



浦林成山
PRINX CHENGSHAN

Prinx Chengshan (Cayman) Holding Limited

浦林成山（開曼）控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code: 1809



**PURSUE
EXCELLENCE
2019
ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT**

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SCOPE AND REPORTING PERIOD

This is the second Environmental, Social and Governance (the “**ESG**”) report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Group is a leading tire manufacturer for Commercial All Steel Radial Tire replacement market in the People’s Republic of China (the “**PRC**”). It engages in tire design, production and manufacturing, adhering to the core strategies of cost optimization, efficiency driven, product differentiation and globalization. This ESG report covers the Group’s overall performance in two subject areas, namely, environmental and social performance of the business operations in the manufacturing plant (the “**Plant**”) and the office in Rongcheng, Shandong Province of the PRC (together, the “**Shandong operation**”), and a new site under construction in Thailand (the “**Thailand site**”), from 1 January 2019 to 31 December 2019 (the “**Reporting Period**”), unless otherwise stated.

The major operational change during the Reporting Period was the expansion of its business to Thailand, with the construction of a new site in Chonburi province, Thailand, in 2019. For the construction works, vehicle-related data and business air travel data were obtained from sub-contractors and included in the calculation. Social data were also partially available and presented in this report. The full disclosure of the environmental and social performance from the Thailand site will be integrated in the future after its full operation. Other operations that had no significant environmental and social impacts were excluded from the reporting scope.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group continues to engage with the key stakeholders such as board members, senior management, managers, supervisors, frontline workers, customers, and suppliers through daily interactions and works closely with them to understand their needs, concerns, motivations, and objectives. Internal and external stakeholders have been involved in regular engagement activities as shown below, to share views regarding the Group’s operations and performances.

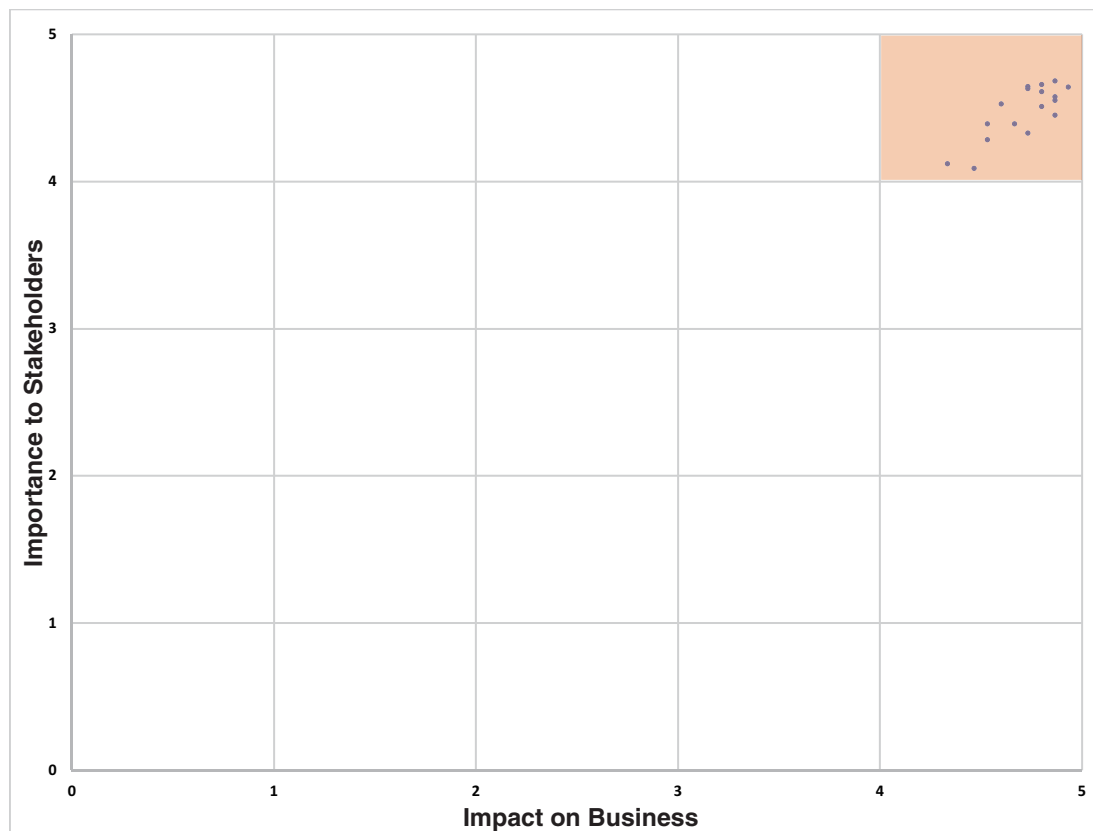
Stakeholder Group	Engagement Channels
Employees	<ul style="list-style-type: none"> • Interviews • Annual employee satisfaction survey • Biannual departmental evaluation survey
Suppliers and Business Partners	<ul style="list-style-type: none"> • Site visits • Annual meetings
Customers	<ul style="list-style-type: none"> • Networking associations • Annual meetings • Exhibitions such as Tyrexpo Asia 2019, Automechanika Dubai 2019, Speciality Equipment Market Association Show

The Group has specifically engaged the directors, senior management, frontline staff, customers, and suppliers to gain further insights on ESG material aspects and challenges in the Reporting Period. Through meetings and surveys, the Group and its stakeholders identified the top five material aspects as follows:

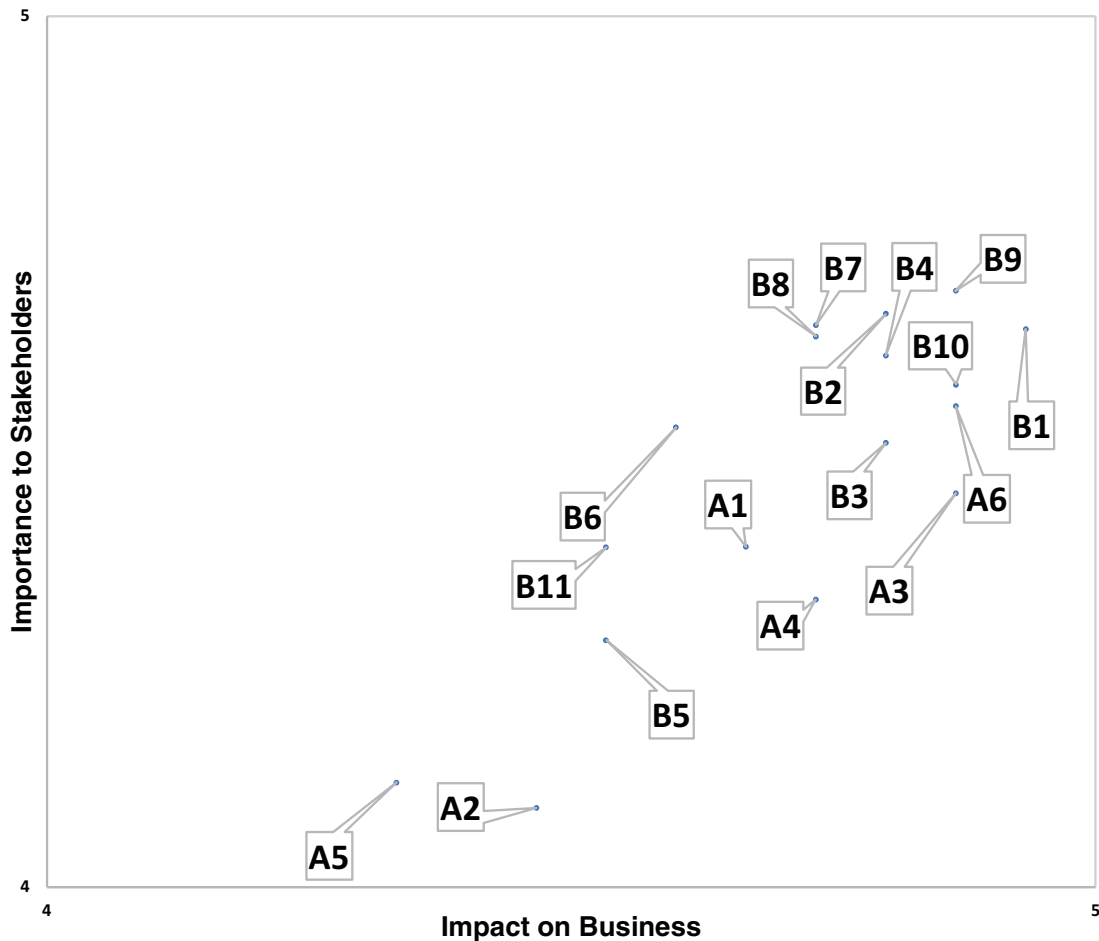
- Product and Service Quality;
- Occupational Health and Safety;
- Customer Privacy;
- Employment; and
- Customer Service.

