

2022 Annual Tracking Ratings Report of Guizhou Tire Co.

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■ The rating is based on the information provided by the issuer or has been officially announced to the public, and the issuer is responsible for the legality, authenticity, completeness and accuracy of the relevant information. CIG is prudent in analyzing the rating information in accordance with the principles of relevance, timeliness and reliability, but does not guarantee the legality, truthfulness, completeness and accuracy of the information provided by the issuer.

■ In this rating, CGI and project personnel have complied with relevant laws and regulations and relevant requirements of regulatory authorities, and fully performed their diligence and integrity obligations in accordance with CGI's rating process and rating standards, and have sufficient reasons to ensure that this rating follows the principles of truthfulness, objectivity and fairness.

■ The rating conclusion of this rating report is an independent judgment made by CIGC in compliance with relevant laws, regulations and relevant provisions of regulatory authorities based on reasonable internal credit rating process and criteria, and there is no change of rating opinion due to undue influence of the issuer and any other organizations or individuals. The rating methodology on which this rating report is based is publicly disclosed on the Company's website (www.ccxi.com.cn).

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- The credit rating result is effective from the date of this rating report and is valid for the duration of the rated bonds. During the life of the bond, CIG will regularly or irregularly conduct follow-up rating of the rated object and decide to maintain or change the rating result or suspend or terminate the rating according to the follow-up rating.
- This tracking rating report and the rating conclusion shall not be used for securities business activities such as issuance of other bonds.

信用等级通知书

信评委函字 [2022] Tracking 号

Guizhou Tire Co:

China Chengxin International Credit Rating Co., Ltd. has conducted a tracking rating on your company and the related debt during the duration of your company. The credit rating committee of CIGC has reviewed:

The main credit rating of the Company is maintained at **AA**, and the outlook is stable; the credit rating of the "Guilan Conversion Bond" is maintained at **AA**.

Notice is hereby given

China Chengxin International
Credit Rating Co.
June 21, 22nd, 2012



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Rating opinion: CIG maintains the main credit rating of Guizhou Tire Company Limited (hereinafter referred to as "Guizhou Tire" or "the Company") at **A A**, with stable outlook; maintains the debt credit rating of "Guilun Convertible Bond" at A A. "Ltd. CGI affirms that the advantages of increasing production capacity, more robust overseas orders driving further growth in revenue scale, profit accumulation and non-public offering making the company's capital strength increasing provide strong support to the overall credit strength of the company. At the same time, CGI is concerned

Profile Data

Guizhou Tire (consolidated caliber)	2019	2020	2021	2022.3
Total assets (billion yuan)	105.21	115.16	128.76	133.95
Total Owner's Equity (in billions)	37.24	48.82	59.41	60.09
Total liabilities (billion yuan)	67.97	66.34	69.35	73.86
Total debt (billion yuan)	51.07	44.82	46.90	49.48
Total operating revenue (billion yuan)	64.58	68.09	73.39	18.63
Net profit (billion yuan)	1.35	11.38	3.70	0.56
EBIT (billion yuan)	2.95	14.49	4.58	—
EBITDA (billion yuan)	6.57	17.63	7.63	—
Net cash flow from operating activities (in billions of yuan)	17.52	16.59	2.86	-0.08
Gross operating margin	20.13	23.63	15.73	14.47

unaudited financial statements for the first quarter of 2022.

Front

■ Since 2021, the company has continued to promote the construction of "double bases" at home and abroad, and the scale of production capacity has been increasing, and the construction of overseas bases is helpful to offset the negative impact of foreign "double anti-tariff" rate and trade friction between China and the United States at this stage. The construction of overseas bases will help offset the adverse impact of foreign "double anti" tariff rate and Sino-US trade friction.

■ In 2021, as overseas downstream vehicle plants resume work one after another, the demand for tire export orders is more robust, driving the company's tire export sales to increase significantly, and the annual revenue scale also increased year-on-year.

■ In March 2021, the Company raised net proceeds of \$984 million through a non-public offering, which, when combined with the

Comparison with industry

Comparison of the main indicators of some chemical enterprises in 2021 (end)				
Company Name	Total assets (billion yuan)	Gearing ratio (%)	Total operating revenue (billion yuan)	Net profit (billion yuan)

The accumulation of profits in the period led to a further increase in the size of equity and a decrease in the financial leverage ratio at the end of the year.

Note

■ **Tire industry market competition is fierce, rising raw material prices significantly compressed product profit margins.** The domestic tire industry is characterized by serious product homogenization and fierce competition, and faces the problem of structural overcapacity. At the same time, rubber, carbon black and other major raw materials account for a high proportion of the enterprise's operating costs. Since 2021, the prices of major raw materials have risen, and the company's profitability and cashability have declined. Raw material price fluctuations have affected the company's cost control and squeezed product profitability.

■ **The Company is facing greater pressure on capital expenditure in**

the future. As of the end of March 2022, the Company had

The total planned investment of the project is 3.189 billion yuan, with 1.222 billion yuan to be invested; the proposed project

The planned total investment amount is 2.301 billion yuan, there is a certain capital expenditure pressure, need to keep an eye on the company's fund raising, construction progress, capacity release and earnings

■ **The scale of debt has increased and the debt structure still needs to be optimized.** Due to the increase of project construction and daily working capital demand, the total debt scale of the Company has been increasing since 2021, and as of the end of March 2022, the ratio of short-term debt to total debt of the Company was 85.19%, and the debt structure still needs to be optimized.

Ratings Outlook

In the opinion of CGI, the credit level of Guizhou Tire Co. It will remain stable for 12 to 18 months.

■ **Factors that may trigger a rating upgrade.**

Significantly stronger capital strength, significantly

product prices that exceed expectations to the downside, raw material purchase prices that exceed expectations to the upside, investment projects that are less effective than expected resulting in continued significant profit losses, significant escalation in financial leverage,

deterioration in liquidity, or other factors that result in a significant decline in credit levels.

Note: "Poly Union" is the abbreviation of "Poly Union Chemical Holdings Group Co. Source: Compiled by China Chengxin International

Status of this tracking debt

Bond Abbrevi	This debt Credit Rating	Last debt Credit Rating	Last Rating Time	Issue amount (Billions	Bond Balance (Billions	Surviv al	Special Terms
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Reason for tracking rating

According to the international practice and the requirements of the competent authorities, CIGC is required to conduct tracking ratings on the bonds during the company's duration to track and monitor their risk level. This rating is a regular tracking rating.

Use of proceeds

The issue size of the public issue of convertible bonds of Guizhou Tire Company Limited (hereinafter referred to as "Guilun Convertible Bonds") is RMB 1.8 billion.

The proceeds, after deducting the issuance costs, will be used for the "3 million sets of high performance all-steel radial tire intelligent manufacturing project" and the "1# Intelligent Sorting and Transfer Center Project", in view of the fact that the "Guilun Convertible Bond" in 2022

The public offering was completed on April 22, and as of the date of this rating report, all the proceeds have been received and have not yet been put to use.

Macroeconomic and policy environment

Macroeconomics: GDP grew 4.8% year-on-year in the first quarter of 2022, generally reversing the situation of falling year-on-year growth from the second to the fourth quarter of last year, but lower than the two-year compound growth rate in the same period last year, and the growth rate stabilized mainly due to the support of policy-oriented factors. As the policy of stabilizing growth continues to take effect, we maintain the judgment of "steady progress" in the subsequent quarters, but the outbreak of epidemics in many places may aggravate the contraction of demand and the

expected weakening, there is still greater pressure to achieve the expected growth target of 5.5% for the year.

From the perspective of economic operation in the first quarter, the normalized trend of production and demand was affected by the epidemic, the financial data was strong in total but weak in structure against the background of weak demand for real financing, and the price level remained stable under the influence of multiple factors. From the production side, the secondary industry and industrial value added remained at the normal growth level, but the monthly data slowed down month by month under the influence of the epidemic; the growth rate of the tertiary industry was still lower than that of the secondary industry, and the year-on-year growth rate of the service industry production index turned negative again in March. From the demand side, the demand supported by policy factors is better repaired, as shown by the continuation of high growth in infrastructure and high-tech manufacturing investment; the demand supported by policy factors is weaker, as shown by the continued decline in real estate investment, the continuation of the slowdown in the growth rate of social zero, and the weakening of the substitution effect of export growth has been adjusted. From the perspective of financial data, the increase in the size of social finance was high year-on-year, but after excluding the net financing of government bonds, the growth rate of social finance was only the same as at the end of last year. From the perspective of price level, affected by the low operation of food prices, the

The CPI has remained stable overall, with higher commodity prices and rising imported inflationary pressures, but the PPI has continued to fall year-on-year against the backdrop of weak market demand.

