



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



路無限界 行馳有道



2022 Annual Report

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Company Information

Board of Directors

Executive Director

Mr Che Bozhen (Chief
Executive Officer) Mr
Shi Futao
Ms Cao Xueyu

Non-executive Directors

Mr Andrew Chee
(Chairman) Mr
Wang Lei
Mr Shao Quanfeng

Independent Non-Executive
Directors

Mr
CHEUNG
Hok-ho Mr
CHOI Chi-
kit Mr
WANG
Chuan-
sheng

Audit Committee

Mr Choy Tze Kit
(Chairman) Mr
Wang Chuan
Sang
Mr CHEUNG Hok-ho

Nomination and Remuneration Committee

Mr CHEUNG Hok-ho
(Chairman) Mr
CHA Po-chun
Mr TSOI Tze-kit

Development Strategy and Risk Management

Committee

Mr Chee Hong Chi (Chairman) Mr Wang
Chuan Sang
Mr CHEUNG Hok-ho

Registered Office

P.O. Box 472

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ch Street George Town

Grand Cayman KY1-1106

Cayman Islands

Principal Place of Business in China

Rongc

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City,

Shand

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Provin

ce,

China

98 Nanshan North Road

Principal Place of Business in Hong Kong

Kowloon, Hong Kong

Tower A, Billion

Centre, 1 Wang

Kwong Road,

Kowloon Bay,

Kowloon.

Room A-1, 19th Floor

Authorised Representative

Ms Cao

Xueyu Mr

Shi Futao

Company Secretary

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

Ms Szeto Ka-yee (*ACG, HKACG*)

(resigned on 1 September 2022)



Company Information

Legal Adviser

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

Auditor

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 of
China
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 Registrars

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

Company Website

www.prinxchengshan.com

Stock Code

1809

Launch date

9th October 2018

Financial Highlights

Summary of the consolidated profit and loss account

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
incomes	8,151,952	<u>7,537,161</u>	<u>6,283,130</u>	<u>5,588,988</u>	<u>5,206,087</u>
Maori	1,169,790	1,039,148	1,401,363	1,075,274	1,003,053
Finance (costs)/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	<u>10,400</u>	<u>(93,468)</u>	<u>(70,287)</u>	<u>(83,180)</u>
Profit for the year	393,822	<u>276,302</u>	<u>604,748</u>	<u>479,717</u>	<u>478,600</u>
Profit attributable to					
- Shareholders of the Company	393,783	276,304	604,820	479,717	478,600
- Non-controlling interests	39	<u>(2)</u>	<u>(72)</u>	<u>-</u>	<u>-</u>
	393,822	<u>276,302</u>	<u>604,748</u>	<u>479,717</u>	<u>478,600</u>
Earnings per share for the year attributable to equity holders of the Company					
- Basic (RMB)	0.62	<u>0.43</u>	<u>0.95</u>	<u>0.76</u>	<u>0.90</u>
- Diluted (RMB)	0.62	<u>0.43</u>	<u>0.95</u>	<u>0.76</u>	<u>0.90</u>

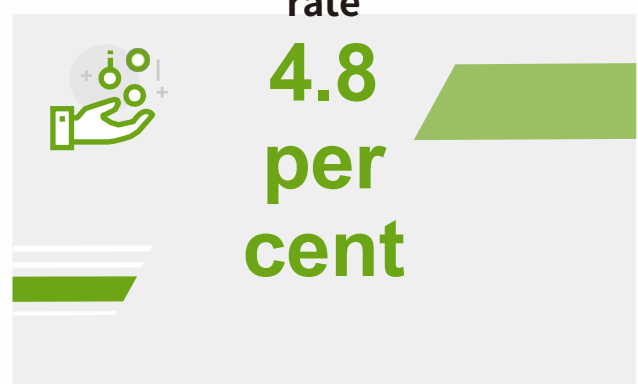
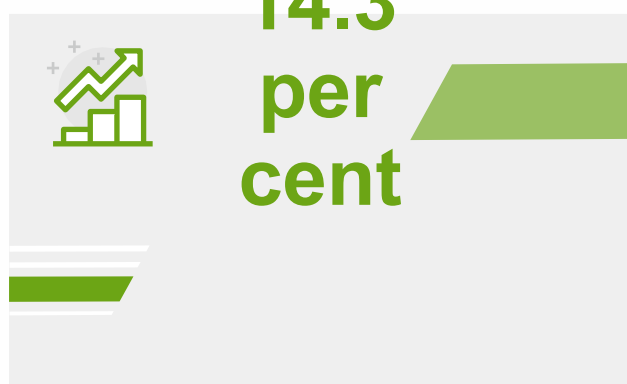
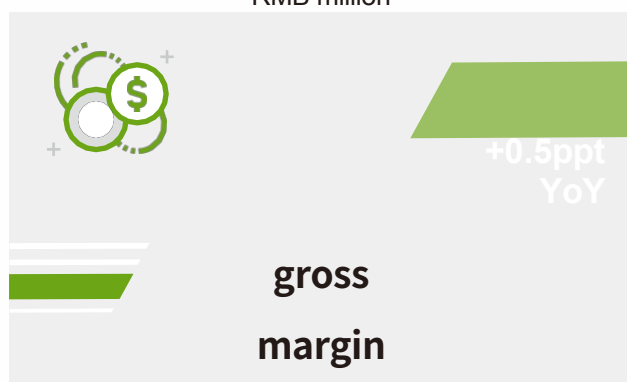
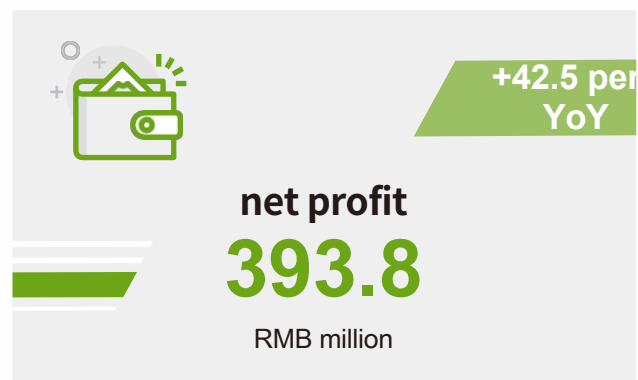
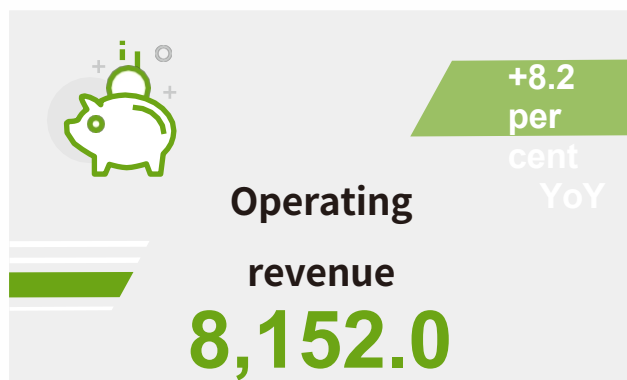
Financial Highlights

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

Key Financial Indicators

Key financial indicators for the year ending **31 December 2022**



Overview of the Group

PULIN Chengshan Holdings Limited (the "Company" or "PULIN Chengshan") established in 1976 and headquartered in Rongcheng City, Shandong Province, the PRC, is a modern enterprise focusing on the research and development, manufacturing, sales and provision of tyre lifecycle services. It is a leading domestic manufacturer in China's commercial all-steel radial tyre replacement market, and one of the most influential tyre enterprises in China. Over the years, based on the core strategy of "Cost Leadership, Efficiency Driven, Competitive Differentiation and Global Operation", PULIN Chengshan has insisted on global development and established two major production bases in China and Thailand, and three major sales centres in China, North America and Europe, forming a global development layout.

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

(All-steel radial tyres are mainly used in medium/long haulage, buses, mixed road or off-road vehicles, light trucks, etc.; half-steel radial tyres are mainly used in passenger cars, pick-up trucks, sport utility vehicles (SUVs), etc.; and bias-treaded tyres are mainly fitted to vehicles used in agricultural and industrial off-road conditions. The Group's products have been certified by relevant authorities in major tyre markets around the world, including the Department of Transportation of the USA (the "Department").

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

The Group owns four famous tyre brands, namely Prinix, 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 major channels:

- (i) Sales to alternative markets are made through distributors in the PRC and overseas;
- (ii) direct sales to whole manufacturers; and
- (iii) Sales to OEM customers.



Chairman's Report



Honourable shareholders:

On behalf of the ~~the~~ "Board" of directors (the "Directors") of Poulin Chengshan, I am pleased to present the results of operations and prospects of the Company for the year ending 31 December 2022 for review.

The year 2022 will be a milestone year for Po Lam Seong San. Despite the turbulent international and domestic environment, the Group insisted on focusing on strategies and seizing opportunities, and with the unremitting efforts of all staff, we achieved encouraging operating results through flexible strategies and tenacity. Since our listing in 2018, we have steadfastly pursued our strategy of internationalisation, and the Group's second production base - Thailand Wheel Tire Production Base ("THTPSB") has fully entered the stage of high-quality and high-efficiency operation. We are firmly committed to promoting the intelligent transformation and upgrading of our industries, and the Shandong Wheel Tyre Production Base

(The production expansion project "Shandong Tire Production Base") reach full production in 2022. The construction of smart factories and the deployment of production capacity at home and abroad have laid a solid foundation for better development in the future. With continuous improvement in manufacturing technology, product process and on-site management, we are able to better meet market demands and continue to optimise our sales structure. We are firmly committed to our brand strategy of "multi-brand and differentiated development with internationalisation and localisation", and continue to enhance user experience through brand rejuvenation and the launch of high-performance products. 2022 was a year in which we achieved double growth in revenue and net profit amidst the challenges of fierce competition and uncertainty in both the domestic and overseas tyre markets. For the annual period 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 were dedicated to their duties and seriously performed their responsibilities. The Board of Directors paid close attention to the changes in the macro situation and the trend of the tyre industry, growing up in the midst of changes and striving for progress in the midst of difficulties. On the one hand, the Group adhered to market-oriented and R&D innovation, developed 375 new products and overcame more than 20 key technologies throughout the year, and won the title of "Leader" in energy efficiency for seven consecutive years, further enhancing the core competitiveness of the industry. On the other hand, the Group deepened lean management and made inward breakthroughs by implementing 143 lean projects throughout the year, and the ever-increasing management efficiency strengthened its ability to resist market risks. On the other hand, the Group continued to enhance its brand and optimise its channels to win recognition from customers in the market. The "HUAFENG", "XLAB" and "XNEX" brands were newly launched, of which "XNEX" won three international awards and the "Chengshan" brand was shortlisted in the list of "China's 500 Most Valuable Brands".

In 2023, the domestic and overseas environment and industry situation will remain complex and severe, but it is worth looking forward to. The Group will adhere to the principle of "seeking progress amidst stability and prioritising efficiency", and will continue to strengthen its new advantages in high-quality development amidst difficulties and challenges. Firstly, the Group will maintain effective investment in capital, strengthen the collaboration between production, sales and research, continue to release production capacity efficiently, achieve balanced development both domestically and overseas, and continue to enhance its dominant position in the industry. Secondly, the Group has strengthened its internal management to achieve higher efficiency in tapping potentials and continuously improve its production efficiency, organisational efficiency and staff efficiency, so as to create excellent results through efficiency. Thirdly, the Group will implement in-depth innovation in technology research and development, closely grasp the market and customer needs, and focus on breakthroughs in high-end new energy tyres, in order to capture the market with high-tech and high value-added products. Fourthly, we will aim to be the "leader" in the market, relying on the ultimate products and services to enlarge the brand effect, and continue to enhance the popularity and reputation of Pulin Chengshan, so as to step into the competition on a higher platform.

I and the members of the Board firmly believe that the Group, with solid industry experience and good core competitiveness, and with all staff working hand in hand to meet the challenges, will be able to provide better and better products and services to our customers, make greater contribution to the society, and bring greater value and returns to our shareholders!

Last but not least, I would like to express my heartfelt gratitude to all staff for their hard work in the development of the Group! I would like to express my heartfelt gratitude to all our shareholders and friends from all walks of life for their support and assistance to the Group!

CHE WANG CHI
chairperson

Shandong, China, 31 March
2023

Management Discussion and Analysis

Business review and outlook

Industry News

In 2022, the new crown pneumonia outbreak and geopolitical conflicts will pose challenges to the Company's tyre business in terms of cost pressure and weak demand. The spread of the Xin Guan epidemic has seriously affected domestic production and sales, while the world economic downturn and sharp fluctuations in the prices of raw materials and shipping costs have brought many uncertainties to the international sales business. The tyre industry as a whole is in a situation of oversupply, and market competition has changed from incremental competition to stock competition.

The Company's all-steel and semi-steel radial tyres were under pressure from declining demand in the domestic market. The domestic epidemic prevention situation was extremely severe due to the rampant spread of the Xin Guan Omicron strain, the effects of which were felt throughout the year. Under these circumstances, the production and sales volume of commercial vehicles were at a low level due to the overlapping factors, with year-on-year declines of more than 30%, and in particular, the production and sales of passenger cars and trucks were in a fast-declining trend. Commercial vehicle ancillary (ancillary) ~~products~~ relatively high proportion in 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 replacements of commercial vehicle tyres was weak as a result of the impact of factors such as low market start-ups and the lack of demand for road freight transport. Driven by the policy of "stabilising growth and promoting consumption", the production and sales volume of passenger cars achieved faster growth, especially the production and sales volume of new energy vehicles showed explosive growth. The sales volume of our passenger car tyres in the end-user replacement market has also achieved substantial growth. Looking at the domestic market, although tyre enterprises are facing greater pressure on the cost side, against the backdrop of an industry with an oversupply of tyres, competition in China is becoming increasingly heated, making it more difficult for product prices to rise.

In the international market, overall demand for all-steel and semi-steel radial tyres was good throughout the year, but a number of uncertainties led to narrow fluctuations in the international sales business. the first half of 2022 saw stronger demand from overseas markets, with the North American replacement market performing strongly. In the second quarter of 2022, ocean freight rates plummeted to the normal level before 2021, and customers took a wait-and-see attitude towards placing orders for shipments; the US dollar performed strongly throughout the year, and global currencies other than the US dollar depreciated significantly, resulting in a general decline in the purchasing power of customers; the Russian-Ukrainian conflict had a short-term impact on the global supply chain system, which led to the high price of raw materials such as carbon black and the erosion of profit margins of the enterprises.



Management Discussion and Analysis

In 2022, global tyre enterprises are actively developing high value-added tyre products. With the explosive growth of new energy vehicle production and sales, enterprises 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 seizing the replacement market share. At the same time the global tyre production capacity integration accelerated, the major tyre enterprises are reducing non-profit business departments and factories, and investment in emerging businesses and products, to promote the growth of the company's performance; domestic tyre enterprises are also making efforts to build overseas factories, overseas factories have become the new impetus of the "external loop", international business has become the main source of profit for domestic tyre enterprises.

Operation Review

As a leading domestic manufacturer in China's commercial all-steel radial tyre replacement market, PULIN Chengshan has been deeply engaged in the design, R&D, manufacturing and sales of tyres for 46 years, with the mission and vision of "leading tyre innovation, contributing to intelligent mobility and sustainable development, and achieving a better life", and adhering to its core strategy of "cost-leading, efficiency-driven, differentiated competition, and global operation".

The Group enhances the happiness of drivers and passengers through the continuous supply of high-performance tyres with the wisdom and care of PuLin ChengShan to global dealers and automobile manufacturers in China.

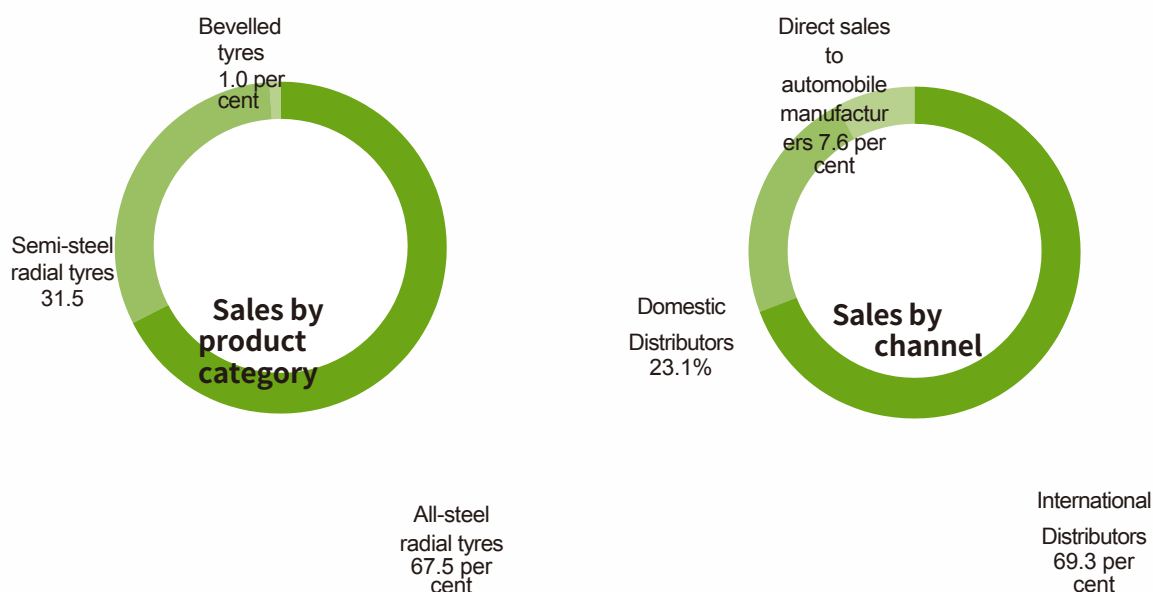
During the reporting period, the Group sold approximately 18.5 million tyres, essentially flat year-on-year. Among them, sales of all-steel radial tyres amounted to approximately 6.7 million units, representing a year-on-year increase of approximately 2.4%; sales of semi-steel radial tyres amounted to approximately 11.5 million units, representing basically flat year-on-year; and sales of bias-ply tyres amounted to approximately 0.27 million units, representing a year-on-year decrease of approximately 41.3%. For the year, sales revenue of approximately RMB8,152.0 million was realised, representing a year-on-year increase of approximately 8.2%, and gross profit of approximately RMB1,169.8 million was realised, representing a year-on-year increase of approximately 12.6%. Profit attributable to the owners of the Company for the year ended 31 December 2022 was approximately RMB 393.8 million, representing a year-on-year increase of approximately 42.5%.

The Group mainly supplies the replacement market through distributors and the operating revenue from the Group's domestic and international distributor channels for the annual period ended 31 December 2022 were approximately RMB1,879.6 million (2021: approximately RMB2,043.0 million and RMB5,653.3 million respectively

(2021: approximately RMB4,284.9 million) accounting for approximately 23.1% and 69.3% of the total revenue respectively; operating revenue from direct sales to automobile manufacturers was approximately RMB619.1 million (2021: approximately RMB1,209.2 million) accounting for approximately 7.6% of the Group's total revenue. Among them, all-steel radial tyres and semi-steel radial tyres accounted for approximately 67.5% and 31.5% of the Group's total revenue respectively, while bias tyres accounted for approximately 1.0%. In 2022, the Group will continue to make efforts in areas such as brand building and new business development to seek new

profit growth points.

Management Discussion and Analysis



During the reporting period, the Group organised its work with a pragmatic, open and enterprising attitude based on the core values of "Customer First, Duty and Responsibility, Focus on Professionalism, Innovation and Openness".

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

The Group adheres to the principle of driving development by technological innovation. During the reporting period, the Group continued to strengthen its technological research, innovate its research and development methodologies and enhance its research and development capability. The Group pioneered the five-drum forming machine and the heavy-duty tread flexible winding technology for all-steel radial tyres, breaking the monopoly of new technologies overseas. By implanting RFID electronic chips inside the tyres, the Group monitors the identity of the tyres and realises automated data identification during the production, sale, use and retreading of tyres, thus realising the whole life cycle 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 proactively launched lean training covering middle management, junior management and technical cadres, continued to promote lean production, and carried out lessons learnt and improvement promotion activities amongst factories to enhance internal operational efficiency. The Group achieved good results through the implementation of 203 cost saving projects such as energy saving and operation optimisation. The Group encouraged all employees to participate in improvement activities through cash or souvenir incentives and implemented 1,894 rationalisation proposals to enhance the standard of on-site management in the workshops. The Group continued to increase automation to reduce manual labour and improve production efficiency. The working hour efficiency of the Shandong tyre production base for full-steel/half-steel radial tyres increased by 3.8% and 8.4% year-on-year, while that of the Thailand tyre production base for full-steel/half-steel radial tyres increased by 20.9% and 2.7% year-on-year, respectively, which has

helped to build up a sustainable competitive advantage for the Group in the long term. This has provided the Group with a long-term sustainable competitive advantage.

Management Discussion and Analysis

The Thailand tyre production base adopts first-class manufacturing equipment, leading design concepts, intelligent manufacturing and management modes, and conducts research and development and design in accordance with green and intelligent manufacturing standards, which is a solid step forward for the Group's globalisation development goals. The first phase of the Thailand tyre production base project will commence construction in 2019 and enter into operation in the second half of 2020, with full production capacity in 2021 and production volume, quality and manufacturing costs meeting the expected targets; in 2022, the Group will further complete the construction of the second phase of the Thailand tyre production base project and build up production capacity. Currently, the Thailand tyre production base has obtained ISO 9001 (quality system certification), ISO 14001 (environmental management system), ISO 45001 (occupational health and safety management system) certificates and Thailand Green Factory Level 3 certification, as well as eight regional certifications, including VDA and TISI certification, DOT certification, Smartway certification, ENEC and R117 certification.



Management Discussion and Analysis

(ii) Continuously optimising the supply chain system to enhance operational efficiency

The Group has continued to optimise its supply chain system by analysing and forecasting on big data, formulating production plans and managing inventory, forming a closed-loop management process system comprising customers, production, procurement, logistics and sales, and achieving collaborative management of production, sales and inventory, as well as whole-chain monitoring and development. During the reporting period, the Group relied on the optimisation and upgrading of its information system to establish a demand forecasting model, applying various forecasting methods, identifying major factors, and realising collaborative forecasts at an appropriate level of aggregation, which was continuously revised to adapt to changes. The plan achievement and accuracy rates of the Shandong wheel tyre production base and the Thailand wheel tyre production base improved significantly. Meanwhile, the Group's logistics is developing towards intelligence, realising integrated, flexible and socialised logistics. In the process of logistics operation, the Group has realised the intelligence of operation planning and decision-making, and with cost reduction and efficiency enhancement as the core, realised the intelligence and visualisation of car pooling, and highlighted the importance of the Group's logistics operation.

Under the concept of "customer-centricity", timely feedback on changes in customers' needs is provided; the Group realises socialisation through optimal allocation of resources, making full use of the resources of the Group's distributors/second-tier dealers across the country to realise the shared use of resources and inventory, mutual assistance and altruistic win-win situation.

(iii) Actively developing markets and optimising channel distribution

During the reporting period, the Group's sales volume was basically flat and revenue improved year-on-year. The domestic distribution business overcame many difficulties and increased its market share; despite the complex and severe external environment, revenue from the international distribution business grew significantly by 31.9% year-on-year.

Distributor Channels

Domestic Distributors

Tyre Replacement Channels for Commercial Vehicles

The Group has a high penetration rate in the all-steel radial tyre replacement market in the PRC. 2022 will see a number of outbreaks of domestic epidemics, disruption of infrastructure projects and weakening of logistics and transportation across the country. As a result of weak domestic demand, the market is sluggish, with demand in the passenger and freight transport markets remaining low, and demand in the commercial vehicle tyre replacement market is subdued. In the face of the severe market environment, the Group proactively streamlined its sales structure, launched conference marketing and other measures, and achieved a 55% year-on-year increase in the sales volume of metric tyres in the commercial vehicle tyre replacement channel.

Management Discussion and Analysis

During the reporting period, the Group deepened channel reform, explored new online and offline channel models, and actively implemented conference marketing. the Group held 53 commercial vehicle dealer conferences, 43 new product launch conferences for commercial vehicle tyres, 345 regional retailer seminars on commercial vehicle tyre replacement, and 846 roadshows for the commercial vehicle tyre replacement channel. in 2022, the Group developed 17 new domestic dealers and added 109 new standard five-star stores. As of 31 December 2022, the Group had 17 newly developed domestic distributors and 109 new five-star rated shops. As at 31 December 2022, there were 169 domestic distributors and 679 five-star shops in compliance with the standards, and the cumulative contribution of five-star shops accounted for approximately 41.4% of the Group's total sales volume in the domestic all-steel replacement market, which further enhanced the Group's 2023-2024 浦林成山商用车替换销售中心经销商大会 replacement market.



Passenger Car Tyre Replacement Channel

In accordance with its strategic planning, the Group has continued to expand its business scale in passenger car tyres. During the reporting period, the Group's sales volume in the passenger car tyre replacement market grew significantly and its sales network covered all provinces in China.

The Group actively empowered its sales business with digitalisation. Following the official launch of the "Xiaopu System", an omni-channel digital sales system of PuLin ChengShan, in 2021, the Group has continued to optimise the digital construction mode by adopting the "project management" mode, and has launched the bonus point mall project, the visit pass project and the shop pass project, etc., to further improve the information of the customers and to standardise the company's management process. Meanwhile, the Group also actively promoted new products to optimise the sales structure of passenger car tyres.

Management Discussion and Analysis

During the reporting period, the Group's operating revenue from the domestic distributor channel amounted to RMB1,879.6 million, representing a decrease of RMB1,879.6 million as compared to RMB1,879.6 million in the corresponding period in 2021.

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



International Marketing

Demand from overseas markets will be stronger in the first half of 2022, followed by a downturn in the second half due to the economic downturn, particularly in North America. Ocean freight rates in The second quarter of 2022 saw a rapid plunge to normal levels and a significant depreciation of global currencies except for the US dollar. During the reporting period, the Group undertook an omni-channel expansion to completely reshape the North American company in terms of management systems, processes and teams, while at the same time enhancing the building of the European sales team in preparation for the growth of the European market and the IPO of New Poulin in 2023.

During the reporting period, the Group newly developed 88 overseas distributors and realised operating revenue (including labelling business) of approximately RMB5,653.3 million from international marketing, representing a year-on-year increase of 31.9% as compared to RMB4,284.9 million (including labelling business) in the same period of 2021, of which approximately 54% of the revenue was derived from the Thailand tyre production base (2021: 43%) approximately 46% of the revenue was derived from the Thailand wheel tyre production base (2021: 43%) and approximately 46% of the revenue was derived from the Shandong wheel tyre production base (2021: 57%)

With excellent products and services, Poulin Chengshan's overseas market has been growing rapidly in recent years, with 260 overseas dealers successfully contracted and services provided in more than 100 countries around the world.

Management Discussion and Analysis

On 10th December 2022, our Thai client hosted the AUSTONE Distributor Conference in Bangkok with more than 150 guests. Through the successful organisation of this event, we have further strengthened the adhesion between our clients and the downstream.



In July and September 2022, Poulin Narayama participated in the International Tyre Show in Cologne, Germany, and the IAA Commercial Vehicle Show in Hannover, Germany, respectively.



Management Discussion and Analysis

Direct sales to vehicle manufacturers

During the reporting period, the Group grasped market opportunities, strengthened cooperation with mid-to-high-end OEMs, and established cooperative relationships with a number of new energy vehicle manufacturers, demonstrating its development potential in the new energy field. In terms of commercial vehicles, PULINCHENGSHAN has been actively developing new customers and initiated more than 20 new projects, and successfully secured a supporting project with the joint venture brand "JIANGSUZHOU FORD QUANSHUN"; at the same time, the Company has entered into the supply catalogue of the H6 model of Great Wall City, and is also a supplier of fixed-point tyres of JIANGSUZHOU FORD, and has also initiated the BYD's passenger car supporting project and the development plan of new energy vehicle enterprises such as ZERO RUN. As at the end of the reporting period, the Group had entered the supplier system of 68 automobile manufacturers. The Company was elected on 22 September 2022

Ranked 45th in the "2022 China Top 100 Auto Parts Enterprises".

With the further expansion of Chengshan's brand and product influence, in 2022, the Group aimed at the mid-to-high-end domestic logistics niche market and entered into strategic cooperation with leading domestic express couriers and became a high-volume tyre supplier to Jingdong Logistics, Cross Express and MTR, while both parties will continue to embark on more in-depth cooperation in 2023.

During the reporting period, the Group generated RMB619.1 million in revenue from direct sales to automobile manufacturers, representing a decrease of RMB3.6 million compared to RMB3.4 million in the corresponding period in 2021.

1,209.2 million decreased by 48.8%, mainly due to weak demand in the domestic commercial vehicle market.



Management Discussion and Analysis

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



Brand Huanxin

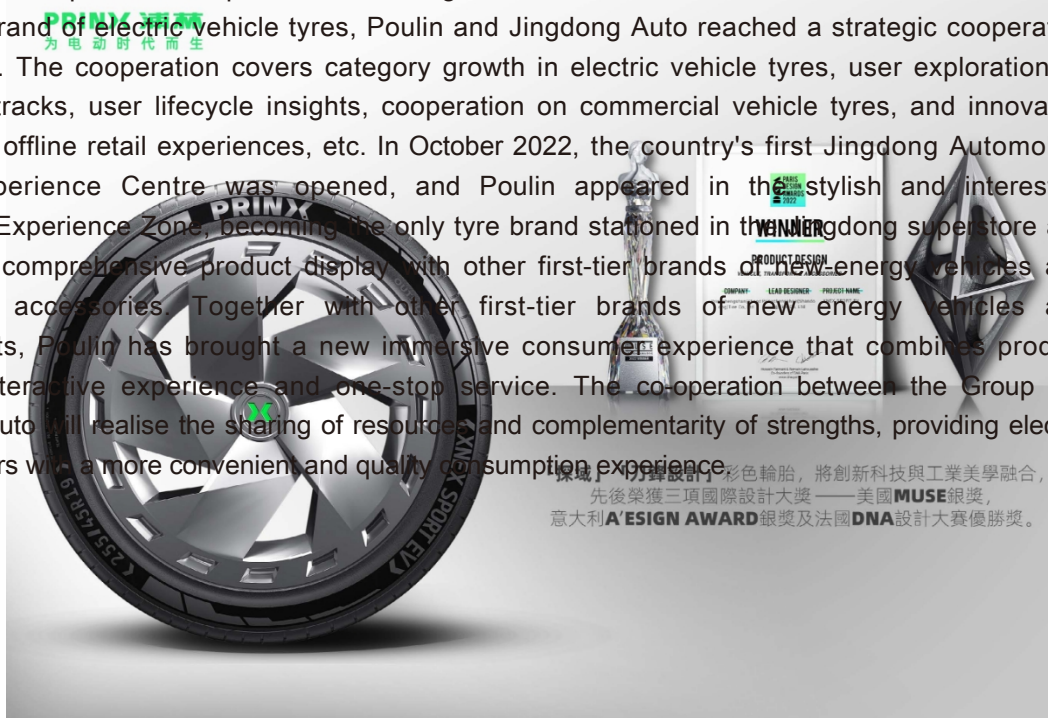
The Group has positioned itself as "New Made in China Tyre" in terms of brand development, with "Green, Intelligent, International and Branded" as the main axis of the development of PULIN Chengshan. Based on its deep insight into consumers, Pulin Chengshan has formulated a brand strategy of "combining internationalisation and localisation, multi-branding and differentiated development". The Group's four major brands, Chengshan, Prinx, Austone and Fortune, have all completed system refreshes.