MATERIALITY MATRIX

Stakeholder surveys were carried out for 6 environmental and 11 social aspects. The results showed that all topics are considered of relatively high importance (all scored higher than 4 in a 1 to 5 scale).



The coordinates for the below materiality matrix start from 4 for both x- and y-axis due to the high scores assigned to all aspects.



A. Environmental

- Energy A1
- Water A2
- Emissions A3
- Effluent and Waste A4
- Other Raw Materials Consumption A5
- Environmental Protection Policies A6

B. Social

- Employment B1
- Health and Safety B2
- Development and Training B3
- Labour Standards B4
- Supply Chain Management B5
- Intellectual Property Rights B6
- Data Protection B7
- Customer Service B8
- Product and Service Quality B9
- Anti-corruption B10
- Community Investment B11

The above aspects were strictly managed through the Group's policies and guidelines. Management of the aspects has been described in separate sections below. The Group is committed to conducting its business in a transparent, equitable, legal and socially responsible manner. The Group will continue to participate in meetings and gatherings with stakeholders to understand their expectations and concerned material aspects and feedback on its ESG performance.

STAKEHOLDERS' FEEDBACK

The Group is committed to the continuous improvement of its ESG management. The Group also welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with the Group via email to investor@prinxchengshan.com.

SUSTAINABILITY VISION

The Group regards "providing full tire lifecycle services" as its mission and takes "customer-centric, openness and innovation, hardworking, mutual benefits" as its core values.

Aligning with the mission of providing services throughout the tire manufacturing lifecycle, the Group constantly improves governance for sustainable development and incorporates principles of sustainable development into its development strategy and daily operation. It is committed to caring for the society and its employees. It discharges its social responsibilities while developing its business and strives to establish a good corporate image in all aspects.

ACCREDITATION AND CERTIFICATION

- ISO 14001 Environmental Management System
- GB/T28001-2011/OHSAS 18001:2007 Occupational Health and Safety Management System
- IATF 16949 Quality Management System
- CCC Product Safety Certification
- Certificate for Energy Efficiency Label of SASO 2857:2016
- Product Certification Licence of MS 1394:2008
- Product Certification Licence of SIRIM MS149: 2008 New Pneumatic Passenger Car Tyres
- GSO Conformity Certificate
- DOT Certification
- ECE Certification
- LATU Certification
- BIS Certification

- SNI Certification
- INMETRO Certification
- PHILIPPINE Standard Certification

AWARDS

- “The Listed Company with the Highest Potential” and “Best Investment Value” of China Financing Award 2019
- “The Most Valuable Automobile and Industrial Manufacturing Company” of the Golden Hong Kong Stocks Awards 2019
- “2019 Social Responsibility Award of Listed Companies” on the China Public Welfare Festival
- 2019 “Driving Wheel of the Year” Award of Xi Zhong of Prinix Chengshan Commercial Vehicle Tire Chengshan cst-121
- “Quality Benchmark of Petroleum and Chemical Industry in 2019” awarded by China Federation of Petroleum and Chemical Industry
- “The Excellent Strategic Supplier” awarded by Dongfeng Suizhou Special Automobile Co., Ltd
- “The Excellent Supplier of 2019” awarded by Beiben Heavy Truck Group Co., Ltd
- “A-level Supplier” awarded by the purchasing center of Jiangling Automobile Co., Ltd
- “The Key Strategic Supplier of 2020” and “The 2019 Best Collaborator Award” awarded by Shiyan Branch of Chengdu Dayun Automobile Group Co., Ltd
- “The Best Collaborator Award” by BAIC Foton Automobile Co., Ltd
- “The Best Collaborator Award” by Anhui Jianghuai Automobile Group Co., Ltd



A. ENVIRONMENTAL

The Group is aware that “environmental protection policies” is one of the top material aspects raised by its stakeholders. The Group recognizes its responsibility to maintain ecological balance and protect the environment and will continue to strengthen its environmental management.

The Group strictly abides by Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of the Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Environmental Noise Pollution, the Law of the PRC on the Prevention and Control of Water Pollution, and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste. It has developed emission control standards and a comprehensive environmental management system in compliance with the statutory requirements.

The Group appointed a legal agent to oversee construction activities in Thailand, ensuring that all on-site activities are in compliance with Thailand environmental laws and regulations. For the Thailand site, vehicle-related data and business air travel data have been obtained from sub-contractors and included in the calculation. Full environmental data will be reported in the future after its full operation.

The Group continues to pay the environmental protection tax in accordance with the chargeable emissions under the Environmental Protection Tax Law during the Reporting Period. A major investment in environmental protection is the new volatile organic compounds (VOCs) control equipment installed in the workshop. During the rubber mixing processes, new VOCs-removal equipments with pre-treatment, non-thermal plasma, photocatalysis, and neutralization technologies have been installed.

To minimise harm to the environment and human health, the Group ensures that the production of tires is in compliance with the Requirements for Prohibited Substances on Automobiles (GB/T30512-2014) and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

There was no major non-compliance relating to air and greenhouse gas (“GHG”) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have significant impact on the Group during the Reporting Period in both the Shandong operation and the Thailand site.



A1. Emissions

A1.1. Air Emissions

During the Reporting Period, petrol and diesel were used for Group-owned vehicles in both the Shandong operation and the Thailand site. Liquefied petroleum gas (“LPG”) was used for canteen operation in the Shandong operation. They contributed to the emission of nitrogen oxides (“NO_x”), sulphur oxides (“SO_x”) and respiratory suspended particles (“PM”).

Air emissions (non-GHG) from gaseous fuel consumption				
Fuel Source	Use of fuel	NO _x (in kg)	PM (in kg)	SO _x (in kg)
Petrol and diesel	For Group-owned vehicles (e.g., private cars, forklift)	12.76	1.24	8.73
LPG	For canteen operation	4.97	N/A	<0.01
TOTAL		17.73	1.24	8.74

A1.2. Greenhouse Gas Emissions

There were 230,834 tonnes of carbon dioxide equivalent (tCO₂e) GHG (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group’s operation during the Reporting Period, with an overall intensity of 0.59 tCO₂e/tonne of production.

The GHG emissions reported included the following activities and scopes. The direct (scope 1) GHG emissions were generated on-site due to the combustion of fuels, whereas indirect (scope 2) and other indirect (scope 3) GHG emissions were generated due to the Group’s activity while owned or controlled by another entity.