Macro risks: The risks and challenges to economic performance in 2022 will continue to grow. First, the spread of the epidemic is widespread and frequent, and the negative impact of restricted regional economic activities may further emerge in the second quarter. Second, the lack of endogenous growth momentum has increased the downward pressure on the economy, and the pressure on policy to stabilize growth has increased. Third, debt pressure remains a long-term risk to economic performance, and the risks in key regions and areas should not be underestimated; the real estate market is still in the process of bottoming out, which will not only be a big drag on investment growth repair, but also may transmit pressure to other areas such as local finance, urban investment enterprises and financial institutions. At the same time, the release of credit risk from tail-end enterprises remains a cause for concern. Fourth, the high volatility of global commodity prices and increased imported inflationary pressure, coupled with the inversion of the US-China interest rate differential after 12 years, may pose certain constraints on the continued easing of China's monetary aggregates and the reduction of policy interest rates. Fifth, the acceleration of the normalization

process of overseas economic activities may bring downward pressure on China's export growth rate; the Russian-Ukrainian conflict has intensified geopolitical instability, which may have certain spillover effects on China's economy in the fields of energy, finance and supply chain.

Macro policy: The 5.5% growth target proposed in the 2022 government work report is "medium to high speed growth on a high base", so "policy should be appropriately advanced and reserve policy tools should be used in a timely manner", we believe that stable growth will be the focus of macro-control throughout the year. We believe that stable growth will be the focus of macro-control throughout the year. Among them, the easing orientation of monetary policy will continue, and there is still room to operate after the full-scale downgrade in April, but in the context of weak real financing demand and abundant liquidity, the structural function of monetary policy may be more prominent, and the central bank may give priority to increasing the amount of re-lending to support agriculture and small businesses, expanding the scale of loan support tools for small and medium-sized loans for general welfare, and cooperating with local governments to stabilize the real estate market through city-based policies and other structural measures. Measures to guide "broad credit". There is still room for fiscal policy, unlike the traditional fiscal expansion, this year will mainly implement a combination of tax and fee policies focused on tax cuts and rebates, and through the use of specific state-owned financial institutions and franchised institutions profits and other unconventional ways to solve the problem of financial resources, in order to avoid increasing long-term risk accumulation, coupled with the pressure of

special debt investment performance
constraints have not been relaxed, in
general, the current fiscal policy or still
in

It seeks to avoid over-stimulation and ineffective stimulation, and to support the economy to stabilize as soon as possible, mainly through advance and precise efforts overlaid with expansion of transfer payments, and to reserve policy space for subsequent adjustments.

Macro Outlook: The epidemic has again disturbed China's macroeconomic operations and increased pressure to achieve the annual economic growth target.

In the view of CGI, the risks and challenges facing China's economy in 2022 will further increase, and achieving the target growth tasks will require macro policies to be more robust and effective, and micro policies to further stimulate the vitality of market players. In the medium and long term, hundreds of millions of people have a strong desire to pursue a better life, and the smooth internal circulation will drive the domestic supply chain and industrial chain to run more smoothly, and the basis for expanding domestic demand will be more extensive, so the fundamentals of China's long-term economic operation will not change.

Recent Focus

In 2021, the chemical¹ industry fixed asset investment completion amount gradually rebounded, the industry capacity has expanded, although the new crown pneumonia epidemic repeated, but the global economy gradually rebounded, the chemical industry demand rebounded, the main product prices rose, the industry boom is at a better level; 2022, need to pay attention to overseas geopolitics, economic friction, epidemic repeated, policy restrictions and other uncertain factors on the chemical industry boom Impact

The downstream demand for chemical products is distributed in many application terminals such as real estate and construction, textile and garment, automobile, home appliance, medical, electronics, agriculture, daily necessities, etc. In early 2021, as the domestic Newcastle pneumonia epidemic was effectively controlled, various industries gradually recovered after the impact of the epidemic and promoted the resumption of work and production, coupled with the support of national policies, the economic boom gradually rebounded, and the major industries downstream of the chemical industry also rebounded significantly, and the demand for chemicals continued to rise. The demand for chemical products continued to pick up. However, since the second half of the year, due to the repeated epidemic, policy regulation and control, raw material price fluctuations and other multiple factors, the overall downstream demand growth rate is gradually slowing down. On the export side, since 2021, overseas epidemic repeatedly, the supply side is slow to repair, while domestic and foreign epidemic prevention and control show obvious divergence, the domestic economy is the first to achieve recovery, the chemical industry

Exports of the chemical industry have rebounded strongly under the dual influence of domestic capacity expansion and increased overseas orders. It is expected that the growth rate of domestic demand in the chemical industry will continue to be low in 2022, and the recovery of overseas markets may boost the export volume, but the emergence of mutated strains has increased the uncertainty to a certain extent, and the subsequent trend of the epidemic and various control measures may affect the change of the demand side in 2022.

Since 2021, fixed asset investment in the chemical industry has gradually rebounded, and the industry's production capacity has expanded. In the first half of the year, as the domestic epidemic eased and normalized management, the industry resumed work and production faster, the industry chain and supply chain continued to recover and improve, and the production load of chemical products stabilized and rebounded. In the second half of the year, affected by electricity restrictions and energy consumption double control policies, the industry start-up rate has

decreased, and the growth rate of chemical product production has slowed down.

Table 1: China's chemical industry production

statistics of some products

Pro duct s	(million tons, billion cubic meters,		billion cubic meters,	
	2020	2021	2020	2021
Capacity	Year-on-year	Capacity	Year-on-year	
Crude Oil	19,492.0	1.6	19,897.6	2.4
Natural Gas	1,888.5	9.8	2,052.6	8.2
Crude oil processing volume	67,440.8	3.0	70,355.4	4.3
Sulfuric acid (discount 100%)	8,332.3	-1.2	9,382.7	5.0
Caustic soda (discount 100%)	3,643.2	5.7	3,891.3	5.2
Soda ash (sodium carbonate)	2,812.4	-2.9	2,913.3	3.4
Ethylene	2,160.0	4.9	2,825.7	18.3
Agricultural nitrogen, phosphorus, potassium chemical	5,395.8	-0.9	5,446.0	0.8

The chemical industry has a long and diverse industrial chain, with its initial raw materials dating back to crude oil, natural gas, coal, phosphate rock, raw salt, fluorspar, quartz sand, ferro-sulfide ore and other basic raw materials. since 2021, crude oil prices have been on an oscillating upward trend against the backdrop of OPEC+'s implementation of the production cut agreement and global economic recovery. Specifically, crude oil price fluctuations in 2021

¹ The chemical industry and enterprises mentioned in this article, unless otherwise specified, refer to the chemical industry in Shenwan's industry classification and the oil extraction industry in the extractive industry and the enterprises belonging to it. The data of chemical industry in the macro data includes 5 sub-industries such as oil and gas extraction, petroleum processing, coal and nuclear fuel processing industry, chemical raw materials and chemical products manufacturing, chemical fiber manufacturing and rubber and plastic products industry.

Closely related to the recurrence of the epidemic, crude oil prices came under pressure in late March 2021 as the epidemic rebounded in many countries around the world, worsened in Europe, South America and India, and further tightened embargo policies in many European countries. Oil ministers decided to gradually ease production cuts starting in May, but crude oil supply and demand were in tight balance as incremental volumes were still unable to cover the magnitude of global demand growth for oil products, and U.S. West Texas light crude oil ("WTI") futures and Brent crude oil futures prices maintained high levels of volatility. Crude oil prices plummeted due to uncertainty on the demand side of crude oil triggered by the spread of the Delta virus; then crude oil prices recovered rapidly due to reduced crude oil supply as a result of hurricanes in the U.S. and disruptions in the U.K. fuel supply chain; on October 26, 2021, WTI futures settlement prices and Brent crude oil futures settlement prices rose to \$84.65/barrel and \$86.40/barrel, respectively, reaching their highest levels for the year. However, the rapid spread of the Omicron strain and the introduction of restrictive measures by the EU, the UK and other countries, as well as the uncertainty of the demand for crude oil consumption due to the mutated strain, put crude oil prices under pressure.

The price of WTI futures and Brent crude oil futures settled at \$123.7 per barrel on March 8, 2022, a significant increase of \$28.53 per barrel and \$12.49 per barrel, respectively. With the recent evolution of the Russia-Ukraine conflict, international crude oil prices have surged higher, with the WTI futures settlement price and Brent crude oil futures settlement price climbing to \$123.7 per barrel and \$12.49 per barrel, respectively, on March 8, 2022.

The price of crude oil is at \$127.98 per barrel.

