

Jiangsu General Technology Co.

High-performance radial tyre project in Cambodia

Feasibility study

I. Background

to project

implementation

Tyre as an important supporting products of the car, with the development of the automotive industry shows a steady development trend.

In recent years, the global automobile ownership has been maintaining steady growth, and the huge stock of automobiles has provided a broad market space for the development of the tyre industry.

In the past ten years, the domestic tyre products market scale has rapidly increased, China has become the world's largest tyre production country. Domestic tyre industry in the industry's rapid development, faced with structural overcapacity, tightening business environment, production costs, resource constraints tend to tighten and many other difficulties. In addition, industry competition, trade barriers and price fluctuations of major raw materials and other unfavourable factors to the tyre business operation brings more risks. In order to cope with the above situation, domestic tyre enterprises have put forward the globalisation development strategy in terms of business plans and measures, taking the globalisation strategy as a key initiative for tyre enterprises to maintain competitiveness in the international market in the long term.

Global development strategy will undoubtedly be a large tyre enterprises in the international market to maintain long-term competitiveness of one of the key strategies, "Belt and Road" initiative has been put forward, there have been a number of domestic tyre manufacturers in foreign countries to establish a raw material processing or product production base. Domestic rubber tyre enterprises have a strong willingness to "go out", to change the past concept of product output, the pursuit of a higher level of industrial output, to achieve win-win cooperation, so that the local enterprises, people and the country to really get the benefits, so that China's rubber tyre enterprises to become a reliable partner, to establish a brand image in the international market, strengthening competitive ability in the

international market.

II. Necessity and feasibility of project implementation

(1) Layout of raw material production sites, in line with the needs of the enterprise development strategy

Tyre products on the price of raw materials to a high degree of viscosity, natural rubber as the main raw material for tyre products have a greater impact on the cost. As a typical resource-constrained raw materials, natural rubber on the geographical environment, soil, climate, humidity and other natural conditions are more stringent requirements, rubber is mainly concentrated in Southeast Asia, accounting for about 90% of global production. Cambodia is the world's sixth largest natural rubber producer, in 2017, Cambodia exported 190,000 tonnes of rubber, an increase of 30% year-on-year, mainly sold to Vietnam, Malaysia, Singapore and China; rubber production in 2019 to reach 280,000 tonnes; the Cambodian government in 2020 to increase production to 300,000 tonnes. Therefore, the company in Cambodia, one of the main production areas of rubber, the construction of production lines, can reasonably save the natural rubber import tax and transport costs, thereby significantly reducing the cost of raw materials, is conducive to improving the company's operating performance, in line with the company's long-term development strategy.

(2) Grasp the development opportunity of "One Belt, One Road" and accelerate the strategic layout of globalisation.

Since 2015, China has been actively implementing the "Belt and Road" initiative, and as far as the tyre industry is concerned, the Asia-Pacific region is not only the world's tyre manufacturing centre and raw material supply centre, but will also become a major growth area of the global tyre market in the future. The company's production base in Thailand will be officially put into production in 2020, and the construction scale includes 1 million sets of all-steel tyres.

The company has set up an overseas production base in Cambodia, which is in line with the company's own brand strategy, and is conducive to the company's development. Under the environment of economic globalisation, strong demand for products in foreign markets and obvious supply chain management advantages, the company actively carries out overseas layout and invests in the construction of overseas production base in Cambodia, which is in line with the company's own brand strategy, and is conducive to the company's seizing of the "One Belt, One Road" development opportunities, giving full play to the company's operating advantages and exporting products and brands to overseas markets, meeting the needs of the company's upgrading of its globalisation strategy. It is conducive to the company to grasp the development opportunities of "Belt and Road", give full play to the company's operating advantages, export products and brands to overseas markets, and meet the company's demand for globalisation strategy upgrade.

(3) Strengthening the response to market competition and enhancing the comprehensive capacity of enterprises

The current world economy and trade system is gradually improved, all kinds of physical industry economic globalisation has long become the common recognition of the trend of each country and region. On the tyre industry, 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, with the uncertainty of the international trade barriers, domestic tyre enterprises will face the risk of further intensification of competition in the market, and therefore accelerate the go out, the layout of the construction of overseas production bases, is conducive

to enhance market competitiveness.