In December 2021, the Group took the lead in unveiling a new brand image for its strong brand "Chengshan Tyre", positioning it as "The Choice of Chinese Drivers", with the return of the lighthouse element that symbolises the core spirit of Chengshan, signifying Chengshan's determination to develop locally; and highlighting its brand value of "Bravery, Perseverance" and its functional value of "Toughness, Durability" with its brand positioning of "A Down-to-Earth Striver". 2022 In May 2022, the first product of Chengshan's high-performance passenger car "Hua" series - "Hua Firm" was launched, with excellent durability performance and all-weather goose down Xiang Yun tyre sidewalls, achieving a new national tyre benchmark. In May 2022, the first product of Chengshan brand's high-performance passenger car "Hwa" series - "Hwa Tough" was launched, with excellent durability and all-day goose down mascot tyre sidewalls, achieving a new national tyre benchmark. 2023, the first urban SUV tyre of Chengshan brand's "Hwa" series - "Hwa Yue" was launched, with the exclusive skill of "stable driving" and "dual control" to solve the problem of SUV users. Dual control" solves the pain points of SUV users, realising the product's double excellence in stability and noise control, allowing users to enjoy a safe and comfortable driving experience.

Management Discussion and Analysis

The Group's youthful brand "Poulin" has officially returned with a new positioning and a new image. The brand is positioned as "Born for the Electric Era", focusing on high-performance electric vehicle tyres, and continues to explore, breakthrough and innovate from the brand to the market and channels, empowering the electric era. 2022 June, Poulin's two products focusing on the new energy tyre industry, "XLAB" and "XNEX", were launched, implanting the concept of "choose Poulin for electric vehicle tyres" through professional product evaluation by social media opinion leaders, increasing awareness of the brand's superior GCE (Ground Contact Efficiency) performance. Through the professional product evaluation by social media opinion leaders, the concept of "Choose Poulin for Electric Vehicle Tyres" was implanted to convey the brand's superior GCE (Ground Contact Efficiency) performance and increase product awareness. At the same time, Poulin won three top international design awards for its innovative R&D concepts, technology and design, allowing Chinese design to influence the world.

In July 2022, Poulin Brand officially announced that it has become the official partner tyre brand of Shanghai Aerospace Technology Co. The Group joins hands with the top force of China's technological exploration to practice technological advancement and innovation. As the Group's premium brand of electric vehicle tyres, Poulin and Jingdong Auto reached a strategic cooperation agreement. The cooperation covers category growth in electric vehicle tyres, user exploration on new race tracks, user lifecycle insights, cooperation on commercial vehicle tyres, and innovative online and offline retail experiences, etc. In October 2022, the country's first Jingdong Automobile Super Experience Centre was opened, and Poulin appeared in the stylish and interesting Discovery Experience Zone, becoming the only tyre brand stationed in the Jingdong superstore and bringing a comprehensive product display with other first-tier brands of new energy vehicles and parts and accessories. Together with other first-tier brands of new energy vehicles and components, Poulin has brought a new immersive consumer experience that combines product display, interactive experience and one-stop service. The co-operation between the Group and Jingdong Auto will realise the sharing of resources and complementarity of strengths, providing electric vehicle users with a more convenient and quality consumption experience.



Management Discussion and Analysis

The Group's brand "Aotom" is centred around the brand characteristics of "proactive, people-oriented and comprehensive protection", and is committed to providing quality products and services to create safe and carefree journeys for our loved ones. 2022 Poulin Chengshan will participate in the European Trucking Championships in France with the Aotom brand.



The Group's brand "Fushen", with the brand characteristics of "problem solving, self-control, and continuous improvement", is dedicated to advancing the performance of tyre products through continuous self-reflection and technological innovation, and is created for every strong person who is driven by will. 2022 Uralin Chengshan will bring the Fushen brand to participate in the Spanish leg of the European Truck Championships.



Through a comprehensive rebranding of its experience and values, the Group is re-stating its commitment to its users and partners in the era of sustainable mobility in younger language - to innovate and create not just for some, but for everyone. With the wisdom of new manufacturing and

sensible technology, we will help every user to explore a better life.

Management Discussion and Analysis

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

(v) Innovative sales models

During the reporting period, the Group continued to promote total solutions for the aftermarket of commercial vehicles under the service brand "Smart Onda". The "Smart Onda Model" takes truck tyre rental as an entry point. Through the effective application of intelligent technologies such as RFID (Radio Frequency Identification) and TPMS (Tyre Pressure Monitoring System), the Group is able to effectively improve the safety of tyres used by its fleet of customers as well as the efficiency of operation, and to reduce the comprehensive cost of use of its customers, thereby ultimately realising the management of the whole life cycle of tyres. During the reporting period, the Group established on-site service standards by combining the characteristics of tyre products and vehicles themselves to extend the service life of tyres. Through the establishment of a digital service platform and the use of digitisation and standardisation to drive the process control of the business, the Group has continued to enhance its core competence in product services, improve the efficiency of its execution operations, and significantly strengthen the stickiness of its customer services.

During the reporting period, the Group achieved continuous growth in the number of "Zhianda" customers and service rounds, established an external repair service platform and fully promoted its application, with a service network covering nearly 1,500 service providers in the regions of Beijing, Tianjin, Hebei, Shanxi, Shandong, Henan, Jiangsu, Jiangxi, Anhui, Hubei, Shanghai, Zhejiang, Fujian and Guangdong, providing customers with guaranteed delivery time.



Management Discussion and Analysis

During the reporting period, the innovative sales model yielded significant results, with steady growth in the number of customers and service revenue.



(vi) Capacity deployment

In the second half of 2020 and the first half of 2021, the Group commenced the capacity expansion of the second phase of the Thailand tyre production base 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 its production capacity in the first quarter of 2022 successively. The production capacity of the Thailand tyre production base has already reached 2 million full-steel radial tyres/year and 8 million sets/year of half-steel radial tyres, which will help the Group to further explore overseas markets such as North America and Europe. During the reporting period, the capacity utilisation rates of the Thailand tyre production base for all-steel radial tyres and semi-steel radial tyres were 94.4%/57.1% respectively.

Management Discussion and Analysis

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

Expansion of the Group's production capacity during the reporting period			
Product Category	Actual capacity at end 2021 (million bars)	Actual capacity at end of 2022 (million bars)	Percentage increase
All-steel radial tyres	815	940	15.3 per cent
Semi-steel radial tyres	1,440	1,920	33.3 per cent
bias wheel	120	120	-
Total	2,375	2,980	25.5 per cent

(vii) Research and Innovation

During the reporting period, the Group kept a close eye on the development trend of the global automobile and tyre industries, and always insisted on scientific research and innovation as the basis, giving full play to the platforms of the national enterprise technology centre, post-doctoral workstation, Shandong Provincial Tyre Manufacturing Innovation Centre, Shandong Provincial Multi-Scale Tyre Whole Life Cycle Engineering Research Centre and Shandong Provincial Industrial Design Centre, and pursuing green, balanced and sustainable development in a market-oriented manner, with a view to building high-performance, high quality and high value-added tyre products. We are committed to creating high-performance, high-quality and high value-added tyre products, and continue to inject new momentum into our development through technological innovation. In 2022, aiming at the new energy automobile market, PULINCHENGSHAN will increase the development of new products, the application of new materials and new technologies, and develop 375 new products in the whole year, of which 29 are all-steel tyres and 330 are semi-steel tyres.



Management Discussion and Analysis

During the reporting period, the Group carried out a series of technological innovations in products, simulations, formulations and processes, including quiet foam tyre technology, self-healing tyre technology, all-steel Grade A rolling resistance products, tyre pattern noise separation technology, bias wear simulation and prediction technology with pattern PCR, ultra-low rolling resistance and high grip and high abrasion-resistant EV tyre tread formulations, recycled rubber cracked carbon black full-life-cycle formulation and application technology, belt bunching, unlimited layer winding technology, dual tread process technology, implantation of RFID electronic chips, real-time monitoring of tyre pressure, research and application of new bead structure nylon wrapping technology, domestic and international nylon wrapping technology, and implantation of RFID electronic chip. unlimited ply wrapping technology, dual tread process technology, implantable RFID electronic chip, real-time monitoring of tyre pressure, research and application of new bead structure nylon wrapping technology, the first all-steel five-drum moulding machine in China and overseas, and flexible wrapping technology for heavy-duty tyre tread, and steel wire bead wrapping technology for heavy-duty products, etc. In 2022, the Group will newly authorise 78 patents, including 1 invention patent, 48 utility model patents, and the cumulative number of patents granted to it will increase by 1.2%. In 2022, the Group granted 78 new patents, including 1 invention patent, 48 utility model patents, and a total of 330 intellectual property rights.

(viii) Organisational Management Upgrade and Corporate Culture Building

The Group has continued to promote management upgrading by optimising and upgrading the Company's existing management system, business and organisational system, system and process system, and post system, so as to adapt to the change in the mode of control from a single manufacturing base to multiple manufacturing bases and to meet the needs of the Company's future business development. During the reporting period, the Group adjusted its organisational structure, sorted out standardised operational processes and standardised its management system. Through the promotion of technology application for process optimisation, breaking of inherent habits and breaking of barriers between business segments and other means and measures, the Group achieved improvement in work efficiency, reduction in staff input and increase in business breadth and depth.

The Group actively recruits talents, implements corporate culture building, focuses on the cultivation and development of talents, and conducts multi-disciplinary and multi-level training to enhance the leadership and business expertise of the team. During the reporting period, the Group held a comprehensive ideological and ethical rectification and corporate culture building mobilisation meeting. The meeting widely solicited opinions and suggestions from employees, giving full play to their collective wisdom and strength, and guiding them to unify their thoughts, correct their attitudes, and clearly define their objectives and tasks, thus laying a solid ideological foundation for the commencement of the year's activities. Through correctly recognising the differences between China and Thailand in terms of geography, language and culture, the Thai wheel tyre production base actively guided its staff to better understand the connotation and extension of the Group's corporate culture, and continuously enhanced the cohesion of all staff and cultivated common values by organising activities such as corporate culture knowledge competitions, speech competitions, skills competitions, visual signage competitions, fun sports and handicraft competitions.

Management Discussion and Analysis

(ix) Intelligent Manufacturing and Information-based Construction

During the reporting period, the Group continued to promote the construction of smart factories, insisting on business objectives as the driving force to enhance digital construction, shifting from system construction in the past to capability precipitation, and digitally precipitating and reusing common capability modules and resources at the Group level. In terms of production management, the Group has implemented electronic safety point inspection and electronic first and last part inspection, established an alarm mechanism to provide prompt feedback to business units in case of successive defects, and comprehensively set up a big data analysis platform to realise the joint analysis of various types of data in the production process. The Group has accelerated intelligent production by creating a new benchmark of "Smart Manufacturing", continuing to promote the implementation of the RFID project and adopting the RFID chip method to strengthen automatic error prevention in the input process. 2022, the second phase of the expansion of the production facilities at the Thai wheel tyre production base will be put into operation, and at the same time, it will start the No. 2 finished product stand-up bank, the second phase of the tyre embryo logistic line, and the dense film stand-up bank and other intelligent projects to realise the automation of the management of the production material inventory, which will further enhance the efficiency of the Thai wheel tyre production base. This will further enhance the warehousing and transshipment capacity of the Thai wheel tyre production base.

New Products

Based on the global business layout and market development trend, PuLin ChengShan actively researched and developed new products and optimised its product structure. During the reporting period, it completed the research and development of a total of 375 products and launched them on the market, including 29 all-steel radial tyres and 330 semi-steel radial tyres, so as to further enhance its competitiveness in the market and increase its market share in the sub-segment. In addition, 12 new products in all-steel and 9 new patterns in semi-steel were developed according to the demand of the global market.

During the reporting period, the Group pursued the construction of a matrix of high-value and high-content products to enhance product competitiveness in light of the competitive market situation. For all-steel radial tyres, the Group focused on creating a new generation of green and environmentally-friendly products with low rolling resistance and high abrasion resistance for the key market segments, in pursuit of global environmental protection and sustainable development; and for semi-steel radial tyres, the Group created a new generation of high-performance tyres and new energy tyres based on the concepts of advanced tyre design and manufacturing, and in light of the changing trends in the market and in line with the strategy of brand rejuvenation. The Group launched the first high-performance product of the Cheng Shan Hua series, "Hua Firm", and two new electric vehicle products under the Poulin brand, "XLAB" and "XNEX", in the PRC. The new products not only meet the demand of the traditional automobile market, but also keep pace with the rapid development of the electric vehicle market by enhancing safety, energy saving and emission reduction, as well as quietness and comfort. At the same time, the Group has also been actively expanding into the international market by developing a full range of new products for R/T and light trucks in North America and Poulin summer,

all-season and winter tyres in Europe. As at the end of the reporting period, the Group had completed the trial production and certification of Chengshan series of all-steel radial tyres in accordance with the product planning for the European market, and the products have been sold in the European market; and the promotion of the new products of Poulin brand of semi-steel radial tyres had been launched in an orderly manner and the expansion of such products had been carried out.

Management Discussion and Analysis

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

Product Category	Sales of new products (million)	Total sales volume (million)	New product sales as a percentage of total sales
All-steel radial tyres	219.0	673.6	32.5 per cent
Semi-steel radial tyres	457.0	1,151.7	39.7 per cent
bias wheel	0.2	27.4	0.7 per cent
Total	676.2	1,852.7	36.5 per cent

Amendments to the Memorandum and Articles of Association

In order to (i) comply 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 (the "Stock Exchange Listing Rules") in respect of the memorandum and articles of association of the Company (the "Memorandum and Articles of Association") and (ii) make other consequential and housekeeping amendments, a special resolution was passed at the annual general meeting of the Company held on 16 June 2022 (the "2022 AGM") approving the adoption of the new memorandum and articles of association of the Company. 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 the new memorandum and articles of association of the Company.

For details, please refer to the announcement of the Company 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 AGM.

Responding to the outbreak of New Crown Pneumonia

During the reporting period, the Group strengthened epidemic control in production, sales and transportation, proactively assumed its corporate responsibility to fight against the epidemic, and actively organised production arrangements to provide customers with a safe, continuous and stable supply of products.

On 12 March 2022, the Shandong rotor tyre production base responded to the local government's request for a one-week "standstill" suspension of production. By activating the contingency plan and the regular "internal control + external prevention", the Group precisely implemented the preventive and control measures. For the resumption of work and production after the standstill, the Group adopted "point-to-point" management and coordinated with the local public transport company of the Shandong rotary tyre production base to operate 17 dedicated commuter lines to solve the daily transport problems of employees resuming work and production. At the same time, the Group formulated the "Epidemic

Prevention and Control Work Manual", improved the epidemic prevention and control mechanism, and implemented the epidemic prevention and supervision and inspection system. 9 nucleic acid tests were organised at the Shandong Fetus Production Base during the year 2022, with more than 222,000 tests conducted, and a total of 600,000 face masks, 2,750 kilograms of disinfectant, and 1,625 kilograms of alcohol were distributed to the Group for the prevention of epidemics. Meanwhile, the Group has strengthened the management of imported high-risk non-cold chain container goods by formulating the "Control Programme for the Setting Up of Supervised Warehouses" and implementing a mechanism for conducting inspections as soon as possible.

Management Discussion and Analysis

During the reporting period, in view of the epidemic situation in Thailand and the external control environment, the Group strengthened the internal control of its Thailand rotavirus production base and closely deployed the scheduling system, so that the epidemic did not have a significant impact on the production in Thailand. In addition to the regular control of the epidemic, the Group actively promoted the vaccination of Chinese and Thai employees with booster vaccines, launched preventive nucleic acid testing and set up a mechanism for inspections by security guards to effectively minimise the risks.

The Group monitors and adjusts the scale of its foreign currency assets and liabilities in a timely manner through rolling budgets to keep track of the capital injection dynamics and strategically adopting different means of foreign exchange settlement to avoid risks. As at the date of this report, the Board is of the view that the Group is in a good liquidity position and has sufficient working capital based on its business operations and capital commitment, and has not been significantly affected by the epidemic, and is able to meet the expected capital commitment plan.

The audit of the Company's financial statements for the year ended 31 December 2021 was affected by the diagnosis of novel coronavirus (COVID-19) in one of the finance staff of the Group's subsidiary in Thailand, as a result of which a number of other finance staff were required to be quarantined together as close contacts. The Company was unable to publish and despatch the audited annual results for the financial year ended 31 December 2021 ("**2021 Annual Results**") and the relevant annual report for the year ended 31 December 2021 ("**2021 Annual Report**") on or before 31 March 2022 and on or before 30 April 2022, respectively, as required by the Listing Rules. However, pursuant to the "Further Guidance on the Joint Statement on Publication of Results Announcements under the COVID-19 Pandemic" by the Securities and Futures Commission and the Stock Exchange on 16 March 2020 (the "Further Guidance"), the issuer may delay the publication of the Annual Report if, among other things, the issuer is allowed to delay 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, and the issuer is allowed to postpone the publication of the Annual Report for a maximum period of 60 days from the date of the Further Guidance. (i.e. on or before 15 May 2022) The Company published its preliminary 2021 Annual Results on 30 March 2022 in accordance with the Further Guidance, which had not been agreed with its auditors. the 2021 Annual Results were published on 10 May 2022 and the 2021 Annual Report was published and despatched on 12 May 2022.

Please refer to the announcements of the Company dated 30 March 2022, 26 April 2022 and 10 May 2022 for details.

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

The Group is continuously concerned with the sustainable development of its business. Currently, environmental, social and governance matters have 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 Group's sustainable development management. Adhering to 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 its environmental protection responsibilities. As one of the first batch of "Green Factories" selected by the Ministry of Industry and Information Technology of the People's Republic of China and a leader in terms of unit energy consumption in the industry, the Group has continued to adopt environmentally friendly measures and upgraded its production processes. During the reporting period, the Group complied with the requirement to continuously invest resources in emission reduction, resource protection, waste management, energy saving and consumption reduction, improvement of factory flue gas treatment system and factory 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 carry out various green environmental protection work in its daily operations, to meet domestic and international policy requirements and the demand for green consumption, and to promote the sustainable development of the enterprise.

On the environmental front, the wastewater treatment and water reuse system of the Shandong Tyre Production Base will be put into operation in 2022, the volume of discharged water will decrease by 39% year-on-year in 2022, and the emissions of major pollutants COD and ammonia nitrogen will decrease year-on-year, and the identification of hazardous sources of the water station will be completed at the same time. During the reporting period, the installation of exhaust gas treatment facilities in the mixing, curing and semi-finished product workshops at the Shandong tyre production base was completed. At the same time, the maintenance mechanism of the exhaust gas treatment facilities was optimised to ensure the effectiveness of the treatment. During the reporting period, the rainwater and wastewater recycling facilities at the Thailand tyre production base were put into operation, with rainwater recycling of approximately 38,000 cubic metres, wastewater discharge of approximately 130,000 cubic metres and recycling of approximately 100,000 cubic metres, representing a recycling rate of 62% and a cost saving of RMB560,000. During the reporting period, a photovoltaic project with an installed capacity of 19.44 MW was completed at the Thai wheel tyre production base. 2022, the Thai wheel tyre production base achieved a year-on-year reduction of 1.8% in unit electricity consumption and 5% in unit steam consumption per unit of production through process improvement and daily fine-tuned management.

Management Discussion and Analysis

During the reporting period, the Group continued to promote the green supply chain project with its suppliers, incorporating them into the company's carbon peak performance and carbon neutrality target setting and actions. During the reporting period, the Group expanded the green supply chain project into a sustainable development initiative for suppliers, whereby the Group will assess and audit the 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 the suppliers. This project is a forward-looking project based on the national policy background of "doing a good job in achieving carbon peak and carbon neutrality, and formulating an action plan for achieving carbon peak by 2030", and the industry characteristics that tyre enterprises and their upstream suppliers are the major carbon emitters, aiming at analysing the possible environmental and social responsibility risks of tyre enterprises and their suppliers from a forward-looking perspective, exploring the possible carbon emission reduction opportunities in the cooperation with suppliers, and exploring the opportunities to achieve carbon emission reduction in the cooperation with suppliers. The aim of the project is to analyse the possible environmental and social responsibility risks of tyre enterprises and their suppliers from a forward-looking perspective, to explore possible carbon reduction opportunities in cooperation with suppliers, and to explore how to achieve efficient synergies between energy saving and emission reduction, quality control, and lean production, so as to jointly explore the value and opportunities of the future development of the supply chain.

During the reporting period, the Group established friendly relations with local government authorities and people in Thailand. On Children's Day in January 2022, the Group donated a batch of learning and sports equipment to a local primary school; on Songkran Day in April 2022, the Group responded to the call of the Chonburi Municipal Government of Thailand to donate 50 sets of daily necessities to the poor people. In May 2022, the Group jointly conducted a fire emergency drill training with the local school where the Thai tyre production base is located and donated 1,000 masks to the school. In July 2022, the Thai company donated 18 buckets of paint to the primary school in the village where it is located and completed the painting and renovation of various public facilities of the primary school in collaboration with the villagers. In September 2022, we were invited by TISI government organisation in Thailand to participate in the donation of 30,000 baht to the temple in Thailand. In October 2022, the Group participated in the temple donation activity in Phetchaburi province at the invitation of Thailand District 2 Police Department for an amount of Baht 10,000. In October 2022, at the invitation of Rayong Department of Industry, the Group participated in the donation of emergency living materials for the flood victims in Thailand for an amount of 10,800 Baht.

Business Strategy and Prospects

As at the date of this report, the orders received by the Group grew steadily. Looking ahead to 2023, market demand will remain weak with the global recession and inflation, while the Russia-Ukraine war will continue to affect the global supply chain system. Since the release of the domestic epidemic prevention and control policy in December 2022, it is expected that China's economy will rebound rapidly in 2023, showing a trend of recovery, the tyre market's pressure factors have been improved, the domestic economy is expected to resume growth under the epidemic recovery, the all-steel radial tyre market is expected to rebound; half-steel radial tyre overseas orders have been gradually recovered since the fourth quarter of 2022, with the increase in the number of residents'

outings, the replacement market is expected to rebound. The domestic replacement market is expected to pick up with the increase in people's outing activities.



Management Discussion and Analysis

In the face of the complex and changing overseas situation, PuLin 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 reduce costs and increase efficiency.
- (2) Continuing to plough into tyre technology innovation and research and development, facing the market and customers, and creating value through technology application.
- (3) We are committed to promoting our branding 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 reforms to achieve a balanced development of its brand layout and sales ratio; and set up a support team and a solutions project team to provide support and services to its large fleet and dealer base.

In the commercial vehicle tyre and passenger car tyre ancillary markets, the Group will actively explore new vehicle factories and develop new projects for new vehicle models. At the same time, the Group will further optimise and sort out the existing cooperating automobile enterprises and new projects, so as to weaken the impact of the price war on the Group's profit.

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

In the international market, the Group will deploy and plan its international marketing activities for 2023 around the "5Ps"(i.e. product, channel, price, promotion strategy and personnel) and will continue to increase the Group's share of the international market as well as its profit level by rationalising its sales structure, improving its branded channels, setting pricing and branded promotion strategies flexibly, and strengthening the capabilities of its team of personnel.

- (4) Broadening business areas and contributing intelligent mobility solutions: Under the service brand of "Zhi An Da", the Group will continue to dig deeper into the refined management of the tyre service industry, and at the same time, it will also provide customers with one-stop senseless commercial vehicle aftermarket full 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) Pursuing green and sustainable development. The Group will continue to intensify its research on key technology projects such as ultra-low rolling resistance and high wear-resistant PCR tyres (including low rolling resistance technology at low temperature) self-repairing and static cotton stacking technology, application of wet mixing compound, non-inflationary smart tyres, etc., and realise the promotion of 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 capability, increase the opportunities for dialogue with OEMs, introduce pattern engraving, tyre dissection and subjective evaluation of real vehicles, deepen basic R&D, launch fist products, refine quality control, provide stable products, strengthen the R&D platform and shorten the R&D cycle, so as to achieve the goal of increasing sales volume and preserving revenue.
- (6) Attention to talent team building to facilitate the comprehensive development of the enterprise. The Group combines the strategic development needs of the Company, develops a professional team training model and implements a dual-channel programme. This allows employees to have a clear path of development, choose the position that suits them, and give full play to their potential, turning the enterprise into a learning organisation.

Financial Review

incomes

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

Sales by product category

	2022 RMB'000	2021 RMB'000
All-steel radial tyres	5,503,324	4,888,933
Semi-steel radial tyres	2,564,976	2,511,046
bias wheel	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 full steel radial tyres increased to approximately RMB5,503.3 million from approximately RMB4,888.9 million for the year ended 31 December 2021, representing an increase of approximately 12.6%, which was mainly attributable to the year-on-year increase in sales volume by 2.4% and the year-on-year increase in ASP by 10.0%, while revenue from sales of semi-steel radial tyres increased to approximately RMB2,565.0 million from approximately RMB2,511.0 million for the year ended 31 December 2021, representing an increase in sales volume by 2.4% and ASP by 10.0%, respectively. 截至2021年12月31日止年度的約人民幣2,511.0百萬元增加至截至2022年12月31日止年度的約人民幣2,565.0百萬元，增加約2.1%，主要是由於平均單價同比增加2.6%；銷售斜交輪胎的收入由截至2021年12月31日止年度的約人民幣137.2 million to approximately RMB83.7 million for the year ended 31 December 2021, representing a decrease of approximately 39.0%, which was mainly attributable to the decrease in sales volume by 41.3% year-on-year.

Sales by pipeline

	2022 RMB'000	2021 RMB'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 discounted customers) increased to approximately RMB7,532.8 million from approximately RMB6,327.9 million for the year ended 31 December 2021, representing an increase of approximately 19.0%, which was mainly attributable to the year-on-year increase in revenue from international distributors as a result of the release of production capacity of the second-phase project of the tires production base in Thailand. The increase of approximately 19.0% was mainly attributable to the increase in revenue from international distributors as a result of the release of production capacity of the second phase of the tyre production base project in Thailand.

Revenue from sales to automobile manufacturers decreased to approximately RMB619.1 million for the year ended 31 December 2022 from approximately RMB1,209.2 million for the year ended 31 December 2021, which was mainly attributable to the decrease in demand from automobile manufacturers as a result of the downturn in the market conditions for the entire automobile market.

Cost of sales

The cost of sales of the Group increased 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, representing an increase of approximately 7.5%. Such increase was mainly due to the increase in unit cost as a result of the volatile fluctuation in raw material prices and the increase in the overall value of raw material consumption.

Management Discussion and Analysis

Gross profit and gross margin

The gross profit of the Group 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 gross profit margin of the Group for the year 2022 was approximately 14.3%(2021: 13.8%) The increase in gross profit and gross profit margin was mainly attributable to the increase in overall selling price was higher than the increase in unit cost.

Other income

The Group's other income 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 attributable to the government grants of approximately RMB14.3 million from Pulin ~~Co., Ltd.~~ (Shandong) Tyre Company Limited ("Shandong Company") for the year ended 31 December 2022, representing a decrease of RMB14.7 million as compared with the corresponding period in the previous year, and the income from sale of scrap materials of approximately RMB20.6 million for the year ended 31 December 2022, representing a decrease of RMB11.1 million as compared with the corresponding period in the previous year in the previous year.

Selling and distribution expenses

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

Research and Development Expenditure

The research and development expenditure of the Group decreased from approximately RMB254.0 million for the year ended 31 December 2021 to approximately RMB229.2 million for the year ended 31 December 2022, representing a decrease of approximately 9.8%. Such decrease was mainly due to the stringent management of research and development expenditure while enhancing the efficiency of research and development.

Administrative expenses

For the years ending 31 December 2022 and 2021, the administrative expenses of the Group will be 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 commissioning of the Phase II project of the tyre production base in Thailand and 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 gains 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, which was mainly due to the increase in exchange gains on net operating foreign currency assets as a result of the change in exchange rates.

Finance 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 due to the increase in interest income from bank deposits.



Management Discussion and Analysis

Finance Costs

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

Income tax expense

For the years ending 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, which was attributable 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 from approximately RMB276.3 million for the year ended 31 December 2021 by approximately RMB117.5 million to approximately RMB393.8 million for the year ended 31 December 2022. Such increase was mainly attributable to the increase in gross profit driven by the increase in unit price and the increase in foreign exchange gain arising from the change in foreign exchange rate on net operating foreign currency assets.

Profit attributable to shareholders

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

dividend distribution

For the years ending 31 December 2022 and 2021, the Group's total dividend distribution will be approximately RMB108.8 million and RMB106.7 million, representing an increase of approximately 2.0%, which is attributable to the difference arising from the difference in foreign exchange rates as the dividend per share distribution remains 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. Such increase was mainly attributable to the increase in net profit together with the gain on translation of foreign currency statements of entities whose functional currencies are in foreign currencies as a result of a large number of foreign currency long term assets.

Liquidity and financial resources

The Group maintains a strong financial position and there is no seasonality in the Group's borrowing requirements. 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 as compared to 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 US dollars. Floating rate borrowings accounted for 36% and fixed rate borrowings accounted for 64%. Approximately RMB762.9 million is due within one year, approximately RMB1,104.9 million is due between one and two years, approximately RMB297.5 million is due between two and five years and approximately RMB37.9 million is due after five years. The borrowings during the reporting period were mainly used for the Company's daily operation 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 low to medium risk banking and wealth management business to hedge risks and increase financial returns. As at 31 December 2022, the balance of such wealth management business was RMB209.5 million.

stockpile

As at 31 December 2022, the Group's inventory amounted to RMB1,277.4 million, representing a decrease of RMB207.5 million as compared with that of RMB1,484.9 million as at 31 December 2021, which was attributable to the enhancement of the Company's inventory management and optimisation of 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, which was mainly attributable to the enhancement of the Company's management of its receivables process and effective control of the balances of trade receivables.