Russia is the second largest exporter of international crude oil. Against the background of limited production increase by OPEC+ and no substantial progress in Iranian nuclear talks, the Russia-Ukraine conflict makes the future trend of international crude oil prices more uncertain. Due to the high temperature and drought in summer and cold in winter, natural gas prices will show seasonal changes in 2021, with the increase in natural gas consumption in the second half of the year, the price of natural gas will rise significantly, and the average price of natural gas will increase by 52.42% year-on-year. 2020~2021 will see a significant reduction in new coal production capacity, coupled with the restriction on coal imports from Australia and the impact of the epidemic on coal imports from Mongolia, resulting in a tighter coal supply; At the same time, the domestic manufacturing boom has increased after the epidemic, and the demand for coal in the power industry has increased, resulting in a rapid rise in coal prices due to the mismatch between supply and demand.

2,678.6 Yuan/ton, up significantly from 900 Yuan/ton at the beginning of the year 197.62%. Under the strong national coal supply protection policy, the domestic coal market price has fallen back. Overall, the overall price of major raw materials and products in the chemical industry increased in 2021, and the significant increase in crude oil prices and demand increase made the annual average price of major chemical products year-on-year

In the background of the sharp rise in crude oil prices, the price of products near the crude oil end also rose sharply due to the impact of crude oil prices, while the price of chemicals near the consumer end depends more on its own changes in supply and demand.

Figure 1: International Crude Oil Price Trend (USD/barrel)

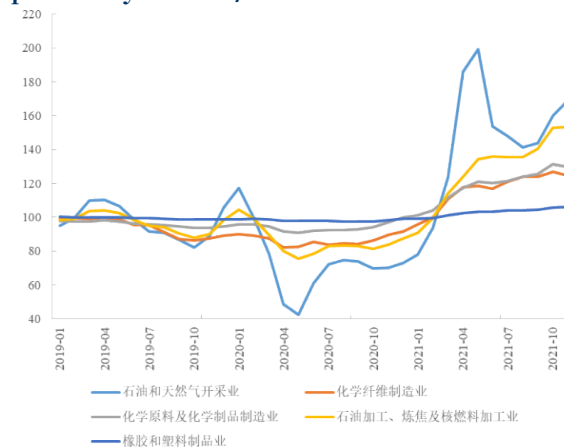


Source: Choice, collated by China Chengxin International

Since 2021, with the gradual digestion of the previous inventory, the resumption of production in the domestic downstream industry and the improvement of export demand repair, most chemical products prices rose and maintained high operation. From the perspective of industrial price index, the ex-factory price index of industrial producers (hereinafter referred to as "PPI") of each chemical sub-sector has been stronger than the same period of the previous year since 2021, and the divergence is more obvious. In the first quarter of 2022, international energy prices fluctuated sharply due to geopolitical factors, which drove the PPI of domestic chemical sub-sectors to rise sharply.

Figure 2: Ex-factory price index of industrial

producers in the chemical industry (same month of the previous year = 100)



Source: National Bureau of Statistics, collated by China Chengxin International

In September 2020, the country clearly proposed "carbon neutral" and "carbon

In October 2021, the company proposed to reduce energy consumption per unit of GDP by 13.5% by 2025 compared to 2020, and CO₂ emissions per unit of GDP by 18% compared to 2020, with the proportion of non-fossil energy consumption reaching about 20%. For enterprises in the industry, they will face greater pressure on capital investment in various aspects such as upgrading and transformation of process technology, construction of fixed assets in green production, and technological innovation in carbon capture and utilization and storage, etc. It is expected that the pressure on capital expenditure of some enterprises will increase. In addition, the "Program for Improving the Double Control of Energy Consumption Intensity and Total Volume" proposes to implement energy consumption coordination for major national projects; resolutely control high energy consumption and high emission projects; encourage localities to increase renewable energy consumption; encourage localities to over-achieve energy consumption intensity reduction targets; and promote market-based trading of energy consumption targets. In response to the "double control of energy consumption" policy, many places in China have implemented the policy of limiting electricity and production to promote energy consumption and emission reduction by restricting electricity consumption of high energy-consuming enterprises. In the short term, the policy of limiting electricity and production makes domestic chemical enterprises' start-up rate drop rapidly, and the supply side is obviously contracted and reconstructed, forming a certain constraint on chemical stock capacity; in the long term, the continuous

improvement of environmental protection standards and the implementation of "double carbon" policy will promote chemical enterprises to improve process and technology level, increase the added value of products and promote industrial upgrading.

According to CGI, in 2022, there are still uncertainties in the domestic macroeconomy and overseas geopolitical and economic frictions, coupled with the emergence of mutated strains of viruses that make the global epidemic recurring, and the restrictions of the "double carbon" policy and the restriction of electricity production, there is a certain degree of uncertainty in the change of the boom of the chemical industry.

Thanks to the continued domestic policies to promote consumption and the export market to improve

In 2021, China's auto market demand as a whole rebounded, reversing the past three

The overall production and sales volume is expected to further recover in 2022, but factors such as chip supply, local epidemic and pre-consumption overdraft of commercial vehicles will impose constraints, and it is expected that the annual auto production and sales volume will still be difficult to recover to a high level in the early part of the year

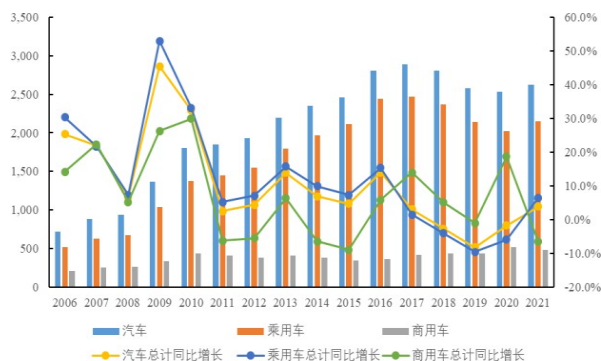
The automobile industry is one of the important pillar industries of China's national economy, and has formed a multi-species, full range of various types of vehicles and parts production and supporting system. With the development of the industry, China has been ranked as the world's top automobile producer for more than a decade, and the proportion of global production has risen from 8.59% in 2005 to 32.5% in 2020.

Since 2021, China's national economy has been recovering steadily, driven by continuous consumption promotion policies, domestic auto market demand has been released, while the complete domestic auto industry chain and the improvement of comprehensive product level in the context of the epidemic and international market recovery have led to rapid growth in auto exports. to 26.082 million units, 26.275 million units and 2.015 million units, all exceeding the level of the same period in 2019 before the epidemic, reversing the trend of continuous decline in the past three years. However, in recent years, the global semiconductor industry capacity investment is relatively conservative and more underinvestment in the field of automotive chips; the epidemic led to the growth of the consumer electronics chip market to seize part of the automotive chip production capacity; the outbreak of the epidemic in mid-2020 outside the country, the earthquake in Japan since 2021 and the U.S. blizzard and the intensification of the local epidemic in Malaysia and other force majeure factors make semiconductor manufacturers to reduce production, stop production. The above factors cause the shortage of automotive chip supply and chip shortage in 2021. As a result, China's auto production and sales decreased for five consecutive months from April to August; the chip shortage has been improving since September, but

orders still cannot be met. According to forecast agency AutoForecast Solutions, as of December 19, 2021, the global automotive market accumulated

AutoForecast Solutions expects a cumulative reduction of 11.31 million units in global auto production in 2021 due to chip shortages. In addition, the orderly power consumption policy implemented in several provinces since September has also had an impact on domestic auto production. As a result of the shortage of production, the inventory of auto companies in China has dropped significantly, with passenger car and commercial vehicle inventories decreasing by 12.56% and 24.17% to 550,000 and 295,000 units respectively by the end of 2021 compared to the end of 2020; according to the Auto Dealer Inventory Warning Index disclosed by the China Automobile Dealers Association, the values for each month in 2021 are lower than the values for the same period in 2019 and 2020, which also indicates that According to the China Automobile Dealers' Association, the monthly values for 2021 are lower than the values for the same period in 2019 and 2020, which also indicates that the market demand for automobiles will rebound in 2021 and the supply of automobiles will be tighter than the previous period.

Figure 3: China's auto sales trend in recent years (million units)



Source: China Association of Automobile Manufacturers (CAAM), collated by China Chengxin International

As for passenger cars, in recent years, the growth rate of China's passenger car market has continued to decline due to the gradual withdrawal of preferential policies, overdraft of early sales and lack of consumer confidence, and the passenger car market was affected by the new pneumonia epidemic in 2020, which was low before and high after. However, the chip shortage gradually had a significant impact on the industry's production, with domestic passenger car sales declining from May to November, and rising in December as the chip problem gradually eased. Under the combined impact, the cumulative sales of passenger cars in 2021 will be 21.482 million units, up 6.5% year-on-year, which is also higher than that of 2019 before the epidemic.

Sales increased by 3.8 million units.

