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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The board of directors of Prinx Chengshan Holdings Limited (the "**Company**" or "**Prinx Chengshan**") is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2024. This announcement, containing the full text of the 2024 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results. The Company's 2024 annual report will be available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.prinxchengshan.com on or before 30 April 2025.

Contents

Corporate Information

THE BOARD

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

DEVELOPMENT STRATEGY AND RISK MANAGEMENT COMMITTEE

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

REGISTERED OFFICE

P.O. Box 472
Harbour Place, 2nd Floor
103 South Church Street
George Town
Grand Cayman KY1-1106
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 98 Nanshan North Road
Rongcheng City
Shandong Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

Corporate Information

AUTHORISED REPRESENTATIVES

Ms. Cao Xueyu
Mr. Shi Futao

COMPANY SECRETARY

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

LEGAL ADVISERS

Jingtian & Gongcheng LLP
Suites 3203–3207, 32/F,
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

MUFG Corporate Markets Pty Limited
Suite 1601, 16/F, Central Tower
28 Queen's Road Central, Hong Kong

COMPANY WEBSITE

www.prinxchengshan.com

STOCK CODE

1809

DATE OF LISTING

October 9, 2018

Financial Highlights

Year ended December 31,

Summarised Consolidated Statement of Profit or Loss

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
REVENUE	**10,973,885**	9,948,983	8,151,952	7,537,161	6,283,130
Gross profit	**2,329,665**	2,121,708	1,169,790	1,039,148	1,401,363
Finance (costs)/income	**(28,840)**	(72,499)	(71,499)	(4,836)	9,129
Profit before income tax	**1,384,497**	1,130,545	354,739	265,902	698,216
Income tax expense	**(72,629)**	(97,105)	39,083	10,400	(93,468)
Profit for the year	**1,311,868**	1,033,440	393,822	276,302	604,748
Profit attributable to					
— Shareholders of the Company	**1,311,837**	1,033,391	393,783	276,304	604,820
— Non-controlling interests	**31**	49	39	(2)	(72)
	1,311,868	1,033,440	393,822	276,302	604,748
Earnings per share attributable to shareholders of the Company during the year					
— Basic (RMB)	**2.06**	1.62	0.62	0.43	0.95
— Diluted (RMB)	**2.06**	1.62	0.62	0.43	0.95

Financial Highlights

As at December 31,

Consolidated Assets, Liabilities and Non-controlling Interests

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Assets and liabilities					
Non-current assets	**5,524,583**	5,482,125	5,498,636	4,931,751	4,043,888
Current assets	**5,500,123**	5,120,323	4,487,107	4,168,659	3,445,990
Total assets	**11,024,706**	10,602,448	9,985,743	9,100,410	7,489,878
Non-current liabilities	**572,078**	481,324	1,537,342	1,710,889	705,761
Current liabilities	**3,909,165**	4,687,381	3,996,532	3,469,389	3,003,914
Total liabilities	**4,481,243**	5,168,705	5,533,874	5,180,278	3,709,675
Net assets	**6,543,463**	5,433,743	4,451,869	3,920,132	3,780,203
Equity attributable to shareholders of the Company	**6,543,544**	5,433,855	4,452,030	3,920,332	3,779,586
Non-controlling interests	**(81)**	(112)	(161)	(200)	617

Key Financial Indicators

	2024	2023	2022	2021	2020
Gross profit margin	**21.2%**	21.3%	14.3%	13.8%	22.3%
Net profit margin	**12.0%**	10.4%	4.8%	3.7%	9.6%
Return on total assets	**12.1%**	10.0%	4.1%	3.3%	9.1%
Return on equity	**21.9%**	20.9%	9.4%	7.2%	16.8%
Asset to liability ratio	**40.6%**	48.8%	55.4%	56.9%	49.5%

Financial Highlights

Key Financial Indicators for the Year Ended December 31, 2024

			YoY
Revenue	10,973.9	RMB in million	+10.3% YoY
Net Profit	1,311.9	RMB in million	+26.9% YoY
Gross Profit Margin	21.2%		–0.1ppt YoY
Net Profit Margin	12.0%		+1.6ppt YoY
Net Assets	6,543.5	RMB in million	+20.4% YoY
Earnings per Share — Basic	2.06	RMB	+27.2% YoY

Overview of the Group

The business of Prinx Chengshan Holdings Limited (the "**Company**" or "**Prinx Chengshan**") started in 1976 and is headquartered in Rongcheng City, Shandong Province, the PRC. It is a modern enterprise focusing on tire design, research and development, manufacturing, sales and provision of tire life-cycle services. It is a leading domestic manufacturer in the commercial all steel radial tire replacement market and one of the most influential tire enterprises in the PRC. Over the years, Prinx Chengshan has adhered to the core strategies of "cost leadership, efficiency driven, competitive differentiation and global operation" to strive for global development, and has built two major production bases in China and Thailand, and established three major sales centres in China, North America and Europe to develop a global business operation.

Core strategies

Cost leadership + Efficiency driven + Competitive differentiation + Global operation

Three major sales centres in China, North America and Europe to develop a global business operation

Overview of the Group

The three major products of the Company and its subsidiaries (the "**Group**") are all steel radial tires ("**All Steel Tires**"), semi-steel radial tires ("**Semi-Steel Tires**"), and bias tires ("**Bias Tires**"). All Steel Tires are mainly used in medium/long-distance transportation, buses, mixed road or off-road vehicles, light trucks, etc.; Semi-Steel Tires are mainly used in passenger vehicles, pick-up trucks, sport utility vehicles (SUVs) and other types of vehicles; Bias Tires are mainly installed in vehicles in agricultural and industrial off- road conditions. The Group's products have obtained certifications from relevant authorities in major tire markets around the world, including Department of Transportation of the USA ("**DOT**"), Economic Commission of Europe ("**ECE**") and R117, etc.

The Group has a well-established and comprehensive global sales network covering major tire markets, and currently sells its products through three main channels:

(i) sales to the replacement market through domestic and international distributors;

(ii) direct sales to automobile manufacturers; and

(iii) sales to private label customers.

The Group has four well-known tire brands, namely Prinx (浦林), Chengshan (成山), Austone (澳通) and Fortune (富神).

Chairman's Statement

Conquering Obstacles, Advancing Fearlessly

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Prinx Chengshan, I am pleased to present the operating results for the year ended December 31, 2024 (the "**Reporting Period**") and the prospect of the Company for your review.

Looking back 2024, amid a complex and volatile business environment, the Company upheld the spirit of conquering obstacles and advancing fearlessly, achieving a historic milestone by surpassing RMB10 billion in revenue. Annual operating revenue reached RMB10.97 billion, marking a 10.3% year-on-year increase. Over the six-year period since its listing in 2018, the Company has delivered a 13.3% compound annual growth rate (CAGR). Adhering to the principle of "seeking progress while maintaining stability and prioritizing efficiency", the Company reported RMB1.99 billion in EBITDA(Note 1) for 2024, representing a 16.4% year-on-year growth. Profit attributable to shareholders for the year rose by 26.9% year-on-year to RMB1.31 billion, with basic earnings per share increasing by 27.2% year-on-year to RMB2.06. The Board has proposed a final dividend of HK$0.50 per share for shareholders registered in the Company's shareholder register as of June 17, 2025. The sustained growth in dividend distribution underscores the Company's confidence in its future prospects.

Note 1: EBITDA is earnings before interest, taxes, depreciation and amortization.

Chairman's Statement

Seizing the moment and adapting to the dynamics

The 2024 annual business performance report of the Company highlights the Company's sustained growth across key operational metrics, driven by forward-looking strategic planning and a highly efficient, agile operational system. Grounded in precise market trend analysis, the Company implemented a high-growth strategy in the first half of the year, systematically advancing product portfolio optimization and channel resource integration. Entering the latter half, amid dual challenges of international trade barriers and cyclical industry adjustments, the Company demonstrated flexibility by prudently adjusting strategies, advancing cost-reduction and efficiency-enhancement initiatives, and solidifying its competitive edge. Throughout external volatility, employees exhibited exceptional cohesion and adaptability. In product research and development, the Company deepened its focus on product innovation, achieving technological breakthroughs across five core dimensions "green, quietness, comfort, fuel-saving and safety". Two technology projects were awarded the Second-Class Science and Technology Award in the Shandong Rubber Industry, while six technology development and application projects have completed scientific evaluations, attaining international advanced or domestic leading standards. Several innovative products secured EU certifications for carbon emissions and fuel consumption. The premium brand PRINX launched its debut truck tire series "Fuelwise • Smart Travel" S01, achieving an EU Label Grade A in rolling resistance performance. Professional testing confirmed an 8.28% reduction in fuel consumption compared to conventional products. Leveraging superior product quality, a differentiated portfolio and deep market penetration, the Company delivered outstanding operational performance in both domestic and international markets.

Outlook

Navigating through cycles and achieving sustained growth with resilience

Looking ahead to 2025, as global economic recovery momentum weakens and industry development faces dual challenges of cyclical adjustments and technological transformation, the Company remains steadfast in adhering to the guiding principle of "seeking stability amid difficulties, progressing while maintaining stability and promoting stability through progress". We will comprehensively coordinate both international and domestic markets through a two-pronged approach. On one front, we will accelerate the globalization of production capacity to secure pivotal positions along the global industrial value chain. Concurrently, we will strengthen our dual core drivers of sales and R&D, creating a synergistic cycle where market insights from sales guide innovation-driven research, while technological breakthroughs empower sales growth. Our strategy emphasizes dual excellence in product and service development: delivering premium products that meet market demands while enhancing customer experience through superior service. Beyond commercial objectives, we embrace dual responsibilities — fulfilling social obligations externally and safeguarding employee welfare internally. With resolute determination and progressive momentum, we will confront challenges head-on to drive sustained, stable, and high-quality corporate development.

Acceleration of global capacity deployment

The Company plans to construct a second overseas tire production base in 2025. The project is currently located in the Kedah Rubber City within the Northern Corridor Economic Region of Malaysia (the "**Malaysia Tire Production Base**"). The Malaysia production base project not only leverages the advantage of connecting to the Southeast Asian rubber raw material cluster but also benefits from the strategic location of the Malacca Strait logistics hub. According to the project plan, the production capacity of the Malaysia Tire Production Base is planned to be 6 million sets of Semi-Steel Tires per year and 600 thousand sets of All Steel Tires per year, with a total investment of approximately US$380 million. It will commence in the second quarter of 2025, with expected trial production in the second half of 2026. From 2027 to 2028, production capacity will be gradually released, with an annual output value of approximately US$270 million after reaching full capacity.

The Company will launch the Off-The-Road tire (the "**OTR**") project domestically. The project is located within the Green Tire Intelligent Manufacturing Industrial Park in Rongcheng, Shandong Province. The OTR project is the Group's "Emerging Markets + High-end Categories" combination layout, which will fill the gap in domestically produced high-end engineering tires and assist the Group in achieving product structure upgrade. The current capacity planning for the OTR project includes a high-performance engineering radial tire capacity of 840,000 units per year and a giant engineering radial tire capacity of 10,000 units per year, with a total investment of approximately RMB1.17 billion. The construction is scheduled in phases from the second quarter of 2025 to December 2029, with the designed capacity expected to be achieved by 2029. The annual output value is estimated to reach RMB1.0 billion after reaching full capacity.

Conclusion

Amidst the formidable winds driving our long journey, we embark anew, shouldering monumental responsibilities. As Prinx Chengshan approaches its 50th anniversary milestone, we reflect on a journey paved by the spirit of "pragmatism + diligence" that has forged an unshakable foundation. Now standing at a new historical starting point, we confront evolving landscapes, emerging technologies, innovative business models and unprecedented challenges. To break through developmental barriers, we must embrace the dual philosophy of "heritage + innovation." "Heritage" means preserving our corporate DNA — the cultural legacy of overcoming adversity and pursuing excellence cultivated through decades of growth. "Innovation" demands acute awareness of contemporary trends, proactive evolution of operational paradigms, and ensuring our enterprise not only rides the waves of change but navigates them with vision. Only through this balanced approach can we maintain our vanguard position while steering toward enduring success.

On behalf of the Board, I would like to express my sincere gratitude to our customers, employees, suppliers, shareholders and friends from all walks of life for their continuous support.

Che Hongzhi
Chairman

Shandong, the PRC, March 28, 2025

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Industry dynamics

In 2024, China's domestic tire industry maintained its growth momentum, with the output of rubber tires reaching 1.19 billion pieces (+9.2%) (note), and exports of rubber tires surpassing 680 million pieces (+10.5%). However, there was a significant differentiated performance between All Steel Tires and Semi-Steel Tires. The production volume of All Steel Tires amounted to 136 million pieces (–2.26%), with a capacity utilisation rate of 58.5%, while the production volume of Semi-Steel Tires reached 638 million units (+8.04%), with a capacity utilisation rate of 76.1% (Source: National Bureau of Statistics, General Administration of Customs, SCI99.COM).

The market witnessed structural differentiation. In particular, for All Steel Tires, dual pressures of oversupply and ineffective cost pass-through arose from a combination of declining production and sales of commercial vehicles (–5.8%), weak logistics demand, and the continuous rise in raw material prices in the third quarter and fourth quarter (with natural rubber prices increasing by 22% year-on-year), causing price increases to lag behind cost growth and putting pressure on gross margins. In contrast, for Semi-Steel Tires, the over 34% year-on-year growth in production and sales of new energy vehicles ("**NEVs**"), coupled with export advantages, provided strong support, effectively passing on raw material cost pressures. Strong demand ensured the smooth operation of pricing mechanisms, maintaining stable gross margins.

According to industry monitoring data, the production and sales volume of China's vehicles reached 31 million units in 2024 (+3.7%/+4.5%, respectively), with total vehicle ownership surpassing 350 million units (+5%). The 5.2% growth in production and sales of passenger vehicles supported the OE demand for Semi-Steel Tires, whereas the decline in production and sales of commercial vehicles led to a reduction in orders for All Steel Tires. The replacement market demonstrated a significant differentiated performance: Semi-Steel Tires benefited from the rising NEV penetration rate, which exceeded 40%, as well as export growth, driving continued demand expansion. On the other hand, demand for All Steel Tires in the replacement market contracted YoY due to the decline in the logistics prosperity index and weak retail consumption. Notably, the NEV penetration rate increased to 40.9%, driving the demand for 17 inches and above high-performance tires to account for 44% of the market demand, accelerating the upgrade of product mix.

The global rigid demand for tire replacement supported the expansion of market size. However, escalating trade barriers, combined with severe fluctuations in shipping prices (surging in May 2024, followed by a decline in September and stabilisation in early 2025), created a stage-by-stage impact on export businesses. Leading Chinese tire manufacturers accelerated global capacity deployment through the establishment of overseas plants (in Southeast Asia, Eastern Europe and North Africa). The proportion of overseas capacity among China's top ten tire companies increased from 18% in 2020 to 35% in 2023 (Source: China Rubber Industry Yearbook). Leading Chinese tire enterprises in the international market are navigating a competitive landscape marked by both expansion and structural challenges. While benefiting from global NEV trends, export advantages and cost efficiencies, with penetration rates continuously rising, they are also confronting trade barriers and intensifying regional market competition.

Note: In this section, the symbol "+" denotes year-on-year increase; and the symbol "–" denotes year-on-year decrease.

OPERATION REVIEW

As a leading domestic manufacturer in China's commercial All Steel Tire replacement market, Prinx Chengshan has been deeply engaged in tire design, R&D, manufacturing and sales for forty-eight years. With the mission and vision of "leading tire innovation, contributing to smart travel and sustainable development, and achieving a better life", Prinx Chengshan adheres to the core values of "customer first, responsibility, professionalism, innovation and openness", and organizes and carries out various tasks with a pragmatic, open and enterprising attitude.

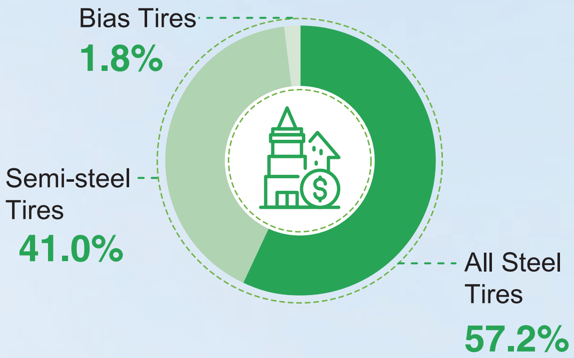
Mission and vision	Leading tire innovation, contributing to smart travel and sustainable development, and achieving a better life
Core Values	Customer first, Responsibility, Professionalism, Innovation and Openness

The Group continuously provides high-performance tires embodying Prinx Chengshan's intelligence and concern to global dealers and automobile manufacturers to enhance the happiness experience of drivers and passengers.

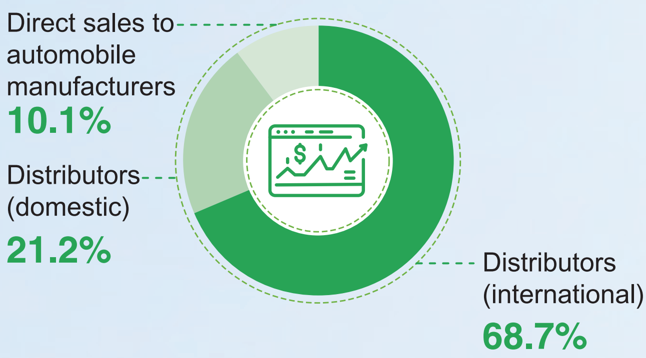
In 2024, the Group sold 28.0 million tires (+11.7%). Among them, the sales of All Steel Tires amounted to 8.0 million sets (-1.7%); the sales of Semi-Steel Tires amounted to 19.5 million sets (+18.6%); the sales of Bias Tires amounted to 0.5 million sets (+3.7%). During the year, the Group recorded a total sales revenue of RMB10,974 million (+10.3%); gross profit of RMB2,330 million (+9.8%). Profit attributable to owners of the Company for the year ended December 31, 2024 amounted to RMB1,312 million (+26.9%).

Management Discussion and Analysis

The Group mainly supplies replacement market through distributors. For the year ended December 31, 2024, the Group's revenue from domestic and international distributor channels (including private label customers) amounted to approximately RMB2,325.6 million (2023: approximately RMB2,381.1 million) and RMB7,536.8 million (2023: RMB6,326.2 million), respectively, accounting for approximately 21.2% and 68.7% of the total revenue, respectively. Revenue from direct sales to automobile manufacturers amounted to approximately RMB1,107.7 million (2023: approximately RMB1,020.3 million), accounting for approximately 10.1% of the total revenue of the Group. Among them, the sales revenue of All Steel Tires, Semi-Steel Tires and Bias Tires accounted for 57.2%, 41.0% and approximately 1.8% of the Group's revenue from tires respectively.



Sales by product type



Sales by channel

(1) Driving development with technological innovation, and improving efficiency with lean production

The Group continued to focus on advanced manufacturing of tires, accelerated intelligent transformation and upgrading, and promoted the high-quality development of the Company through innovation. Adhering to the concept of "customer first" and "quality first", the Group strengthens its quality awareness and implements comprehensive and strict quality control standards to ensure that the products meet the laws and regulations and customer's special requirements and make continuous improvement. In 2024, the Tire Production Base in Shandong completed a total of 139 Lean Six Sigma projects, and all employees participated in improvement activities. In 2024, a total of 3,775 rationalisation proposals were approved and implemented. The Tire Production Base in Thailand adopts first-class manufacturing equipment, leading design concepts, intelligent manufacturing and management models, and conducts R&D and design with green and intelligent manufacturing standards, which is a solid step for the Group's global development goal.

(2) Integrating automation and digital technologies to build an intelligent supply chain system

The Group is committed to the continuous optimisation and upgrading of its supply chain system, leveraging big data analysis technology to accurately forecast market demand, which serves as the basis for scientifically formulating production plans and implementing efficient inventory management. By establishing a customer-centric management process system integrating production, procurement, logistics and sales, the Group ensures seamless connectivity and efficient operation across all business stages, thereby improving overall operational efficiency and response timeliness. In warehousing management and process improvement, the Group actively deploys automated storage systems and relies on Warehouse Management Software ("**WMS**") and Transportation Management System ("**TMS**") to further expand innovative auxiliary functions such as smart carpooling, electronic receipt, inventory warning and vehicle reservation, realising electronic processes and documents. At the same time, the Group applies AI image recognition technology to significantly enhance the accuracy and operational efficiency of tire shipment management, further strengthening the fine management of the supply chain.

The Group continues to advance the comprehensive upgrade of its supply chain system. Through deepening the extensive application of Supplier Relationship Management ("**SRM**") system, the Group achieves end-to-end visualised collaboration operations for demand forecasting, order fulfillment and quality traceability, significantly improving production supply punctuality and efficiency. During the Reporting Period, the Group actively introduced high-quality domestic and international suppliers, effectively enhancing the resilience of the supply chain while achieving the goal of cost reduction and efficiency enhancement. In addition, the Group also launched the systematic development of a Green Supply Chain (GSC) system, published a "Supplier Sustainable Procurement Policies", and collaborated with suppliers to promote the implementation of green design and green production concepts. Furthermore, the Group required suppliers to establish action plans in areas such as environmental protection, corporate social responsibility, employee care, business integrity and ethics, fair competition, intellectual property protection, innovation and development, and risk management, with clear admission standards and dynamic evaluation mechanisms to drive sustainable development of the supply chain and lay a solid foundation for the Group's long-term stable development.

(3) Actively expanding markets and optimising channel layout

Through a series of strategic initiatives including technological iteration and product matrix upgrades, the expansion of global marketing channels, and brand equity enhancement, the Group achieved breakthrough growth in revenue scale, operational quality and market share in both domestic and international markets in 2024.

Distributor channels

Domestic distributors

Commercial vehicle tire replacement channel

The Group has a relatively high penetration rate in the replacement market for All Steel Tires in the PRC. In 2024, the Group implemented a "product + service-driven strategy" in the commercial vehicle tire replacement market, maintaining a steady and innovative approach. With a focus on brand empowerment, technology-driven solutions, and systematic support, we systematically improved the operational capabilities of commercial vehicle tire distributors and optimised the fundamentals of sales. In addition, the Group conducted regular assessments to channel distributors' capabilities, and utilised the Roadside Assistance APP platform to connect branch points and provide integrated services. In 2024, the Group organised 90 distributor branch associations, 147 new product launches, 379 regional retailers' business seminars, 935 roadshows and 6 promotion meetings for the fleets and bus companies in the commercial vehicle tire replacement channel. In December 2024, the Company held a commercial vehicle distributor conference in Zhengzhou with the theme "Breakthrough in Adversity, Thrive Together — Collaborate for Win-Win Future. Through strategic synergy, resource integration and technological innovation, the Group empowered its distributor partners to navigate industry changes and foster a mutually beneficial ecosystem.

The Group fully leveraged the capabilities of "**lighthouse e-station**" APP to empower its retail sales network. By implementing a membership tier system (platinum/gold/silver/standard), distributors can restructure the channel and achieve precise customer segmentation. As of December 31, 2024, there were more than 7,149 "lighthouse e-station" members nationwide (including 1,211 platinum card member stores), with 784 new stores during the year, continuously enhancing market penetration.

Passenger vehicle tire replacement channel

In 2024, the Group organised various market activities for the passenger vehicle tire replacement channel, including "Bringing In", "Going Out", and "New Forces in Car Manufacturing", to enhance the brand awareness and market share of the Company in the passenger vehicle tire market. The Group organized over 100 distributors and more than 3,000 affiliated stores on factory visits, welcoming them to Chengshan to experience its corporate culture of "family". As the first stop of "PRINX, Chengshan and Austone: Journey Across the World" in 2024, the Group invited over 300 guests to visit the Tire Production Base in Thailand.

In 2024, the Group saw steady growth in the number of renovated stores within the passenger vehicle tire market, enhancing brand exposure and expanding market reach. As at the end of 2024, the number of image stores within the channel exceeded over 1,100. The "Almotive" brand of the Group on the Tuhu platform became the official partner of the China Mountaineering Team. Meanwhile, the Company partnered with PARKLANE to become the designated tire provider for business travel services at over 200 five-star hotels nationwide. The Group's "Fortune" snow tires achieved remarkable sales performance on the JD.com platform, successfully ranking first in retail sales among all brands.

In 2024, the Group's revenue from domestic distributor channels amounted to RMB2,325.6 million, representing a year-on-year decrease of approximately 2.3% from RMB2,381.1 million for the same period of 2023.

International Marketing

In 2024, the Group systematically expanded international marketing channels, successfully expanding into seven new sovereign markets and acquiring 66 new customers, while completing in-depth market research across 18 key countries. Leveraging on-the-ground insights, the Company optimised product portfolios and sales strategies while addressing regional market challenges in a target manner, driving a 22% year-on-year increase in sales from existing customers, providing a solid foundation for the sustainable development of our overseas business.

The Group remains committed to an upward development strategy in the international market, focusing on product premiumisation and channel optimisation. On one hand, it accelerated the transition towards high-end products, with sales of the PRINX premium series surging by 544% year-on-year, sales of high-performance All Steel Tires increasing by 21%, and sales of special tires exceeding 8,000 sets. On the other hand, the Company was actively committed to optimizing its channel network, hosting 24 multinational distributor summits and participating in 12 top-tier international exhibitions covering key markets across five continents. Through implementing scenario-based marketing, such as conducting on-site visits to its intelligent manufacturing facility in Thailand and organizing new product launches in North America/the Middle East, Prinx Chengshan showcased its core concepts and latest progress in terms of technology, products, market and branding, directly engaging distributors to significantly strengthen customer loyalty and enhance market penetration, laying a solid foundation for the Company's continuous expansion and brand influence in the global market.

During the Reporting Period, the Group recorded significant year-on-year growth in sales volume, revenue and profit from its international marketing business. In particular, sales volume amounted to 19.931 million units, representing a year-on-year increase of 14.8%, and revenue amounted to RMB7,536.8 million, representing a year-on-year increase of 19.1%.

Management Discussion and Analysis

In November 2024, Prinx Chengshan participated in the 2024 Las Vegas SEMA Show in the United States

Direct sales to automobile manufacturers

During the Reporting Period, the Group seized market opportunities and continued to strengthen cooperation with mid-to-high-end original equipment manufacturers, and established cooperative relationships with a number of new energy automobile manufacturers to demonstrate the Company's development potential in the field of new energy tires. For commercial vehicle tire OE business, the Group has actively developed new customers, launched more than 21 new projects, and successfully been shortlisted in the OE system of Shaanxi Heavy Duty Automobile. For passenger vehicle tire OE business, the Group is officially on the shortlist of the supply system of XPeng Inc. As at the end of the Reporting Period, the Group had been shortlisted in the supplier system of 64 automobile manufacturers.

With the further expansion of the brand and product influence of Chengshan, from 2022, the Group has targeted at the domestic mid-to-high-end logistics segment market, and reached strategic cooperation with the leading domestic express delivery and freight transportation companies, and became a high-capacity tire supplier of JD Logistics, KUAYUE-EXPRESS, Deppon and Dishangtie, for continuously conducting more in-depth cooperation in 2025.

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

During the Reporting Period, the Group's revenue from direct sales to automobile manufacturers amounted to RMB1,107.7 million, representing an increase of 8.6% compared to RMB1,020.3 million in the same period of 2023, mainly due to the growth in domestic passenger vehicle market and export market.

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

The Group remains deeply attuned to market dynamics and user needs, adhering to the core philosophy of "**Product + Service**". Driven by innovation, it actively promotes the launch of new products and meticulously plans the packaging of key product offerings to ensure the precise and efficient delivery of its brand values.

Precision Positioning to build a Diversified Product Portfolio

— **PRINX "Fuelwise" Series** — Centred on the core value proposition of "green low rolling resistance", this series is innovatively integrated with the "IntelliGuard" intelligent tire monitoring system, offering users an economical, safe and worry-free mobility experience.

— New Ice Tires — Designed with enhanced ice and snow driving safety as the key selling point, these tires deliver superior performance on icy and snowy roads, setting new trends for winter travel.

— Hua Ren Plus — Continuing the legacy of the "Hua" series, this model positions "Serene Driving Experience" as its core value proposition, delivering unique driving pleasure.

Authority-Driven Empowerment to Solidify Brand Trust

— Partnering with "Tire Business", the Group conducted a comparative test of **Hua Ren Plus** tires against international tier one brands, where its overall performance surpassed competitors, establishing a technical trust foundation for market expansion.

— At the same time, in collaboration with the "CATARC Yanxuan" under China Automotive Technology and Research Centre (CATARC), the Group conducted a winter tire performance assessment, with the new ice tires achieving braking and acceleration performance on par with foreign premium brands, significantly enhancing market perception and effectively driving sales conversion of new ice tires.

In August 2024, the premium brand PRINX proudly launched its first truck tire series, "Fuelwise"

Matrix-Based Communication to Amplify Brand Momentum

The Group actively advances its outdoor advertising strategy, adhering to a comprehensive and multi-channel brand communication approach. In 13 provinces and cities nationwide, the Group strategically placed 18 bridge and road advertisements along 14 national expressways and key transportation hubs, successfully establishing a diversified communication matrix. By integrating media resources across high-speed railways, highways, buses, and shopping malls, the Group ensures high-impact dissemination and extensive brand exposure across various consumer demographics and consumption scenarios. This initiative has significantly enhanced Prinx's market recognition and influence.

Additionally, the Group places high priority on consumer interaction and communication, conducting in-depth consumer demand research. By leveraging self-media platforms including WeChat Official Accounts, Weibo, Video Channels, Kuaishou and TikTok, the Company has developed targeted and highly precise content strategies. These efforts actively drive the innovation and enhancement of digitalized communication materials, while ensuring brand messages are conveyed to target audiences through diverse and personalized approaches.

High-Frequency and High-Quality Value Delivery to Strengthen Global Presence

In international markets, the Group successfully planned and participated in domestic and international exhibitions, including Automechanika Dubai in Middle East, Las Vegas SEMA Show in the United States, the Tire-Cologne in Germany, Qingdao International Tire Exhibition and Shanghai International Tire Exhibition, which have continuously elevated the Group's brand influence across global markets.

Prinx, the Group's premium brand, has also become an official partner of the USL (United Soccer League) for the new season, securing high-frequency exposure in the United States and among global sports enthusiasts, further enhancing the Company's international popularity and influence, and broadening its international market channels. In Europe, the Group further strengthen relationships with regional and national distributors in Europe through distributor promotion programmes, reinforcing its brand presence in the European market, and shaping a high-end, technology-driven brand image.

In the domestic market, the Group meticulously planned the launch event for PRINX's next-generation "Fuelwise" series, leveraging a "First-Launch Economy" strategy to position itself in the premium tire segment for trunk logistics segment. The Group also hosted the Commercial Vehicle Distributor Conference themed "Breakthrough in Adversity, Thrive Together — Collaborate for Win-Win Future (破難關、成勢御冬，攜手行、同創共贏)" and the Passenger Vehicle Distributor Conference themed "Collaborative Efforts for Dual High Growth", reinforcing distributor partnerships and strengthening a win-win manufacturer-distributor ecosystem.

(5) Tire leasing and services — "Zhianda"

In 2024, the Group continued to promote full-process solutions for the commercial vehicle after-sales market under the service brand of "Zhianda". The "Zhianda Model" takes truck and bus tire leasing as the entry point, through the effective application of Radio Frequency Identification ("**RFID**"), Tire-pressure Monitoring System ("**TPMS**") and other intelligent technologies, which can improve the tire safety and operation efficiency of fleet customers, reduce the comprehensive use cost of customers, and ultimately realise the management of the whole life cycle of tires. "Zhianda" serves hundreds of large-scale logistics companies/group customers in various sectors, including express delivery, general cargo transportation, hazardous chemicals transportation, public transportation and container transportation, providing guarantee for the transportation timeliness of customers. The project was awarded titles such as "High-Performance Green Full Lifecycle" demonstration project and "Two Industries Integration Demonstration Project (兩業融合示範項目)" by the Ministry of Industry and Information Technology of the PRC.

During the Reporting Period, the Group remained committed to elevating its brand service offerings by leveraging the intrinsic characteristics of its tire products and vehicle applications. In terms of intelligent services, the Group has vigorously promoted the construction of a data analysis platform, successfully implemented intelligent recognition functions such as license plate scanning, and established a back-end tire usage data warning system to provide strong support for frontline personnel in pre-service. Through data analysis, it has helped extend the service life of tires and significantly improved service quality; in terms of network services, the Group has established an external repair service platform and fully promoted its application nationwide. The service network now covers more than 3,000 service providers across the country, and offers a 24/7 400 online telephone customer service to ensure that customer inquiries and needs can be responded to promptly, greatly enhancing the timeliness of services. The aforementioned intelligent and networked services effectively demonstrate the efficiency, timeliness and convenience of "Zhianda" solutions, thereby solidifying the Company's industry-leading service position. This strategic advantage lays a robust foundation for enhancing brand reputation and market competitiveness.

In 2025, the Group will focus on cost savings for customers and enhancing their service experience by advancing its fuel-efficient tire service initiative and expanding its tire leasing business in the express delivery and logistics industry, with an aim to increase the market share of "Zhianda" in the tire leasing market, improve the quality of networked services in the commercial vehicle aftermarket, enhance customer brand loyalty, and align with the slogan "Driving with Zhi".