- direct (scope 1) GHG emissions from the consumption of stationary and mobile sources, including LPG, diesel, and petrol, and fugitive emissions from using of refrigerants;
- energy indirect (scope 2) GHG emissions from purchased electricity and steam;
- other indirect (scope 3) GHG emissions from municipal freshwater and sewage processing, business air travel, and waste paper landfilling.

Scope of GHG Emissions	Emission Sources	Emission (in tonnes of carbon dioxide equivalent “tCO ₂ e”)	Total Emission (Percentage)
Scope 1 Direct Emission			
Combustion of fuel for stationary source	LPG for canteen operation	81.55	
Combustion of fuel for mobile sources	Petrol for Group-owned vehicles	723.37	
	Diesel for Group-owned vehicles	777.98	1.3%
	LPG for mobile machineries (i.e. forklift)	1,214.92	
Refrigerants		192.60	
Scope 2 Energy Indirect Emission			
Purchased electricity		208,316.87	97.4%
Purchased steam		16,526.10	
Scope 3 Other Indirect Emission			
Paper waste disposal at landfill		0.86	
Electricity used for freshwater processing		159.11	
Electricity used for sewage processing		127.41	1.3%
Business air travel		2,712.78	
TOTAL		230,834	100%

Note1: Emission factors were made by reference to Appendix 27 of the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.

Note2: Combined margin emission factor of 0.71 tCO_{2e}/MWh was used for purchased electricity in Shandong Province of the PRC.

Note3: Emission factor for purchased steam was made reference to “Greenhouse gas reporting: conversion factors 2019” from <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2019>



A1.3. Hazardous Waste

The Group generated a total of 222.20 tonnes of hazardous waste (0.57 kg/tonne of production) from the Shandong operation during the Reporting Period. All hazardous wastes were collected and treated by government-certified, third-party solid waste handlers, or temporarily stored on-site.

Type of Hazardous Wastes	Waste Generated (in tonnes)	Waste Treatment
Waste lubricating oil	184.83	Collected by third party for re-refining
Waste lead batteries	22.40	Collected by third party
Waste paint buckets	0.54	
Waste plastic oil drums	1.51	
Waste chemical reagent bottles	0.28	Incineration
Waste small bags	7.54	
Waste fibre cotton	4.97	
Waste fluorescent tubes	0.13	On-site storage
TOTAL	222.20	

A1.4. Non-hazardous Waste

A total of 13,989.19 tonnes of non-hazardous wastes were generated from the Plant. The production waste comprised 70 different categories, among which a majority was from various types of metal scrap, totaling at 6,045.19 tonnes. Small amount of 1.82 tonnes wastes from the Shandong operation were also generated.

The Group achieved 100% landfill diversion as all non-hazardous wastes were collected by recycling companies for recycling purposes. Overall, the Group generated a total of 13,991 tonnes (0.04 tonne/tonne of production) of non-hazardous wastes during the Reporting Period.

A1.5. Measures to Mitigate Emission

According to the assessment results conducted by a third-party organisation, direct air emissions from production lines were all within the permissible level set by application standards such as the Emission Standards for Odour Pollutants (GB14554-1993), the Emission Standard of Pollutants for Rubber Products Industry (GB27632-2011), and Shandong Province Regional Air Pollutant Comprehensive Emission Standard (DB37/2376-2019). Cooking fume emitted from the canteen operation has fulfilled the Shandong Province Emission Standard of Cooking Fume (DB37/597-2006).

During the Reporting Period, the Group had invested a total of RMB10.96 million to mitigate emission by:

- adopting new VOCs removal equipments with pre-treatment, non-thermal plasma, photocatalysis, and neutralization technologies during the rubber mixing processes;
- installing new flue gas collection and treatment system for sulphurisation processes;
- installing new fresh air supply system; and
- installing video surveillance equipment for monitoring various pollution sources.

To control emissions from non-production activities, effective vehicle management practice has been established to reduce fuel consumption and associated air emissions. The Group also highly encourages employees to use public transport whenever possible and provides on-site residential units to employees to reduce their commuting demands.

To reduce indirect emissions from business air travel, the Group encourages electronic communications (e.g., online conference calls) with business partners. Applications for business air travel shall be reviewed and approved by management and all records are kept for tracking and reviewing to avoid unnecessary travel.

Noise Emission

The Group has adopted low-noise equipment and implemented measures for sound insulation. The power station is located at the basement and noise insulation effect of production plants has been enhanced. Fans, water pumps and other equipment have been installed with rubber dampers and vibration damping pads to reduce noise and vibration. Noise emission was in compliance with the Emission Standard for Industrial Enterprises Noise at Boundary (GB/T12348-2008) during the Reporting Period.

A1.6. Waste Reduction and Initiatives

Hazardous waste generated from the Group was collected by qualified collectors while non-hazardous solid wastes were sold to qualified recycling companies for recycling. The Group also reused lubricating oil whenever possible to reduce hazardous waste generation.

Responding to the government's call for "building a resource-conserving society", the Group promotes paperless office. It implements the ECC automatic system for administrative procedures and encourages double-sided printing and initiatives that save paper and toner. During the Reporting Period, a total of 151.65 tonnes of paper had been recycled in the Shandong operation, which contributed to a mitigation of 727.92 kg CO₂e.



A2. Use of Resources

A2.1. Energy Consumption

Energy Consumption Sources	Direct Consumption	Consumption (in MWh)	Intensity for Each Energy Consumption (direct consumption)
LPG for canteen operation	27,031 kg	376.78	0.07 kg/tonne of production
LPG for mobile machineries	723,558 L	5,143.55	1.86 L/tonne of production
Petrol for Group-owned vehicles (both in the Shandong operation and Thailand site)	268,351 L	2,378.03	0.69 L/tonne of production
Diesel for Group-owned vehicles	297,317 L	2,972.68	0.76 L/tonne of production
Steam for manufacturing in the plant	418,671 tonnes	93,866.28	1.08 tonnes/tonne of production
Electricity for daily operation	292,210,502 kWh	292,210.50	0.75 MWh/tonne of production

The total energy consumed by the Group was 396,947.82 MWh during the Reporting Period, with an overall intensity of 1.02 MWh/tonne of production.

A2.2. Water Consumption

Water consumption of the Group was mainly for the indirect cooling system. Cool water that runs in pollution-free circulatory pipes for cooling can be reused. Wastewater generated was discharged into the municipal pipe network.

The Group consumed 393,931 m³ of freshwater for the Shandong operation during the Reporting Period, with a water consumption intensity of 1.01 m³/tonne of production.

A2.3. Energy Use Efficiency Initiatives

The management policy on energy and energy conservation standardises the Group's energy management and helps enhance efficiency of energy use. The systems of energy management, measurement system, integration of information and industrialization have been established and passed the annual audits. Required by the PRC (GB/T23331-2012), the Group has delegated different departments to record and report electricity, steam and water consumption to the cost management department. The energy measuring devices used and the measuring management are in compliance with the General Principle for Equipping and Managing of the Measuring Instruments of Energy in Organization of Energy Using (GB17167-2006). The cost management department calculates and evaluates consumption data and provides feedback to the consumption departments. If departments were found having energy-wasting practices as listed in the management policy, responsible personnel can be financially penalised. Apart from energy consumption management, the Group has a management policy on heat insulation. The policy ensures effective insulation of various pipelines and systems including the steam pipelines, hot water pipelines and heating systems, and reduces energy loss due to damaged insulation layer.

During the Reporting Period, the Group has upgraded its lighting system in the Plant. A total of 11,000 energy-saving LED lights had been fully installed for industrial lamps, spotlights, explosion-proof lights, and general lighting tubes. The replacement is estimated to result in an annual energy-saving capacity of 1,000 tonnes of Standard Coal Equivalent (SCE).