III. Favourable conditions for project implementation

(i) The company is backed by strong capabilities

The company is a tyre manufacturer with strong comprehensive strength and has a good foundation for project implementation:

1. The company has strong technical research and development strength. It has a national technology centre platform and a national accredited laboratory, undertakes projects such as national and Jiangsu Province Torch Plan, and carries out strategic cooperation with scientific research institutes, colleges and universities, and international first-class suppliers in the field of production, learning and research, with a total of more than 380 authorised patents. The production technology adopted in this project is developed by the company itself, and the process technology is relatively mature.

2. The company has good brand awareness and corporate image. Based on product quality and customer reputation, the company has gradually formed a good brand awareness through active brand promotion and after-sales service, and the share of its products in the market segments has been increasing. At the same time, the company has a more perfect marketing and management system. After creating a high-quality marketing, management team, products are exported to the United States, Europe, Southeast Asia and other overseas countries and regions. The company has a number of well-known brands such as "Qianli Ma, Red Hare Horse, Ti Ma, Xidatong, Tongyun", of which "Qianli Ma" brand was awarded the "China Well-known Trademark" title by the State Administration for Industry and Commerce and was named "China Well-known Trademark". The brand of "Qianlima" was awarded the title of "China Well-known Trademark" by the State Administration for Industry and Commerce, and was also named the famous brand in Jiangsu Province. In the 2017 national implementation of user satisfaction project selection activities, "Thousand Horses" brand won the "2017 National User Satisfaction Product" honour. At the same time, the company's "Tiima" brand was awarded the honour title of "2017 National Customer Satisfaction Product".

In November 2017, the brand was awarded by the Department of Commerce of Jiangsu Province as "International Famous Brands Cultivated and Developed in Jiangsu Province".

In 2019-2020, the company's "Thousand Miles" brand will be ranked among China's 500 most valuable brands and China's top ten influential tyre brands.

3. The company has a stable and professional marketing team and a perfect marketing network. We have developed more than 10,000 image shops and signboard shops across the country, and we are the leading company in China's all-steel radial tyre replacement market. In the stable marketing team, more than 60% of the marketing staff have three years or more sales experience in the tyre industry. The company has invested resources in the construction of marketing channels and the development of a high-quality dealer team. The national marketing network and numerous retail terminal networks ensure the stability of the company's product sales, and promote the company's new business and the promotion of new products. For many years, the company has appeared in SEMA (Specialty Equipment Market Association) in the United States and the International Tyre Show in Cologne, Germany, promoting the company's brand and popularity.

4. Based on the successful experience of the company's Thailand plant. The company invested \$300 million in Thailand at the end of 2018

Production base, the construction of an annual output of 1 million all-steel radial tyres and 6 million semi-steel radial tyres project. Since its construction, the company has successfully produced and operated, with advanced production technology, complete and excellent technical management team, with products of batch production capacity, it is expected that in the fourth quarter of 2021, Thailand will have 100 million all-steel radial tyres and 6 million semi-steel radial tyres.

With a production capacity of 10,000 sets and 6,000,000 sets of semi-steel, the company's experience in overseas production, marketing and management operations has been further consolidated and deepened. The Thailand production base will effectively expand the company's production capacity, optimise the product structure, consolidate the market position, improve the

ability to withstand market risks, enhance the company's core competitiveness and promote the company's long-term sustainable development.

(ii) favourable development environment where the project is implemented

1. Cambodia has a stable and favourable political ecological environment and investment environment. At present, Cambodia's domestic political environment is stable and its economy maintains steady growth, which provides sufficient guarantee for the company's sustainable development; on the other hand, as a founding member of the ADB and an important country along China's "One Belt, One Road" Initiative, Cambodia has long been a country of China's comprehensive strategic cooperation. As of the end of 2019, Cambodia absorbed foreign investment of 34.03 billion yuan.