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 were approximately RMB

The increase was mainly due to the increase in relevant deductible input tax. The increase was mainly due to the increase in relevant deductible input tax.

Amounts due from related parties

As at 31 December 2022 and 2021, the Group's receivables from related parties will be RMB126.4 million and RMB78.8 million respectively, representing an increase of approximately RMB47.6 million. Such increase was mainly due to the increase in trade receivables as a result 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,

which was mainly attributable to the increase in raw material purchases brought about by 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 and RMB1,071.3 million, respectively 1,030.9 million, representing an increase of approximately RMB40.4 million, which was mainly due to the purchase of machinery and equipment and the corresponding increase in the amount payable for machinery and equipment.

Gearing ratio

The gearing ratio at 31 December 2022 was 19.1% (2021: 21.4%). The ratio is calculated as net surplus/debt divided by total capital. Net surplus/debt is calculated as total borrowings less cash and cash equivalents and restricted cash. Total capital is calculated as equity plus convertible redeemable preference shares (on a converted basis) plus net surplus/debt, being total equity and financial liabilities at fair value through profit or loss and net surplus/debt as shown in the consolidated statement of financial position.

Treasury Policy

The Group has adopted prudent financial management strategies for its treasury policies and as a result has maintained a strong liquidity position throughout the year ended 31 December 2022. The Group endeavours to mitigate credit risk by conducting ongoing credit assessment and evaluation of the financial position of its customers. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Assets collateral

As at 31 December 2022, the Group's restricted cash balance of approximately RMB190.6 million (2021: approximately RMB125.7 million) was pledged to secure notes payable issued by the Group and for letter of credit guarantees. The Group has property, plant and equipment with a value of approximately RMB3,757.0 million (2021: approximately RMB3,338.2 million) which has been pledged to secure 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 charge on its assets.

Management Discussion and Analysis

investment

The construction of the Thailand wheel tyre production base will commence in FY2019, with the construction of each of the Phase I plants to be completed and enter into steady operation in 2020. In the second half of 2020, the Company will commence the construction of the second phase of the Thailand wheel tyre production base of all-steel 1.2 million pcs/year, and the total investment of the project is estimated to be approximately RMB541.0 million. In the first half of 2021, the Company commenced the second phase of the Thailand wheel tyre production base with 4.0 million semi-steel bars/year, and the total investment of the project is estimated to be approximately RMB896.0 million. The second phase of the project will commence production in the first quarter of 2022. There is still some unused factory space for the construction of Phase III project (2 million semi-steel tyres/year) The Company will commence the construction of the third phase of the project (2 million semi-steel tyres per annum) as and when the situation warrants.

The Group commenced the production expansion plan of Pulin Shandong in the second half of 2020. The total investment of the project is estimated to be approximately RMB666.0 million, with an additional annual production capacity of 1.05 million full-steel radial tyres and 2.8 million semi-steel radial tyres, which has reached production in the first quarter of 2022.

Save as disclosed above, the Group had no other significant new investments during the reporting period.

Risks and uncertainties

(i) Macro-environmental risks

In 2023, the global economic growth is slowing down, European and American countries are facing the risk of recession, the Russian-Ukrainian war brought about by the global supply chain crisis and economic downturn, tyre exports may be difficult to improve effectively, China's tyre enterprises, especially foreign trade-based China's tyre enterprises, will face the pressure of survival. 與此同時，隨著國內疫情防控政策放開，2023年中國經濟生活逐步回歸常態，汽車產業的供應鏈、生產製造、行銷銷售也將恢復常態。2023年1月30日，國際貨幣基金組織(IMF)在最新發佈的《全球經濟展望報告》(WEO)內容顯示，預計2023年全球經濟增長為2.9%，The report also raised China's economic growth forecast from 4.4% to 5.2% in 2023. 2023 is expected to be a year of recovery for the domestic market as the economy recovers quickly from the domestic outbreak at a time when international markets are facing challenges.



Management Discussion and Analysis

(ii) Exposure to foreign exchange risk

With the instability of the world economy and the monetary tightening of various countries, the Group may be exposed to the risk of exchange rate fluctuations as a result. 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 procurement of raw materials from overseas, and Prinx Thailand's operating fee was mainly settled in Baht, therefore, the Group is exposed to foreign exchange risk in relation to the US dollar and Baht. If the exchange rate fluctuates significantly, it will have an impact on the Group's results. Exchange rate fluctuations and market trends are always the focus of the Group's attention. In this regard, the Company will strengthen its monitoring of foreign currency transactions and the size of its foreign currency assets and liabilities, and may manage possible exchange rate fluctuations through various proactive preventive measures, such as optimising the currency of export settlements and the use of exchange rate financial instruments. The Company utilises financial instruments such as forward exchange 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 exchange or hedging contracts.

(iii) Impact of tariffs and double reverse bond duties imposed by the United States Government on products imported from China and Thailand

On 22 March 2018, then US President Donald Trump signed a Presidential Memorandum declaring that, based on the results of the "301 investigation", he would impose massive tariffs on goods imported from China and restrict Chinese companies from investing in mergers and acquisitions in the U.S. On 24 September 2018, the U.S. imposed 10% tariffs on US\$200 billion of Chinese imports to the U.S. On 10 May 2019 the U.S. decided to raise tariffs on US\$200 billion of Chinese imports to the U.S. from 10% to 25%. On 10 May 2019, the U.S. decided to raise tariffs on US\$200 billion of Chinese imports from the U.S. from 10 per cent to 25 per cent. After President Biden takes office in 2021, the U.S. will continue to impose tariffs on imports from China.

Management Discussion and Analysis

In addition, the U.S. Department of Commerce's "Double Anti" Duty Order on 15 February 2019 against China's truck tyres imposed anti-dumping duties and countervailing margins on truck products from that date onwards. PuLin ChengShan was ruled to impose anti-dumping and anti-subsidy combined margin duty at a rate of 42.16%. On 3 February 2020, the U.S. Department of Commerce ("DOC") issued a notice initiating the first administrative review of anti-dumping and countervailing duties on truck tyres imported from the PRC. The investigation period for the anti-dumping review will be from 15 February 2019 to 31 January 2020, and the investigation period for the countervailing duties review will be from 15 February 2019 to 31 December 2019. The U.S. Department of Commerce announced on 21 June 2021 the preliminary duty rate for the first administrative review of the countervailing subsidy on truck tyres from the PRC, and a separate duty rate of 17.04% was applied to the Group's Shandong Company. The U.S. Department of Commerce announced on 20 December 2021 the first administrative review and final ruling on the countervailing duty on truck tyres from the PRC, and starting from 23 December 2021, the Group's truck tyres exported to the U.S. will be subject to a countervailing duty deposit at a rate of 17.47%. The aforesaid change in tax rate has significantly reduced the tax rate on 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 proactively participated in the second administrative review of the countervailing duty on truck tyres imported from the PRC initiated by the U.S. Department of Commerce on 1 April 2021 for the period from 1 January 2020 to 31 December 2020 for the countervailing duty review. The U.S. Department of Commerce announced on 27 June 2022 the final rate of duty for the second administrative review of the countervailing duty on truck tyres imported from the PRC, and commencing from 30 June 2022, truck tyres exported to the U.S. by the Group's Shantung Company will be subject to a countervailing duty deposit at a rate of 17.85%. The U.S. Department of Commerce announced on 8 December 2021 the list of mandatory respondent enterprises in the Sixth Administrative Review of the countervailing duty investigation of double-anti-subsidy investigation on China's semi-steel tyres, and Sumitomo Rubber was selected as a mandatory respondent enterprise, and the Group has actively participated in this review. The Group's countervailing duty rate for the review will depend on the outcome of the response by the mandatory respondent enterprise, Sumitomo Rubber, which is expected to be the final ruling in March 2023.

On 13 May 2020, U.S. time, the United Steelworkers filed petitions with the U.S. Department of Commerce and the U.S. International Trade Commission requesting the initiation of anti-dumping investigations of passenger car and light truck tyres from Thailand, Vietnam, Korea and Taiwan, and countervailing investigations of passenger car and light truck tyres from Vietnam. The U.S. Department of Commerce has issued an anti-dumping levy order against Thailand for passenger car and light truck tyres on 19 July 2021, and an average anti-dumping duty rate of 17.06% has been applied as the Thai tyre production base has not yet exported the tyres in question to the U.S. during the investigation period. This will have certain negative impact on the sales of the Group's tyre production base in Thailand. On 6 September 2022, the US Department of Commerce issued a notice to initiate the first administrative review of the anti-dumping proceedings against passenger car and light truck tyres imported from Thailand. The period of investigation for this anti-dumping review is from 6 January 2021 to 30 June 2022, in which the

Group has actively participated, and the decision is expected to be finalised in 2024.



Management Discussion and Analysis

The uncertainty of the anti-dumping and countervailing duty rates will bring risks to the Company's operations. In this regard, the Company will plan ahead and respond proactively by adopting countermeasures in the following aspects to mitigate the impact on the Company: firstly, to expand the sales of the Thai wheel tyre production base in the non-US market so as to reduce the reliance on a single market; secondly, to rely on the Company's research and development strength to develop products for the non-US market so as to enhance the competitiveness of the Thai wheel tyre production base by adjusting and enriching its products.

(iv) Overseas investment risk

During the reporting period, the construction and operation of the Company's overseas production bases progressed steadily. The proportion of the Group's business from overseas will increase as the second phase of the Thailand tyre production base project reaches production. Changes in the local economy, politics, policies and laws in Thailand may change the investment environment in Thailand, affect the construction period of project investments and pose risks to the Company's operations and investments. During the reporting period, local government authorities in Thailand tightened the frequency of routine inspections of companies. The emergence of the new outbreak of the disease has reduced the scope of available personnel and further reduced the willingness of Chinese nationals to go to Thailand, thus affecting the rational allocation of personnel to the Company in Thailand. At the same time, the increase in passport and visa procedures and the extension of the time required to obtain visas affected the timely arrival of the staff in Thailand to commence work. The Group adopted comprehensive measures, such as remote training and guidance for the office, the implementation of standardised SOPs for the training of rotating staff, the arrangement of staff travelling to Thailand in batches, the expansion of the recruitment channels from various sources, and the adjustment of some of the business to the head office after evaluation, in order to minimise the impact of the epidemic on its daily operations.

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

(v) Climate change risk

As climate threats continue to intensify globally, the physical risks that may be posed to the Group by extreme climate change include production stoppages due to power outages caused by typhoons and thunderstorms, the failure of outdoor logistics to function properly affecting the timeliness of order deliveries and price fluctuations due to unstable supply of raw materials; as well as transition risks, which may include the introduction of relevant laws and policies in the countries or regions in which the Group produces or markets, the adoption of a series of actions such as carbon tariffs, carbon trade barriers, etc., which will bring different degrees of policy and legal risks to the Group and affect changes in demand from consumers and downstream automobile manufacturers. Transitional risks include the introduction of relevant laws and policies and the adoption of a series of actions such as carbon tariffs and carbon trade barriers in the countries or regions where the Group's production or markets are located, which will bring about varying degrees of policy and legal risks to the Group and affect the changes in the demand of consumers and

downstream automobile manufacturers. The Group has incorporated climate risk management into the Group's risk management system. The Group continuously assesses the physical and transitional risks arising from climate change and formulates relevant risk prevention plans, such as formulating emergency plans in response to natural disasters and unforeseen events, appropriately stockpiling raw materials for production, implementing safe stockpiling plans, and formulating corresponding workflow and safety measures in response to sudden weather anomalies.

Management Discussion and Analysis

Compliance with relevant laws and regulations

The Company strictly complies with the following laws and regulations which have a significant impact on its production and operation: (a) laws and regulations relating to the mandatory product certification of tyre products; (b) laws, regulations and policies relating to the entry and supervision of the tyre industry; (c) laws and regulations relating to the environmental protection and safety obligations; (d) laws and regulations relating to foreign investment; (e) laws and regulations relating to foreign exchange control and taxation; (f) laws and regulations relating to labour and employment; (g) laws and regulations relating to the regulation of the organisation and conduct of the Company; (h) laws and regulations relating to securities trading and supervision; and (i) laws and regulations relating to the regulation of the organisation and conduct of the Company. (f) laws and regulations relating to labour; (g) laws and regulations governing the organisation and conduct of companies; (h) laws and regulations relating to securities trading and supervision; (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 supervisory 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, based on the scope of its business and investment activities, the Company may, from time to time, make inquiries about the legal restrictions under the laws of the relevant jurisdictions and the regulations of the relevant regulatory bodies, such as import tariffs and quotas, anti-dumping and sanctioning laws and regulations under the U.S. and the European Union's trade laws and regulations, and so on. Based on the full co-operation between the Company's legal department and external legal advisers, the Company is able to comply with the relevant laws and regulations both inside and outside the PRC that have a significant impact on the Company through the Company's continuous and effective supervision.

Capital Structure

There were no changes in the capital structure of the Company during the reporting period. The Company's capital 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 a material impact (2021: Nil)

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

Save as disclosed in the section headed "Investments", the Group did not have any significant 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 domestic plant in Anhui will be the Group's future investment plan. On 31 August 2021, the Board of Directors considered and approved the investment proposal for the first phase of the Anhui tyre production base project and the resolution on the adjustment of the shareholding structure of Anhui Company, and agreed to introduce Hefei Dongcheng Industry Investment Company Limited as a shareholder to increase the capital of Anhui Company. Based on the analysis of the domestic and overseas economic situation and the forecast of the Company's capacity utilisation rate, 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, the Board has not approved any other material investments or additions to capital assets.

Human Resources Management

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

During the reporting period, the Group commenced the grading of each position sequence, using the value of the position and skill level as the basis for salary setting and adjustment; implemented performance appraisal for all staff, using the results of the performance as the basis for payment of salaries and bonuses, and adjusted the salary level with reference to the market standard of the industry.

In order to attract, retain, motivate and encourage employees to strive to create value for the Company and its shareholders, the Group has set up a training academy. The training academy, in terms of enhancing the Company's employer branding in tertiary institutions, has continuously enriched and optimised its school-enterprise cooperation projects, career planning for fresh graduates, sponsorship of campus skills competitions, scholarship sponsorship and the opening of a school-enterprise cooperation section, which has greatly enhanced the Company's branding in the cooperating institutions. The company has greatly enhanced its brand influence in the partner colleges and universities. Meanwhile, for this year's school-recruited employees, the training institute launched a two-month induction training, from the company's system, role change in the workplace, work attitude and methodology, understanding of the Group's industry, research and development and production processes, site management, instructor-led training, etc., which greatly enhanced the stability of school-recruited employees and helped them to quickly integrate into the work of the department.

Management Discussion and Analysis

During the reporting period, the Group focused on strengthening basic training management and key talent cultivation, endeavouring to enhance the professional knowledge reserve and production management capability of managers, develop scientific management methodology to enhance the overall production management standard of the Company, and cultivate pragmatic, complex and application-oriented management talents capable of taking up management positions. In order to promote the implementation of the corporate development strategy, the Group plans and organises the implementation of special training projects for key groups such as gold interviewers, project managers, social recruiting new employees, school recruiting students, production managers and reserve managers. In order to motivate employees to learn and strengthen the building of professional and technical talents, the Group has continued to deepen the construction of professional pathways, achieving a 67% coverage rate of the eight major sequences of professional skills assessment and a 55% coverage rate of the technician level certification, further strengthening the results-oriented employee competency evaluation mechanism, and facilitating the selection and cultivation of outstanding talents. At the same time, the Group provides employees with multiple learning channels, combining online and offline, breaking the time and space constraints, making full use of fragmented time for learning, and enhancing their professional and business capabilities, so as to provide a solid talent team for the realisation of the Company's strategy.

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

The Company adopted the Company's existing share option plan (the **"2021 Option Plan"**) and terminated the 2019 Option Plan on 17 May 2021 (the **"2021 Adoption Date"**). The Company conditionally granted 35,050,000 and 3,080,000 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 such termination and which remain outstanding continue to be valid and exercisable in accordance with the terms of such 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 dated 17 May 2021, 18 June 2021 and 28 September 2022 respectively. Details of the movements in the share options during the year ended 31 December 2022 are set out in the section headed **"Share Option Scheme"** of this report.

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



Directors and Senior Management

Executive Director

Mr. Che Baozhen, aged 40, was appointed as a Director on 22 May 2015 and was appointed as a member of the Nomination and Remuneration Committee. He also serves as the general manager of one of the Company's subsidiaries, Poulin (Shandong) Tyre Company Limited ("Poulin (Shandong) Tyre") from April 2017 to January 2021. Mr Che joined the Group in December 2005. He is a director of all the subsidiaries of the Company (excluding Prinx Chengshan (Qingdao) Industrial Research and Design Company Limited ("Prinx (Qingdao)"), Shenzhen Zhianda Tyre Technology Service Company Limited, Shanghai Zhianda Rubber Technology Company Limited, Prinx Chengshan Europe GmbH ("Prinx (Europe)") and Prinx Chengshan Tyre North America Inc. (Prinx (Europe)) and Prinx Chengshan Tyre North America Inc. Mr Che is also the chief executive officer of the Company. He has over 15 years of experience in the automobile tyre industry and is responsible for the daily operation, overall management, administration and strategic planning of the Group. Prior to joining the Group, Mr Che was an employee of Chengshan Group from December 2003 to May 2010 and was responsible for external relations with external parties and asset management. In June 2010, Mr Che was appointed as the assistant general manager of Shandong Hai Zhi Bao Marine Technology Co. In December 2010, Mr Che was appointed as the chairman of Rongcheng Chengshan Construction & Real Estate Co.

In July 2003, Mr Che obtained an undergraduate degree in Computer Science and Technology from Beijing University of Science and Technology in Beijing, the PRC. In October 2015, he further obtained a master's degree in business administration from Bond University in Queensland, Australia.

Mr Che is the son of Mr Che Hong Chi, the Chairman of the Board and a non-executive Director.

Mr. Shi Futao, aged 53, was appointed on 28 October 2015 as a Director. Mr. Shi joined the Group in December 2005 as the Chief Financial Officer and was promoted in November 2014 to Director and in September 2015 to Deputy General Manager of Prinx (Shandong) Tyre. He is a director of Prinx Investment Holding Limited ("Prinx Investment"), a subsidiary of the Company, Prinx Chengshan (Hong Kong) Tyre Company Limited ("Prinx Hong Kong Tyre"), Prinx (Hong Kong) Rubber Company Limited ("Prinx Rubber"), Jinan Jih-An-Da Tyre Service Company Limited, Jih-An-Da (Shanghai) Tyre Service Co. ("PuraPharm"), Jinan Chihuanda Tyre Service Co. 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 professional 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. In December 2011, Mr Shi became a senior international financial manager of the International Financial Management Association. In April 2014, he was awarded a certificate of the first phase of Shandong high-end accounting talents cultivation project enterprise by the Organisation Department of Shandong Provincial Party Committee, the Finance Department of Shandong Province and the Shanghai National Accounting Institute. Since January 2016, Mr Shi has been a fellow member of the Institute of Chartered Management Accountants in the United Kingdom (the "Institute of Chartered Management Accountants") and a global chartered management accountant of the American Institute of Certified Public Accountants respectively.

Directors and Senior Management

Ms Cao Xueyu, aged 52, was appointed on 5 March 2018 as a Director. 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 on 1 July 2016 as a director of Poulin Hong Kong Tyre. Ms Cao is responsible for the overall management, administration and strategic planning of the Group. She is a director of Poulin Rubber and Prinx Investment, subsidiaries of the Company. Prior to joining the Group, from June 1994 to January 1997, Ms Cao was a cost accountant and head of sales accounting of Nestle Qingdao Limited. 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 from April 2001 to May 2004, she worked as an assistant accountant. In September 2004, Ms Cao was the Finance Manager of Fortune Star Enterprises Limited. She is responsible for overseeing the company's finance team and providing financial and management accounting support to the company's subsidiaries.

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

Non-executive Directors

Mr Che Hong Chi, aged 66, was appointed as a Director on 22 May 2015. He was re-designated on 5 March 2018 as a Non-executive Director. 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 the subsidiaries of the Company, excluding Prinx (Europe), Qingdao Zhianda Investment Limited and Purain Sungshan Tyre North America Inc. He is also the legal representative of the Company's two PRC subsidiaries. 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 board of directors of Narayama Group. He has over 20 years of experience in the tyre manufacturing industry. Prior to the establishment of 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 Education Institute. In April 2005, he was awarded the title of National Model Worker by the State Council of the PRC. 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 Bozhen, an executive Director.

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Poulin Chengshan Holdings Ltd.



Directors and Senior Management

Mr. Wang Lei, aged 44, has been appointed as a Director since 20 April 2017. He was re-designated on 5 March 2018 as a non-executive Director. Mr. Wang has also been a director of Poulin (Shandong) Tire since 20 April 2017. He joined the Group on 28 December 2014 and until 15 October 2015, he had been a director of Poulin (Shandong) Tire. Mr Wang is responsible for providing professional advice and judgement to the Group. Prior to joining the Group, he was employed in December 2001 as the deputy head of the reception section of the general manager's office of Shandong Chengshan Tyre Co. In October 2007, he served as the deputy director of the office of Chengshan Group; in December 2009, he served as 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 Chengshan Group. Mr Wang is responsible for the administration of the company. He is an executive director of Chengshan Group.

In July 1998, Mr Wang obtained a professional diploma in financial 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 the Party School of Shandong Provincial Committee in Shandong Province, the PRC. In December 2013, Mr Wang was awarded the 2012 Weihai New Long March Pioneer by the Communist Youth League of Weihai.

Mr. Shao Quanfeng, aged 39, was appointed on 24 February 2020 as a non-executive Director. In July 2007, Mr. Shao served as the chief accountant of the group finance department of China Heavy Duty Vehicle Group Company Limited; in May 2012, he served as the trainee general manager assistant of the sales department of China Heavy Duty Vehicle Group Jining Commercial Vehicle Company Limited; in November 2012, he served as the trainee general manager assistant of the specialised vehicle division of China Heavy Duty Vehicle Group; and in July 2014, he served as the trainee general manager assistant of the specialised vehicle division of China Heavy Duty Vehicle Group.

(Hong Kong) Investment Holdings Limited; in August 2018, the first-level business organiser of the finance department of China National Heavy Duty Truck Group International Company Limited; in December 2018, the managing director of China National Heavy Duty Truck (Hong Kong) International Capital Company Limited; in February 2022, the financial controller of Heavy Duty Truck (Jinan) Axle Co. Ltd. in February 2022; Chief Financial Officer of Sinotruck Group International 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.

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

Directors and Senior Management

Independent Non-Executive Directors

Mr. ZHANG Xuehuo, aged 60, has been appointed since 10 September 2018 as an independent non-executive Director, the chairman of the Nomination and Remuneration Committee and a member of each of the Audit Committee and the Development Strategy and Risk Management Committee. Mr Zhang has been the chairman of China Mining Investment Limited ("CMI") since 1997. He is the founder of CMI. Mr Zhang founded China Gold Development Group (Hong Kong) Limited ("China Gold"), a subsidiary of Zijin Mining Group Company Limited (the shares of which were listed on the Stock Exchange in 1999, stock code: 2899) and was the chairman of China Gold from 2003 to 2006. Mr Zhang has been a director of China Gold since 2006. From 2003 to 2011, Mr Zhang served as the chairman of Shandong Guoda Gold Company Limited ("Shandong Guoda Gold"). Mr Zhang is currently a director of Shandong Guoda Gold. Mr Zhang has been in the investment industry for nearly 30 years and has extensive experience in overseas mining resources, energy, property, biomedical and healthcare industries.

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

Mr Zhang graduated from the Department of International Trade of Xiamen University in the PRC with a Bachelor's Degree in International Trade in 1985.

Mr. Tsai Tzu-Chieh, aged 60, has been appointed since 10 September 2018 as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination and Remuneration Committee. Mr Tsai has approximately 36 years of experience in finance and audit. Since 6 July 2018, Mr. Tsai has been an independent non-executive director of Minshang Chuangke 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 Fufeng Group Limited (stock code: 546) a company listed on the Stock Exchange, and from February 2016 to February 2017, Mr Tsai served as an independent non-executive director of Wing Yang Industrial Holdings 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 in the United Kingdom, a fellow accountant 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 Chiu Sheung Mutual Association of Hong Kong Limited since October 2013. He is a member of the Professional Conduct Committee and a member of 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 Institute of Chinese Accountants and Auditors from 2010 to 2015. He was elected as an Honorary Financial Advisor of the Wing Hing Tong Vine Garment Merchants Association of Hong Kong and Kowloon in 2018.



Directors and Senior Management

Mr. Wang Chuan Sheng, aged 63, has been appointed as an independent non-executive Director and a member of each of the Audit Committee and the Development Strategy and Risk Management Committee since 10 September 2018. Since December 2016, Mr Wang has been the Director of the Department of Engineering of Qingdao University of Science and Technology. 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 of the mechanical engineering department of the University. From November 1984 to June 1995, he served as the deputy director of the office of the Department of Chemical Engineering of the University. From June 1995 to December 1995, he served as the deputy director of the Department of Mechanical Engineering and was promoted to be the deputy dean of the School of Mechanical Engineering in December 1995, and was further promoted to be the deputy dean of the School of Electrical and Mechanical Engineering in March 2002 of the University. From April 2004 to December 2016, Mr Wang was the Dean of the Faculty of Electrical and Mechanical 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 Electrical and Mechanical Engineering of Beijing Chemical Industry University in June 2000 in the PRC. He was recognised as a professor of Qingdao University of Science and Technology in December 1999 by the Senior Review Committee of Teaching Staff of Higher Educational Institutions in Shandong Province.

In December 2001, Mr. Wang was awarded the "Second Class Award for National Scientific and Technological Advancement" by the State Council of the PRC for "Synchronous Rotor Refiner Technology", and was again awarded the "Second Class Award for National Scientific and Technological Advancement" by the State Council of the PRC for "Complete Set of Technology and Equipment for the Resource Utilisation of Waste Rubber and Waste Plastic by Low-temperature Cracking for Industrial Continuum" in December 2011. In October 2013, Mr. Wang was recognised by the China Petroleum and Chemical Industry Federation as a National Excellent Worker in Petroleum and Chemical Industry. In October 2013, Mr Wang was recognised by the China Petroleum and Chemical Industry Association as a national outstanding scientific and technological worker in petroleum and chemical industry, and in August 2020, Mr Wang was awarded the "Bachelor of Chemical Society of China" by the Chemical Society of China, and in September 2019, he was awarded the "Medal of the 70th Anniversary of the Founding of the PRC" by the Central Committee of the Communist Party of China, the State Council of the People's Republic of China and the Central Military Commission of the People's Republic of China.

Directors and Senior Management

Senior Management

Mr. Jiang Xizhou, aged 51, he joined the Company in August 2019 and acted as the assistant general manager, the vice president of the Company from January 2020 and the vice president of the Company from January 2021 concurrently acting as the director of the Company's production and operation centre, the general manager of the Shandong Company and the director of the technology centre. He is currently responsible for the overall management of the Company's research and development centre, manufacturing centre, equipment power centre and EHS. Prior to joining the Group, Mr. Jiang held various technical and management positions in Anhui Giti Tyre Company Limited from July 1995 to May 2013; from June 2013 to June 2015, he was the general manager of Fujian Giti Tyre Company Limited and the general manager of Giti Corporation (S Giti) a company listed on the Shanghai Stock Exchange; from July 2015 to August 2017, he was the general manager of Anhui Giti Tyre Co. From July 2015 to August 2017, he served as the general manager of Anhui Giti Tyre Company Limited; from September 2017 to July 2019, Mr. Jiang served as the director of manufacturing of Giti 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 Funing, aged 56, has been the deputy director of the production operation centre of the Company since January 2021. He has been the deputy general manager of the Company since February 2018. Since July 2017, Mr. Ju has also been serving as the general manager of the tyre semi-steel division of Poulin (Narayama) He joined the Group in March 2006 as an assistant to the director of quality system of Poulin (Shandong) Tyre. In November 2010, Mr Ju was promoted to deputy director of process improvement department. In January 2012, Mr Ju was appointed as the technical director of all-steel products. In August 2013, he became the director of production and continued to be the deputy director of process improvement department. In March 2014, Mr Ju was promoted to technical director of semi-steel products. Prior to Mr. Ju's appointment to his current position, he was further promoted to the quality director of Pulin (Shandong) Tyre in December 2016 and appointed in July 2017 as the technical director of semi-steel products of the Group. Mr Ju is responsible for the overall operational management of the Group's semi-steel division. He joined Rongcheng Rubber Factory in July 1988 as a trainee and was promoted in July 1995 to be the head of the formulation design section of the first phase of Rongcheng Cathay radial tyre project. In November 1997, he was appointed as the head of the Technical Department I. In January 2004, Ju was appointed as the head of the Technical Department II. In January 2004, Mr Ju became the chief engineer of Shandong Chengshan Group Co.

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Poulin Chengshan Holdings Ltd.



Directors and Senior Management

In July 1988, Mr Ju obtained a professional diploma in rubber engineering from Qingdao Institute of Chemical Technology. In December 2001, Mr Ju was recognised as a senior engineer by the Shandong Province Engineering and Technical Services Assessment Committee. In October 1998, Mr. Ju was awarded the First Class Provincial Science and Technology Progress Award - 300,000 sets/year radial tyre industrial production technology by the Shandong Province Science and Technology Progress Award Evaluation Committee. In December 1999, Mr. Ju was awarded the Second Class National Science and Technology Progress Award - 300,000 sets/year of 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 Chinese Communist Youth League of Rongcheng City, Rongcheng Broadcasting Bureau and Rongcheng Daily News. In December 2013, he was awarded the First Class Award of 100 Technical Innovation Achievements of Weihai Workers by Weihai Labour Competition Committee.