For commercial vehicles, although after March 2020, with the epidemic gradually under control, e-commerce logistics and other enterprises to resume work and production, major construction projects have started to accelerate the expansion of capacity demand, the truck market continues to heat up, while the phase-out of the national three vehicles, super penalty super tightening and "large tons and small standards" to speed up the implementation of policies such as

governance, further stimulate. However, since 2021, due to the impact of emission regulation switch and overdraft of early consumption, the sales of commercial vehicles dropped by 6.6% year-on-year to

4.793 million units, of which trucks were the main pull-down factor, with sales falling 8.5% year-on-year to 4.288 million units over the same period. However, it is better than the level of the years before the epidemic.

In 2020, despite the negative impact of the epidemic on the sales of heavy trucks in the first quarter, the heavy truck market has continued to grow since April due to multiple factors such as the accelerated phase-out of National III, changes in highway tolls, the normalization of overtreatment and the successive start of infrastructure projects. Brush

New monthly sales record, the annual heavy truck market cumulative sales

The heavy truck market in the first half of 2021 continued the high boom of the previous year; however, due to the heavy diesel truck national six emission regulations officially implemented on July 1, 2021, the pre-consumption overdraft and oil and gas prices continue to be high, the second half of the sales volume narrowed significantly, the annual sales of heavy trucks accumulated 1.395 million units, it is expected that the above reasons

The heavy-duty truck market will continue to be affected by these factors in 2022.

In terms of new energy vehicles, China has introduced policies such as new energy subsidies and double points to promote the sustainable development of the industry. With the strong support of the state, China's new energy vehicles maintained a high-speed development trend before 2019. since July 2019, influenced by factors such as subsidies retreating and fuel vehicle discount promotions crowding out the market due to the switching of emission standards, the monthly sales of the new energy vehicle market continued to drop significantly and the market entered an adjustment period. To promote the consumption of new energy vehicles and support the development of the new energy vehicle industry, in April 2020, four

ministries of finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the Development and Reform Commission jointly issued the Notice on Improving the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles, which extended the implementation period of the financial subsidy policy for the promotion and application of new energy vehicles to the end of 2022, and in principle, the subsidy standards for 2020 to 2022 will be reduced by 10% and 10% respectively from the previous year. The Ministry of Industry and Information Technology, the Ministry of Commerce, the Ministry of Agriculture and the National Energy Administration issued the "Notice on the Development of New Energy Vehicle Rural Campaign in 2021". In 2021, the Ministry of Industry and Information Technology, the Ministry of Commerce, the Ministry of Agriculture and the National Energy Administration issued the "Notice on the Launch of New Energy Vehicle Rural Activities in 2021". Driven by favorable policies and the willingness of independent consumption, the annual production and sales of new energy vehicles reached 3.545 million units and 3.521 million units respectively, up 159.5% and 157.5% year-on-year. In the short term, 2022 is the last year of the new energy vehicle subsidy and purchase tax exemption policy, which is expected to promote the early release of new energy vehicle purchase demand, coupled with the increase in the willingness of independent consumption, it is expected that new energy vehicle sales will still maintain rapid growth in 2022.

In general, China's passenger car and commercial vehicle market boom continues to diverge. The passenger car market will gradually recover thanks to supportive policies

and consumption stimulation initiatives, and the overall sales and profitability of car companies will rise in 2021, with significant growth in the new energy vehicle market; the commercial vehicle market will experience greater volatility, with the market recovering significantly from 2020 to the first half of 2021, and demand declining since the second half of 2021, with profitability levels rising by more than 50%.

The industry is expected to continue to grow in 2022 and earnings will be further restored. It is expected that the auto industry will continue to grow in terms of sales volume and earnings in 2022, but chip shortages and localized epidemics will still have a negative impact on the auto industry in the short term.

Stable property rights structure, sound corporate governance structure and internal control system

The ownership structure of the Company is stable, and as of the end of March 2022, the Company's ownership structure is stable.

(hereinafter referred to as "Guiyang Industrial and Commercial Investment Group") holds 27.76% of the Company's equity (of which the accumulated pledged shares account for 13.06% of the Company's total share capital, accounting for 47.06% of its shareholding) and Guiyang Municipal People's Government State-owned Assets Supervision and Administration Commission (hereinafter referred to as "Guiyang SASAC") is the de facto controller of the Company.

The Company has formed a corporate governance structure with the shareholders' meeting as the authority, the board of directors as the decision-making body, the supervisory board as the supervisory body and the management as the executive body, each with its own duties and responsibilities, coordinating with each other and exercising mutual checks and balances, and has established a more comprehensive and basically suitable for the current situation of the Company's operation and management in terms of capital management, connected transactions,

major investments, external guarantees, safety and environmental protection and quality management. The corporate governance structure and internal control system are relatively sound. During the period under review, the Company continued to implement centralized fund management, with the fund management office responsible for the collection of funds from subsidiaries, and subordinate companies are required to submit monthly fund utilization plans to the fund management office; as a listed company, funds are not collected from shareholders. As for personnel changes, one outside director was co-opted in June 2021, and the remaining directors, supervisors and senior management did not leave.

The company continues to promote the "double base" construction, the domestic base of new projects and relocation of the old plant to increase production capacity, the construction of a plant in Vietnam to help offset the "double anti" tax rate and the adverse impact of trade friction, but need to pay attention to the risk of overseas operations

The company is one of the tire manufacturers with a complete range of commercial tires in China, and is listed in the "2021 Chinese Tire Enterprises" published by China Rubber Magazine of China Rubber Industry Association in September 2021.

The company is ranked No. 8 in the "Industry Ranking" and has "Advance," "Hercules," and

"Dollywood","Jinhu","King Kong" and other brands of truck tires, construction machinery tires, agricultural machinery tires, industrial vehicle tires and special tires, and many domestic The company has established supporting relationships with many famous enterprises in China and maintained a strong market competitiveness and competitive position during the tracking period.

Since 2021, the company has continued to promote the construction of "double bases" at home and abroad.

The project is to relocate 3 million all-steel radial tires to a different location (to

(hereinafter referred to as the "Zazo III Project") and the 1.2 million all-steel radial tires per year project in Vietnam (hereinafter referred to as the "Vietnam I Project") With the production of Zazo Phase III Project² and Vietnam Phase I Project coming into operation, the annual production capacity of all-steel tires and bias tires of the Company as of the end of March 2022 will be The number of tires has increased to 5.95 million and 2.79 million, respectively. Due to the impact of the epidemic in Vietnam, the progress of the installation and commissioning of equipment and batch trial production of the Phase I project in Vietnam has been affected, the first tire of the Phase I project in Vietnam was

successfully launched on April 1, 2021, but due to the local epidemic, the progress of the installation and commissioning of equipment and batch trial production of the project has been affected to some extent. The current average daily production capacity is 2,500 to 3,000 strips. In addition, in July 2021, the Board of Directors of the Company considered and approved the implementation of the intelligent manufacturing project of 3 million sets of high performance all-steel radial tires per year (hereinafter referred to as the "Zazo IV Project") and the project of 950,000 pieces of high performance all-steel radial tires per year in Vietnam (hereinafter referred to as the "Vietnam II Project"). (hereinafter referred to as "Vietnam Phase II Project"), with a total project investment of RMB2.301 billion, respectively (of which RMB2.3 billion will be invested through the "Guilan Turning

The company has raised 1.600 billion yuan in bonds and 1.176 billion yuan in bonds. CIG believes that, with the construction and commissioning of the company's domestic and international production capacity, its production capacity and revenue scale will be further increased, and the form of double base layout is conducive to offset the current stage of foreign "double anti" tax rate

³and the negative impact of trade friction between the U.S. and China. However, overseas plant construction also makes

It faces uncertainties in the investment environment and legal environment, and political risks and management difficulties have increased, requiring attention to changes in trade policies and earnings from the company's overseas bases.

Table 2: Distribution of the Company's production capacity

Domestic factory	Production capacity (tons/year)	Production time
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² In October 2019, the Company and its subsidiary, Guizhou Hercules Tire Company Limited (hereinafter referred to as "Hercules Company") signed the "Housing Expropriation Monetary Compensation Agreement" (a total of 3 copies) with the Bureau of Expropriation of Yunyan District for the expropriated production premises, with a total compensation amount of RMB 2,486 million, of which Phase I of the "Housing The agreement on monetary compensation for housing acquisition has been completed in 2020, with a total collection of RMB 991 million; under According to the Company's announcement on January 1, 2022, the Company received two compensations for the expropriation of Hercules' house The total amount was RMB270 million. As of the end of March 2022, the Company had paid RMB 270 million for the monetary compensation for the housing acquisition.

The Company is still in the process of communicating with Yunyan District Expropriation Bureau on the payment of the remaining compensation amount.