The investment in Cambodia will be in the amount of US\$1,000,000 per year. Among them, China is still the largest source of investment in Cambodia, and from January to November 2020, China has invested more than US\$1.5 billion in Cambodia.

The direct investment in Cambodia reached USD 860 million, up 70% from the same period in 2019. The two governments have been actively promoting China-Cambodia relations to achieve all-round, multi-disciplinary and in-depth development, China's "One Belt, One Road" resonates with Cambodia's demand for socio-economic development, and rubber, as an important pillar industry in Cambodia, has become a major area for the Cambodian government to bring in investors from all over the world, especially from China.

2. Remarkable incentives

Cambodia is a member of ASEAN and does not have exchange controls and allows the free flow of foreign currency funds in and out of the country.²⁰⁰⁴

Cambodia officially became a member of the WTO in 2007. It can enjoy the Generalised System of Preferences (GSP) treatment given by countries or regions such as the United States, the European Union, and Japan. Investing and building factories in Sihanoukville Port Special Economic Zone can also enjoy multiple preferential policies, such as: export of products, exempted from export tax; exempted from import tariffs on production equipment, construction materials, spare parts and raw materials for invested production enterprises; and tax exemption for up to 9 years after the investment of the enterprises.

3. Abundant labour resources

Cambodia has always been regarded as one of the most dynamic countries in Southeast Asia, with obvious advantages in human resources, and the relatively economic labour cost is also an important factor for Sihanoukville Special Economic Zone to attract investors. Cambodia has a young population with more than half of the total population aged between 10-35 years old and abundant labour resources. The labour force is 7.5 million with an annual growth rate of 2.7 per cent. In 2020, Cambodia raised the minimum wage for garment and footwear industry to US\$190 per month, which is relatively low compared to the domestic labour cost.

The Sihanoukville Special Economic Zone can also provide human resources services for the enterprises in the zone, including the holding of regular labour recruitment fairs to effectively match the recruitment needs of the enterprises with the talent resources of Cambodia as a whole. In addition, the vocational and technical training centre built with the assistance of the Chinese government is also located in the Sihanoukville Special Economic Zone, which will train a large number of industrial workers for the Zone and Cambodia as a whole.

(iii) The location of the project implementation area has obvious advantages

The location of this project - Cambodia Sihanoukville Special Economic Zone, developed and constructed by the company's controlling shareholder, Hongdou Group, in conjunction with Chinese and Cambodian enterprises, is the only state-level economic and trade cooperation zone in which a bilateral government agreement has been signed between China and Cambodia, and it is the best-developed

special economic zone in Cambodia, and an important achievement of the "One Belt, One Road" project. It is also an important achievement of the "One Belt, One Road" co-construction between China and Cambodia.

The Sihanoukville Special Economic Zone has a master plan area of approximately 11.13 square kilometres and is located adjacent to Cambodia's National Highway 4.

It is 12 kilometres from Sihanoukville International Port and railway station, only 3 kilometres from Sihanoukville International Airport, and only 3 kilometres from Cambodia.

Only 212 kilometres from Phnom Penh, the capital of Cambodia, Sihanoukville is easily accessible by air, sea and land. As Cambodia's only natural deep-water harbour, Sihanoukville International Port occupies an important trade route and is suitable for large ships, making it an excellent location for import and export shipping.

The Sihanoukville Special Economic Zone is equipped with "five links and one level" and has a "one-stop" administrative service window, which provides all-round assistance to investing enterprises in all aspects of the administrative approvals required, from the registration of factories to the trading of products, thus providing a favourable investment environment.

The Government of Cambodia has launched the Industrial Development Plan 2015-2025, which states that Sihanoukville province is to be developed into an integrated model special economic zone. After more than 10 years of construction, by 2020, there will be more than 1,000 companies from China and the United States.

166 enterprises from China, Europe, America, Southeast Asia and other countries and regions on the platform of Sihanoukville Special Economic Zone.

We have achieved win-win development, with nearly 30,000 employees in the area, and initially realised the platform effect of industrial chain clustering. Under the background of industrial concentration, enterprises can make full use of the advantages of clustering, share advanced technology, and save costs by making use of common infrastructures and transport facilities in the cluster area.