Mr. Wang Teck, aged 49, has been the director of the commercial vehicle replacement sales centre since January 2021 under the sales and marketing headquarters. He joined the Group in February 2004 as a regional manager of Poulin (Shandong) Tyre and was promoted to be a sales manager and deputy director of the sales and marketing department in Northern China 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. Chor Hiu Wah, aged 39, has been the director of international sales centre since January 2021 in the sales and marketing headquarters. He first joined the Group in May 2017 as the general manager of the Company's Qingdao International Sales Centre. Mr Chor is responsible for the overall international sales of the Group. Prior to joining the Group, he first joined Qingdao Keang International Trading Company Limited in May 2008 when Mr Chor was a salesman. In January 2013, Mr Chor was promoted to be the deputy manager of the sales department. He is responsible for the business development and maintenance of the Southeast Asia, Oceania and Russia markets. In May 2013, Mr Chor was appointed as a manager by the Company and worked in its Singapore branch. He is responsible for co-ordinating the management of the Company's head office in Singapore. In December 2013, he was also responsible for the establishment of the Company's branch office in Dubai. In July 2015, Mr Chor was a partner of American Tire and Wheel Centers Inc. He is responsible for the overall business operations, co-ordination of sales, marketing and logistics of the Company.

In July 2007, Mr Chor obtained a Bachelor's degree in International Economics and Trade from Qingdao Polytechnic University.

Directors and Senior Management

Mr. Zhang Youkan, aged 48, he joined the Group in June 2020 as the general manager of the tyre manufacturing centre of Poulin (Shandong) and since October 2020 as the deputy general manager of Prinx Thailand and presiding over the work, and since May 2021 as the general manager of Prinx Thailand. Prior to joining the Group, Mr. Zhang held various technical and managerial positions in Anhui Jiatong Tyre Company Limited from July 1996 to January 2015; from January 2015 to June 2017, he served as the assistant general manager of Anhui Jiatong Tyre Company Limited; from June 2017 to June 2020, he served as 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 in February 2009 from Shanghai Jiaoyu Institute of Further Management Studies.

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 a period from 19 July 2021 to 28 March 2022 (the "Remaining Waiver Period") in respect of strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules and in respect of the eligibility of Ms. Cao to act as the joint company secretary. The Remaining Exemption Period has 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 Cao 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 Secretaries are set out in the Company's announcement dated 1 September 2022



Report of the Board of Directors

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

Share Option Scheme

The purpose of the Share Option Scheme is to attract, retain and motivate senior and middle management and key employees of the Company by providing them with the opportunity to acquire shares in the Company, linking their interests closely to the Company's results and share performance, with a view to enhancing the value of the Company and attracting 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 a period of 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 incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high calibre Eligible Participants and attract human resources of value to the Group. Employee candidates will be shortlisted as Eligible Participants to enable the Company to offer competitive remuneration packages to high calibre 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, which represents approximately 1.8% 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, excluding any independent non-executive director, who is actually employed by the Group and has passed the required probationary period.

The total number of Shares which may be issued upon exercise of all options to be granted under the 2021 Share Option Scheme and under any other share option scheme(s) 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 Shareholders' approval in general meeting to refresh the 10% limit under the 2021 Share Option Scheme provided that the total number of Shares which may be issued upon exercise of the outstanding options granted under the 2021 Share Option Scheme and any other share option schemes of the Company under the refreshed limit shall not exceed 30% of the total number of Shares in issue from time to time.

No option may be granted to a grantee if the total number of shares issued and to be issued upon exercise in full of the options granted to the grantee in any 12-month period (including both exercised and outstanding options) exceeds 1% of the total number of shares in issue. If the exercise in full of a further grant of an option to a grantee would result in the total number of Shares issued or to be issued upon the exercise of all options granted and to be granted to that grantee (including exercised, cancelled and outstanding options) in 12-month period up to and including the date of the

further grant exceeding 1% of the total number of Shares in issue, the further grant is subject to the approval of the Shareholders at a separate general meeting. The further grant must be separately approved by the Shareholders in general meeting and such grantee and his associates shall abstain from voting.

Report of the Board of 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 options to certain grantees to subscribe for a total of 35,050,000 ordinary shares of US\$0.00005 each in the share capital of the Company the "Shares" on the date of the 2021 Grant, subject to acceptance by the grantee of such options. The exercise price of the Shares on the 2021 Grant Date is HK\$8.568 per Share, which is (i) the closing price of HK\$8.510 per Share as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant; (ii) the average closing price of HK\$8.568 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, the The highest of which. 2021 The closing price of HK\$8.500 per Share on the business day immediately preceding the date of grant.

Of the share options granted, 5,500,000 share options were granted to the 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 share options were granted to other senior management and employees of the Group, details of which are set out below:

Name of Grantee	Position Held	In 2021 Date of award Options granted number	Not exercised at the beginning of the year	Exercised during the year	During the year Cancellation/l apse	Not exercised at year end
SHEK FU TO	Executive Director	5,000,000 copies	5,000,000 copies	-	-	5,000,000 copies
Gao Xueyu	Executive Director	500,000 copies	500,000 copies	-	-	500,000 copies
and Company Secretary						
		5,500,000 copies	5,500,000 copies	-	-	5,500,000 copies
Other senior management and employee		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 Options granted will vest on the respective Relevant Dates in accordance with the relevant specified proportions upon the achievement of the performance targets specified in the Offer Letter.

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

If such grantee fails to meet the relevant vesting conditions, the unvested options granted to such grantee will lapse in accordance with the terms of the 2021 Share Option Scheme.

Report of the Board of Directors

Options granted in 2022

The Company conditionally granted 3,080,000 options to certain grantees on the 2022 Grant Date to subscribe for a total of 3,080,000 shares of the Company thereunder, subject to the acceptance of such grantees of the options. The exercise price of the Shares on the 2022 Grant Date is HK\$8.568 per Share, which is (i) the closing price of HK\$6.410 per Share as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant; (ii) the average of the closing prices 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; (iii) the nominal value of each Share; and (iv) The highest of the exercise price (i.e. HK\$8.568 per Share) on the date of 2021 grant. the closing price on the business day immediately preceding the date of 2022 grant was HK\$6.400 per Share.

The grantees of the share options to be granted in 2022 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), details of which are set out below during the reporting period:

Position Held	In 2022 Awarded on date of award	Not exercised at the beginning of the year	Exercised during the year	Cancellation/ lapse	Not exercised at year end
	Number of options				
Directors, Chief Executive of the Company	-	-	-	-	-
Officers or substantial shareholders or their associates	3,080,000	-	-	-	3,080,000
Other Senior Management and Employees					
	<u>copies</u>				<u>copies</u>
Total:	3,080,000	-	-	-	3,080,000
	<u>copies</u>				<u>copies</u>

The Options granted will vest on the respective Relevant Dates in accordance with the relevant specified proportions upon the achievement of the performance targets specified in the Offer Letter.

Subject to the terms of the 2021 Share Option Scheme, 35% of the options and the remaining 65% of the options may vest at any time after the expiry of 21 months and 45 months from the date of grant in 2022 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, the unvested options granted to such grantee will lapse in accordance with the terms of the 2021 Share Option Scheme.

Report of the Board of Directors

During the reporting period, a total of 7,300,000 share 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 that may be granted under the 2021 Share Option Scheme is 11,870,000, representing 1.87% of the issued shares of the Company.

The number of ordinary shares that may be issued under the 2021 Share Option Scheme granted in the year ending 31 December 2022 divided by the number of ordinary shares that may be issued as at 31 December 2022

The weighted average number of common shares for the year ended 31st was approximately 0.48%.

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

In the announcements published on 28 June 2021, 28 June 2021 and 28 September 2022, the Company has published a number of announcements.

The valuation of the share options granted during the year ended 31 December 2022 is set out in note 26 to the consolidated financial statements. the valuation of the value of the share options is quite subjective and difficult to predict, depending on a number of assumptions used and subject to the model used for calculation. the valuation of the value of the share options is based on a number of assumptions. the valuation of the share options is based on a number of assumptions used and subject to the 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 dated 15 April 2021 issued by the Company.

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 options shall be offered and no further options shall be granted but 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 which remain 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 purpose of the 2019 Share Option Scheme is to attract, retain and motivate senior and middle management and key employees of the Company by providing them with the opportunity to acquire Shares in the Company, linking their interests closely to the Company's results and share

performance, with a view to enhancing the value of the Company and attracting human resources of value to the Group. As at the date of this report, there is no number of Shares 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, excluding any independent non-executive director, who is actually employed by the Group and has passed the required probationary period.

Report of the Board of Directors

Options granted in 2019

The Company conditionally granted 14,400,000 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 the acceptance of such grantees of options. The exercise price of the Shares on the 2019 Grant Date is HK\$7.244 per Share, which is the highest of (i) the closing price of HK\$7.130 per Share on the 2019 Grant Date; (ii) the average of the closing prices of HK\$7.244 per Share for the five business days immediately preceding the 2019 Grant Date; and (iii) the nominal value of each Share. the closing price of HK\$7.244 per Share for the five business days immediately preceding the 2019 Grant Date. the closing price of HK\$7.244 per Share for the business day immediately preceding the 2019 Grant Date. The closing price of HK\$7.220 per Share on the business day preceding the date of the 2019 Grant. The offer of the grant of options is open for acceptance by the grantee for a period of 28 days from the date of the offer.

Of the share options granted, 1,317,500 share options were granted to the Directors, chief executives or substantial shareholders of the Company or associates (as defined in the Listing Rules) of any of them and 13,082,500 share options were granted to other senior management and employees of the Group, details of which are set out below:

Name of grantee	Position held	In 2019 Awarded on date of award	Not exercised at the beginning of the year	Exercised during the year	During the year Cancellation/lapse	Not exercised at year end
		Number of options				
Che Bozhen	Executive Director	580,000 copies	580,000 copies	-	-	580,000 copies
SHEK FU TO	Executive Director	512,000 copies	512,000 copies	-	-	512,000 copies
Cao Xueyu (1935-), former PRC politician	Executive Director and Company Secretary	225,500 copies 1,317,500 copies	225,500 copies 1,317,500 copies	- - -	- - 2,623,586 copies	225,500 copies 1,317,500 copies
Other Senior Management and Employees		13,082,500 copies	9,816,750 copies	-	-	7,193,164 copies
Total:		14,400,000 copies	11,134,250 copies	-	2,623,586 copies	8,510,664 copies

The Options granted will vest on the respective Relevant Dates in accordance with the relevant specified proportions upon the achievement of the performance targets specified in the Offer Letter.

1/3 of the total number of options granted will vest and become exercisable from the end of 12 months, 24 months and 36 months respectively from the date of grant. If the performance of the

participants of the incentive scheme is not met during the first three vesting periods and the options are not vested, the options granted may be exercised at any time from the fourth exercise period, i.e. from the end of 48 months from the date of grant in 2019, if the performance of the participants of the incentive scheme in the first three vesting periods has not been met, and if the performance is met during the fourth year and the conditions for deferred vesting are met. The vesting percentage is the remaining unvested options after excluding the lapsed portion of the options.

Options granted to such grantee that have not vested will lapse if such grantee fails to meet the relevant vesting conditions. Subject to the vesting schedule, the options will be exercisable over a period of six years from the 2019 grant date.

Report of the Board of Directors

Options granted in 2020

The Company conditionally granted 835,500 options to certain grantees on the 2020 Grant Date to subscribe for a total of 835,500 Shares under the 2019 Share Option Scheme, subject to the acceptance of such grantees of the options. The exercise price of the Shares on the 2020 Grant Date is HK\$7.960 per Share, which is the highest of (i) the closing price of HK\$7.960 per Share on the 2020 Grant Date; (ii) the average of the closing prices of HK\$7.894 per Share for the five business days immediately preceding the 2020 Grant Date; and (iii) the nominal value of each Share. the closing price of HK\$7.996 per Share for the five business days immediately preceding the 2020 Grant Date. the closing price of HK\$7.994 per Share for the business day immediately preceding the 2020 Grant Date. The closing price per Share on the business day prior to the 2020 Grant Date was HK\$7.820 per Share.

The grantees of the share options to be 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), details of which are set out below during the reporting period:

Position held	In 2020		During the year	
	Awarded on date of award		Cancellation/lapse	
	Number of share options	Not	year end	Not exercised at
	exercised at the beginning of the year	exercised during the year		
Director, chief executive or substantial shareholder of the Company or their associates -----	-	-	-(SIGHs)	-(BOTH LAUGHING)-----
Other Senior Management and Employees	835,500	716,250	-	183,453 532,797
Total:	835,500 copies	716,250	-	183,453 copies 532,797 copies

The Options granted will vest on the respective Relevant Dates in accordance with the relevant specified proportions upon the achievement of the performance targets specified in the Offer Letter.

於2020授予日期滿12個月起及滿24個月起，分別可歸屬及可予行使授予購股權總數的1/2；若在前兩個歸屬期激勵計劃參與人業績未達標導致購股權未歸屬，在第三年度考核達標且符合遞延歸屬條件的情況下，第三個行權期即授予之日滿36個月起可隨時行使授予的購股權，歸屬比例 The vesting percentage is the remaining unvested options after excluding the lapsed portion of the options.

Unvested options granted to such grantee will lapse if such grantee fails to meet the relevant vesting conditions. Subject to the vesting schedule, the options will become exercisable over a period of five years from the date of the 2020 Grant.



Report of the Board of Directors

During the reporting period, options under the 2019 Share Option Scheme, totalling 2,807,039 options lapsed or were cancelled. At the end of the period, 9,043,461 share options were outstanding.

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

Share Options Exercised and Shares Issued

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

Profit Sharing Scheme

The Company's Profit Sharing Plan adopted on 5 July 2019 and the Share Option Scheme together comprise the Company's long-term incentive plans (which may not be participated in at the same time)

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

Main Businesses

The Company is principally engaged in 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 profit and loss account and the consolidated statement of comprehensive income on pages 109 to 110 of this annual report.

Report of the Board of Directors

Final dividend

The Board recommends the payment of a final dividend for the year ending 31 December 2022 of HK\$0.2 per ordinary share before tax. This final dividend is subject to approval by the shareholders of the Company at the annual general meeting to be held on 22 May 2023 (the "AGM") and will be payable on or about 12 June 2023 to shareholders whose names appear on the register of members of the Company on 31 May 2023.

In accordance with the Law of the People's Republic of China on Enterprise Income Tax (EIT Law) the Regulations for the Implementation of the EIT Law of the People's Republic of China and the In accordance with the "Circular of the State Administration of Taxation on Issues Relating to the Recognition of Overseas-registered Chinese Holding Enterprises as Resident Enterprises According to the Standard of the Actual Management Organisation", the Company is required to withhold and pay on behalf of the shareholders of the non-resident enterprises a corporate income tax of 10% on the final dividend payable by the Company to the shareholders of the non-resident enterprises, with the Company being the obligor to withhold the tax. For all shareholders whose names appear on the register of members of the Company on the shareholding registration date in a non-individual capacity (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 NRIC shareholders) the final dividend will be paid by the Company after deduction of 10% corporate income tax. For all PRC resident enterprises, exempted organisations and natural person shareholders whose names appear on the register of members of the Company on the record date for determining the eligibility for the final dividend, the Company will not withhold or pay any corporate/individual income tax on their behalf.

Any resident enterprise (as defined in the Enterprise Income Tax Law) on the register of members of the Company which is established in the PRC in accordance with the law, or is established in accordance with the laws of a foreign country (region) but with its effective management organisation in the PRC, and which does not wish the Company to withhold and pay the aforesaid 10% EIT on its behalf, should submit to Computershare Hong Kong Investor Services Limited not later than 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 EIT on its behalf in respect of the dividend to which it is entitled. the document issued by the competent tax authority certifying that the Company is not required to withhold and pay the EIT on behalf of the dividend to which it is entitled.

If you need to change your shareholding status, please contact your agent or trustee for the relevant procedures. The Company will withhold and pay corporate income tax on behalf of the shareholders of non-resident enterprises in strict accordance with the requirements of the law and relevant governmental authorities and in accordance with the register of shareholders of the Company as at the date of shareholding registration. The Company shall not be liable for and shall not entertain any claims or disputes in relation to the withholding and payment of EIT arising from any failure to ascertain the identity of shareholders in a timely manner or any inaccurate ascertainment.



Report of the Board of Directors

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 days inclusive during which period no transfer of shares will be effected. In order to determine the shareholders entitled to attend and vote at the Annual General Meeting to be held on Monday, 22 May 2023, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M12-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 15 May 2023 for registration. Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Subject to shareholders' approval at the AGM, 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 days inclusive during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 25 May 2023, and all transfers must be lodged within two weeks from the date of registration. .

dividend policy

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

- actual and expected financial performance of the Company;
- Retained earnings and distributable reserves of the Company and the Group's subsidiaries;
- The Group's working capital requirements, capital expenditure requirements and future expansion plans;
- The Group's liquidity position;
- general economic conditions, the business cycles of the Group's businesses and factors, whether internal or external, that may affect the Company's business, financial results and positioning; and
- such other factors as the Board may consider relevant.

The payment of the dividend is also subject to any applicable laws and the Articles of Association of the Company (the "Articles of Association")

Report of the Board of Directors

As set out in the Company's prospectus dated 24 September 2018 (the "Prospectus") the Group intends to pay dividends of not less than 20% of the net profit available for distribution attributable to equity shareholders in the future after 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, with three product categories, namely full-steel radial tyres, half-steel radial tyres and bias cross tyres, covering passenger, commercial, industrial, agricultural and some special vehicle tyres. The company pursues the core strategy of cost leadership, efficiency drive, differentiated competition, and global operation, focuses on the improvement of the industrial ecological chain, and systematically, professionally, and quickly responds to the ever-changing needs of customers to create value for customers. PuLinChengShan is a green development-oriented enterprise that attaches importance to safety, environmental protection, integrity, win-win situation and a strong sense of social responsibility.

For details, please refer to the relevant section in this chapter and the "Business Review and Prospects" in the "Management Discussion and Analysis" of this annual report. The Company's revenue is basically derived from the sale of tyres and a summary of the financial ratios for the periods and dates indicated is set out in the table below:

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



Report of the Board of 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 profit margin = (Gross profit for the period/revenue for the period)*100 per cent;
- (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 at the 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 the period + total trade receivables at the end of the period)/2/income for the period*365 days; and
- (10) Inventory turnover days = (C total opening inventory + total closing inventory)/2/cost of goods sold during the period * 365 days.

The Company selects representative financial indicators from profitability, operating ability and debt servicing ability to analyse the Company's growth ability. The Company's financial indicators are robust, including revenue growth of approximately 8.2% and net profit growth of approximately 42.5% year-on-year in 2022. the Company realised profit before income tax of approximately RMB354.7 million in 2022, representing a year-on-year growth of approximately 33.4%. the Company's profit before income tax was approximately RMB1.5 million, representing a year-on-year growth of approximately RMB1.3 million. The increase in profitability was mainly attributable to the release of production capacity in Poulin 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 and maintains a strong debt servicing capability on a continuous basis. The Company's trade receivables turnover in 2022 will be around 61 days, a decrease of 6 days from 2021. Inventory turnover days will be around 73 days, an increase of 3 days from 2021 due to the increase in the share of business of Poulin Thailand, which has a higher inventory turnover days than that of Poulin Shandong. In summary, the Company has a high level of competitiveness and operational management capability to create value for shareholders on a sustainable basis.

ii. development strategy of the company

(i) Planning of the Company

1. With the vision and mission of "leading tyre innovation, contributing to intelligent mobility and sustainable development, and achieving a better life", the Group is firmly committed to the implementation of the Company's four core development strategies, namely "cost-leading, efficiency-driven, competitive differentiation and global operation", and grasping the development trend of the industry, the Group is committed to enhancing the innovative capability and core competitiveness of the Company, and contributing to intelligent mobility and sustainable development.
2. The Group has formulated stable and long-term plans. Through the achievement of strategic goals, the Group will return to the leading level of the domestic industry, build a first-class international tyre manufacturer, and achieve technology-led tyre innovation.
3. The Group focuses on customers, is market-oriented and uses sales targets as evaluation tools, and focuses on six strategic dimensions, namely marketing, research and development, manufacturing, team, system and model, to build a first-class international tyre manufacturer. We will realise the synergy of the whole value chain, including procurement, supply chain, finance, manufacturing, quality, R&D and marketing, to support the high-quality development of the enterprise.
4. The Group has strengthened the construction of its three talent teams in management, research and development and production, and fostered a corporate culture based on the core values of "Customer First, Duty and Responsibility, Focus on Professionalism, Innovation and Openness".
5. The Group has implemented a multi-brand strategy, combining internationalisation and localisation, and has differentiated the development of its four major brands: Poulin, Chengshan, Aotong and Fushen, so as to enhance the competitiveness of the brands based on the core products, and to help each user to explore a better life with the wisdom of the new manufacturing and the perceptible technology.
6. Based on the enhanced core research and development capability of the Company's multi-scale tyre lifecycle manufacturing innovation centre, the Group continues to improve its value-added technology services and develop a competitive edge in the market.
7. The Group is actively building the CS-LEAD model: "Construction of a two-tier management and control system to match the strategy, system building team, learning organization, cultivation of craftsmanship engineer culture, assessment & inspiring mechanism, dual development channel for business and management" to

achieve the CS-LEAD model. Excellence Engineer Culture, Talent Assessment & Inspiring, and Dual Development channel for business and management", so as to broaden the growth channels of employees, pay attention to the happiness index of employees, and become a company where employees feel happy and are welcomed by customers and respected by the society. We will become a company that is welcomed by customers and respected by the society.

(ii) ~~On the~~ the Company

1. With the increase in the number of automobiles in China, coupled with the introduction of relevant policies such as the adjustment of industrial structure and optimisation of industrial layout to regulate the production order of the industry, the development of the tyre industry has been boosted, which has brought opportunities for the Company's development.
2. RCEP (Regional Comprehensive Economic Partnership) brings development opportunities to China's tyre market and enhances the competitiveness of the tyre-related industrial chain.
3. Under the background of "Carbon Peak, Carbon Neutral", the Company has continued to promote low-carbon energy structure, intelligent manufacturing and digital transformation in recent years, laying the foundation for the Company to achieve low-carbon transformation and high-quality development.
4. The Company's management system is improving, the management team is relatively stable and the staff structure is becoming more reasonable, laying a good foundation of human resources for the Company's development.
5. The Company has a reasonable capital structure, sufficient cash flow and financial soundness, which provides good financial conditions for leapfrog development.
6. With the deployment of sales companies in Europe and the Americas and a production base in Thailand, the Company's globalised production and operation pattern has basically taken shape, enabling it to respond more confidently to the challenges brought about by changes in the international situation.
7. With the in-depth cooperation mode of manufacturers and the launch of tyre leasing business, the Company is further close to the market and customers, which strengthens the Company's ability to respond quickly to customers' needs and provide customers with more rapid and valuable services.

iii. the company's environmental policy and performance

The Group complies with various environmental laws and regulations. Hazardous substances involved in the production process are stored, used and disposed of in accordance with statutory requirements. Pollutants such as wastewater and waste gas generated by the Group during the production process comply with national emission standards and disposal requirements. Hazardous waste is stored and disposed of in accordance with statutory requirements. The Company has set up the "Environmental Compliance Obligations Identification Management Procedures" and "Environmental Information Exchange Management Procedures" to receive national and local policies and regulations on environmental protection and take corresponding actions.

Report of the Board of Directors

IV. Future prospects

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 laws and regulations

The principal risks and uncertainties that the Group may face and compliance with relevant laws and regulations are set out in the "Management Discussion and Analysis" in this annual report.

Financial Highlights

A summary of the consolidated profit and loss account and the consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years are 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 Customers

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

Major Suppliers

For the year ended 31 December 2022, the transactions of the Group's top five suppliers accounted for approximately 23.7% (2021: 24.5%) of the Group's total purchases and the transactions of the Group's single largest supplier 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 shareholder (which to the knowledge of the Directors owns more than 5 per cent. of the Company's issued shares) had an interest in the Group's five largest customers or suppliers.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group 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.

Reserve

Details of 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 Board of 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 loans and other borrowings

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

board member

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

Executive Director:

Che
Po
Chun,
Shek
Foo
To,
Cho
Suet
Yuk

Non-executive Director:

Che
Hongz
hi
Wang
Lei
Shao
Quanf
eng

Independent non-executive directors:

CHEU
NG
Hok-
ho,
CHOI
Chi-kit,
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 by rotation and, being eligible, offer themselves for re-election at the AGM.

Accordingly, among other things, details of Directors subject to rotation and re-election at the AGM will be despatched to the Shareholders in due course.

Directors and Senior Management

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

Report of the Board of Directors

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 for the year ending 31 December 2022 are independent.

Directors' Service Contracts and Engagement Letters

None of the Directors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. Please refer to the section headed "Corporate Governance Report" of this annual report for details of the Directors' service contracts and letters of appointment.

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, directly or indirectly, in a transaction, arrangement or contract to which the Company, any of its subsidiaries or fellow subsidiaries was a party and which was significant in relation to the business of the Group.

Management Contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company have been entered into or existed during the reporting period and up to the date of this annual report.

remuneration policy

The principal duties of the Nomination and Remuneration Committee of the Company are 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 level of remuneration in comparable companies, the time commitment and responsibilities involved, as well as the employment conditions of other positions within the Group, the individual performance of each Director and the performance of the Company.

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

Retirement and Employee Benefit 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 Board of Directors

Equity-linked agreements

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 changes in the information required to be disclosed in respect of any of the Directors during the period from the date of the 2022 Interim Report until the date of this report are as follows:-

Name of Director	Details of Changes
Mr. CHOI Tsz 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 has been a member of the Promotion and Communications Committee of the Hong Kong Institute of Certified Public Accountants since 1 January 2023.

Save as disclosed under "Directors" and above in this annual report, there is no change in 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 interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to be interested under such provisions of the SFO) were as follows. The interests and short positions of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) in the shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), including interests and short positions in shares and debentures which they are taken or deemed to have under such provisions of the SFO (including interests and short positions in shares and debentures 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 have been required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") ~~and~~ ^{added} to the Listing Rules are as follows

name and surname	Identity/Equity	Number of shares	Long/Short Positions	Shareholding in the Company Percentage of probability
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Mr CHE Wung-chi	Spouse's interest	441,859,500	Good position.	69.43 per cent
		(Note 1)		
Mr Che Po Chun	Interests in controlled corporations	441,859,500	Good position.	69.43 per cent
		(Note 2)		
	Beneficial owner	580,000	Good position.	0.09 per cent
		(Note 3)		
Mr SHIH Fu-tao	Beneficial owner	5,664,000	Good position.	0.89 per cent
		(Note 4)		
Ms Cao Xueyu	Beneficial owner	773,000	Good position.	0.12 per cent
		(Note 5)		

Report of the Board of Directors

Notes:

- (1) Mr Che Hong Chi is the spouse of Ms Li Sau Heung. As such, he is deemed to be interested in all the Shares in which Ms. Li Xiu Xiang is interested.
- (2) As at 31 December 2022, Mr. Che Baozhen directly owns 50% equity interest in Shanghai Chengzhan Information Technology Centre ("Shanghai Chengzhan"), which in turn owns 95% equity interest in Beijing Zhongmingxin Investment Company Limited ("Beijing Zhongmingxin"), which in turn has control over 39.79% of the equity interest in Chengshan Group. As a result, Mr Che Baozhen, Shanghai Chengzhan and Beijing Zhongmingxin are deemed to be interested in the interest of Chengshan Group.
- (3) As at 31 December 2022, Mr. Che Bozhen was interested in these Shares through options granted under the physically settled equity derivatives under the Share Option Scheme.
- (4) As at 31 December 2022, 5,512,000 of these Shares were held by Mr. Shi Futao as interests in these Shares were held through options granted under the share option scheme under the physically settled equity derivatives.
- (5) As at 31 December 2022, 725,500 of these shares were held by Ms. Cao Xueyu, who was interested in 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 any 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 (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or any interests or short positions which they are taken or deemed to have under such provisions of the SFO or any interests or short positions 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 acquire 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 arrangements 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 none of the Directors or their spouses or children under the age of 18 years, had been granted any rights to subscribe for equity or debt securities in the Company or any other body corporate or debt securities of the Company or any other body corporate or has exercised any such right.

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 (who are not 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 pursuant to Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company under section 336 of the SFO:

name and surname	Identity/Equity	Number of shares	Long/Short Positions	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	The Good position.	9.65 per cent
China National Heavy Duty Truck (Hong Kong) International Capital	Interests in controlled corporations		d War eho use. The Goo d War eho use.	9.65 per cent
limited company China National Heavy Duty Truck (Hong Kong) Limited	Interests in controlled corporations	(Note 1) 61,400,000	Good position.	9.65 per cent
Sinotruk (BVI) Limited	Interests in controlled corporations	(Note 1) 61,400,000	Good position.	9.65 per cent
China National Heavy Duty Vehicle Group Co.	Interests in controlled corporations	(Note 1) 61,400,000	Good position.	9.65 per cent

Shing Shan Group	Beneficial owner	(Note 1) 441,859,500	Good position.	69.43 per cent
Beijing Zhongmingxin	Interests in controlled corporations	(Note 2) 441,859,500	Good position.	69.43 per cent
Shanghai Chengzhan	Interests in controlled corporations	(Note 2) 441,859,500	Good position.	69.43 per cent
Ms Li Xiu Xiang	Interests in controlled corporations	(Note 2) 441,859,500	Good position.	69.43 per cent
Ms Pik Man Ching	Spouse's interest	(Note 2) 442,439,500	Good position.	69.52 per cent
(Note 3)				

Notes:

- (1) As at 31 December 2022, China National Heavy Duty Automobile Group Limited held 100% interest in Sinotruk (BVI) Limited, which in turn held 51% of the issued share capital of China National Heavy Duty Truck (Hong Kong) Limited, which in turn held 100% of the issued share capital of China National Heavy Duty Truck (Hong Kong) International Capital Limited, which in turn holds 100% of the issued share capital of China National Heavy Duty Truck (Hong Kong) Investment Holdings Limited, which in turn holds 61,400,000 shares of the Company. Accordingly, China National Heavy Duty Vehicle Group Limited, Sinotruk (BVI) Limited, China National Heavy Duty Vehicle (Hong Kong) Limited, China National Heavy Duty Truck (Hong Kong) International Capital Company Limited was deemed to be interested in the 61,400,000 Shares held by China National Heavy Duty Truck (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 interest of the Chengshan Group.
- (3) Ms Bi Wenjing is the spouse of Mr Che Baozhen. As such, she is deemed to be interested in all the Shares in which Mr Che Baozhen is interested.
- (4) Based on the total number of 636,440,000 Shares in issue as at 31 December 2022

Report of the Board of Directors

Save as disclosed above, as at 31 December 2022, so far as the Directors are aware, there is no other person (not being a Director and the chief executive of the Company) who holds shares or underlying shares of the Company which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or which are required to be registered in the register of interests or short positions in the register referred to in section 336 of the SFO.

