100.0%	Investment holding and Tyre Products Trading
Poh Lam Seng San Tires North America, Inc.	November 1, 2018	California, USA Joint Stock Company	United States	US\$1,303,990	US\$1,303,990	100%	100.0%	Investment holding and inflatable products and related products trading
Poulin (HK) Rubber Co.	December 13, 2018	Hong Kong, the Limited Liability Company	Hong Kong	20,000 USD	20,000 USD	100%	100.0%	Investment holding and Tyre Products Trading

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15 Subsidiaries (continued)

						Direct and indirect holdings		
Company Name	Date of incorporation	Country of incorporation/place, legal status and type of legal entity	Main business Country/Location	Registered share capital	Paid-up share capital	2021 31 December	2022 31 December	Main business
The Company indirectly holds								
Pulim Sung San Tyres (Thailand) Limited	December 20, 2018	Thailand, Limited Liability Company	Thailand	9,025,634,600 baht	9,025,634,600 baht	100%	100%	Manufacture of tyre products and Trade
Shenzhen Ji'an Da Tyre Technical Service Co.	May 2, 2018	Guangdong, China Limited Liability Company	China	RMB40,000,000	RMB17,370,000	100%	100%	Provision of tyre rental services and trading of tyre products
Jinan Ji'anda Tyre Service Limited	June 7, 2018	Shandong, China Limited Liability Company	China	RMB20,000,000	RMB20,000,000	100%	100%	Provision of Tyre Rental Services Tyre Products Trading
Shanghai Zhianda Rubber Co.	January 14, 2019	Shanghai, China Limited Liability Company	China	RMB20,000,000	RMB14,315,000	100%	100%	Provision of Tyre Rental Services Tyre Products Trading
Puling Chengshan (Anhui) Tyres Limited	19 April 2021	Anhui, China Limited Liability Company	China	RMB378,000,000	RMB0	100%	100%	Provision of Tyre Rental Services Tyre Products Trading
Tyre Services Limited	13 May 2021	Shanghai, China Limited Liability Company	China	RMB76,800,000	RMB69,740,000	100%	100%	Provision of Tyre Rental Services Tyre Products Trading
Poh Lam Seng San (Shanghai) Tyre Sales Limited	9 March 2021	Shanghai, China Limited Liability Company	China	RMB10,000,000	RMB10,000,000	100%	100%	Provision of Tyre Rental Services Tyre Products Trading
Puling Chengshan (Shanghai) Investment Capital Limited	9 February 2021	Shanghai, China Wholly Foreign Owned Enterprises	China	US\$12,800,000	US\$12,800,000	100%	100%	Investment holding and Tyre Products Trading
Poh Lam Seng San (Shandong) Trading Limited (i)	12 October 2022	Shandong, China Limited Liability Company	China	RMB5,000,000	RMB0	100%	100%	Tyre Products Trading

(i) Ltd. was liquidated and deregistered on 16 September 2022 and Poulin Chengshan (Shandong) Trading Company Limited was incorporated by Poulin Chengshan (Shandong) Tyre Company Limited on 12 October 2022.

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16 Property, plant and equipment

	Land and Buildings RMB1,000	Machinery and Factory equipment RMB1,000	Furniture and Fixtures RMB1,000	Cars RMB1,000	Tools RMB1,000	Construction in progress RMB1,000	Total RMB1,000
For the year ended 31 December 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 expenses (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 31 December 2021							
Costs	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
For the year ended 31 December 2022							
Net book value at the beginning of the period	959,298	1,861,542	33,309	7,944	195,041	1,599,887	4,657,021
Construction in progress transferred to	313,397	1,026,215	3,480	1,792	77,527	(1,422,411)	-
Other additions	-	-	410	-	-	761,390	761,800
Reclassification	16,275	-	(16,275)	-	-	-	-
Disposal	-	(257)	(173)	-	(170)	-	(600)
Depreciation expenses (Note 9)	(44,062)	(267,319)	(6,181)	(3,678)	(65,643)	-	(386,883)
Exchange differences	64,856	95,550	1,686	115	8,247	69,041	239,495
Net book value at the end of the period	1,309,764	2,715,731	16,256	6,173	215,002	1,007,907	5,270,833
At 31 December 2022							
Costs	1,608,183	4,966,682	53,961	33,729	690,095	1,007,907	8,360,557
Accumulated depreciation	(298,419)	(2,250,951)	(37,705)	(27,556)	(475,093)	-	(3,089,724)
Net Book Value	1,309,764	2,715,731	16,256	6,173	215,002	1,007,907	5,270,833

16 Property, plant and equipment (continued)

The amount of depreciation expenses included in cost of sales, selling and distribution expenses, administrative expenses and research and development costs for the years ended 31 December 2022 and 2021 are as follows

	For the year ended 31 December	
	2022 RMB1,000	2021 RMB1,000
Cost of sales	344,194	250,563
Selling and distribution expenses	1,792	209
Administrative Expenses	9,120	5,784
R&D Costs	31,777	23,403
Total	386,883	279,959

As at 31 December 2022, the net book value of property, plant and equipment pledged as security for the Group's borrowings and undrawn borrowing facilities amounted to approximately RMB756,971,000 (2021: RMB3,338,195,000) (Note 28).

