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**Jiangsu General
Technology Co.
Thailand High Performance Radial
Tyre Project
feasibility report**

September 2018

I. Background to project implementation

In the past decade, the domestic tyre market scale has been rapidly increased, and China has become the world's largest tyre production country. But at the same time in the high-speed development, the domestic tyre industry is also facing a structural overcapacity, tightening business environment, production costs, resource constraints tend to tighten a number of difficult problems, in addition, the industry competition, "double reverse" trade barriers and price fluctuations in the main raw materials and other unfavourable factors to the tyre business operations to bring more risks. In order to cope with the above situation, domestic tyre enterprises have put forward targeted coping strategies in terms of business plans and measures.

Many response plan, global development strategy has become a large tyre enterprises in the international market in the long term to maintain competitiveness of the key initiatives. 2015, "to promote the construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road vision and action" was formally introduced, "one belt, one road" policy for the domestic tyre enterprises to establish a new product The "Belt and Road" policy for domestic tyre enterprises to establish a new product output concept, and related countries and regions to achieve win-win situation, so that China's rubber tyre enterprises to become their reliable partners, so as to establish a good national brand image in the international market. In recent years, many domestic outstanding enterprises respond to the national "Belt and Road" policy call, out of the country, in foreign countries to establish a raw material processing or product production base.

II. Project basics

The construction site of this project is located in Rayong Industrial Park, Thailand, and the main construction content of the project is the purchase of equipment, installation works and construction costs of high-performance radial tyre production line, with a total planned investment of not more than 300 million US dollars.

After the completion of the project, the company will add 1 million all-steel radial tyre production capacity and 6 million semi-steel radial tyre production capacity. The project will take a total of 15 months to construct.

III. Necessity and feasibility of project implementation

(i) Layout of raw material production sites

Tyre products have a high degree of stickiness to the price of raw materials, and natural rubber as the main raw material has a greater impact on the cost of tyre products. As a typical resource-constrained raw materials, natural rubber on the geographical environment, soil, climate, humidity and other natural conditions are more stringent requirements, the rubber region is mainly concentrated in Southeast Asia, accounting for about 90% of the global production. The traditional rubber countries in this region are Thailand, Indonesia, Malaysia, of which Thailand is currently the world's largest producer of rubber, with an annual output of more than 4 million tonnes, accounting for 30% of the global total output.

Above. China's import dependence on natural rubber will remain for a long time, which will increase the cost control pressure of domestic tyre enterprises and affect the gross profit level of tyre products. Therefore, the company's construction of tyre production lines in Thailand, the largest country in terms of rubber production, can reasonably save natural rubber import tax and transport costs, thus significantly reducing the cost of raw materials, which is conducive to the improvement of the company's operating performance and is in line with the company's development strategy.

(ii) Domestic and foreign policy drivers

1, the domestic tyre industry regulatory policy tends to tighten

Overall, China's tyre industry has been overcapacity in low-end production capacity, in order to solve the above problems, the relevant regulatory authorities require serious overcapacity in the region to actively implement the de-capacity, the demand for tyre enterprise expansion in some areas of the country is restricted by the policy. At the same time, China's environmental protection inspection system is becoming more and more perfect, environmental protection tax policy since January 1, 2018 was formally implemented, the domestic tyre enterprises environmental protection costs have risen.

2, industrial policy to support the development of high-end tyre products

In recent years, national regulatory authorities at all levels have introduced various policies to actively support the development of high-end tyre products. Made in China 2025 and the Outline of the Thirteenth Five-Year Plan for National Economic and Social Development of the People's Republic of China require that the focus be on improving the innovation and basic capabilities of the manufacturing industry, promoting the deep integration of information technology and manufacturing technology, facilitating the development of the manufacturing industry in the direction of high-end, intelligent, green and service-oriented development, and fostering a new competitive advantage in the manufacturing industry;

Tyre Industry Policy" encourages the development of safe, energy-saving, environmentally friendly high-performance radial tyres, wide cross-section, flat passenger radial tyres; "China's rubber industry" Thirteenth Five-Year "Development Plan Guidance Outline" calls for innovation-driven, intelligent manufacturing, green development, branding as the lead, and strive for China to enter the primary stage of the tyre industry powerhouse in 2020. Tyre industry power in the primary stage.