In 2020, the Sihanoukville Special Economic Zone achieved a milestone victory in the fight against the New Crown Pneumonia epidemic, not only by Zero new coronary pneumonia infections were achieved among personnel in the region, and enterprises in the region completed an annual total import and export volume of \$1.565 billion, an increase of 26.52 per cent over the previous year, achieving growth against the trend and playing a positive role in stabilising the employment of local staff and promoting economic and social development.

IV. Market forecasts

The sudden outbreak of the new crown epidemic in early 2020 had a significant impact on the global economy, and governments will take measures to increase investment in infrastructure. China was the first in the world to contain the spread and propagation of the epidemic, achieving a situation of normalised epidemic prevention and control and rapid restoration of production and living order, with the domestic economy showing recovery. The impact of the epidemic has forced tyre companies to reconsider the layout of tyre production and their internationalisation strategy.

(i) Foreign market forecasts

The tyre industry is extremely close to the automotive industry. With the deep integration of economic globalisation, global manufacturing concentration has gradually shifted from developed regions such as Europe and the United States to less developed regions such as Asia-Pacific, South America and Africa. The globalised production of the automotive industry has been particularly prominent in recent years. Global automobile production began to appear in 2018

The global automobile production is 91,786,900 units as of 2019. Global automobile sales have been cold in the past two years, with global automobile

sales of 91,296,700 units as of 2019 (see Fig. 2.1-1 for global automobile sales from 2010 to 2019). Decline in global automobile sales mainly comes from the slowdown in the economic growth of Asian countries such as China and India.

With the increase of global electric vehicle penetration rate and the improvement of carbon emission standards, the global automotive industry is expected to rise through new energy vehicles (see Figure 4.1-2 for global electric vehicle sales from 2014 to 2019) which in turn will lead to industrial adjustment, upgrading of the tyre industry and the release of production capacity of new and high technology products.