For the year ended 31 December 2022, the Group had borrowing costs amounting to RMB9,337,000 (2021) in respect of the capitalisation of qualifying assets (Year: RMB26,320,000) (Note 11). Borrowing costs are capitalised at the effective interest rate.

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17 Right-of-use assets

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Right to use assets		
-Land use rights	90,170	94,030
-Building	17,596	22,263
	107,766	116,293
Lease liabilities		
Imminent		
-Lease liabilities	12,400	9,775
Non-current		
-Lease liabilities	5,988	13,154
	18,388	22,929

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

The current and non-current portions of lease liabilities of RMB7,673,000 and RMB7,439,000 and RMB7,673,000 represent amounts due to related parties respectively (note 36 (b) (iii))

The income statement shows the following amounts relating to leases:

	For the year ended 31 December	
	2022 RMB1,000	2021 RMB1,000
Depreciation of right-of-use assets (Note 9)		
- Land use rights	3,860	3,856
- Buildings	12,046	8,052
	15,906	11,908
Interest expense (Note 11)	679	888
Short-term lease related expenses	20,500	14,446

The total cash payments in respect of the leases in 2022 amounted to RMB20,998,000 (2021: RMB24,985,000)

18 Intangible assets

	Goodwill	Trademark	Computer Software	Patented Technology	Total
	RMB1,000	RMB1,000	RMB1,000	RMB1,000	RMB1,000
For the year ended 31 December 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
Amortisation charge (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 31 December 2021					
Costs	43,436	1,572	51,244	3,717	99,969
Accumulated amortisation	-	(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 2022					
Net book value at the beginning of the period	43,436	25	27,962	1,937	73,360
Additions	-	-	18,660	353	19,013
Amortisation charge (Note 9)	-	(14)	(6,105)	(513)	(6,632)
Net book value at the end of the period	43,436	11	40,517	1,777	85,741
At 31 December 2022					
Costs	43,436	1,572	69,904	4,070	118,982
Accumulated amortisation	-	(1,561)	(29,387)	(2,293)	(33,241)
Net Book Value	43,436	11	40,517	1,777	85,741

For the year ended 31 December 2022, the amortisation of the Group's intangible assets has been charged to administrative expenses in the consolidated income statement.

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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 Tyre 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 RMB1,000	Additions RMB1,000	Impairment RMB1,000	Other adjustment s RMB1,000	Total RMB1,000
For the year ended 31 December 2022	43,436	-	-	-	43,436
	Beginning of the period RMB1,000	Additions RMB1,000	Impairment RMB1,000	Other adjustment s RMB1,000	Total RMB1,000
For the year ended 31 December 2021	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, long-term growth rates and discount rates used in the value-in-use calculations are shown below.

	At 31 December	
	2022	2021
Sales volume(% annual growth rate)	5% - 14%	3% - 14%
Selling prices(% annual growth rate)	3% - 5%	1% - 3%
Gross margin(% of revenue)	13% - 19%	15%-18%
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 developments.

Selling prices represent the average annual growth rate over the five-year forecast period. It is based on

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C 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 on to customers through price increases.

18 Intangible assets (continued)

Goodwill impairment test (continued)

The long-term growth rates used are post-tax and reflect

the specific risks of the relevant operating segments. As at

31 December 2021 and 2022, 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 would cause the carrying amount of a cash-generating unit to exceed its recoverable amount.

19a Financial instruments by category

	Measured at amortised cost	Measured at fair value and its movements are included in profit or loss	Measured at fair value and its changes count Other comprehensive income	Tota
	financial assets RMB1,000	financial assets RMB1,000	financial assets RMB1,000	RMB1,000
At 31 December 2022				
Financial assets				
at fair value through profit or loss				
Financial assets	-	261,065	-	261,065
Amounts due from related parties	126,374	-	-	126,374
Trade receivables and bills	1,312,473	-	-	1,312,473
receivable				
Other receivables	42,025	-	-	42,025
Cash and cash equivalents	982,037	-	-	982,037
Restricted Cash	190,646	-	-	190,646
Notes receivable	-	-	117,534	117,534
Total	2,653,555	261,065	117,534	3,032,154
				By
				amortisation
				Cost-
				measured
				Financial
				liabilities
				RMB1,000

At 31 December 2022

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Financial liabilities	
Lease liabilities	18,388
Borrowing	2,203,277
Trade payables	2,000,310
Other payables	874,943
Amounts due to related parties	2,093
	<hr/>
Total	5,099,011

19a FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Measured at amortised cost	Measured at fair value and its changes count Profit or loss	Measured at fair value and its changes count Other comprehensive income	Total
	financial assets	financial assets	financial assets	
	RMB1,000	RMB1,000	RMB1,000	RMB1,000
At 31 December 2021				
Financial assets				
at fair value through profit or loss				
Financial Assets	-	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
Notes Receivable	-	-	265,764	265,764
Total	2,366,793	107,155	265,764	2,739,712
Measured at amortised cost				
Financial liabilities				
RMB1,000				
At 31 December 2021				
Financial liabilities				
Lease liabilities				22,929
Borrowing				1,898,024
Trade payables				1,957,593
Other payables				868,472
Amounts due to related parties				18,279
Total				4,765,297

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 - Trade receivables from customers.