In May 2012, the U.S. Department of Commerce issued a final ruling imposing various levels of anti-dumping duties on passenger car and light truck tires from South Korea, Taiwan, Thailand and Vietnam, and countervailing duties on passenger car and light truck tires from Vietnam, not involving products manufactured in the Company's Vietnam base for the time being.

Source: Provided by the company, collated by China Chengxin International

Since 2021, the company's overall product production and sales have maintained good growth and the average sales price has increased

During the tracking period, the company still adopts the production mode of production based on sales, and makes production plan according to the market demand and inventory situation. However, the domestic market is affected by the epidemic and the order of all-steel road transport tires declined, which led to the decline of the production and sales rate of all-steel tires and the increase of the inventory, we need to pay attention to the downstream market expansion of the above products and the progress of inventory removal; the order of bias tire continues to increase, which drives the overall increase of its production and sales rate. In terms of price, the prices of all-steel tires and bias tires have increased to different degrees since 2021, driven by the increase of raw material prices.

Table 3: Production and sales volume of the

Capacit y	2019	2020	2021	2022.1~3
All Steel Tires	405.57	432.36	450.80	99.62
Oblique tire	192.62	226.27	266.76	70.80
Total	598.19	658.63	717.56	170.42
Sale s	2019	2020	2021	2022.1~3
All Steel Tires	403.64	441.13	435.80	65.03
Oblique tire	203.11	223.44	262.36	96.84
Total	606.75	664.57	698.16	161.86
Productio n and sales rate	2019	2020	2021	2022.1~3
All Steel Tires	99.52	102.03	96.67	65.28

Source: Provided by the company, collated by China Chengxin

In terms of sales model, the company mainly adopts two sales models: direct sales for OEMs (i.e. supporting market) and indirect sales with dealers signing agency service contracts (i.e. replacement market), while actively developing and expanding ports, mines and other group customers with a large demand for replacement tires, currently cooperating with the company's supporting OEMs including Sany Group, Lingong Group, XCMG Group, LiuGong Group, John Deere, Cargotec, Volvo, Koni and other well-known domestic and foreign truck and bus companies. At present, the cooperation with the company's supporting OEMs include Sany Group, Lingong Group, XCMG, LiuGong Group, John Deere, Cargotec, Volvo, Konecranes and other domestic and foreign well-known truck and bus, and

Construction machinery, agricultural machinery manufacturers. In terms of settlement mode, the company's replacement market and the agents mainly adopt the settlement mode of wire transfer or bankers' acceptances, with the billing period generally not exceeding 60 days; the main settlement mode of acceptances, with the billing period generally ranging from 90 to 120 days.

By market, the company's product sales are still mainly in the domestic market. In terms of domestic sales, the competition in the domestic tire market has become fierce since 2021, and the growth rate of the company's sales in the domestic market has also slowed down, which is affected by the decline in sales of all-steel tires, and the company's domestic sales revenue decreased in 2021. In addition, since April 2022, the domestic epidemic prevention and control has been tightened, resulting in the obstruction of logistics and transportation in some areas, which may have a certain impact on the sales of the company's products in the first half of the year, and CIIC will keep an eye on this.

Overseas sales, 2021, as overseas downstream vehicle plants resume work one after another, tire export orders demand is also relatively strong, coupled with the company actively from multiple channels to obtain shipping positions, the

annual tire export sales increased significantly, export revenue accounted for by 19.28% in 2020 to 27.32%, the future with the release of the company's Vietnam base production capacity, overseas sales scale is expected to further increase.

Table 4: Sales of the company's products by market

Sales	2019	2020	2021	2022.1~3
Domestic sales	488.48	518.49	520.79	124.68
Export	118.27	145.98	177.37	42.31
Total	606.75	664.47	698.16	166.99
Sales revenue	2019	2020	2021	2022.1~3
Domestic	52.00	53.58	52.26	11.50

Source: Provided by the company, collated by China Chengxin International

Main raw material prices continue to rise on the company's cost control impact, product profitability is squeezed

The raw materials required for the production of the company mainly include natural rubber, auxiliaries, synthetic rubber, steel cord, carbon black, etc. In 2021, the cost of raw materials accounted for 78.41% of the operating cost, and the price of raw materials has a significant impact on the profitability of the company's products. The company's natural rubber is mainly imported from Southeast Asia, and the main suppliers are Shi Dong Rubber Co.

Ltd. and others. The company purchases rubber through long contracts to ensure stable supply, and makes timely adjustments through spot and futures purchases according to market price fluctuations. The rest of the raw materials are mainly purchased domestically, and the main settlement method is bank acceptance drafts.

Source: Provided by the company, collated by China Chengxin International

Since 2021, international crude oil prices and coal tar prices have continued to rise and are at a high level, coupled with the decline in supply and increase in price of natural rubber due to the weather, the company's raw material purchase prices as a whole showed a significant increase. **Sinolink International believes that the** company's raw material prices account for a high proportion of production costs, and the impact of rising raw material prices can not be fully transmitted to downstream customers in a timely manner, the impact on the company's cost control, coupled with the serious homogenization of domestic tire industry products, competition is more intense, facing the problem of structural overcapacity, the company's product profitability is squeezed, the future need to continue to pay attention to the main raw material purchase prices and tire The future need to continue to pay attention to the impact of changes in the procurement prices of major raw materials and tire market conditions on the stability of the company's earnings.

Table 5: Company procurement in recent years

		2019	2020	2021	2022.1~3
(Unit: 10,000 tons, RMB/ton)					
Natural Rubber	Purchase volume	12.89	13.32	13.58	3.36
	Average price	1.01	0.98	1.12	1.16
Synthetic rubber	Purchase volume	4.92	5.50	6.34	1.66
	Average price	1.15	0.95	1.23	1.16
Carbon Black	Purchase volume	9.39	10.31	11.22	2.89
	Average price	0.50	0.40	0.75	0.70

In the future, the company will continue to accelerate the construction of dual bases to comprehensively enhance the competitiveness of the tire manufacturing business, the larger-scale project investment may expose the company to certain capital expenditure pressure; during the tracking period, the company maintained a better product development capability and technical strength

In the future, the company will continue to strengthen the measures of "one transfer, one reduction, one adjustment, one supplement and one construction" (i.e. transferring production capacity to overseas, reducing cost in all aspects, adjusting production and sales structure, making up for shortcomings in efficiency and management, and building beautiful Guilun), speed up the construction progress of the production capacity expansion projects in the twin bases of Zazo and Vietnam, and continuously and comprehensively improve products, costs and services. We will continue to improve the competitiveness of products, costs and services, promote transformation and upgrading, and achieve international, intelligent and green quality development.

As of the end of March 2022, the Company's total planned investment in projects under construction

3.189 billion yuan, still need to invest 1.222 billion yuan; the proposed project

The planned total investment amount is 2.301 billion yuan, there is a certain capital expenditure pressure, CIG will keep an eye on the relevant project funding, construction progress, capacity release and revenue.

In terms of product development and technology, the company has built a national enterprise technology center and a postdoctoral research station, a provincial green tire engineering technology research center and a provincial high performance tire engineering research center, which have mastered the key technologies of tire development, design and production at the domestic advanced level, and the key technology mastery rate of the leading products has reached 100%, and they are completely produced with self-developed technology. In the past three years, the company has presided over and participated in the development of 19 national standards, independently developed and in the validity of the

There are 136 technology patents (including 8 invention patents, 8 utility model patents) 46 patents, 82 design patents) the main products are in the leading position in the same industry, and the main performance indexes of some products have reached the international advanced level, with certain R&D advantages.

Table 6: Projects under construction and proposed by the Company as of the end of March

Project name under construction	Total planned investment	Cumulative Investment	Planned investment from April to December 2022	Planned investment in 2023
Zazo All Steel Phase III Project	15.45	12.24	3.21	—
Vietnam Phase I Project	14.34	7.43	6.91	—
Wigtech R&D center, office building	2.10	2.10	0.70	1.40
Tota	31.89	19.67	10.82	1.40

Note: The company has no clear investment plan for Vietnam Phase II project for the time being. Source: Provided by the company, collated by China Chengxin International

Financial Analysis

The following analysis is based on the 2019~2021 financial reports audited by Zhong Hua CPA (special general partnership) with standard unqualified opinions and the

audited financial statements for the first quarter of 2022 disclosed by the Company. The

financial report of the current period figures. In the analysis, CIGC adjusted the finance lease

to long-term debt.