3. The "Belt and Road" policy encourages domestic enterprises to "go global".

China is actively promoting the construction of the "Belt and Road", fully relying on the existing multilateral mechanisms between China and the countries concerned, making use of effective regional cooperation platforms, actively developing economic partnership with the countries along the route, and working together to build a community of interests based on mutual political trust and economic integration, and encouraging domestic enterprises to bring their advantageous industries to the regions around the "Belt and Road". Encourage domestic enterprises to bring their advantageous industries to the neighbouring regions of the "Belt and Road", and enhance the influence of domestic enterprises in the international economic market.

4, the domestic tyre industry exports by trade barriers to the impact of serious

At present, China has become the country most subject to anti-dumping and countervailing investigations in the world, and in response to countries' anti-dumping

In the process of anti-dumping and anti-subsidy investigations, the export of our tyre industry is generally in a passive situation. In 2017, the EU, Turkey, Peru and other countries and regions have announced anti-dumping investigations against our rubber tyres.⁸ 2018

On the 2nd of January, the U.S. side released a statement that it would consider increasing the tax rate from 10% to 25% on the list of US\$200 billion products in the 301 measures against China, which includes most of the rubber products such as tyres. The appreciation of the US dollar and the trade war between China and the US may directly lead to a decline in the export volume of China's tyre products. Under this pressure, overseas factories can effectively circumvent the impact of international trade barriers on tyre exports, but also for the next step in the expansion of international markets to provide effective support.

The company's construction of overseas production bases is in line with the current domestic and international policy trends, in response to the national "One Belt, One Road" policy in the context of the effective circumvention of international trade barriers to the company's products and operations, to protect the company's long-term sustainable development.

(iii) Trends in the globalised economy

Since the twenty-first century, the global economic and trade system has been gradually improved, and the globalisation of the industrial economy has long been a trend commonly accepted by various countries and regions. As far as the tyre industry is concerned, Asia is the world's tyre manufacturing centre and raw material supply centre, and China has become the world's largest tyre producer and exporter. Under the environment of economic globalisation, strong product demand in foreign markets and obvious supply chain management advantages, the company is actively engaged in overseas layout, which is conducive to giving full play to the company's operating advantages, exporting products and brands to overseas markets, and meeting the needs of the company's upgrading of its globalisation strategy.

To sum up, in today's environment of advocating "low carbon, high efficiency, green, environmental protection, safety" new tyre concept, the company's new high-performance tyre production base in Thailand, can solve the company away from the raw material supply market and product export market, this "two-headed outside "The disadvantages of the business model, reduce logistics costs, shorten the supply cycle, improve operational efficiency. At the same time, the company can effectively avoid the impact of international trade barriers, improve the operating conditions of overseas markets, and effectively enhance international competitiveness.

IV. Favourable conditions for project implementation

(i) The company is backed by strong strengths

The company has a strong comprehensive strength of tyre manufacturing enterprises, with a good foundation for the implementation of the project: First, the company has a good brand awareness and corporate image. Based on product quality and customer reputation, the company has a good brand awareness and corporate image.

By actively carrying out brand promotion and after-sales service work gradually formed a good brand awareness, products in the market segments in the share of the increasing. Second, the company has a better marketing and management system. After years of operation, the company has established a complete set of efficient management system including production, operation and sales, and created a high-quality marketing and management team, more than 60% of the marketing staff have more than three years of sales experience, the company's marketing network radiates across the country, with more than 10,000 signature shops, and the products are exported to the U.S., Europe, Southeast Asia and other overseas countries and regions. Third, the company has strong technical research and development strength. As a provincial high-tech enterprise and provincial engineering technology research centre, the company has always paid attention to the research and development and accumulation of technology, established a perfect technology development system, and actively carried out product technology upgrading and transformation. The production technology adopted in this project is formed by the company's independent research and development, and the process technology is more mature.

(ii) Stable and favourable development environment for project implementation

On the one hand, Thailand's domestic political environment is stable and its economy is growing steadily, which provides sufficient guarantee for the sustainable development of the Company; on the other hand, as a newly industrialised country, Thailand has become the second largest economy in Southeast Asia. As friendly neighbours, China and Thailand have maintained a healthy and stable relationship, with extensive and in-depth exchanges and cooperation in various fields. In July 1975, China and Thailand formally established diplomatic relations, and after the establishment of diplomatic relations, the friendly and cooperative relations between the two countries in

various fields have developed smoothly. In April 2012, Thailand established a comprehensive strategic partnership with China, the first ASEAN member country to establish a strategic cooperative relationship with China. At present, China is Thailand's largest trading partner and Thailand is China's third largest trading partner among ASEAN countries.

In 2017, China and Thailand signed a Memorandum of Understanding on Jointly Promoting "Belt and Road" Co-operation and a Memorandum of Understanding on Co-operation in the Next Five Years.