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Category 1	117,534	265,764
Category 2	1,215,786	1,135,177
Total	1,333,320	1,400,941

Bank Deposits

Management considers the credit risk on bank deposits to be relatively low. 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.

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Inventories

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	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Raw materials	283,893	426,117
In production	80,027	84,242
Finished products	913,451	974,505
	1,277,371	1,484,864

For the year ended 31 December 2022, the cost of inventories recognised as an expense and included in "cost of sales" was RMB6,166,622,000

(2021: RMB5,874,228,000) Write-down of inventories of RMB12,992,000 for the year ended 31 December 2022 (2021: RMB7,287,000)

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21 Financial assets at fair value through profit or loss

For the year ended 31 December

	2022 RMB1,000	2021 RMB1,000
At the beginning of the year	107,155	153,479
Additions	2,213,242	2,624,390
For Sale	(2,096,895)	(2,671,331)
Disposals at fair value through profit or loss		
Gain on financial assets (Note 8)	8,025	4,052
of financial assets at fair value through profit or loss		
Fair value gains/(losses)(note 8)	29,538	(3,435)
At the end of the year	261,065	107,155
	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Financial assets at fair value through profit or loss		
- Wealth Management Products(a)	209,482	85,110
- Listed equity securities(b)	21,044	22,045
- Interest rate swaps (c)	30,539	-
	261,065	107,155

- (a) Wealth management products are valued at fair value using the discounted cash flow method. The primary input used by the Group is the written estimated rate of return on contracts with counterparties. Its fair value is within 1st of the fair value hierarchy (note 3.3).
- (b) The fair value of listed equity securities is based on quoted market prices.
- (c) Interest rate swap contracts are derivative financial instruments which are fair valued based on interest rates during the observation period.

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22 Trade receivables and bills receivable

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Trade receivables	1,215,786	1,135,177
Less: Provision for impairment of trade receivables	(20,847)	(17,224)
Trade receivables - net	1,194,939	1,117,953
Notes receivable	117,534	265,764
Trade and bills receivables - net	1,312,473	1,383,717

At the balance sheet date, the carrying amounts of trade and bills receivables approximate their fair values.

The ageing analysis of trade receivables and bills receivable as at 31 December 2022 and 2021, based on the invoice date, is as follows:

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Within 3 months	1,061,239	1,227,739
4 to 6 months	195,140	152,247
7 to 12 months	60,776	12,967
1 to 2 years	9,065	3,883
2 to 3 years	3,132	1,080
More than 3 years	3,968	3,025
	1,333,320	1,400,941

The movements in the Group's provision for impairment of trade receivables and bills receivable are as follows:

	For the year ended 31 December	
	2022 RMB1,000	2021 RMB1,000
At the beginning of the year	17,224	15,874
Provision for impairment of trade receivables (Note 9)	3,815	1,577
Trade receivables written off as uncollectible during the year	(192)	(227)
At the end of the year	20,847	17,224

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22 TRADE RECEIVABLES AND BILLS RECEIVABLE (continued)

The creation and release of provisions for impaired receivables are included in 'Administrative expenses' in the consolidated income statement. 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:

	At 31 December	
	2022	2021
	RMB1,000	RMB1,000
Renminbi	553,906	626,418
USD	701,452	759,846
Euro	77,962	14,677
	1,333,320	1,400,941

	At 31 December	
	2022	2021
	RMB1,000	RMB1,000
Non-current		
Prepayment for purchase of property, plant and equipment	8,855	79,069
Imminent		
Prepayment of inventories	90,672	56,631
Other receivables		
- Customs Deposit	356	19,295
- Other	41,669	30,469
Other current assets - Value added tax to be deducted	198,743	153,216
- Prepaid sales tax	5,701	-
	337,141	259,611
	345,996	338,680

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

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24 Cash and cash equivalents

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Cash in hand	6	6
Cash at bank (Note 19b)	1,172,677	854,486
	1,172,683	854,492
Less: Restricted Cash (a)	(190,646)	(125,679)
	982,037	728,813

- (a) As at 31 December 2022, restricted cash balances of RMB178,343,000 (2021: RMB105,451,000) were held as security for the issue of notes payable of the Group and RMB12,303,000 was pledged as bank guarantee for the issue of letters of credit (2021: RMB20,228,000)