Purchase, redemption or sale of listed securities

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Right of First Refusal

There is no provision for pre-emptive rights under the Articles of Association and the laws of the Cayman Islands which would oblige the Company to offer the New Shares to the existing Shareholders on a pro rata basis.

Tax concessions

Under the laws of the Cayman Islands, there are currently no taxes on profits, income, gains or appreciation of individuals or corporations arising from the holding of the Company's shares and there are no taxes in the nature of inheritance tax and estate duty.

Non-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 Co. Ltd., Beijing Zhongmingshen, Rongcheng Chengyuan Equity Investment Centre, Rongcheng Hongsheng Equity Investment Centre, Rongcheng Chengdao Equity Investment Centre, Rongcheng Chenghai Equity Investment Centre and Rongcheng Pucheng Equity Investment Centre, Rongcheng Hao Cheng Equity Investment Centre and Beijing Baichuantong Consulting Limited ("Beijing Baichuantong") the "Executing Deed of Non-competition Controlling Shareholders") and then controlling shareholders of the Company entered into a deed of non-competition dated 10 September 2018 (the "Deed of Non-competition"), pursuant to which the Executing Deed of Non-competition Controlling Shareholders have irrevocably and unconditionally undertaken and covenanted to the Group that, during the Control Period, it will not and will procure its close associates (other than any member of the Group) not to, 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 be interested or concerned in or acquire or hold (in each case whether as shareholder, partner, agent or otherwise) any business which competes or is likely to compete with the Company's business of manufacture of tyres and sale of tyres in the PRC. shareholders, partners, agents or otherwise of such businesses.

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



Report of the Board of Directors

On 19 June 2019, Beijing Baichuantong transferred all of its 95% equity interest in Beijing Zhongmingxin to Shanghai Chengzhan. Upon completion of the transfer, Mr Che Baozhen and Ms Li Xiuxiang directly own 50% equity interest in Shanghai Chengzhan respectively, while Shanghai Chengzhan owns 95% equity interest in Beijing Zhongmingxin and Beijing Zhongmingxin owns 39.79% equity interest in Chengshan Group. As a result, Mr Che Baozhen, Ms Li Xiuxiang, Shanghai Chengzhan and Beijing Zhongmingxin are deemed to be interested in the interest of the Chengshan Group. Beijing BCTC ceased to be the controlling shareholder of the Company and Shanghai Chengzhan became the controlling shareholder of the Company in place of Beijing BCTC, and Shanghai Chengzhan is also a close associate of Mr. Che Baozhen and Ms. Li Xiuxiang as defined in the non-competition deed.

The Company has received signed annual confirmations from the controlling shareholders 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 fulfilment of the non-competition covenant during the reporting period based on the information and confirmation provided by or given to the controlling shareholders of the Company and are satisfied that the controlling shareholders have complied with the non-competition covenant.

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 may compete, either directly or indirectly, with the business of the Group during 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 to which the Company or any of its subsidiaries was a party 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 dividends

For the year ending 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 which constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules are disclosed below and other related party transactions (other than the purchase of hydropower from the Chengshan Group, which is wholly exempt from the disclosure requirements under Chapter 14A of the Listing Rules) do not constitute connected transactions.

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

Report of the Board of Directors

Continuing Connected Transactions

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

Names of related parties transaction	Relationship with the Group	Nature of	As of 2022	As of 2022
			Until 31	Until 31
			December	December
			during the year	Annual period
			Annual cap	Actual Transaction Amount
			(RMB'000)	(RMB'000)
Shing Shan Group	Chengshan Group is the controlling shareholder	Property Leasing	8,000	7,439
Wing Shing Shing Shan Energy Saving Service Co. (“Wing Shing Shing Shan Energy Saving Service”)	Wing Shing Cheng Cheng Shan Energy Saving Service is a wholly-owned subsidiary of the controlling shareholder, Cheng Shan Group.	energy management	5,000	4,838
Wing Shing Shing Shan Properties Limited (“Wing Shing Shing Shan Property”)	Wing Shing Cheng Cheng Shan Properties is wholly owned by the controlling shareholder, Cheng Shan Group.	Property Services	6,400	5,964

Leasing of properties from the Cheng Shan Group

On 1 March 2018, Poulin (Shandong) Tire entered into a property lease agreement with Chengshan Group in respect of the lease of certain properties by the Group from Chengshan Group (the "Property Lease Agreement"), which is for a term commencing on 1 March 2018 and ending on 28 February 2021.

As the Original Property Lease Agreement expires on 28 February 2021 and the Group expects to carry out the transactions contemplated thereunder after its expiry, Poulin (Shandong) Tire entered into the 2021 Property Lease Agreement (the "2021 Property Lease Agreement") with the Chengshan Group on 18 December 2020 in order to renew the transactions contemplated thereunder 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 from 1 March 2021 to 31 December 2023 for a period of 34 months.

The proposed annual caps for the transactions contemplated under the 2021 Property Lease

Agreements 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 Property Lease Agreements for 2021, the Directors have taken into account (i) the historical rental amount paid by the Group to the Chengshan Group under the Existing Property Lease Agreements; (ii) the estimated total leased area; and (iii) the prevailing market price of comparable property units in the local community.



Report of the Board of Directors

As the Group had previously leased certain properties from the Chengshan Group for use as office units, dormitories and staff canteen, the entering into of the Property Lease Agreement for 2021 is in the interest of the Group in terms of cost, timing and stability. The Directors are of the view 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.

Pursuant thereto, Poulin (Shandong) Wheeling has leased from the Chengshan Group (i) part of an office unit with an area of 6,988.92 sq.m. at No. 98, Nanshan North Road, Rongcheng City, Shandong Province, the PRC, for use as an office unit; (ii) Nos. 49 to 53 and 55, Guotai Small Area, Rongcheng City, Shandong Province, the PRC with an area of 11,597.92 sq.m. for use as a dormitory; and (iii) No. 56, Guotai Small Area, Rongcheng City, Shandong Province, the PRC with an area of 3,124.65 sq.m. for use as a canteen for its staff. Rongcheng City, Shandong Province, the PRC (with an area of 3,124.65 sq.m. ~~for office~~).

Through the transactions contemplated under the Property Lease Agreements, the Group will continue to lease properties from the Chengshan Group. Accordingly, the Directors (including the independent non-executive Directors) ~~advised~~ ^{advised} that it is beneficial to the Company for the Group to continue with the transactions under the Property Lease Agreements for the year ending 31 December 2022 and in respect of the lease amount, the cap for these continuing connected transactions for the year ending 31 December 2022 is RMB8.0 million and the actual amount of the transactions for that year was approximately RMB7.4 million.

Procurement of property services from Wing Shing Shing Shan Properties

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

As the Original Property Services Agreement expires on 31 December 2020 and the Group expects to carry out the transactions contemplated thereunder after its expiry, Poulin (Shandong) Tire entered into a property services agreement for the year 2021 (the "**2021** Property Services Agreement") with Rongcheng Chengshan Properties on 18 December 2020 in order 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, conference room management as well as repair and maintenance of common areas and shared facilities. The term is for three years commencing from 1 January 2021 to 31 December 2023.

The proposed annual caps for the transactions contemplated under the Property Services Agreement for the year 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 amount paid by the Group to Chengshan Group under the Existing Property Services Agreement; (ii) the new service scope and management area for which the Group has engaged Chengshan Group; and (iii) the prevailing market price for similar services in the PRC.

The principal business of the Cheng Shan Group includes property management. The Board considers that the provision of property management services by the Chengshan Group is conducive to the promotion of good quality property management services. The arrangement with the Chengshan Group has been in existence for a few years and therefore 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 services agreement if the relevant fees and other terms are favourable to the Group.

Report of the Board of Directors

Accordingly, Rongcheng Chengshan Properties provides services such as plant access control, security, vehicle management, cleaning, landscaping, maintenance and repair of public areas and common facilities to Poulin (Shandong) Tyre.

Through the transactions contemplated under the Property Services Agreement, the Group will continue to procure property services from Wing Shing Shing Properties. Wing Shing Shing Properties has extensive professional experience and sufficient labour force to engage in the provision of integrated property services. Accordingly, the Directors (including the independent non-executive Directors) ~~will~~ is beneficial to the Company for the Group to continue to carry out the transactions under the Property Services Agreement for the year ending 31 December 2022 and in respect of the amount of the purchases, the cap for these continuing connected transactions for the year ending 31 December 2022 is RMB6.4 million and the actual amount of the transactions for that year was approximately RMB6.0 million.

Procurement of Energy Saving Services from Wing Shing Shing Shan Energy Saving Services

On 28 March 2018, Poulin (Shandong) Tyre entered into an energy management framework agreement (the "Energy Management Framework Agreement") with Rongcheng Chengshan Energy Saving Service for a term commencing from 28 March 2018 to 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 carry out the transactions contemplated thereunder after its expiry, Poulin (Shandong) Tyre and Rongcheng Chengshan Energy Saving Service entered into an energy management framework agreement for the year 2021 (the "**2021** Energy Management Framework Agreement") on 18 December 2020 to renew the corresponding existing energy management framework agreement. The 2021 Energy Management Framework Agreement (the "2021 EMA") was entered into on 18 December 2020 between the Company and Rongcheng Chengshan Energy Services to renew the corresponding existing transactions contemplated under the EMA. The scope of energy management services to be provided is consistent with the original Energy Management Framework Agreement. It is for a term 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 are RMB5.0 million, RMB5.0 million and RMB5.0 million for the years ending 31 December 2021, 2022 and 2023, respectively. The term is for three years commencing from 1 January 2021 to 31 December 2023 respectively.

During the implementation of the energy-saving services, the contracting parties, after on-site measurements and technical exchanges, agreed that if Rongcheng Chengshan's energy-saving services would be beneficial to Poulin, the contracting parties would not be able to provide the services to Poulin.

(The implementation of energy saving modifications to the energy system of P&L (Shandong) Tyre will result in significant energy saving benefits for P&L (Shandong) Tyre. The arrangement with the Chengshan Group has been in place for a few years and will enable Poulin (Shandong) Tyre to achieve the target of reducing electricity consumption cost while ensuring the smooth operation of the energy saving retrofit project. Therefore, the Directors consider that it is beneficial to renew the Existing Energy



Report of the Board of Directors

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 amount 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 Energy Management Framework Agreement in 2021; (iii) the expected energy saving retrofit projects of the Poulin (Shandong) Tyres; and (iv) after arm's length negotiation between Rongcheng Chengshan Energy Saving Service and the Poulin (Shandong) Tyres and by reference to the Existing Price arrived at on an arm's length basis.

Accordingly, Rongcheng Chengshan Energy Conservation Services will continue to provide energy conservation services to the Group from time to time under the Energy Management Framework Agreement. In addition, both parties to the Transaction intend to add an energy-saving renovation project for the energy system and to carry out specialised energy-saving services, which will mainly include energy-saving renovation of the air compressor system, water pump system and electrical machinery system of the existing energy system and replacing all of them with new energy-saving type equipment.

Through the transactions contemplated under the Energy Management Framework Agreement, the Group will continue to procure energy saving services from Rongcheng Chengshan Energy Saving Services. Poulin (Shandong) Tyre will be able to pay for the investment costs of its energy saving projects with the energy saving revenue, which will reduce the pressure on its internal capital resources. Accordingly, the Directors

(including the independent non-executive Directors) will continue 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 in respect of the amount of the purchases, the revised cap for the year ending 31 December 2022 for these continuing connected transactions is RMB5.0 million and the actual amount of the transactions for that year was approximately RMB4.8 million.

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

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 of use asset recognised under the 2021 Property Lease Agreement is approximately RMB21.2 million. As the maximum percentage ratio exceeds 0.1% but is less than 5%, the transaction is classified as a one-off connected transaction and is subject to the announcement and reporting requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board (including the independent non-executive Directors) ~~will~~ ^{will} enter into the 2021 Property Services Agreement, the 2021 Energy Management Framework Agreement and the 2021 Property Lease Agreement (the "2021 Agreements") ~~in the~~ ^{in the} ordinary and usual course of the Group's business and the terms of the 2021 Agreements and their annual caps are on normal commercial terms or on better terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole .

Report of the Board of Directors

Details of the above renewal of the continuing connected transaction agreements expiring in 2020 and 2021 are set out in the announcements of the Company dated 18 December 2020 and 30 December 2020 respectively.

Please refer to the section headed "Continuing Connected Transactions" in the Prospectus and the Company's announcement dated 18 December 2020 for details of the above continuing connected transactions, including the specific pricing terms or formulae in each of the agreements and important information about the pricing policies and guidelines. The values and transaction terms followed by the Group in entering into continuing connected transactions during the reporting period followed these pricing policies and guidelines.

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

- (i) entered into in the general and ordinary course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) Pursuant to the agreement in relation to the Transaction, the terms are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors confirm that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of all of 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 auditors of the Company were engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above.

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

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



Report of the Board of Directors

Sanctioned business activities

During the year ended 31 December 2022, the Company has met its commitments to all relevant countries of the Stock Exchange in relation to the conduct of its business, 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 engage in any business activities with countries under international sanctions.

charitable donations

During the reporting period, the Group's charitable and other donations amounted to approximately RMB242,672 (2021: nil)

Significant legal proceedings

During the year ended 31 December 2022, the Company was not involved in any litigation or arbitration of material importance. To the best of the Directors' knowledge, there are also no legal proceedings or claims of material importance pending or threatened against the Company.

Permitted indemnity provisions

The Company has put in place appropriate insurance arrangements in respect of the liabilities of its directors and officers in respect of legal proceedings that may be brought against them arising out of their corporate activities.

根據組織章程細則，本公司當時之董事、董事總經理、候補董事、核數師、秘書及其他高級人員，以及當時有關本公司任何事務之受託人（如有）及其各自之執行人或行政人員，將獲以本公司資產作為彌償保證及擔保，使其不會因其或其任何一方、其任何執行人或行政人員於執行職務或其各自之職位或信託之假定職務期間或關於執行職務而作出、同意或遺漏之任何行為而將會或可能招致或蒙受之任何訴訟、費用、收費、損失、損害賠償及開支而蒙受損害，但因其本身欺詐或不誠實而招致或蒙受者（如有），則作別論。該等人士同時毋須就下列事項作出解釋：其任何一方之行為、認收、疏忽或失責，或為遵守規例而參與任何認收，或本公司任何款項或財物將予遞交或存放作保管之任何往來銀行或其他人士，或本公司將予提取或投資之任何款項所作之任何抵押不足或缺漏，或任何於執行其各自職務或信託或有關 any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts or in relation thereto, except where the same arises from or through their own fraud, dishonesty or recklessness. For the purpose of indemnifying the Company and/or the ~~Directors~~ and/or other officers, specified for this purpose against any loss, damage, liability and claim which may be incurred or suffered by the Company and/or the Directors (and/or other officers), specified for this purpose arising out of or in connection with any breach by any of them of their duties with the Company, the Company may offer to pay the premium or other sums for the Company's benefit or for the benefit of the Directors

(and/or other officers) ~~may pay~~ The Company may also offer to pay the premium or other sums for the benefit of any of them. The Company may offer to pay premiums or other sums for the maintenance of insurance, bonds or other instruments for the benefit of the Company or the Directors (and/or other officers) or any of them.

Report of the Board of Directors

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

On 17 March 2020, Prinx Thailand, as borrower, entered into a financing 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 appointed lead arranger and original lenders in relation to a US\$90 million facility for a term of (the "Agreement") for a term of four years from the date of the Agreement.

Pursuant to the Agreement, Prinx Thailand shall procure:

- (a) Mr Che Po Chun, Mr Che Hong Chi and Ms Li Sau Heung (the "Controlling Shareholders") remain the single largest shareholder of the Company; and
- (b) The Controlling Shareholder still maintains management control of the Company.

Upon a breach of a specific performance obligation, the Lenders will, among other things have the right to cancel the commitments under the Agreement and declare immediate repayment of the entire outstanding Loan together with accrued interest and all other amounts accrued and other financial documents due and payable under the Agreement.

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

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 the Facility will increase 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 Revised Agreement are set out in the announcement dated 7 July 2021 issued by the Company.

Subsequent events after the balance sheet date

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

Audit Committee

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2022 in conjunction with management and the Company's external auditors.

Annual Report 2012

Poulin Chengshan Holdings Ltd.

80,000



Report of the Board of 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 page 82 to page 11 of this annual report.

The 103-page Corporate Governance Report.

Public holdings

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

Auditor

PricewaterhouseCoopers has been appointed as auditors for the year ending 31 December 2022. PricewaterhouseCoopers has audited the accompanying financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

PricewaterhouseCoopers will 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 AGM.

By Order of the Board
Chairman and Non-Executive
Director
CHE WANG CHI

Hong Kong, 31 March 2023

Corporate Governance Report

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

Corporate Governance Practices

The Group is committed to maintaining a high standard of corporate governance through an effective board of directors, clear segregation of duties and accountability, well-established internal control and risk assessment procedures, and a high degree of transparency to shareholders in order to achieve good corporate governance to safeguard shareholders' interests and enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") and Appendix 4 of the Listing Rules as its own code of corporate governance. 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 and monitors the business and performance. The Board has delegated authority and responsibility for the day-to-day management and operations of the Group to the senior management of the Group. For the purpose of overseeing specific areas of the Company's affairs, the Board has established three Board Committees, namely, the Audit Committee (the "Audit Committee"), the Nomination and Remuneration Committee (the "Nomination and Remuneration Committee") and the Development Strategy and Risk Management Committee (the "Development Strategy and Risk Management Committee") collectively referred to as 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 at all times perform their duties in a manner consistent with the interests of the Company and the Shareholders.

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



Corporate Governance Report

Composition of the Board of Directors

As at the date of this annual report, the Board comprises three executive directors, three non-executive directors and three independent non-executive directors, details of which are set out below:

Executive Director:

Che Bozhen (Chief
Executive Officer)

Shi Futao

Cao Xueyu (1935-), former assistant Secretary of State for Foreign and Commonwealth Affairs of China

Non-executive Director:

Andrew Chee
(Chairman)

Lei Wang

Shao Quanfeng (1936-), Mao Zedong's second wife

Independent non-executive directors:

CHEU

NG

Hok-

ho,

CHOI

Chi-kit,

WANG

Chuan

-sheng

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

During the year ended 31 December 2022, the Board has complied with 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 should possess 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 equal to one-third of the Board. As each of the independent non-executive directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules, the Company considers that they are all independent.

Save as disclosed in the Directors' biographies as set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors has any personal relationship (including financial,

business, family or other material/relevant relationship) with any other Director or chief executive.

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

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

Corporate Governance Report

Onboarding 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 Company's operations and business as well as their obligations to the Company under the relevant statutes, laws, rules and regulations. The Company also arranges seminars for the Directors on a regular basis to update them from time to time on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements. 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 fulfil their responsibilities.

During the reporting period, all the existing Directors have received relevant training on the topics of corporate governance and regulations and their training records have been made available. In view of the above, the Company is of the opinion 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 during the year ended 31 December 2022 is set out below:

Name of Director	Training Format	Training Content
Executive Director		
Che Bozhen	Conferences/seminars/training programmes	Legal/corporate governance/corporate operations/industry related
SHEK FU TO	Conferences/seminars/training programmes	Legal/corporate governance/industry-related/capital markets
Cao Xueyu (1924-), famous Chinese writer	Conferences/seminars/training programmes	Legal/corporate governance/accounting
Non-executive Directors		
CHE WANG CHI	Conferences/seminars/training programmes	Industry-related/legal regulations/corporate governance
Wang Lei (1916-1997), one of the leaders of the Chinese communist party	Conferences/seminars/training programmes	Industry-related/legal regulations/corporate governance
Shao Quanfeng (1936-), Mao Zedong's second wife	Conferences/seminars/training programmes	Industry-related/legal regulations/corporate governance
Independent non-executive directors		

CHEUNG HOK HOK	Conferences/seminars/tr aining programmes	Industry Related/Legal Regulations/Capital Markets
Cai Zijie	Conferences/seminars/tr aining programmes	Legal/corporate governance/accounting/taxation
WANG CHUEN SANG	Conferences/seminars/tr aining programmes	Industry related/legal regulations



Corporate Governance Report

The Company encourages all Directors to undertake continuous professional development 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 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 separated and performed by different individuals.

The chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") are currently held by Mr Che Hong Chi and Mr Che Po Chun, respectively, in order to delineate the functions of these two different positions. The Chairman is responsible for providing strategic advice and guidance on the development of the Group, while the CEO is responsible for the day-to-day operations of the Group.

Mr Che Po Chun, the Chief Executive Officer, is the son of Mr Che Hong Chi, the Chairman.

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 provisions of the service contract, which will automatically renew upon expiry.

Each of the Non-executive Directors has entered into a letter of appointment with the Company for a period of three years, subject to termination in accordance with the provisions of the service contract, which is automatically renewed upon expiry.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a period of one year commencing from 10 September 2022, subject to termination in accordance with the provisions of the service contract, which will be automatically renewed upon expiry.

No director has a service contract with the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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

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.

Details of the Directors who will retire by rotation and stand for re-election at the Annual General Meeting are set out in the section headed "Report of the Directors" of this annual report.

Board Meeting

The Company will adopt the practice of holding regular Board meetings at least four times a year at approximately quarterly intervals. All Directors will be given not less than 14 days' notice of a regular Board meeting so that all Directors will have an opportunity to attend the regular meeting and discuss the business on the agenda.

For other Board and Board committee meetings, reasonable notice is given. The agenda and relevant Board papers are included in the notice of meeting and are sent 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 fully prepared to attend the meeting. If a Director or committee member is unable to attend the meeting, he/she will be informed of the matters to be discussed and will be given an opportunity to inform the Chairman of his/her views prior to the meeting. The Company Secretary shall keep minutes of 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 Directors. Draft minutes of each Board meeting and Board committee meeting are/will be sent to each Director for their consideration within a reasonable time after the meeting. Minutes of Board meetings are open for inspection by all Directors.

Standardised Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of all Directors, each of the Directors has confirmed that they have complied throughout the annual period ended 31 December 2022 with the required standard set out in the Model Code.

Employees of the Company who may be in possession of inside information of 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 relevant employees of the Company.

Annual Report 2012
86% (Note 1)

Poulin Chengshan Holdings Ltd.

Authorisation by the Board of Directors

The Board retains decision-making powers in respect of all major matters of the Company, including: approval and supervision of all policy matters, overall strategy and budget, internal control and risk management systems, major transactions (particularly those which 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 operation of the Group are delegated to the senior management. The Board regularly reviews the delegated functions and responsibilities. The 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 on compliance with legal and regulatory requirements;
- (b) To review and monitor the training and continuous professional development of directors and senior management;
- (c) To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;
- (d) To develop and review the Company's policies and practices on corporate governance, and to recommend its views to the Board and report on relevant matters;
- (e) to 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 Choy Tze Kit (Chairman) Mr Wang Chuan Sang and Mr Cheung Hok Hou, all of whom are independent non-executive Directors. The terms of reference of the Audit Committee are published on the websites of the Stock Exchange and the Company. According to the terms of reference, the principal duties of the Audit Committee are set out below:

1. To make recommendations to the Board on the appointment, re-appointment and/or removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of its resignation or dismissal;
2. to monitor the integrity of the financial statements, the annual report and accounts, the interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;
3. Overseeing the Company's risk management, financial reporting system and internal control procedures;
4. Overseeing the corporate governance functions of the Company, including reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, as well as the training and continuous professional development of directors and senior management; and
5. Overseeing the Company's continuing connected transactions, including meeting every six months to review the report on continuing connected transactions. The major tasks of the Audit Committee in FY2022 are set out below:

- To review the 2022 Annual Audit Plan Report;
- Review of the 2021 Annual Financial Report;
- Review of the 2022 Interim Results Report;
- Discussion on tax compliance issues;
- Review of the Company's internal control over connected transactions and continuing connected transactions;
- discuss and review the Company's 2022 IA Report and 2023 IA 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



Corporate Governance Report

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently comprises three members, namely Mr Cheung Hok Hou (Chairman) and Mr Choi Tze Kit, the two independent non-executive Directors, and Mr Che Bozhen, an executive Director.

The terms of reference of the Nomination and Remuneration Committee are published on the websites of the Stock Exchange and the Company. In accordance with the terms of reference, the principal duties of the Nomination and Remuneration Committee are set out below:

1. To review the structure, size and composition (including the skills, knowledge and experience) of the Board 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 goals and objectives;
4. Responsible for making recommendations to the Board on the remuneration packages (including benefits in kind, pension rights and compensation payments) of individual executive directors and senior management as directed by the Board, including any compensation payable for loss or termination of their office or appointment;
5. To make recommendations to the Board on the remuneration of non-executive directors;
6. To advise the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the Chairman of the Board and ~~Major~~ Independent Directors;
7. To identify persons suitably qualified to become Directors and to select or make recommendations to the Board on the selection of persons nominated for directorships;
8. To consider salaries paid by comparable companies in the industry in which the Company operates, the time and responsibilities involved, and the employment conditions of other positions in the Group;
9. To review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable and in line 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 are

reasonable and appropriate in the event that they are not;

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

Corporate Governance Report

12. to review the policy on reimbursement of expenses incurred by directors and senior management of the Company and its subsidiaries and associates at the relevant time or, if the context otherwise requires, for the period prior to the Company becoming the holding company of its present subsidiaries and associates, or its present subsidiaries and associates, or, as the case may be its predecessors, in respect of the businesses in which they are engaged;
13. assessing the independence of the independent non-executive directors; and
14. To review and/or approve matters relating to the Share Scheme as referred to in Chapter 17 of the Listing Rules.

The Company has adopted a nomination policy (the "Nomination Policy") Pursuant to the Nomination Policy, the Nomination and Remuneration Committee evaluates, selects and recommends director candidates to the Board on the basis of integrity, achievements and experience in the tyre manufacturing industry, time available and the interests of the industry represented by the candidate and the diversity that the candidate will bring to the Board. The recommendations of the Nomination and Remuneration Committee will then be submitted to the Board for decision.

The key tasks of the Nomination and Remuneration Committee for FY2022 are set out below:

- To review the structure, size and composition of the Board;
- Review the Board Diversity Policy;
- Reviewed director and senior management compensation for 2021 and provided recommendations to the Board for adjustments;
- Evaluate the performance of the executive directors;
- Reviewed the remuneration policy and structure for directors and senior management of the Company for the year 2022;
- To discuss and review the remuneration of the independent non-executive directors and to confirm the contractual terms of appointment of the independent non-executive directors;
- To discuss and review the remuneration of non-executive directors and to confirm the terms of service contracts of non-executive directors;
- Discussion and review of hiring and compensation of senior management;
- Discussion, review of organisational structure;

- To discuss and review the second grant of the Company's 2021 Stock Option Plan;
- To discuss and review the motion on the resignation of the Joint Company Secretary of the Company;
- To consider the re-election of the retiring Directors at the 2022 Annual General Meeting; and
- To review whether any independent non-executive directors are, or are about to become, directors of seven or more companies.



Corporate Governance Report

The Group actively attracts, selects and cultivates senior management talents to facilitate the implementation of its global development strategy. Through the implementation of international, professional and diversified talent recruitment, training, assessment and succession planning, the Group has strengthened the pool of talents with international operational vision and diversified professional experience and skills, and provided 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 plans.

Mechanisms to ensure that the Board has access to independent views and opinions

To ensure that the Board has access to the independent advice and recommendations of 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 respect of all relevant factors relating to the independent non-executive directors, including the following:

- Possesses the character, integrity, professional knowledge, experience and stability necessary for the performance of his/her duties;
- The time and attention devoted to the Company's affairs;
- to its independent role and its strong commitment to the Board;
- declare his conflict of interest as an independent non-executive director;
- is not involved in the day-to-day management of the Company or in any relationship or situation that would affect his/her independent judgement; 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 considered them to be effective and adequate.

Directors' remuneration

The Company has fully disclosed the remuneration of the Directors and has disclosed the same in Note 10 to the consolidated financial statements in accordance with their names, amounts and categories. No director has waived or agreed to waive his emoluments for the year ending 31 December 2022.

Remuneration of senior management

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

Compensation Level	Number of senior management
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 Membership Diversity Policy

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

Candidates will be selected by considering a range of diverse areas including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The final decision will be based on the candidate's strengths and his/her contribution to the Board. The Company is committed to maintaining gender diversity on the Board and to avoiding a single gender on the 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 amongst Board members and has confirmed that the Board has the right 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 endeavour to improve gender diversity when identifying suitable candidates. Three of the Board members are independent non-executive directors, which facilitates significant scrutiny and control of the management process. The Board also demonstrates a high degree of diversity, taking into account gender, age, educational background, professional experience, skills, knowledge and length of service.

Taking into account the expansion of the Group's domestic and overseas markets and scale of operations, the Company has set the following target for board diversity: within 3 years, through training or selection, ensure that the Board includes directors with the following professional competence and experience:

- 1) Possesses an international perspective and legal-related professional background, and is responsible for monitoring the international legal environment and improving the risk prevention mechanism in the implementation of the Group's internationalisation strategy; and
- 2) With upstream and downstream industry backgrounds and expertise to deepen synergies up and down the supply chain.

In 2022, the Group will adopt a combination of training and practical training to enhance the international operation capability of the Board members. The Group is actively planning to equip its Board of Directors with the above capabilities and experience in the coming year, so as to achieve this diversified goal and meet the needs of the Company's globalised operations.

The Company will review the policy and measurable targets for diversity amongst Board members in the light of operational and development needs, and monitor the progress towards achieving these targets.