Revenue	2019	2020	2021	2022.1~3
Tire Business	63.72	67.16	72.34	18.48
Kneaders and others	0.44	0.48	0.42	0.08
Other	0.42	0.45	0.66	0.07
Total operating revenue	64.58	68.09	73.39	18.63
Gross	2019	2020	2021	2022.1~3

2021 tire production and sales price increases led to year-on-year growth in revenue scale, but by the impact of the significant increase in raw material prices, operating profitability decreased year-on-year, the future still need to continue to pay attention to the impact of fluctuations in raw material prices on the stability of earnings and cost control

In 2021, benefiting from the increase in tire production and sales volume and sales price, the company's total operating revenue maintained growth, but the gross margin of the company's tire business and the overall gross margin level declined due to unfavorable factors such as the significant increase in the prices of rubber, carbon black, steel cord and other major raw materials and power costs, and the intensification of competition in the domestic market; in the same year, the gross margin of compounding rubber and other businesses increased year-on-year, but due to the small scale of revenue, the impact on the company's overall gross margin was not significant. In the first quarter of 2022, the increase in sales volume and price led to a 4.57% year-on-year increase in the

company's total operating income, but the gross profit margin showed a decline, the future still needs to pay attention to the impact of fluctuations in raw material costs on the stability of the company's profitability and the company's cost control situation.

Table 7: Composition of revenue and gross margin of the company by segment in recent years (billion yuan, %)

Source: Provided by the company, collated by China Chengxin International

Benefiting from the continuous promotion of cost reduction and efficiency enhancement, the company will further reduce the scale of expenses in 2021. Specifically, sales expenses will increase slightly with the growth of business scale; administrative expenses will be reduced due to the reduction of personnel salary burden; interest income will be generated with the arrival of funds raised from the non-public offering of shares and the decrease of financing costs.

Finance costs have also been reduced. Combined with the above factors, the Company's period expense ratio has been further reduced since 2021, and the ability to control expenses has continued to improve.

Under the influence of the decline in gross margin brought about by the significant increase in raw material costs, the company's operating profit decreased year-on-year in 2021, coupled with the unsustainable replenishment of the disposal proceeds of housing relocation assets in 2020 and the erosion of asset impairment losses, mainly bad debt losses and inventory impairment losses, which led to a 70.67% year-on-year decline in the company's total profit in 2021, and EBITDA margin and total return on assets dropped to 10.39% and 3.76% respectively. In the first quarter of 2022, the Company still faced the adverse factors such as high raw material prices and frequent domestic epidemics, resulting in a 46.96% year-on-year decrease in total profit for the period and a weakening of profitability.

Table 8: Profitability-related indicators of the company in recent years (billion yuan, %)

Note: "Research and development expenses" were recorded as "Administrative expenses" and "Credit impairment losses" were recorded as "Impairment losses on assets". "Due to the lack of relevant data, some indicators cannot be calculated in the first quarter of 2022. Source: Company's financial statements, compiled by China Chengxin International

Since 2021, total assets have grown further with the advancement of the construction of dual bases and the expansion of operation scale, and the non-public offering of shares and profit accumulation have further pushed up the scale of equity, resulting in an overall decrease in the level of financial leverage; however, the debt scale has grown and the debt structure, which is mainly short-term debt, still needs to be optimized

With the advancement of the construction of dual bases and the expansion of operation scale, the scale of total assets of the Company has further increased since 2021. Specifically, the Company's book of monetary funds is relatively abundant, and its scale fluctuates slightly with business operating funds and external investment and financing, etc. As of March 2022

The restricted monetary funds at the end of the year were RMB 356 million, mainly restricted as promissory notes and credit deposits, etc.; since 2021, the Company's export business has achieved

	2019	2020	2021	2022.1~3
Selling expenses	3.80	2.24	2.51	0.61
Overhead	5.03	5.98	5.66	1.26
Finance costs	1.04	1.11	0.33	0.05
Total period expenses	9.87	9.33	8.50	1.92
Period expense ratio	15.28	13.70	11.58	10.32
Profit from operating activities	2.37	6.41	2.98	0.68
Gain on disposal of assets	0.00	6.91	0.97	0.00
Impairment loss	0.59	-0.06	0.14	0.03

However, the scale of accounts receivable has increased due to the relatively long period of export shipments and payment terms, and the accumulated bad debt allowance has been provided as of the end of 2021.

The company's accounts receivable accounted for more than 90% of the accounts receivable within 1 year, and the top five defaulters accounted for 24.56% of the accounts receivable, which is a reasonable concentration; at the end of the same period, the notes receivable continued to decline with the decrease in the use of notes settlement ratio; the company's inventory on the books is mainly inventory goods, which has increased since 2021 with the slowdown in sales of truck tires and other products. **CIG is concerned that the** continuous increase in the scale of accounts receivable and inventory and the decrease in the turnover rate of the company's books since 2021 have caused a certain occupancy of working capital, and it is necessary to continue to pay attention

to the progress of future account recovery and inventory removal. As for non-current assets, other equity instruments are the Company's investments in Guiyang Bank Co. With the gradual progress of the construction of the twin bases, the construction in progress and fixed assets have been decreasing and increasing since 2021.

The Company's total liabilities are mainly interest-bearing debts and accounts payable, which have been increasing since 2021. Among them, accounts payable are mainly for raw material purchases, which have increased since 2021 with the expansion of business scale and the increase of raw material prices, and the ageing of the accounts is mainly within 1 year. Total debt has been increasing due to the increase in bank loans and notes payable.

As of March 2022, the proportion of short-term debt increased to 85.19%, and the debt structure needs to be optimized.

In 2021, the Company will pay cash dividends of RMB 96 million through non-public

The net proceeds from the issuance of shares amounted to RMB984 million for the construction of the Vietnam base project⁴. Together with the accumulation of profits throughout the year, the scale of owner's equity rose to RMB5,941 million at the end of the year, driving down the financial leverage ratio, and the increase in the scale of debt financing in the first quarter of 2022 led to a rebound in the gearing ratio and total capitalization ratio.

In addition, in April 2022, the Company completed the issuance of "Guilan Conversion Bonds", raising a total amount of RMB 1.8 billion for the construction of Zazo IV and other projects, which further increases the total debt scale, but with the gradual conversion of "Guilan Conversion Bonds" in the future, the total debt scale and financial leverage of the Company will be reduced. Leverage is expected to be reduced.

⁴ In March 2021, the Company made a non-public offer to 12 parties, including Guiyang Industrial and Commercial Investment, at RMB 6.30 per share. The Company issued 158,730,158 RMB ordinary shares, of which Guiyang Industrial and Commercial Investment received 4.35% of the placing amount.

Descending.

Table 9: Major assets, liabilities and capital structure of the company (billion yuan, %)

construction of "double bases", coupled with the receipt of large

	2019	2020	2021	2022.3
Monetary Funds	21.69	19.05	20.13	19.55
Notes receivable	13.77	13.38	12.47	10.49
Accounts Receivable	7.53	7.29	9.73	12.26
Inventory	6.89	6.28	9.68	12.45
Investments in other equity	7.87	8.65	6.66	6.58
Construction in progress	2.08	9.15	7.43	5.47
Total Assets	105.21	115.16	128.76	133.95
Short-term debt	50.79	37.12	39.55	42.16
Total Debt	51.07	44.82	46.90	49.48
debt/total debt	99.07	82.83	84.04	91.91
Accounts Payable	10.16	13.25	14.81	16.96
Total liabilities	67.97	66.34	69.35	73.86
Paid-in Capital	7.75	7.98	9.56	9.56
Capital surplus	18.35	18.82	27.17	27.19
Undistributed earnings	6.44	16.34	18.29	18.85

Note: "Contract assets" is recorded as "Inventory"; "Bank acceptances" in "Receivables financing" is transferred to "Notes receivable". "to "Notes receivable".

Source: Company financial statements, compiled by China Chengxin International

The cash flow from investment activities is showing a large net outflow with the construction of the project; the debt service indicator has weakened, and there is a certain short-term debt service pressure, which requires continuous attention to the project investment and financing matching situation

In 2021, the net cash flow from operating activities decreased significantly due to the significant increase in procurement expenses caused by the sharp rise in raw material costs; at the same time, the company continued to maintain large-scale capital investment in the

Model.

In 2021, the company's earnings and operating cash flow will decline, coupled with the continued expansion of debt financing, EBITDA and net cash flow from operating activities will weaken the ability to cover principal and interest on debt, and the related debt service indicators will weaken, coupled with the fact that total debt is mainly short-term debt, making the company face certain short-term debt service pressure. In addition, the company has a large amount of monetary funds on its books, which can supplement its debt servicing capacity to a certain extent. However, considering that the company will still have large capital expenditures for the Zazo IV project and Vietnam II project in the future, we still need to continue to pay attention to the impact of project investment and financing matching on its total debt size and debt servicing pressure.