Cash at bank and on hand is denominated in the following currencies:

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Renminbi	244,631	215,926
USD	844,230	582,415
Hong Kong	8,953	8,469
Euro	67,481	38,479
Thai Baht	7,388	9,203
	1,172,683	854,492

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25 Share capital and share premium

Number of authorized
shares

Authorised share capital:

At 1 January 2021 and 31 December 2021 and 2022 1,000,000,000

Number of shares issued	Nominal value of ordinary shares		Share premium	Total
		RMB'000	RMB'000	RMB'000
At 31 December 2020	635,861,500	200	2,180,207	2,180,407
Employee Share Option Scheme				
- Exercise of 100 options (Note 26)	578,500	1	5,391	5,392
At 31 December 2021	636,440,000	201	2,185,598	2,185,799
Employee Share Option Scheme				
- Exercise of 100 options (Note 26)	-	-	-	--
At 31 December 2022	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 12 months, 24 months and 36 months from the date of grant. Under 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.

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26 Share options (continued)

On 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 satisfied, 1/2 and 1/2 share 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) and 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. Under the vesting schedule, options granted in 2020 under the 2019 Share Option Scheme are exercisable over a period of five years from the date of grant. The aggregate fair value of the share options granted in the year ending 31 December 2020 as at the date of grant in 2020 was determined to be HK\$1,707,728 assuming that the Company's annual performance targets and individual performance targets are met.

Pursuant to an ordinary resolution passed at an 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 that all conditions for the exercise of the options under the 2021 Share Option Scheme have been met, 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.

On 28 September 2022 (~~2022~~ Grant Date"), the Board resolved to grant 3,080,000 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 that all conditions for the exercise of the options under the 2021 Share Option Scheme have been met, 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 approximately seven years from the date of grant.

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26 Share options (continued)

A summary of the share options granted under the Scheme is set out below:

	2022		2021	
	Per share option The average exercise price of	Number of share options	Per share option The average exercise price of	Number of share options
On 1 January	HK\$8.24	46,150,500	HK\$7.28	13,539,800
Awarded during the year	HK\$8.57	3,080,000	HK\$8.57	35,050,000
Exercised during the year	-	-	HK\$7.24	(578,500)
Expired during the year	HK\$8.43	(8,150,632)	HK\$7.97	(1,466,000)
Confiscated during the year	HK\$7.30	(1,956,407)	HK\$7.28	(394,800)
At 31 December	HK\$8.27	39,123,461	HK\$8.24	46,150,500
Vested and exercisable as at 31 December		6,614,889		7,320,457

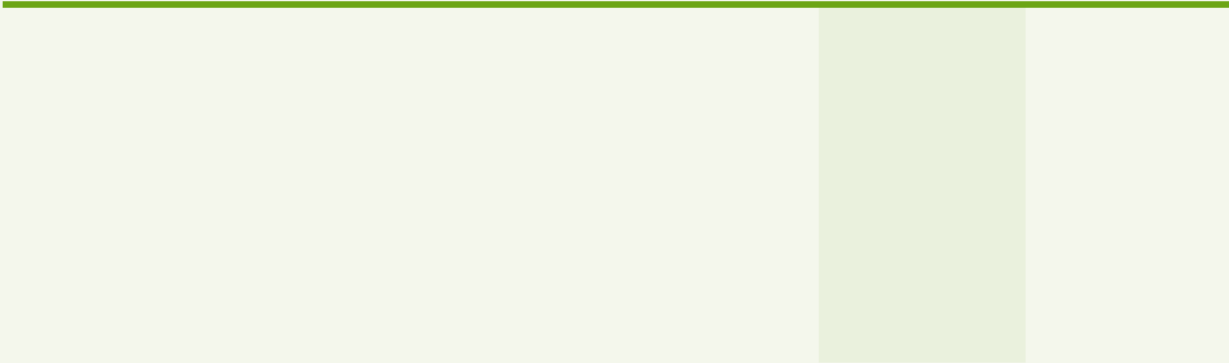
The share options outstanding at the year end have the following expiry dates and exercise prices:

Date of grant	Expiry date	Exercise price	Share Options 2022 31 December	Share Options 2021 31 December
July 9, 2019	July 9, 2025	HK\$7.244	8,510,664	11,134,300
9 July 2020	July 9, 2025	HK\$7.960	532,797	716,200
28 June 2021	June 28, 2029	HK\$8.568	27,000,000	34,300,000
September 28, 2022	June 28, 2029	HK\$8.568	3,080,000	-
Total			39,123,461	46,150,500
Weighted average remaining contractual life of share options outstanding at the end of the period			5.08	6.97 years

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26 Share options (continued)

The aggregate fair value of the options granted at the grant date in 2022 was determined to be HK\$4,658,000 assuming that the Company's annual performance targets and individual performance targets are met. The fair value of the options was assessed using a binomial option pricing model which takes into account the exercise price, the term of the options, the current 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 conditions, any expense previously recognised in respect of the share is reversed from the date of forfeiture.