(6) Capacity layout

The capacity optimisation and upgrade project for the Semi-steel Tire in Shandong Tire Production Base of the Group (with production capacity of 0.33 million sets of Semi Steel Tire per year), which was launched in the third quarter of 2023, completed the construction in the second quarter of 2024. In addition, the Phase III project of the Tire Production Base in Thailand (with production capacity of 2.0 million sets of Semi Steel Tire per year), which has been launched at the same time, completed the construction in the fourth quarter of 2024.

As of the end of the Reporting Period, the Group's Tire Production Base in Shandong currently has a production capacity of 7.4 million sets/year of All Steel Tires and 11.53 million sets/year of Semi-Steel Tires. The Group's Tire Production Base in Thailand currently has a production capacity of 2 million sets/year of All Steel Tires and 10 million sets/year of Semi-Steel Tires. In 2024, the capacity utilisation rate of All Steel Tires/Semi-Steel Tires at the Tire Production Base in Shandong was 82.6%/97.8%, respectively, and the capacity utilisation rate of All Steel Tires/Semi-Steel Tires at the Tire Production Base in Thailand was 87.1%/97.2%, respectively.

(7) R&D and innovation

The Group always adheres to the strategy of driving high-quality sustainable development through technological innovation. The Group employs digital platforms such as PLM (Product Lifecyle Management), LIMS (Laboratory Information Management System) and TDSS (Tencent Distributed Storage System) to establish an industry-leading integrated digital R&D and manufacturing system for tire design, simulation and production. In terms of material research and development, the Group increased the research and application of new materials such as bio-based, renewable and degradable materials, high-performance rubber, and functional resins, continuously improved the sustainable technology application level of tires, and constantly enhanced the safety, durability, comfort, wear resistance and fuel economy of tires. The Group was actively promoting the intelligence of tires. The smart chip for truck and bus tires can not only monitor the internal pressure and temperature of the tires in real-time, but also accurately monitor the load on the tires, effectively enhancing the lifespan and driving safety of the tires. The Group effectively utilised industry-university-research collaboration and cooperated with upstream and downstream customers to enhance innovation levels and meet market and customer needs.

During the Reporting Period, new all-season tires, winter tires, snow tires, ice tires for passenger cars, and the high-performance Hua Ren plus products under the "Hua" series have been developed through the digital R&D platform, achieving product upgrades. In terms of commercial truck and bus tires, the focus was on completing the R&D of European winter tires and reserving next-generation high-end tire technology, achieving a product pattern of producing one generation, reserving one generation, and developing one generation.

During the Reporting Period, the Group's following technical projects were awarded the second prize of the Shandong Rubber Industry Science and Technology Award:

- "Design and Technology Development for Ultra-Low Rolling Resistance Green Commercial Vehicle Tire" and
- "Framework Materials Electron Radiation Process Technology for High-Performance Passenger Car Tire"

The following six projects were recognised as reaching international advanced or leading domestic levels upon completion of scientific and technological achievement evaluations:

— "Research and Application of Acoustic Characteristics of New Energy Vehicle Tires and Key Technologies for Vehicle NVH Performance"

— "Development of High-Performance Passenger Vehicle Tires for Ice and Snow Conditions in the China-Europe Market"

— "Development and Application of Key Technologies for Low-and-medium Temperature Rolling Resistance in NEV Tire Tread Formulations"

— "Development and Application of a New Intelligent Tire Information Platform"

— "Research and Application of Intelligent Robotic Arm Trajectory Calculation Technology for Tire Mould Cleaning Systems"

— "Development and Application of Shared Data Interaction Computing Technology for Tire Logistic"

As at the end of 2024, the Group has been granted 444 intellectual property rights, including 24 invention patents, 252 utility model patents, 168 design patents.

(8) Organisational management upgrade and corporate culture construction

The Group is committed to upgrading its organisational management level and strengthening its corporate culture construction with a view to comprehensively enhancing its operational efficiency, strengthening team cohesion and laying a solid foundation for sustainable development of the enterprise. Facing the dynamic changes in the external market environment and the needs of the corporate development strategy, the Group has optimised and adjusted its organisational structure and clearly defined the responsibilities and division of work of various departments to effectively ensure efficient and coordinated operation of the Company. At the same time, through formulation and implementation of a series of standardised processes, the Group has significantly enhanced the standardisation of internal management and effectively reduced operational risks, providing a solid foundation for enterprise's stable operations.

The Group emphasizes the guiding role of corporate culture in promoting corporate development and is determined to foster a harmonious and cohesive organisational atmosphere through the Chengshan "Family" Culture. Through organising various cultural activities, staff training and team building, the Company has continuously strengthened the sense of belonging and loyalty of the staff. At the same time, the Company promotes the core values of "customer first, responsibility, professionalism, innovation and openness", encourages employees to be responsible, pursue excellence and contribute their wisdom and strength to the development of the enterprise. In 2024, the Group established learning and exchange platforms such as weekly learning sessions and book and film review forums, while adopting a diversified training model combining external expert engagements and internal training programmes to broaden training reach, holistically elevate employee overall competencies, and rigorously advance the development of a learning-oriented organisation. At the same time, to ensure the effective promotion of corporate culture construction, the Group has also established a perfect communication mechanism to widely listen to the opinions and suggestions of employees through multiple channels and fully motivate the enthusiasm of all employees to participate in culture construction, thereby creating a favorable situation where all employees jointly build and share the corporate culture.

Management Discussion and Analysis

(9) Intelligent manufacturing and information construction

In 2024, the Group continued to promote intelligent manufacturing and information construction, driven by its business objectives. It strengthened digitalisation efforts to comprehensively enhance production efficiency, product quality and operational management. In terms of smart factory construction, the Group continued to implement APS (Advanced Planning and Scheduling) and MPS (Master Production Schedule) projects to optimise its production planning and scheduling, significantly improving its production efficiency, reducing inventory costs, and enhancing the flexibility and responsiveness of the supply chain. The Group also proceed to complete the implementation of the LIMS (Laboratory Information Management System) and the EAM (Enterprise Asset Management) system in Prinx Thailand, significantly enhancing the management capabilities of R&D and production equipment systems. Meanwhile, it continuously optimised the MES (Manufacturing Execution System) to improve stability. In terms of infrastructure construction, the Company has largely unified its software management platform for video surveillance terminals across regions and versions. It has also completed the construction of its corporate information system network monitoring platform, enabling comprehensive monitoring and early warning for software and hardware resources. In terms of sales operations, the Company continued optimising its external-facing apps, including Roadside Assistance, Lighthouse e Station, Xiaopu Steward and Xiaopu Cloud Store. It also strengthened supply chain optimisation by integrating and streamlining interfaces and processes across the TMS, WMS, SRM and various systems, while continuously upgrading the Group's ERP system and improving SAP-driven business empowerment.

In 2024, the "Digital Transformation (Cost Analysis)" project of Prinx Chengshan (Shandong) Tire Co., Ltd. was awarded the **Golden Dragon Excellence Award** by the System Application Products Users Brance of China Computer Users Association ("**CSUA**"), recognising its expertise in cost control and data analysis. This milestone marks a significant and crucial step in the Group's digital transformation, laying a solid foundation for Prinx Chengshan's further expansion in the digital domain. In the future, the Group will continue to increase investment in intelligent manufacturing and information technology, and further explore and practice in areas such as AI-driven quality control, AI-enhanced safety, and AI-driven production decision-making to further enhance its core competitiveness and drive the tire manufacturing industry towards high-end, intelligent and green development.

New products

In 2024, the Group closely aligned with its global business strategy and market dynamics, anchored by the dual-drive strategy of "Product + Service", to deeply understand user scenario demands and develop a differentiated product portfolio. During the Reporting Period, the Group completed the R&D and launched a total of 520 products, including 75 All Steel Tires and 455 Semi-Steel Tires. This series of new products not only enriched the product line but also further enhanced the Group's market competitiveness and market share in different channels and segments. At the same time, to precisely meet market demand and accelerate the layout and expansion of overseas markets, the Group has proactively planned and reserved 33 newly designed All Steel Tires and 101 new patterns and product series of Semi-Steel Tires. These reserve projects not only demonstrated Prinx Chengshan's precise grasp of future market trends, but also laid a solid foundation for continuously leading industry transformation and deepening market deployment.

In 2024, the Group closely observed the market competition and committed to building a product matrix that integrates high value and deep connotation to significantly enhance the market competitiveness of the products. In terms of All Steel Tires, the Group precisely focused on key market segments and strove to create a new generation of green and environmentally friendly products with low rolling resistance and high wear resistance, not only reflecting Prinx Chengshan's deep commitment to global environmental protection and sustainable development, and also meeting the market's urgent demand for efficient, energy-saving, and environmentally friendly tires. In terms of Semi-Steel Tires, the Group aimed to create a new generation of high-performance tires and new energy tires based on the advanced tire design and manufacturing concept, in response to the market change trend and in line with the brand renewal strategy. These innovative products demonstrate the Group's keen insight into technological frontiers and quick response capabilities, further consolidating our market position in new energy vehicles and high-performance tires by positioning our products accurately to lead the market trend.

In terms of Semi-Steel Tires (passenger vehicle tires) products, the Group launched "Hua Ren PLUS" and "Hua Yue XTRIP Plus", the ultra-high-performance tire of the Chengshan Hua series in China. The Hua Ren PLUS positions "Serene Driving Experience" as its core value proposition, delivering unique driving pleasure. The Hua Yue XTRIP Plus redefines all-round tire standards through technological innovation, integrating wear resistance, noise reduction and adaptive handling to offer a "multi-functional tire solution". It excels across urban commutes, long-distance journeys, and challenging road conditions. At the same time, the Group also actively deployed the international market, successively launching Prinx and Chengshan series of North American all-season tires, European Prinx UHP and 4S Van products, European Chengshan series 4S Van products, and Chengshan series of winter tires, further enriching the seasonal product line of semi-steel tires of the Group.

In terms of All Steel Tires (commercial vehicle tires) products, the Group continued to drive product innovation through the dual engines of "technological refinement + market penetration", focusing on three strategic pillars of greening, premiumisation and scenario-based solutions to build a high-value product matrix for global markets. This approach enhanced end-to-end competitiveness from research and development to market deployment. Prinx Chengshan has launched the premium PRO series products such as S10/S15, D20/D25 and G60/G65. These products incorporate the latest innovative technologies in the R&D field, such as high wear resistance and uneven wear resistance. With outstanding performance, they have won enthusiastic market response and high recognition. At the same time, in the field of ultra-low rolling resistance technology, products such as S01 and D01 have achieved significant breakthroughs, with S01 even reaching the EU label A grade standard. This not only demonstrates Prinx Chengshan's profound accumulation and leading advantage in low and ultra-low rolling resistance technology, but also contributes significantly to energy saving and emission reduction in the global commercial vehicle industry.

In addition, the Group has also achieved significant accomplishments in the field of EU certification. The (EU) 2017/2400 certification for carbon emissions and fuel consumption was obtained for a batch of high-performance commercial tires, including the all-steel tires AR603, TH155 and TH135. This marks that the Group's products have reached the international top level in terms of environmental protection and energy efficiency. Earlier, five types of tires, namely Winter Excelia, AR603, DR606, TH135 and TH155, had also passed the "**TÜV MARK**" certification standards by TÜV SÜD, further consolidating Prinx Chengshan's leading position and brand influence in the global market. The Group is actively developing its product portfolio to drive domestic market expansion by refining its product hierarchy and brand differentiation. For the European market, it is developing adaptation products to meet regional transportation demands. At the same time, the Group also actively expanded its presence in segment markets and developed the North American all-season tire, the European Prinx ultra-high-performance tire — AQUILA REV, Chengshan series of new products including snow tire, ice tire, and studded tire for winter, and the "Hua" series of ultra-high-performance tires — "Hua Ren" PLUS.

Total sales volume of the Group's products and sales volume of new products developed during the Reporting Period

Product category	Sales volume of new products (10,000 sets)	Total sales volume (10,000 sets)	Proportion of sales of new products in total sales volume
All Steel Tires	277.6	797.5	34.8%
Semi-steel Tires	829.3	1,949.1	42.5%
Bias Tires	2.5	50.0	5.0%
Total	1,109.4	2,796.6	39.7%

PROMOTING ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") AND SUSTAINABLE DEVELOPMENT

Corporate business sustainability is a continuing concern of the Group. Currently, the Group's environmental, social and governance matters have been included in the scope of duties of the Group's Development Strategy and Risk Management Committee. The Board is fully responsible for and leads the Group's sustainable development management. During the Reporting Period, the Group elevated ESG governance to a strategic core level and newly appointed a Chief Sustainability Officer ("**CSO**") to comprehensively oversee the implementation of its ESG strategy. A three-tier management system of "Board decision-making — Committee supervision — Chief Sustainability Officer (CSO) execution" was established to ensure deep integration of sustainable development with business growth, aiming for long-term value creation and positive social impact.

In 2024, the Group invested RMB12.5 million in its Tire Production Base in Shandong to upgrade its Phase II mixing process exhaust gas treatment facilities, further reducing VOC (Volatile Organic Compound) emissions. In September 2024, the Group officially joined the United Nations Global Compact (UNGC), becoming a key supporter of such global initiative. Adhering to the vision and mission of "leading tire innovation, contributing to smart travel and sustainable development, and achieving a better life" and the core values of "customer first, responsibility, professionalism, innovation and openness", the Group takes sustainable development as its development strategy and the foundation of daily operations and abides by the concept of people-oriented, research and development of innovation products and green sustainable development. In September 2024, Prinx Chengshan Tire (Thailand) Co., Ltd. ("**Prinx Thailand**"), a subsidiary of the Group, received the Green Industry Level IV certificate issued by the Ministry of Industry of Thailand, fully recognising Prinx Thailand's efforts in sustainable development, resource reduction, energy consumption reduction and social and environmental responsibility. In May 2024, as the first company in Weihai City to be selected as a national energy efficiency front-runner enterprise in key industries, Prinx Chengshan (Shandong) Tire Co., Ltd. ("**Prinx Shandong**" or "**Prinx (Shandong) Tire**") has been awarded the title of "National Energy Efficiency Leader Benchmarking Enterprise in Key Industries" by the Ministry of Industry and Information Technology for nine consecutive years. In 2024, the Group made its debut in the internationally recognized EcoVadis assessment, distinguishing itself in a highly competitive field and securing a position within the top 35% of global participants. This achievement culminated in the awarding of the EcoVadis Bronze Medal in January 2025.

BUSINESS STRATEGIES AND PROSPECTS

As at the date of this report, the orders received by the Group generally remained stable. Among them, the orders for Semi-Steel Tires from production bases in Shandong and Thailand maintained robust demand, while the orders for All Steel Tires continued to be weak. Looking forward to 2025, according to the World Economic Situation and Prospects 2025 recently released by the Department of Economic and Social Affairs of the United Nations, declining inflation and continued monetary easing policies in many economies may moderately boost global economic activity in 2025. However, significant uncertainties remain, with geopolitical conflicts, escalating trade tensions, and high borrowing costs in many regions across the world posing major risks. In China, weak consumer spending, a persistently sluggish real estate sector and slow recovery in household confidence continue to exert pressure on economic activity. However, technological innovation will serve as an important driving force of economic growth. The accelerated penetration of technologies such as artificial intelligence (AI) and the Internet of Things (IoT) will drive industrial upgrades and transformation. The Group will actively seize opportunities in technological innovation to enhance its competitiveness.

In the face of the complex and ever-changing market environment, Prinx Chengshan takes proactive responsibility, promptly implements upgrades beneficial for addressing current situations and long-term development, seizes the opportunity of the new energy vehicle era, actively embraces the wave of digitalisation and intelligence, accelerates the intelligent and digital transformation of the tire industry, and achieves high-quality development amidst challenges.

(1) Adhere to the "cost leadership" strategy, deepen the cost consciousness of all employees and build an efficient operation system.

(2) Continue to deepen tire technology innovation and R&D, open to the market and customers, and create value through technology application.

Management Discussion and Analysis

(3) Firmly promote the strategy of "product + service" and enhance the market expansion and sales capabilities of all channels and categories.

- In the domestic commercial vehicle tire replacement market, the Group will continue to optimise the sales structure by focusing on target consumer groups, achieving full-channel market penetration, and expanding the market through differentiation. It will enhance its products and services, leverage digitalisation to improve marketing efficiency, and strengthen brand influence through diversified communication channels.

- In the passenger vehicle tire replacement market, the Group will further improve the quality of the dealer network, promote an integrated "online + offline" marketing approach, deepen product iteration and upgrades, and introduce innovative products.

  In terms of commercial vehicle tire and passenger vehicle tire OE market, the Group will focus on deepening its cooperation with OEMs, continue to increase the proportion of OE, while actively developing further cooperation on new vehicle models and projects. At the same time, it will accurately target high-value potential customers to build and strengthen long-term, stable and in-depth partnerships.

  In the international markets, the Group will continue to promote the internationalization of talents, brands, products and cooperation within channels; continue to implement the strategy of "product-driven, channel-driven, brand-driven"; and consolidate the team's business fundamentals and improve its business skills through team management and empowerment.

(4) Expand business scope and contribute to smart travel solutions: With the service brand of "Zhianda", the Group will continue to deepen the refined management of its main business of tire services, and will also provide customers with one-stop senseless commercial vehicle after-sales service solutions through the functional integration of vehicle maintenance and other related fields to create value for customers in multiple dimensions.

(5) Pursue green and sustainable development. The Group promotes the use of new environmentally friendly materials, strengthens the research on tire renovation technology, recycling of rubber materials, and the application of bio-based materials, and increases efforts in energy conservation and consumption reduction, builds a green and low-carbon supply chain, and promotes the green manufacturing technology, so as to make its due contributions to carbon peak and carbon neutrality in China.

(6) Focus on the construction of talent team and facilitate the comprehensive development of enterprises. Based on the strategic development needs of the Company, the Group continues to optimise the organisational structure and process management, while actively attracting talents, cultivating and improving the comprehensive capabilities of the Group's employees, and further improving the team cohesion and business professional capabilities to meet the needs of the Company's high-quality and long-term development.

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2024, the revenue of the Group amounted to approximately RMB10,973.9 million, representing an increase of approximately RMB1,024.9 million compared to approximately RMB9,949.0 million for the year ended December 31, 2023.

Sales by product type	2024 (RMB'000)	2023 (RMB'000)
All Steel Tires	**6,271,265**	6,062,183
Semi-steel Tires	**4,496,262**	3,511,486
Bias Tires	**202,479**	153,894
Sales of raw material and others	**3,879**	221,420
Total	**10,973,885**	9,948,983

For the year ended December 31, 2024, revenue from sales of All Steel Tires increased from approximately RMB6,062.2 million for the year ended December 31, 2023 to approximately RMB6,271.3 million, representing an increase of approximately 3.4%, mainly due to the increase in unit price of approximately 5.3% as a result of the optimisation of the sales structure. Revenue from sales of Semi-steel Tires increased from approximately RMB3,511.5 million for the year ended December 31, 2023 to approximately RMB4,496.3 million for the year ended December 31, 2024, representing an increase of approximately 28.0%, mainly due to the strong order demand for passenger vehicle tires and the significant increase in sales volume and unit price, with sales volume increasing by approximately 18.6% and unit price increased by approximately 7.9%. Revenue from sales of Bias Tires increased from approximately RMB153.9 million for the year ended December 31, 2023 to approximately RMB202.5 million, representing an increase of approximately 31.6%, mainly due to an increase in unit price of approximately 26.9%, and the sales of raw materials and others, which generated revenue of approximately RMB3.9 million.

Sales by channel	2024 (RMB'000)	2023 (RMB'000)
Distributors		
Domestic	**2,325,553**	2,381,065
International	**7,536,794**	6,326,199
	9,862,347	8,707,264
Direct sales to automobile manufacturers	**1,107,659**	1,020,299
Sales of raw material and others	**3,879**	221,420
Total	**10,973,885**	9,948,983

Management Discussion and Analysis

For the year ended December 31, 2024, revenue from sales to distributors (including private label customers) increased from approximately RMB8,707.3 million for the year ended December 31, 2023 to approximately RMB9,862.3 million, representing an increase of approximately 13.3%, which was mainly due to strong demand for passenger car tire orders and an increase in unit prices. Revenue from domestic passenger car distributors increased by 35.1%, while revenue from international passenger car distributors grew by 27.8%.

For the year ended December 31, 2024, revenue from sales to automobile manufacturers increased from approximately RMB1,020.3 million for the year ended December 31, 2023 to approximately RMB1,107.7 million, which was mainly due to increase in orders from passenger car manufacturers, with revenue growth of 10.7%.

Cost of sales

The Group's cost of sales increased from approximately RMB7,827.3 million for the year ended December 31, 2023 to approximately RMB8,644.2 million for the year ended December 31, 2024, representing an increase of approximately 10.4%. The increase was mainly due to the growth in sales volume.

Gross profit and gross profit margin

The Group's gross profit for the year ended December 31, 2024 amounted to approximately RMB2,329.7 million, representing an increase of approximately 9.8% compared to approximately RMB2,121.7 million for the year ended December 31, 2023. The Group's gross profit margin for 2024 was approximately 21.2% (2023: 21.3%). The increase in gross profit was mainly due to the increase in sales volume.

Other income

The Group's other income for the year ended December 31, 2024 was approximately RMB51.4 million, representing an increase of approximately RMB2.8 million from approximately RMB48.6 million for the year ended December 31, 2023. The increase was mainly due to the increase in income from sales of scraps by approximately RMB3.8 million, and the decrease in government grants by RMB1.0 million.

Selling and distribution expenses

The Group's selling and distribution expenses decreased from approximately RMB526.2 million for the year ended December 31, 2023 to approximately RMB517.0 million for the year ended December 31, 2024, representing a decrease of approximately 1.7%. The decrease was mainly due to which the Group enhanced the cost control and implemented the cost reduction and efficiency enhancement measures.

R&D expenses

The Group's R&D expenses increased from approximately RMB240.0 million for the year ended December 31, 2023 to approximately RMB250.7 million for the year ended December 31, 2024, representing an increase of approximately 4.5%. The increase was mainly due to the increase in wage expenses.

Administrative expenses

For the years ended December 31, 2024 and 2023, the Group's administrative expenses amounted to approximately RMB236.0 million and RMB213.8 million, respectively, representing an increase of approximately 10.4%. The increase was mainly due to the increase in wage expenses, depreciation and anti-dumping legal fees.

Other gains

For the year ended December 31, 2024, the Group's other gains increased by approximately RMB27.5 million from approximately RMB13.5 million for the year ended December 31, 2023 to approximately RMB41.0 million, mainly due to the increase in foreign exchange gains resulting from changes in exchange rates affecting the net operating foreign currency assets.

Finance income

For the years ended December 31, 2024 and 2023, the Group's finance income amounted to approximately RMB34.2 million and RMB20.6 million, respectively. The increase in finance income was due to the increase in interest income from bank deposits.

Finance costs

The Group's finance costs amounted to approximately RMB63.1 million and RMB93.1 million for the years ended December 31, 2024 and 2023, respectively. The decrease in finance costs was mainly due to the reduction in bank loan interest.

Income tax expense

For the years ended December 31, 2024 and 2023, the Group's income tax expenses amounted to approximately RMB72.6 million and RMB97.1 million, representing a decrease of approximately RMB24.5 million, which was due to Prinx Chengshan (Shandong) Tire Co., Ltd. utilizing accumulated losses in 2023, resulting in a significant amount of deferred income tax expense, with no such matter in 2024.

Profit for the year

The Group's profit for the year increased by approximately RMB278.5 million from approximately RMB1,033.4 million for the year ended December 31, 2023 to approximately RMB1,311.9 million for the year ended December 31, 2024. The increase was mainly due to the increase in gross profit driven by the increase in sales volume.

Profit attributable to the Shareholders

As a result of the foregoing factors, profit attributable to the Shareholders for the year ended December 31, 2024 amounted to approximately RMB1,311.8 million (2023: approximately RMB1,033.4 million).

Dividend distribution

For the years ended December 31, 2024 and 2023, the Group's total dividend distribution amounted to approximately RMB261.0 million and RMB114.2 million, representing an increase of approximately 128.5%, which was due to the increased interim dividend and the increase in dividend distribution per share.

Total comprehensive income for the year

Total comprehensive income for the year of the Group increased by approximately RMB276.9 million from approximately RMB1,086.7 million for the year ended December 31, 2023 to approximately RMB1,363.6 million for the year ended December 31, 2024. The increase was primarily due to the increase in net profit.

Liquidity and financial resources

The Group maintained a sound financial position. The Group's borrowing demand was not seasonal. As at December 31, 2024, the Group's cash and cash equivalents (including restricted cash) amounted to approximately RMB697.9 million, representing a decrease of approximately RMB28.1 million as compared to approximately RMB726.0 million as at December 31, 2023, which was mainly due to the repayment of bank borrowings. Of which, RMB222.1 million was denominated in RMB, RMB441.3 million was denominated in USD, and the remaining was denominated in HK$, EUR and THB. For currencies of the Group cash and cash equivalents, see Note 24 to the consolidated financial statements.

As at December 31, 2024, the Group had bank borrowings of approximately RMB755.3 million (2023: approximately RMB1,211.3 million), of which RMB515.9 million was denominated in RMB and the remaining was denominated in USD. Borrowings at floating interest rates accounted for 42.9% and borrowings at fixed interest rates accounted for 57.1%. Approximately RMB344.6 million is due within one year, approximately RMB159.1 million is due within one to two years and approximately RMB251.6 million is due within two to five years. In 2024, the borrowings were mainly used for the daily operational turnover of the Company. For details of the Group's bank loans, please refer to note 28 to the consolidated financial statements.

The current ratio as at December 31, 2024 was approximately 1.4 (2023: 1.1). In 2024, the Company purchased low-and medium-risk bank wealth management products to hedge risks and increase wealth management income. As of December 31, 2024, the balance of such wealth management products amounted to RMB141.8 million.

Inventories

As at December 31, 2024, the Group's inventories amounted to RMB1,942.9 million, representing an increase of RMB305.4 million from RMB1,637.5 million as at December 31, 2023. The increase was due to the rise in sales and pre-holiday stocking ahead of the Spring Festival in January 2025.

Trade receivables

As at December 31, 2024, the Group's trade receivables amounted to RMB2,020.6 million, representing an increase of approximately RMB160.2 million as compared with RMB1,860.4 million as at December 31, 2023. The increase was mainly due to revenue growth.

Prepayments, other receivables and other current assets

As at December 31, 2024 and 2023, the Group's prepayments, other receivables and other current assets included in current assets were approximately RMB486.4 million and RMB474.1 million, representing an increase of approximately RMB12.3 million. The increase was mainly due to the increase in prepaid income tax.

Amounts due from related parties

As at December 31, 2024 and 2023, the Group had amounts due from related parties of RMB201.9 million and RMB244.1 million, respectively, representing a decrease of approximately RMB42.2 million. The decrease was mainly due to the shortening of the account period by Sinotruk.

Trade payables

As at December 31, 2024 and 2023, the Group's trade payables amounted to RMB2,106.1 million and RMB2,391.7 million, respectively, representing a decrease of approximately RMB285.6 million, which was mainly due to the decrease in the Group's strategic purchases as a result of higher raw material prices in late 2024 as compared to late 2023.

Other payables and accruals

As at December 31, 2024 and 2023, the Group's other payables and accruals were RMB1,240.2 million and RMB1,218.5 million, respectively, representing an increase of approximately RMB21.7 million, which was mainly due to the increase in payroll payable and marine transportation fees.

Gearing ratio

As at December 31, 2024, the gearing ratio was 1.7% (2023: 8.7%). The ratios were 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 net surplus/debt.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended December 31, 2024. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Charges on Assets

As at December 31, 2024, the Group's restricted cash balance of approximately RMB143.8 million (2023: approximately RMB178.0 million) was pledged as security for bills payable issued by the Group and for letter of credit. The net book amount of property, plant and equipment of the Group of approximately RMB108.6 million (2023: approximately RMB3,272.8 million) were pledged as security for bank borrowings of RMB250.0 million and undrawn loan facilities of RMB100.0 million. Save for the above, the Group did not have any charges on its assets.

Investments

The construction of the Tire Production Base in Thailand began in 2019, of which the construction of the phase I project with an annual production capacity of 0.8 million sets of All Steel Tires and 4.0 million sets of Semi-Steel Tires had been completed in 2020 and entered the stage of stable operation; the phase II project with an annual capacity of 1.2 million sets of All Steel Tires and 4.0 million sets of Semi-Steel Tires have gradually reached production in the first quarter of 2022.

The Group initiated the expansion plan of Prinx Shandong in the second half of 2020. The total investment of the project is expected to be approximately RMB666.0 million, with an additional annual production capacity of 1.05 million sets of All Steel Tires and 2.8 million sets of Semi-Steel Tires, which have reached full production capacity in the first quarter of 2022.

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

Save as disclosed above, the Group had no other significant investments in 2024.

RISKS AND UNCERTAINTIES

(1) Macro Environment Risks

Currently, the Group's products are primarily sold in markets across Asia, North America, Europe and Africa. Any negative macroeconomic changes in any of these markets may exert pressure on market demand, sales growth or gross profit margin. Meanwhile, the global geopolitical landscape remains complex and volatile, with trade frictions and regional conflicts posing risks such as supply chain disruptions, energy price fluctuations, and market demand contraction.

In view of this, the Group will adopt the following countermeasures: (1) strengthen cost control and improve operational efficiency; (2) optimise product structure and increase the proportion of high value-added products; (3) diversify supply chain operations to reduce reliance on a single region or supplier; (4) closely monitor changes in the international situation and adjust market strategies and product structures in a timely manner.

(2) Exposure to Foreign Exchange Risks

Given the fluctuations in the global economy and the tightening and easing of monetary policies by different countries, the Group may be exposed to the risk of exchange rate fluctuations. For the year ended December 31, 2024, the Group's revenue denominated in USD and in EURO from overseas operations accounted for approximately 68.7% (2023: 63.8%) of the total revenue, which was mainly used for the procurement of overseas raw materials, and the operating expenses of Prinx Thailand were mainly settled in THB. Therefore, the Group is exposed to foreign exchange risk arising from USD and THB. The occurrence of significant fluctuations in exchange rates will affect the results of the Group. Exchange rate fluctuations and market trends have always been a concern of the Group. In this regard, the Company will strengthen the supervision on foreign currency transactions as well as the scale of foreign currency assets and liabilities, and may manage the potential fluctuations in exchange rates by optimising the settlement currency of export trades and utilising exchange rate financial instruments and other proactive preventive measures.

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

In recent years, countries such as the United States, Europe, South Africa and Mexico have restricted tire exports from other countries by imposing tariffs and anti-dumping and countervailing duties. The Group has continuously reduced its export tax rate by actively participating in responses and investigations. Since 2019, the United States has imposed anti-dumping and countervailing duties on tires imported from China. Prinx Shandong, by actively participating in administrative reviews, has significantly reduced the tax rate for the Group's exports to the United States and enhanced the competitiveness of the Group's products in the U.S. market.

In addition, the U.S. Department of Commerce issued an anti-dumping duty order against the tires for passenger vehicles and light trucks from Thailand on July 19, 2021. Our indirectly wholly-owned subsidiary, Thailand Prinx, was subject to an average anti-dumping duty rate of 17.06%. The U.S. Department of Commerce issued a notice on September 6, 2022, to initiate the review procedure for the anti-dumping duty rates on passenger vehicle and light truck tires from Thailand. The investigation period for this anti-dumping review was from January 6, 2021 to June 30, 2022. The U.S. Department of Commerce announced the preliminary results of the first administrative review of anti-dumping on passenger vehicle and light truck tires from Thailand in July 2023, and the final results was announced in January 2024. The Group was subject to an average tax rate of 4.52%. On September 11, 2023, the U.S. Department of Commerce issued a notice to initiate the second administrative review process for anti-dumping on passenger vehicle and light truck tires imported from Thailand. The investigation period for this anti-dumping review was from July 1, 2022 to June 30, 2023. The Group's Thailand enterprise participated in this review and submitted a defense as a supplementary selected compulsory respondent. On August 9, 2024, the U.S. Department of Commerce announced the preliminary duty rate, and the Group is subject to a tax rate of 4.95%. The final determination result is expected to be announced on May 6, 2025.

On November 7, 2023, U.S. time, the U.S. Department of Commerce announced the initiation of an anti-dumping investigation on truck and bus tires imported from Thailand. The original investigation period for this anti-dumping investigation was from October 1, 2022 to September 30, 2023. The Group's Thailand company participated in this anti-dumping investigation and submitted a defense as a compulsory respondent. On December 2, 2024, it is ordered that the final dumping rate applicable to the Group is 12.33%.

On April 5, 2023 (Mexico time), the Ministry of Economy of Mexico announced the initiation of an anti-dumping investigation on 13 to 22 inch passenger car and light truck tires imported from China. The dumping investigation period for the anti-dumping investigation was from July 1, 2021 to June 30, 2022. Shandong Company of the Group participated in the anti-dumping investigation and submitted a defense as a respondent. On April 5, 2024, the Ministry of Economy of Mexico made a preliminary ruling, deciding not to impose a provisional anti-dumping duty. On September 30, 2024, the Ministry of Economy of Mexico made a final ruling, and the Group is subject to an average tax rate of 14.82%.

The uncertainty of anti-dumping and countervailing duty rates will pose risks to the Company's operations. To this end, the Company will make arrangements in advance and actively respond to the situation by taking the following measures to mitigate the impact on the Company: firstly, to expand the sales of the Tire Production Base in Thailand in non-U.S. markets to reduce reliance on a single market; secondly, to develop non-U.S. market products by leveraging on the Company's R&D capabilities, and enhance the competitiveness of the Tire Production Base in Thailand through product adjustment and enrichment.