A2.4. Water Use Efficiency Initiatives

The Group has adopted a circulatory cooling system which reuses water for cooling and reduces consumption of water whenever possible. There was no issue in sourcing water that is fit for purpose.

During the Reporting Period, the Group had invested RMB1.03 million to initiate the first-stage construction of a new rainwater harvesting system with the aim to reduce runoff and save water resources.

Wastewater Discharge

The tire manufacturing operation generates production wastewater and domestic wastewater. The Group has obtained legal permits for wastewater discharge. A total of 315,144 m³ of wastewater had been discharged from the Shandong operation during the Reporting Period, with a discharge intensity of 0.81 m³/tonne of production. Discharge pollutants were real-time monitored by the Environmental Protection Bureau and wastewater was discharged to the third-party wastewater treatment plant. The wastewater discharged during the Reporting Period was in compliance with the Emission Standard of Pollutants for Rubber Products Industry (GB27632-2011).



A2.5. Packaging Materials

Packaging materials consumed by the Group are mainly specified by clients, and the Group prioritizes the selection of recyclable and/or eco-materials for packaging purposes.

During the Reporting Period, the Group consumed a total of 684.34 tonnes of packaging materials, mainly paper wrap for product packaging. The consumption intensity was 1.76 kg/tonne of production.

Type of Packaging Materials	Consumption (in tonnes)
Paper wrap	635.64
Tape	14.70
Zip tie	34.00
TOTAL	684.34

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

The Group takes into account every step in the tire manufacturing life cycle and ensures that the raw materials are in compliance with the Requirements for Prohibited Substances on Automobiles (GB/T30512-2014), REACH and the ECE R117 requirement for noise and rolling resistance to reduce adverse impact to the environment.

The Group's operation does not cause significant adverse impacts on the environment. The major on-site emission is the generation of VOCs during production processes. The Group has upgraded its VOCs control facilities during the Report Period to ensure minimum environmental hazards posed to workers. Other major emission sources of the Group included purchased electricity, air and noise emissions from manufacturing process and the generation of hazardous and non-hazardous wastes. The Group therefore has delegated an Energy and Energy Management Committee to monitor its energy consumption and evaluate performances, and standardises its energy management through its management policy on energy and energy conservation. The Group will continue to monitor its air emission, solid waste generation, wastewater discharge, and noise level to ensure minimum impacts on the surrounding environment.

The Group implements state-of-the-art smart tire technology for its tire installed on selected commercial vehicles. The embedded chip records the drivers' behaviour on various road conditions. The data is sent back to the R&D department for design of more efficient and environmental-friendly tires.



Great Wall ORA R1 Road Test for Tire Product

The Group also strives to develop more sustainable raw materials for the industry. The R&D department is now researching on using synthetic rubber to replace natural rubber to save natural resources.

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

The Group strictly complies with national and local laws and regulations concerning employment and labour practices, including but not limited to the followings:

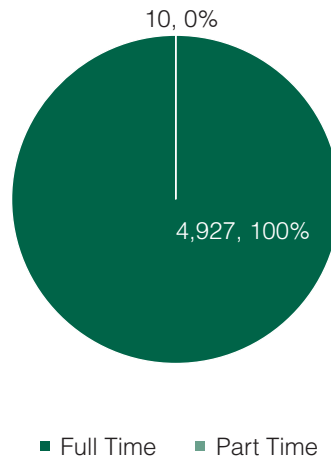
- Labour Law of the PRC
- Labour Contract Law of the PRC
- Law on the Protection of Minors
- Law on the Protection of Disabled Persons
- Law on Labour Unions of the PRC
- The Labour Protection Act B.E. 2541 of Thailand

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Period.

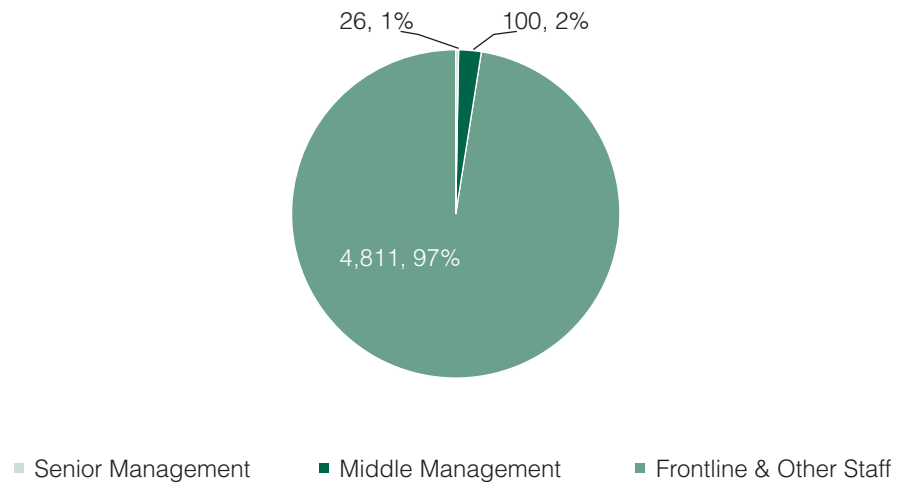
As of 31 December 2019, the Group had a total of 4,719 employees for the Shandong operation, and a total of 114 employees for its Thailand site. The detailed break-down is presented in the figures below.



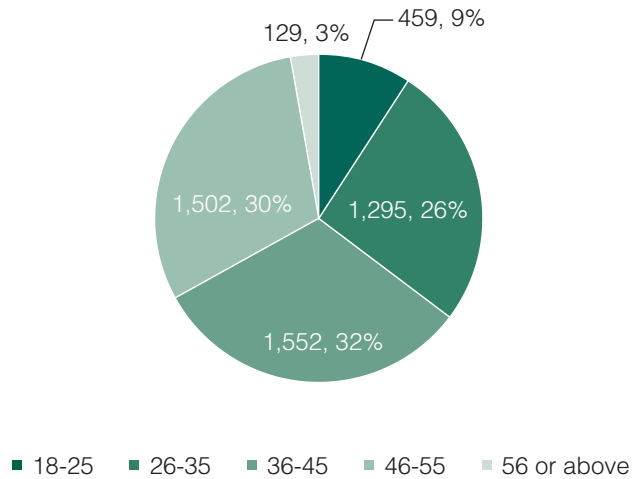
Total Workforce (number of employees, %) by Employee Type



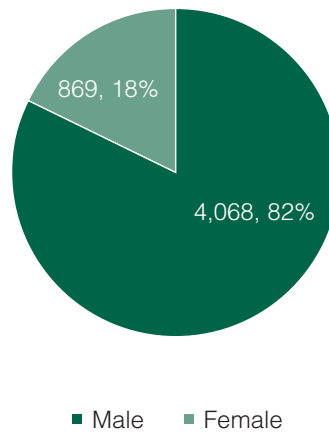
Total Workforce (number of employees, %) by Employee Category



Total Workforce (number of employees, %) by Age

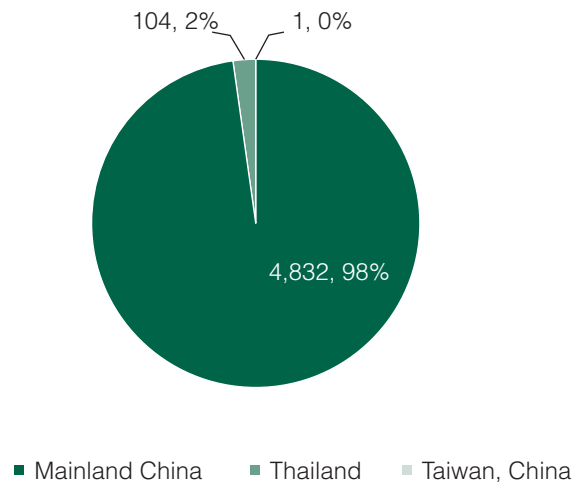


Total Workforce (number of employees, %) by Gender





Total Workforce (number of employees, %) by Geographical Region



Employee Benefits and Welfare

Employees are core pillars of the Group's sustainable development. The Group is people-oriented, and makes every effort to provide opportunities for its employees to thrive.