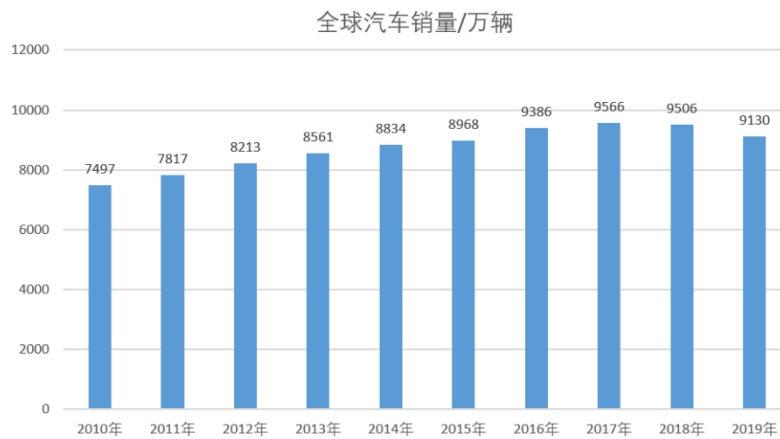


Figure 4.1-1 Global Vehicle Sales 2010-2019

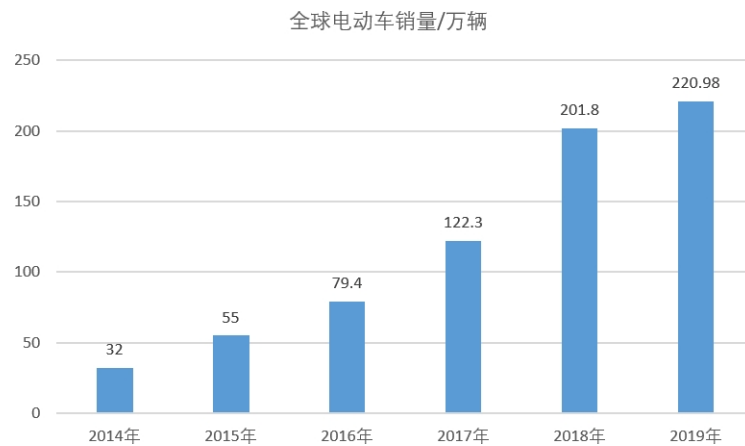


Figure 4.1-2 Global Electric Vehicle Vehicle Sales 2014~2019

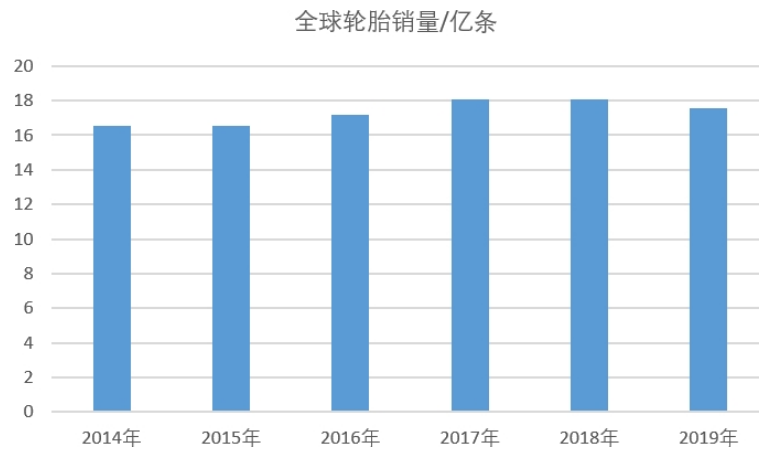


Figure 4.1-3 Global Tyre Sales 2014~2019

The competitive landscape of the global tyre industry presents four echelons, with the first echelon including Michelin, Bridgestone and Goodyear. The current global tyre market is mainly occupied by Asia, Europe and North America. Under the impact of the epidemic 2020 global wheel

The total tyre sales volume was 1.577 billion, down 11.7% year-on-year. Among them, the supporting market and replacement market achieved 399 million and 1.178 billion tyres respectively, down 14.7% and 10.6% year-on-year. The decline narrowed in the second half of the year after the outbreak was brought under control to a certain extent. global tyre sales rebounded to 906 million units in the second half of 2020, up 35% YoY and essentially unchanged from the same period in 2019.

Global demand for and production of tyres in 2020 have fallen sharply. The major tyre manufacturers have also experienced a significant drop in sales and an even steeper drop in profitability indicators. Global tyre sales for the Michelin Group were 20

billion euros, down 15 per cent, while operating profit was 1.8 billion euros, down 37 per cent. Bridgestone's sales revenue was 299,524 million yen, a drop of 14.6 per cent; operating profit fell 35 per cent to 222,932 million yen. Goodyear sales totalled \$12.3 billion.

Down 16 per cent; net loss of \$1.3 billion, compared to a loss of \$311 million in the same period in 2019. Taking a look at the financial reports of tyre companies, preliminary estimates suggest that global tyre sales will fall by more than 10 per cent and profits by more than 15 per cent in 2020.

The reduction in global tyre production, coupled with higher prices for raw materials such as rubber, is expected to end the multi-year-long downward trend in tyre prices. In fact from the fourth quarter of 2020, a significant number of tyre companies started to raise prices, with line

The industry is in the midst of a cycle of price increases. Entering 2021, tyre price increase tide did not cease, but further. Bridgestone, Goodyear, Hantai and other foreign tyre companies have also increased prices, the cumulative price increases are more than 5%.

(ii) Overseas layout of domestic tyre enterprises

With the national "One Belt, One Road" construction of the proposed, overseas factory will be China's tyre enterprises to go out to bring a good opportunity to promote China's tyres to achieve overseas production, overseas sales of the layout. According to statistics, at present, the main enterprises that have already laid out their production capacity overseas are Sailun Tyre, Linglong Tyre, Zhongce Tyre, Sen Kirin Tyre, Shuangqian Group and other enterprises, and the layout map covers Serbia, Thailand, Malaysia, Vietnam and so on, mainly focusing on Thailand and Vietnam. By the end of 2019, in the overseas production capacity layout of Chinese tyre enterprises, the capacity of all-steel tyres reached 6.9 million.