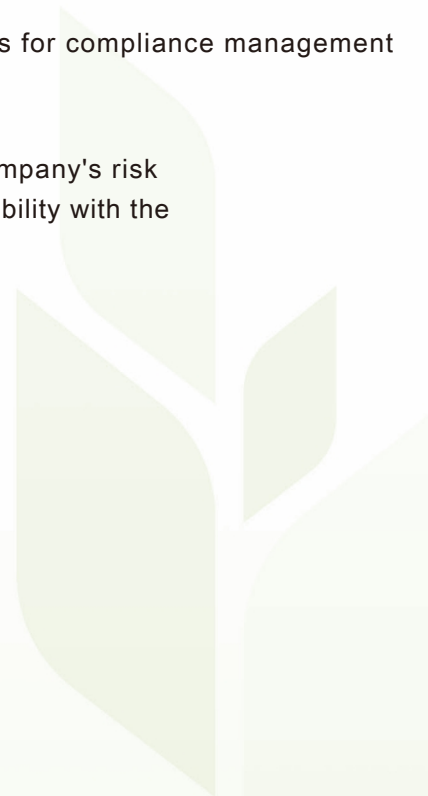
As at 31 December 2022, the proportion of female and male employees (excluding directors) ~~the~~ Group was approximately 31.9% and 68.1% respectively. Accordingly, the Company also considers that it has largely achieved gender diversity of its employees. The Group will continue to consider diversity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

Development Strategy and Risk Management Committee

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

The terms of reference of the DSRMC are published on the websites of the Stock Exchange and the Company. According to the terms of reference, the major responsibilities of the DSRM Committee are set out below:

1. To understand and keep abreast of all aspects of the Company's operations;
2. Understand, analyse and monitor international and domestic industry conditions;
3. Knowledge and understanding of relevant national policies;
4. To study the Company's short, medium and long-term development strategies or their related issues;
5. Provide advice on the Company's long-term development strategy, major investments, reforms and other major decisions;
6. To review and approve the report of the Development Strategy Specialised Study;
7. Produce daily research reports on a regular or occasional basis;
8. Reviewing and advising on the overall objectives and underlying policies for compliance management and risk management, including ESG;
9. To prescribe the strategic structure and resources to be used for the Company's risk management, including significant ESG risks, and to ensure their compatibility with the Company's internal risk management policies;



10. To review and make recommendations on the organisational 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 with respect to material ESG risks, and to ensure that the effectiveness of the risk management and internal control systems of the Company and its subsidiaries is reviewed at least annually. Such review should cover all material control aspects, including financial control, operational control and compliance control, and should specifically include:
 - i. Changes in the nature and severity of significant risks since the prior year's review and the Company's ability to respond to changes in its business and changes in the external environment;
 - ii. Management continuously monitors the scope and quality of the risk and internal control system and its internal audit function;
 - iii. The level of detail and frequency with which control results are communicated to the Board (or its specialised committees)
 - iv. the occurrence of significant control failures or the discovery of significant control weaknesses during the period, and the severity of unforeseen consequences or emergencies resulting 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 make recommendations on the organisational structure and responsibilities for compliance management and risk management, and to ensure that the Company's resources, staff qualifications and experience, training programmes and budget for the accounting, internal audit and financial reporting functions are adequate;
12. Evaluate and advise on the risks of major decisions requiring Board review and approval and the resolution of the associated material risks;
13. Develop boundaries for significant risks and conduct regular assessments of material ESG risks;
14. Oversee, scrutinise and advise the Board on relevant risk management policies, including material ESG risks;
15. Evaluate and determine the Company's ESG-related risks and opportunities;
16. Ensure that appropriate and effective ESG risk management and internal control systems are in place;
17. Develop the Company's ESG management approach, strategy, priorities and objectives;

18. The Company's performance on ESG matters is regularly reviewed and the Group's annual ESG report is discussed and reviewed;
19. reviewing and making 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 rules of the place where the Company's shares are listed. The major tasks of the Development Strategy and Risk Management Committee for the year 2022 are set out below:

- Studying the Company's development strategy, discussing and reviewing medium and long-term strategic plans;
- Ongoing supervision of the Company's risk management and internal control system and advising on the Company's compliance management;
- To advise on the Company's ESG policy and to discuss, review and monitor progress on ESG on a regular basis;
- Discuss and review the Company's annual ESG report;
- Discuss and review the Company's industry analysis reports;
- discussing and reviewing the Company's anti-corruption policy and whistle-blowing policy; and
- To discuss and examine the motion to amend the Memorandum and Articles of Association.

Directors' Attendance at Meetings

During the year ended 31 December 2022, 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 were held.

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 table below:

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

Ms Cao Xueyu	4/4				1/1
Mr SHIH Fu-tao	4/4				1/1
Mr CHE Wung-chi	4/4			4/4	1/1
Mr Wang Lei	4/4				1/1
Mr Shao Quanfeng	4/4				1/1
Mr CHEUNG Hok-ho	4/4	4/4	3/3	4/4	1/1
Mr TSOI Tze-kit	4/4	4/4	3/3		1/1
Mr WANG Chuan-sheng	4/4	4/4		4/4	1/1

The Company arranges at least four regular Board meetings and the number of Board committee meetings as stipulated under the terms of reference of each Board committee in a year for the purpose of carrying out the functions of the Board committees. The Company also arranges for the Chairman and the Independent Non-executive Directors to hold meetings without the attendance of the Executive Directors and the Non-executive Directors.

Directors' financial reporting obligations in respect of financial statements

The Directors understand their duties to prepare the financial statements of the Company for the year ending 31 December 2022 so as to 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.

The management has provided the Board with such explanations and information as may be necessary 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 ability to continue as a going concern.

The auditor's statement on their reporting responsibilities on the consolidated financial statements of the Company 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 is responsible for reviewing the effectiveness of these systems. The Audit Committee is responsible for the Group's internal audit function, 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 the Group's risk management (including sanctioning of risk exposures) and the implementation of the Group's relevant internal control procedures on an ongoing basis. Under the supervision of the Board, the management of the Group is responsible for the design and implementation of the Group's risk management and internal control systems. These systems are in place to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misrepresentation or loss.

Corporate Governance Report

The Group has established sound risk management and internal control procedures through which the Group monitors, evaluates and manages the risks faced by the Group in its business activities. The Group's risk management procedures are based on clearly defined risk identification criteria, risk monitoring responsibilities and control methods 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 and absorptive capacity of production capacity expansion and overseas investments. The Group's risk management process clearly defines management responsibilities, authorisations and approvals for key risk identification and management, and has established clear written policies on key risk management processes which are communicated to all its management and staff. The Group has adopted a series of internal control policies, procedures and programmes designed to provide reasonable assurance regarding the achievement of its objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

In order to effectively reduce unnecessary financial risks and operational risks, and further ensure the realisation of corporate business objectives, the Group has set up a relatively independent internal audit department and established a sound internal control system, the Group relies on the independent consultant review function and has engaged an international consulting firm (the "Consulting Firm") since June 2019 to provide the Group with a three-year consulting service on internal control of corporate governance. The agreement was renewed for a further three years upon its expiry in June 2022. On the one hand, it evaluates the Group's internal control and risk management from a more objective and independent perspective, so as to comprehensively enhance the level of internal control and management; on the other hand, benefiting from the participation of the internal audit department of the Company in the whole process of the evaluation of the Group's internal control conducted by the team of the Consulting Firm, the Group's internal audit department will continue to learn from the useful experience, and will also enhance the professional competence of the Group's internal audit department.

The Directors and senior management of the Group receive regular training on the continuous disclosure obligations of listed groups. The Group has also engaged external legal advisers 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 of disclosure of inside information, and the Board is responsible for overseeing and monitoring the appropriateness and effective implementation of the risk management and internal control measures implemented by the management.

In conducting its affairs, the Group has made full reference to the disclosure requirements under the Listing Rules as well as the recommendations of the Securities and Futures Commission of Hong Kong in its 2012 Annual Report.

Guidelines on Disclosure of Inside Information" issued in June.

The Company has put in place a system comprising external information dissemination management requirements, processes and procedures to comply with the disclosure obligations in relation to price

sensitive information and/or inside information. The key steps involved are set out below:

- The Board of Directors and the Company Secretary adopt regular financial and operational reports in order to identify the existence of inside information in a systematic and timely manner;
- Business and corporate developments and events are monitored through core management so that information that may constitute inside information can be identified in a timely manner;



Corporate Governance Report

- Information is widely disclosed to the public through financial reports, announcements and the Company's website;
- ensure that inside information is kept strictly confidential before disclosure to the public; and
- To authorise the Designated Officers (including Directors, Company Secretary and Board Office Manager) to engage in communication and dialogue with shareholders, investors, analysts, etc., subject to compliance with the relevant disclosure obligations and requirements under the Listing Rules.

The system remains effective. The Company will also continue to endeavour to further enhance its usefulness for 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 organise and review the Group's internal control system and to provide guidance to the Directors, senior management and employees on the internal control policy, the duties and responsibilities of the 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 system for the year ended 31 December 2022 and confirmed that it is adequate and effective in mitigating the risks that may affect the Group's achievement of its strategic objectives.

Auditors' Remuneration

The approximate remuneration of the auditors of the Company for audit and non-audit services provided to the Company during the annual period ending 31 December 2022 is set out below:

Service Type	Amount(RMB)
Audit Services	4,000,000
Non-audit services in relation to 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 has been the sole company secretary of the Company since then.

Details of the resignation of the Joint Company Secretaries are set out in the Company's announcement dated 1 September 2022

During 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.

Corporate Governance Report

Communication with shareholders and investor relations

The Company recognises the importance of effective communication with its shareholders in order to strengthen investor relations and to keep investors informed of the Group's business, performance and strategies. The Company also believes in the importance of timely and non-selective disclosure of the Company's information for shareholders and investors to make informed investment decisions.

The Board adopted a Shareholder Communications Policy on 9 October 2018 (the "Shareholder Communications Policy"). The Board has reviewed the Shareholders' Communication Policy during the annual period ended 31 December 2022 to ensure its implementation status and effectiveness. Following the implementation of the following measures, the Company is of the opinion that the Shareholders' Communication Policy has been effectively implemented during the reporting period.

Objectives

The Shareholders' Communication Policy aims to ensure that the Company's shareholders, both individual and institutional, and potential investors communicate with each other in a way that enhances shareholder value in the long term. The policy sets out the approach to ensure that shareholders and potential investors, including analysts reporting and analysing 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 to enhance 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 Communications Policy to ensure its effectiveness.

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

The Company ensures effective and timely dissemination of information to shareholders and potential investors at all times.

Communication Channels

Shareholder Enquiry

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

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





Corporate Governance Report

Corporate Communications

Corporate communication documents (as defined in the Listing Rules) to Shareholders, any document issued or to be issued by the Company for Shareholders' information or action, including but not limited to (i) the directors' report, the annual accounts together with the auditor's report; (ii) the annual report and the interim report; (iii) notices of meetings; (iv) the listing document; (v) the circular; and (vi) the form of proxy should be delivered to the Shareholders in a timely manner and be written in plain language, in both Chinese and English, so as to enable Shareholders to understand the contents of the communication. (v) circulars; and (vi) forms of proxy, shall be delivered to shareholders in a timely manner and shall be in plain language, in both English and Chinese, so as to facilitate shareholders' understanding of the contents of the communications. Shareholders may choose the method of receipt of corporate communications (in hard copy or electronic form) and the language to be used (English or Chinese or both) Shareholders may change their preference at any time by notifying the Company by post or email.

For the purpose of transmitting timely and effective communications, Shareholders are advised to provide the Company's Hong Kong branch share registrar and transfer office with, among other things, contact details, in particular, email addresses.

Company Website

The corporate communications on the Company's website (www.prinxchengshan.com) provide shareholders with corporate information such as major business activities and the latest development of the Company, as well as information on the Group's corporate governance and the composition and functions of the Board and Board committees. The Company will publish its results announcement on the websites of the Stock Exchange and the Company after the results have been approved by the Board. The results announcement contains details of the performance and results of the Group, the proposed dividend payment (if any) and closure of register of members (if applicable) and any other information as may be required to be disclosed under the Listing Rules from time to time.

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

Press releases and newsletters issued by the Company from time to time are also available on the Company's website. The information published on the Company's website is updated on a regular basis.

General Meeting of Shareholders

General meetings provide an excellent opportunity for constructive communication between the Company and its shareholders. Shareholders are encouraged to attend general meetings in person or, if they are unable to attend, to appoint a proxy to attend and vote on their behalf. The Chairman of the Company and the chairmen of the Board committees of the Company will attend the AGM to answer shareholders' questions. The auditors will also attend the AGM to answer questions on the conduct of the audit, the preparation and contents of the auditor's report, accounting policies and auditor independence.

Shareholders' Privacy

The Company recognises the importance of safeguarding the privacy of Shareholders and will not disclose Shareholders' information without their consent, 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

The Company holds investor and analyst briefings on or after the annual results announcement and interim results announcement. Relevant senior executives attend the meetings to answer questions from the attendees in order to facilitate communication between the Company and its shareholders and the investing public. The Company also organises a variety of events as required, including on-site research, individual interviews and media and investor open days for investors and analysts.

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

Shareholders' Rights

In order to protect the interests and rights of the Shareholders, separate resolutions will be ~~passed~~ at general meetings on various matters, including the election of individual Directors.

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

Convening and Proposals for an Extraordinary General Meeting

Pursuant to the Articles of Association, shareholders may offer 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 carrying the right of voting 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 accordance with the proper procedure, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board 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.





Corporate Governance Report

Enquiry to the Board

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

Changes to constitutional documents

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

For details, please refer to the announcement of the Company 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 AGM.

Independent Auditor's Report

To the Shareholders of Pu Lam Seng San
Holdings Limited
(Incorporated in the Cayman Islands with limited
liability)

Opinions

What We've Reviewed

The consolidated financial statements of Poulin Chengshan Holdings Limited (the "Company") and its subsidiaries (the "Group") on pages 109 to 196 comprise:

- Consolidated Statement of Financial Position as at 31 December 2022
- Consolidated Profit and Loss Account for the year ended on that date;
- consolidated statement of comprehensive income for the year then ended;
- Consolidated Statement of Changes in Equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- Notes to the Consolidated Financial Statements, including Significant Accounting Policies and Other Explanatory Information.

Our Views

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 its 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 ("HKICPA") and have been properly prepared in compliance 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 headed "Auditor's responsibilities for the audit of the consolidated financial statements" of this report.

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 (the "Code") issued by the

Hong Kong Institute of Certified Public Accountants, we are independent of the Group and have fulfilled our other ethical obligations under the Code.

Independent Auditor's Report

Critical Audit Matters

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

The critical audit matter identified in our audit is 'provision for impairment of trade receivables'.

Critical Audit Matters	How our audits address critical audit matters
<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 amounted to RMB1,194.9 million after deducting the accumulated provision for impairment of RMB20.8 million.</p> <p>For the purpose of measuring expected credit losses, trade receivables are grouped according to shared credit risk characteristics.</p> <p>The Group has assessed the appropriateness of the provisioning methodology used by management, including the use of a provisioning methodology based on</p> <p>A provision for impairment has been made. The expected credit losses are based on</p> <p>Historical loss experience (including details of past settlements of counterparties and credit losses incurred during the observation period) and current market conditions are evaluated and adjusted to reflect forward-looking factors.</p>	<p>We have obtained an understanding of management's internal controls and procedures for assessing the allowance for impairment of trade receivables and have assessed the risks inherent in material misstatements 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, key controls for the assessment of the provision for impairment of the Group's trade receivables.</p> <p>We have assessed the results of the prior period assessment of the provision for impairment of receivables to evaluate 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 the credit risk characteristics of the underlying trade receivables for grouping.</p> <ul style="list-style-type: none">• We agreed to incorporate historical data, including historical settlement of counterparties and credit losses arising during the observation period on a sample basis into 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 identifying forward-looking factors and have assessed the economic scenarios and associated 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.

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Critical Audit Matters

How our audits address critical audit matters

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

The critical audit matter is attributable to the carrying amount of trade receivables.

The amount is significant and the estimation of the impairment provision is inherently subjective and requires significant management judgement.

The adequacy of the relevant disclosure.

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

Other Information

The directors of the Company are responsible for the Other Information. Other information includes all information contained in the Annual Report but excludes the consolidated financial statements and our auditors' report.

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

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

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 on this.

directors' and audit committee's responsibility 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 the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern and, where applicable, for making disclosures relating to going concern and for using going concern as the basis of accounting unless the directors intend to liquidate the Group or cease its operations or there are no realistic alternatives.

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

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Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We ~~put~~ our opinion solely to you, as a body. We do not purport to give an opinion on any matter other than that contained in this report. We do not assume responsibility towards or accept 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 it exists. Misstatements can be caused by fraud or error and can be regarded as material if they could reasonably be expected, individually or in the aggregate, to influence the economic decisions of users of the consolidated financial statements taken in reliance on the consolidated financial statements.

In conducting our audit in accordance with Hong Kong Standards on Auditing, we have used our professional judgement and maintained an attitude of professional scepticism. We have also:

- To 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 on which to base our opinion. Because fraud may involve conspiracy, forgery, intentional omission, misrepresentation, or override of internal controls, the risk of material misstatement due to fraud is higher than the risk of material misstatement due to error.
- To obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- To assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- To conclude on the appropriateness of the going concern basis of accounting adopted by the directors. To determine, on the basis of the audit evidence obtained, whether there is a material uncertainty relating to matters or circumstances that may cast significant doubt upon the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, it is necessary to draw the attention of users to the relevant disclosures in the consolidated financial statements in the auditor's report. If the relevant disclosures are not sufficient, our opinion is modified. Our conclusion is based on the audit 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 give a fair view of the underlying transactions and events.

- obtain sufficient appropriate audit evidence about the financial information of the entities or business 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 audit of the Group. We accept full responsibility for our 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 identified in our audit.

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

From the matters communicated to the Audit Committee, we identified the matters that are most significant to an audit of the current year's consolidated financial statements and therefore constitute critical audit matters. We describe these matters in our auditor's report, except where public disclosure of the matter is not permitted by law or regulation or, in extremely rare circumstances, where we have determined that we should not communicate a matter in our report if it is reasonably anticipated that the negative consequences of communicating the matter in our report would outweigh the public interest in doing so.

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

PricewaterhouseCoopers LLP
Certified Public Accountants

Hong Kong, 31 March 2023

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Consolidated Profit and Loss Account

For the year ending 31 December 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
incomes	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
Finance Income	11	8,629	7,544
Finance 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 each of the following:			
- Shareholders of the Company		393,783	276,304
- Non-controlling interests		39	(2)
		393,822	276,302
Earnings per share for profit attributable to equity holders of the Company during the year			
- Basic (RMB)	13	0.62	0.43
- Dilution (RMB)	13	0.62	0.43

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

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Consolidated statement of comprehensive income

For the year ending 31 December 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Profit for the year		393,822	276,302
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss			
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 occupied:			
- Shareholders of the Company		629,835	232,192
- Non-controlling interests		39	(2)
Total comprehensive income for the year		629,874	232,190

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

Consolidated Statement of Financial Position

At 31 December 2022

	Note	At 31 December	
		2022 RMB'000	2021 RMB'000
assets			
Non-current assets			
Property, plant and equipment	16	5,270,833	4,657,021
Right of 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 and bills receivables	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 equity holders of the Company			
equity	25	201	201
Share premium	25	2,185,598	2,185,598
Reserve	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 RMB'000	2021 RMB'000
liability (finance)			
Non-current liabilities			
Bank Borrowing	28	1,440,375	1,600,262
Leasehold liabilities	17	5,988	13,154
Deferred income	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
Leasehold 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 Borrowings	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 are signed on its behalf by the following directors.

Che Bozhen
Board of Directors

SHEK FU TO
Director

Consolidated Statement of Changes in Equity

For the year ending 31 December 2022

Share Capital	Share premium	Equity attributable to equity holders of the Company				Total equity	
		Reserves	Total Non-controlling interests				
		RMB'000	RMB' 000	RMB'000	RMB'000	RMB'000	R M B '000
		NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS				RMB'000	RMB'000
		(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
full 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 ending 31 December 2022

		Equity attributable to equity holders of the Company					
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	Share Capital	Share premium	Reserves	Total Non-controlling interests		Total equity	
			RMB'000	RMB' 000	RMB'000	RMB'000	R M B '000
						RMB'000	RMB'000
			(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
full 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

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

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Consolidated Cash Flow Statement

For the year ending 31 December 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'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 from operating activities		805,421	382,125
Cash flows from investing activities			
Purchase of property, plant and equipment		(578,291)	(1,376,578)
Proceeds from government grants		22,956	9,576
Proceeds from disposal of property, plant and equipment	34(b)	392	1,356
Purchase of right-of-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 ending 31 December 2022

		Year ended 31 December	
	Note	2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Borrowing 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 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 end of year	24	982,037	728,813

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

1 General Information, Restructuring and Basis of Presentation

1.1 General Information

Poulin Cheng Shan 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 of the Laws of the Cayman Islands (Law 3 of 1961, as consolidated and revised). The address of the registered office of the Company is Windward 3, Regatta Office Park, P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 9 October 2018. The Company's shares are listed on the Hong Kong Stock Exchange.

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

The immediate holding company and ultimate holding company of the Group is Chengshan Group Limited ("Chengshan Group"), which was established in the PRC. 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, the "Controlling Shareholders") and by other individual shareholders.

These consolidated financial statements are presented in Renminbi thousands ("RMB'000") and were 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. These policies have been consistently applied to all the years presented unless otherwise stated.

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 ("HKFRSs") and with the provisions of section 2 of the Hong Kong Companies Ordinance.

It has been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, Cap 622 ("HKCO").

- (ii) Historical cost convention

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

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For the year ending 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

For the year ending 31
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2.1 Basis of preparation (continued)

(iii) New and revised standards 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 any retrospective adjustments as a result of adopting 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
- Citing Conceptual Framework - HKFRS 3 (Amendment)
- Merger Accounting for Common Control Combinations - Accounting Guideline No.5 (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 are not yet effective for the financial year beginning 1 January 2022 and have not been early adopted by the Group are set out below:

Criteria Provisions	Major	Effective for annual periods beginning on or after
HKFRS 17 Insurance Contracts		1 January
2023 HKAS 1 (Amendment)	Current or non-current classification of liabilities	
	1 January 2023	
HKAS 1 and HKFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendment)	Definitions of Accounting Estimates	1 January 2023
HKAS 12 (Revised)	Deferred tax relating to assets and liabilities arising from a single transaction	1 January 2023

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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 Provisions	Major	
HK Int 5 (2020)	Presentation of Financial Statements - Borrower's Responses to Financial Statements Containing	1 January 2023
	Classification of Term Loans on Demand Terms (HK Int 5 (2020))	
Hong Kong Financial Reporting Standard 10 and Hong Kong Accounting Standard 28 (Revised)	Disposal or injection of assets between the investor and its associates or joint ventures to be determined	

These standards 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 Subsidiary

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group has control over an entity when, as a result of its involvement in the entity, it has exposure to variable returns or rights to variable returns, 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 on the date on which 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 an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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For the year ending 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

For the year ending 31
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2.2 Principles of consolidation 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 accounted for using the equity method of accounting after initial recognition at cost (see note below 2.2.3).

2.2.3 Equity method

Under the equity method of accounting, investments are recognised initially at cost and subsequently adjusted to recognise the Group's share of post-acquisition profits or losses of investees in profit or loss and its share of changes in other comprehensive income of investees 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 in equity accounted investments (including any other unsecured long-term receivables) 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 to the extent of the Group's interest in those entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of investees accounted for using the equity method have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amounts of equity-accounted investments are tested for impairment in accordance with the policy described in note 2.7.

2.2.4 Changes in ownership interest

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.4 Changes in ownership interests (continued)

When the Group ceases to account for investment combinations or accounts for equity as a result of 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 being recognised in profit or loss. For retained interests that are subsequently accounted for as associates, joint ventures or financial assets, the fair value becomes the initial carrying amount. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are treated as if the Group had directly disposed of the related 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 category of equity as referred to/permitted by applicable HKFRSs.

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

2.2.5 Business combinations

The Group applies the acquisition method of accounting to account for all business combinations irrespective 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 incurred by the former owners of the acquired business
- Issued share capital of the Group
- the fair value of any asset or liability arising from a contingent consideration arrangement, and
- Fair value of previous interest in subsidiaries

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

Acquisition-related costs are expensed as incurred.

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For the year ending 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

For the year ending 31
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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 at acquisition date of any equity interest in the pre-acquired entity

The excess of these amounts over the fair value of the identifiable net assets acquired is accounted for as goodwill. If these amounts are less than the fair value of the identifiable net assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

If settlement of any portion of the cash consideration is deferred, the future amounts payable are discounted to their present value at the date of exchange. The discount rate used is the entity's step-up borrowing rate, which is the rate at which similar borrowings could 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, with changes in fair value recognised in profit or loss.

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

2.2.6 Separate Financial Statements

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

Impairment testing of investments in subsidiaries is required upon receipt of dividends from such investments 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 in the consolidated financial statements of the investee's net assets (including goodwill)

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 performance of the operating segments, has been identified as the Executive Director who makes strategic decisions.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign Currency Exchange

(a) Function 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 (the "functional currency"). The Company's functional currency is the United States dollar ("USD"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting 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 profit and loss account within "finance costs - net". All other foreign exchange gains and losses are presented in the consolidated profit and loss account within "other gains/(losses) - net".

(c) Group Companies

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

- (a) Assets and liabilities presented in each statement of financial position are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement and the statement of comprehensive income are translated at average exchange rates, except where this average does not reasonably reflect the cumulative effect of the rates prevailing on the transaction dates, in which case such income and expenses are translated at the rates prevailing on the transaction dates; 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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For the year ending 31 December 2022

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For the year ending 31 December 2022

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 item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is not recognised upon replacement. All other repairs and maintenance are expensed in the income statement during the reporting period in which they are incurred.

Land is not impaired. Other property and equipment, or each significant portion of a property or equipment, is depreciated on a straight-line basis over the following estimated useful lives:

— Buildings	30 years
— Machinery and plant equipment	5 to 14 years
— Furniture and Fixtures	5 to 10 years
— Automotive	5 years
— Tools	5 years

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

An asset's carrying amount is written down in real time to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

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

Construction in progress ("CIP") principally represents buildings, plant and tools under construction or pending installation, is stated at historical cost less accumulated impairment losses, if any. Historical cost includes construction, acquisition and borrowing costs. No provision for depreciation is made for construction in progress until such time as 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 stated 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 as frequently as events or changes in circumstances indicate that it may be impaired and is stated at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill

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relating to the entity 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 those cash-generating units or groups of 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. operating segments.

(b) trademark

Trademarks acquired separately are stated at historical cost. Trademarks have a specific useful life and are stated at cost less accumulated amortisation. Amortisation is calculated to allocate the cost of licences on a straight-line basis over their estimated useful lives of two to ten years based on the expected use in future business plans.

(c) Computer Software

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

(d) Patented Technology

Development costs directly attributable to design and testing of patented technologies 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 indefinite useful lives are not subject to amortisation, but are tested for impairment annually or several times if events or changes in circumstances indicate that they may be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where 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 the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are categorised at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of those from other assets or groups of assets (cash-generating units) Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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For the year ending 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

For the year ending 31

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2.8 Financial assets

(i) classification

- financial assets that will subsequently be measured at fair value with changes recognised in other comprehensive income or in 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 recognised in profit or loss or other comprehensive income. For investments in debt instruments, the accounting for 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 accounting for gains and losses will depend on whether the Group has exercised its irrevocable option to account for equity investments as at fair value through other comprehensive income at initial recognition.

See note 19a for details of each class of financial assets.

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

(ii) Confirmation and derecognition

Regular way 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, transaction costs that are 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.

When determining whether the cash flows of a financial asset with embedded derivatives are solely payments of principal and interest, the financial asset should be considered as a whole.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (continued)

(iii) Measurements (continued)

Debt instruments

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 those flows are solely payments of principal and interest. Interest income on 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 presented with foreign exchange gains and losses in other gains/(losses) - net. Impairment losses are shown as a separate item in the consolidated income statement.
- **Measured at fair value through other comprehensive income ("FVOCI"):** assets held for the purpose of recovering contractual cash flows and disposed of financial assets whose cash flows are solely payments of principal and interest are measured at fair value with changes in fair value recognised in other comprehensive income. Changes in 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 on these financial assets is included in 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 a separate item in the income statement.
- **Fair value through profit or loss ("FVTPL")** assets that do not meet the criteria for inclusion in other comprehensive income at amortised cost or FVTPL are included in profit or loss at fair value. Subsequent gains or losses on debt investments at fair value through profit or loss are presented net in the consolidated income statement in the period in which they arise in other gains/(losses) - net.

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For the year ending 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ending 31
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2.8 Financial assets (continued)

(iii) Measurements (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. If the Group's management elects 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 such investments continue to be recognised in profit or loss as other income when the Group establishes the right to receive payment.

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

(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 loss over the lifetime to be recognised from the initial recognition of the receivable.

2.9 Offsetting financial instruments

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

2.10 Inventory

Inventories are stated at the lower of cost and net 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 overheads based on normal operating capacity. It excludes borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Trade and bills receivables

Trade and bills receivables are amounts due from customers for goods and services rendered 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 normal operating cycle of the business if longer) If not, they are presented as non-current assets.

Trade receivables are recognised initially for unconditional amounts of consideration, except when they contain significant financing elements, in which case they are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Bills receivable are measured at fair value with movements 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 purposes of preparing the cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a determinable amount of cash 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 shares in issue.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax proceeds.

2.14 Trade and other payables

Trade payables are obligations due from suppliers for goods or services purchased in the ordinary course of business. Trade payables are classified as current liabilities if they are due within one year or less (or in the normal operating cycle of the business if longer) 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

Statements

(Continued)
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2.15 borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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 partially or fully drawn down, the fee paid on the establishment of the loan facility is recognised as a transaction cost of the loan. In such cases, the fee is deferred until the drawdown of the loan occurs. In the absence of indications that it is probable that the loan will be partially or fully drawn down, the fee is capitalised as a prepayment for the liquidity service and amortised over the period of its related financing.

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 is extinguished or transferred to the other party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as a finance cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability 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 pending expenditure on qualifying assets shall 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.

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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, except when it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates the status of tax returns with respect to situations in which applicable tax laws are subject to interpretation and considers whether it is probable that uncertain tax treatments will be accepted by the tax authorities. The Group measures its tax balances based on the most probable amount or expected value, whichever method better anticipates 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 their carrying amounts 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) at the time of the transaction affects neither the accounting profit or loss nor taxable profit or loss. Deferred income tax is calculated using 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) ~~also~~

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

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

(c) offset

Deferred income tax assets and liabilities are offset 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 where 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)
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2.18 Employee Benefits

(a) Pension obligations

The Group contributes to publicly or privately administered defined contribution retirement schemes on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been made. Contributions are recognised as an employee benefit expense when they are due.

(b) Other Employee Benefits

In addition to pension obligations, certain of the Group's employees participate in various types of employee social insurance schemes, including medical, housing and other benefits, established and administered by government agencies. In accordance with the relevant regulations, the Group's share of insurance premiums and provident fund is calculated on the basis of a percentage of the employees' total wages not exceeding a prescribed maximum limit (or on other bases). Once the Group has made the contributions, it has no further payment obligations. The Group's contributions to the schemes are charged to the consolidated profit and loss account as incurred.