(4) Competition

The Group's products are sold in over 160 countries and regions across six continents globally. The Group competes with numerous global tire manufacturers while also facing challenges from Chinese tire enterprises. In recent years, Chinese tire enterprises have accelerated their diversified production footprint by establishing new smart manufacturing bases in Southeast Asia (such as Thailand, Vietnam, Cambodia) and Eastern Europe (such as Hungary, Serbia). The Group faces the challenge of intensified competition in the regional market.

The Group's core competitive advantages lie in stable product quality, robust operational management, technology-driven smart manufacturing and a well-established distribution channel. Failure to maintain these advantages may expose to the risk of decline in the Group's share in key markets. It is necessary for the Company to diversify its production footprint and continuously improve product quality and service levels to address market dynamics and competitive pressures.

(5) Risks in relation to overseas investments

The Tire Production Base in Thailand and the second overseas production base are affected by local economic, political, regional conflicts, government policies cultural integration, rising compliance costs and changes in laws, which may change the investment environment in Thailand and Malaysia and the construction and operation of the project investment and pose risks to the Company's operation and investment.

During the Reporting Period, the Group completed the construction of the Phase III project of its Tire Production Base in Thailand, with full planned production capacity achieved, resulting in an increase in the proportion of the Group's overseas business. Meanwhile, the preliminary preparations are underway for the second overseas production base. In view of this, the Group will keep abreast of the changes in the investment environment by authorities in Thailand and Malaysia in real time, and make arrangements for product certification, labour rights, religious customs, personnel protection, etc. in advance, as well as make strategic planning for sales in Thailand and Malaysia. Currently, the operations of the Tire Production Base in Thailand are progressively optimised.

(6) Supply Chain

The prices of raw materials such as rubber and steel cord required for tire production are significantly affected by fluctuations in the international market. Any issues in the supply chain, such as fluctuations in raw material prices or logistics delays, may impact production and sales operations, destabilising tire supply and bringing profit volatility to the Company. In view of the increasingly stringent environmental requirements imposed by various countries on the tire industry, it is necessary for companies to make early deployment for product replacement and upgrades, renewal and retrofitting of environmental protection equipment, which may increase capital expenditure and operating costs. These risks demand that the Group enhance flexibility and efficiency in supply chain management to mitigate uncertainties.

(7) Risks in relation to climate change

Climate threats are continuously intensifying worldwide. The physical risks posed to the Group by extreme climate changes are mainly reflected in: production stoppage due to power outages caused by typhoons and thunderstorms; the failure of outdoor logistics to operate normally resulting from extreme weather, affecting order delivery timeliness; price fluctuations due to unstable supply of raw materials interfaced by weather. Moreover, the Group has exposed to transition risks. If relevant laws and policies are introduced and a series of actions such as carbon tariffs and carbon trade barriers are adopted in countries or regions where the Group produces or markets, the Group will be exposed to various degrees of policy and legal risks, while also affecting changes in demand from consumers and downstream automobile manufacturers.

In view of this, the Group has incorporated climate risk management into the Group's risk management system. The Group continuously evaluates the physical risks brought about by climate changes and formulates relevant risk prevention plans, such as formulating emergency plans for natural disasters and emergencies, properly stockpiling raw materials for production, implementing safety inventory plans, and formulating corresponding workflow and safety measures for sudden abnormal weather changes to enhance the Group's ability to deal with climate risks and ensure the stable operation of the Group's business.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company strictly complied with the following laws and regulations which may have a significant impact on its production and operation: (a) the laws and regulations relating to compulsory product certification for tire products; (b) the laws, regulations and policies relating to the access to and supervision of the tire industry; (c) the laws and regulations relating to environmental protection and safety responsibility; (d) the laws and regulations relating to foreign investment; (e) the laws and regulations relating to foreign exchange control and taxation; (f) the laws and regulations relating to labor and employment; (g) the laws and regulations governing the organisation and behavior of the Company; (h) the laws and regulations relating to securities trading and regulation; (i) the laws and regulations relating to intellectual property; (j) the laws and regulations relating to data processing and data security; (k) other relevant laws, regulations, policies and regulatory requirements, etc. Meanwhile, the Company has established a list of applicable laws and regulations which is updated from time to time for compliance. In addition, the Company made enquiries from time to time regarding legal restrictions under the laws of the relevant jurisdictions and the requirements of the relevant regulatory authorities in the jurisdictions in which it conducts business and investment activities, such as the import tariffs and quota regulations, anti-dumping and sanctions regulations in the United States and the European Union trade regulations. Based on the full cooperation between the legal department of the Company and external legal advisors, and through the continuous and effective supervision of the Company, the Company is able to comply with the relevant laws and regulations within and outside the PRC that have a significant impact on the Company.

CAPITAL STRUCTURE

In 2024, there was no change in the capital structure of the Company. The capital of the Company comprises ordinary shares and other reserves.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at December 31, 2024, the Group had capital commitment of approximately RMB77.8 million (2023: approximately RMB70.0 million). The Group had no contingent liability that would result in a significant impact in 2024 (2023: nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES, AND JOINT VENTURES

Save as disclosed in the section headed "Investments", the Group did not have any other significant investments, material acquisitions and disposals of subsidiaries, associated companies and joint ventures in 2024.

FUTURE PLANS FOR SUBSTANTIAL INVESTMENTS OR CAPITAL ASSETS

According to the Group's global capacity layout strategy, the Group will establish a second overseas production base. The project is located in Kedah Rubber City within the Northern Corridor Economic Region (NCER) of Malaysia. The capacity plan is for 6 million sets of Semi-Steel Tires per year and 600 thousand sets of All Steel Tires per year, with a total investment of USD380 million. The Malaysia Tire Production Base is expected to commence in the second quarter of 2025, with trial production in the second half of 2026. From 2027 to 2028, production capacity will be gradually released, with an annual output value of approximately USD270 million after reaching full capacity. The project is currently in the land negotiation stage and is expected to be funded by the Group's internal sources and external financing.

At the same time, according to the structural layout of "Emerging Markets + High-End Categories", the Group will establish the Shandong Off-The-Road Tire (hereinafter referred to as the "**OTR**") project. The OTR project is located within the Green Tire Intelligent Manufacturing Industrial Park in Rongcheng, Shandong Province, situated on the north side of the existing Tire Production Base in Shandong. It covers an area of 104 thousand square meters, with a planned production capacity of 840 thousand high-performance engineering radial tires per year and 10 thousand giant engineering radial tires per year. The total investment for the OTR project is expected to be RMB1.11 billion, with construction beginning in the second quarter of 2025. It is anticipated to reach a designed capacity of 50 thousand tons of the OTR per year by 2029, with an annual output value of approximately RMB1 billion. The OTR project will fill the gap in domestic high-end engineering tires and achieve structural upgrading. The OTR project is expected to be funded by the Group's internal sources and external financing.

As at the date of this report, save as disclosed in the above section, there was no plan authorised by the Board for other substantial investment or additions of capital assets.

HUMAN RESOURCES MANAGEMENT

As at December 31, 2024, the Group had a total of 6,818 employees (as at December 31, 2023: 6,532). For the year ended December 31, 2024, the Group's employee benefit expenses amounted to approximately RMB746.7 million (for the year ended December 31, 2023: approximately RMB725.5 million).

The Group implements a rank evaluation system, deepens the promotion of a value-oriented remuneration system, pays employees remuneration and bonuses based on the rank certification and the output of performance results, and timely understands and refers to the market standards of the same industry to adjust the salary level. The Group continues to implement and improve performance management for all employees. Guided by the Company's strategic objectives, we clarify key performance indicators (KPIs), enhance performance review and improvement mechanisms, strengthen process management and supervision, and optimise the performance management system. The Group has launched the E-HR system to achieved online operation of standardised business, which has improved the standardisation, continuity and efficiency of business. During the Reporting Period, the Group formulated and implemented the "Partner Profit Sharing Scheme" and the "2024 Share Award Scheme" for senior management (details are set out in the section headed "2024 Share Award Scheme" in this report), with incentives closely linked to medium and long-term performance, further stabilising the management team and attracting outstanding external talents.

The Group attaches great importance to human resources management and talent cultivation and training, and is committed to building an efficient, professional and competitive talent team to promote the sustainable development of the enterprise. In order to improve the comprehensive quality and professional ability of our employees, the Company has further improved its enterprise-university talent empowerment system. Through collaboration with Peking University to deliver an Executive Business Administration (Leadership) Programme and partnerships with other training institutions to develop learning programme, we continuously empower our middle and senior management teams and specialised professionals. The Group values the accumulation and inheritance of organisational knowledge assets, establishing a relatively comprehensive knowledge management system. This commitment has been recognised through accolades including the silver award at the **CSTD National Learning Programme Design Competition (CSTD全國學習項目設計大賽)** and the **2024 China Talent Development Beacon Award — Outstanding Knowledge Management Enterprise (2024中國人才發展燈塔獎•知識經營優秀企業)**. In order to adapt to the needs of the digital era, the Company has strengthened the construction of digital learning platforms to break the time and space constraints by introducing advanced digital learning platforms, so as to provide employees with multiple learning channels. Through the establishment of the digital learning platforms, employees are encouraged to share their working experience and skills through the digital learning platforms, which facilitates the dissemination and application of knowledge.

In addition, the Group has formulated customised training plans for the actual needs of different positions and levels to help employees at all levels to continuously improve their professional abilities. In order to promote the implementation of the corporate development strategy, the Group has implemented a number of specialised empowerment plans. Customised training and counseling projects have been carried out for the needs of different groups of people, such as reserve managers, sales representatives, production managers, R&D engineers, graduate trainees, newly recruited employees and production management trainees. Through implementing these plans, the Company has not only improved the professional skills and overall quality of its employees, but also provided a strong talent guarantee for the sustainable development of the enterprise. In order to stimulate the learning enthusiasm of employees and strengthen the construction of professional and technical talent team, the Group continued to deepen the construction of professional channels. Currently, it has established competency standards for 124 positions across five major sequences: management, technical, functional, sales and operations, achieving over 90% coverage rate. Meanwhile, the Group has extensively implemented technical worker grade certification programs, achieving a coverage rate exceeding 90%. This has significantly enhanced our results-oriented competency evaluation mechanism, which continuously infuses vitality into talent development, while effectively facilitating the identification and cultivation of outstanding professionals. Through persistent strengthening of talent cultivation systems, the Group remains committed to building a highly efficient, professional and competitive workforce. This strategic focus provides robust human capital support to drive the enterprise's sustainable and stable development.

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

The Company adopted its current share option scheme (the "**2021 Share Option Scheme**") on May 17, 2021 (the "**2021 Adoption Date**"), and terminated the 2019 Share Option Scheme. The Company conditionally granted 35,050,000, 3,080,000 and 960,000 Options to certain Grantees on June 28, 2021 (the "**2021 Grant Date**"), September 28, 2022 (the "**2022 Grant Date**"), and September 28, 2023 (the "**2023 Grant Date**"), respectively. All Options granted and accepted and remaining unexpired prior to such termination shall continue to be valid and exercisable in accordance with their terms and the terms of the 2019 Share Option Scheme. For details, please refer to the circular of the Company dated April 16, 2021 and the announcements dated May 17, 2021, June 28, 2021, September 28, 2022 and September 28, 2023, respectively. Details about the changes in Options for the year ended December 31, 2024 are set out in the section headed "Share Option Scheme" in this annual report.

2024 SHARE AWARD SCHEME

The Company adopted its share award scheme (the "**2024 Share Award Scheme**") on May 31, 2024. Details and changes for the year ended December 31, 2024 are set out in the section headed "2024 Share Award Scheme" in this report.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Che Baozhen, aged 42, was appointed as a Director on May 22, 2015 and was appointed as a member of the Nomination and Remuneration Committee. He also served as the general manager of Prinx Chengshan (Shandong) Tire Co., Ltd. ("**Prinx (Shandong) Tire**"), one of the subsidiaries of the Company, from April 2017 to January 2021. Mr. Che joined the Group in December 2005. He is a director of all subsidiaries of the Company (excluding Prinx Chengshan (Qingdao) Industrial Research and Design Co., Ltd. ("**Prinx (Qingdao)**"), Shenzhen Zhianda Tire Technology Service Co., Ltd., Prinx Chengshan Europe GmbH ("**Prinx (Europe)**") and Prinx Chengshan Tire North America LLC.). Mr. Che is also a Chief Executive Officer. He has nearly 20 years of experience in the automotive tire industry and is responsible for the day-to-day operations, overall management, administration and strategic planning of the Group. Prior to joining the Group, Mr. Che was a staff of Chengshan Group from December 2003 to May 2010, where he was responsible for handling asset management and relations with external parties. In June 2010, Mr. Che was appointed as the assistant of general manager in Shandong Haizhibao Ocean Technology Company Limited. In December 2010, Mr. Che was appointed as the chairman of Rongcheng Chengshan Construction Property Limited Company.

Mr. Che obtained a bachelor's degree in computer science and technology from University of Science and Technology Beijing in Beijing, the PRC in July 2003. He further obtained a master degree in business administration from Bond University, Queensland, Australia in October 2015.

Mr. Che is the son of Mr. Che Hongzhi, the chairman of the Board and a non-executive Director.

Mr. Shi Futao, aged 55, was appointed as a Director on October 28, 2015. Mr. Shi joined the Group in December 2005 as a financial director and was promoted to a director in November 2014 and vice-general manager of Prinx (Shandong) Tire in September 2015. He is a director of Prinx Investment Holding Limited ("**Prinx Investment**"), Prinx Chengshan (Hong Kong) Tire Limited ("**Prinx Hong Kong Tire**"), Prinx (Hong Kong) Rubber Company Limited ("**Prinx Rubber**"), Jinan Zhianda Tire Service Co., Ltd., Zhianda (Shanghai) Tire Service Co., Ltd., Anhui Prinx Chengshan Tire Company Limited and Prinx Thailand, all being subsidiaries of the Company. He has over 30 years of experience in accounting and financial management in the PRC.

Mr. Shi obtained a master degree in company finance from the University of Salford in the United Kingdom in December 2002. He was admitted as a non-practising certified accountant by the Chinese Institute of Certified Public Accountants in 1995. Mr. Shi was recognised as a Senior International Finance Manager by the International Financial Management Association in December 2011. He was awarded with the first stage of high-end accounting personnel training engineering enterprises certificate by Shandong Provincial Party Committee Organisation Department, the Shandong Province Finance Bureau and the Shanghai National Accounting Institute in April 2014. Since January 2016, Mr. Shi has been a fellow member of the Chartered Institute of Management Accountants ("**CIMA**") in the United Kingdom and a Chartered Global Management Accountant of the American Institute of Certified Public Accountants in the United States, respectively.

Directors and Senior Management

Mr. Jiang Xizhou, aged 53, was appointed as a Director on March 28, 2024. He was also appointed as a director of Prinx (Shandong) Tire and Prinx Thailand (each being a subsidiary of the Company), respectively. He joined the Company in August 2019 as an assistant to the general manager. He has been the deputy general manager of the Company since January 2020, the vice president of the Company and the director of the production and operation centre of the Company, the general manager and the director of the technology centre of Shandong Company since January 2021. Since November 2022, he has been serving as the executive vice president of the Company. Since December 30, 2024, he has been serving as the executive president of the Company. Prior to joining the Group, Mr. Jiang held various technical and management positions in Anhui Giti Tire Co., Ltd. from July 1995 to May 2013; he served as the general manager of Fujian Giti Tire Co., Ltd. and the general manager of Giti Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600182), from June 2013 to June 2015; he served as the general manager of Anhui Giti Tire Co., Ltd. from July 2015 to August 2017; and he served as the manufacturing director of Giti Tire (China) Investment Co., Ltd. from September 2017 to July 2019.

Mr. Jiang graduated from Hefei University of Technology with a major in polymer materials and obtained his bachelor degree in July 1995. He graduated from the Wisconsin International University in the United States in December 2002 with a master's degree in Executive Master of Business Administration (EMBA).

NON-EXECUTIVE DIRECTORS

Mr. Che Hongzhi, aged 68, was appointed as a Director on May 22, 2015. He was re-designated as non-executive Director on March 5, 2018. He was also appointed as the chairman of the Board and the chairman of the Development Strategy and Risk Management Committee. He is the founder of the Group. Mr. Che is a director of all subsidiaries of the Company (excluding Prinx (Europe), Qingdao Zhianda Investment Co., Ltd. and Prinx Chengshan Tire North America Inc.). He is also the legal representative of two PRC subsidiaries of the Company. Mr. Che is responsible for providing professional opinion and strategic direction to the Group. Since December 2003, he has been the chairman and executive director of Chengshan Group. He has over 20 years of experience in tire production industry. Prior to establishing the Group, Mr. Che was the chairman of Shandong Chengshan Tire Company Limited from October 2000 to May 2010.

Mr. Che obtained a professional certificate in chemistry from Yantai Education College, in July 1987. He was awarded as a national model worker by the State Council of the PRC in April 2005. He was further being credited as an outstanding provincial party member by Shandong Provincial Party Committee, the PRC in June 2016.

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

Mr. Shao Quanfeng, aged 41, was appointed as a non-executive Director on February 24, 2020. In July 2007, Mr. Shao served as a general accountant of group finance department of China National Heavy Duty Truck Group Co., Ltd. In May and November 2012, he served as a trainee assistant to the general manager of sales department of China Heavy Truck Group Ji'ning Commercial Truck Co., Ltd. and a trainee assistant to the general manager of specialised vehicles segment of China Heavy Truck Group, respectively. In July 2014, he was appointed as the finance manager of Sinotruk (Hong Kong) Capital Holding Limited. In August 2018, he became the first level business supervisor of finance department of China Heavy Truck Group International Co., Ltd. In December 2018, he served as the managing director of Sinotruk (Hong Kong) International Investment Limited. In February 2022, he served as the financial controller of China National Heavy Duty Group Jinan Axle & Transmission Co., Ltd. In April 2022, he served as the financial controller of SINOTRUK International Co., Ltd. In February 2023, he served as the financial controller of light truck sales department and light truck manufacturing factory of China National Heavy Duty TRUCK Group Jinan Commercial VEHICLE Co., Ltd.

Mr. Shao obtained a bachelor's degree in accounting from Shandong University in the PRC in July 2007 and was granted intermediate accountant certificate in August 2011.

Ms. Wang Ning, aged 38, was appointed as a non-executive director on March 28, 2024. Ms. Wang has been serving as the assistant to the general manager at Founder Digital Publishing Technology (Shanghai) Co., Ltd. from June 2011. From May 2014, she has been serving as assistant to the chief financial officer, assistant to the president, and securities affairs commissioner of InfoTM Micro-Electronics Co., Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 000670). She has been serving as the senior consultant and the senior consulting manager of Shanghai InFaith Group Co., Ltd from May 2020 and December 2020 respectively. Since February 2022, she has been working in the board office of Red Avenue New Materials Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603650), and was appointed as the securities affairs representative by the board of directors of the company in April 2022.

Ms. Wang graduated from Qingdao University of Science and Technology in July 2009 with a bachelor's degree in business administration. She obtained the securities practitioner qualification certificate in June 2015. In March 2017, she obtained the qualification certificate of board secretary issued by the Shenzhen Stock Exchange. She obtained the certificate of certified public accountant in March 2021 and became a non-practicing member of the Chinese Institute of Certified Public Accountants. In November 2022, she attended the 1st pre-appointment training for the board secretary of the Shanghai Stock Exchange in 2022 and successfully passed the test. In February 2023, she obtained the board secretary pre-appointment training certificate. In March 2024, she obtained the legal professional qualification certificate of the People's Republic of China.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jin Qingjun, aged 68, was appointed 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 on September 9, 2023. He is currently a senior partner of King & Wood Mallesons. His major areas of practice include securities, finance, investment, financing, real estate, corporate, maritime commerce, insolvency, litigation as well as foreign-related legal affairs. He has a solid legal theory foundation and extensive legal practise experience. In the past 30 years, he has been adhering to the front line of project hosting work, enjoying a high reputation in the industry and among peers. Mr. Jin is one of the first lawyers who were granted Security Qualification Certificate in the PRC, focusing on securities-related legal affairs for more than 30 years. He was the general legal counsel of the Shenzhen Stock Exchange and a member of the Listing Regulatory Council. He is currently a legal counsel of various financial institutions, securities companies and listed companies at home and abroad.

Mr. Jin is currently an independent non-executive director of Times China Holdings Limited (a company listed on the Stock Exchange, stock code: 1233), Central Development Holdings Limited (a company listed on the Stock Exchange, stock code: 475) and Goldstream Investment Limited (a company listed on the Stock Exchange, stock code: 1328); a director of Shenzhen Kingkey Smart Agriculture Times Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000048) and an independent director of Invesco Great Wall Fund Management Co., Ltd. Mr. Jin ceased to act as an independent director of Shenzhen Cheng Chung Design Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002811) since 23 February 2024. From September 2014 to June 2021, Mr. Jin served as an independent director of Guotai Junan Securities Co., Ltd. (a company listed on the Stock Exchange, stock code: 2611 and the Shanghai Stock Exchange, stock code: 601211). From March 2017 to January 2025, Mr. Jin served as an independent director of Bank of Tianjin Co., Ltd. (a company listed on the Stock Exchange, stock code: 1578). From March 2016 to August 2024, Mr. Jin served as an independent director of Sino-Ocean Group Holding Limited (a company listed on the Stock Exchange, stock code: 3377).

Mr. Jin is also a part-time professor of the Chinese Academy of Governance, a part-time professor of the Law School of Renmin University of China, an arbitrator of the Shenzhen Court of International Arbitration, a mediator of the Shenzhen Securities and Futures Dispute Resolution Centre, an arbitrator of the South Africa International Commercial Arbitration Centre, a member of the Inter-Pacific Bar Association, a PRC legal counsel of the US Court of Appeals for the Washington D.C. Circuit and a member of the National Equities Exchange and Quotations Review Committee.

Mr. Jin graduated from the Foreign Language Department of Anhui University with a bachelor's degree in English and American literature in 1982. He graduated from the Graduate School of China University of Political Science and Law with a master's degree in international law in 1987. In 2009, he received a completion certificate for a research programme from the John F. Kennedy School of Government at Harvard University.

Mr. Choi Tze Kit Sammy, aged 62, has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination and Remuneration Committee since September 10, 2018. Mr. Choi over 35 years of experience in finance and auditing. Since July 6, 2018, Mr. Choi has been an independent non-executive director of Minshang Creative Technology Holdings Limited (formerly known as Food Wise Holdings Limited) (stock code: 1632), a company listed on the Stock Exchange. From October 2016 to August 2017, Mr. Choi was an independent non-executive director of Ernest Borel Holdings Limited, a company listed on the Stock Exchange (stock code: 1856). Mr. Choi was an independent non-executive director of Fufeng Group Limited (stock code: 546), a company listed on the Stock Exchange, from January 2007 to November 2015 and an independent non-executive director of PanAsialum Holdings Company Limited (stock code: 2078), a company listed on the Stock Exchange, from February 2016 to February 2017.

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

Mr. Choi has been a council member of Hong Kong Chiu Chow Merchants Mutual Assistance Society Limited since October 2013. He was a member of the Professional Conduct Committee and the Investigation Panel of the HKICPA from January 2020 to December 2022 and a council member of The Society of Chinese Accountants and Auditors from 2010 to 2015. He was elected as an honorary financial advisor of Hong Kong and Kowloon Rattan Ware Merchants Association (Wing Hing Tong) in 2018.

Mr. Wang Chuansheng, aged 65, was appointed as our independent non-executive Director and a member of each the Audit Committee and Development Strategy and Risk Management Committee with effect from September 10, 2018. Mr. Wang has been the director of Academic Division of Engineering in Qingdao University of Science & Technology since December 2016. In November 2015, Mr. Wang was appointed as the distinguished expert by Taishan Scholars and was awarded the Taishan Scholar Climbing Plan (泰山學者攀登計劃) Expert in 2020. Mr. Wang was a teacher of the mechanical faculty in Shandong Institute of Chemical Engineering from July 1982 to September 1984. Mr. Wang has been working at Qingdao University of Science & Technology (previously known as Qingdao Institute of Chemical Technology) (the "**University**") since September 1984. From September 1984 to November 1984, Mr. Wang was a teacher in mechanical engineering faculty at the University. During the period between November 1984 and June 1995, he was the vice office manager of the chemical machinery faculty at the University. From June 1995 to December 1995, he acted as the vice-manager of the mechanical engineering faculty. Mr. Wang was promoted to the position of vice-principal of the machinery engineering faculty in December 1995, In March 2002, he was further promoted to the vice-principal of the electromechanical engineering faculty of the University. From April 2004 to December 2016, Mr. Wang was the head of the electromechanical engineering faculty of the University before he was promoted to the current position.

Mr. Wang obtained a doctorate degree in chemical process machinery from the School of Mechanical and Electrical Engineering of Beijing University of Chemical Technology in the PRC in June 2000. He was recognised as the professor of Qingdao University of Science & Technology by Shandong Province Higher Education Teacher Position Advanced Review Committee in December 1999.

Mr. Wang was awarded the "Second Prize of National Science and Technology Progress Award" by the State Council of the PRC in December 2001 for his "Synchronous Rotor Mixer Technology", and was further awarded the "Second Prize of National Science and Technology Progress Award" by the State Council of the PRC in December 2011 for his "Industrialisation of Waste Rubber and Waste Plastics Pyrolysis of Resources Utilisation of Complete Sets of Technology and Equipment". In October 2013, Mr. Wang was recognised as the National Oil and Chemical Outstanding Science and Technology Worker by the China Petroleum and Chemical Industry Federation. In August 2020, Mr. Wang was granted the title of the "Doctor of the Chemical Industry and Engineering Society of China (CIESC)" by the CIESC. In September 2019, he was granted the medal in commemoration of the 70th anniversary of the PRC by Chinese Communist Party Central Committee, the State Council and China's Central Military Commission. In 2023, Mr. Wang won the Third National Innovation Award (第三屆全國創新爭先獎) and the Qingdao Science and Technology Highest Award (青島市科技最高獎).

SENIOR MANAGEMENT

Mr. Huang Xiaolei, aged 49, has been the senior financial controller of the financial centre of the Company since October 2022 and the chief financial officer of the Company since June 2023. Since July 2023 and March 2024, he has been serving as a director of Prinx Chengshan Tire North America LLC.). and Prinx Chengshan Tire Europe GmbH (each being a subsidiary of the Company), respectively. Prior to joining the Group, from July 1996 to September 2008, Mr. Huang successively served as the treasury manager of the group's finance department of Shanghai Baosteel Group and the head of finance of its Italian subsidiary (based in Italy). From October 2008 to September 2022, Mr. Huang successively served as the senior manager of the group's finance centre of Luolai Home Textile Co., Limited (currently known as Luolai Life Technology Co., Limited, shares of which are listed on the Shenzhen Stock Exchange with stock code 002293), the chief financial officer of Jingyang (Shanghai) Container Leasing Co., Ltd., the chief financial officer of the China region of and the Asia Pacific region (based in Hong Kong) of MARCOLIN S.p.A.

Mr. Huang graduated from East China University of Science and Technology with a bachelor's degree in international business administration in June 1996. He graduated from Fudan University with an MBA degree in January 2012. Mr. Huang obtained a certificate of senior title in accounting from Shanghai Municipal Finance Bureau in 2009. Mr. Huang was named the management leading talent under the "Taishan Industry Leading Talent of Shandong Province" program in 2023, and obtained the senior professional title certificate of chief senior economist in Shandong Province in 2024.

Mr. Ju Xunning, aged 58, has been the deputy director of the production and operation centre of the Company since January 2021. He has been the deputy general manager of the Company since February 2018. Mr. Ju has also been the general manager of the semi-steel affairs department of Prinx (Chengshan) Tires since July 2017. He joined the Group in March 2006 as the assistant to the quality systems director in Prinx (Shandong) Tire. Mr. Ju was promoted to the position of vice chief officer of the manufacturing process improvement department in November 2010. Mr. Ju was appointed as the chief technology officer of All Steel Products in January 2012. In August 2013, he became the production director and continued to serve as the deputy director of the process improvement department. In March 2014, Mr. Ju was promoted to our chief technology officer for semi-steel products. Mr. Ju was further promoted as the chief quality officer in Prinx (Shandong) Tire in December 2016 before he was appointed to the current position, and was appointed as the chief technology officer for semi-steel products of the Group in July 2017. Mr. Ju was responsible for the overall operation and management of the semi-steel business department of the Group. He joined Rongcheng Rubber Factory as a trainee in July 1988, and was promoted to the position of the chief of the phase I engineering formula design department for radial tires in Rongcheng Guotai in July 1995. He was the director of division I of the department of technology in November 1997. In January 2004, Mr. Ju acted as the chief engineer of Shandong Chengshan Group Co., Ltd.

Mr. Ju was awarded with a professional diploma in rubber engineering by Qingdao University of Science & Technology in July 1988. Mr. Ju was recognised as a senior engineer by the Engineering and Technical Services Review Committee of Shandong Province in December 2001. In October 1998, Mr. Ju was awarded a Provincial Science and Technology Progress Award-Industrial Technology of Radial Tires with a Production Capacity of 300,000 Sets Per Year by the Science and Technology Progress Award Evaluation Committee of Shandong Province. In December 1999, Mr. Ju was awarded the second prize of the National Science and Technology Progress Award-Industrial Technology of Radial Tires with a Production Capacity of 300,000 Sets Per Year by the Ministry of Science and Technology of the PRC. In April 2000, he was recognised as the Top 10 Youth Talent by the Communist Youth League of China in Rongcheng City, Rongcheng Broadcasting Bureau and Rongcheng Daily Newspaper. In December 2013, he was awarded with the First-class Hundred Technical Innovation of Workers Achievements Award in Weihai City by the Weihai City Labour Competition Committee.

Mr. Wang Yu, aged 51, has been the director of commercial vehicle replacement sales centre of the sales and marketing headquarters since January 2021. He joined the Group in February 2004 as a regional manager of Prinx (Shandong) Tire and was promoted to the position of sales manager in North China in June 2009 and vice-sales market department officer in April 2010, respectively. In March 2014, Mr. Wang was further promoted to the chief sales and market department officer position. Mr. Wang was responsible for the overall sales of commercial vehicle tire replacement of the Group. Prior to joining the Group, he joined Shandong Chengshan Tires Company Limited in August 2001 as a sales consultant.

Mr. Zhang Yougan, aged 50, joined the Group in June 2020 as the general manager of the Tire Manufacturing Centre of Prinx (Shandong). He has been the director, deputy general manager and a director and in charge of the work of Prinx Thailand since October 2020 and the general manager of Prinx Thailand since May 2021. Prior to joining the Group, Mr. Zhang held various technical and management positions in Anhui Jiatong Tire Co., Ltd. from July 1996 to January 2015. He served as the assistant to the general manager of Anhui Jiatong Tire Co., Ltd. from January 2015 to June 2017. He served as the deputy general manager of Anhui Jiatong Tire Co., Ltd. from June 2017 to June 2020.

Mr. Zhang obtained a diploma in mechanical design and manufacturing from Hefei University of Technology in July 1996 and completed an EMBA study at Shanghai Better Education Institute of Management in February 2009.

COMPANY SECRETARY

Ms. Cao Xueyu, aged 54, was appointed as a joint company secretary of the Company on March 29, 2019 and became the sole company secretary of the Company on September 1, 2022. She was appointed as a Director on March 5, 2018 and resigned as a Director on March 28, 2024. She joined the Group as a director of Prinx Hong Kong Tire on July 1, 2016. She is a director of Prinx Rubber and Prinx Investment, subsidiaries of the Company. Prior to joining the Group, Ms. Cao was a cost accountant and sales accounting supervisor in Nestle Qingdao Limited from June 1994 to January 1997. She was responsible for the internal reportorial documentations relating to sales. In September 2000, she joined the Best Western International Inc. as an account clerk in its national office in New Zealand, and worked as the assistant accountant in April 2001 until May 2004. In September 2004, Ms. Cao was the finance manager of Wistar Enterprises Limited. She was responsible for supervising the finance team of the company to provide financial and management accounting support to the subsidiaries of the company.

Ms. Cao was awarded with the New Zealand Diploma in Business by the Auckland University of Technology, New Zealand, in April 2003. She was recognised as the Associate Chartered Management Accountant by the Chartered Institute of Management Accountants since November 2015. In October 2016, Ms. Cao was admitted as a certified accountant by the Certified Public Accountant Australia.

CHANGE OF DIRECTORS

Ms. Cao Xueyu resigned as an executive Director of the Company on March 28, 2024 due to internal reallocation of responsibilities.

Mr. Wang Lei resigned as a non-executive Director of the Company on March 28, 2024 as he intends to devote more time to his other business commitments.

Mr. Jiang Xizhou has been appointed as an executive Director with effect from March 28, 2024. Mr. Jiang has been re-elected at the annual general meeting of the Company held on May 31, 2024.

Ms. Wang Ning has been appointed as a non-executive Director with effect from March 28, 2024. Ms. Wang has been re-elected at the annual general meeting of the Company held on May 31, 2024.

For details of the change of Directors, please refer to the announcement of the Company dated March 28, 2024.

Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2024.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to attract, retain and provide incentives to senior and mid-level management and key employees of the Company, to provide them with the opportunity to obtain shares of the Company and to link their interests closely to the operating results and share performance of the Company with a view to increasing the value of the Company and to attracting human resources that are valuable to the Group.