The production capacity of semi-steel tyres has reached 46.5 million tyres per year. This is also an important milestone for China's own tyre brand to land on the world stage.

In the investment mode, the domestic tyre enterprises to invest in foreign investment plant mainly to take full investment plant or looking for local enterprises to cooperate with the mode of joint investment plant. In the investment plant location, the current domestic tyre enterprises to the basic Southeast Asia as the first choice for investment plant, followed by the United States and other regions. Affected by the epidemic, in the United States, Europe to establish a tyre factory momentum will be affected, the choice of Southeast Asia to build factories will further highlight the advantages.

(iii) Market analysis of major raw and auxiliary materials

The largest raw material cost of tyre production is natural rubber, and the

proportion of natural rubber needed for a tyre can reach 40%-50%. At present, the actual domestic production of natural rubber is about 700,000 tonnes, which only accounts for 20% of the total demand for natural rubber in the domestic rubber industry; about 80% of the natural rubber needs to be imported from Southeast Asian countries where it originates from. The International Rubber Tripartite Committee (ITRC), comprising Thailand, Indonesia and Malaysia, has been implementing an export tonnage restriction scheme (AETS) in recent years to cut exports of natural rubber for a three-month period from January to March 2018 and a four-month export tonnage restriction scheme (AETS) from 1 April 2019, which together restrict the export of natural rubber. In the face of the severe supply situation in the natural rubber market, it has become the first choice of domestic tyre companies to build factories in Southeast Asian countries where the raw material originates. The construction of tyre factories in Southeast Asian countries and the use of natural rubber does not need to pay import taxes, thus greatly reducing the cost of raw materials, to protect product profits play a positive role in safeguarding.

The global raw materials for tyres market was valued at \$73.93 billion in 2017 and is expected to reach \$7.99 billion by 2022

USD 91.23 billion, growing at a CAGR of 4.3% from 2017-2022. The tyre industry has started a wave of price hikes since July 2020 due to rising costs. After entering 2021, the tyre price increase wave did not subside, but went further. Tracing back to the roots, rubber, carbon black and other upstream raw material prices is to promote this round of tyre price increases in the fundamental factors. Rubber, for example, Southeast Asia is the main source of rubber, China imports of natural rubber more than 95% from the ASEAN ten countries, but by typhoons, rainfall and other extreme weather and rubber tree pests and other factors, Southeast Asia, the situation of rubber production reduction, which pushed up the price of rubber.

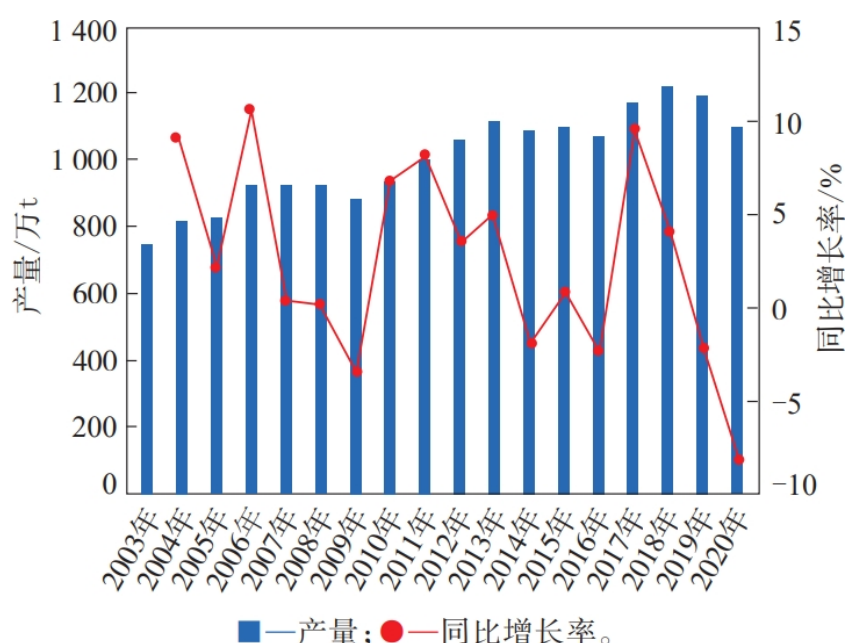


Figure 4.3 Natural Rubber Production and Year-on-Year Growth in ANRPC Member Countries in Recent Years