2.19 Share-based payment

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

The fair value of options granted under the employee share option scheme is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Include any market performance conditions (e.g. the entity's share price);
- excluding the impact of any services and non-market performance vesting conditions (such as profitability, sales growth targets and employees of the entity) that become the entity's target employees over a specified period of time that remain over a specified period of time) and
- including the effect of any non-vesting conditions (e.g. requiring employees to keep or hold shares for a specified period)

The non-market performance and service vesting conditions take into account assumptions relating to the number of options that are expected to vest. Total expense over the vesting period (i.e. the period over which all the specified vesting conditions are satisfied) is

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Share-based payment (continued)

Employee share options (continued)

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

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

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

Options granted by the Company to employees of the Group's subsidiaries over its 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 parent entity's accounts.

2.20 Provision

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 a number of similar obligations, the likelihood that an outflow of resources will be required to settle the obligation is determined after taking into account the class of obligations as a whole. A provision is recognised even if it is not probable that an outflow of resources will be required in respect of any one item included in the same class of obligation.

Provisions are measured at 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. Provisions that increase over time are recognised as interest expense.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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2.21 Government Funding and Subsidies

Government grants are recognised at fair value when there is reasonable assurance that the Group will receive the grant and will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as other gains in the consolidated statement of profit or loss in the period in which the grants are required to match the costs for which they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised in 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, net of discounts and returns receivable for goods supplied or services performed. The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on its historical results, taking into account the type of customer, the type of transaction and the specifics 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 the products. The Group receives cash or bankers' acceptance bills from customers through banks before or after delivery of products. The Group fulfils its obligation to receive consideration in advance by transferring control of the committed products, i.e. cash or bankers' acceptance bills received from customers prior to the delivery of the products are recognised as a contractual liability (note 5).

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

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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 gains/(losses) on assets.

Interest income on financial assets measured at amortised cost using the effective interest method and on financial assets 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-impaired financial assets, interest income is calculated by multiplying the effective interest rate by the net carrying amount of the financial asset, net of allowance for losses.

2.24 Lease

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

The Group leases various types of offices and flats. Lease agreements are generally for fixed terms in excess of 12 months, but may contain options to extend as described below. Lease terms are negotiated on a case-by-case basis and contain a variety of terms and conditions. No covenants are imposed under the lease agreements, except that the leased assets are not pledged as security for borrowings.

Each lease payment is apportioned between the liability and finance costs. Finance costs are charged to profit or loss over the period of the lease, so as to produce a constant periodic rate of interest 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 substantive 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 obtain an asset of similar value in a similar economic environment on similar terms and conditions.

For the purposes of determining the interest rate on incremental borrowings, the Group uses the most recent third party financing obtained by the individual lessees as the origination point, 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)

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2.24 Leases (Renewal)

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 value 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 are those with a lease term of 12 months or less with no option to purchase.

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

In determining the term of a lease, the Group takes into account all facts and circumstances that give rise to an economic incentive to exercise the option to extend. The option to extend will only be credited to the lease term when it is reasonably certain that the lease will be extended.

Lease income from operating leases, where the Group is the lessor, is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in the acquisition of 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 lease income is recognised. The underlying leased assets are included in the financial position according to their nature. The Group has no assets during the year ended 31 December 2022 that are held as lessors.

2.25 R&D Costs

Research costs are expensed as incurred. Directly attributable development costs of designing and testing identifiable and unique software products are recognised as intangible assets when the following conditions are met:

- It is technically feasible to complete the product to make it usable;
- Management intends to complete the product and use or sell it;
- ability to use or sell the product;
- can show how the product will generate possible future economic benefits;
- have sufficient technical, financial and other resources to complete the development of the product and
- The product's attributable expenditure can be reliably measured over the development period.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Research and development costs (continued)

Costs directly attributable to charging a portion of the cost of a product include employee costs for the development of new manufacturing technologies and an appropriate portion of related recurring expenses. Costs associated with maintaining procedures for new manufacturing technologies 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

Dividend distribution to the Company's shareholders is recognised as a liability, where applicable, 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

Diluted earnings per share adjustments take into account the figures used in determining basic earnings per share:

- the after income tax effect of interest and other finance costs associated with potentially dilutive ordinary shares, and
- Weighted average number of additional common shares outstanding assuming conversion of all potentially dilutive common shares.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities 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 from future commercial transactions or recognised assets and liabilities denominated in a currency that is not the functional currency of the Group's entities. The Group operates principally in the PRC and is therefore exposed to foreign exchange risk arising from a portion of the currencies primarily related to the US dollar, as certain financial assets and liabilities are denominated in US dollars. The Group also has operations in Thailand and therefore has foreign exchange risk arising from assets and liabilities denominated in currencies other than the US dollar, which is the functional currency of the Thai operations. However, the financial exposure of the Thai operations at 31 December 2021 and 2022 is not material.

At 31 December 2021 and 2022, if US dollar had weakened/strengthened by 5% against RMB with all other variables held constant, the post-tax profit for each year would have been mainly attributable to the exchange loss arising from the translation of US dollar-denominated cash and cash equivalents, trade receivables, trade payables and bank borrowings into RMB, which is the functional currency of the subsidiaries

The changes are as follows Details of the movements are set out below:

	At 31 December	
	2022 RMB'000	2021 RMB'000
End of year:		
(Decrease)/increase in profit after taxation		
-5 per cent against the Renminbi	(14,902)	(8,519)
-5 per cent against the Renminbi	14,902	8,519

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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 the RMB with all other variables held constant, the change in other comprehensive income for each year would have been primarily due to the translation of the financial statements of the entities that use the US dollar as their functional currency into RMB. Details of the changes are set out below:

	At 31 December	
	2022 RMB'000	2021 RMB'000
End of year:		
(Decrease)/increase in other comprehensive income	(150,328)	(120,376)
-5 per cent against the Renminbi		
-5 per cent 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 independent of changes in market interest rates. The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings 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 minimise interest rate risk (as 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 mainly as a result of an increase/decrease in interest expense on floating rate borrowings. Details of the changes are set out below:

	At 31 December	
	2022 RMB'000	2021 RMB'000
End of year:		
(Decrease)/increase in profit after taxation		
- Depreciated by 5 per cent against the Renminbi	1,822	256

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- 5 per cent 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 associated with its trade receivables, bills receivable, other receivables, amounts due from related parties and cash deposits with banks. The carrying amounts of trade receivables, notes receivable, other receivables, amounts due from related parties, cash and cash equivalents and restricted cash are the Group's maximum exposure to credit risk in relation to financial assets.

The majority of the notes receivable are 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 rates of the counterparties. The existing counterparties have no defaults in the past.

The Group does not expect to have significant credit risk associated with cash deposits with banks as these deposits are essentially placed with state-owned banks as well as other large and medium-sized listed banks. Management does not anticipate any significant losses arising from non-performance by these counterparties.

The Group has a large number of customers and no concentration of credit risk. The Group has monitoring procedures in place to ensure that follow-up action is taken to recover overdue debts. In addition, at the end of each reporting period, the Group reviews the recoverability of these receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the likelihood of default at initial recognition of the asset and also assesses whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. In assessing whether there has been a significant increase in credit risk, the Group compares the likelihood of default of an asset at the reporting date with the likelihood of default at the point of initial recognition, taking into account publicly available and reasonably available forward-looking information. The following indicators are important to consider:

- Internal credit ratings;
- External Credit Ratings;
- An actual or expected material adverse change in the business, financial or economic condition of the customer that is expected to result in a material change in the customer's ability to fulfil its obligations;
- Actual or expected material changes in the debtor's/client'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.

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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Cash and Cash Equivalents and Restricted Cash

At 31 December 2022, the Group's assessment is that the expected credit loss ratio for cash and cash equivalents and restricted cash is not material. This means that no provision for losses has been recognised for 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 ratio for amounts due from related parties and other receivables is not significant. This means that no allowance 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 as required by HKFRS 9, which permits the use of a provision for expected losses over the life of all trade receivables.

For the purpose of measuring expected credit losses, trade receivables are grouped based on the common credit risk characteristics and days past due as described in note 19 b. The Group's credit losses are recognised in the consolidated financial statements. The expected loss ratio is based on sales payments made in the three-year period prior to 31 December 2022 or 31 December 2021, respectively, and the corresponding historical credit losses experienced in that period. The historical loss ratios are adjusted to reflect current and forward-looking information regarding factors affecting the ability of customers to settle their receivables, including GDP and total retail sales of consumer goods.

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

	Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
31st December 2022					
Expected loss ratio	1.1%	26.4 per cent	48.7 per cent	100.0 per cent	-
Total carrying amount (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
				3 years	
31st December 2021					
Expected loss ratio	1.1%	36.3 per cent	60.0 per cent	100.0 per cent	-

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Total carrying amount (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)

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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Trade receivables (continued)

In prior years, in respect of trade receivables, the Group performed ongoing credit evaluations of the financial position of its debtors but did not require debtors to provide collateral over 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 forecasts are performed in the Group's operating entities and are consolidated by the Group's finance department. The Group Finance Department monitors a rolling forecast of the Group's liquidity requirements to ensure that it has sufficient cash to meet operating needs. The forecast takes into account the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, where applicable, external regulatory or legal requirements such as currency restrictions.

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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The following table sets out 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 are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
At 31 December 2022					
Bank Borrowing	762,902	1,104,944	297,502	37,929	2,203,277
Interest payable on bank loans	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
Leasehold 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 Borrowing	297,762	398,859	1,091,149	110,254	1,898,024
Interest payable on bank loans	50,519	42,038	28,369	2,711	123,637
Amounts due to related parties	18,279	-	-	-	18,279
Trade payables	1,957,593	-	-	-	1,957,593
Other payables	868,472	-	-	-	868,472
Leasehold 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 when 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 minimise the cost of capital.

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

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3 Financial risk management (continued)

3.2 Capital management (continued)

The Group is monitored on a gearing ratio 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 at 31 December 2022 and 2021 are as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Bank loans (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 per cent

The increase in gearing ratio 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 Estimates

The Group has adopted the amendments to HKFRS 13 for financial instruments that are measured at fair value in the consolidated statement of financial position, which require disclosure of fair value measurements in accordance with the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- In addition to the quoted prices included in Level 1, other inputs to the asset and liability that are observable for the asset and liability can be direct (i.e. as prices) or indirect (i.e. derived from prices) (Level 2)
- Inputs for which the asset or liability is not based on observable market data (i.e. unobservable inputs) (level 3)

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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 through profit or loss.				
Financial assets at fair value through profit or loss				
- Financial products(a)	-	-	209,482	209,482
- Listed equity securities	21,044	-	-	21,044
- interest rate swap (finance)	-	30,539	-	30,539
Measured at fair value through profit or loss.				
Other financial assets in comprehensive income				
- Notes receivable(a)	-	-	117,534	117,534
	21,044	30,539	327,016	378,599
December 2021				
Measured at fair value through profit or loss.				
Financial assets at fair value through profit or loss				
- Financial products(a)	-	-	85,110	85,110
- Listed equity securities	22,045	-	-	22,045
Measured at fair value through profit or loss.				
Other financial assets in comprehensive income				
- Notes receivable(a)	-	-	265,764	265,764
	22,045	-	350,874	372,919

During the years ended 31 December 2022 and 2021, there were no transfers between fair value hierarchies used to measure the fair value of financial instruments and no changes in the classification of financial assets as a result of a change in the purpose or use of these assets.

During the year, there were no additions or disposals between Level 1. Additions and disposals of

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Level 2 and Level 3 are disclosed in Note 21.

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3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments at level 3

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

	Fair value at 31 December 2022 RMB'000	Valuation techniques	Unobservable input data	Scope (weighted average)	Relationship between unobservable inputs and fair value
Financial Products	209,482	Discounted cash flows	Expected rate of return	1.8-2.55 per cent (2.2 per cent)	A 100 basis points change in yield would increase/decrease the fair value by approximately RMB2,050,000
Notes Receivable	117,534	Discounted cash flows	Expected discount rate	1.8-3.8 per cent (2.8%)	A 100 basis points change in yield would increase/decrease the fair value by approximately RMB1,143,000
	In 2021 31st of December Fair value RMB'000	Valuation techniques	Unobservable Input Data	Scope (weighted average)	Unobservable input data Relationship with fair value
Financial Products	85,110	Discounted cash flows	Expected rate of return	2.2-2.9 per cent (2.6 per cent)	100 basis points change in yield Would increase/decrease the fair value by approximately RMB830,000
Notes Receivable	265,764	Discounted cash flows	Expected discount rate	1.9 per cent-3.8 per cent (2.9 per cent)	100 basis points change in yield Would increase/decrease fair value Approximately RMB2,584,000

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4 Critical accounting estimates and judgements

Estimates and judgements are evaluated on an ongoing basis and are based on past experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. These accounting estimates, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(a) Useful life of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment and the related depreciation expenses. The estimates are 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 in estimates. The useful lives are periodically reassessed by management. If the useful lives are less than previously estimated, management will increase the depreciation charge or management may write off or write down assets that have been abandoned or sold and are technically obsolete or non-strategic assets.

(b) Income tax and deferred tax assets/liabilities

The Group is subject to income taxes in certain jurisdictions. Judgement is required in determining the provision for income taxes. To the extent that the ultimate tax consequences of these matters are different from the amounts that were initially recorded, such differences will impact current and deferred income tax provisions in the period in which such provisions are made.

The Group recognises deferred income tax assets in respect of 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 original estimates, such differences will impact the recognition of deferred tax assets and tax in the period in which such estimate changes.

(c) Provision for impairment of trade receivables

For trade receivables (excluding non-financial assets) the Group provides for expected credit losses by applying the simplified approach required by HKFRS 9, which permits the use of a provision for expected losses over the lifetime of all trade receivables (excluding non-financial assets). The allowance for losses on financial assets is based on assumptions about the risk of default and expected loss rates. At the end of each reporting period, the Group uses its judgement in making these assumptions and selecting inputs for impairment calculations based on its historical, 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 **Statements** (Continued)

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(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 change 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 provision for future warranty claims based on historical warranty claim information and recent trends that may indicate a difference between historical cost information and future claims.

Factors that may affect the estimated claims information include the success of the Group's productivity and quality initiatives and the cost of products.

(f) Impairment of Group assets

The Group follows the guidance in HKAS 36 in determining whether the Group's assets are impaired. As stated in HKAS 36, an excess of an entity's net asset value over its market value is an indication of impairment and requires an estimation of recoverable amount. As at 31 December 2022, the market value of the Group was approximately RMB3,457 million, which was lower than the net asset value of the Group 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 evaluates and considers qualitative and quantitative factors that would 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 tests and the timing of such tests.

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

5 Division Information

The Executive Directors of the Company have been identified as the chief operating decision makers of the Group and are responsible for reviewing the Group's internal reporting in order to regularly assess the Group's performance and allocate resources.

The Group is principally engaged in the manufacture and sale of tyre products. Segments represent business units operating in different geographical areas. The chief operating decision-maker manages the production and operating activities independently with respect to the different technical and marketing strategies required for the different locations of operation and assesses the operating results of the different segments on a regular basis for the purpose of evaluating business performance and allocating resources.

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5 SEGMENT INFORMATION (Continued)

The Group has the following two segments:

- Mainland China and Hong Kong is a division for the manufacture and sale of tyre products.
- Overseas segment is the other segment

which manufactures and sells tyre products. The

transfer prices between segments are determined

with reference to the selling prices of third parties.

The Group's revenue by geographical location, determined by the area in which the goods are delivered is as follows:

	Year ended 31 December	
	2022 incomes RMB'000	2021 incomes RMB'000
Mainland China	2,698,755	3,201,826
United States of America	3,019,405	2,240,164
Asia (excluding Mainland China)	671,197	573,157
continent	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 ending 31 December 2022		
	Domestic RMB'000	Overseas RMB'000	Total 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	expenses
Administrative	R&D Costs
	Net impairment loss on financial assets
	Other income

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Other gains - net	(497,489)
finance costs -	(184,636)
net share of	(229,196)
results of	(3,815)
associates	34,951
	136,708
	(71,499)
	(75)
Profit before	354,739
income tax	

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5 SEGMENT
INFORMATION

(Continued)

	Domestic RMB'000	overseas countries RMB'000	Total RMB'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 RMB'000	2021 RMB'000
Domestic	2,245,703	2,228,778
overseas countries	3,132,896	2,544,536
	5,378,599	4,773,314
For the years ending 31 December 2022 and 2021, no customer has contributed 10% or more to the Group's revenue.		
	In 2022 31st December RMB'000	In 2021 31st December RMB'000
Contractual liabilities	48,720	59,285

(i) Significant changes in contractual liabilities

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The Group receives payments from customers in accordance with contractual payment arrangements. There were no significant changes in contractual liabilities.

5 SEGMENT INFORMATION (Continued)

(ii) Revenue recognised in respect of contractual liabilities

The following table shows the revenue recognised in the years ended 31 December 2022 and 2021 that relates to the carrying forward of contractual liabilities.

	As of 2022 Year ended 31 December RMB'000	As of 2021 Year ended 31 December RMB'000
Included in the balance of contractual liabilities at 1 January 2022 and 1 January 2021		
Recognised gains		
Sales of tyre products	59,285	81,676

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

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

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	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue from customers and point in time recognised sales of tyre products:		
All-steel radial tyres	5,503,324	4,888,933
Semi-steel radial tyres	2,564,976	2,511,046
-Bevelled tyres	83,652	137,182
	8,151,952	7,537,161

7 Other

	Year ended 31 December 2022 RMB'000	2021 RMB'000
Sales Waste	20,612	31,661
Government subsidies	14,339	29,006
	34,951	60,667

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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		
Gain/(loss) from 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 gains/(losses)	97,254	(15,319)
Litigation claims(a)	-	52,697
the rest	2,099	2,462
	136,708	40,594

Xinhonglun"for failing to assign the trademarks of ROAD SHINE and GOLD PARTNER to PULINSHANDONG in accordance with the provisions of the contract and demanded that QINGDO Xinhonglun should compensate PULINSHANDONG for the economic loss suffered by PULINSHANDONG as a result of the breach of contract. According to the judgement of the first and second trial, Aoshima New Hong Lun should compensate Pu Lin Shan Dong, but Aoshima New Hong Lun refused to accept the judgement. On 12 July 2021, QSI submitted an application for retrial to the Supreme People's Court of the PRC (the "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 it is highly unlikely that the Supreme People's Procuratorate of the PRC (the "SPC") will further accept the application for filing a protest against prosecution filed by Qingdao Xinhonglun, and therefore recognised all the compensation received of RMB52,697,000 during the year ended 31 December 2021 During the year ended 31 December 2022, Pu Lin Shan Dong did not receive any notice of retrial from the Supreme People's Court due to the intervention of the Supreme People's Procuratorate.

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9 Expenditure by nature

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and research and development costs are analysed below:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Raw materials and consumables used	6,167,102	6,209,793
Changes in finished goods and work-in-process 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
Transport costs and storage charges	190,396	188,924
Advertisement Fee	73,473	18,792
Export Charges	67,311	70,852
Maintenance and Repair	49,897	59,731
Travelling, meeting and office expenses	47,875	46,893
Provision for quality assurance (Note 31)	46,222	44,786
Professional Service Fee	27,860	30,847
taxation	16,473	12,832
Property Insurance Premiums	16,389	14,404
Depreciation of assets for use (Note 17)	15,906	11,908
Write-down of inventories (Note 20)	12,992	7,287
Rental and property expenses	9,363	9,340
Amortisation of intangible assets (Note 18)	6,632	3,924
Sales Commission	6,597	1,815
Auditors' Remuneration		
-Audit Services	4,000	3,129
Non-audit services	694	657
Provision for impairment of financial assets (Note 22)	3,815	1,577
Other Expenditure	58,344	58,333
	7,897,298	7,367,384

10 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages and bonuses	486,606	484,285
Pension, Housing Provident Fund, Medical Insurance and Other Benefits	139,510	117,299
Share-based remuneration benefits	10,681	12,078

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Total Employee Benefits Expenditure

636,797

613,662

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

(a) Pension costs - defined contribution schemes

Employees of the Group's subsidiaries participate in a defined contribution retirement scheme organised by the relevant provincial government, which requires those subsidiaries to pay monthly contributions based on a certain percentage (subject to certain caps) of the employees' monthly salaries and wages.

During the years ended 31 December 2022 and 2021, there were no forfeited contributions available to the Group to reduce the current level of contributions.

(b) Directors' Benefits and Interests

The remuneration of each Director and the Chief Executive is set out below:

For the year ending 31 December 2022

Name of Director	gover RMB'000	salary RMB'000	Discretionary bonus RMB'000	Allowan ces and benefits in kind (i) RMB'000	Employer s Contribution to Retirement Benefit Schemes RMB'000	Share-based salary benefits RMB'000	Total RMB'000
Executive Director							
Che Bozhen	314	2,400	-	36	45	51	2,846
SHEK FU TO	181	2,160	-	36	39	2,615	5,031
Cao Xueyu (1924-), famous Chinese writer	181	266	-	-	15	317	779
Non-executive Directors							
CHE WANG CHI	242	-	-	-	12	-	254
Independent non-executive directors							
CHEUNG HOK HOK	155	-	-	-	-	-	155
Cai Zijie	207	-	-	-	-	-	207
WANG CHUEN SANG	155	-	-	-	-	-	155
	1,435	4,826	-	-	111	2,983	9,427
			72				

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

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

(b) DIRECTORS' BENEFITS AND INTERESTS (Continued)

For the year ending 31 December 2021

Name of Director	gown RMB'000	salary RMB'000	Discretionary bonus RMB'000	Allowa nces and benefits in kind (i) RMB'000	Employer' s Contribution to Retirement Benefit Schemes RMB'000	Share-based salary benefits RMB'000	Total RMB'000
Executive							
Director	302	2,340	-	36	44	966	3,688
Che Bozhen							
SHEK FU TO	174	2,136	-	39	38	2,516	4,903
Cao Xueyu (1924-), famous Chinese writer	174	245	-	-	15	542	976
Non-executive Directors							
CHE WANG CHI	232	-	-	-	12	-	244
Independent non-executive directors							
CHEUNG HOK HOK	143	-	-	-	-	-	143
Cai Zijie	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 termination benefits have been paid to any director during the year ended 31 December 2022 (2021: nil)

(d) Consideration to third parties for services to directors

During the year ended 31 December 2022, the Company did not provide consideration 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 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) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 36, there were no material transactions, arrangements and contracts at 31 December 2022 or at any time during the year ended 31 December 2022 (2021: Nil) which relate to the business of the Group and in which the Company is a party and in which a director of the Company has a material interest, whether directly or indirectly.

(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 during the year are set out below:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
salary	3,963	4,274
Discretionary bonus	216	-
Allowances and In-Kind Benefits	92	193
Employer's Contribution to Retirement Benefit Schemes	85	173
Share-based salary benefits	4,633	4,632
Total Employee Benefits Expenditure	8,989	9,272

The remuneration is within the following range:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Remuneration 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

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11 Finance costs -

net

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Finance costs:		
- Interest expenses on bank loans	(87,676)	(37,812)
- Interest expense on lease liabilities (Note 17)	(679)	(888)
- Net foreign exchange loss on borrowings and dividend 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)
Finance Revenue:		
- Interest income from bank deposits	8,629	4,757
- Net foreign exchange gain on borrowings and dividend payable	-	2,787
	8,629	7,544
Finance costs - net	(71,499)	(4,836)

12 taxation

(a) Income tax expense

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'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)

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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 tax in the Cayman Islands and the British Virgin Islands. The Company has obtained the PRC tax resident enterprise status. The applicable profits tax rate for the year ended 31 December 2022 is 25% (2021: 25%).

(ii) Hong Kong Profits Tax

Poulin Chengshan (Hong Kong) Tyre Company Limited and Poulin (Hong Kong) Rubber Company Limited, subsidiaries of the Company, are subject to Hong Kong profits tax. The applicable Hong Kong profits tax rate for the year ended 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 ended 31 December 2022 is 25% (2021: 25%).

(iii) PRC Enterprise Income Tax ("EIT")

Provision for EIT is made on the taxable income of the Group's entities incorporated in Mainland China. The applicable enterprise income tax rate is 25%, except for one subsidiary with the qualification of high and new technology enterprise ("Hi-Tech Enterprise") which 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 amounting to RMB294,613,000 (2021: RMB92,313,000), which can be carried forward for offsetting against future taxable income of certain entities in Mainland China and will expire in 5-10 years.

(iv) Other overseas profits tax

For the year ended 31 December 2022, Poulin Chengshan Tire North America, a subsidiary of the Company incorporated in California, USA, is subject to a federal tax rate of 21% and a state tax rate of 8.84% (2021: 21%, 8.84%).

PULIN Sungsan Tyre (Thailand) Limited was incorporated in Thailand and the applicable income tax rate in Thailand is 20%. As Poulin Chengshan Tyre (Thailand) Company Limited qualifies as a Key Incentive Industry Enterprise and has been approved by the local tax authority in 2020, it is entitled to eight years of full tax exemption from 2020 to 2027.

Prinx Chengshan Tire Europe GmbH, incorporated in Germany, is subject to a combined tax rate of 31.72% (2021: 31.72%) for the year ending 31 December 2022 set by the local authorities.

No provision for overseas profits tax has been made in respect of the Group's other subsidiaries as they have no assessable profits 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, Poulin Chengshan (Hong Kong) Tyre Company Limited, have obtained the status of resident enterprise for PRC tax purposes and are subject to EIT for the year ending 31 December 2022, and from 2019 onwards, dividend payments between Poulin Shandong, Poulin 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 on profits to foreign investors by companies incorporated in Thailand are generally subject to a 10% withholding tax. No withholding tax has been recognised in respect of the unremitted earnings of Purain Sungsan Tyre (Thailand) Company Limited for the year ending 31 December 2022 as the Directors are of the opinion that the Group will not distribute the unremitted earnings in the foreseeable future.

Income tax on the Group's profit before taxation differs from the theoretical amount that would arise from the application of the weighted average tax rate to the profit of the consolidated book-entry entity as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit before income tax	354,739	265,902
Tax at applicable rates	60,683	46,596
Tax losses on unrecognised deferred income tax assets	5,896	17,051
Non-deductible expenses	5,093	4,035
Tax incentives for high-tech enterprise status	14,503	(8,747)
Additional deduction for research and development costs and other expenses	(25,593)	(29,566)
Tax exemption for subsidiaries	(99,665)	(39,769)
Income tax credit	(39,083)	(10,400)

(b) Value Added Tax ("VAT")

Sales of self-manufactured products by the Company's subsidiaries in Mainland China and Thailand are subject to value-added tax. The applicable tax rates for sales within the PRC are 13%. The applicable tax rate for sales within Thailand is 7%.

Input VAT on purchases of raw materials, fuel oil, utilities, certain property, plant and equipment and other production materials (goods, transport costs) is deductible against output VAT. VAT payable is the net difference between VAT on sales and 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.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit attributable to equity holders of the Company	393,783	276,304
Weighted average number of ordinary shares outstanding (in thousands)	636,440	636,321
Basic earnings per share (RMB)	0.62	0.43

(b) Dilution

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit attributable to shareholders of the Company	393,783	276,304
Weighted average number of ordinary shares outstanding (in thousands)	636,440	636,321
Adjustment of share options	-	503
Weighted average number of ordinary shares for the purpose of 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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cash dividends paid by the Company (a)	108,818	106,708
Final dividend proposed 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 recommended the payment of a final dividend of HK\$128 million (equivalent to approximately RMB114 million) in respect of the year ended 31 December 2022 (at year-end exchange rates), being HK\$0.2 per ordinary share. The 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 Subsidiary

Investments in subsidiaries are stated at cost less impairment, if any. Details of the Company's principal subsidiaries at 31 December 2022 are set out below:

						Direct and indirect holdings		
Company Name	Date of Incorporation	Country/location of incorporation, legal status and type of legal entity	Principal country/location of operation	Registered share capital	Paid-up capital	2021 31st December	2022 31st December	Main Businesses
Directly held by the Company								
Pulin Narayama (HK) tyres limited company	Letter dated 6 June 2014 from the Permanent Representative of	Hong Kong, Limited Liability Company	Mainland	US\$ 178,000,000	US\$ 178,000,000	100%	100%	Investment holding and Tyre Products Trading
Prinx Investment Holding Limited	26th November 2018	British Virgin Islands, Limited Liability Company	Mainland	\$500	\$500	100%	100%	investment holding

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15 Subsidiaries (continued)

Company Name	Date of Incorporation	Country/location of incorporation, legal status and type of legal entity	Principal country/location of operation	Registered share capital	Paid-up capital	2021 31st December	2022 31st December	Main Businesses
The Company indirectly holds								
Pulin Narayama (Shandong) tyres corporation	letter dated 29 december 2005 from the permanent representative of	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	17th March 2020	Darmstadt, Germany, GmbH & Co.	Germany	EUR 25,000	EUR 25,000	100%	100%	Manufacture of rubber, synthetic fibres or similar goods of all kinds, Development, Trading and Distribution
Uralin Narayama (Qingdao) Industrial Research Institute Design Ltd.	12 January 2017	Shandong, China, Limited Liability Company	China	RMB10,000,000	RMB10,000,000	100%	100%	Technical Research and Tyre Products Trading
Shandong Pulin Narayama Tyre Technology Study limited company	26th September 2017	China Shandong Co, Limited Liability Company	China	RMB10,000,000	RMB9,250,000	92.5 per cent	92.5 per cent	Research and development of tyre technology and equipment, Provision of technical services
Qingdao Zhi An Da Investment Co.	8th March 2018	Shandong, China, Limited Liability Company	China	RMB76,800,000	RMB57,440,000	100%	100.0 per cent	Investment holding and Tyre Products Trading
Poulin Narayama Tyre North America Inc.	1 November 2018	California, USA, joint-stock company	United States of America	US\$1,303,990	US\$1,303,990	100%	100.0 per cent	Investment holding and inflatable products and related products
Poulin (Hong Kong) Rubber Co.	13th December 2018	Hong Kong, Limited Liability Company	Mainland	\$20,000	\$20,000	100%	100.0 per cent	Investment holding and Tyre Products Trading

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15 Subsidiaries (continued)

						Direct and indirect holdings		
Company Name	Date of Incorporation	Country/location of incorporation, legal status and type of legal entity	Principal country/location of operation	Registered share capital	Paid-up capital	2021 31stDecember	2022 31st December	Main Businesses
The Company indirectly holds								
Purain Sung San tyres (Thailand) limited company	20thDecember 2018	Thailand, Limited Liability Company	Thailand	9,025,634,600 Thai baht	9,025,634,600 Thai baht	100%	100%	Manufacture of tyre products and trade
Shenzhen Zhi An Da Tyre Technical Service Co Ltd (i)	25/2018	Guangdong, China, Limited Liability Company	China	RMB40,000,000	RMB17,370,000	100%	100%	Provide tyre rental service and trade of tyre products
Jinan Jianda Tyre Service limited company	7/6/2018	Shandong, China, Limited Liability Company	China	RMB20,000,000	RMB20,000,000	100%	100%	Provision of tyre rental services and Tyre Products Trading
Shanghai Zhianda Rubber Co.	14th January2019	Shanghai, China, Limited Liability Company	China	RMB20,000,000	RMB14,315,000	100%	100%	Provision of tyre rental services and Tyre Products Trading
Pulin Chengshan (Anhui) tyre limited company	Letter dated 19 April 2021 from the Permanent Representative of	Anhui, China, Limited Liability Company	China	RMB378,000,000	RMB0	100%	100%	Provision of tyre rental service and Tyre Products Trading
Smart Tire Service (Shanghai) limited company	Letter dated 13 May 2021 from the Permanent Representative of	Shanghai, China, Limited Liability Company	China	RMB76,800,000	RMB69,740,000	100%	100%	Provision of tyre rental service and Tyre Products Trading
Poulin Narayama (Shanghai) tyre sales limited company	Date and place of birth: 9 March 2021	Shanghai, China, Limited Liability Company	China	RMB10,000,000	RMB10,000,000	100%	100%	Provision of tyre rental service and Tyre Products Trading
Pu Lin Cheng Shan (Shanghai) Investment Ltd.	Date and place of birth: 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
Uralin Narayama (Shandong) Trading Limited (i)	12 October 2022	Shandong, China, Limited Liability Company	China	RMB5,000,000	RMB0	100%	100%	Tyre Products Trading

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- (i) Shenzhen Zhi An Da Tyre Technical Service Company Limited was liquidated and cancelled on 16 September 2022 and Pulin Chengshan (Shandong) Trading Company Limited was incorporated on 12 October 2022 by Pulin Chengshan (Shandong) Tyre Company Limited.