The Group safeguards legitimate rights and interests of employees and continuously improves the comprehensiveness of its human resources management.

The Group implements different working hour systems for different positions, including the following three types: 1) standard working hour system: employees shall work no more than eight hours a day and no more than 40 hours a week on average; 2) irregular working hours; 3) comprehensive working hour system. The Group also strictly abides by the relevant national regulations on overtime work.

Abiding by the Labour Contract Law of the PRC, the Group has provided statutory social insurance which includes endowment insurance, unemployment insurance, work-related injury insurance, medical insurance, maternity insurance and the housing provident fund. Accident insurance, or other insurance have been provided to respective employees, depending on their job nature. Employees are entitled to statutory holidays, sick leave, casual leave, marriage leave, compassion leave, maternity leave, miscarriage leave, work-related injury leave and annual leave. The Group also revised the "Leave Management Regulations", and added the provisions of industrial injury leave. For the employees applying for paid leave, the human resource department will determine his/her paid leave period pursuant to the diagnostic proof of hospital and in accordance with "Classification Catalog of Shutdown Leaves with Salary Period for Injured Workers in Shandong". Employees are also entitled to health checks, lunch allowance, laundry allowance, heating allowance and year-end performance bonus. During hot weather, employees are complemented with hot weather allowance and iced drinks.

During the Reporting Period, the Group extended the benefits to employees through the stock-based incentive program. In order to promote sustainable development of the Group and enhance the sense of belonging of core personnel, the Group launched the program in July 2019. A total of 123 employees of the rank of assistant chief engineer or above are entitled to the benefit. The maximum amount of fund available for the program is 2.5% of the total equity value after issue of additional shares of stock, which will be distributed in three periods. The final incentive amounts will be determined based on three key factors, namely the performance of the Group, of the department and of the individual entitled for the incentive.

In addition to the stock-based incentive program, the Group also launched a profit-sharing plan in July 2019. The purpose of the plan is to attract, retain and motivate key employees, including facility directors, engineers, IT personnel, salespersons, managers or any other persons with key contribution. Starting from 2019, the plan specifies that a baseline bonus will be issued if the annual profit targets are met. Extra bonus will be distributed proportionally to the part of the profit exceeding the target. The plan is subject to change under the approval of the board in case of significant changes in the external business environment. The final payout depends on the performance of the Group and of the individual entitled for the bonus.

Electric water heaters have now been installed in the workshop to ensure that employees can drink hot water at any time. Air-conditioned rooms are now available in the workshop to provide a cooling space for workers during summer. The Group has also initiated a major renovation project with a total investment value of RMB7 million to upgrade the dormitories and improve the living conditions for frontline workers. Employees can now use shared washing machines and drinking water machines. Meanwhile, the staff dormitory is now equipped with high-speed internet and convenience stores to meet daily grocery needs. The dormitory administrator is responsible for open space sanitary to maintain public health.

Compensation and Dismissal

The Group continues to provide competitive salary packages to employees. During the Reporting Period, a major salary adjustment had been proposed through carefully reviewing the salary situation in terms of the tire industry, the regional average salary, and the replacement cost of the position. The proposal was implemented with the salary raise starting from the frontline worker level up to the management level gradually.

The management policy on remuneration and performance of the Group created appropriate link between work performance and salary, and has laid out formula for remuneration calculation. To reward employees with outstanding performance, employees are entitled to performance salary and performance bonus. Performance salary is dependent on the performance of the employee's department, whereas performance bonus is dependent on the performance of individual employee. Compensation is provided for staff working on afternoon and night shifts. An annual commendation is carried out to award departments and individuals with outstanding performance.



A labour contract would be terminated under various conditions including resignation, dismissal, and termination under various situations. The Group has formulated the Leave Management Measures to regulate resignation, dismissal and other related matters. The employees shall submit the resignation application forms to their department heads 30 days in advance, and the employees on probation shall submit the application forms to their department heads 3 days in advance. The departments involved shall communicate with the resigned employees about the reasons for resignation and then sign and approve the applications. Contract staff shall be approved by the related labor service company. Logistics staff shall be approved by the general manager of the center/business division, while the mid- and senior-level managers or above shall be approved by the division heads and general manager. The departments concerned shall send the record to the human resources department within 3 working days upon receipt of the resignation applications.

The Group may, on its own initiative, terminate the employment with an employee who is:

- being proved to be unqualified for employment during the probation period;
- seriously violating the Group's rules and regulations and safety operation rules;
- absent from work without reasons for a total of 3 days or more in one year;
- bringing serious damage to the Group due to serious misconduct or malpractice;
- establishing employment relation with another employer at the same time, which seriously affects the work performance in the Group, or refuses to make corrections upon the request of the Group;
- committed to the circumstances specified in Item 1 of Section 1 in Article 26 of the Labor Contract Law;
- being investigated for criminal liability according to law.

Recruitment and Promotion

Recruitment plan is developed annually by the Human Resources Department based on the personnel request forms submitted by various departments. Employees are selected and recruited in an impartial, just and open manner in accordance with the management policy on recruitment. The Group provides outstanding employees with appropriate training which prepares them for career advancement when they have met the promotion criteria. It has an assessment system to evaluate employees' performance, capability and recognition of the corporate culture. It selects employees for promotion through recommendations from departments, quality assessments, group interviews, and leadership competitions. When selecting candidates for managerial positions, internal performance of employees will also be assessed.

To nurture and retain talents, the Group provided supportive promotion channels for employees. During the Reporting Period, the Group had specifically enhanced its two-year talent reservation program to train and retain talents for the Group's management team. In addition, three different career development paths have been established for different professionals: the skill development for trades workers; the career advancement for the management team; and the knowledge growth for professionals.

Equal Opportunity

The Group is committed to providing equal opportunities for all employees. No employee shall be discriminated against or deprived of opportunities for recruitment, promotion, assessment, training, development or other aspects on the basis of gender, racial background, religious belief, color, sexual orientation, age, marital status or family status. The Group has also adopted a diversity strategy for its board members. It is believed that the increased diversity at the board level is a key element to support its strategic objectives and sustainable development.

Employee Communication

Creating a vibrant workplace allows employees to work with higher productivity and a positive attitude. The Group values feedback from employees and encourages employee participation in recreational activities. A Labour Union has been set up, providing a platform for employees to voice their opinions and recommendations.

The Group has continued to organize several cultural and sports events during the Reporting Period. Outreach training, employee talent show, singing contest, and sports game had been organized during celebrative festivals (e.g. the Chinese New Year, International Women's Day, China National Day). Employees are encouraged to participate in the above cultural and sports activities to maintain work-life balance, relieve stress, and strengthen team spirit and bonding.