Table 10: Cash flow and debt service indicators of

	2019	2020	2021	2022.3
Net cash flow from operating activities	17.52	16.59	2.86	-0.08
Net cash flow from investing activities	0.65	-3.54	-7.86	-4.48
Net cash flow from financing activities	-13.04	-10.77	6.46	3.23
Total debt/EBITDA	7.77	2.54	6.15	—
EBITDA Interest coverage multiplier	4.55	14.25	10.55	—

Note: Indicators with "—" are annualized; some indicators for the first quarter of 2022 could not be calculated due to lack of relevant data.

Source: Company's financial statements, compiled by China Chengxin International

Equity financing channels are open and have a certain amount of standby liquidity to support the overall debt servicing capacity

As of the end of March 2022, the Company had obtained total bank credit. The Company has a reserve liquidity of RMB8,872 million, of which RMB4,060 million is unused;

at the same time, the Company is an A-share listed company with smooth financing channels.

As of the end of March 2022, the Company's restricted assets totaled NT\$1,889 million, accounting for 14.10% of total assets at the end of the period, including restricted monetary funds of NT\$356 million, notes receivable of NT\$676 million and fixed assets of NT\$731 million. This reduces the liquidity of the assets by \$126 million and intangible assets.

As of the end of March 2022, the Company had no external guarantees or significant pending litigation.

Past debt performance: According to the Corporate Credit Report and related information provided by the Company, as of May 12, 2019~2022, the Company

All of the Company's borrowings are due for repayment of principal and interest on schedule, and there is no delay in payment of principal and interest. According to the public information, the Company has no credit default record in the open market as of the date of the report.

External Support

The controlling shareholder is a wholly state-owned enterprise and one of the important industrial investment and financing platforms in Guiyang, and as an important carrier of its real economy, the Company can obtain certain external support in terms of resource deployment and business expansion

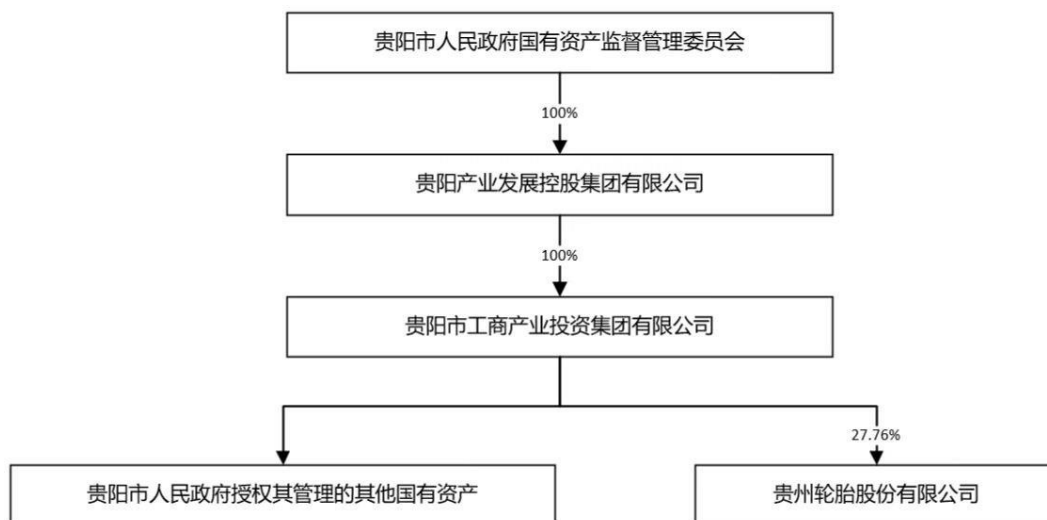
Guiyang IIC is a wholly-owned enterprise under the State-owned Assets Supervision and Administration Commission of Guiyang City and one of the important investment and financing platforms of Guiyang City. As of the end of March 2022, the total assets of Guiyang IIC were RMB 38,172 million, with total revenue of RMB 11,109 million and net profit of RMB 300 million in 2021. The Company is one of the important carriers of Guiyang IIC's real economy, and is also an important support for its revenue scale and profit. In April 2022, Guiyang Industrial and Commercial Investment participated in the placement subscription by the

original shareholders of the Company in the issuance of "Guilun Convertible Bonds" **with the subscription amount** of RMB 499.74 million. In addition, Guiyang State-owned Assets Supervision and Administration Commission, the actual controller, can give the Company greater support in coordinating with the government, deploying resources and business expansion.

Rating Conclusion

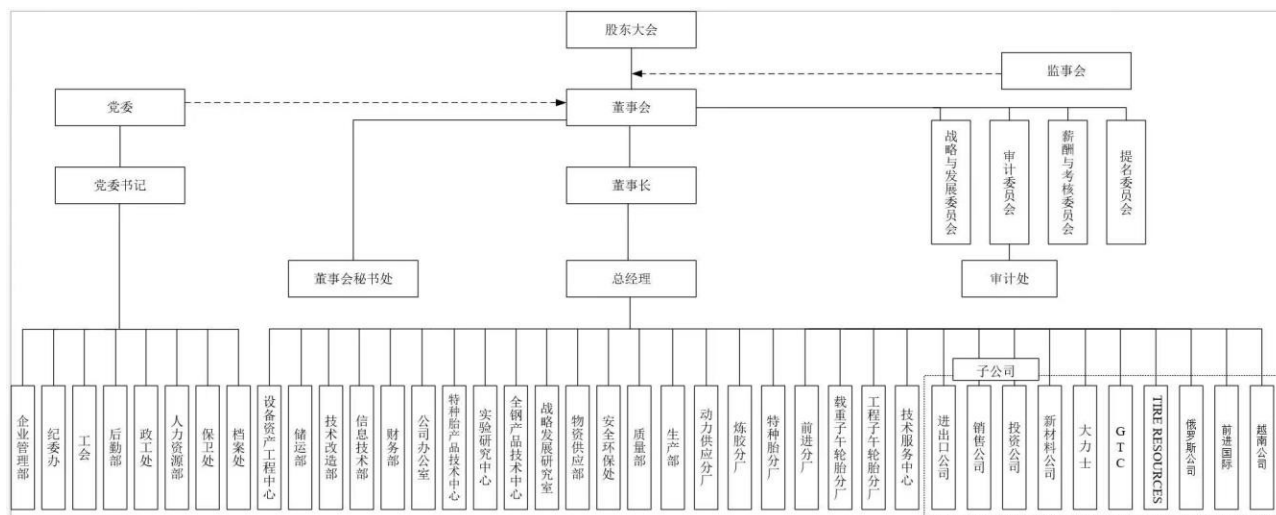
In summary, CIG maintains the main credit rating of Guizhou Tire Company Limited at **AA** and the outlook is stable; **the** debt credit rating of Guilun Convertible Bond is maintained at **AA**.

Appendix I: Shareholding structure and organization chart of Guizhou Tire Company Limited (as of the end of March 2022)



Major subsidiaries of the company

Company Name	Company abbreviation	Registered Capital	Shareholding ratio (%)
Guizhou Tire Import & Export Co.	Import and export companies	20 million yuan	100
Guizhou Advance Tire Sales Co.	Qianjin Tire Sales Company	20 million yuan	100



Source: Provided by the company

Appendix II: Financial data and main indicators of Guizhou Tire Co.