The Association of Natural Rubber Producing Countries' (ANRPC) Natural Rubber Trends and Statistics, released in December 2020, reported that global natural rubber production in January-October 2020 declined by 8.5 per cent year-on-year to 1.098 million t, and 10.8 per cent year-on-year in November-December, and global natural rubber production in 2020 is estimated at 12.597 million t, a decline of 9 per cent year-on-year. Global natural rubber production is expected to reach 13.678 million t in 2021, up 8.6% year-on-year. However, even if global natural rubber production in 2021 meets this expectation, it will still be lower than the production in 2019 (13.842 million t) or 2018 (13.839 million t). Global natural rubber

consumption is expected to pick up in 2021 and is expected to reach 13.436 million t, up 4.9% year-on-year, but still lower than consumption in 2019 (13.768 million t) or 2018 (13.898 million t)

In terms of annual supply capacity, 2021 will not see an inflection point in global natural rubber supply. Firstly, from the perspective of planted area and cut area, there are still more planted rubber resources that have not entered the cutting stage. The cutting rate of rubber tree plantations in ANRPC member countries is only 79% in 2019. Therefore, 2021 will not

Entering a phase of negative growth in the supply of natural rubber.

This project is located in Cambodia, Cambodia is the world's sixth largest natural rubber producer, the Cambodian Ministry of Commerce intends to set up a rubber association to ensure that the country's rubber production and exports remain stable, while the association, with the support of the Cambodian Ministry of Commerce, is making every effort to attract more investors to invest in the rubber processing industry in Cambodia. Cambodia is one of the major producers of natural rubber, rubber production has been rising year by year under the support of the local government, and the export volume of Cambodian rubber in 2017 increased by nearly 36% to 190,000 tonnes; the rubber production in 2019 will reach 280,000 tonnes; and the production in 2020 will increase to 300,000 tonnes, and the quality of products is in the leading level in the international arena.

The company is able to meet the main raw material supply of the new project by taking advantage of the Cambodian origin and combining with the advantage of raw material procurement channels of the Thai factory. This project will make use of the geographic advantage to purchase natural rubber locally in Cambodia; most of the required raw materials such as synthetic rubber, steel cord and fibre cord fabric and carbon black will be supplied from China; the required chemical raw materials and auxiliary materials will be supplied by the company through the existing channels, and some of the raw materials which can not meet the requirements need to be imported from other countries to solve the problem.

(iv) Target market for the project

The target market positioning of this project is based on the international market of the United States, Europe, taking into account the surrounding countries and regions in Southeast Asia automotive supporting market and replacement tyre market.

This project has a strong competitive ability in foreign markets due to its products' good brand effect, advanced technology, excellent quality and

reasonable price, and has a broad market prospect. Western countries and regions give more favourable bilateral or multilateral trade policies to Cambodia, Vietnam and other countries than China. Twenty-eight developed countries/regions such as the United States, Europe, Japan, etc. have given Cambodia Generalised System of Preferences (GSP) treatment. The company can take advantage of local raw materials, tax policies, labour resources and other preferential conditions to reduce costs, expand its competitive advantage and international influence, and move towards the echelon of international first-class tyre enterprises.

This project is in line with the company's strategic planning of continuous overseas layout. 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 background, to effectively avoid the impact of international trade barriers on the company's products, to protect the company's long-term sustainable development. After the commissioning of this project, the company's overseas all-steel radial tyre production capacity will reach 1.9 million units per year, and the semi-steel radial tyre production capacity will reach 1.9 million units per year.

With 11 million strips, the overseas production capacity has been further expanded.