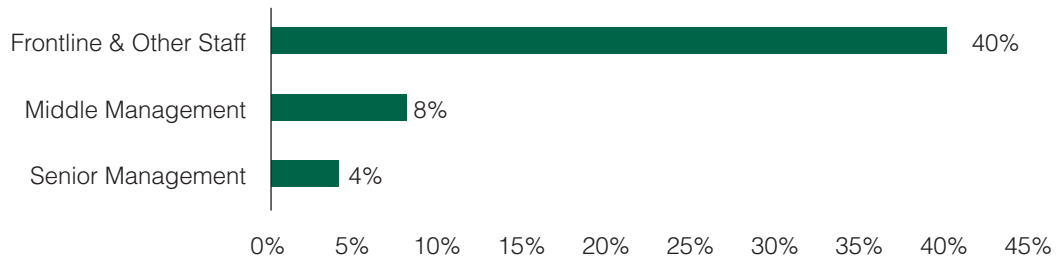


Photo from Tire Association Safety Week Health Run Event in 2019

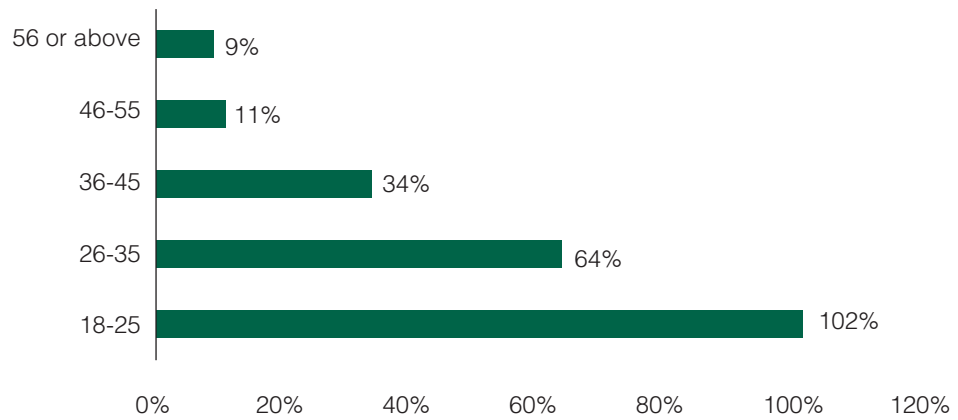
During the Reporting Period, the overall staff turnover rate was 40%. All employees who left the Group were full-time employees. Frontline staff received the highest turnover rate, which is a common phenomenon in the manufacturing industry in China.



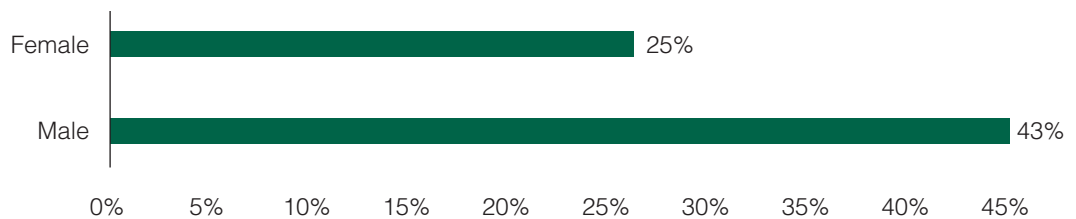
Total Turnover Rate by Employee Category



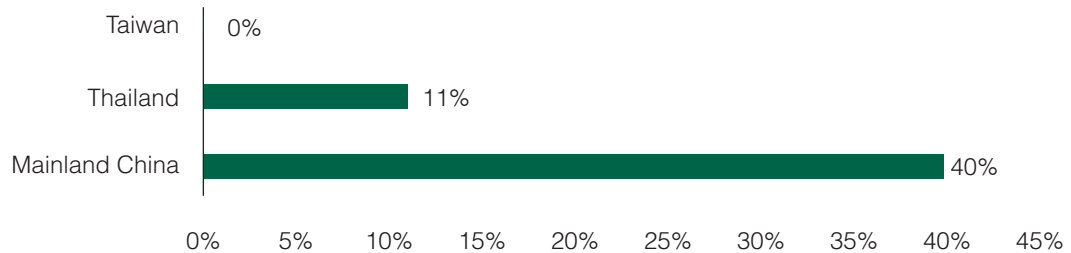
Total Turnover Rate by Age



Total Turnover Rate by Gender



Total Turnover Rate by Geographical Region



B2. Employee Health and Safety

Occupational Health and Safety

The Group was certified with the GB/T28001-2011/OHSAS 18001:2007 Occupational Health and Safety (“**OH&S**”) Management System. It has a policy on personal protective equipment (“**PPE**”) to ensure that appropriate PPE is provided to employees. Employees exposing to hazard factors are provided with body checkups annually. If an employee is diagnosed with an occupational disease, corresponding treatment will be provided and the employee will also be arranged to another job position for avoidance of further exposure to the hazard factors. During the Reporting Period, the Group had monitored its occupational hazard factors against the occupational exposure limits. The results were in compliance with the Occupational Exposure Limits for Hazardous Agents in the Workplace — Chemical Hazardous Agents (GBZ 2.1-2007) and Physical Agents (GBZ2.2-2007). The Group has implemented the following measures thereafter:

- placing priority for low-noise equipment during procurement;
- installing silencer and soundproof cover to existing equipment;
- providing earplugs to employees who are exposed to noise hazards;
- displaying warning signs and cards in the Plant;
- providing regular training regarding occupational hazards;
- assessing occupational hazards in the Plant regularly; and
- arranging occupational health checkups regularly.

Construction safety in the Thailand site

For construction activities in the Thailand site, the Group ensures that all on-site activities are in compliance with local laws and regulations such as the Occupational Safety, Health and Environment Act B.E. 2554 (A.D.2011) of Thailand. The Group strives to provide a safe working environment for all employees and outsourced workers through:



- strictly abiding safety measures at the construction site;
- ensuring all equipment and facilities with proper dust suppression feature; and
- providing noise cancellation techniques and/or maximizing noise reduction on-site.

The identification of occupational diseases is in accordance with Notification of the Ministry of Labour of the Thailand: Diseases that occur at work or because of the nature or type of work dated August 15, 2007, including:

- diseases caused by exposure to chemical/physical/biological hazards;
- work-related respiratory diseases;
- work-related skin diseases;
- musculoskeletal diseases due to a high-risk working environment; and
- work-related cancers.

In case of any suspected occupational diseases, the employee can contact the local OH&S authority directly for diagnosis and/or treatment if the case is confirmed. For any confirmed cases, treatment will be promptly arranged, and the causes of the disease will be analysed to identify effective control and preventive measures.

During the Reporting Period, there was no non-compliance relating to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group.

Food Health and Safety

Quality and safety of food has a direct impact on health and safety of employees and guests. The Group has developed a food safety management plan and abides by the Food Safety Law, Regulations on the Implementation of the Food Safety Law and the Measures for the Supervision and Administration of Food Safety in Catering Services of the PRC. It has also established a contingency plan and dedicated task force for food safety incidents. Employees working in the catering operation are required to undergo health checkup at least once a year. The Group maintains traceable records of the food purchase orders including food source, food supplier quality and inspection results. Relevant certificates and receipts should be provided with the incoming food materials. The Group conducts regular and random food safety assessment to ensure implementation of the food safety management plan. Kitchen utensils and tableware are cleaned and sanitized according to its management system of cleaning and disinfection of kitchen utensils.

B3. Development and Training

The Group attaches great importance to employee development and training. It believes that training does not only strengthen employee vocational skills, professional knowledge and management skills, but also improves employee perception, attitude and learning skills. This helps employee stand out from the others in terms of overall quality and capabilities. The Group's management policy on training encourages employees to improve their management skills and professional knowledge, thus enhancing their competitiveness.