Key valuation inputs for the options granted during the years ending 31 December 2022 and 2021 include:

	Up to 2022 For the year ended 31 December 2021 Share Option Scheme	Up to 2021 For the year ended 31 December 2021 Share Option Scheme
Exercise price	HK\$8.57	HK\$8.57
Current price at the date of grant	HK\$6.41	HK\$8.51
Expected Volatility	36.69%	36.88%
Expected Dividend Yield	3.12%	2.35%
Risk-free rate	3.85%	1.07%
Expiry date	June 28, 2029	June 28, 2029
Expected forfeiture rate after vesting	4.00% or 10.00%	2.94% or 3.53%
Expected Exercise Multiplier	2.2x or 2.8x	2.2x or 2.8x

The key inputs to the above valuations were determined as follows:

- The volatility factor is estimated based on historical share price movements of comparable companies over periods comparable to the expected exercise period.
- The dividend yield is estimated based on the proposed historical dividend and the share price at the base date.
- The risk-free interest rate is based on the expected yield on the Hong Kong Government Bonds, which is comparable to the interest rate between the option base date and the expiry date.
- The expected post-vesting forfeiture rate is estimated based on historical achievement of the Company's and individuals' performance targets and forward-looking factors.
- Management's expected exercise multiple is assumed to be 2.8 times the future share price and employees' expected exercise multiple is assumed to be 2.2 times the future share

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price, referring to the academic article "How Employee Share Options are Valued" written by John Hull and Alan White in September 2002.

As at 31 December 2022, 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 RMB10,681,000 (2021: RMB12,078,000) and the corresponding increase in equity is recognised as profit or loss.

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27 Reserves

	Share capital reserve RMB1,000	Statutory Reserves(i) RMB1,000	Exchange reserves RMB1,000	Retained earnings(ii) RMB1,000	Share Option Reserve RMB1,000	Total RMB1,000
Balance at 31 December 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)
Transfer of profits to statutory reserves	-	31,935	-	(31,935)	-	-
Exchange differences	-	-	(44,112)	-	-	(44,112)
Employee Share Option Scheme						
- Issue of shares	-	-	-	-	(1,858)	(1,858)
- Value of employee services (Note 26)	-	-	-	-	12,078	12,078
Transactions with non-controlling interests	-	-	-	(350)	-	(350)
Balance at 31 December 2021	(70,715)	294,703	(246,351)	1,732,584	24,312	1,734,533
Profit for the year	-	-	-	393,783	-	393,783
Cash dividends (Note 14)	-	-	-	(108,818)	-	(108,818)
Transfer of profits to statutory reserves	-	51,598	-	(51,598)	-	-
Exchange differences	-	-	236,052	-	-	236,052
Employee Share Option Scheme						
- Issue of shares	-	-	-	-	-	-
- Value of employee services (Note 26)	-	-	-	-	10,681	10,681
Transactions with non-controlling interests	-	-	-	-	-	-
Balance at 31 December 2022	(70,715)	346,301	(10,299)	1,965,951	34,993	2,266,231

- (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 the owners of each 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 business of the Company 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 statutory 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.

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28 Bank borrowings

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Non-current Bank Loans		
- Secured	1,019,074	1,138,154
- Unsecured	421,301	462,108
	1,440,375	1,600,262
Imminent Current portion of non-current bank borrowings		
- Secured	297,012	85,582
- Unsecured	68,890	32,980
	365,902	118,562
Short-term bank borrowings		
- Unsecured	397,000	179,200
	762,902	297,762
Total amount borrowed	2,203,277	1,898,024

The weighted average effective interest rate on bank borrowings as at 31 December 2022 was 4.03% (2021: 3.21%).

As at 31 December 2022, there were secured bank borrowings of RMB1,316,086,000 (2021: RMB1,223,736,000) and undrawn borrowing facilities of RMB328,551,000 (2021: RMB191,271,000) secured by certain property, plant and equipment in the amount of RMB756,971,000 (2021: RMB3,338,195,000) (Note 16). 2021: RMB3,338,195,000 secured by certain property, plant and equipment (Note 16).