2021 Share Option Scheme

The Company adopted the 2021 Share Option Scheme on the 2021 Adoption Date. The 2021 Share Option Scheme shall be valid and effective for a period of eight years commencing from the 2021 Adoption Date. As at the date of this annual report, the remaining life of the 2021 Share Option Scheme is approximately four years and two months.

The purpose of the 2021 Share Option Scheme is to replace the 2019 Share Option Scheme and to enable the Board to grant share 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 that are valuable to the Group. Proposed employees are included as Eligible Participants to enable the Company to offer a competitive remuneration package to recruit high calibre candidates.

For the purpose of the 2021 Share Option Scheme, eligible participant means any employee or proposed employee (whether full time or part time) of any member of the Group or any invested entity, excluding any independent non-executive Directors and provided that the proposed employee is actually employed by the Group and has passed the stipulated probation period.

As at the date of this report, the number of Shares available for issue under the 2021 Share Option Scheme is 10,910,000 Shares, representing approximately 1.71% (as at the date of the 2023 Annual Report: 1.71%) of the total number of Shares in issue as at the date of this annual report.

The total number of Shares which may be issued upon exercise of all share options to be granted under the 2021 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date. The Company may seek approval of the Shareholders in general meeting to refresh the 10% limit under the 2021 Share Option Scheme, provided that the total number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2021 Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 30% of the total number of Shares in issue from time to time.

Report of the Directors

No Grantee shall be granted a share option if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the share options granted to such Grantee (including both exercised and outstanding share options) in any 12-month period exceeding 1% of the total number of Shares in issue. Where any further grant of share options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all share options granted and to be granted to such Grantee (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Grantee and his/her associates abstaining from voting.

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

During the Reporting Period, no share options under the 2021 Share Option Scheme were exercised, a total of 9,565,500 share options were cancelled due to the Company's overall performance targets not being met, and a total of 208,000 share options lapsed. 17,556,500 share options were outstanding as at the end of the Reporting Period.

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

Share options Granted in 2021

On the 2021 Grant Date, the Company conditionally granted 35,050,000 share options to certain Grantees, subject to acceptance of the Grantees, to subscribe for a total of 35,050,000 ordinary shares (the "**Shares**") of USD0.00005 each in the share capital of the Company. The exercise price of the Shares on the 2021 Grant Date was HK$8.568 per Share, which is the highest among (i) the closing price of HK$8.510 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the Grant Date; (ii) the average closing price of HK$8.568 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Grant Date; and (iii) the nominal value of each Share. The closing price for the business day immediately preceding the 2021 Grant Date was HK$8.500 per Share.

Among the share options granted, 5,500,000 share options were granted to the Directors, chief executive or substantial shareholders of the Company, or an associate (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.

Share options granted in 2022

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

The grantees of the share options granted in 2022 are the employees of the Group, and no grantees were the Directors, chief executives or substantial Shareholders of the Company, or an associate (as defined in the Listing Rules) of any of them.

Share options granted in 2023

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

The grantees of the share options granted in 2023 are the employees of the Group, including one senior management (as defined in the Listing Rules), and no grantees were the Directors, chief executives or substantial Shareholders of the Company, or an associate (as defined in the Listing Rules) of any of them.

Details of the 2021 Share Option Scheme and the share options granted are set out in the circular of the Company dated April 15, 2021, and the announcements dated May 17, 2021, June 28, 2021, September 28, 2022, and September 28, 2023, respectively.

2019 Share Option Scheme

The Company adopted the 2019 Share Option Scheme on the 2019 Adoption Date and 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 issued by the Company on April 15, 2021.

According to the terms of the 2019 Share Option Scheme, the Company may by resolution in general meeting at any time terminate the 2019 Share Option Scheme, and in such event, no further offer to grant an option nor further option shall be made, but in all other respects the provisions of the 2019 Share Option Scheme shall remain in force and effect. All share options granted and accepted and remained unexpired immediately prior to such termination shall continue to be valid and exercisable in accordance with their terms and the terms of the 2019 Share Option Scheme.

Report of the Directors

The purpose of the 2019 Share Option Scheme is to attract, retain and motivate senior and mid-level management and key employees of the Company, to provide them with the opportunity to obtain shares of the Company, to link their interests closely to the operating results and share performance of the Company with a view to increasing the value of the Company and to attracting human resources that are valuable to the Group.

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

As the Company has terminated the 2019 Share Option Scheme on 2021 Adoption Date, under the 2019 Share Option Scheme, no options were available for grant at the beginning and the end of the Reporting Period and no shares were available for issue as at the date of this report.

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

During the Reporting Period, a total of 967,000 share options under the 2019 Share Option Scheme were exercised, no share options were canceled, and a total of 107,556 share options have lapsed. 5,101,845 share options were outstanding as at the end of the period.

Share options granted in 2019

On the 2019 Grant Date, the Company conditionally granted 14,400,000 share options to certain Grantees, subject to acceptance of the Grantees, to subscribe for a total of 14,400,000 Shares pursuant to the 2019 Share Option Scheme. The exercise price of the Shares on the 2019 Grant Date was HK$7.244 per Share, which is the highest among (i) the closing price of HK$7.130 per Share on the 2019 Grant Date; (ii) the average closing price of HK$7.244 per Share for the five business days immediately preceding the 2019 Grant Date; and (iii) the nominal value of each Share. The closing price for the business day immediately preceding the 2019 Grant Date was HK$7.220 per Share. The offer of a grant of share options may be accepted within 28 days from the date of offer.

Among the Share options granted in 2019, 1,317,500 share options were granted to the Directors, chief executive or substantial shareholders of the Company, or an associate (as defined in the Listing Rules) of any of them and 13,082,500 share options were granted to other senior management (as defined in the Listing Rules) and employees of the Group.

Share options granted in 2020

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

The grantees of the share options granted in 2020 are the employees of the Group, and no grantees were the Directors, chief executives or substantial Shareholders of the Company, or an associate (as defined in the Listing Rules) of any of them.

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

Share options Exercised and Issued Shares

As mentioned above, 967,000 share options granted by the Company were exercised during the Reporting Period.

The number of ordinary shares that may be issued pursuant to the share options granted under the 2019 Share Option Scheme and 2021 Share Option Scheme during the year ended December 31, 2024 divided by the weighted average number of ordinary shares (excluding treasury shares, if any) for the year ended December 31, 2024 was approximately 3.55%.

2024 SHARE AWARD SCHEME

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

Report of the Directors

According to the 2024 Share Award Scheme, the maximum number of shares available to issue during its term is limited to 4,200,000 shares, representing approximately 0.66% of the issued share capital (excluding treasury shares, if any) of the Company as at the date of the report. Pursuant to the 2024 Share Award Scheme, the maximum number of awarded Shares that may be granted to any Selected Employee during its term shall not exceed 0.28% of the issued share capital of the Company from time to time (i.e., 1,800,000 shares as at 31 May 2024). Under the 2024 Share Award Scheme, all the awarded Shares granted to incentive recipients under the Scheme shall not be vested within 3 years (36 months) from the date of grant. In principle, the awarded Shares shall be vested in the following manner: (1) by the end of the third anniversary (36 months) from the date of grant, 30% of the awarded Shares granted to each incentive recipients shall be vested (the "**First Vesting**"); (2) by the end of the fourth anniversary (48 months) from the date of grant, another 30% of the awarded Shares granted to each incentive recipients shall be vested (the "**Second Vesting**"); (3) by the end of the fifth anniversary (60 months), the remaining 40% of the awarded Shares granted to each incentive recipients shall be vested (the "**Third Vesting**"). The Board is entitled to impose any conditions (including a period of continued service within the Group after the grant of the award and performance targets which must be attained) with respect to the vesting of the awarded Shares on the Selected Employee and any other conditions, restrictions or limitations, as it deems appropriate in its absolute discretion, and shall inform the Trustee and such Selected Employees the relevant conditions, restrictions and/or limitations of the award and awarded Shares. According to the 2024 Share Award Scheme, the Shares will be purchased by the 2024 Share Award Scheme Trustee on the Stock Exchange (costs to be borne by the Company), and will be vested before held in trust by the 2024 Share Award Scheme Trustee on behalf of selected employees pursuant to the 2024 Share Award Scheme.

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

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

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

The 2024 Share Award Scheme Trustee will purchase Shares on the Stock Exchange funded by the Group's internal resources for the purpose of the 2024 Share Award Scheme. From the date of adoption of the 2024 Share Award Scheme up to December 30, 2024, the Company had not purchased any of the Shares under the 2024 Share Award Scheme. As at the date of this annual report, the remaining life of the 2024 Share Award Scheme is approximately five years and two months.

Since the adoption of the 2024 Share Award Scheme (i.e. May 31, 2024) up to December 31, 2024, 1,360,000 awarded Shares have been granted to Selected Employees under the 2024 Share Award Scheme.

As at the date of this report, the number of shares that may be awarded under the 2024 Share Award Scheme is 1,360,000, representing 0.21% of the total number of shares issued by the Company as at the date of this report.

Report of the Directors

Details of the outstanding Options and awards and Options and awards granted, exercised, cancelled and lapsed during the year ended December 31, 2024 are as follows:

		Share Options										Share Awards							
Name of the participant	Position(s) held	Grant date	Exercise price per share	As at the date of grant	Outstanding as at the beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at the end of the period	Exercise period	Grant date	Vesting date	Outstanding at the beginning of the period	Granted during the period[8]	Vested during the period	Cancelled during the period	Lapsed during the period	Outstanding as at the end of the period
Che Baozhen	Executive Director	July 9, 2019	HK$7.244	580,000	390,533	–	–	–	–	390,533	July 9, 2020 to July 8, 2025 (Notes 1&6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Shi Futao	Executive Director	July 9, 2019	HK$7.244	512,000	344,746	–	–	–	–	344,746	July 9, 2020 to July 8, 2025 (Notes 1&6)	December 30, 2024	December 30, 2027	–	60,000	–	–	–	60,000
		June 28, 2021	HK$8.568	5,000,000	5,000,000	–	–	–	1,750,000	3,250,000	June 28, 2024 to June 27, 2029 (Notes 3&6)		December 30, 2028	–	60,000	–	–	–	60,000
													December 30, 2029	–	80,000	–	–	–	80,000
Jiang Xizhou	Executive Director	July 9, 2020	HK$7.960	225,500	130,050	–	–	–	–	130,050	July 9, 2021 to July 8, 2025 (Notes 2&6)	December 30, 2024	December 30, 2027	–	180,000	–	–	–	180,000
		June 28, 2021	HK$8.568	500,000	5,000,000	–	–	–	1,750,000	3,250,000	June 28, 2024 to June 27, 2029 (Notes 3&6)		December 30, 2028	–	180,000	–	–	–	180,000
													December 30, 2029	–	240,000	–	–	–	240,000
Other senior management (as defined in Chapter 17 of the Listing Rules) and employees		July 9, 2019	HK$7.244	13,308,000	5,161,427	–	967,000 (Note 7)	107,556	–	4,086,871	July 9, 2020 to July 8, 2025 (Notes 1&6)	December 30, 2024	December 30, 2027	–	132,000	–	–	–	132,000
		July 9, 2020	HK$7.960	580,500	149,645	–	–	–	–	149,645	July 9, 2021 to July 8, 2025 (Notes 2&6)		December 30, 2028	–	132,000	–	–	–	132,000
		June 28, 2021	HK$8.568	25,050,000	15,050,000	–	–	–	5,267,500	9,782,500	June 28, 2024 to June 27, 2029 (Notes 3&6)		December 30, 2029	–	176,000	–	–	–	176,000
		September 28, 2022	HK$8.568	3,080,000	1,320,000	–	–	208,000	462,000	650,000	June 28, 2024 to May 27, 2029 (Notes 4&6)								
		September 28, 2023	HK$8.568	960,000	960,000	–	–	–	336,000	624,000	September 28, 2024 to May 27, 2029 (Notes 5&6)								
Five highest paid employees[9]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	December 30, 2024	December 30, 2027	–	36,000	–	–	–	36,000
													December 30, 2028	–	36,000	–	–	–	36,000
													December 30, 2029	–	48,000	–	–	–	48,000
Total				54,325,500	33,506,401	–	967,000	315,556	9,565,500	22,658,345				–	1,360,000	–	–	–	1,360,000

Note 1: The share options granted will vest upon achievement of the performance targets in the respective proportions and on the respective dates as specified in the offer letter. One third of the total number of the share options granted shall be vested and exercisable from the expiry of 12 months, 24 months and 36 months, respectively, on the 2019 Grant Date; if the share options are not vested due to the failure of meeting performance standards of the participants of the incentive scheme in the first three vesting periods, the share options granted shall be exercisable at any time from the expiry of 48 months from the 2019 Grant Date for the fourth exercise period subject to the fulfillment of performance standards in the fourth annual appraisal and the deferred vesting conditions, and the vesting proportion shall be the remaining unvested share options after excluding the lapsed share options. If the vesting conditions are not met by the Grantee, the unvested share options granted to such Grantee would lapse. Subject to the vesting schedule, the share options are exercisable within a period of six years commencing from the 2019 Grant Date.

Note 2: The share options granted will vest upon achievement of the performance targets in the respective proportions and on the respective dates as specified in the offer letter. Half of the total number of share options granted can be vested and exercised after the expiration of 12 months and 24 months from the 2020 Grant Date, respectively. If the share options are not vested as the performance of the scheme participants in the first two vesting periods fails to meet the standards, in the event that the performance meets the standard upon the third annual assessment and the deferred vesting conditions are satisfied, the share options granted may be exercised at any time after the third exercise period (i.e., after 36 months from the 2020 Grant Date), and the vesting proportion is the remaining unvested share options after excluding the expired share options. If the vesting conditions are not met by the Grantee, the unvested share options granted to such Grantee would lapse. Subject to the vesting schedule, the share options are exercisable within a period of five years commencing from the 2020 Grant Date.

Note 3: Subject to the terms of the 2021 Share Option Scheme, 35% and the remaining 65% of the share options can be vested and exercised at any time after the expiration of 36 months and 60 months from the 2021 Grant Date, respectively. Subject to the vesting schedule, the share options are exercisable within a period of eight years commencing from the 2021 Grant Date. The share options granted will vest upon achievement of the performance targets in the respective proportions and on the respective dates as specified in the offer letter. If the vesting conditions are not met by the Grantee, the unvested share options granted to such Grantee would lapse in accordance with the terms of the 2021 Share Option Scheme.

Note 4: Subject to the terms of the 2021 Share Option Scheme, 35% and the remaining 65% of the share options can be vested at any time after the expiration of 21 months and 45 months from the 2022 Grant Date, respectively. Subject to the vesting schedule, the share options are exercisable within a period of six years and nine months commencing from the 2022 Grant Date. The share options granted will vest upon achievement of the performance targets in the respective proportions and on the respective dates as specified in the offer letter. If the vesting conditions are not met by the Grantee, the unvested share options granted to such Grantee would lapse in accordance with the terms of the 2021 Share Option Scheme.

Note 5: Subject to the terms of the 2021 Share Option Scheme, 35% and the remaining 65% of the share options can be vested at any time after the expiration of 12 months and 33 months from the 2023 Grant Date, respectively. Subject to the vesting schedule, the share options are exercisable within a period of five years and nine months commencing from the 2023 Grant Date. The share options granted will vest upon achievement of the performance targets in the respective proportions and on the respective dates as specified in the offer letter. If the vesting conditions are not met by the Grantee, the unvested share options granted to such Grantee would lapse in accordance with the terms of the 2021 Share Option Scheme.

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

Note 7: The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$8.56 per share.

Note 8: The fair value of the award granted on December 30, 2024 was of HK$10,036,800 as at the grant date. This fair value was calculated based on the market value of the shares as at the grant date.

Note 9: Details of the five highest paid employees are set out in Note 10 to the financial statements of the annual report of the Company for the year ended December 31, 2024.

Note 10: The purchase price of all the above-granted share awards is HK$0.

Note 11: The closing price of the Company' s shares immediately preceding the grant of share awards on December 30, 2024 was HK$7.380 per share.

Save as disclosed above, (i) none of the Grantees is a Director, chief executive, substantial shareholder of the Company, or an associate (as defined in the Listing Rules) of any of them; (ii) none of the Grantees is a participant with Options and share awards granted or to be granted in any 12-month period exceeding the 1% individual limit under the Listing Rules; and (iii) none of the Grantees is a related entity participant or service provider (as defined under the Listing Rules).

PRINCIPAL ACTIVITIES

The Company is principally engaged in the manufacturing and sales of tire products in the PRC and other global markets. The analysis of the Group's principal business for the year ended December 31, 2024 is set out in note 1 to the consolidated financial statements.

RESULTS

The financial results of the Group for the year ended December 31, 2024 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on Pages 106 to 107 of this annual report.

DIVIDEND

During the review period, the Group has paid an interim dividend of HK$0.15 per ordinary share before tax to the shareholders of the Company ("**Shareholders**"), amounting to approximately HK$95.5 million.

The Board recommends the payment of a final dividend of HK$0.5 per ordinary share before tax for the year ended December 31, 2024. The final dividend is subject to the approval of the shareholders of the Company at the annual general meeting to be held on May 23, 2025 (the "**AGM**") and will be paid around June 27, 2025 to the Shareholders whose names appear on the register of members of the Company on June 17, 2025.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (the "**EIT Law**"), the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China, and the Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of De Facto Management Bodies, the Company is required to withhold 10% enterprise income tax when it distributes the final dividend to its non-resident enterprise shareholders, and the withholding and payment obligation lies with the Company. In respect of all shareholders whose names appear on the Company's register of members as at the record date for determination of entitlement to the final dividend who are not individuals (including HKSCC Nominees

Limited ("**HKSCC**"), other corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the final dividend after deducting enterprise income tax of 10%. The Company will not withhold and pay the enterprise/individual income tax for all PRC resident enterprise, exempted institution and natural person Shareholders whose names appear on the register of members of the Company on the record date for determination of entitlement to the final dividend.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold the said 10% enterprise income tax, it shall lodge with MUFG Corporate Markets Pty Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled before 4:30 p.m. on June 11, 2025.

If you wish to change your shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will withhold and pay the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the laws and the requirements of the relevant government departments and based on the register of members of the Company on the Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the Shareholders or any disputes over the mechanism of withholding of enterprise income tax.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, May 20, 2025 to Friday, May 23, 2025, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Friday, May 23, 2025, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, MUFG Corporate Markets Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Monday, May 19, 2025.

Subject to the approval of the Shareholders at the AGM, the proposed final dividend will be payable to the Shareholders whose names appear on the register of members of the Company on Tuesday, June 17, 2025, being the record date for determination of entitlement to the final dividend. The register of members of the Company will be closed from Thursday, June 12, 2025 to Tuesday, June 17, 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, MUFG Corporate Markets Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong for registration not later than 4:30 p.m. on Wednesday, June 11, 2025.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**"). The Board shall consider the following factors before declaring or recommending dividends:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and internal or external factors that may have an impact on the business, financial results and position of the Company; and
- other factors that the Board deems relevant.

The payment of dividend is also subject to any restrictions under the applicable laws and the articles of association of the Company.

As stated in the prospectus of the Company dated September 24, 2018 (the "**Prospectus**"), the Group intends to pay dividends of not less than 20% of the future distributable net profit attributable to equity shareholders after the Listing. Going forward, the Group will continuously evaluate its dividend policy in light of its financial position and the prevailing economic environment.

BUSINESS REVIEW

1. Business Review of the Company

The Company is principally engaged in the R&D, manufacturing and sales of tires. It has three product categories, namely All Steel Tires, Semi-Steel Tires and Bias Tires, covering passenger, commercial, industrial, agricultural and some special vehicle tires. The Company pursues the core strategies of cost leadership, efficiency driven, differentiated competition and global operation, focuses on improving the industrial ecological chain, and responds to the ever-changing needs of customers in a systematic, professional and rapid manner to create value for customers. Prinx Chengshan is a green development enterprise that attaches importance to safety, environmental protection, integrity, win-win and bears a strong sense of social responsibility.

For further details, please refer to related contents in this section and "Business Review and Outlook" in the section headed "Management Discussion and Analysis" in this annual report. Substantially all of the Group's revenue was from sale of tires. The following table sets forth a summary of financial ratios for indicated periods and dates:

	Year ended December 31,				
Financial Indicators	**2024**	**2023**	**2022**	**2021**	**2020**
Revenue growth rate[1]	10.3%	22.0%	8.2%	20.0%	12.4%
Net profit increase rate[2]	26.9%	162.4%	42.5%	−54.3%	26.1%
Gross profit margin[3]	21.2%	21.3%	14.3%	13.8%	22.3%
EBIT margin[4]	13.2%	12.1%	5.2%	3.6%	11.0%
Net profit margin[5]	12.0%	10.4%	4.8%	3.7%	9.6%
Return on equity[6]	21.9%	20.9%	9.4%	7.2%	16.8%
Return on total assets[7]	12.1%	10.0%	4.1%	3.3%	9.1%
Asset to liability ratio[8]	40.6%	48.8%	55.4%	56.9%	49.5%
Trade receivables turnover days[9]	65	59	61	67	67
Inventory turnover days([10]	76	69	73	70	65

Notes:

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

(2) Net profit increase rate = (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%;

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

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

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

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

(8) Asset to liability 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/revenue for the period* 365 days; and

(10) Inventory turnover days = (total inventory at the beginning of the period + total inventory at the end of the period)/2/cost of sales for the period* 365 days.

Report of the Directors

The Company selects representative financial indicators in terms of profitability, operational capability and solvency to analyse the Company's growth capability. The Company's financial indicators were stable, of which revenue increased by approximately 10.6% year-on-year and net profit increased by approximately 26.9% year-on-year in 2024. In 2024, the Company recorded profit before income tax of approximately RMB1,384.5 million, representing a year-on-year increase of approximately 22.5%. The increase in profitability was mainly due to the increase in sales. The asset to liability ratio of the Company as at December 31, 2024 decreased by approximately 8.2ppt year-on-year, which was mainly due to higher profits and loan repayments. While progressively expanding production capacity, the Company has maintained sufficient liquidity and strong solvency. The Company's trade receivables turnover days in 2024 were approximately 65 days, representing an increase of 6 days as compared to that of 2023. The inventory turnover days were around 76 days, representing an increase of 7 days as compared to that of 2023, which was due to an increase in sales volume and stockpiling for the Lunar New Year at the end of the year. In view of the above, the Company has relatively high competitiveness and strong capability for operation and management and can continue to create value for Shareholders.

2. Development Strategies of the Company

(1) Planning of the Company

1. With the vision and mission of "leading tire innovation, contributing to smart travel and sustainable development, and achieving a better life", the Group firmly implements the four core development strategies of "cost leadership, efficiency driven, differentiated competition, and global operation", grasps the development trend of the industry, and is committed to improving the innovation ability and core competitiveness of the enterprise, so as to promote smart travel and sustainable development.

2. The Group has formulated a medium-and-long term plan for steady and long-term development. Through the realisation of strategic objectives, the Company will return to the leading position in the domestic industry, build a world-class tire manufacturer, and achieve technology-led tire innovation.

3. The Group is customer-centric, market-oriented, with sales target as an evaluation tool, and builds itself into a world-class tire manufacturer by focusing on the six strategic dimensions of marketing, R&D, manufacturing, team, system and mode. The Group strives for the coordination of the entire value chain including procurement, supply chain, finance, manufacturing, quality, R&D and market to support high-quality corporate development.

4. The Group consolidates the construction of three talent teams, namely management, R&D and production, and cultivates a corporate culture based on the core values of "customer first, responsibility, professionalism, innovation and openness".

5. The Group pursues a multi-brand strategy, strives to achieve the internationalization and localization and differentiates the development of its four major brands under the Group, namely Prinx, Chengshan, Austone and Fortune, to enhance the brand competitiveness based on core products, and to help each user explore a better life with new manufacturing intelligence and perceptible technology.

6. Based on the enhancement of core R&D capabilities by the Company's multi-scale tire full life cycle manufacturing innovation centre, the Group continuously improves its technology value-added services to form a competitive advantage in the market.

7. The Group is actively building the CS-LEAD model of "Construction (a two-level management and control system that matches the strategy), System Building Team, Learning Organization, Excellence Engineer Culture, Assessment & Inspiring and Dual Development channel", to achieve the goal of broadening the channels of employee growth, paying attention to the employee happiness index of, and becoming an enterprise that employees feel happy, welcomed by customers and respected by the society.

(2) Opportunities of the Company

1. The increase in vehicle ownership in the PRC, coupled with the regulation of the production order of the industry by the introduction of relevant national policies such as the adjustment of industrial structure and the optimisation of industrial layout, has driven the development of the tire industry and brought opportunities for the development of the Company.

2. The PRC government's emphasis on environmental protection and sustainable development has led to favourable support and promotion of new energy vehicles, and the rapid growth of China's new energy vehicle market has provided a good development opportunity for the Company's OE business.

3. Under the background of "Carbon Peak, Carbon Neutrality", the Company has continued to promote low-carbon energy structure, intelligent manufacturing and digital transformation in recent years, laying a 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 personnel structure tends to be reasonable, laying a good human resources foundation for the development of the Company.

5. The reasonable capital structure, sufficient cash flow and stable financial position of the Company provide good financial conditions for leapfrog development.

6. With the layout of sales companies in Europe, America and production bases in Thailand, the Company has basically formed a global production and operation pattern, and is more confident to cope with the challenges brought by the changes in the international situation.

7. The air springs market in the PRC has great growth potential due to the increasing demand for air springs as a result of rising consumer demand for comfort.

8. For new products that require compulsory product certification, there is an opportunity to make early market preparations. It will enable the Company to establish competitive advantages in the market, increase market share, and also gain consumer recognition of product quality and safety.

3. **Environmental Policies and Performance of the Company**

   The Group complies with various environmental laws and regulations. Hazardous materials involved in the production process are stored, used and disposed of in accordance with regulatory requirements. The waste water, waste gas and other pollutants generated during the production process of the Group are in compliance with national emission standards and disposal requirements. Hazardous waste is stored and disposed of in accordance with regulatory requirements. The Company has established the Environmental Compliance Obligation Identification Management Procedures and the Environmental Information Exchange Management Procedures to receive national and local policies and regulations on environmental protection and take corresponding actions.

4. **Future Prospects**

   The outlook of the Group is set forth in the section headed "Management Discussion and Analysis" of this annual report.

5. **Risks and Uncertainties and Compliance with Relevant Laws and Regulations**

   A description of the principal risks and uncertainties that the Group may be facing and compliance with the relevant laws and regulation are contained in the section headed "Management Discussion and Analysis" of this annual report.

FINANCIAL HIGHLIGHTS

A summary of the consolidated statement of profit or loss and the consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 4 to 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major customers

For the year ended December 31, 2024, the transaction amounts attributable to the Group's top five customers accounted for approximately 12.4% (2023: 12.2%) of the Group's total revenue, while the transaction amounts attributable to the Group's single largest customer accounted for approximately 3.8% (2023: 3.6%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2024, the transaction amounts attributable to the Group's top five suppliers accounted for approximately 15.1% (2023: 14.9%) of the Group's total purchases, while the transaction amounts attributable to the Group's single largest supplier accounted for approximately 4.1% (2023: 3.3%) of the Group's total purchases.

In 2024, save as disclosed in note 36 to the consolidated financial statements, none of the Directors, any of their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) was interested in the top five customers or suppliers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group in 2024 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company in 2024 are set out in note 25 to the consolidated financial statements.

RESERVE

Details of movements in the reserves of the Company and the Group in 2024 are set out in notes 37 and 27 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at December 31, 2024, the Company's reserves available for distribution amounted to approximately RMB2,308.9 million (as at December 31, 2023: approximately RMB2,220.7 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2024 are set out in note 28 to the consolidated financial statements.

DIRECTORS

The Directors in 2024 and up to the date of this annual report are as follows:

Executive Directors:

Che Baozhen
Shi Futao
Cao Xueyu (resigned on March 28, 2024)
Jiang Xizhou (appointed on March 28, 2024)

Non-executive Directors:

Che Hongzhi
Wang Lei (resigned on March 28, 2024)
Shao Quanfeng
Wang Ning (appointed on March 28, 2024)

Independent Non-executive Directors:

Jin Qingjun
Choi Tze Kit Sammy
Wang Chuansheng

In accordance with Article 108 of the Articles of Association, Mr. Che Hongzhi, Mr. Choi Tze Kit Sammy and Mr. Shao Quanfeng shall retire by rotation at the AGM and, being eligible, offer themselves for re-election.

A circular setting out, among other things, details of the Directors subject to rotation and re-election at the AGM will be dispatched 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 41 to 48 of this annual report.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent for the year ended December 31, 2024.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 36 to the consolidated financial statements, no Director (or entity connected with any of the Directors) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party in 2024 and up to the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed in 2024 and up to the date of this annual report.

EMOLUMENT POLICY

The primary duties of the Nomination and Remuneration committee of the Company are to make recommendations to the Board on the appointment of the Directors, the management of the Board's succession, the overall remuneration policy and structure relating to all the Directors and senior management of the Group, review performance based remuneration and ensure none of the Directors determine their own remuneration.

In determining the remuneration of Directors and senior management, the Board takes into consideration the remuneration level of comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group, individual performance of each Director and the Company's performance.

Details of the emoluments of the Directors and the five highest paid individuals in 2024 are set out in note 10 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 10 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the "Share Option Scheme" and "2024 Share Award Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

CHANGES IN INFORMATION OF DIRECTORS

During the period from the date of the 2024 interim report up to the date of this report, save as disclosed in this annual report in relation to "Directors", there is no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

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

As at December 31, 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which 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 which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules were as follows:

Name	Capacity/nature of interest	Number of Shares	Long/short position	Shareholding in the Company Approximate percentage
Mr. Che Hongzhi	Interest of spouse	443,359,500 *(Note 1)*	Long position	69.56%
Mr. Che Baozhen	Interest of controlled corporation	443,359,500 *(Note 2)*	Long position	69.56%
	Beneficial owner	390,533 *(Note 3)*	Long position	0.06%
Mr. Shi Shutao	Beneficial owner	3,946,746 *(Note 4)*	Long position	0.62%
Mr. Jiang Xizhou	Beneficial owner	3,980,050 *(Note 5)*	Long position	0.62%

Report of the Directors

Notes:

(1) Mr. Che Hongzhi is the spouse of Ms. Li Xiuxiang. As such, he is deemed to be interested in all the Shares in which Ms. Li Xiuxiang are interested.

(2) As at December 31, 2024, Mr. Che Baozhen directly owned 50% equity interest in Shanghai Chengzhan Information Technology Centre ("**Shanghai Chengzhan**"), which in turn owned 95% equity interest in Beijing Zhongmingxin Investment Co., Ltd. ("**Beijing Zhongmingxin**"), which in turn controlled 39.79% equity interest in Chengshan Group. As such, Mr. Che Baozhen, Shanghai Chengzhan and Beijing Zhongmingxin are deemed to be interested in the interests of Chengshan Group.

(3) As at December 31, 2024, Mr. Che Baozhen held interests in these Shares through the share options granted under the Share Option Scheme under physically settled equity derivatives.

(4) As at December 31, 2024, Mr. Shi Futao held interests in 3,594,746 Shares through the share options granted under the share option scheme under physically settled equity derivatives, and held interests in 200,000 Shares through the awards granted under the share award scheme under physically settled equity derivatives.

(5) As at December 31, 2024, Mr. Jiang Xizhou held interests in 3,380,050 Shares through the share options granted under the share option scheme under physically settled equity derivatives, and held interests in 600,000 Shares through the awards granted under the share award scheme under physically settled equity derivatives.

(6) The calculation is based on the total number of 637,407,000 Shares in issue as at December 31, 2024 and the Company did not hold any treasury shares as at December 31, 2024.

Save as disclosed above, as at December 31, 2024, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at any time for the year ended December 31, 2024 none of the Company or its subsidiaries was a party to any arrangement that would enable the Directors or the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at December 31, 2024, to the knowledge of the Directors, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company required to be maintained pursuant to section 336 of the SFO:

Name	Capacity/ nature of interest	Number of Shares	Long/short position	Shareholding in the Company Approximate percentage
Sinotruk (Hong Kong) Capital Holding Limited	Beneficial owner	54,914,500 *(Note 1)*	Long position	8.62%
Sinotruk (Hong Kong) International Investment Limited	Interest of controlled corporation	54,914,500 *(Note 1)*	Long position	8.62%
Sinotruk (Hong Kong) Limited	Interest of controlled corporation	54,914,500 *(Note 1)*	Long position	8.62%
Sinotruk (BVI) Limited	Interest of controlled corporation	54,914,500 *(Note 1)*	Long position	8.62%
China National Heavy Duty Truck Group Co., Ltd.	Interest of controlled corporation	54,914,500 *(Note 1)*	Long position	8.62%
Shandong Heavy Industry Group Co., Ltd.* (山東重工集團有限公司)	Interest of controlled corporation	54,914,500 *(Note 1)*	Long position	8.62%
Chengshan Group	Beneficial owner	436,600,000 *(Note 2)*	Long position	68.50%
	Interest of controlled corporation	6,759,500 *(Note 2)*	Long position	1.06%
Beijing Zhongmingxin	Interest of controlled corporation	443,359,500 *(Note 2)*	Long position	69.56%
Shanghai Chengzhan	Interest of controlled corporation	443,359,500 *(Note 2)*	Long position	69.56%
Ms. Li Xiuxiang	Interest of controlled corporation	443,359,500 *(Note 2)*	Long position	69.56%
Ms. Bi Wenjing	Interest of spouse	443,750,033 *(Note 3)*	Long position	69.62%
Sino Legend Holding Group Limited	Beneficial owner	32,674,500 *(Note 4)*	Long position	5.12%
Sino Legend (China) Chemical Company Limited	Interest of controlled corporation	32,674,500 *(Note 4)*	Long position	5.12%
Red Avenue New Materials Group Co., Ltd.	Interest of controlled corporation	32,674,500 *(Note 4)*	Long position	5.12%
Red Avenue Investment Group Limited	Interest of controlled corporation	32,674,500 *(Note 4)*	Long position	5.12%
ZHANG NING	Interest of controlled corporation	32,674,500 *(Note 4)*	Long position	5.12%

Notes:

(1) As at December 31, 2024, China National Heavy Duty Truck Group Co., Ltd. owned 100% of the interests of Sinotruk (BVI) Limited, which in turns held 51% of the issued share capital of Sinotruk (Hong Kong) Limited. Sinotruk (Hong Kong) Limited held 100% of the issued share capital of Sinotruk (Hong Kong) International Investment Limited, which in turn held 100% of the issued share capital of Sinotruk (Hong Kong) Capital Holding Limited, which in turn holds 61,400,000 shares of the Company. As such, China National Heavy Duty Truck Group Co., Ltd., Sinotruk (BVI) Limited, Sinotruk (Hong Kong) Limited and Sinotruk (Hong Kong) International Investment Limited are deemed to be interested in the 61,400,000 Shares held by Sinotruk (Hong Kong) Capital Holding Limited.