The Joint Action Plan for Strategic Cooperation provides significant opportunities for the future development of relations between the two countries. In 2017, bilateral trade was valued at US\$80.29 billion, up 6 per cent year-on-year, with China's exports of US\$38.71 billion, up 4.1 per cent year-on-year, and imports of US\$41.58 billion, up 7.9 per cent year-on-year.

(iii) A favourable external investment climate

In recent years, Thailand's manufacturing sector has developed rapidly and has become an emerging manufacturing powerhouse, with the automotive industry being the centre of automobile manufacturing in Southeast Asia and the largest automotive market in ASEAN. Thailand's infrastructure is relatively complete, with six deep-water ports and two international inland ports, and the continuous development of highways. In terms of engineering construction, Thailand has a large number of local survey and design units and construction units, a complete range of building materials such as stone, sand, cement, steel, wires and cables, pipes and valves, etc., and it is convenient to outsource the maintenance of electromechanical equipment, which can meet the needs of project construction and operation. Meanwhile, in promoting major investment

In this regard, Thailand has introduced a competitive eight-year tax holiday, a number of tax exemptions, and favourable import tariffs, including reductions in import duties on machinery and raw materials produced for export, as well as other non-tax incentives.

As the world's largest rubber producer, the Thai government attaches great importance to the natural rubber industry, and supports the development of the natural rubber industry in all aspects, and introduces a number of measures to ensure the rapid development of the natural rubber industry. Abundant raw material resources, skilled labour and preferential policies have attracted many tyre manufacturers to set up factories in Thailand. At present, international tyre brands operating in Thailand include Bridgestone, Michelin, Goodyear, Continental Mazda, etc. Domestic tyre brands include Zhongce, Linglong, Shuangqian, etc. The industry is relatively complete, forming a mature upstream and downstream tyre manufacturing industry chain.

Thailand-China Rayong Industrial Park, where the company's investment project is located, is one of the first batch of overseas economic and trade cooperation zones approved by the Ministry of Commerce of the People's Republic of China and the only Chinese overseas industrial park approved by the Chinese government in Thailand. Located on the eastern coast of Thailand, close to Bangkok, the capital of Thailand, and Lembahang deep-water port, the park has convenient external transportations and has a total planning area of 12 square kilometres, including a general industrial zone, a bonded zone, a logistics and warehousing zone, and a commercial and living zone. The overall planning area is 12 square kilometres, including general industrial zone, bonded zone, logistics and warehousing zone, and commercial and living area, and the infrastructural support is carried out according to the high standard of "modern industrial park", which provides a good platform for Chinese enterprises.

V. Project-specific plans

The total investment of this project will not exceed 300 million US dollars, and the required funds are to be provided through the company's own funds, capital market direct

The project will be solved through indirect financing and bank loans. The main construction content is the high-performance radial tyre project, including 100

The main investment in the project of 10,000,000 full steel radial tyres and 6,000,000 semi-steel radial tyres is as follows:

In billions of US dollars		
serial number	Investment projects	investment amount
1	Acquisition of equipment	1.973
2	Cost of installation work	0.079
3	Cost of construction work	0.300
4	Other construction costs	0.380
5	preparatory costs	0.055
6	Interest during construction	0.066
7	money in circulation	0.146
add up the total	-	3.0

The construction period of this project is 15 months, and the method of benefit calculation is the future cash flow method, which is 37.5% in the first year of production, 80% in the second year, and 100% of full capacity after the third year. According to the estimation, after the project reaches full production, it is expected that the new annual average business income (excluding tax) will be RMB 2,180,022,000 yuan, and the new annual average net profit will be RMB 25,023,000 yuan.

The financial evaluation indicators of the project are excellent, and the project has a feasibility of implementation. The financial evaluation indicators of the project are excellent, and the implementation of the project is feasible.

VI. Impact of the implementation of the project on the operation of the company

The construction of the high-performance radial tyre project in Thailand, which focuses on the main business, can take advantage of the company's existing favourable conditions, in line with the national industrial guiding principles, in line with the national international production capacity strategic cooperation and the direction of the "One Belt, One Road", and has a positive effect on the company's international development strategy.

The project has good market development prospects and economic benefits, which can optimise the company's product structure, enhance the market share of the company's products, improve the company's internationalisation level and improve the company's profitability, thereby further enhancing the company's core competitiveness, achieving the company's long-term sustainable development and safeguarding the long-term interests of shareholders.

Board of Directors of Jiangsu
General Technology Co.

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