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

	At 31 December	
	2022 RMB'000	2021 RMB'000
Renminbi	1,079,191	884,288
USD	1,124,086	1,013,736

2,203,277

1,898,024

28 BANK LOANS (continued)

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:

	At 31 December			
	2022 RMB1,000	of total loans Perce	2021 RMB1,000	of total loans Percentage
Re-pricing or expiry date:				
— floating rate loan	792,147	36%	331,138	18%
— Fixed Rate	591,003	27%	269,561	14%
Borrowing	757,287	34%	360,195	19%
Within 1 year	62,840	3%	937,130	49%
1-2 years				
2-5 years	2,203,277	100%	1,898,024	100%

The maturity of bank borrowings at the balance sheet date is as follows:

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Within 1 year	762,902	297,762
1 to 2 years	1,104,944	398,859
2 to 5 years	297,502	1,091,149
More than 5 years	37,929	110,254
	2,203,277	1,898,024

28 BANK LOANS (continued)

The effective interest rates at the balance sheet date were as follows:

	2022		2021	
	Renminbi	US Dollar	Renminbi	USD
Bank Loans	2.64% - 4.65%	2.45% - 7.55%	2.64% - 4.3%	2.05% - 3.68%

The carrying amounts and fair values of fixed rate non-current bank borrowings are as follows:

	Carrying value		Fair value	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
1-2 years	757,287	360,195	757,275	360,177
2-5 years	62,841	937,130	62,823	937,114
	820,128	1,297,325	820,098	1,297,291

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 from financial institutions with substantially the same terms and characteristics as those available to the Group on each balance sheet.

29 Trade payables

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Accounts payable	1,101,127	1,089,372
Notes payable(a)	899,183	868,221
	2,000,310	1,957,593

- (a) The notes payable of RMB854,511,000 (2021: RMB848,333,000) at 31 December 2022 represent certain restricted bank balances set off against the banker's acceptance bills are pledged and RMB1672,000 (2021: RMB19,888,000) secured by certain bills receivable.

At the balance sheet date, the carrying amounts of trade payables approximate their fair values.

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29 Trade payables (continued)

The Group's trade payables are denominated in the following currencies:

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Renminbi	1,711,244	1,515,055
USD	188,213	272,054
Euro	-	2,176
Japanese Yen	27	2,339
Thai Baht	100,826	165,969
	2,000,310	1,957,593

The ageing analysis of trade payables as at 31 December 2022 and 2021, based on the invoice date, is as follows:

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Within 3 months	1,356,920	1,475,529
4 to 6 months	598,194	469,319
7 to 12 months	24,952	3,315
More than one year	20,244	9,430
	2,000,310	1,957,593



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30 Other payables and accruals

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Payables for purchase of property, plant and equipment	490,712	396,754
Salary and employee benefits payable	185,827	150,695
Accrued expenses	135,285	114,751
Accrued sales discounts and commissions	73,804	120,557
Freight and duty payable	59,458	116,180
Client Margin	41,991	60,470
Interest payable	19,916	5,571
Other taxes payable	10,533	11,733
Other payables	53,777	54,189
	1,071,303	1,030,900

31 Provision for quality assurance

	Product Warranty RMB1,000
At 31 December 2020	69,482
Additional provision (Note 9)	44,786
Used during the year	(47,515)
At 31 December 2021	66,753
Additional provision (Note 9)	46,222
Used during the year	(37,056)
At 31 December 2022	75,919

32 Deferred revenue

	Deferred Government Grants RMB1,000
At 31 December 2020	55,220
Add	9,576
Included in the consolidated income statement	(4,945)
At 31 December 2021	59,851
Add	22,956
Included in the consolidated income statement	(6,760)
At 31 December 2022	76,047

33 Deferred income tax

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

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Deferred tax assets:		
- Deferred tax assets recovered within 12 months	85,250	54,715
- Deferred tax assets recovered after more than 12 months	2,346	1,909
Offsetting of deferred tax liabilities against offsetting provisions	(68,088)	(56,624)
Net deferred tax assets	19,508	-
Deferred tax liabilities:		
- Deferred tax liabilities settled within 12 months	(10,501)	(7,772)
- Deferred tax liabilities settled after more than 12 months	(72,519)	(86,474)
Offsetting of deferred tax assets against offsetting provisions	68,088	56,624
Net deferred tax liabilities	(14,932)	(37,622)

33 Deferred income tax (continued)

The total movement in the deferred income tax account is as follows:

	For the year ended 31 December	
	2022 RMB1,000	2021 RMB1,000
At the beginning of the year	(37,622)	(57,766)
Included in profit or loss (Note 12)	42,198	20,144
At the end of the year	4,576	(37,622)

The movements in deferred tax assets and liabilities during the year, excluding the offsetting of balances in the same tax jurisdictions, are as follows:

Deferred tax assets

	Tax losses RMB1,000	Impairment RMB1,000	Accrued expenses RMB1,000	Warranty RMB1,000	Government Grants RMB1,000	Other RMB1,000	Total RMB1,000
At 31 December 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 31 December 2021	13,847	4,285	15,391	6,582	10,333	6,186	56,624
(Deducted from)/charged to the consolidated income statement	30,345	656	(3,615)	(509)	2,345	1,750	30,972
At 31 December 2022	44,192	4,941	11,776	6,073	12,678	7,936	87,596

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33 DEFERRED INCOME

TAX (continued)