(2) As at December 31, 2024, Ms. Li Xiuxiang directly owned 50% of the equity interest in Shanghai Chengzhan, which owned 95% of the equity interest in Beijing Zhongmingxin, which in turns owned 39.79% of the equity interest in Chengshan Group.

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

As such, Ms. Li Xiuxiang, Shanghai Chengzhan and Beijing Zhongmingxin are deemed to be interested in the interests in Chengshan Group.

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

(4) As at December 31, 2024, Sino Legend (China) Chemical Company, Ltd. held 100% interest in Sino Legend Holding Group Ltd., and Red Avenue New Materials Group Co., Ltd. held 100% interest in Sino Legend (China) Chemical Company, Ltd. Red Avenue Investment Group Ltd. held 49.17% of the issued share capital of Red Avenue New Materials Group Co., Ltd., ZHANG NING directly held 100% of the issued share capital of Red Avenue Investment Group Ltd and Sino Legend Holding Group Ltd. held 32,674,500 shares of the Company. As such, ZHANG NING, Sino Legend (China) Chemical Company, Ltd., Red Avenue New Materials Group Co., Ltd. and Red Avenue Investment Group Ltd. Are deemed to be interested in 32,674,500 Shares held by Sino Legend Holding Group Ltd.

(5) The calculation is based on the total number of 637,407,000 Shares in issue as at December 31, 2024 and the Company did not hold any treasury shares as at December 31, 2024.

Save as disclosed above, as at December 31, 2024, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which fall to be disclosed under the Divisions 2 and 3 of Part XV of the SFO, or were required to be entered into the register referred to in section 336 of the SFO.

PURCHASE, REDEMPTION AND SALE OF THE LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including treasury shares, if any) during the year ended December 31, 2024.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

TAX RELIEF

Under the laws of the Cayman Islands, there is no tax imposed on individuals or corporations with respect to profits, income, gains or appreciations and there is no tax in the nature of inheritance tax or estate duty.

NON-COMPETITION UNDERTAKING

Chengshan Group, Mr. Che Hongzhi, the chairman of the Board 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 Property Rental Company Limited* (榮成東晟房屋租賃有限公司), Beijing Zhongmingxin* (北京中銘信), Rongcheng Chengyuan Shareholding Investment Centre* (榮成成源股權投資中心), Rongcheng Hongsheng Shareholding Investment Centre* (榮成鴻昇股權投資中心), Rongcheng Chengda Shareholding Investment Centre* (榮成成大股權投資中心), Rongcheng Chenghai Shareholding Investment Centre* (榮成成海股權投資中心), Rongcheng Pucheng Shareholding Investment Centre* (榮成浦成股權投資中心), Rongcheng Haocheng Shareholding Investment Centre* (榮成浩成股權投資中心) and Beijing Baichuantong Consultant Company Limited* (北京百川通諮詢有限責任公司) ("**Beijing Baichuantong**") (the "**Deed of Non-Competition Parties**") as then controlling shareholders of the Company entered into a deed of non-competition ("**Deed of Non-Competition**") on September 10, 2018, pursuant to which the Deed of Non-Competition Parties have, irrevocably and unconditionally, undertaken to and covenanted with the Group during the control period that, he/it will not, and will procure his/its close associates (except any members of the Group) not to, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or corporation, among other things, engage, participate or hold interests in or otherwise be involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which competes or is likely to compete with the tire manufacturing business and tire sales business of our Company in the PRC.

Please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus for details of the Deed of Non-Competition.

On June 19, 2019, Beijing Baichuantong transferred all of its 95% equity interest in Beijing Zhongmingxin to Shanghai Chengzhan. Upon completion of the transfer, each of Mr. Che Baozhen and Ms. Li Xiuxiang directly owns 50% equity interest in Shanghai Chengzhan, which in turn owns 95% equity interest in Beijing Zhongmingxin, which in turn owns 39.79% equity interest in Chengshan Group. Accordingly, Mr. Che Baozhen, Ms. Li Xiuxiang, Shanghai Chengzhan and Beijing Zhongmingxin are deemed to be interested in the interests of Chengshan Group. Beijing Baichuantong ceased to be a controlling shareholder of the Company. Shanghai Chengzhan replaced Beijing Baichuantong as a controlling shareholder of the Company. Shanghai Chengzhan is also a close associate of Mr. Che Baozhen and Ms. Li Xiuxiang as defined under the Deed of Non-competition.

The Company has received the annual confirmation from the signed Deed of Non-Competition Parties in respect of their compliance with the Deed of Non-Competition in 2024 for disclosure in this annual report.

The independent non-executive Directors have reviewed the implementation of the Deed of Non-Competition in 2024 based on the information and confirmation provided by or obtained from the controlling shareholders of the Company, and were satisfied that the controlling shareholders have complied with the Deed of Non-Competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, none of the Directors or their associates had any interest in any business which directly or indirectly compete or may compete with the businesses of the Group during the year ended December 31, 2024.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in the below sections headed "Related Party Transactions" and "Continuing Connected Transactions" and note 36 to the consolidated financial statements, none of controlling shareholders of the Company or any of their respective subsidiaries had entered into any contract of significance (including for the provision of services to the Group) with the Company or any of its subsidiaries for the year ended December 31, 2024.

DIVIDEND WAIVED OR AGREED TO BE WAIVED BY SHAREHOLDERS

For the year ended December 31, 2024, the Board confirms that no Shareholder has waived or agreed to waive any dividend.

RELATED PARTY TRANSACTIONS

Details of the 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 water and electricity from Chengshan Group, which are fully exempt from the disclosure requirements under Chapter 14A of the Listing Rules) do not constitute connected transactions.

The Board confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above related party transactions.

CONNECTED TRANSACTIONS

Leasing properties from Chengshan Group

On December 19, 2023, Prinx (Shandong) Tire entered into a property lease agreement with Chengshan Group in relation to the leasing of certain properties by the Group from Chengshan Group (the "**2024 Property Lease Agreement**") for a term of three months from January 1, 2024 to December 31, 2026, pursuant to which, Prinx (Shandong) Tire has leased from Chengshan Group (i) part of the office units located at No. 98 Nanshan North Road, Rongcheng City, Shandong Province, the PRC, with a total area of 6,988.92 sq.m as office premises; (ii) Nos. 49-53 and 55 Guotai Community, Rongcheng City, Shandong Province, the PRC with a total area of 11,597.92 sq.m as dormitories; and (iii) No. 56 Guotai Community, Rongcheng City, Shandong Province, the PRC with a total area 3,124.65 sq.m as staff canteen. The value of the right-of-use asset recognized under the 2024 Property Lease Agreement is approximately RMB24.9 million. In respect of the rent amount, the actual transaction amount for these connected transactions for the year ended December 31, 2024 was approximately RMB8.0 million.

As the Group has historically leased from Chengshan Group certain properties as office space, dormitories and staff canteen, it is in the interests of the Group in terms of cost, time and stability to enter into the 2024 Property Lease Agreement. The Directors consider it beneficial to enter into the 2024 Property Lease Agreement so long as the relevant rental fees and other terms are no less favourable to the Group than those of comparable properties available from Independent Third Parties, in order to avoid unnecessary relocation costs and disturbance to the Group's operations.

The transaction under the 2024 Property Lease Agreement is regarded as an acquisition of asset under Rule 14.04(1)(a) of the Listing Rules. The value of the right-of-use asset recognized under the 2024 Property Lease Agreement is approximately RMB24.9 million. As the highest percentage ratio is more than 0.1% but less than 5%, the transaction is classified as a one-off connected transaction and is subject to announcement and reporting requirements but exempt from independent shareholders' approval under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

For the year ended December 31, 2024, the Group had the following continuing connected transactions:

Name of relevant connected persons	Connected relationship with the Group	Nature of transactions	Annual cap for the year ended December 31, 2024 (RMB'000)	Actual transaction amount for the year ended December 31, 2024 (RMB'000)
Rongcheng Chengshan Energy-Saving Services Co., Ltd. ("**Rongcheng Chengshan Energy-Saving Services**")	Rongcheng Chengshan Energy-Saving Services is a wholly-owned subsidiary of Chengshan Group, the controlling Shareholder	Energy management	11,000	10,399
Rongcheng Chengshan Properties Co., Ltd. ("**Rongcheng Chengshan Properties**")	Rongcheng Chengshan Properties is wholly-owned by Chengshan Group, the controlling Shareholder	Property services	6,800	6,415

Purchasing property services from Rongcheng Chengshan Properties

Prinx (Shandong) Tire entered into the 2024 property services agreement (the "**2024 Property Services Agreement**") with Rongcheng Chengshan Properties on December 19, 2023. Pursuant to the 2024 Property Services Agreement, the services to be provided by Rongcheng Chengshan Properties includes control of access to facilities, security, management of vehicles, cleaning, gardening, conference room management and repair and maintenance of common area and shared facilities. The term of the agreement is 3 years from January 1, 2024 to December 31, 2026.

Report of the Directors

The proposed annual caps for the transactions contemplated under the 2024 Property Services Agreement for the years ending December 31, 2024, 2025 and 2026 are RMB6.8 million, RMB6.8 million and RMB6.8 million, respectively. The above annual caps are arrived at based on (i) the historical amounts paid by the Group to Chengshan Group under the previous property services agreement; (ii) the anticipated increase in labor costs to be incurred for providing such services; and (iii) the prevailing market rates for similar services in the PRC. In respect of the purchase amount, the actual transaction amount for the year ended December 31, 2024 was approximately RMB6.4 million.

The principal business of Chengshan Group includes property management. The Board considers that the provision of property management services by Chengshan Group helps to promote good property management service quality. The arrangement with Chengshan Group has been in place for a number of years, therefore so long as the relevant fees and other terms are no less favourable to the Group than those of comparable services available from Independent Third Parties, in order to avoid unnecessary disturbance to the Group's operations, the Directors consider it beneficial to enter into the 2024 Property Services Agreement.

Purchasing Energy-saving Services from Rongcheng Chengshan Energy-Saving Services

On December 19, 2023, Prinx (Shandong) Tire entered into an energy management framework agreement with Rongcheng Chengshan Energy-Saving Services (the "**2024 Energy Management Framework Agreement**"). Pursuant to the 2024 Energy Management Framework Agreement, the scope of energy management services provided by Rongcheng Chengshan Energy-Saving Services remains the same as the previous energy management framework agreement. The term of the agreement is 3 years from January 1, 2024 to December 31, 2026. The actual purchase amount for the year ended 31 December 2024 was approximately RMB10.4 million.

The proposed annual caps for the transactions contemplated under the 2024 Energy Management Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are RMB11.0 million, RMB11.0 million and RMB11.0 million, respectively. The above annual caps are arrived at based on (i) the historical amounts paid by the Group to Chengshan Group under the previous energy management framework agreement; (ii) the expected energy-saving efficiency measures under the 2024 Energy Management Framework Agreement; (iii) the expected energy-saving renovation projects of Prinx (Shandong) Tire including the proposed benefit-sharing of the addition of energy saving retrofit projects such as water pumping systems in 2024, motor retrofit projects, central air conditioning retrofit projects for integrated pumping stations, and servo motor retrofit projects in 2025, and the permanent magnet motors and other retrofit projects in 2026; and (iv) following arm's length negotiations between Rongcheng Chengshan Energy-Saving Services and Prinx (Shandong) Tire, with reference to previous prices.

In the specific implementation process of energy-saving services, the parties, through on-site measurement and technical exchanges, agreed that if Rongcheng Chengshan Energy-Saving Services carried out energy-saving renovation on the energy system of Prinx (Shandong) Tire, huge energy-saving benefits would be generated to Prinx (Shandong) Tire. The arrangement with Chengshan Group has been in place for a number of years and will achieve the goal of reducing Prinx (Shandong) Tire's electricity consumption cost, while ensuring the smooth running of the energy-saving renovation project. Through the energy-saving retrofit projects such as water pumps, it is expected to achieve reduction in energy consumption of 17.3 million kWh of electricity (equivalent to 2,126 tons of standard coal) in 2024; 18.06 million kWh of electricity (equivalent to 2,219 tons of standard coal) in 2025; and 17.08 million kWh of electricity (equivalent to 2,099 tons of standard coal) in 2026, which will help the Group's energy conservation and consumption reduction. As such, the Directors consider it beneficial to enter into the 2024 Energy Management Framework Agreement so long as the relevant service fee and other terms are no less favourable to the Group than those of comparable services available from Independent Third Parties.

For the 2024 Property Services Agreement and the 2024 Energy Management Framework Agreement, as one or more of the applicable percentage ratios for the annual caps contemplated under each of the agreements exceed 0.1% but all of which are less than 5%, the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

For details of the connected transactions and the continuing connected transaction agreements, please refer to the announcement published by the Company on December 19, 2023.

For the details of the above continuing connected transactions, including specific pricing terms or procedures under each agreement and material data about pricing policies and guidance, please refer to the section headed "Continuing Connected Transactions" in the Prospectus and the announcements published by the Company on December 18, 2020 and December 19, 2023. In 2024, the Group followed these pricing policies and guidance in respect of the values and transaction terms under which continuing connected transactions were entered into.

In 2024, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

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

(ii) on normal or better commercial terms; and

(iii) in accordance with the agreements for such transactions, the terms of which are fair and reasonable, and are in the interest 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 as set out in the relevant connected transaction announcements and circulars when determining the price and terms of the continuing connected transactions in 2024.

The Company's auditor was 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 Practise 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 auditor has issued an unqualified letter containing its 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, in 2024, the Company had no connected transactions or continuing connected transactions which are required to be disclosed in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

SANCTIONED BUSINESS ACTIVITIES

During the year ended December 31, 2024, the Company had fulfilled its undertakings to the Stock Exchange in relation to conducting business with countries subject to laws and regulations relating to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, enforced and enforced by the U.S. government, the European Union and its member states, the United Nations or the Government of Australia. Details of the Company's undertakings are set out in the section headed "Business — Business Activities in Countries subject to International Sanctions — Our undertakings and internal control procedures" in the Prospectus.

In 2024, no business had been taken place between the Group and the countries subject to international sanctions.

CHARITABLE DONATIONS

In 2024, charitable and other donations of approximately RMB208,749 was made by the Group (2023: RMB202,487).

MATERIAL LEGAL PROCEEDINGS

For the year ended December 31, 2024, the Company were not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Company.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising from corporate activities.

Pursuant to the Articles of Association, the Directors, managing directors, alternate Directors, auditors, secretary and other officers for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty. Such person shall not be liable to account to any of them for the acts, receipts, neglects or defaults of any other of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects of the Company shall be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, except as the same shall happen by or through their own fraud, dishonesty or recklessness. To indemnify the Company and/or the Directors (and/or other officers) named for this purpose against any loss, damage, liability and claim which they may suffer or sustain in connection with any breach by any Director (and/or other officers) or any of them of their duties to the Company, the Company may make a payment of insurance premium or other moneys for maintaining insurance, bonds or other instruments for the benefit of the Company or the Directors (and/or other officers) or any of them.

Controlling Shareholder's Specific Performance Obligations under the Financing Agreement

On March 17, 2020, Prinx Thailand (as the borrower) and Bank of China (Hong Kong) Limited, Bank of China (Thai) Public Company Limited and The Hong Kong and Shanghai Banking Corporation Limited, Bangkok Branch (as the lenders) entered into a facility agreement relating to US$90 million facility with a term of four years after the date of the Agreement. The agreement has expired and been terminated.

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

Under the BOC Agreement, Prinx Thailand shall procure that:

(a) Mr. Che Baozhen, Mr. Che Hongzhi and Ms. Li Xiuxiang (the "**Controlling Shareholders**") remain as the largest shareholder of the Company; and

(b) The Controlling Shareholders shall maintain management control over the Company.

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

Upon breach of the specific performance obligations, Bank of China (Thai) Public Company Limited and The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch shall have, among other things, the right to withdrawal any commitment and demand repayment of all banking facilities granted or made available as specified in the Facility Agreements.

The Facility Agreements have expired on 15 March 2025. Prinx Thailand is negotiating with Bank of China (Thai) Public Company Limited and The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch respectively, to renew the facilities.

As at the date of this report, the Controlling Shareholders directly and indirectly beneficially own 69.43% of the total issued share capital of the Company.

The details of the loan agreements with specific performance covenants are set out in the announcements issued by the Company on March 17, 2020, July 7, 2021 and March 20, 2024.

SUBSEQUENT EVENTS

There are no significant events after the balance sheet date.

AUDIT COMMITTEE

The audit committee of the Company has, together with the management and the external auditor of the Company, reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2024.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high level of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 80 to 100 of this annual report.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at any time in 2024 and up to the date of this annual report.

AUDITOR

PricewaterhouseCoopers has been appointed as auditor for the year ended December 31, 2024. PricewaterhouseCoopers has audited the accompanying financial statements, which were prepared in accordance with the HKFRSs.

No change in the auditor of the Company in any of the preceding three years.

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

Shandong, March 28, 2025

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2024.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high level of corporate governance through an effective board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency to all the Shareholders, to safeguard the interests of its Shareholders and enhance its value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company has been in compliance with the applicable code provisions under Part II of the CG Code for the year ended December 31, 2024. The Company will continue to review and monitor its corporate governance practices in order to ensure the compliance with the CG Code. For the Company's corporate culture, please refer to the section named "Organizational management upgrade and corporate culture construction" in the Management Discussion and Analysis in this annual report.

THE BOARD

Responsibility

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

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

BOARD COMPOSITION

As at the date of this annual report, the Board comprised three executive Directors, three non-executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Che Baozhen *(Chief Executive Officer)*
Shi Futao
Jiang Xizhou

Non-executive Directors:

Che Hongzhi *(Chairman)*
Shao Quanfeng
Wang Ning

Independent Non-executive Directors:

Jin Qingjun
Choi Tze Kit Sammy
Wang Chuansheng

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

For the year ended December 31, 2024, the Board had met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board. Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of 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 independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee and the Nomination and Remuneration Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

During the Reporting Period, all current Directors had received relevant training on corporate governance and regulatory issues, and provided their training records. In view of the above, the Company considers that all Directors have complied with the code provision C.1.4 of the CG Code.

A summary of the continuous professional development activities relating to the business of the Group participated by the Directors during the year ended December 31, 2024 is as follows:

Name of Director	Training form	Training Content
Executive Directors		
Che Baozhen	Meetings/seminars/training sessions	Laws and Regulations/Corporate Governance/Industry-related/Capital Market
Shi Futao	Meetings/seminars/training sessions	Laws and Regulations/Corporate Governance/Industry-related/Capital Market
Cao Xueyu (resigned on March 28, 2024)	Meetings/seminars/training sessions	Laws and Regulations/Corporate Governance/Accounting/Capital Market
Jiang Xizhou (appointed on March 28, 2024)	Meetings/seminars/training sessions	Laws and Regulations/Corporate Governance/Industry-related/Capital Market
Non-executive Directors		
Che Hongzhi	Meetings/seminars/training sessions	Industry-related/Laws and Regulations/Corporate Governance
Wang Lei (resigned on March 28, 2024)	Meetings/seminars/training sessions	Industry-related/Laws and Regulations/Corporate Governance
Shao Quanfeng	Meetings/seminars/training sessions	Industry-related/Laws and Regulations/Corporate Governance
Wang Ning (appointed on March 28, 2024)	Meetings/seminars/training sessions	Industry-related/Laws and Regulations/Corporate Governance
Independent Non-executive Directors		
Jin Qingjun	Meetings/seminars/training sessions	Industry-related/Laws and Regulations/Capital Market

Name of Director	Training form	Training Content
Choi Tze Kit Sammy	Meetings/seminars/training sessions	Laws and Regulations/Corporate Governance/Accounting/Taxation
Wang Chuansheng	Meetings/seminars/training sessions	Industry-related/Laws and Regulations

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The company secretary of the Company updates and provides the Directors with written training materials in relation to their roles, functions and duties from time to time.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision C.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual.

The chairman of the Board (the "**Chairman**") and the chief executive officer of the Company (the "**Chief Executive Officer**") are currently two separate positions held by Mr. Che Hongzhi and Mr. Che Baozhen, respectively, with clear distinction in responsibilities. The Chairman is responsible for providing strategic advice and guidance on the development of the Group, while the Chief Executive Officer is responsible for the day-to-day operations of the Group.

Mr. Che Baozhen, the Chief Executive Officer, is the son of Mr. Che Hongzhi, 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 as provided in the service contract, which shall be automatically renewed upon expiry.

Each of the non-executive Directors has entered into a letter of appointment with the Company for a term of three years, subject to termination as provided in the service contract, which shall automatically renewed upon expiry.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year, subject to termination as provided in the service contract, which shall be automatically renewed upon expiry.

Mr. Jiang Xizhou and Ms. Wang Ning, who were appointed as an executive Director and an non-executive Director, respectively on March 28, 2024, have obtained a legal advice under Rule 3.09D of the Listing Rules on March 25, 2024 and has confirmed that they understood their responsibilities as a Director of the Company.

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

The Directors are subject to retirement by rotation and re-election at each annual general meeting of the Company in accordance with Articles 108 and 112 of the Articles of Association. Directors appointed by the Board as an addition to the Board or to fill a casual vacancy on the Board are subject to re-election by Shareholders at the first annual general meeting of the Company respectively after appointment. In addition, when an independent non-executive Director proposed for re-election has served the Company for more than nine years, his/her re-election will be subject to a separate resolution to be approved at the annual general meeting.

The procedures and process of 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 Board composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors.

For details of the Directors who will retire from office by rotation and offer themselves for re-election at the AGM, please refer to the section headed "Report of the Directors" in this annual report.

BOARD MEETINGS

The Company adopts the practise of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched to the Directors or committee members at least three days before the Board meetings or Board committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings should be kept by the Company Secretary with copies circulated to all Directors for their information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of Board meetings are open for inspection by all Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended December 31, 2024.

The Company's employees, who are likely to be in possession of inside information of the Company, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's relevant employees was noted by the Company during the year ended December 31, 2024.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTIONS

The Board confirmed that corporate governance is a collective responsibility of the Directors, whose corporate governance functions includes:

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

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

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

(d) develop and review the Company's corporate governance and practices, make recommendations and report on related issues to the Board;

(e) review the Company's compliance with the corporate governance and disclosures in the Corporate Governance Report; and

(f) review and monitor the Company's compliance with its whistleblowing policy.

BOARD COMMITTEES

Audit Committee

The Audit Committee consists of three members, namely Mr. Choi Tze Kit Sammy (Chairman), Mr. Wang Chuansheng and Mr. Jin Qingjun, all being independent non-executive Directors. The terms of reference of the Audit Committee are posted on the Stock Exchange's website and the Company's website. According to the terms of reference, the major duties of the Audit Committee are as follows:

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

Corporate Governance Report

2. monitor the integrity of financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

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

4. oversee the Company's corporate governance functions, including review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, and the training and continuous professional development of Directors and senior management; and

5. oversee the Company's continuing connected transactions, including holding meetings every six months to review the reports on continuing connected transactions.

   The main work of the Audit Committee in 2024 was as follows:

   - reviewed the report on 2024 audit plan;
   - reviewed the 2023 annual financial report;
   - reviewed the 2024 interim results report;
   - discussed tax compliance matters;
   - reviewed the Company's internal control over connected transactions and continuing connected transactions;
   - discussed and reviewed the Company's 2024 internal audit reports and 2025 internal audit plan;
   - discussed and approved the pre-approval policy and service list for non-assurance services provided by independent auditors; and
   - discussed and reviewed the internal control system of the Company.

The Audit Committee has reviewed the audited consolidated financial statements for the year ended December 31, 2024.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently comprises three members, including two independent non-executive Directors, namely Mr. Jin Qingjun (Chairman) and Mr. Choi Tze Kit Sammy, and an executive Director, Mr. Che Baozhen.

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

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

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

3. review and approve the management's remuneration proposals with reference to the Board's goals and objectives;

4. make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, as the Board may direct;

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

6. make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors in particular the chairman of the Board and the managing director;

7. identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorship;

8. consider salaries paid by comparable companies in the industry in which the Company operates, time commitment and responsibilities, and employment conditions elsewhere in the Group;

9. review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and in line with market practise;

10. review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;

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

12. review the policy of the Company and its subsidiaries and associated companies at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries and associated companies, the present subsidiaries and associated companies of the Company or the businesses operated by its present subsidiaries and associated companies or (as the case may be) its predecessor, on expense reimbursements for the Directors and senior management;

13. assess the independence of independent non-executive Directors; and

14. review and/or approve matters relating to the share scheme as described in Chapter 17 of the Listing Rules.

The Company has adopted a nomination policy ("**Nomination Policy**"). Pursuant to the Nomination Policy, the Nomination and Remuneration Committee assesses, selects, and recommends candidates for directors to the Board on criteria such as credibility, success, and experience in the tire manufacturing industry, time available to be invested, benefits of sectors represented by the candidates, and the diversity the candidates will bring to the Board. The recommendations of the Nomination and Remuneration Committee will then be put to the Board for decision.

The main work of the Nomination and Remuneration Committee in 2024 was as follows:

- reviewed the structure, size and composition of the Board;
- reviewed the board diversity policy;
- reviewed the remuneration of the Directors and senior management for 2023 and made recommendations to the Board on adjustments;
- assessed the performance of executive Directors;
- reviewed the remuneration policy and structure of Directors and senior management of the Company in 2024;
- discussed and reviewed the remuneration of independent non-executive Directors and confirmed the terms of appointment contracts of independent non-executive Directors;
- discussed and reviewed the appointment and remuneration of senior management;
- discussed and reviewed the organisational structure;
- discussed and approved the resolution on the appointment and resignation of Directors;
- discussed and approved the resolution on the appointment of the Chief Sustainability Officer;
- discussed and approved the resolution on the appointment of the Chief Executive Officer;
- discussed and approved the resolution on 2024 stock incentive for senior management and the resolution on employee reward plan for 2024;
- considered the re-election of the retiring Directors at the 2024 AGM; and
- reviewed whether there are independent non-executive directors who are or will be directors of seven or more companies.

The Group actively attracts, selects and cultivates senior management talents to facilitate the implementation of the global development strategy. By implementing international, professional and diversified talent recruitment, training, evaluation and succession programmes, the Group strengthens the pool of talents with international operation vision and diversified professional experience and skills, and provides talents with equal opportunities, inclusive corporate culture and a platform for sustainable development in various aspects such as organisational designing, leadership training, cultural construction, remunerations and incentive schemes.

Mechanisms to ensure that the Board can obtain 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 are committed to assessing the independence of the Directors annually against all relevant factors relating to the independent non-executive Directors, including the following:

- the character, integrity, professional knowledge, experience and stability required to perform his duties;
- the contribution of time and attention to the Company's affairs;
- the strong commitment to his independent role and to the Board;
- the statement to his conflict of interest as an independent non-executive Director;
- not involving in the daily management of the Company nor in any relationships or circumstances;
- which would interfere with the exercise of his independent judgment; and
- regular meetings with the independent non-executive Directors without the presence of executive Directors.

In 2024, the Company has reviewed the implementation and effectiveness of these mechanisms and considered them effective and adequate.

DIRECTORS' REMUNERATION

The Company has made full disclosure of the Directors' remuneration by name, amount and category in note 38 to the consolidated financial statements. For the year ended December 31, 2024, Mr. Che Hongzhi, the Chairman of the Board and non-executive Director of the Company, waived part of his remuneration, amounting to RMB215,000. Apart from this, no Director has waived or agreed to waive any remuneration for the year ended December 31, 2024.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the senior management of the Company, whose biographies are set out on page 42, and on pages 48 to 49 of this annual report, for the year ended December 31, 2024 is set out below:

Emolument bands	Number of Senior Management
HK$1,000,001 to HK$2,000,000 (approximately RMB926,050 — RMB2,718,600)	2
HK$2,000,001 to HK$3,000,000 (approximately RMB1,852,100 — RMB2,778,100)	1
HK$3,000,001 to HK$4,000,000 (approximately RMB2,778,100 — RMB3,704,200)	2
HK$4,000,001 to HK$5,000,000 (approximately RMB3,704,200 — RMB4,630,249)	0
HK$5,000,001 to HK$6,000,000 (approximately RMB4,630,249 — RMB5,556,297)	1
HK$6,000,001 to HK$7,000,000 (approximately RMB5,556,297 — RMB6,482,348)	1
HK$7,000,001 to HK$8,000,000 (approximately RMB6,482,348 — RMB7,408,396)	0

Note: Mr. Jiang Xizhou served as a senior management member of the Company in 2024 and was appointed as a Director on March 28, 2024.

BOARD DIVERSITY POLICY

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a board diversity policy to ensure that the Company will, when determining the composition of the Board, consider board diversity in terms of, among other things, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments by the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The board diversity policy is summarised as follows:

The selection of candidates will be based on a series of diversity scopes, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be made according to the merits of candidates and their contribution to the Board. The Company is committed to maintaining gender diversity at the Board level and avoiding a single gender on the Board.

In 2024, the Board, through the Nomination and Remuneration Committee, has reviewed the implementation and effectiveness of the board diversity policy and confirmed that the Board has the appropriate mix of skills and experience required for implementing 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 the Board has achieved gender diversity. The Company will continue to maintain at least one female director in the Board and is committed to improving gender diversity in the search for suitable candidates. There are three independent non-executive Directors in the Board, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills, knowledge and length of service.

In view of the expansion of the Group's domestic and overseas markets and operation scale, the Company intends to reference international and local best practices to ensure a proper balance and diversity among the members of the Board, with a view to achieving an appropriate proportion of members in the Board composition who possess capabilities and experience in international operations, risk management and sustainable development, thereby facilitating the implementation of the Group's internationalization strategy.

The Company will review the board diversity policy and the relevant measurable targets based on its business operation and development needs, and monitor the progress towards the achievement of these targets.

As at December 31, 2024, the ratio of female and male in the workforce (excluding all Directors) was approximately 20% and 80%, respectively. Considering that the Group is mainly engaged in the research and development, production and sales business of tire products, the employees mainly consist of research and development personnel, technical personnel and general workers, most of them are generally male, as a result, the Company considered that the current ratio of male and female employees is relatively balanced. The Group will continue to take into account of diversity, including gender diversity when hiring.

DEVELOPMENT STRATEGY AND RISK MANAGEMENT COMMITTEE

The Development Strategy and Risk Management Committee consists of three members, including two independent non-executive Directors, Mr. Wang Chuansheng and Mr. Jin Qingjun, and a non-executive Director, Mr. Che Hongzhi (Chairman).

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

1. understand and oversee the overall operation of the Company;

2. understand, analyse, and monitor the current situation of the international and domestic industry;

3. understand and oversee relevant national policies;

4. study the short, medium and long-term development strategies of the Company or the relevant issues;

5. provide consultancy advice on the Company's long-term development strategy and major decisions on major investments, reforms and etc.;

6. review and approve the special research report on the development strategies;

7. publish routine research reports on a regular or irregular basis;

8. review and make recommendations on the overall objectives and basic policies of compliance management and risk management, including ESG aspects;

9. stipulate the strategic structure and resources used for the Company's risk management, including material ESG risks, and ensure that they are compatible with the Company's internal risk management policies;

10. review and make recommendations on the establishment of the compliance management and risk management institutions and the powers and duties thereof, including ESG aspects; oversee the risk management and internal control systems of the Company on an ongoing basis, including focusing on material ESG risks, and ensure that a review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries is conducted at least annually. The review shall cover all material controls, including financial, operational and compliance controls, and shall, in particular, include:

    i. the changes, since last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;

    ii. the scope and quality of management's ongoing monitoring of risks and the internal control systems, and its internal audit function;

    iii. the extent and frequency of communication of monitoring results to the Board (or the special committees under it);

    iv. significant control failures or weaknesses that have been identified during the period, and the extent to which they have resulted in unforeseen outcomes or contingencies;

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

11. review and make recommendations on the institutional set up and duties in relation to compliance management and risk management, and ensure the adequacy resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;

12. evaluate and advise on risks relating to major decisions to be considered and approved at the Board and the solutions to such major tasks;

13. setting limits for material risks and conducting regular assessments of material ESG risks;

14. supervise, review and make recommendations to 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 appropriate and effective ESG risk management and internal control systems are in place;

17. formulate the Company's ESG management policies, strategies, priorities and objectives;

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

19. review and advise on compliance reports and risk evaluation reports to be reviewed by the Board; and

20. perform such other duties determined by the Board and required by the Listing Rules or regulatory requirement of the place where the shares of the Company are listed.