Financial Data (Unit: million yuan)	2019	2020	2021	2022.3
Monetary Funds	216,851.76	190,476.96	211,287.84	195,539.28
Net accounts receivable	75,315.67	72,894.66	97,297.02	122,612.62
Other receivables	5,717.70	7,972.62	4,000.23	4,138.37
Net Inventory	68,911.94	62,756.07	96,799.82	124,477.18
Long-term investments	78,725.43	86,533.88	66,559.31	65,836.46
Fixed Assets	330,502.85	376,278.97	461,908.41	494,350.45
Construction in progress	20,817.50	91,499.98	74,347.27	54,668.88
Intangible assets	22,366.07	23,735.30	36,561.34	35,475.20
Total Assets	1,052,102.92	1,151,622.80	1,287,573.16	1,339,469.73
Other payables	4,161.77	8,484.30	7,213.87	5,444.20
Short-term debt	507,931.75	371,241.31	395,532.21	421,575.78
Long-term debt	2,721.02	76,980.55	73,458.17	73,271.06
Total Debt	510,652.76	448,221.86	468,990.38	494,846.84
Net debt	293,801.01	257,744.90	257,702.54	299,307.56
Total liabilities	679,743.75	663,410.24	693,478.01	738,576.73
Expensed interest expense	14,430.00	12,068.70	6,829.32	—
Capitalized interest expense	—	301.33	404.76	—
Total Owner's Equity	372,359.17	488,212.56	594,095.15	600,893.01
Total operating revenue	645,833.79	680,872.95	733,927.92	186,305.04
Profit from operating activities	23,709.94	64,074.85	29,758.14	6,795.20
Investment income	234.00	1,453.00	1,282.66	0.00
Net Profit	13,544.25	113,846.92	36,979.84	5,591.30
EBIT	29,461.85	144,914.17	45,797.04	—
EBITDA	65,716.84	176,291.73	76,290.93	—
Net cash flow from operating activities	175,189.19	165,935.77	28,581.30	-778.18
Net cash flows from investing activities	6,464.22	-35,350.16	-78,629.04	-44,757.70
Net cash flows from financing activities	-130,375.11	-107,705.46	64,603.35	32,304.43
Capital Expenditure	40,670.51	83,524.97	119,709.76	45,347.67
Financial Indicators	2019	2020	2021	2022.3
Gross operating margin (%)	20.13	23.63	15.73	14.47
Period expense ratio (%)	15.28	13.70	11.58	10.32
EBITDA margin (%)	10.18	25.89	10.39	—
Return on total assets (%)	2.81	13.15	3.76	—
Return on net assets (%)	3.79	26.46	6.83	3.74*
Current ratio (X)	0.83	0.89	0.98	0.94
Quick Ratio (X)	0.73	0.78	0.82	0.75
Inventory turnover ratio (X)	6.94	7.90	7.75	5.76*
Accounts Receivable Turnover Ratio (X)	7.86	9.19	8.62	6.78*
Gearing ratio (%)	64.61	57.61	53.86	55.14
Total capitalization ratio (%)	57.83	47.86	44.12	45.16
Short-term debt/total debt (%)	99.47	82.83	84.34	85.19
Net cash flow from operating activities/total debt (X)	0.34	0.37	0.06	-0.01*
Net cash flow from operating activities/short-term debt (X)	0.34	0.45	0.07	-0.01*
Net cash flow from operating activities/interest expense (X)	12.14	13.41	3.95	—
Adjusted net cash flow from operating activities/total debt (%)	31.14	33.51	1.52	—
Total debt/EBITDA(X)	7.77	2.54	6.15	—
EBITDA/Short-term debt(X)	0.13	0.47	0.19	—

EBITDA Interest coverage multiple (X)	4.55	14.25	10.55	—
EBIT interest coverage multiple (X)	2.04	11.71	6.33	—

Note: 1. The quarterly report for 2022 is unaudited; 2. In the analysis of CIG, the company adjusted the finance lease payments included in "long-term payables" to long-term debt; 3. 3. to include "contract assets" in "inventory"; "research and development expenses" in "administrative expenses"; and "credit impairment loss" in "asset impairment loss"; 4. The indicators with "—" have been annualized; 5. Due to the lack of relevant data, some indicators cannot be calculated in the first quarter of 2022.

Appendix III: Calculation formula of basic financial indicators

Indi		Calculat
Capital Structure	Cash and its equivalents (monetary equivalents)	=money funds (cash) + financial assets at fair value through profit or loss/trading financial Assets + Notes Receivable
	Long-term investments	= Available-for-sale financial assets + held-to-maturity investments + long-term equity investments
	Short-term debt	= Short-term loans + financial liabilities at fair value through profit or loss / financial liabilities held for trading + payable Notes payable + non-current liabilities due within one year + other debt adjustments
	Long-term debt	= Long-term loans + bonds payable + lease liabilities + other debt adjustments
	Total capitalization ratio	= $\frac{\text{Long-term debt} + \text{Total debt} + \text{Total owner's equity}}{\text{Long-term debt} + \text{Short-term debt} + \text{Total owner's equity}}$
Operational	Inventory turnover rate	= $\frac{\text{Operating costs} / \text{average net inventory}}{\text{Total debt} - \text{monetary funds}}$
	Accounts Receivable Turnover Ratio	= $\frac{\text{Average net operating revenues} / \text{accounts receivable}}{\text{Total liabilities} / \text{Total assets}}$
	Days of cash turnover	= Average net accounts receivable \times 360 days/operating revenue + Average net inventory \times 360 days/operating cost - Accounts payable
Profitability	Period expense ratio	= (Selling expenses + administrative expenses + R&D expenses + finance costs)/Total operating revenues
	Profit from operating activities	=Total operating income -Operating costs -Interest expense -Fee and commission expense -Surrender premiums -Net claims expense -Net withdrawal of reserves for insurance contracts -policy dividend expense -ceding expenses - taxes and surcharges - period expenses + other Earnings
	EBIT (earnings before interest and taxes)	= Total profit + Expensed interest expense
	EBITDA (earnings before interest, taxes, depreciation and amortization)	= EBIT + depreciation + amortization of intangible assets + amortization of long-term amortization
	Return on Total Assets	=EBIT/total assets average balance
	Return on Net Assets	= Average of total net income/owner's equity
	EBIT margin	=EBIT/Gross Operating Income for the year
	EBITDA Margin	=EBITDA/Gross Operating Income for the year
Cash Flow	Capital Expenditure	= Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets
	Adjusted net cash flow from operating activities (CFO- (Dividends))	= Net cash flow from operating activities (CFO) - Cash paid for distribution of dividends, profits or interest repayments
	FCF	= Net cash flow from operating activities - Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets - Distribution of shares Cash paid for interest, profits or repayment of interest
	Retained cash flow	= Net cash flow from operating activities - (Decrease in inventories + decrease in operating receivables + increase in operating payables) - (Cash paid for dividends, profits or interest payments - financial interest expense - capitalized interest expense) (out)
Solvency	Current Ratio	= Current assets/current liabilities
	Quick Ratio	= (Current Assets - Inventory)/Current Liabilities
	Interest expense	= Expensed interest expense + capitalized interest expense
	EBITDA Interest coverage multiplier	=EBITDA/Interest expense
	EBIT interest coverage multiplier	=EBIT/Interest expense

Net Interest expenses, fees and commission expenses, surrender payments, net claims expenses, net withdrawals of reserves for insurance

contracts, policy dividend expenses, and reinsurance expenses" are exclusively for financial and related enterprises involved in financial business. According to Notice on Revision and Issuance of 2018 Annual General Enterprise Financial Statement Form (Caihui [2018] No. 15) for enterprises that have implemented the new financial standards, the formula for calculating long-term investments is: "Long-term investments = debt investments + investments in other equity instruments + other debt investments + other non-current financial assets + long-term equity investments."

Appendix IV: Symbols and definitions of credit ratings

Main body level symbol	Meaning
AAA	The evaluated targets are extremely capable of repaying their debts and are largely unaffected by the adverse economic environment, with very low risk of default.
AA	The evaluated target has a strong ability to repay its debts, is less affected by the adverse economic environment and has a low risk of default.
A	The evaluated target has a strong ability to repay its debts, is more vulnerable to adverse economic environment and has a low risk of default.
BBB	The evaluated target has an average ability to repay debts, is affected by the unfavorable economic environment and has an average risk of default.
BB	The evaluated target has a weak ability to repay its debts and is highly influenced by the unfavorable economic environment, with a high risk of default.
B	The ability of the evaluated targets to repay their debts is more dependent on a favorable economic environment and the risk of default is high.
CCC	The ability of the evaluated targets to repay their debts is extremely dependent on a favorable economic environment, and the risk of default is extremely high.
C C	The evaluated subject has less protection in bankruptcy or reorganization and basically cannot guarantee the repayment of debts.
C	The evaluated subject cannot pay the debt.

Note: Except for AAA, CCC and the following grades, each credit grade can be fine-tuned with "+" and "-" symbols, indicating slightly higher or lower than this grade.

Medium and long-term bond grade symbols	Meaning
AAA	The bonds are extremely safe, largely unaffected by adverse economic conditions, and the risk of default is extremely low.
AA	The bonds are very safe, less affected by adverse economic environment and have low risk of default.
A	The bonds are safer, more vulnerable to adverse economic environment and have lower default risk.
BBB	The bonds are generally safe, subject to adverse economic environment and have average default risk.
BB	The bonds are weakly secured, highly influenced by the unfavorable economic environment, and have a high risk of default.
B	The safety of bonds is more dependent on a favorable economic environment and the risk of default is high.
CCC	Bond safety is extremely dependent on a favorable economic environment and the risk of default is extremely high.
C C	The repayment of the bonds is basically not guaranteed.
C	The bonds cannot be repaid.

Note: Except for AAA, CCC and the following grades, each credit grade can be fine-tuned with "+" and "-" symbols, indicating slightly higher or lower than this grade.

Short-term Bond Grade Symbols	Meaning
A-1	They are top-rated short-term bonds with minimal debt service risk and high security.
A-2	The debt service risk is low and the security is high.
A-3	The debt service risk is average and the security is vulnerable to adverse environmental changes.
B	The risk of debt service is high and there is a certain risk of default.
C	The risk of debt service is high and the risk of default is high.

Note: Each credit rating is not subject to fine-tuning.