Deferred tax liabilities

	arising from business combinations Fair value gains RMB1,000	Depreciation difference RMB1,000	Other RMB1,000	Total RMB1,000
At 31 December 2020	17,859	74,311	-	92,170
(Credited)/deducted from the consolidated profit and loss account	(3,185)	5,261	-	2,076
At 31 December 2021	14,674	79,572	-	94,246
(Credited)/deducted from the consolidated profit and loss account	(2,981)	(11,484)	3,239	(11,226)
At 31 December 2022	11,693	68,088	3,239	83,020

34 Cash generated from operations

(a) Reconciliation of profit before

income tax to cash generated from
operations

For the year ended 31 December

	2022 RMB1,000	2021 RMB1,000
Profit before income tax	354,739	265,902
To make adjustments to the following:		
- Share of results of associates	75	300
- Depreciation of property, plant and equipment (Note 16)	386,883	279,959
- Depreciation of right-of-use assets (note 17)	15,906	11,908
- Amortisation of intangible assets (note 18)	6,632	3,924
- Gain on disposal of financial assets at fair value through profit or loss (note 8)	(8,025)	(4,052)
- at fair value through profit or loss (Gains)/losses arising from changes in the fair value of financial assets (Note 8)	(29,538)	3,435
- Deferred income relating to property, plant and equipment	(6,760)	(4,945)
- Share-based payments (Note 26)	10,681	12,078
- Loss/(gain) on disposal of property, plant and equipment (note 8)	208	(137)
- Provision for impairment of financial assets	3,815	1,577
- Write-down of inventories (Note 20)	12,992	7,287
- Finance costs - net (Note 11)	71,499	4,836
Changes in working capital (excluding exchange differences on consolidation):		
- Increase in pledged bank deposits	(64,967)	(69,899)
- Decrease/(increase) in inventories	239,883	(518,515)
- Decrease/(increase) in trade and bills receivables	107,832	(41,480)
- Increase in prepayments, other receivables and other current assets	(77,530)	(104,674)
- (Increase)/decrease in amounts due from related parties	(47,554)	136,550
- (Decrease)/increase in trade payables	(16,882)	523,444
- (Decrease)/increase in amounts due to related parties	(16,186)	12,048
- Increase/(decrease) in provision for warranties	9,166	(2,729)
- Decrease in other payables and accruals	(54,280)	(21,110)
- Decrease in contractual liabilities	(10,565)	(22,391)
Cash generated from operations	888,024	473,316

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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 31 December			
	2022 RMB1,000	2021 RMB1,000	
Net book value (Note 16)	600	1,219	
(Loss)/gain on disposal of property, plant and equipment	(208)	137	
Proceeds from sale of property, plant and equipment	392	1,356	
A reconciliation of the liabilities arising from financing activities is as follows:			
	Bank Loans RMB1,000	Lease liabilities RMB1,000	Total RMB1,000
As at 31 December 2021 (with notes)	667,458	31,013	698,471
Cash flow			
- Inflows from 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 expenses	37,812	888	38,700
- Exchange	(19,232)	-	(19,232)
As at 31 December 2022 (with notes)	1,903,597	22,929	1,926,526
Cash flow			
- Inflows from financing activities	712,934	-	712,934
- Outflow from operating activities	(73,331)	-	(73,331)
- Outflows from financing activities	(504,353)	(12,599)	(516,952)
Non-cash movements			
- Increase in right-to-use assets	-	7,379	7,379
- Interest expenses	87,676	679	88,355
- Exchange	96,670	-	96,670
As at 31 December 2023 (Note)	2,223,193	18,388	2,241,581

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Note: The balances of these financial liabilities comprise "bank borrowings", "lease liabilities", interest payable and "other payables and accruals".

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35 Commitment

The Group's capital commitments as at each balance sheet date are as follows:

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Purchase of property, plant and equipment - Contracted but not provided for	18,653	228,479

36 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party 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 ended 31 December 2022 and 2021 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 Parties	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 Vehicle (Hong Kong) Investment Holdings Limited
Wing Seng Seng Shan Properties Limited	Entities controlled by the immediate holding company
Wing Shing Shing Shan Energy Services Limited	Entities controlled by the immediate holding company
Yunnan Puling Chengshan Tyre Company Limited	was incorporated on 12 July 2018 and The Group's 22% shareholding in the Group's associates
Hebei Pulin Chengshan Tyre Company Limited	was incorporated on 30 August 2019 and The Group's 39% shareholding in the Group's associates

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36 Related party

transactions (continued)

(a) Transactions with related	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000

Continuous Trading

(i) Purchase of Utilities		
- Chengshan Group	171,224	172,320
(ii) Products for sale		
-China Heavy Duty Truck China National Heavy Duty Truck	175,467	371,932
-Yunnan Puling Chengshan Tyre Co. Yunnan Puling Chengshan Tyre Co.	14,996	51,153
-Hebei Puling Chengshan Tyre Co. Hebei Pulin Chengshan Tyre Co.	89,186	27,429
	279,649	450,514
(iii) Rent paid and payable and property management expenses	5,964	5,964
-Wing Seng Shan Wing Shing Shing Shan Properties Limited		
- Chengshan Group	7,439	7,213
	13,403	13,177

(2021: RMB7,814,430) accounted for in the consolidated income statement.