The main work of the Development Strategy and Risk Management Committee in 2024 was as follows:

- studied the development strategies of the Company, discussed and reviewed medium and long-term strategic plans;

- discussed and reviewed of the resolution on the establishment of Prinx Chengshan (Malaysia) Tire Co., Ltd. (浦林成山(馬來西亞)輪胎有限公司);

- continuously supervised the Company's risk management and internal control systems, and provided advice on the Company's compliance management;

- made recommendations on the Company's ESG policies, discussed, reviewed and monitored the progress of ESG on a regular basis;

- discussed and reviewed the addition or update of corporate integrity compliance guidelines, business ethics compliance management system, sustainable procurement policy, supplier compliance code, product life cycle environmental policy, etc.;

- discussed and reviewed the annual ESG report of the Company; and

- discussed and reviewed the 2023 and 2024 annual work report on anti-fraud.

DIRECTORS' ATTENDANCE RECORDS

For the year ended December 31, 2024, the Company held 4 Board meetings, passed 2 Board written resolutions, held 3 Audit Committee meetings, 3 Nomination and Remuneration Committee meetings, 4 Development Strategy and Risk Management Committee meetings and one annual general meeting.

The attendance record of each Director at the Board meetings and Board Committee meetings and the general meetings of the Company held during the year ended December 31, 2024 is set out in the table below:

Name of Director	The Board	Audit Committee	Nomination and Remuneration Committee	Development Strategy and Risk Management Committee	Annual General Meeting
Mr. Che Baozhen	4/4		3/3		1/1
Mr. Shi Futao	4/4				1/1
Ms. Cao Xueyu (resigned on March 28, 2024)	1/1				0/0
Mr. Jiang Xizhou (appointed on 28 March 2024)	3/3				1/1
Mr. Che Hongzhi	4/4			4/4	1/1
Mr. Wang Lei (resigned on March 28, 2024)	1/1				0/0
Mr. Shao Quanfeng	4/4				1/1
Ms. Wang Ning (appointed on March 28, 2024)	3/3				1/1
Mr. Jin Qingjun	4/4	3/3	3/3	4/4	1/1
Mr. Choi Tze Kit Sammy	4/4	3/3	3/3		1/1
Mr. Wang Chuansheng	4/4	3/3		4/4	1/1

The Company will schedule at least four regular Board meetings each year and such number of Board committee meetings as required under the respective terms of reference to carry out the functions of the Board Committees. Meetings will also be arranged between the Chairman and the independent non-executive Directors without the presence of executive Directors and non-executive Directors.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2024 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 101 to 105 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

In the course of business operation, the Group is subject to various risks, including business risks, financial risks, compliance risks, and operational and other risks, etc. The Board acknowledges its responsibility for the Group's risk management and internal control systems, and is responsible for reviewing the effectiveness of such systems. The Audit Committee is responsible for the Group's internal audit function, including reviewing 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 continuously oversee the risk management (including the sanctions risk exposure) and implementation of relevant internal control systems of the Group. Under the supervision of the Board, the Group's management are responsible for designing and implementing the risk management and internal control system of the Group. Such systems are established to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established comprehensive risk management and internal control processes through which the Group monitors, evaluates and manages the risks that the Group is exposed to in its business activities. The risk management procedure of the Group is based on the well-defined risk identification standards, risk monitor responsibilities and risk control measure of each major classification. The management of the Group actively monitors the macroeconomic, trend of tire industry and changes of each jurisdiction's laws and regulations, and assesses the production expansion and income and outcome and absorptive capacity of the foreign investment. The risk management procedure of the Group clearly specifies the management duties, authorization and approval of each sides in respect of the major risk identification and management, and develops clear written policy for significant risk management process and circulate it to all managements and staffs. The Group has adopted a series of internal control policies, procedures and programmes designed to provide reasonable assurance for achieving 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 ensure the achievement of business objectives, the Group has established a relatively independent internal audit department, headed by an audit manager to establish and improve the internal control system. The Group relies on the review function of an independent consultant, and has engaged an international consulting company (the "**Consulting Company**") since June 2019 to provide corporate governance internal control consulting services for three years. Upon expiring in June 2022, the agreement has been renewed for a term of three years. On the one hand, it evaluates the internal control and risk management of the Group from a more objective and independent perspective to comprehensively improve the level of internal control and management; on the other hand, the internal audit department of the Company will be able to participate in the entire evaluation activities of the internal control of the Group by the Consulting Company and learn beneficial experience continuously, which will in turn enhance the professional capabilities of the internal audit department of the Group.

Corporate Governance Report

The Directors and senior management of the Group receive training related to continuing disclosure obligation of listed company regularly. The Group has also engaged an external legal consultant and auditor to obtain its professional guidance on disclosure obligations in respect of inside information. The management of the Group is responsible for designing, implementing, and maintaining the effectiveness of the internal control system, which includes control of the compliance wit disclosure obligations in respect of inside information. The Board is responsible for supervising and controlling the appropriateness and efficiency of the internal control measures carried by management.

The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012.

The Company has established a system, including management rules, processes and procedures for external information dissemination, to comply with the disclosure obligations in relation to price-sensitive and/or inside information. The major steps involved are as follows:

- The Board and the Company Secretary identify the existence of inside information in a systematic and timely manner through periodic financial and operational reports;

- Monitor business and corporate development and events through core managers so as to identify information that may form inside information in a timely manner;

- Extensive disclosure of information to the public through channels such as financial reports, announcements and the Company's website;

- Ensure confidentiality of inside information before disclosure to the public; and

- Designated persons (including Directors, Company Secretary and board office manager) to communicate with shareholders, investors and analysts on the premise of compliance with the relevant disclosure obligations and requirements under the Listing Rules.

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

The Group has adopted various measures to ensure the effective implementation of the internal control system, through the establishment of a team, the review of the Group's internal control system, and the guidance in respect of the internal control policies, the responsibilities and duties of the listing company's directors and management under the Listing Rules, and other applicable laws and regulations provided to the Directors, senior management and employees.

The Board performs an annual review of the Group's risk management and internal control systems. The Board and the management have conducted the annual review on the effectiveness of the Group's risk management and internal control systems for the year ended December 31, 2024, did not identify any significant areas of concern, and confirmed that they are adequate and effective to effectively mitigate the risks that may affect the Group in achieving its strategic objectives.

AUDITORS' REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor of the Company to the Company during the year ended December 31, 2024 is approximately as follows:

Service Category	Amount (RMB)
Audit services	4,505,732
Non-audit services (tax consulting, etc.)	382,472
Total	4,888,204

COMPANY SECRETARY

For the year ended December 31, 2024, Ms. Cao Xueyu, the company secretary of the Company, has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

On October 9, 2018, the Board adopted the Shareholders' Communication Policy (the "**Shareholders Communication Policy**"). The Board has reviewed the Shareholders Communication Policy for the year ended December 31, 2024 to ensure its implementation and effectiveness. After the implementation of the following measures, the Company considers that it has effectively implemented the Shareholders Communication Policy in 2024.

Goal

The objective of the Shareholders Communication Policy is to ensure communication between shareholders of the Company, both individual and institutional, and potential investors, and to enhance shareholders' value in the long run. The policy sets out the approach to ensure that the shareholders and potential investors, including analysts who report and analyze the Company's performance, are provided with ready and timely access to information about the Company in order to enable the shareholders to exercise their rights in an informed manner, and to enhance communication with the Company.

General Policies

The Board maintains an on-going dialog with the Shareholders and potential investors. The Board will review the Shareholders Communication Policy on a regular basis to ensure its effectiveness.

Information shall be communicated to the Shareholders and potential investors mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.prinxchengshan.com).

The Company always ensures effective and timely dissemination of information to shareholders and potential investors.

Communication Channels

Shareholders' Enquiries

The contact details of the Company are set out on the Company's website for the Shareholders to make any enquiries in relation to the Company.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar and transfer office.

Corporate Communications

Any corporate communication (as defined in the Listing Rules) issued or to be issued by the Company to the Shareholders for their information or action, including but not limited to (i) the Directors' Report, annual accounts and the auditors' report; (ii) the annual report and interim report; (iii) a notice of meeting; (iv) a listing document; (v) a circular; and (vi) a proxy form, should be sent to the Shareholders in a timely manner and in both plain English and Chinese versions to enable the Shareholders to understand the contents of the communication. Shareholders may choose the means (either in printed form or electronic form) and language (either English or Chinese or both) to receive corporate communications. Shareholders may at any time change their choice by post or by email.

In order to facilitate timely and effective communication, Shareholders are encouraged to provide, among other things, their contact details, in particular, by email address, to the Hong Kong branch share registrar of the Company.

Company Website

Corporate communication on the Company's website (www.prinxchengshan.com) provides shareholders with corporate information such as principal 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 the Board committees. The Company will publish its results announcement on the Stock Exchange's website and the Company's website after the results have been approved by the Board. The results announcement contains details of the Group's performance and results, recommendation of dividend payment (if any) and closure of register of members (if applicable) and any other information required to be disclosed under the Listing Rules from time to time.

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

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

General Meeting

The general meetings provide a good opportunity for constructive communication between the Company and the Shareholders. Shareholders are encouraged to attend the general meetings in person or, if they are unable to attend, to appoint proxies to attend and vote at the meetings on their behalf. The chairman of the Company and the chairman of the Board Committees of the Company will attend the annual general meetings to answer shareholders' questions. The auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

Shareholders' Privacy

The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by the Stock Exchange, the Securities and Futures Commission or applicable laws and regulations.

Communication with the Capital Market

Investor and analyst briefings are held on or after the date of the annual results announcement and interim results announcement. Relevant senior executives attended the meetings to answer questions from the attendees in order to facilitate communication between the Company, the Shareholders and the investment community. The Company also holds various activities on an as-needed basis, including reception of on-site visits by investors and analysts, face-to-face meetings and open day for media and investors.

The Company aims at promoting investor relations and enhancing communication with the existing Shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange in a timely manner after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

According to the Articles of Association, the Shareholders may put forward proposals at the general meetings of the Company for consideration. Any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company 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 to be convened by the Company for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such general meeting shall be reimbursed to the requisitionist(s) by the Company.

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the investor relations at the headquarters of the Company by email at investor@prinxchengshan.com.

CHANGES IN CONSTITUTIONAL DOCUMENTS

In order to (i) keep the Company's Memorandum and Articles of Association up-to-date, in compliance with the latest regulatory requirements for expanding the paperless listing regime and the electronic dissemination of corporate communications by listed issuers, as well as the relevant amendments to the Listing Rules effective from December 31, 2023; and (ii) incorporate certain housekeeping amendments, the Company's general meeting approved the adoption of the Company's seventh amended and restated Memorandum and Articles of Association on May 31, 2024.

Details of the amendment can be found in the circular issued by the Company on April 26, 2024.

Independent Auditor's Report

To the Shareholders of Prinx Chengshan Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Prinx Chengshan Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 106 to 200, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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 2024, 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 FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to "the provision for impairment of trade receivables".

Key Audit Matter	How our audit addressed the Key Audit Matter
The provision for impairment of trade receivables Refer to note 39.14, note 4(c) and note 22 to the consolidated financial statements. As at 31 December 2024, the net carrying amount of the Group's trade receivables amounted to RMB1,753 million, after netting of the accumulated provision for impairment of RMB23.9 million. To measure the expected credit loss, trade receivables have been grouped based on shared credit risk characteristics. The Group provided for the impairment of trade receivables based on lifetime expected credit loss. The expected credit loss is estimated based on historical loss experience including the counterparty's past settlement details and incurred credit losses in observed periods, and existing market conditions with adjustment to reflect forward-looking factors.	We obtained an understanding of the management's internal control and process of provision impairment assessment of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated and tested the key controls over the Group's provision impairment assessment of trade receivables. We evaluated the outcome of prior period provision impairment assessment of trade receivables to assess the effectiveness of management's estimation process. We performed the following procedures on assessing expected credit loss of trade receivables: • We evaluated the appropriateness of the provisioning methodologies adopted by management including the appropriateness of grouping based on credit risk characteristics of the relevant trade receivables. • We agreed historical data, including the counterparty's past settlement profile and incurred credit losses in observed periods, on a sample basis, to the relevant accounting records of the Group. • We tested the accuracy of the aging analyses of trade receivables on a sample basis. • We reviewed the economic indicators selected by management in determining forward-looking factors and evaluated the economic scenarios and the underlying probability weightings applied by management based on our understanding of the relevant industry and with reference to external macro-economic data. • We tested the mathematical accuracy of the calculation of the provision for impairment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
We consider the provision for impairment of trade receivables a key audit matter because the carrying amount of trade receivables is significant and the estimation of impairment provision is inherently subjective and requires exercise of significant management judgement.	We assessed the adequacy of the disclosures related to the provision for impairment of trade receivables in the context of the applicable financial reporting framework. Based on the above, we considered that management's judgements and assumptions applied in the impairment assessment of trade receivables were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. 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 is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Revenue	6	**10,973,885**	9,948,983
Cost of sales	9	**(8,644,220)**	(7,827,275)
Gross profit		**2,329,665**	2,121,708
Selling and distribution expenses	9	**(517,042)**	(526,161)
Administrative expenses	9	**(235,957)**	(213,836)
Research and development costs	9	**(250,747)**	(239,953)
Net impairment losses on financial assets	3.1 (b)	**(5,088)**	(1,385)
Other income	7	**51,400**	48,642
Other gains — net	8	**41,022**	13,541
Operating profit		**1,413,253**	1,202,556
Finance income	11	**34,228**	20,609
Finance costs	11	**(63,068)**	(93,108)
Finance costs — net	11	**(28,840)**	(72,499)
Share of result of associates		**84**	488
Profit before income tax		**1,384,497**	1,130,545
Income tax expense	12(a)	**(72,629)**	(97,105)
Profit for the year		**1,311,868**	1,033,440
Profit attributable to:			
— Shareholders of the Company		**1,311,837**	1,033,391
— Non-controlling interests		**31**	49
		1,311,868	1,033,440
Earnings per share for profit attributable to shareholders of the Company for the year			
— Basic (RMB)	13	**2.06**	1.62
— Diluted (RMB)	13	**2.06**	1.62

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit for the year	**1,311,868**	1,033,440
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences	**34,593**	32,536
Item that will not be reclassified subsequently to profit or loss		
Currency translation differences	**17,099**	20,762
Other comprehensive income for the year, net of tax	**51,692**	53,298
Total comprehensive income for the year	**1,363,560**	1,086,738
Attributable to:		
— Shareholders of the Company	**1,363,529**	1,086,689
— Non-controlling interests	**31**	49
Total comprehensive income for the year	**1,363,560**	1,086,738

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

Consolidated Statement of Financial Position

As At 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	16	**5,249,878**	5,263,535
Right-of-use assets	17	**134,870**	116,790
Intangible assets	18	**83,635**	84,874
Investment in associates		**6,187**	6,240
Prepayments and other non-current assets	23	**45,975**	7,022
Deferred tax assets	33	**4,038**	3,664
		5,524,583	5,482,125
Current assets			
Inventories	20	**1,942,879**	1,637,462
Trade and notes receivables	22	**2,020,649**	1,860,369
Prepayments, other receivables and other current assets	23	**486,380**	474,083
Financial assets at fair value through profit or loss	21	**150,458**	178,360
Amounts due from related parties	36(b)	**201,857**	244,085
Restricted cash	24	**143,788**	178,044
Cash and cash equivalents	24	**554,112**	547,920
		5,500,123	5,120,323
Total assets		**11,024,706**	10,602,448
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	25	**202**	201
Share premium	25	**2,193,501**	2,185,598
Reserves	27	**4,349,841**	3,248,056
		6,543,544	5,433,855
Non-controlling interests		**(81)**	(112)
Total equity		**6,543,463**	5,433,743

Consolidated Statement of Financial Position

As At 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Liabilities			
Non-current liabilities			
Bank borrowings	28	**410,703**	332,413
Lease liabilities	17	**23,891**	18,674
Deferred income	32	**80,062**	84,116
Deferred tax liabilities	33	**57,422**	46,121
		572,078	481,324
Current liabilities			
Trade payables	29	**2,106,142**	2,391,670
Other payables and accruals	30	**1,240,169**	1,218,522
Contract liabilities	6	**60,791**	48,013
Lease liabilities	17	**30,059**	12,163
Provision for warranties	31	**85,241**	80,481
Amounts due to related parties	36(b)	**19,510**	925
Current income tax liabilities		**22,646**	56,682
Bank borrowings	28	**344,607**	878,925
		3,909,165	4,687,381
Total liabilities		**4,481,243**	5,168,705
Total equity and liabilities		**11,024,706**	10,602,448

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

The consolidated financial statements on pages 106 to 200 were approved by the Board of Directors on 28 March 2025 and were signed on its behalf.

Che Baozhen
Director

Shi Futao
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Note	Equity attributable to shareholders of the Company					
		Share capital RMB'000 *(Note 25)*	Share premium RMB'000 *(Note 25)*	Reserves RMB'000 *(Note 27)*	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023		201	2,185,598	2,266,231	4,452,030	(161)	4,451,869
Comprehensive income							
Profit for the year		–	–	1,033,391	1,033,391	49	1,033,440
Other comprehensive income							
Currency translation difference		–	–	53,298	53,298	–	53,298
Total other comprehensive income, net of tax		–	–	53,298	53,298	–	53,298
Total comprehensive income		–	–	1,086,689	1,086,689	49	1,086,738
Transactions with shareholders							
Employee share option schemes							
– value of employee services	26, 27	–	–	9,326	9,326	–	9,326
Cash dividends	14	–	–	(114,190)	(114,190)	–	(114,190)
Total transactions with shareholders		–	–	(104,864)	(104,864)	–	(104,864)
Balance at 31 December 2023		201	2,185,598	3,248,056	5,433,855	(112)	5,433,743

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Note	Equity attributable to shareholders of the Company					
		Share capital RMB'000 *(Note 25)*	Share premium RMB'000 *(Note 25)*	Reserves RMB'000 *(Note 27)*	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2024		201	2,185,598	3,248,056	5,433,855	(112)	5,433,743
Comprehensive income							
Profit for the year		–	–	1,311,837	1,311,837	31	1,311,868
Other comprehensive income							
Currency translation difference		–	–	51,692	51,692	–	51,692
Total other comprehensive income, net of tax		–	–	51,692	51,692	–	51,692
Total comprehensive income		–	–	1,363,529	1,363,529	31	1,363,560
Transactions with shareholders							
Issue of shares under employee share scheme		1	7,903	(1,499)	6,405	–	6,405
Employee share option schemes — value of employee services	26, 27	–	–	793	793	–	793
Cash dividends	14	–	–	(261,038)	(261,038)	–	(261,038)
Total transactions with shareholders		1	7,903	(261,744)	(253,840)	–	(253,840)
Balance at 31 December 2024		202	2,193,501	4,349,841	6,543,544	(81)	6,543,463

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**1,434,881**	1,116,015
Interest paid		**(71,576)**	(104,383)
Income tax paid		**(113,097)**	(14,827)
Net cash inflow from operating activities		**1,250,208**	996,805
Cash flows from investing activities			
Purchases of property, plant and equipment		**(582,427)**	(431,521)
Proceeds from assets-related government grants		**5,635**	17,708
Proceeds from disposal of property, plant and equipment	34(b)	**7,546**	11,500
Dividend from an associate		**137**	181
Purchase of intangible assets	18	**(7,400)**	(6,704)
Purchase of financial assets at fair value through profit or loss	21	**(1,314,616)**	(2,850,049)
Proceeds from disposal of financial assets at fair value through profit or loss	21	**1,342,772**	2,931,965
Interest received		**33,077**	20,609
Net cash outflow from investing activities		**(515,276)**	(306,311)
Cash flows from financing activities			
Proceeds from borrowings	34(b)	**906,345**	179,300
Repayments of borrowings	34(b)	**(1,362,162)**	(1,187,451)
Payment of lease liabilities	34(b)	**(29,713)**	(12,777)
Proceeds from issues of shares		**6,405**	—
Cash dividends paid		**(254,695)**	(111,510)
Net cash outflow from financing activities		**(733,820)**	(1,132,438)
Net decrease in cash and cash equivalents		**1,112**	(441,944)
Cash and cash equivalents at the beginning of year	24	**547,920**	982,037
Effects of exchange rate on cash and cash equivalents		**5,080**	7,827
Cash and cash equivalents at the end of year	24	**554,112**	547,920

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1 GENERAL INFORMATION, REORGANISATION AND BASIS PRESENTATION

1.1 General information

Prinx Chengshan Holdings Limited (the "**Company**"), was incorporated in Cayman Islands on 22 May 2015 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("**HKSE**") since 9 October 2018.

The Company is an investment holding company and its subsidiaries (together the "**Group**") are principally engaged in the manufacturing and sales of tire products in the People's Republic of China (the "**PRC**"), Thailand, America and other global markets.

The immediate holding company and ultimate controlling company of the Group is Chengshan Group Co., Ltd. ("**Chengshan Group**"), which was established in the PRC. 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 other individual shareholders.

These consolidated financial statements are presented in thousands of Renminbi ("**RMB'000**") and were approved for issue by the board of directors on 28 March 2025.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

Accounting policies applied in the preparation of these consolidated financial statements have been consistently applied, unless otherwise stated. Other than those material accounting policies which are disclosed in the notes to the relevant financial line items or transactions in these consolidated financial statements, other accounting policies have been set out in the summary in Note 39.

2.1 Basis of preparation

(i) Compliance with HKFRS and the disclosure requirements of HKCO

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

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The adoption of these new standards and amendments did not have material impact on the Group's financial position or operating result and did not require retrospective adjustment.

Standards	Key requirements	Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as current or non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, these standards and amendments are not expected to have a significant impact on the Group's financial performance and position, except HKFRS 18, which may mainly impact the presentation of the consolidated statements of the comprehensive income and the Group is still in the process of assessing the impact.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

2.1 Basis of preparation (Continued)

(iv) New and amended standards and interpretations not yet adopted (Continued)

Standards	Key requirements	Effective for annual periods beginning on or after
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 9 (Amendment) and HKFRS 7 (Amendment)	Amendments to the classification and measurement of financial instruments	1 January 2026
HKFRS 9 (Amendment) and HKFRS 7 (Amendment)	Contracts referencing nature-dependent electricity	1 January 2026
Annual Improvements to HKFRS Accounting Standards — Volume 11		1 January 2026
HKFRS 18	Presentation and disclosure in financial statements	1 January 2027
HKFRS 19	Subsidiaries without public accountability: disclosures	1 January 2027
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on the Group's financial performance.

The group's risk management is predominantly controlled by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are dominated in a currency that is not the Group entities' functional currency. The subsidiaries in RMB functional currency of the Group exposed to foreign currency risks arising from some currency exposures, mainly with respect to USD due to certain financial assets and liabilities that denominated in USD. The subsidiaries in USD functional currency of the Group exposed to foreign currency exposures on assets and liabilities that are not denominated in USD, the functional currency of the Thailand operation. However, the financial exposure is not expected to be material for the Thailand operation as at 31 December 2024 and 2023.

Exposure

The aggregate net foreign exchange gains recognised in profit or loss were:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net foreign exchange gains included in other gains — net *(Note 8)*	**38,472**	13,324
Exchange gains in finance costs — net *(Note 11)*	**—**	794
Total net foreign exchange gains recognised in profit before income tax for the period	**38,472**	14,118

The Group's major exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

Assets and liabilities denominated in foreign currencies held by the Company and its subsidiaries in RMB functional currency, expressed in RMB.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(i) *Foreign exchange* (Continued)

Exposure (Continued)

	As at 31 December 2024	
	USD	**EUR**
	RMB'000	**RMB'000**
Cash and cash equivalents	**183,643**	**5,456**
Trade receivables	**496,453**	**48,920**
Trade payables	**130,464**	**—**

	As at 31 December 2023	
	USD	EUR
	RMB'000	RMB'000
Cash and cash equivalents	83,970	124
Trade receivables	533,994	28,036
Other receivables	103,619	—
Trade payables	114,317	—
Borrowings	45,329	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange (Continued)

Assets and liabilities denominated in foreign currencies held by the Company and its subsidiaries in USD functional currency, expressed in RMB.

	As at 31 December 2024			
	RMB	**HKD**	**EUR**	**THB**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash and cash equivalents	**2,280**	**6,231**	**17,153**	**5,584**
Trade receivables	**19,531**	**—**	**68,592**	**7,359**
Trade payables	**106,170**	**—**	**86**	**144,798**
Other payables	**233,636**	**—**	**—**	**4,289**

	As at 31 December 2023			
	RMB	HKD	EUR	THB
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	24,392	7,345	10,548	8,602
Trade receivables	1,953	—	58,698	5,906
Trade payables	86,960	—	269	148,679
Other payables	184,559	—	—	48,565

The Group is primarily exposed to changes in USD/RMB exchange rates.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) ***Market risk*** (Continued)

(i) *Foreign exchange* (Continued)

As at 31 December 2024 and 2023, if USD and EUR had weakened/strengthened by 5% against RMB, with all other variables held constant, post-tax profit for each year would have changed mainly as a result of foreign exchange losses/gains on translation of USD and EUR denominated cash and cash equivalents, trade receivables, other receivables, trade payables and borrowings in RMB functional currency subsidiaries. Details of the changes are as follows:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Year ended:		
Post-tax profit (decrease)/increase		
— Weakened 5% against RMB	**(36,760)**	(25,079)
— Strengthened 5% against RMB	**36,760**	25,079

As at 31 December 2024 and 2023, if RMB and THB had weakened/strengthened by 5% against USD, with all other variables held constant, post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of RMB and THB denominated cash and cash equivalents, trade receivables, trade payables and other payables in USD functional currency subsidiaries. Details of the changes are as follows:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Year ended:		
Post-tax profit increase/(decrease)		
— Weakened 5% against USD	**22,707**	21,396
— Strengthened 5% against USD	**(22,707)**	(21,396)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange (Continued)

As at 31 December 2024 and 2023, if USD had weakened/strengthened by 5% against RMB, with all other variables held constant, other comprehensive income for each year would have changed mainly as a result of the translation of financial statements of USD functional currency entities to RMB. Details of the changes are as follows:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Year ended:		
Other comprehensive income (decrease)/increase		
— Weakened 5% against RMB	**(172,887)**	(172,887)
— Strengthened 5% against RMB	**172,887**	172,887

(ii) Cash flow and fair value interest rate risk

The Group's income 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 obtained at fixed rates expose the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Note 28.

As at 31 December 2024 and 2023, if interest rates on borrowings at variable rates had been 5% higher/lower with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of higher/lower interest expense on floating rate borrowings. Details of the changes are as follows:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Year ended:		
Post-tax profit (decrease)/increase		
— 5% higher	**340**	454
— 5% lower	**(340)**	(454)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, notes receivable, other receivables, amounts due from related parties and cash deposits at banks. The carrying amounts of trade receivables, notes receivable, other receivables, amounts due from related parties, cash and cash equivalents and restricted cash represent the Group's maximum exposure to credit risk in relation to financial assets.

Most of the notes receivable are issued from state-owned banks in the PRC. The credit quality of notes receivable has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) ***Credit risk*** (Continued)

- actual or expected significant changes in the operating results of the debtor/customer;

- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

(i) Cash and cash equivalents and restricted cash

As at 31 December 2024, the Group has assessed that the expected credit loss rates for cash and cash equivalents and restricted cash were immaterial. Thus no loss allowance for these financial assets was recognised.

(ii) Amounts due from related parties and other receivables

As at 31 December 2024, the Group has assessed that the expected credit loss rates for amounts due from related parties and other receivables were immaterial. Thus no loss allowance for these receivables was recognised.

(iii) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics presented in Noted 3.1(b) and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2024 or 31 December 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information, including gross domestic products and retail sales of consumer goods, on factors affecting the ability of the customers to settle the receivables.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 31 December 2024 and 2023, the loss allowance for trade receivables was determined as follows.

	Up to 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
31 December 2024					
Expected loss rate	**1.1%**	**39.9%**	**52.8%**	**100.0%**	**–**
Gross carrying amount (RMB'000)	**1,771,394**	**1,023**	**1,493**	**3,394**	**1,777,304**
Loss allowance (RMB'000)	**(19,287)**	**(408)**	**(788)**	**(3,394)**	**(23,877)**

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
31 December 2023					
Expected loss rate	0.8%	36.1%	54.2%	100.0%	–
Gross carrying amount (RMB'000)	1,693,924	2,805	1,839	5,891	1,704,459
Loss allowance (RMB'000)	(13,993)	(1,013)	(997)	(5,891)	(21,894)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

	Less than 1 year RMB'000	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
At 31 December 2024					
Bank borrowings	**344,607**	**159,085**	**251,618**	**–**	**755,310**
Interest payables for bank borrowings	**15,973**	**11,869**	**4,875**	**–**	**32,717**
Amount due to related parties	**19,510**	**–**	**–**	**–**	**19,510**
Trade payables	**2,106,142**	**–**	**–**	**–**	**2,106,142**
Other payables	**999,944**	**–**	**–**	**–**	**999,944**
Lease liabilities	**31,433**	**19,494**	**5,067**	**–**	**55,994**
	3,517,609	**190,448**	**261,560**	**–**	**3,969,617**

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2023					
Bank borrowings	878,925	51,616	280,797	–	1,211,338
Interest payables for bank borrowings	22,074	12,300	15,816	–	50,190
Amount due to related parties	925	–	–	–	925
Trade payables	2,391,670	–	–	–	2,391,670
Other payables	1,000,839	–	–	–	1,000,839
Lease liabilities	13,005	10,587	8,717	–	32,309
	4,307,438	74,503	305,330	–	4,687,271

The interest on borrowings is calculated based on borrowings held as at 31 December 2024 and 2023 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 31 December 2024 and 2023 respectively.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors on the basis of the gearing ratio. 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 statements of financial position) less cash and cash equivalents and restricted cash. Total capital is calculated as total equity plus net surplus/debt.

The gearing ratios as at 31 December 2024 and 2023 were as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Bank borrowings *(Note 28)*	**755,310**	1,211,338
Total Lease liabilities *(Note 17)*	**53,950**	30,837
Less: Cash and cash equivalents *(Note 24)*	**(554,112)**	(547,920)
Restricted cash *(Note 24)*	**(143,788)**	(178,044)
Net debt	**111,360**	516,211
Total equity	**6,543,463**	5,433,743
Total capital	**6,654,823**	5,949,954
Gearing ratio	**1.7%**	8.7%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The Group adopts the amendment to HKFRS 13 for financial instruments that are measured in the consolidated statements of financial position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2024 and 2023.

	Level 1	Level 2	Level 3	Total
As at 31 December 2024				
Assets				
Financial assets at fair value through profit or loss				
— Wealth management products *(a)*	—	—	141,771	141,771
— Listed equity securities	8,687	—	—	8,687
Financial assets at fair value through other comprehensive income				
— Notes receivable *(a)*	—	—	267,222	267,222
	8,687	—	408,993	417,680

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

	Level 1	Level 2	Level 3	Total
As at 31 December 2023				
Assets				
Financial assets at fair value through profit or loss				
— Wealth management products *(a)*	—	—	150,982	150,982
— Listed equity securities	12,689	—	—	12,689
— Interest rate swap	—	14,689	—	14,689
Financial assets at fair value through other comprehensive income				
— Notes receivable *(a)*	—	—	177,804	177,804
	12,689	14,689	328,786	356,164

For the year ended 31 December 2024 and 2023, there were no transfers among levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

During the years, there were no additions and disposals occurred among level 1. The additions and disposals of level 2 and level 3 are disclosed in Note 21.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 3

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

	Fair value at 31 December 2024 RMB'000	**Valuation Technique**	**Unobservable input**	**Range (weighted average)**	**Relationship of unobservable inputs to fair value**
Wealth management products	**141,771**	**Discounted cash flow**	**Expected yield rate**	**1.37%-2.65% (2.0%)**	**A change in the yield rate by 100 basis points would increase/decrease the fair value approximately RMB1,388,000**
Notes receivable	**267,222**	**Discounted cash flow**	**Expected discount interest rate**	**1.6%-3.6% (2.6%)**	**A change in the discount interest rate by 100 basis points would increase/decrease the fair value approximately RMB2,605,000**

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, 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 addressed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management reassesses the useful lives on a regular basis. Management will increase the depreciation charge where useful lives are shorter than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Income taxes and deferred tax assets/liabilities

The Group is subject to income taxes in several jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

(c) Provision for impairment of trade receivables

For trade receivables (excluding non-financial assets), the Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which requires the use of the lifetime expected loss allowance for all trade receivables (excluding non-financial assets). The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selects the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at each balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Net realisable value of inventories

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 the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses the estimates at each balance sheet date.

(e) Warranty claims provision

The Group generally offers warranties with period of 48 months for its tires. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as product costs.

(f) Impairment of the Group's assets

The Group follows the guidance of HKAS 36 to determine whether the Group's assets are impaired. As stated in HKAS 36, the net asset value of an entity that exceeds its market capitalisation is an impairment indicator which would require an estimate of the recoverable amount to be performed. As at 31 December 2024, the Group's market capitalisation amounted to RMB4,685 million approximately, which is lower than the Group's net assets value of RMB6,543 million. The Group shall assess whether its assets are impaired. This assessment requires significant judgements and estimations.