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16 Property, plant and equipment

	Land and Buildings RMB'000	Machinery and Factory Equipment RMB'000	Furniture and Fixtures RMB'000	motor vehicle RMB'000	artifact RMB'000	construction in progress RMB'000	Total RMB'000
For the year ending 31 December 2021							
Opening net book value	910,542	1,449,194	15,558	9,093	129,053	1,338,584	3,852,024
Transfer from construction in progress	116,291	625,957	18,495	2,001	122,203	(884,947)	-
Other additions	-	-	4,566	-	-	1,247,140	1,251,706
disposition	(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 end of period	959,298	1,861,542	33,309	7,944	195,041	1,599,887	4,657,021
At 31 December 2021							
(manufacturing, production etc) 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 ending 31 December 2022							
Opening net book value	959,298	1,861,542	33,309	7,944	195,041	1,599,887	4,657,021
Transfer from construction in progress	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)	-	-	-	-
disposition	-	(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 end of period	1,309,764	2,715,731	16,256	6,173	215,002	1,007,907	5,270,833
At 31 December 2022							
(manufacturing, production etc) 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 amounts of depreciation expense 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:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'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 RMB3,756,971,000 (2021: RMB3,338,195,000)(Note 28)

For the year ended 31 December 2022, the Group's borrowing costs capitalised on qualifying assets amounted to RMB19,337,000 (2021: RMB19,337,000)(Note 11). Borrowing costs are capitalised at the effective interest rate.

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December 2022

17 Right-of-
use assets

	2022 RMB'000	2021 RMB'000
Right of use assets		
-Land use rights	90,170	94,030
-Buildings	17,596	22,263
	107,766	116,293
Leasehold liabilities at once		
-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 amounting to RMB7,673,000 and RMB0 (2021: RMB7,439,000 and RMB7,673,000) respectively represent amounts due to related parties (note 36 (b) (iii))

The income statement shows the following amounts relating to leases:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Depreciation of assets for use (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 RMB33,098,000 (2021: RMB24,985,000)

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18 Intangible assets

	goodwill	trademark	Computer Software	Patented Technology	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ending 31 December 2021					
Opening net book value	43,436	39	6,427	2,178	52,080
add to one's possessions	-	-	24,984	220	25,204
Amortisation charge (Note 9)	-	(14)	(3,449)	(461)	(3,924)
Net book value at end of period	43,436	25	27,962	1,937	73,360
At 31 December 2021					
(manufacturing, production etc) 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 ending 31 December 2022					
Opening net book value	43,436	25	27,962	1,937	73,360
add to one's possessions	-	-	18,660	353	19,013
Amortisation charge (Note 9)	-	(14)	(6,105)	(513)	(6,632)
Net book value at end of period	43,436	11	40,517	1,777	85,741
At 31 December 2022					
(manufacturing, production etc) 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, 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

The management reviews the performance of the business based on performance measures. It has identified one operating segment - the manufacture and sale of tyre products. Management monitors goodwill at the operating segment level. The following is a summary of goodwill of the operating segments:

	beginning of a period RMB'000	add to one's possession s RMB'000	Impairment RMB'000	Other adjustment s RMB'000	Total RMB'000
For the year ending 31 December 2022	43,436	-	-	-	43,436
	beginning of a period RMB'000	add to one's possession s RMB'000	Impairment RMB'000	Other adjustment s RMB'000	Total RMB'000
For the year ending 31 December 2021	43,436	-	-	-	43,436

The recoverable amounts of 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 CGUs, the key assumptions used in the value-in-use calculations, the long-term growth rates and the discount rates are set out below.

	At 31 December	
	2022	2021
Sales volume (annual growth rate in per cent)	5-14 per cent	3-14 per cent
Selling price (annual growth rate in per cent)	3-5 per cent	1%-3%
Gross margin (percentage of revenue)	13-19 per cent	15-18 per cent
Long-term growth rate	3 per cent	3 per cent
Pre-tax discount rate	18 per cent	18 per cent
These assumptions have been used in the analysis of cash-generating units within operating segments.		

Sales volumes represent the average annual growth rate over the five-year forecast period. This is based on past performance and management's expectations of market development.

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- Prices represent the average annual growth rate over the five-year forecast period. It is based on current industry trends and includes long-term inflation forecasts for each region.

Gross margin is the average gross margin as a percentage of revenue over the five-year forecast period. It is based on the current level of sales margins and sales mix, adjusted to reflect expected future price increases in 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)

Impairment testing of goodwill (continued)

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

the risks specific to the relevant operating segments. At 31

December 2021 and 2022, the directors of the Company

assessed that there was no impairment of goodwill.

The directors of the Company have reasonably considered and assessed possible changes in other key assumptions and are not aware of any circumstances that would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

19a Financial instruments by category

	Measured at amortised cost financial assets RMB'000	Measured at fair value and its changes are recognised in profit or loss financial assets RMB'000	Measured at fair value and its changes are accounted for Other comprehensive income financial assets RMB'000	Total RMB'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 and bills receivables	1,312,473	-	-	1,312,473
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 Measuremen t Financial liabilities RMB'000

At 31 December 2022

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Financial liabilities	
Leasehold 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
	<hr/>

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19a Financial instruments by category

(continued)

	Measured at amortised cost	Measured at fair value and its changes are accounted for Profit and Loss	Measured at fair value and its changes are accounted for Other comprehensive income	Total
	financial assets	financial assets	financial assets	
	RMB'000	RMB'000	RMB'000	RMB'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 and bills receivables	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
RMB'000

At 31 December 2021	
Financial liabilities	
Leasehold 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

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19b Financial asset credit quality

Trade and bills receivables

The Group has policies in place to ensure that credit sales are made to customers with an appropriate credit history. The credit quality of trade receivables that are neither past due nor further impaired is assessed by reference to the counterparty's reputation, credit history and management judgement. The Group's classification of trade and bills receivables is as follows:

Category 1 - Notes receivable.

Category 2 - Trade receivables from customers. Trade receivables from customers.

	At 31 December	
	2022 RMB'000	2021 RMB'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 of bank deposits to be relatively low. The majority of the Group's bank deposits are placed with major financial institutions (e.g. the Group's principal bankers) have high investment grade credit ratings.

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Inventories

	At 31 December	
	2022 RMB'000	2021 RMB'000
raw materials	283,893	426,117
In the product	80,027	84,242
Finished products	913,451	974,505
	1,277,371	1,484,864

The cost of inventories recognised as expenses and included in "cost of sales" for the year ended 31 December 2022 is 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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Year ended 31 December

**21 Financial assets at fair value through profit
or loss**

	2022 RMB'000	2021 RMB'000
At the beginning of the year	107,155	153,479
add to one's possessions	2,213,242	2,624,390
offer 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
Financial assets at fair value through profit or loss (continued)	29,538	(3,435)
Fair value gains/(losses)(note 8)	261,065	107,155
At year-end		
	At 31 December	
	2022 RMB'000	2021 RMB'000
Financial assets at fair value through profit or loss		
- Financial 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) Financial products are fair valued using the discounted cash flow method. The key inputs used by the Group are written estimated yields on contracts with counterparties. Their fair value is within ~~63~~ of the fair value hierarchy (note 3.3).
- (b) Listed equity securities are fair valued based on quoted market prices.
- (c) Interest rate swaps are derivative financial instruments that are fair valued based on interest rates over an observation period

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22 Trade receivables and bills receivable

	At 31 December	
	2022 RMB'000	2021 RMB'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 receivables and bills receivable - net	1,312,473	1,383,717

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

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

	At 31 December	
	2022 RMB'000	2021 RMB'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 provision for impairment of the Group's trade receivables and bills receivable are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'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 during the year as uncollectible	(192)	(227)

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20,847

17,224

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22 TRADE RECEIVABLES AND NOTES RECEIVABLE (Continued)

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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 it is not expected that additional cash will be recovered.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Renminbi (RMB)	553,906	626,418
American dollar	701,452	759,846
Euro	77,962	14,677
	1,333,320	1,400,941

23 prepayments, other receivables and other current assets

	At 31 December	
	2022 RMB'000	2021 RMB'000
non-current		
Prepayments for purchase of property, plant and equipment	8,855	79,069
at once		
Inventory prepayment	90,672	56,631
Other receivables		
- Customs deposits	356	19,295
- Other	41,669	30,469
Other current assets - VAT 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 RMB'000	2021 RMB'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 pledged as security for the issuance of the Group's bills payable and RMB12,303,000 were pledged as bank guarantees (2021: RMB20,228,000) for the issuance of letters of credit.

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

	At 31 December	
	2022 RMB'000	2021 RMB'000
Renminbi (RMB)	244,631	215,926
American dollar	844,230	582,415
Hong Kong Dollars	8,953	8,469
Euro	67,481	38,479
Thai baht	7,388	9,203
	1,172,683	854,492

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Number of authorised
shares

25 Share capital and share premium

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 share 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 share (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 that 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 conditional upon the achievement of the Company's annual performance targets and individual performance targets. Assuming that all conditions to the exercise of the share options have been fulfilled under the 2019 Share Option Scheme, 1/3, 1/3 and 1/3 of the proportion of the share options will be exercisable after 12 months, 24 months and 36 months from the date of grant. Pursuant to the vesting schedule, the options granted in 2019 under the 2019 Share Option Scheme are exercisable over a period of six years from the date of grant. The total fair value of the options granted at the 2019 grant date was determined to be HK\$25,709,438, assuming that both the annual performance targets and the individual performance targets of the Company are met.

26 Share options (continued)

On 9 July 2020 (the "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 conditional upon the achievement of the Company's annual performance targets and individual performance targets. Assuming that all the conditions for exercising the share options under the 2019 Share Option Scheme have been fulfilled, the proportion of 1/2 and 1/2 share options will be exercisable after 12 months and 24 months from the date of grant. If the options do not vest during the first two vesting periods due to non-achievement of the scheme participant's performance, 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) subject to the achievement of the third annual appraisal and deemed to have met the conditions for deferred vesting, with the proportion of vesting to be the remaining unvested options after excluding the lapsed options. According to the vesting schedule, the options granted in 2020 under the 2019 Share Option Scheme are exercisable over a period of five years from the date of grant. The total fair value of the share options granted during the year ended 31 December 2020 at the date of grant in 2020 was determined to be HK\$1,707,728, assuming that both the Company's annual performance targets and individual performance targets can be achieved.

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 17 May 2021 (the "2021 Adoption Date") the Company adopted the existing share option scheme (the "2021 Share Option Scheme") and replaced the 2019 Share Option Scheme. The number of Shares that 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 (the "2021 Grant Date"), the Board resolved to grant 35,050,000 share options to certain eligible employees at an exercise price of HK\$8.57 per share under the 2021 Share Option Scheme. The exercise of the share options is conditional upon the achievement of the Company's annual performance targets and individual performance targets. Assuming that all the conditions for exercising the options under the 2021 Share Option Scheme are fulfilled, 35% and 65% of the options will be exercisable after 36 months and 60 months from the date of grant. Based on 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 (the "2022 Grant Date"), the Board resolved to grant 3,080,000 share options to certain eligible employees at an exercise price of HK\$8.57 per share under the 2021 Share Option Scheme. The exercise of the share options is conditional upon the achievement of the Company's annual performance targets and individual performance targets. Assuming that all the conditions for exercising the options under the 2021 Share Option Scheme are fulfilled, 35% and 65% of the options will be exercisable after 36 months and 60 months from the date of grant. Based on 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: For the year ending 31 December 2022

	2022		2021	
	Per Share Option Average exercise price of the	Number of options	Per Share Option Average exercise price of the	Number of 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)
Lapsed during the year	HK\$8.43	(8,150,632)	HK\$7.97	(1,466,000)
Forfeited 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 at 31 December		6,614,889		7,320,457

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

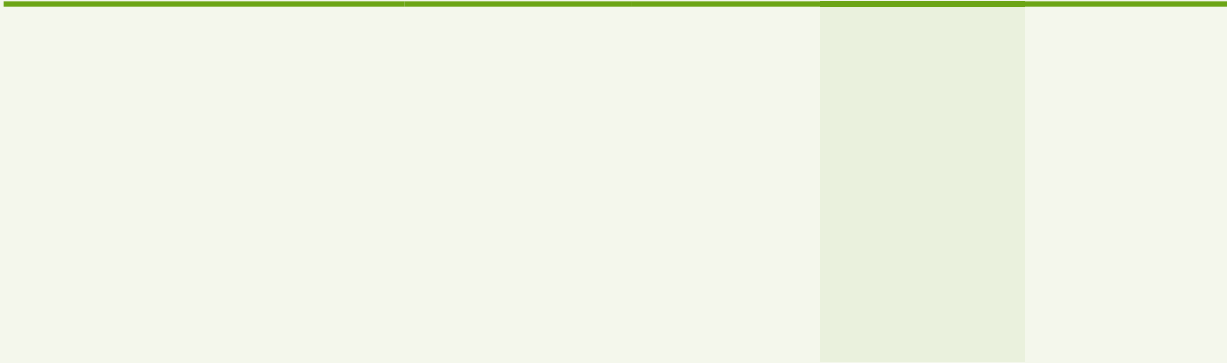
Award Date	expiry date	Exercise price	Share Options 2022 31st December	Share Options 2021 31st December
9 July 2019	9 July 2025	HK\$7.244	8,510,664	11,134,300
9 July 2020	9 July 2025	HK\$7.960	532,797	716,200
28th June 2021	28 June 2029	HK\$8.568	27,000,000	34,300,000
28th September 2022	28 June 2029	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 years	6.97 years

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26 Share options (continued)

The total fair value of the share options granted at the grant date in 2022 was determined to be HK\$4,658,000, assuming that both the Company's annual performance targets and individual performance targets are met. The fair value of the share options was assessed using a Binomial Option Pricing Model, which takes into account the exercise price at the date of grant, 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. If a share is forfeited because an employee fails to satisfy a service condition, any expense previously recognised in respect of that share is reversed from the date of forfeiture.

The key valuation inputs for options granted during the years ended 31 December 2022 and 2021 include:

	As of 2022 Year ended 31 December 2021 Share Option Scheme	As of 2021 Year ended 31 December 2021 Share Option Scheme
Exercise price	HK\$8.57	HK\$8.57
Present value at date of grant	HK\$6.41	HK\$8.51
Expected volatility	36.69 per cent	36.88 per cent
Expected dividend yield	3.12 per cent	2.35 per cent
Risk-free rate	3.85 per cent	1.07 per cent
maturity (of an investment bond)	Letter dated 28 June 2029 from the Permanent Representative of	Letter dated 28 June 2029 from the Permanent Representative of
Anticipated non-revenue after vesting	4.00 per cent or 10.00 per cent	2.94 per cent or 3.53 per cent
Expected Exercise Multiplier	2.2x or 2.8x	2.2x or 2.8x

The determination of the above key valuation inputs is set out below:

- The volatility factor is estimated based on historical share price movements of comparable companies over a period similar to the expected exercise period.
- The dividend yield is estimated based on the proposed past dividends and the share price at the base date.
- The risk-free interest rate is based on the expected rate of return on Hong Kong government bonds, which approximates the interest rate between the base date and the expiry date of the share options.
- Expected post-vesting forfeiture rates are estimated based on the historical achievement of the Company's and individuals' performance targets as well as forward-looking factors.

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- Management's expected exercise multiples are assumed to be 2.8 times the future share price and employees' expected exercise multiples are assumed to be 2.2 times the future share price, with reference to the academic article "How to Value Employee Share Options" written in September 2002 by John Hull and Alan White.

For the year ending 31 December 2022

As at 31 December 2022, the grantees of the share options satisfied the above exercise conditions under the 2021 Share Option Scheme. For both of the above share option schemes, an employee benefit expense of RMB10,681,000 (2021: RMB12,078,000) and the corresponding increase in equity were recognised as profit or loss.

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27 Reserves

	Share Capital Reserve RMB'000	Statutory reserves (i) RMB'000	Exchange reserve RMB'000	Retained earnings (i) RMB'000	Share option reserve RMB'000	Total RMB'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 Company Law of the PRC and the articles of association of the Group's PRC subsidiaries (the "PRC Subsidiaries") the PRC Subsidiaries are required to distribute 10% of the profit attributable to each of the owners of the PRC Subsidiaries (after offsetting the accumulated losses of the previous years) to the statutory reserve (as set out in the statutory financial statements) until such reserve reaches 50% of the registered capital of each of the PRC Subsidiaries.

In accordance with the provisions of the Thai Civil and Commercial Code, Thai companies are required to set aside at least 5% of the profits derived from the Company's operations to a statutory reserve on every dividend distribution until the reserve is not less than 10% of the registered share capital. The statutory reserve is not distributable.

These reserves can 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

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after the transfer is not less than 25 per cent of the registered capital.

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28 Bank

loans

	At 31 December	
	2022 RMB'000	2021 RMB'000
non-current		
Bank Borrowing		
- secured	1,019,074	1,138,154
- Unsecured	421,301	462,108
	1,440,375	1,600,262
at once		
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 Borrowings	2,203,277	1,898,024

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

As at 31 December 2022, 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) were secured by certain property, plant and equipment amounting to RMB3,756,971,000 (2021: RMB3,338,195,000) (Note 16). Certain property, plant and equipment amounting to RMB3,756,971,000 (2021: RMB3,338,195,000) were secured by mortgages (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
Renmi	1,079,191	884,288
bi US	1,124,086	1,013,736
Dollar		

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2,203,277

1,898,024

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28 BANK LOANS (Continued)

At the end of the reporting period, the exposure of the Group's borrowings to changes in interest rates and the contractual repricing dates of the borrowings were as follows:

	At 31 December			
	2022	of total loans	2021	of total loans
	RMB'000	per	RMB'000	per cent
Re-pricing or expiry date:				
— variable-interest loan	792,147	36 per cent	331,138	18 per cent
— fixed-interest loan	591,003	27 per cent	269,561	14 per cent
	757,287	34 per cent	360,195	19 per cent
	62,840	3 per cent	937,130	49 per cent
Within 1 year				
1-2 years	2,203,277	100%	1,898,024	100%
2-5 years				

At the balance sheet date, bank borrowings were due as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'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	US Dollar
Bank Borrowing	2.64 per cent-4.65 per cent per cent-7.55 per cent	2.45	2.64 per cent-4.3 per cent per cent-3.68 per cent	2.05

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 derived based on the discounted cash flow method using current market interest rates available to the Group at each balance sheet date from financial institutions with substantially similar terms and characteristics.

29 Trade payables

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

- (a) At 31 December 2022, notes payable of RMB854,511,000 (2021: RMB848,333,000) represented offset by certain restricted bank balances
The bank acceptance bills were pledged and RMB44,672,000 (2021: RMB19,888,000) was offset by certain bills receivable.

The carrying amounts of trade payables approximate their fair values at the balance sheet date.

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29 Trade payables (continued)

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

For the year ending 31
December 2022

	At 31 December	
	2022 RMB'000	2021 RMB'000
Renminbi (RMB)	1,711,244	1,515,055
American dollar	188,213	272,054
Euro	-	2,176
Japanese yen (unit of currency)	27	2,339
Thai baht	100,826	165,969
	2,000,310	1,957,593

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

	At 31 December	
	2022 RMB'000	2021 RMB'000
Within three 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 RMB'000	2021 RMB'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 duties payable	59,458	116,180
Customer Deposit	41,991	60,470
Interest payable	19,916	5,571
Other tax payable	10,533	11,733
Other payables	53,777	54,189
	1,071,303	1,030,900

31 Provision for Quality Assurance

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

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32 Deferred income

	Deferred government grants RMB'000
At 31 December 2020	55,220
rise	9,576
Included in the consolidated income statement	(4,945)
At 31 December 2021	59,851
rise	22,956
Included in the consolidated income statement	(6,760)
At 31 December 2022	76,047

33 Deferred income tax

Deferred tax assets and deferred tax liabilities are analysed as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'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)

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33 Deferred income tax (continued)

The total changes in the deferred income tax account are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	(37,622)	(57,766)
Charged to profit or loss (note 12)	42,198	20,144
At year-end	4,576	(37,622)

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

Deferred tax assets

	Tax losses	Impairment	Accruals	promise to keep sth. in good repair	Government subsidies	the rest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020	-	3,198	13,818	5,535	8,958	2,895	34,404
(Charged)/credited to the consolidated profit and loss account	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
(Charged)/credited to the consolidated profit and loss account	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 RMB'000	Depreciation difference RMB'000	the rest RMB'000	Total RMB'000
At 31 December 2020	17,859	74,311	-	92,170
(Income)/deducted from consolidated profit and loss account	(3,185)	5,261	-	2,076
At 31 December 2021	14,674	79,572	-	94,246
(Income)/deducted from 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

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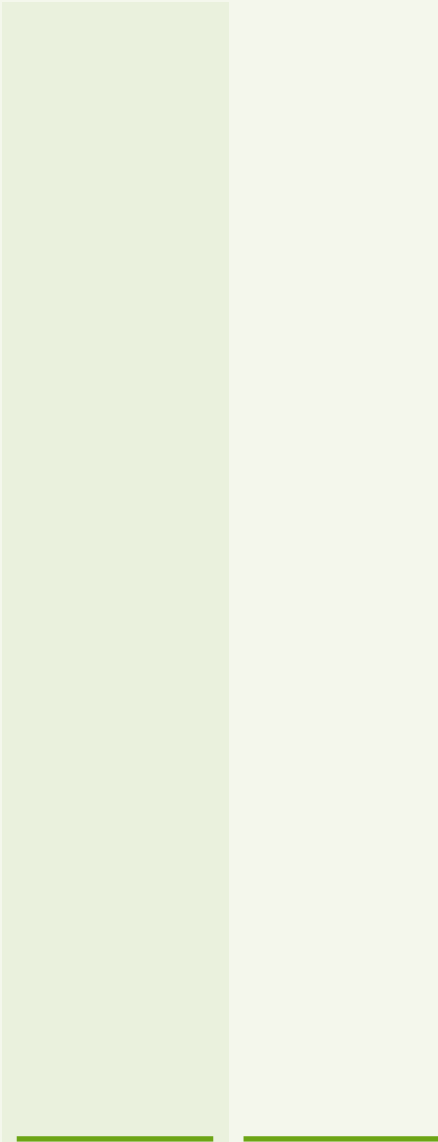
Year ended 31 December

34 Cash generated from operations

(a) Reconciliation of profit before
income tax to cash generated from
operations

	2022 RMB'000	2021 RMB'000
Profit before income tax	354,739	265,902
Adjustments are made to the following:		
- Share of results of associates	75	300
- Depreciation of property, plant and equipment (Note 16)	386,883	279,959
- Depreciation of assets for use (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 quality assurance	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) Included in the consolidated statement of cash flows are proceeds from the disposal of property, plant and equipment:

		Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Net book value (Note 16)		600	1,219
(Loss)/gain on disposal of property, plant and equipment		(208)	137
Proceeds from disposal of property, plant and equipment		392	1,356
A reconciliation of liabilities arising from financing activities is provided below:			
	Bank Borrowings RMB'000	Leasehold liabilities RMB'000	Total RMB'000
As at 31 December 2020 (note)	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)
- Outflow of financing activities	(394,477)	(10,539)	(405,016)
Non-cash changes			
- Increase in assets for use	-	1,567	1,567
- Interest expenses	37,812	888	38,700
- Exchange	(19,232)	-	(19,232)
As at 31 December 2021 (note)	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)
- Outflow of financing activities	(504,353)	(12,599)	(516,952)
Non-cash changes			
- Increase in assets for use	-	7,379	7,379
- Interest expenses	87,676	679	88,355
- Exchange	96,670	-	96,670

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As at 31 December 2022 (note)

2,223,193

18,388

2,241,581

Note: The balance of these financial liabilities comprises "bank borrowings", "lease liabilities", each interest payable and "other payables and accruals".

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35 Commitment

The Group's capital commitments at each balance sheet date are set out below:

	At 31 December	
	2022 RMB'000	2021 RMB'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 exercise significant influence over the other party in making financial and operating decisions.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant transactions between the Group and its related parties in the ordinary course of business 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 Party	Relationship
Narayama Group	Direct Holding Company
China National Heavy Duty Vehicle Group Limited and its subsidiaries ("CNHTC")	Ultimate parent company of China National Heavy Duty Truck (Hong Kong) Investment Holdings Limited, a shareholder of the Company
Wing Shing Shing Shan Properties Limited	Entities controlled by the immediate holding company
Wing Shing Shing Shan Energy Saving Services Limited	Entities controlled by the immediate holding company
Yunnan Pulin Chengshan Tyre Company Limited	was incorporated on 12 July 2018 and Associates of the Group in which the Group has a 22% equity interest
Hebei Pulin Chengshan Tyre Company Limited	was incorporated on 30 August 2019 and Associates of the Group in which the Group has a 39% equity interest

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Year ended 31 December

2022

2021

RMB'000

RMB'000

36 RELATED PARTY TRANSACTIONS

(Continued)

(a) Transactions

		2022	2021
		RMB'000	RMB'000
Continuing Transactions			
(i) Purchase of Utilities			
- Shing Shan Group		171,224	172,320
(ii) Sale of goods			
- China National Heavy Duty Truck		175,467	371,932
- Yunnan Pulin Chengshan Tyre Co.		14,996	51,153
- Hebei Pulin Chengshan Tyre Co.		89,186	27,429
		279,649	450,514
(iii) Rentals and property management expenses paid and payable		5,964	5,964
- Wing Shing Shing Shan Properties Limited		7,439	7,213
- Shing Shan Group		13,403	13,177

Total depreciation and finance charges on related party leases for the year ended 31 December 2022 amounted to RMB7,587,000 (2021: RMB7,814,430) recorded in the consolidated income statement.

(iv) Served			
- Wing Shing Shing Shan Energy Saving Service Co.		4,838	2,602

(v) Key management remuneration

Key management includes directors and senior management. The remuneration paid or payable to key management for employee services is shown below:

- Salary, directors' fees, bonuses, superannuation,			
Housing provident fund, medical insurance and other benefits		12,397	14,643
- Share-based compensation benefits		9,147	9,810

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21,544

24,453

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36 RELATED PARTY TRANSACTIONS (Continued)

(a) TRANSACTIONS WITH RELATED PARTIES (Continued)

(i) Amounts due from related parties

	At 31 December	
	2022 RMB'000	2021 RMB'000
at once		
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 at each date of the statement of financial position (based on invoice date) is as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'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

at once

Contractual liabilities

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

At 31 December

2022

2021

RMB'000

RMB'000

604

1

-

1

604

2

Trade payables

- Shing Shan Group
- Wing Shing Shing Shan
Energy Saving Service
Co.

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 (RMB)

2,093

18,279

The ageing analysis of trade payables to related parties 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) Leasehold liabilities

	At 31 December	
	2022 RMB'000	2021 RMB'000
non-current		
- Narayama Group	-	7,673
at once		
- Narayama Group	7,673	7,439
	7,673	15,112

37 Events occurring after the reporting period

From the balance sheet date to the date on which this report is required to be disclosed, there have been no events that have materially affected the Group.

38 Changes in the Company's balance sheet and reserves

	Note	At 31 December	
		2022 RMB'000	2021 RMB'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
Equity			
equity	25	201	201
Share premium	25	2,185,598	2,185,598
Reserve	a	161,985	64,956
Total equity		2,347,784	2,250,755

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At 31 December
December 2022

**38 THE COMPANY'S BALANCE
SHEET AND CHANGES IN
RESERVES** (Continued)

	Note	2022 RMB'000	2021 RMB'000
liability (finance)			
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 Company's Balance Sheet was approved by the Board of Directors on 31 March 2023 and signed by the following representatives.

Che Bozhen
Board of Directors

SHEK FU TO
Director

Note (a) Changes in the Company's reserves

	Exchange reserve	Retained earnings/ (Accumulated losses)	Reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'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 (Notes 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 (i)	92,801	-	-	92,801
Employee share option scheme				
- Issue of shares (Notes 25, 27)	-	-	-	-
- Value of employee services (Notes 26, 27)	-	-	10,681	10,681

No

Consolidated

Balance at 31 December 2022

132,513

(5,521)

34,993

161,985

(i) The functional currency of the Company is the United States dollar.

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Poulin Chengshan Holdings

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