(iv) Services received		
-Wing Shing Shing Shan	4,838	2,602
Wing Shing Shing Shan Energy Services Limited		

(v) Key management remuneration

Key management comprises directors and senior management. The remuneration paid or payable to key management for the services of employees is shown below:

-Salary Salaries, directors' fees, bonuses, pensions, Housing, medical insurance and other benefits	12,397	14,643
- Share-based remuneration package	9,147	9,810
	21,544	24,453

36 Related party transactions (continued)

(a) TRANSACTIONS WITH RELATED PARTIES (continued)

(i) Amounts due from related parties

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Imminent		
Trade receivables		
- China National Heavy Duty Truck	103,046	74,558
- Hebei Pulin Chengshan Tyre Co.	23,328	4,262
	126,374	78,820

The ageing analysis of trade receivables from related parties as at each date of the statement of financial position, based on invoice date is as follows

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
1-3 months	92,467	78,820
4-6 months	31,184	-
7-12 months	2,723	-
	126,374	78,820

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36 Related party

transactions (continued)

(a) TRANSACTIONS

WITH RELATED

PARTIES (continued)

(ii) Amounts due to related parties

Imminent

Contractual liabilities

- Yunnan Puling Chengshan Tyre Co.
- Hebei Pulin Chengshan Tyre Co.

At 31 December	
2022	2021
RMB'000	RMB'000
604	1
-	1
604	2

Trade payables

- Chengshan Group
- Wing Shing Shing Shan
Energy Services Limited

690	17,650
799	627
1,489	
2,093	18,277
	18,279

The carrying amounts of the Group's amounts due to related parties are denominated in the following currencies:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Renminbi	2,093	18,279

The ageing analysis of trade payables to related parties as at each date of the statement of financial position is as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Less than 3 months	1,489	18,277

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36 Related party transactions (continued)

(a) TRANSACTIONS WITH RELATED PARTIES (continued)

(iii) Lease liabilities

	At 31 December	
	2022 RMB1,000	2021 RMB1,000
Non-current		
- Chengshan Group	-	7,673
Imminent		
- Chengshan Group	7,673	7,439
	7,673	15,112

37 Events occurring after the reporting period

From the balance sheet date to the date when this report is required to be disclosed, there have been no events that have had a material impact on the Group.

38 Movements in the Company's balance sheet and reserves

At 31 December

	Note	2022 RMB1,000	2021 RMB1,000
Assets			
Non-current assets			
Property, plant and equipment		-	1
Interests in subsidiaries		2,326,298	2,229,022
Deferred tax assets		1,487	1,237
		2,327,785	2,230,260
Current assets			
Financial assets at fair value through profit or loss		21,044	22,044
Cash and cash equivalents		8,446	7,545
		29,490	29,589
Total assets		2,357,275	2,259,849
Rights and benefits			
Share capital	25	201	201
Share premium	25	2,185,598	2,185,598
Reserves	a	161,985	64,956

No C	Total equity li		
		2,347,784	2,250,755

38 CHANGES IN THE COMPANY'S BALANCE SHEET AND RESERVES

At 31 December

(continued)

	Note	2022 RMB1,000	2021 RMB1,000
Liabilities			
Current liabilities			
Other payables and accruals		988	2,337
Amounts due to related parties		8,503	6,757
		9,491	9,094
Total liabilities		9,491	9,094
Total equity and liabilities		2,357,275	2,259,849

The balance sheet of the Company was approved by the Board of Directors on 31 March 2023 and signed by the following representatives

Che Po Zhen
Directors

Shi Fu Tao
Director

Note (a) Movements in the Company's reserves

	Exchange reserves	Retention of profitability/ (Accumulated losses)	Reserves	Total
	RMB1,000	RMB1,000	RMB1,000	RMB1,000
Balance at 31 December 2020	62,501	221	14,092	76,814
Profit for the year	-	107,419	-	107,419
Cash dividends (Note 14)	-	(106,708)	-	(106,708)
Exchange difference(i)	(22,789)	-	-	(22,789)
Employee Share Option Scheme				
- Issue of shares (Note 25, 27)	-	-	(1,858)	(1,858)
- Value of employee services (Notes 26, 27)	-	-	12,078	12,078
Balance at 31 December 2021	39,712	932	24,312	64,956
Profit for the year	-	102,365	-	102,365
Cash dividends (Note 14)	-	(108,818)	-	(108,818)
Exchange difference(ii)	92,801	-	-	92,801
Employee Share Option Scheme				
- Issue of shares (Note 25, 27)	-	-	-	-
- Value of employee services (Notes 26, 27)	-	-	10,681	10,681

No
C

Balance at 31 December 2022	132,513	(5,521)	34,993	161,985
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- (i) The functional currency of the Company is the United States dollar.