In making these judgements and estimations, the Group evaluates and considers both qualitative and quantitative factors that will affect the value-in-use of an asset or a CGU such as the extent of the difference between the net assets value and market capitalisation, composition of the Group's assets, results and timing of previous impairment tests. The Group has performed the impairment test according to HKAS 36 and determines that no other asset or CGU have been impaired.

5 SEGMENT INFORMATION

Description of segments and principal activities

The executive directors of the Company have been identified as the chief operating decision-makers ("**CODM**") of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

5 SEGMENT INFORMATION (Continued)

Description of segments and principal activities (Continued)

The Group is principally engaged in manufacturing and selling tire products. The segments denote business units operating in different locations. In terms of distinct technologies and marketing strategies required by different operating locations, hereto the CODM individually manage production and operating activities, evaluate operating results of different segments on a regular basis to assess the business performance and allocate resources.

The Group has two segments as follows:

— Mainland China and Hong Kong as one segment for trading of raw material related to tire products, manufacturing and selling tire products.

— Overseas regions as the other segment for manufacturing and selling tire products.

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

Segment profit or loss

	For the year ended 31 December 2024		
	Domestic RMB'000	Overseas RMB'000	Total RMB'000
Segment revenue	**6,843,211**	**4,130,674**	**10,973,885**
Segment results	**1,151,803**	**1,177,862**	**2,329,665**
Selling and distribution expenses			**(517,042)**
Administrative expenses			**(235,957)**
Research and development costs			**(250,747)**
Net impairment losses on financial assets			**(5,088)**
Other income			**51,400**
Other gains — net			**41,022**
Finance costs — net			**(28,840)**
Share of result of associates			**84**
Profit before income tax			**1,384,497**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5 SEGMENT INFORMATION (Continued)

Segment profit or loss (Continued)

	For the year ended 31 December 2023		
	Domestic RMB'000	Overseas RMB'000	Total RMB'000
Segment revenue	6,832,783	3,116,200	9,948,983
Segment results	1,285,962	835,746	2,121,708
Selling and distribution expenses			(526,161)
Administrative expenses			(213,836)
Research and development costs			(239,953)
Net impairment losses on financial assets			(1,385)
Other income			48,642
Other gains — net			13,541
Finance costs — net			(72,499)
Share of result of associates			488
Profit before income tax			1,130,545

The Group's revenue by geographical location, which is determined by the region where the goods were delivered, is as follows:

	Year ended 31 December	
	2024 Revenue RMB'000	2023 Revenue RMB'000
Mainland China	**3,437,060**	3,600,063
Americas	**3,717,325**	2,904,109
Asia (excluding Mainland China)	**1,175,291**	934,330
Africa	**825,079**	926,242
Middle East	**903,503**	870,072
Other countries	**915,627**	714,167
	10,973,885	9,948,983

5 SEGMENT INFORMATION (Continued)

Segment profit or loss (Continued)

The total non-current assets are analysed as follows:

	As at 31 December	
	2024 Revenue RMB'000	2023 Revenue RMB'000
Total non-current assets other than deferred tax assets and investment in associates		
— Mainland China	**2,340,348**	2,315,579
— Overseas	**3,174,010**	3,156,642
Deferred income tax assets	**4,038**	3,664
Investment in associates	**6,187**	6,240
Total non-current assets	**5,524,583**	5,482,125

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

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Domestic	**2,211,673**	2,214,380
Overseas	**3,173,075**	3,165,945
	5,384,748	5,380,325

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6 REVENUE

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue from customers and recognised at point in time		
Sales of tire products:		
— All steel radial tires	**6,271,265**	6,062,183
— Semi-steel radial tires	**4,496,262**	3,511,486
— Bias tires	**202,479**	153,894
Trade of raw material related to tire products	**3,879**	221,420
	10,973,885	9,948,983

(i) Accounting policies of revenue recognition

Revenue is measured at the fair value of the consideration received and receivable, and represents amounts receivable for goods supplied, stated net of rebates and returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of returns on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Sales of products

Revenue from the sale of good directly to the customers is recognised at the point that the control of the inventories have passed to the customers, which is primarily upon the acceptance of the products by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The Group collects cash or bank acceptance notes from the customers before or upon deliveries of products through banks. Cash or bank acceptance notes collected from the customers before product delivery is recognised as contract liabilities when the Group receives consideration in advance of satisfying a performance obligation by transferring the control of promised products.

The Group's obligation to repair or replace faulty products under the standard warranty terms, which cannot be purchased separately and serve as an assurance that the products sold comply with agreed-upon specifications at the time of sale, is recognised as a provision.

6 REVENUE (Continued)

(i) Accounting policies of revenue recognition (Continued)

Sales of products (Continued)

No customer contributes 10% or more to the Group's revenue for the year ended 31 December 2024 and 2023.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Contract liabilities	**60,791**	48,013

(i) Significant change in contract liabilities

The Group receives payments from customers based on billing schedule as established in contracts. There was no significant change in contract liabilities.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised for the year ended 31 December 2024 and 2023 relates to carried-forward contract liabilities.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the 1 January 2024 and 1 January 2023		
Sales of tire products	**48,013**	48,720

(iii) Unsatisfied contracts related to sales of tire products

The Group selects a practical expedient and omit disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

7 OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Sales of scraps	**34,774**	30,974
Amortization of deferred income *(Note 32)*	**9,689**	—
Government grants related to expenses	**6,937**	17,668
	51,400	48,642

8 OTHER GAINS — NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Gains on disposal of financial assets at fair value through profit or loss *(Note 21)*	**2,157**	7,566
Losses from fair value change of financial assets at fair value through profit or loss *(Note 21)*	**(1,903)**	(8,355)
Gains/(losses) on disposal of property, plant and equipment *(Note 34(b))*	**704**	(3,205)
Net foreign exchange gains	**38,472**	13,324
Others	**1,592**	4,211
	41,022	13,541

9 EXPENSES BY NATURE

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables used	**7,986,594**	7,087,506
Change in inventories of finished goods and work in progress	**(324,927)**	(165,808)
Wages and salaries, social welfare and benefits, including director's emoluments *(Note 10)*	**746,658**	725,493
Depreciation of property, plant and equipment *(Note 16)*	**498,985**	461,431
Transportation cost and storage expenses	**193,436**	203,314
Maintenance and repair	**85,080**	70,113
Export expenses	**72,024**	59,560
Provision for warranties *(Note 31)*	**54,190**	54,259
Travel, conference and office expenses	**49,649**	51,575
Advertising expenses	**41,010**	42,360
Depreciation of right-of-use assets *(Note 17)*	**32,703**	15,830
Sales commission	**29,405**	15,360
Levies	**26,816**	37,902
Professional service fees	**26,993**	31,377
Property insurance premium	**18,366**	18,539
Write-downs of inventories *(Note 20)*	**16,252**	5,749
Rental and estate expenses	**9,992**	12,609
Amortisation of intangible assets *(Note 18)*	**8,953**	7,596
Auditor's remuneration		
— Audit services	**4,506**	4,149
— Non-audit services	**382**	591
Other expenses	**70,899**	67,720
	9,647,966	8,807,225

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

10 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTOR'S EMOLUMENTS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries, wages and bonuses	**597,523**	573,691
Pension, housing fund, medical insurance and other welfare benefits	**148,342**	142,476
Share-based compensation benefits	**793**	9,326
Total employee benefit expenses	**746,658**	725,493

(a) Pension costs — defined contribution plans

The employees of the Group's subsidiaries participate in defined contribution retirement plans organised by the relevant provincial governments under which these subsidiaries are required to make monthly contributions to these plans at certain percentages of the employees' monthly salaries and wages, subject to certain ceilings.

During the years ended 31 December 2024, 9,565,500 share options were cancelled in accordance with the terms of 2021 Share Option Scheme.

During the years ended 31 December 2024 and 2023, the Group had no forfeited contributions which may be used by the Group to reduce the existing level of contributions.

(b) Five highest paid individuals

The five highest paid employees of the Group for the year ended 31 December 2024 include 3 (2023: 2) directors, details of whose emoluments are reflected in the analysis shown in Note 39(a). Details of the total emoluments paid to the remaining 2 (2023: 3) highest paid employees for the year were as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries	**3,058**	6,372
Discretionary bonuses	**1,457**	1,689
Allowances and benefits in kind	**79**	129
Employer's contribution to a retirement benefits scheme	**69**	97
Share-based compensation benefits	**575**	5,183
Total employee benefit expenses	**5,238**	13,470

10 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTOR'S EMOLUMENTS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Emolument bands		
HKD2,000,001 to HKD2,500,000 (approximately RMB1,852,100–RMB2,315,100)	**1**	—
HKD2,500,001 to HKD3,000,000 (approximately RMB2,315,100–RMB2,778,100)	**—**	1
HKD3,500,001 to HKD4,000,000 (approximately RMB3,241,100–RMB3,704,200)	**1**	—
HKD4,000,001 to HKD4,500,000 (approximately RMB3,704,200–RMB4,167,200)	**—**	1
HKD7,500,001 to HKD8,000,000 (approximately RMB6,945,300–RMB7,408,300)	**—**	1
	2	3

11 FINANCE COSTS — NET

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Finance costs:		
— Interest expense on bank borrowings	**(61,024)**	(95,606)
— Interest expense on lease liabilities *(Note 17)*	**(2,044)**	(372)
— Net foreign exchange gains on borrowings and dividend payable	**—**	794
	(63,068)	(95,184)
Less: amounts capitalised on qualifying assets *(Note 16)*	**—**	2,076
	(63,068)	(93,108)
Finance income:		
— Interest income derived from bank deposits	**34,228**	20,609
Finance costs — net	**(28,840)**	(72,499)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12 TAXATION

(a) Income tax expense

The amounts of income tax expense credited to the consolidated statement of profit or loss represent:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax	**40,379**	41,451
— Hong Kong and overseas profits tax	**21,323**	8,621
Deferred income tax *(Note 33)*	**10,927**	47,033
Income tax expense	**72,629**	97,105

(i) Cayman Islands and British Virgin Islands profit tax

The Company and its subsidiary, Prinx Investment Holding Limited, are not subject to any taxation in the Cayman Islands and British Virgin Islands respectively. The Company has obtained the qualification of PRC tax residence enterprise. The applicable profits tax rate is 25% for the year ended 31 December 2024 (2023: 25%).

(ii) Hong Kong profits tax

The Company's subsidiaries, Prinx Chengshan (Hong Kong) Tire Limited and Prinx (Hong Kong) Rubber Co., Limited, are subject to Hong Kong profits tax. The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2024 (2023: 16.5%). Prinx Chengshan (Hong Kong) Tire Limited has obtained the qualification of PRC tax residence enterprise. The applicable profits tax rate is 25% for the year ended 31 December 2024 (2023: 25%).

(iii) PRC corporate income tax ("CIT")

CIT is provided on the assessable income of entities within the Group incorporated in the Mainland China. The applicable CIT tax rate is 25% except for a subsidiary which is qualified as High and New Technology Enterprises ("**HNTE**") and entitled to enjoy a beneficial tax rate of 15% from 2023 to 2026.

(iv) Other overseas profits tax

The Company's subsidiary, Prinx Chengshan Tire North America, Inc., incorporated in California USA, is subject to the federal tax rate of 21% and the state tax of 8.84% for the year ended 31 December 2024 (2023: 21% and 8.84%).

Prinx Chengshan Tire (Thailand) Co., Ltd. was established in Thailand and the applicable income tax rate in Thailand is 20%. As it is qualified as a key encouraged industry enterprise and approved by local tax authority in 2020, Prinx Chengshan Tire (Thailand) Co., Ltd. was entitled to an eight-year full tax exemption from 2020 to 2027.

12 TAXATION (Continued)

(a) Income tax expense (Continued)

(iv) Other overseas profits tax (Continued)

Prinx Chengshan Tire Europe GmbH, incorporated in Germany, is subject to an overall tax rate of 31.77% set by the local authority for the year ended 31 December 2024 (2023: 31.77%).

No overseas profits tax of the Group's other subsidiaries have been provided since these subsidiaries do not have assessable taxable profits for the year ended 31 December 2024 (2023: nil).

(v) Withholding tax ("WHT")

On 27 December 2019, the Company and its subsidiary, Prinx Chengshan (Hong Kong) Tire Limited, have obtained the qualification of PRC tax residence enterprise and are also subject to CIT for the year ended 31 December 2024. The distribution of dividends among Prinx Shandong, Prinx Chengshan (Hong Kong) Tire Limited and the Company is no longer subject to PRC WHT since 2019.

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate to profits of the consolidated entities as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit before income tax	**1,384,497**	1,130,545
Tax calculated at statutory tax rates	**308,878**	255,197
Expenses not deductible for tax purpose	**4,084**	5,092
Tax benefited from HNTE qualification	**(53,477)**	(59,090)
Additional deduction of research and development cost and other expense	**(31,325)**	(27,921)
Tax exemption of a subsidiary	**(156,178)**	(97,962)
Tax losses for which no deferred income tax asset was recognised	**3,205**	5,995
Utilisation of previously unrecognised tax losses	**(2,558)**	(10,394)
Others *(i)*	**—**	26,188
Income tax credit	**72,629**	97,105

(i) On 1 June 2023, the wholly owned subsidiary, Prinx Chengshan (Shandong) Tire Co., Ltd. transferred its 20.62% equity interest in Prinx Chengshan Tire (Thailand) Co., Ltd. to the wholly owned subsidiary Prinx Chengshan (Hong Kong) Tire Limited, the Group paid the corresponding income tax of amounting to RMB26,188,000.

12 TAXATION (Continued)

(a) Income tax expense (Continued)

(vi) OECD Pillar Two model rules

The group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Oneland, the jurisdiction in which some subsidiaries of Prinx Chengshan Holdings Limited is incorporated, and will come into effect from 1 January 2025. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. Based on the current assessment there is no material impact from exposure to Pillar Two legislation on the going concern assessment or on any asset impairment.

(b) Value-added tax ("VAT")

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

Input VAT on purchases of raw materials, fuel, utilities, certain property, plant and equipment and other production materials (merchandise, transportation costs) are creditable against output VAT. VAT payable is the net difference between output VAT and creditable input VAT.

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit attributable to the shareholders of the Company	**1,311,837**	1,033,391
Weighted average number of ordinary shares in issue (thousands)	**637,407**	636,440
Basic earnings per share (RMB)	**2.06**	1.62

13 EARNINGS PER SHARE (Continued)

(b) Diluted

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit attributable to the shareholders of the Company	**1,311,837**	1,033,391
Weighted average number of ordinary shares in issue (thousands)	**637,407**	636,440
Adjustments for share options	**300**	—
Weighted average number of ordinary shares for diluted earnings per share	**637,707**	636,440
Diluted earnings per share (RMB)	**2.06**	1.62

14 DIVIDENDS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cash dividends paid by the Company *(a)*	**261,038**	114,190
Final dividends proposed by the Company *(b)*	**295,132**	173,023

(a) Dividends during the year ended 31 December 2024 and 2023 represented interim and final cash dividends paid by the Company to its shareholders. The difference between the proposed and paid dividends was due to the impact of exchange rate fluctuation.

(b) At a meeting held on 28 March 2025, the Board proposed a final dividend of HKD318,704,000 (equivalent to RMB295,132,000) (2023: HKD190,932,000 (equivalent to RMB173,023,000)), representing HKD50 cents (equivalent to RMB46 cents) (2023: HKD30 cents (equivalent to RMB27 cents) per share to be distributed from the retained earnings account. The amount of final dividend is calculated based on 637,407,000 Shares in issued as at 28 March 2025. This proposed dividends are subject to the approval by the shareholders at the annual general meeting of the Company and are not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation from the retained earnings account for the year ending 31 December 2025.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

15 SUBSIDIARIES

The investments in subsidiaries are stated at cost, less impairment, if any. Set out below the details of the principal subsidiaries of the Company as at 31 December 2024:

Company name	Date of incorporation	Country/Place of incorporation, legal status and kind of legal entity	Principal country/ place of operation	Registered share capital	Paid-in share capital	Directly and indirectly held 31 December 2023	31 December 2024	Principal activities
Directly held by the Company								
Prinx Chengshan (Hong Kong) Tire Limited	06 June 2014	Hong Kong, limited liability company	Hong Kong	USD178,000,000	USD178,000,000	100%	**100%**	Investment holding and trading of tire products
Prinx Investment Holding Limited	26 November 2018	British Virgin Islands, limited liability company	Hong Kong	USD500	USD500	100%	**100%**	Investment holding
Indirectly held by the Company								
Prinx Chengshan (Shandong) Tire Co., Ltd.	29 December 2005	Shandong China, wholly foreign owned enterprise	China	USD203,180,000	USD203,180,000	100%	**100%**	Manufacturing and trading of tire products
Prinx Chengshan Tire Europe GmbH	17 March 2020	Darmstadt Germany, limited liability company	Germany	EUR25,000	EUR25,000	100%	**100%**	The manufacturing, development, trading and distribution of all kinds of goods made of rubber, synthetic or similar
Prinx Chengshan (Qingdao) Industrial Research & Design Co., Ltd.	12 January 2017	Shandong China, limited liability company	China	RMB10,000,000	RMB10,000,000	100%	**100%**	Technology Research and trading of tire products
Shandong Prinx Chengshan Tire Technology Research Co., Ltd.	26 September 2017	Shandong China, limited liability company	China	RMB10,000,000	RMB9,250,000	92.5%	**92.5%**	Tire technology and equipment research and development, providing technical services
Qingdao Zhianda Investment Co., Ltd.	08 March 2018	Shandong China, limited liability company	China	RMB76,800,000	RMB57,440,000	100%	**100%**	Investment holding and trading of tire products
Prinx Chengshan Tire North America, Inc.	01 November 2018	California USA, corporation	United States of America	USD1,303,990	USD1,303,990	100%	**100%**	Investment holding and trading of inflatable products and related products
Prinx (Hong Kong) Rubber Co., Limited	13 December 2018	Hong Kong, limited liability company	Hong Kong	USD20,000	USD20,000	100%	**100%**	Investment holding and trading of tire products

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

15 SUBSIDIARIES (Continued)

Company name	Date of incorporation	Country/Place of incorporation, legal status and kind of legal entity	Principal country/ place of operation	Registered share capital	Paid-in share capital	Directly and indirectly held 31 December 2023	Directly and indirectly held 31 December 2024	Principal activities
Indirectly held by the Company								
Prinx Chengshan Tire (Thailand) Co., Ltd.	20 December 2018	Thailand, limited liability company	Thailand	THB9,025,634,600	THB9,025,634,600	100%	**100%**	Manufacturing and trading of tire products
Jinan Zhianda Tire Service Co., Ltd.	07 June 2018	Shandong China, limited liability company	China	RMB20,000,000	RMB20,000,000	100%	**100%**	Providing tire rental service and trading of tire products
Shanghai Zhianda Rubber Technology Co., Ltd.	14 January 2019	Shanghai China, limited liability company	China	RMB20,000,000	RMB14,315,000	100%	**100%**	Providing tire rental service and trading of tire products
Prinx Chengshan (Anhui) Tire Co., Ltd.	19 April 2021	Anhui China, limited liability company	China	RMB378,000,000	RMB0	100%	**100%**	Providing tire rental service and trading of tire products
Zhianda (Shanghai) Tire Service Co., Ltd.	13 May 2021	Shanghai China, limited liability company	China	RMB76,800,000	RMB69,740,000	100%	**100%**	Providing tire rental service and trading of tire products
Prinx Chengshan (Shanghai) Tire Sales Co., Ltd.	09 March 2021	Shanghai China, limited liability company	China	RMB10,000,000	RMB10,000,000	100%	**100%**	Providing tire rental service and trading of tire products
Prinx Chengshan (Shanghai) Investment Co., Ltd.	09 February 2021	Shanghai China, wholly foreign owned enterprise	China	USD12,800,000	USD12,800,000	100%	**100%**	Investment holding and trading of tire products
Prinx Chengshan (Shandong) Trading Co., Ltd.	12 October 2022	Shandong China, limited liability company	China	RMB5,000,000	RMB5,000,000	100%	**100%**	Trading of tire products
Prinx Tire (Malaysia) SDN. BHD	20 December 2024	Malaysia, limited liability company	Malaysia	MYR60,000,000	MYR0	–	**100%**	Manufacturing and trading of tire products

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Machinery and factory equipment RMB'000	Furniture and fixtures RMB'000	Vehicles RMB'000	Tooling RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2023							
Opening net book amount	1,309,764	2,715,731	16,256	6,173	215,002	1,007,907	5,270,833
Transfers	230,133	951,805	9,002	12,272	58,307	(1,261,519)	—
Additions	—	—	11,780	—	—	406,122	417,902
Disposals	(1,426)	(12,837)	(62)	—	(139)	(241)	(14,705)
Depreciation charges *(Note 9)*	(54,055)	(323,075)	(8,891)	(4,278)	(71,132)	—	(461,431)
Exchange difference	15,340	22,988	43	22	1,853	10,690	50,936
Closing net book amount	1,499,756	3,354,612	28,128	14,189	203,891	162,959	5,263,535
At 31 December 2023							
Cost	1,852,230	5,928,638	74,724	46,023	750,116	162,959	8,814,690
Accumulated depreciation	(352,474)	(2,574,026)	(46,596)	(31,834)	(546,225)	—	(3,551,155)
Net book amount	1,499,756	3,354,612	28,128	14,189	203,891	162,959	5,263,535
Year ended 31 December 2024							
Opening net book amount	**1,499,756**	**3,354,612**	**28,128**	**14,189**	**203,891**	**162,959**	**5,263,535**
Transfers	**9,001**	**322,804**	**2,380**	**5,224**	**81,055**	**(420,464)**	**—**
Additions	**—**	**—**	**4,003**	**—**	**—**	**441,207**	**445,210**
Disposals	**(1,745)**	**(3,641)**	**(297)**	**—**	**(1,159)**	**—**	**(6,842)**
Depreciation charges *(Note 9)*	**(55,845)**	**(349,104)**	**(10,918)**	**(4,552)**	**(78,566)**	**—**	**(498,985)**
Exchange difference	**16,577**	**28,374**	**95**	**13**	**1,595**	**306**	**46,960**
Closing net book amount	**1,467,744**	**3,353,045**	**23,391**	**14,874**	**206,816**	**184,008**	**5,249,878**
At 31 December 2024							
Cost	**1,876,063**	**6,276,175**	**80,905**	**51,260**	**831,607**	**184,008**	**9,300,018**
Accumulated depreciation	**(408,319)**	**(2,923,130)**	**(57,514)**	**(36,386)**	**(624,791)**	**—**	**(4,050,140)**
Net book amount	**1,467,744**	**3,353,045**	**23,391**	**14,874**	**206,816**	**184,008**	**5,249,878**

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

For the year ended 31 December 2024 and 2023, the amounts of depreciation expense charged to cost of sales, selling and distribution expenses, administrative expenses and research and development costs are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of sales	**433,310**	401,158
Selling and distribution expenses	**2,105**	1,929
Administrative expenses	**21,919**	14,940
Research and development costs	**41,651**	43,404
Total	**498,985**	461,431

As at 31 December 2024, the net book value of property, plant and equipment pledged as security for the Group's borrowings and undrawn borrowing facilities amounted to approximately RMB108,649,000 (2023: RMB3,272,806,000) (Note 28).

For the year ended 31 December 2024, the Group has capitalised borrowing costs amounting to RMB0 (2023: RMB2,076,000) (Note 11) on qualifying assets. Borrowing costs were capitalised at the actual interest rate of 4.12% for the year ended 31 December 2023.

17 RIGHT-OF-USE ASSETS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Right-of-use assets		
— Land use rights	**82,451**	86,311
— Buildings	**52,419**	30,479
	134,870	116,790
Lease liabilities		
Current		
— Lease liabilities	**30,059**	12,163
Non-Current		
— Lease liabilities	**23,891**	18,674
	53,950	30,837

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

17 RIGHT-OF-USE ASSETS (Continued)

The current and non-current portion of lease liabilities amounting to RMB8,273,000 and RMB8,559,000 (2023: RMB8,021,000 and RMB16,832,000) represent amounts due to related parties (Note 36(b)(iii)) respectively.

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Depreciation of right-of-use assets *(Note 9)*		
— Land use rights	**3,860**	3,860
— Buildings	**28,843**	11,970
	32,703	15,830
Interest expense *(Note 11)*	**2,044**	372
Expense relating to short term leases	**842**	16,891

The cash payments for short-term leases and right-of-use assets excluding land use rights were RMB30,555,000 for the year ended 31 December 2024 (2023:RMB29,668,000).

The Group leases various offices, warehouses and vehicles. Lease contracts except for short-term leases are typically made for fixed periods over 12 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

18 INTANGIBLE ASSETS

	Goodwill RMB'000	Trademarks RMB'000	Computer software RMB'000	Patented technology RMB'000	Total RMB'000
Year ended 31 December 2023					
Opening net book amount	43,436	11	40,517	1,777	85,741
Additions	—	—	6,654	50	6,704
Amortisation charge *(Note 9)*	—	(11)	(7,012)	(573)	(7,596)
Exchange difference	—	—	25	—	25
Closing net book amount	43,436	—	40,184	1,254	84,874
At 31 December 2023					
Cost	43,436	1,572	76,583	4,120	125,711
Accumulated amortisation	—	(1,572)	(36,399)	(2,866)	(40,837)
Net book amount	43,436	—	40,184	1,254	84,874
Year ended 31 December 2024					
Opening net book amount	**43,436**	**—**	**40,184**	**1,254**	**84,874**
Additions	**—**	**—**	**6,702**	**698**	**7,400**
Amortisation charge *(Note 9)*	**—**	**—**	**(8,370)**	**(583)**	**(8,953)**
Exchange difference	**—**	**—**	**314**	**—**	**314**
Closing net book amount	**43,436**	**—**	**38,830**	**1,369**	**83,635**
At 31 December 2024					
Cost	**43,436**	**1,572**	**83,599**	**4,818**	**133,425**
Accumulated amortisation	**—**	**(1,572)**	**(44,769)**	**(3,449)**	**(49,790)**
Net book amount	**43,436**	**—**	**38,830**	**1,369**	**83,635**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

18 INTANGIBLE ASSETS (Continued)

During the year ended 31 December 2024 and 2023, amortisation of intangible assets were charged to the consolidated statement of comprehensive income is as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Selling and distribution expenses	**342**	21
Administrative expenses	**859**	1,133
Research and development costs	**7,752**	6,442
	8,953	7,596

(a) Impairment test for goodwill

Management reviews the business performance based on a measure of operating results. It has identified one operating segment — manufacturing and selling of tire products. Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill for operating segment:

	Opening	**Addition**	**Impairment**	**Other adjustment**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024 and 2023	43,436	—	—	—	43,436

The recoverable amount of a cash-generating unit ("**CGU**") is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

18 INTANGIBLE ASSETS (Continued)

(a) Impairment test for goodwill (Continued)

For the CGU, the key assumptions, long term growth rate and discount rate used in the value-in-use calculations are as follows.

	As at 31 December	
	2024	2023
Sales volume (% annual growth rate)	**3%-7%**	2%-5%
Sales price (% annual growth rate)	**2%-3%**	1%-3%
Gross margin (% of revenue)	**18%-19%**	19%-23%
Long term growth rate	**3%**	3%
Pre-tax discount rate	**18%**	18%

These assumptions have been used for the analysis of CGU within the operating segment.

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

Sales price is 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 territory.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current sales margin levels and sales mix, with adjustments made to reflect the expected future price rises in rubber, a key raw material, which management does not expect to be able to pass on to customers through price increases.

The long term growth rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

As at 31 December 2024 and 2023, the directors of the Company assessed that there was no impairment of goodwill.

The directors of the Company have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed it recoverable amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

19 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
As at 31 December 2024				
Financial assets				
Financial assets at fair value through profit or loss	–	150,458	–	150,458
Amounts due from related parties	201,857	–	–	201,857
Trade and notes receivables	1,753,427	–	267,222	2,020,649
Other receivables	25,196	–	–	25,196
Cash and cash equivalents	554,112	–	–	554,112
Long-term Deposit	30,000	–	–	30,000
Restricted cash	143,788	–	–	143,788
Total	2,708,380	150,458	267,222	3,126,060

	Financial liabilities at amortised cost RMB'000
As at 31 December 2024	
Financial liabilities	
Lease liabilities	53,950
Borrowings	755,310
Trade payables	2,106,142
Other payables	999,944
Amounts due to related parties	19,510
Total	3,934,856

19 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
As at 31 December 2023				
Financial assets				
Financial assets at fair value through profit or loss	—	178,360	—	178,360
Amounts due from related parties	244,085	—	—	244,085
Trade and notes receivables	1,682,565	—	177,804	1,860,369
Other receivables	32,261	—	—	32,261
Cash and cash equivalents	547,920	—	—	547,920
Restricted cash	178,044	—	—	178,044
Total	2,684,875	178,360	177,804	3,041,039

	Financial liabilities at amortised cost RMB'000
As at 31 December 2023	
Financial liabilities	
Lease liabilities	30,837
Borrowings	1,211,338
Trade payables	2,391,670
Other payables	1,000,839
Amounts due to related parties	925
Total	4,635,609

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

20 INVENTORIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials	**480,562**	483,819
Work-in-progress	**116,974**	119,645
Finished goods	**1,345,343**	1,033,998
	1,942,879	1,637,462

During the year ended 31 December 2024, the cost of inventories recognised as an expense and included in 'cost of sales' was RMB7,614,281,000 (2023: RMB6,858,880,000). Write-downs of inventories amounting to RMB16,252,000 were made for the year ended 31 December 2024 (2023: RMB5,749,000).

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At beginning of the year	**178,360**	261,065
Additions	**1,314,616**	2,850,049
Disposals	**(1,342,772)**	(2,931,965)
Gains on disposal of financial assets at fair value through profit or loss *(Note 8)*	**2,157**	7,566
Fair value losses on financial assets at fair value through profit or loss *(Note 8)*	**(1,903)**	(8,355)
At the end of the year	**150,458**	178,360

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
— Wealth management products *(a)*	**141,771**	150,982
— Listed equity securities *(b)*	**8,687**	12,689
— Interest rate swap *(c)*	**—**	14,689
	150,458	178,360

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) The wealth management products are stated at fair value using a discounted cash flow approach. The main input used by the Group is estimated yield rate written in contract with the counterparty. The fair value is within level 3 of the fair value hierarchy (Note 3.3).

(b) The listed equity securities are fair valued based on the quoted market price.

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

22 TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables	**1,777,304**	1,704,459
Less: provision for impairment of trade receivables	**(23,877)**	(21,894)
Trade receivables — net	**1,753,427**	1,682,565
Notes receivable	**267,222**	177,804
Trade and notes receivables — net	**2,020,649**	1,860,369

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

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Up to 3 months	**2,034,098**	1,731,104
4 to 6 months	**3,109**	111,492
7 to 12 months	**1,409**	29,132
1 to 2 years	**1,023**	2,805
2 to 3 years	**1,493**	1,839
Over 3 years	**3,394**	5,891
	2,044,526	1,882,263

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

22 TRADE AND NOTES RECEIVABLES (Continued)

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At beginning of the year	**21,894**	20,847
Provision for impairment of trade receivables	**4,835**	1,385
Trade receivables written off during the year as uncollectible	**(2,852)**	(338)
At the end of the year	**23,877**	21,894

The creation and release of provision for impaired receivables have been included in 'net impairment losses on financial assets' in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
USD	**1,051,470**	1,012,267
RMB	**870,616**	773,087
EUR	**114,972**	91,003
THB	**7,468**	5,906
	2,044,526	1,882,263

23 PREPAYMENTS, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current		
Long-term deposit	**30,000**	—
Prepayments for purchase of property, plant and equipment	**15,975**	7,022
	45,975	7,022
Current		
Prepayments for inventory	**85,855**	161,284
Other receivables	**25,196**	32,261
Other current assets		
— value added tax to be deducted	**312,030**	263,716
— prepaid income tax	**28,741**	4,335
— cash in transit	**20,000**	—
— prepaid sales tax	**14,558**	12,487
	486,380	474,083
	532,355	481,105

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

24 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash on hand	**4**	4
Cash at banks	**697,896**	725,960
	697,900	725,964
Less: restricted cash *(a)*	**(143,788)**	(178,044)
	554,112	547,920

(a) As at 31 December 2024, the restricted cash balances amounting to RMB143,788,000 (2023: RMB177,903,000) were pledged as security for issuing notes payable of the Group, and RMB0 were pledged as bank guarantees for issuing letter of credit (2023: RMB141,000).

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	**222,149**	445,224
USD	**441,327**	254,120
HKD	**6,231**	7,346
EUR	**22,609**	10,672
THB	**5,584**	8,602
	697,900	725,964

25 SHARE CAPITAL AND SHARE PREMIUM

	Number of authorised shares
Authorised share capital:	
As at 1 January 2023, 31 December 2023 and 2024	1,000,000,000

	Number of issued shares	Nominal value of Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
As at 31 December 2022	636,440,000	201	2,185,598	2,185,799
Employee share option schemes — Exercise of options *(Note 26)*	—	—	—	—
As at 31 December 2023	636,440,000	201	2,185,598	2,185,799
Employee share option schemes — Exercise of options *(Note 26)*	**967,000**	**1**	**7,903**	**7,904**
As at 31 December 2024	**637,407,000**	**202**	**2,193,501**	**2,193,703**

26 SHARE-BASED PAYMENTS

26.1 Share option scheme

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 5 July 2019 (the "**2019 Adoption Date**"), the share option scheme (the "**2019 Share Option Scheme**") was adopted by the Company. The number of shares issuable pursuant to the 2019 Share Option Scheme was 16,000,000 shares, being approximately 2.5% of the total number of shares in issue on the 2019 Adoption Date.