The Group regularly assesses the skill requirements for various posts in detail, which is presented in a skill requirement matrix. A gap analysis is followed to identify the training needs, which serves as the basis for training plans. After each training, the Group uses various means such as post-training surveys to evaluate the effectiveness of the training. The skill requirement matrix will then be updated and re-assessed for further training needs.

The Group regularly organizes training sessions in relation to a variety of topics. For example, to ensure the technical competence of technicians in operating new equipment, at least three working days of on-site training will be delivered by the buyer's engineering team. The training will cover topics such as basic mechanical construction, working principle, equipment operation, and usage, software analysis, equipment calibration, and daily maintenance.

Various types of training had been provided to employees during the Reporting Period. The Group has regularly provided OH&S-related training to frontline staff and assessed the understanding of trained staff based on the training content. Senior management have attended external training sessions while other employees regularly participate in internal training such as skill development for frontline workers. Employees will be granted with reimbursement after successful completion of the selected training and related evaluation.

During the Reporting Period, the Group had organized a total of 290,243 training hours for accumulative participants of 6,085 employees, among which 287,963 training hours were completed for 5,971 employees accumulatively in the Shandong operation and 2,280 training hours for 114 employees accumulatively in the Thailand site. The average number of training hours completed per employee were 60 hours.



Number of Employee Trained		6,085
Total Training Hours		290,243
<hr/>		
<i>By employee category</i>		
Senior management	Number of employees trained	14
	Percentage of employees trained	52%
	Average training hours completed per employee	10.37
Middle management	Number of employees trained	110
	Percentage of employees trained	104%
	Average training hours completed per employee	78.71
Frontline and other staff	Number of employees trained	5,961
	Percentage of employees trained	127%
	Average training hours completed per employee	59.92
<i>By gender</i>		
Male	Number of employees trained	5,014
	Percentage of employees trained	127%
	Average training hours completed per employee	60.41
Female	Number of employees trained	1,071
	Percentage of employees trained	123%
	Average training hours completed per employee	58.46

B4. Labour Standards

The Group strictly observes the Labour Law of the PRC, the Labour Contract Law of the PRC, the Law on the Protection of Minors to manage labour practices. The Group appointed a legal agent, for the construction activities in Thailand, which serves to ensure that all on-site labour practices are in compliance with Thailand laws and regulations such as the Labour Protection Act B.E. 2541 of Thailand.

The Group's policy on recruitment management stipulates that all recruiting processes shall follow the Labour Law of the PRC. Eligibility screening is performed on all candidates. The HR department will keep all recruitment records in a "candidate information summary" form to facilitate any verification against the Labour Law of the PRC. All employees are required to undergo a security background check during the recruitment process to make sure that all engagement processes are compliant with applicable laws and internal regulations. No child labour, forced, or compulsory labour was reported and/or identified within any sites of the Group during the Reporting Period. There are no major risks associated with incidents of child labour, forced or compulsory labour within the Group's operation sites.

2. Operating Practices

B5. Supply Chain Management

To provide products of the highest quality to its customers, the Group has developed a policy on supplier management. New suppliers, raw materials or substitute materials must be assessed based on documents provided, site visits and sample tests prior to approval by the Group. The criteria for assessment include suppliers' registered capital, brand value, management systems and safety certifications, production capacity and technical capacity, etc. The Raw Material Procurement Department monitors suppliers' performance and identifies infringement activities.



Prinx Chengshan R & D Centre Chemical Formula Experiment





For all new suppliers, they shall undergo the system and process audit by the Group to confirm that they meet the requirements of ISO14001 and OHSAS18001 in terms of environmental protection, health and safety. Meanwhile, the Group also performs annual audits and reviews to ensure that the suppliers adhere to compliance requirements.

Specifically, the Group requires its suppliers to comply with the applicable environmental protection laws and to meet certain environmental standards by signing the Environmental Protection Agreement. The Environmental Protection Agreement has laid out terms requiring suppliers to minimise adverse impact on the environment. Suppliers are assessed against their environmental management performance every 5 years or whenever their environmental management policies have been amended.

The Group also places importance on prevention of corruption in its supply chain. Its procurement contract requires suppliers to abide by all applicable laws on prohibiting corruption and bribery which included but not limited to Foreign Corrupt Practices Act of the United States, the United Kingdom Bribery Act 2010 and the applicable laws and regulations in the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Any offer or receipt of undue advantage among the Group, suppliers and dealers are strictly prohibited.

During the Reporting Period, the Group had engaged a total of 658 suppliers worldwide for the Shandong operation. Data regarding the Thailand site will be reported after its full operation in the future.

Country/region	Number of suppliers for the plant in Shandong, the PRC	Type of suppliers
Mainland China	210	
Indonesia	93	
Thailand	16	
Malaysia	25	Raw materials
Philippine	1	
Germany	1	
Korea	2	
<hr/>		
Mainland China	300	Equipment
Europe and North America	10	
<hr/>		
Total	658	

B6. Product Responsibility

In terms of product design, the Group customises designs for customers from various geographical regions and cultural backgrounds. It strives to incorporate latest industrial design concepts into its products to create the most advanced products that align with customer needs, as well as the Group's mission and core values.



Prinx Chengshan
Production Frontline
Semi-finished Product



No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided had been identified during the Reporting Period.



Quality Assurance and Product Recall

The Group provides comprehensive after-sales service to ensure that product repair and replace are guaranteed if the product damage is not caused by improper use or storage by customers. Customers or dealers who wish to lodge an enquiry or complaint can reach the Group through its customer service hotline. Enquiry or complaint will be diverted to the responsible department, and the responsible department will provide customers or dealers with the solution. Customers or dealers will be invited to take the satisfaction survey on phone after the enquiry or complaint has been resolved.

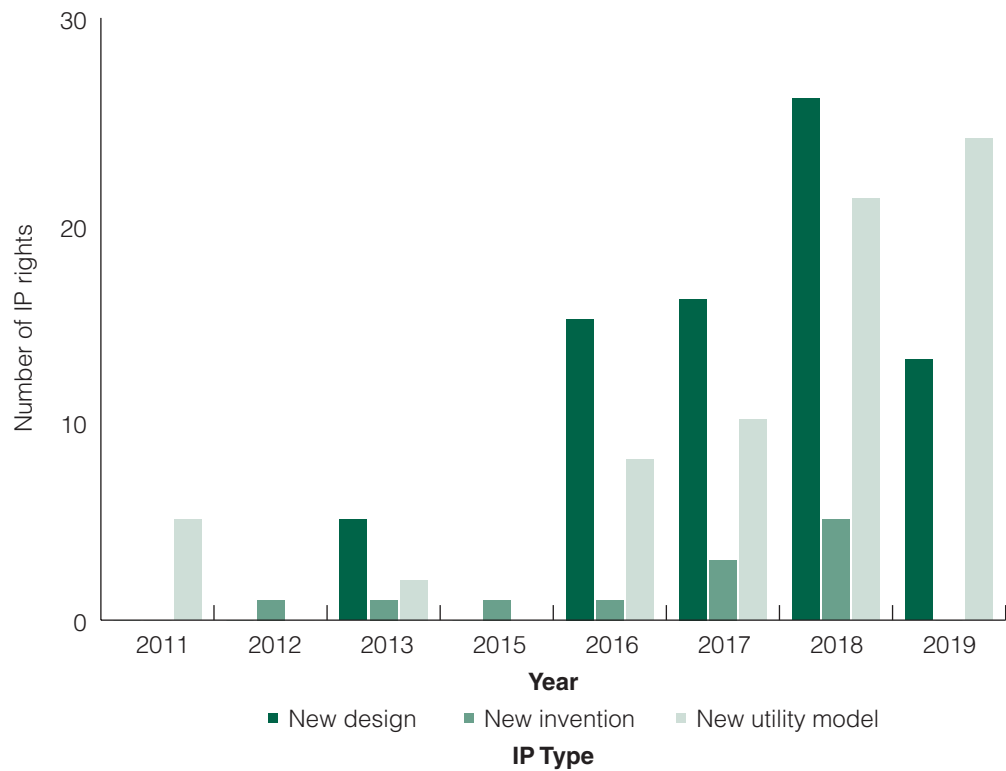
During the Reporting Period, a total of 106 complaints were lodged by customers or dealers through the general service hotline. The responsible departments had resolved the complaints with satisfaction surveys collected from the complainers. There was no product sold or shipped subject to recall due to safety and health reasons.