On 9 July 2019 (the "**2019 Grant Date**"), the board of directors resolved to grant 14,400,000 shares of options to certain eligible employees under the 2019 Share Option Scheme, the exercise price is HKD7.24 per share. The exercise of share options shall be conditional upon fulfilment of the Company's annual performance objectives and personal performance objectives. Assuming all the conditions for exercise of the share options are fulfilled in accordance with the 2019 Share Option Scheme, the proportion of 1/3, 1/3 and 1/3 of the share options may be exercised after the 12 months, 24 months, 36 months from the date of grant. Subject to the vesting schedule, options granted in 2019 under the 2019 Share Option Scheme are exercisable within a period of six years commencing from the grant date. Total fair value of options as at the 2019 Grant Date was determined to be HKD25,709,438, assuming the Company's annual performance objectives and personal performance objectives can be fulfilled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

26 SHARE-BASED PAYMENTS (Continued)

26.1 Share option scheme (Continued)

On 9 July 2020 (the "**2020 Grant Date**"), the board of directors resolved to grant 835,500 shares of options to certain eligible employees under the 2019 Share Option Scheme, the exercise price is HKD7.96 per share. The exercise of share options shall be conditional upon fulfilment of the Company's annual performance objectives and personal performance objectives. Assuming all the conditions for exercise of the share options are fulfilled in accordance with the 2019 Share Option Scheme, the proportion of 1/2 and 1/2 of the share options may be exercised after the 12 months and 24 months from the date of grant. If the Options are not vested as the performance of the scheme participants in the first two vesting periods fails to meet the standards, in the event that the performance meets the standard upon the third annual assessment, the deferred vesting conditions are considered satisfied and the options granted may be exercised at any time after the third exercise period (i.e., after 36 months from the 2020 Grant Date), and the vesting proportion is the remaining unvested options after excluding the lapsed Options. Subject to the vesting schedule, options granted in 2020 under the 2019 Share Option Scheme are exercisable within a period of five years commencing from the grant date. Total fair value of options as at the 2020 Grant Date granted during year ended 31 December 2020 were determined to be HKD1,707,728, assuming the Company's annual performance objectives and personal performance objectives can be fulfilled.

Pursuant to an ordinary resolution passed at annual general meeting of the Company held on 17 May 2021 (the "**2021 Adoption Date**"), the current share option scheme (the "**2021 Share Option Scheme**") was adopted by the Company and replaced the 2019 Share option schemes. The number of shares issuable pursuant to the 2021 Share Option Scheme was 50,000,000 shares, being approximately 7.9% of the total number of shares in issue on the 2021 Adoption Date.

On 28 June 2021 (the "**2021 Grant Date**"), the board of directors resolved to grant 35,050,000 shares of options to certain eligible employees under the 2021 Share Option Scheme, the exercise price is HKD8.57 per share. The exercise of share options shall be conditional upon fulfilment of the Company's annual performance objectives and personal performance objectives. Assuming all the conditions for exercise of the share options are fulfilled in accordance with the 2021 Share Option Scheme, the proportion of 35% and 65% of the share options may be exercised after the 36 months and 60 months from the date of grant. Subject to the vesting schedule, the 2021 Share Option Scheme are exercisable within a period of eight years commencing from the grant date.

On 28 September 2022 (the "**2022 Grant Date**"), the board of directors resolved to grant 3,080,000 shares of options to certain eligible employees under the 2021 Share Option Scheme, the exercise price is HKD8.57 per share. The exercise of share options shall be conditional upon fulfilment of the Company's annual performance objectives and personal performance objectives. Assuming all the conditions for exercise of the share options are fulfilled in accordance with the 2021 Share Option Scheme, the proportion of 35% and 65% of the share options may be exercised after the 36 months and 60 months from the date of grant. Subject to the vesting schedule, the 2021 Share Option Scheme are exercisable within a period of approximately seven years commencing from the grant date.

26 SHARE-BASED PAYMENTS (Continued)

26.1 Share option scheme (Continued)

On 28 September 2023 (the "**2023 Grant Date**"), the board of directors resolved to grant 960,000 shares of options to certain eligible employees under the 2021 Share Option Scheme, the exercise price is HKD8.57 per share. The exercise of share options shall be conditional upon fulfilment of the Company's annual performance objectives and personal performance objectives. Assuming all the conditions for exercise of the share options are fulfilled in accordance with the 2021 Share Option Scheme, the proportion of 35% and 65% of the share options may be exercised after the 36 months and 60 months from the date of grant. Subject to the vesting schedule, the 2021 Share Option Scheme are exercisable within a period of approximately six years commencing from the grant date.

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

	2024		2023	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
As at 1 January	**HKD8.33**	**33,506,401**	HKD8.27	39,123,461
Granted during the year	**—**	**—**	HKD8.57	960,000
Exercised during the year	**HKD7.24**	**(967,000)**	—	—
Lapsed during the year	**HKD8.12**	**(315,556)**	HKD8.35	(4,511,149)
Cancelled during the year	**HKD8.57**	**(9,565,500)**	HKD7.30	(2,065,911)
As at 31 December	**HKD8.28**	**22,658,345**	HKD8.33	33,506,401
Vested and exercisable at 31 December		**5,101,845**		6,176,401

26 SHARE-BASED PAYMENTS (Continued)

26.1 Share option scheme (Continued)

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

Grant Date	Expiry Date	Exercise price	Share options 31 December 2024	Share options 31 December 2023
9 July 2019	9 July 2025	HKD7.244	**4,822,150**	5,896,706
9 July 2020	9 July 2025	HKD7.960	**279,695**	279,695
28 June 2021	28 June 2029	HKD8.568	**16,282,500**	25,050,000
28 September 2022	28 June 2029	HKD8.568	**650,000**	1,320,000
28 September 2023	28 June 2029	HKD8.568	**624,000**	960,000
Total			**22,658,345**	33,506,401
Weighted average remaining contractual life of options outstanding at end of period			**3.10 years**	4.26 years

As at 31 December 2024, the share option grantees satisfied the above mentioned exercise conditions in accordance with the 2021 Share Option Scheme. Employee benefit expense of amounting to RMB793,000 (2023: RMB9,326,000) for the above 2 share option scheme with a corresponding increase in equity is recognised in profit or loss.

26.2 Share award scheme

Pursuant to an ordinary resolution passed at annual general meeting of the Company held on 31 May 2024 (the "**2024 Adoption Date**"), the share award scheme (the "**2024 Share Award Scheme**") was adopted by the Company. The number of shares issuable pursuant to the 2024 Share Award Scheme was 4,200,000 shares, being approximately 0.65% of the total number of shares in issue on the 2024 Adoption Date.

On 30 December 2024 (the "**2024 Grant Date**"), the board of directors resolved to grant 1,360,000 awarded shares to certain selected employees under the 2024 Share Award Scheme, the purchase price of the awarded shares is HKD0.00 per share. Assuming all the conditions for vest of the awarded shares are fulfilled in accordance with the 2024 Share Award Scheme, the proportion of 30%, 30% and 40% of the awarded shares may be vested after the 36 months, 48 months and 60 months from the date of grant. Subject to the vesting schedule, the 2024 Share Award Scheme are vested within a period of five years commencing from the grant date. Total fair value of shares as at the 2024 Grant Date granted during year ended 31 December 2024 were determined to be HKD10,036,800, assuming the full conditions can be fulfilled.

27 RESERVES

	Capital reserve RMB'000	Statutory reserve *(i)* RMB'000	Translation reserve RMB'000	Retained earnings *(i)* RMB'000	Share option reserves RMB'000	Total RMB'000
Balance at 31 December 2022	(70,715)	346,301	(10,299)	1,965,951	34,993	2,266,231
Profit for the year	–	–	–	1,033,391	–	1,033,391
Cash dividends *(Note 14)*	–	–	–	(114,190)	–	(114,190)
Profit appropriation to statutory reserves	–	132,688	–	(132,688)	–	–
Currency translation differences	–	–	53,298	–	–	53,298
Employee share option schemes						
– value of employee services *(Note 26)*	–	–	–	–	9,326	9,326
Balance at 31 December 2023	(70,715)	478,989	42,999	2,752,464	44,319	3,248,056
Profit for the year	**–**	**–**	**–**	**1,311,837**	**–**	**1,311,837**
Cash dividends *(Note 14)*	**–**	**–**	**–**	**(261,038)**	**–**	**(261,038)**
Profit appropriation to statutory reserves	**–**	**139,490**	**–**	**(139,490)**	**–**	**–**
Currency translation differences	**–**	**–**	**51,692**	**–**	**–**	**51,692**
Employee share option schemes						
– issue of shares	**–**	**–**	**–**	**–**	**(1,499)**	**(1,499)**
– value of employee services *(Note 26)*	**–**	**–**	**–**	**–**	**793**	**793**
Balance at 31 December 2024	**(70,715)**	**618,479**	**94,691**	**3,663,773**	**43,613**	**4,349,841**

(i) In accordance with the PRC Company Law and the articles of association of the PRC subsidiaries of the Group (the "**PRC subsidiaries**"), the PRC subsidiaries are required to allocate 10% of their profits attributable to the respective owners of the PRC subsidiaries after offsetting accumulated losses of previous years as set out in their statutory financial statements, to the statutory reserve until such reserve reaches 50% of the registered capital of the respective PRC subsidiary.

Under the Thailand Provision of Civil and Commerce Code, the Thai company is required to set aside as a legal reserve at least 5% of its profits arising from the business of the Company at each dividend distribution until the reserve is not less than 10% of the registered share capital. The legal reserve is non-distributable.

These reserves shall only be used to make up for previous years' losses or to increase the capital. The entities in the PRC may transfer their respective statutory reserves into paid-in capital, provided that the balance of the statutory reserve after such transfer is not less than 25% of the registered capital.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

28 BANK BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current		
Bank borrowings		
— Secured	**220,000**	189,329
— Unsecured	**190,703**	143,084
	410,703	332,413
Current		
Current portion of non-current bank borrowings		
— Secured	**30,000**	542,808
— Unsecured	**20,210**	206,817
	50,210	749,625
Short-term bank borrowings		
— Unsecured	**294,397**	129,300
	344,607	878,925
Total borrowings	**755,310**	1,211,338

As at 31 December 2024, the weighted average effective interest rates on borrowings from banks were 3.34% (2023: 3.64%).

As at 31 December 2024, the secured bank borrowings of RMB250,000,000 (2023: RMB732,137,000) and undrawn borrowing facilities of RMB100,000,000 (2023: RMB323,041,947) were secured by certain property, plant and equipment amounting to RMB108,649,000 (2023: RMB3,273,962,000) (Note 16).

28 BANK BORROWINGS (Continued)

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	**515,913**	647,201
USD	**239,397**	564,137
	755,310	1,211,338

The exposure of the Group's borrowings to the interest rate changes and the contractual repricing dates of the borrowings at the end of the reporting period are as follows:

	As at 31 December			
	2024 RMB'000	**% of total loans**	2023 RMB'000	% of total loans
Repricing or maturity dates:				
— Variable rate borrowings	**323,897**	**42.9%**	325,870	26.9%
— Fixed rate borrowing				
Less than 1 year	**90,210**	**11.9%**	781,827	64.5%
1–2 years	**144,085**	**19.1%**	11,200	0.9%
2–5 years	**197,118**	**26.1%**	92,441	7.7%
	755,310	**100%**	1,211,338	100%

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within one year	**344,607**	878,925
Between one and two years	**159,085**	51,616
Between two and five years	**251,618**	280,797
	755,310	1,211,338

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

28 BANK BORROWINGS (Continued)

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

	2024		2023	
	RMB	**USD**	RMB	USD
Bank borrowings	**2.64%—4.65%**	**3.60%—6.29%**	2.64%—4.60%	2.44%—7.31%

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

	Carrying amount		**Fair value**	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
1-2 years	**144,085**	11,200	**144,330**	11,209
2-5 years	**197,118**	92,441	**196,783**	92,462
	341,203	103,641	**341,113**	103,671

The fair values of non-current bank borrowings are based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial institution with substantially the same terms and characteristics at the respective balance sheet dates.

29 TRADE PAYABLES

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Accounts payable	**1,235,302**	1,498,145
Notes payable *(a)*	**870,840**	893,525
	2,106,142	2,391,670

(a) As at 31 December 2024, notes payable of RMB870,840,000 (2023: RMB863,600,000) represented bank acceptance notes secured by restricted bank balances of RMB143,788,000 and RMB0 (2023: RMB29,925,000) secured by certain notes receivable.

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

29 TRADE PAYABLES (Continued)

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	**1,881,936**	2,038,160
USD	**83,937**	203,959
THB	**138,749**	148,679
EUR	**1,520**	872
	2,106,142	2,391,670

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 3 months	**1,563,161**	1,800,559
4 to 6 months	**461,719**	513,970
7 to 12 months	**19,200**	42,950
Above 1 year	**62,062**	34,191
	2,106,142	2,391,670

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

30 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	**344,920**	473,184
Accrued expenses	**239,148**	143,612
Payroll and employee benefit payables	**236,061**	204,545
Freights and custom duty payable	**172,285**	107,755
Accrued sales rebates and commission	**134,318**	139,469
Deposit from customers and suppliers	**39,092**	73,507
Other tax payables	**4,165**	13,138
Interest payables	**586**	11,138
Other payables	**69,594**	52,174
	1,240,169	1,218,522

31 PROVISION FOR WARRANTIES

	Products warranties RMB'000
As at 31 December 2022	75,919
Additional provision *(Note 9)*	54,259
Utilised during the year	(49,697)
As at 31 December 2023	80,481
Additional provision *(Note 9)*	**54,190**
Utilised during the year	**(49,430)**
As at 31 December 2024	**85,241**

32 DEFERRED INCOME

	Deferred government grants RMB'000
As at 31 December 2022	76,047
Addition	17,708
Credited to the consolidated statement of profit or loss	(9,639)
As at 31 December 2023	84,116
Addition	**5,635**
Credited to the consolidated statement of profit or loss	**(9,689)**
As at 31 December 2024	**80,062**

33 DEFERRED INCOME TAX

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

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Deferred tax assets:		
— Deferred tax assets to be recovered within 12 months	**42,118**	40,358
— Deferred tax assets to be recovered after more than 12 months	**15,059**	14,352
Set-off of deferred tax liabilities pursuant to set-off provisions	**(53,139)**	(51,046)
Deferred tax assets, net	**4,038**	3,664
Deferred tax liabilities:		
— Deferred tax liabilities to be settled within 12 months	**(17,622)**	(14,402)
— Deferred tax liabilities to be settled after more than 12 months	**(92,939)**	(82,765)
Set-off of deferred tax assets pursuant to set-off provisions	**53,139**	51,046
Deferred tax liabilities, net	**(57,422)**	(46,121)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

33 DEFERRED INCOME TAX (Continued)

The gross movement of the deferred income tax account is as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At beginning of the year	**(42,457)**	4,576
Charged to profit or loss *(Note 12)*	**(10,927)**	(47,033)
At end of the year	**(53,384)**	(42,457)

The movement in deferred tax assets and liabilities during the year, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Tax losses	Impairment	Accruals	Warranties	Government grants	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022	44,192	4,941	11,776	6,073	12,678	7,936	87,596
(Charged)/credited to the consolidated statement of profit or loss	(44,192)	(911)	3,697	1,708	1,270	5,542	(32,886)
At 31 December 2023	–	4,030	15,473	7,781	13,948	13,478	54,710
(Charged)/credited to the consolidated statement of profit or loss	**–**	**301**	**552**	**(513)**	**(548)**	**2,675**	**2,467**
At 31 December 2024	**–**	**4,331**	**16,025**	**7,268**	**13,400**	**16,153**	**57,177**

33 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities

	Fair value gains arising from business combination RMB'000	Depreciation difference RMB'000	Others RMB'000	Total RMB'000
At 31 December 2022	11,693	68,088	3,239	83,020
(Credited)/charged to the consolidated statement of profit or loss	(742)	11,300	3,589	14,147
At 31 December 2023	10,951	79,388	6,828	97,167
(Credited)/charged to the consolidated statement of profit or loss	**(742)**	**12,601**	**1,535**	**13,394**
At 31 December 2024	**10,209**	**91,989**	**8,363**	**110,561**

34 CASH GENERATED FROM OPERATIONS

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit before income tax	**1,384,497**	1,130,545
Adjustments for:		
— Share of result of associates	**(84)**	(488)
— Depreciation of property, plant and equipment *(Note 16)*	**498,985**	461,431
— Depreciation of right-of-use assets *(Note 17)*	**32,703**	15,830
— Amortisation of intangible assets *(Note 18)*	**8,953**	7,596
— Gains on disposal of financial assets at fair value through profit or loss *(Note 8)*	**(2,157)**	(7,566)
— Losses from fair value change of financial assets at fair value through profit or loss *(Note 8)*	**1,903**	8,355
— Deferred income related to property, plant and equipment	**(9,689)**	(9,639)
— Share based payment *(Note 26)*	**793**	9,326
— (Gains)/losses on disposal of property, plant and equipment *(Note 8)*	**(704)**	3,205
— Provision for impairment of financial assets	**5,088**	1,385
— Write-downs of inventories *(Note 20)*	**16,252**	5,749
— Finance costs — net *(Note 11)*	**28,840**	72,499
Changes in working capital (excluding currency translation differences on consolidation):		
— Decrease in pledged bank deposits	**34,256**	12,602
— Increase in inventories	**(317,072)**	(359,220)
— Increase in trade and notes receivables	**(159,273)**	(534,702)
— Increase in prepayments, other receivables and other current assets	**(24,042)**	(138,391)
— Decrease/(increase) in amounts due from related parties	**42,228**	(117,711)
— (Decrease)/increase in trade payables	**(290,887)**	378,013
— Increase/(decrease) in amounts due to related parties	**18,585**	(1,168)
— Increase in provision for warranties	**4,760**	4,562
— Increase in other payables and accruals	**148,168**	174,509
— Increase/(decrease) in contract liabilities	**12,778**	(707)
Cash inflow from operations	**1,434,881**	1,116,015

34 CASH GENERATED FROM OPERATIONS (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Net book value *(Note 16)*	**6,842**	14,705
Gains/(losses) on disposal of property, plant and equipment *(Note 8)*	**704**	(3,205)
Proceeds from disposal of property, plant and equipment	**7,546**	11,500

The reconciliation of liabilities arising from financial activities is as follows:

	Bank borrowings RMB'000	**Lease liabilities** RMB'000	**Total** RMB'000
As of 31 December 2022 *(Note)*	2,223,193	18,388	2,241,581
Cash flows			
— inflow from financing activities	179,300	—	179,300
— outflow from operating activities	(104,383)	—	(104,383)
— outflow from financing activities	(1,187,451)	(12,777)	(1,200,228)
Non-cash changes			
— increase of right-of-use assets	—	24,854	24,854
— interest expense	95,606	372	95,978
— currency translations	16,212	—	16,212
As of 31 December 2023 *(Note)*	1,222,477	30,837	1,253,314
Cash flows			
— inflow from financing activities	**906,345**	**—**	**906,345**
— outflow from operating activities	**(71,576)**	**—**	**(71,576)**
— outflow from financing activities	**(1,362,162)**	**(29,713)**	**(1,391,875)**
Non-cash changes			
— increase of right-of-use assets	**—**	**50,782**	**50,782**
— interest expense	**61,024**	**2,044**	**63,068**
— currency translations	**(212)**	**—**	**(212)**
As of 31 December 2024 *(Note)*	**755,896**	**53,950**	**809,846**

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

35 COMMITMENTS

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Purchase of property, plant and equipment		
— Contracted but not provided for	**77,823**	69,972

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 operation decisions.

Save as disclosed elsewhere in the consolidated financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business for the year ended 31 December 2024 and 2023, and balances arising from related party transactions as at the respective balance sheet dates.

Name and relationship with related parties are set out below:

Related party	**Relationship**
Chengshan Group	Immediate holding company
China National Heavy Duty Truck Group Co., Ltd. and its subsidiaries (referred as "**Sinotruk**")	Ultimate parent company of Sinotruk (Hong Kong) Capital Holding Limited, a shareholder of the Company
Rongcheng Chengshan Properties Co., Ltd.	Entity controlled by immediate holding company
Rongcheng Chengshan Energy-Saving Services Co., Ltd.	Entity controlled by immediate holding company
Yunnan Prinx Chengshan Tire Co., Ltd.	The associated company of the Group, established on 12 July 2018, 22% equity interest attributable to the Group

36 RELATED PARTY TRANSACTIONS (Continued)

Related party	Relationship
Guangdong Prinx Chengshan Tire Trading Co., Ltd.	The associated company of the Group, established on 26 October 2023, 40% equity interest attributable to the Group
Sino Legend Holding Group Limited	Shareholder of the Company
Sino Legend (China) Chemical Company Ltd.	Parent company of Sino Legend Holding Group Limited, a shareholder of the Company
Red Avenue Chemical (China) Co., Ltd.	Entity under same control with Sino Legend Holding Group Limited, a shareholder of the Company
Hebei Prinx Chengshan Tire Co., Ltd.	The associated company of the Group, established on 30 August 2019, 39% equity interest attributable to the Group

The English name of certain companies referred to in these consolidated financial statements represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

36 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

	Year ended 31 December 2024 RMB'000	2023 RMB'000
(i) Purchase of utilities		
— Chengshan Group	**204,926**	199,036
(ii) Sale of goods		
— Sinotruk	**397,276**	360,821
— Yunnan Prinx Chengshan Tire Co., Ltd.	**19,434**	23,176
— Hebei Prinx Chengshan Tire Co., Ltd.	**71,959**	99,449
— Guangdong Prinx Chengshan Tire trading Co., Ltd.	**13,029**	—
	501,698	483,446
(iii) Purchase of raw materials		
— Sino Legend (China) Chemical Company Ltd.	**22,799**	—
— Red Avenue Chemical (China) Co., Ltd.	**13,501**	—
	36,300	—
(iii) Rental and estate management expenses paid		
— Rongcheng Chengshan Properties Co., Ltd.	**6,415**	5,964
— Chengshan Group	**—**	7,673
	6,415	13,637
(iv) Purchase of right-of-use assets		
— Chengshan Group	**24,853**	—
	24,853	—

The total depreciation and finance charges for the leases from related parties recorded in the consolidated statement of profit or loss amounted to RMB9,004,000 for the year ended 31 December 2024 (2023: RMB7,353,000).

	2024 RMB'000	2023 RMB'000
(v) Services received		
— Rongcheng Chengshan Energy-Saving Services Co., Ltd.	**10,399**	4,790

(vi) Key management compensation

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

	2024 RMB'000	2023 RMB'000
— Salaries, director fees, bonus, pension, housing fund, medical insurance and other welfare benefits	**19,907**	20,721
— Share-based compensation benefits	**4,597**	10,637
	24,504	31,358

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

(i) Amounts due from related parties

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current		
Trade receivables		
— Sinotruk	**163,812**	221,832
— Hebei Prinx Chengshan Tire Co., Ltd.	**26,119**	22,253
— Guangdong Prinx Chengshan Tire trading Co., Ltd.	**11,926**	—
	201,857	244,085

The ageing analysis of trade receivables from related parties based on invoice date at respective dates of statement of financial position are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
1–3 months	**201,857**	219,359
4–6 months	**—**	24,017
7–12 months	**—**	709
	201,857	244,085

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

(ii) Amounts due to related parties

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current		
Contract liabilities		
— Yunnan Prinx Chengshan Tire Co., Ltd.	**618**	204
Trade payables and other payables		
— Sino Legend (China) Chemical Company Ltd.	**10,375**	—
— Red Avenue Chemical (China) Co., Ltd.	**6,113**	—
— Chengshan Group	**777**	721
— Rongcheng Chengshan Properties Co., Ltd.	**535**	—
— Guangdong Prinx Chengshan Tire trading Co., Ltd.	**531**	—
— Rongcheng Chengshan Energy-Saving Services Co., Ltd.	**483**	—
— Sino Legend Holding Group Limited	**78**	—
	18,892	721
	19,510	925

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	**19,510**	925

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

(ii) Amounts due to related parties (Continued)

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Less than 3 months	**19,510**	721

(iii) Lease liabilities

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current		
— Chengshan Group	**8,559**	16,832
Current		
— Chengshan Group	**8,273**	8,021
	16,832	24,853

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Assets			
Non-current assets			
Interests in subsidiaries		**2,397,884**	2,359,808
Deferred tax assets		**3,990**	3,576
		2,401,874	2,363,384
Current assets			
Financial assets at fair value through profit or loss		**3,220**	12,689
Cash and cash equivalents		**84,345**	7,762
		87,565	20,451
Total assets		**2,489,439**	2,383,835
Equity			
Share capital	25	**202**	201
Share premium	25	**2,193,501**	2,185,598
Reserves	a	**285,791**	188,347
Total equity		**2,479,494**	2,374,146
Liabilities			
Current liabilities			
Other payables and accruals		**3,317**	1,110
Amounts due to related parties		**6,628**	8,579
		9,945	9,689
Total liabilities		**9,945**	9,689
Total equity and liabilities		**2,489,439**	2,383,835

The balance sheet of the Company was approved by the Board of Directors on 28 March 2025 and were signed on its behalf.

Che Baozhen
Director

Shi Futao
Director

Note (a) Reserve movement of the Company

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

	Translation reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Reserves RMB'000	Total RMB'000
Balance at 31 December 2022	132,513	(5,521)	34,993	161,985
Profit for the year	—	110,464	—	110,464
Cash dividends *(Note 14)*	—	(114,190)	—	(114,190)
Currency translation differences *(i)*	20,762	—	—	20,762
Employee share option schemes — value of employee services *(Note 26, 27)*	—	—	9,326	9,326
Balance at 31 December 2023	153,275	(9,247)	44,319	188,347
Profit for the year	**—**	**342,089**	**—**	**342,089**
Cash dividends *(Note 14)*	**—**	**(261,038)**	**—**	**(261,038)**
Currency translation differences *(i)*	**17,099**	**—**	**—**	**17,099**
Issue of shares under employee share scheme	**—**	**—**	**(1,499)**	**(1,499)**
Employee share option schemes — value of employee services *(Note 26, 27)*	**—**	**—**	**793**	**793**
Balance at 31 December 2024	**170,374**	**71,804**	**43,613**	**285,791**

(i) The Company's functional currency is USD.

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Year ended 31 December 2024 RMB'000	2023 RMB'000
Directors		
— Salaries, wages and bonuses	**12,879**	8,627
— Pension, housing fund, medical insurance and other welfare benefits	**213**	183
— Share-based compensation benefits	**3,352**	3,488
	16,444	12,298

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2024

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind *(i)* RMB'000	Employer's contribution to a retirement benefits scheme RMB'000	Share-based compensation benefits RMB'000	Total RMB'000
Executive directors							
Che Baozhen	483	2,058	896	–	66	–	3,503
Shi Futao	32	2,160	1,436	–	66	1,596	5,290
Jiang Xizhou *(i)*	–	2,592	1,913	–	65	1,596	6,166
Cao Xueyu *(i)*	–	504	215	–	16	160	895
Non-executive director							
Che Hongzhi	43	–	–	–	–	–	43
Shao Quanfeng	–	–	–	–	–	–	–
Wang Ning *(i)*	–	–	–	–	–	–	–
Wang Lei *(i)*	–	–	–	–	–	–	–
Independent non-executive directors							
Jin Qingjun	164	–	–	–	–	–	164
Choi Tze Kit, Sammy	219	–	–	–	–	–	219
Wang Chuansheng	164	–	–	–	–	–	164
	1,105	7,314	4,460	–	213	3,352	16,444

(i) Jiang Xizhou was appointed as the Company's executive director on 28 March 2024, Cao Xueyu resigned as the Company's executive director on 28 March 2024; Wang Ning was appointed as the Company's non-executive director on 28 March 2024, Wang Lei resigned as the Company's non-executive director on 28 March 2024.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2024

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2023

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind *(i)* RMB'000	Employer's contribution to a retirement benefits scheme RMB'000	Share-based compensation benefits RMB'000	Total RMB'000
Executive directors							
Che Baozhen	330	3,128	346	35	45	–	3,884
Shi Futao	190	2,815	313	35	39	3,171	6,563
Cao Xueyu	190	294	224	–	16	317	1,041
Non-executive director							
Che Hongzhi	254	–	–	–	13	–	267
Independent non-executive directors							
Jin Qingjun *(i)*	50	–	–	–	–	–	50
Zhang Xuehuo *(i)*	113	–	–	–	–	–	113
Choi Tze Kit, Sammy	217	–	–	–	–	–	217
Wang Chuansheng	163	–	–	–	–	–	163
	1,507	6,237	883	70	113	3,488	12,298

(i) Jin Qingjun were appointed as the Company's independent non-executive directors on 9 September 2023, Zhang Xuehuo resigned as the Company's independent non-executive directors on 9 September 2023.

(b) Directors' termination benefits

There were no termination benefits paid to any director for the year ended 31 December 2024 (2023: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2024, the Company provided no consideration to third parties for making available director's services (2023: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors

There were no loans, quasi-loans and other dealings entered into between the Group and the directors in favour of the directors as at 31 December 2024, or at any time for the year ended 31 December 2024 (2023: nil).

39 SUMMARY OF OTHER ACCOUNTING POLICIES

39.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability 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. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and financial position respectively.

39.2 Equity method

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

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

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.2 Equity method (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 39.9.

39.3 Changes in ownership interests

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

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

39.4 Segment reporting

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.5 Foreign currency translation

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates 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 that relate to borrowings are presented in the consolidated statement of profit or loss within 'finance costs — net'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within 'other gains/(losses) — net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

(c) all resulting currency translation differences are recognised in other comprehensive income.

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Other property and equipment, or each significant part of an item of property or equipment, are depreciated by the straight-line method over the following estimated useful lives:

— Buildings	30 years
— Machinery and factory equipment	5–14 years
— Furniture and fixtures	5–10 years
— Vehicles	5 years
— Tooling	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 39.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other gains/(losses) — net' in the consolidated statement of profit or loss.

Construction-in-progress ("**CIP**") mainly represents buildings, machinery and toolings under construction or pending installation and is stated at historical cost less accumulated impairment losses, if any. Historical cost includes the costs of construction, acquisition and borrowing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and available for intended use. When the assets concerned are ready for their intended use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.7 Intangible assets

(a) Goodwill

Goodwill arises on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The 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 units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of 2-10 years based on the expected use in future operating plan.

(c) Computer software

Acquired computer software is capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of 3-10 years.

(d) Patented technology

Development costs that are directly attributable to the design and testing of patented technology are recognised as intangible assets and amortised using the straight-line method over their estimated useful life of 5-10 years.

39.8 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.8 Leases (Continued)

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

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Extension options are included in the offices and apartments leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the financial position based on their nature. The Group had no assets held as lessor during the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows 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.

39.10 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period 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.

39.11 Financial assets

(i) Classification

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

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

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.11 Financial assets (Continued)

(i) Classification (Continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 19 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, 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) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.11 Financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) — net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

- Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses) — net. Interest income from these financial assets is included in finance income or other income using the effective interest method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- Fair value through profit or loss ("**FVPL**"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and presented net in the consolidated statement of profit or loss within other gains/(losses) — net in the period in which it arises.

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.11 Financial assets (Continued)

(iii) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

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

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines 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 expected lifetime losses to be recognised from initial recognition of the receivables.

39.12 Offsetting financial instruments

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

39.13 Inventories

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 is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.14 Trade and notes receivables

Trade and notes receivables are amounts due from customers for merchandise and service provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Notes receivable are measured at fair value through other comprehensive income. See Note 39.11 for a description of the Group's impairment policies.

39.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

39.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

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

39.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, 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.

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.18 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

39.19 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is 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.

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.20 Share-based payments

Share-based compensation benefits are provided to employees via the employee share option scheme and share award scheme. Information relating to the schemes are set out in Note 26.

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

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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 positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

39.22 Government assistance and grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised as other income in the consolidated statement of profit or loss over the period necessary to match them with the costs that 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 credited to profit or loss on a straight-line basis over the expected lives of the related assets.

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.23 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidated statement of profit or loss as part of other income for investment purpose.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

39.24 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that 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 positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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

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

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.24 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising 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, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) 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.

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

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

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 balances on a net basis.

(c) Offsetting

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 balances on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

39.25 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

39.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where appropriate.

39.27 Research and development costs

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

— it is technically feasible to complete the product so that it will be available for use;

— management intends to complete the product and use or sell it;

— there is an ability to use or sell the product;

— it can be demonstrated how the product will generate probable future economic benefits;

— adequate technical, financial and other resources to complete the development of the product are available; and

— the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the product cost includes employee costs for new manufacture technology development and an appropriate portion of relevant overheads. Costs associated with maintaining new manufacture technology programmes are recognised as an expense as incurred.

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

By Order of the Board
Prinx Chengshan Holdings Limited
Che Hongzhi
Chairman and Non-executive Director

Shandong, the PRC, 28 March 2025

As at the date of this announcement, the Board comprises Mr. Che Baozhen, Mr. Shi Futao and Mr. Jiang Xizhou as executive directors of the Company; Mr. Che Hongzhi, Ms. Wang Ning and Mr. Shao Quanfeng as non-executive directors of the Company; Mr. Jin Qingjun, Mr. Choi Tze Kit Sammy and Mr. Wang Chuansheng as independent non-executive directors of the Company.