Hotline	Customers/ clients served	Complaints received	Follow-up on the complaints
Service hotline 400-618-8899	End-consumers and dealers	A total of 106 complaints received, regarding shipping and packaging, delivery, and market regulation	Departments involved in the complaint have completed the handling processes, and customer satisfaction surveys have been completed for all complaints.
After-sales service hotline 0631-7500000	Customers and service stations	855 cases with direct reply and no further claim; 5,337 cases dealt with assigned dealers or factory service personnel; 9,923 cases of tires complaints, of which 5,499 were claimed	For claimed tires, customers were given new tires; for non-claimed cases, follow-up actions were made, and customer satisfaction surveys have been completed for all complaints.

Intellectual Property Rights

The policy on knowledge management identifies the Group's best practices on research, design, manufacturing, quality control, etc. The Group reviews its knowledge on best practices regularly and improves its performances continuously. The Group has registered patents for its utility models, industrial designs and inventions. The policy on trademarks management regulates domestic and foreign registration of the Group's trademarks and safeguards legitimate rights and interests of the Group. If any infringement is found, relevant department shall report to the legal department and the research and development management department.

During the Reporting Period, a total of 24 new utility model patents, and 13 new design patents had been granted by the State Intellectual Property Office of the PRC. Accumulatively, a total of 157 types of intellectual property were granted by the end of the Reporting Period.



Year	New design	New invention	New utility model	Total
2011	0	0	5	5
2012	0	1	0	1
2013	5	1	2	8
2015	0	1	0	1
2016	15	1	8	24
2017	16	3	10	29
2018	26	5	21	52
2019	13	0	24	37
Total	75	12	70	157



Information Security

To safeguard confidential information and trade secrets of the Group, the Group has formulated the management regulation on confidential work. Violation of the Group's management policies on confidential information and trade secrets can lead to economic loss and damage to the reputation of the Group. All employees shall not disclose the Group's confidential information obtained in the course of work to any third party for any reason or for any purpose, including but not limited to the Group's business secrets and confidential matters related to intellectual property rights, whether during the term of the labour contract or after its termination. Employees violating the policy can be dismissed.

The Group enters into a confidentiality agreement with its business partners when appropriate. To protect the intellectual property of both parties, each shall keep applicable business information confidential and shall only use such information for the purposes specified in the contract. External parties are required to sign a site visit agreement and visits conducted by external parties are regulated under the management regulation on plant visits. The loss and damage shall be borne by the external parties in breach of the policy or relevant agreement. A confidentiality agreement remains valid until the relevant secret is legally disclosed.

The Group has formulated the computer information management policy to provide guidance on the information technology management, network security, and data security. The information technology department is responsible for the procurement, standardization, installation, training delivery, recording, and maintenance regarding the usage of software and hardware. It is also responsible for ensuring network security and stability and the safe storage, backup, and recovery of data. To further ensure the customer data protection, the following rules have been implemented for hardware, software, and network management:

- anyone who needs data access shall first fill in the information system resource application form, and each applicant will be granted with limited data accessibility if the access is approved at all;
- various physical, electronic and management measures are implemented to safeguard and secure confidential data, which shall be only stored in a safe location of the local file server with password protection;
- the data user is responsible for protecting the relevant working data to ensure no data leakage;
- the information technology department will perform regular audit to maintain robust security systems to prevent unauthorized access of data.

Advertising and Labelling

The Group raises brand awareness through advertising and ensures that unified branding message is delivered to its audiences. Requirements had been set out for using copyrighted content (including trademarks, fonts, pictures and videos) for advertising. The Group promotes its brand through online network, traditional media advertisement and printing materials. During the Reporting Period, all promotional contents were reviewed by its responsible person for communication monitoring to ensure compliant with the Advertising Law of the PRC.

B7. Anti-corruption

The Group regards honesty, integrity, and fairness as its core values. The Group strictly complies with the laws and regulations, such as the Law of the PRC on Anti-money Laundering, and prohibits any acts of corruption, money laundering, extortion, fraud, blackmail, bribe-taking and bribery. Its policy on anti-corruption standardises conduct and discipline of the board of directors, middle and senior management and other general staff. All members of the Group are responsible for preventing corruption. The following report procedures were stipulated:

1. Any alleged violation can be reported through the official channels including the general manager mailbox, legal & internal control department manager mailbox, hotline, the company's DingDing management platform, or the online administration panel to the general manager and Internal Control Legal Department of the Group.
2. After discovery or receipt report of any suspected violations, the Legal & Internal Control Department shall make a detailed account of the violations in the report log, which shall be submitted together with relevant supporting materials to the general manager. If the report involves senior management of the Group, a special investigation team may be set up for investigation.
3. The general manager will either lead the case investigation or appoint relevant personnel for investigating the case. The investigation will be carried out internally or together with external governmental authorities depending on its nature.
4. After completion of investigation, the head of the Legal & Internal Control Department will submit a final report to the internal audit committee. Any recommendations, if approved by the committee, will also be submitted to the board of directors for adoption.
5. The Legal & Internal Control Department is responsible for any follow-up activities and will implement any recommendations and evaluate the effectiveness of preventative measures. All follow-up activities will be reported to the board of directors in a timely manner and will be archived properly.



The Group protects all employees that have lodged complaints legally or have involved in corruption-related investigations. Any retaliation or discrimination against the employees who lodged complaints or involved in corruption-related investigations are prohibited. Employees engaging in encroachment, embezzlement, corruption, fraud and other malpractices listed on the management policies regarding anti-corruption and employee discipline can be dismissed.

During the Reporting Period, the Group and its employees had not violated, engaged to violate any law relating to corruption. The Group has not been involved in, or seeks to engage in, money laundering. The Group has not aided, abetted, assisted or colluded with an individual who has committed, or conspired to commit any unlawful activities. No non-compliance with relevant laws and regulations that had a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified during the Reporting Period.

B8. Community Investment

The Group understands the importance of increasing income and promoting the economic growth of its community. The Group has not yet formulated a formal policy on community engagement, but the Group's contribution to the society also increases with its expansion, such as more tax contribution. The Group has provided significant support for the local economic development and contribute to social security by offering attractive job positions.



Safeguard the Beach,
Chengshans in action



The Group regularly organised voluntary activities to provide care and support to its community. In August 2019, a total of 321 employees volunteered four hours to clean up the sandy beach along the coast of Ailian Bay after the Typhoon Lekima.

The Group sponsored and participated in various local cultural and sports events. A total funding of RMB30,000 was provided to support activities during the Spring Festival in 2019 and the 2019 Sports and Cultural Festival in Chengshan Square. The Group also participated in the “Social Mother” donation program organized by the Municipal Women’s Federation and donated RMB10,000 to five poor local families. In addition, the Group’s employees were also actively participated in various charity events and a total of 4,782 employees donated RMB187,190 during the “Cixin donation event”.



Prinx Chengshan participated in the 9th China Public Welfare Festival