In summary, the construction and eventual commissioning of this project in Cambodia will bring a win-win situation for all parties, and will have a very positive impact on the enterprise's response to national strategies, control of raw material costs, expanding the market impact, and at the same time enhance the company's medium- and long-term competitive advantage, so that the company will generate stronger synergies and a larger scale of the economy.

economic effect, and realise
comprehensive
competitiveness
enhancement. **V. Project**

Specific Plan

The construction site of this project is located in Sihanoukville Special Economic Zone, Cambodia, and the main construction content of the project is 500 per cent. The project has a capacity of 100,000 high-performance semi-steel radial tyres and 900,000 high-performance all-steel radial tyres. Total investment of the project

Approximately RMB 1,906.58 million.

(1) On product programmes and scale of production

The target products of this project are semi-steel radial tyres and all-steel radial tyres, the product scheme and production scale are determined after comprehensive research according to the foreign market situation and the existing conditions of the enterprise, which are in line with the demand of the foreign market as well as the enterprise's own foundation. The completion of this project will effectively expand the company's production capacity, optimise the product structure, improve the ability to withstand market risks and enhance core competitiveness.

(2) On process technology and process equipment

This project uses General Motors' own tyre manufacturing technology. The company has strong technical force, advanced radial tyre manufacturing technology, and uses process software which, after many years of research and development and improvement, has reached the domestic advanced level and is in a leading position.

In order to ensure reliable product quality and stable performance, the equipment selection and process design programme selection are procured strictly according to the requirements of technical software. The key process equipment of this project is imported from Europe and the United States, while other equipment adopts domestic mature and reliable leading equipment, and the level of this project reaches the international leading level.

(3) Product quality indicators

This project uses its own radial tyre manufacturing technology, and integrates the production technology characteristics of many international and domestic famous enterprises, combined with the process control information solutions, after years of research and development to form a radial tyre manufacturing technology with independent intellectual property rights. After the project is put into production, the whole process of production strictly implements the quality requirements of the software technology, and the quality indexes of the tyres meet the CCC national standard of China, the DOT of the United States and the ECE of Europe, and the quality of the products reaches the international advanced level.

(4) About raw material supply

The project will use General Company's own production technology, and all raw materials will be screened according to the technical requirements in order to adhere to the unified quality standards. In order to reduce the cost and dependence on imported raw materials, the project will try to purchase raw materials locally and domestically, and use the company's international purchasing channels for those that cannot meet the technical requirements.

1) natural rubber

Cambodia is one of the major producers of natural rubber, rubber production has been rising year by year under the support of the local government. In 2019, Cambodia will produce 280,000 tonnes of rubber, almost all of which will be exported, with a revenue of US\$370 million and the quality of the product is at the international leading level. Therefore, this project will take advantage of the geographical advantage to purchase natural rubber locally in Cambodia.

2) synthetic rubber

At present, the synthetic rubbers used in large quantities at home and abroad are still isoprene and cis-butyl rubber (including oil-filled type) brominated butyl rubber or chlorinated butyl rubber. The domestic supply of synthetic rubber is sufficient to provide synthetic rubber that meets the technical requirements for this project, but some of the modified synthetic rubber cannot meet the technical requirements yet and needs to be imported to solve the problem.

3) Steel cord and fibre cord fabric

At present, the domestic steel cord development is very fast, mostly using foreign technology and equipment. Existing production plants more than 10 The company produces about 2.8 million tonnes of steel cord. Due to the abundant domestic supply and reasonable price, the use of China Steel Cord The products of the factory can achieve the purpose of cost saving. The domestic production capacity of fibre cord fabric is more than 200,000 tonnes/year, which can meet the demand of tyre manufacturing plants in terms of production and quality.

4) soot

In order to meet the needs of radial tyre production, some domestic carbon black factories have introduced new carbon black production technology and equipment from abroad. At present, the domestic carbon black production capacity is high, the quality of carbon black produced is good, the product varieties are complete, and their quality can meet the American ASTM standard, and the annual production capacity of various types of carbon black can meet the domestic demand, but also can be exported. Some of the carbon blacks required for this project are supplied by domestic manufacturers, and products that cannot meet

the domestic requirements need to be introduced.

5) Chemical raw materials and auxiliary materials

Domestic radial tyre chemical raw materials used has achieved remarkable results, the main varieties can be produced, the quantity and quality can basically meet the demand, a small number of parts that can not be produced through imports to supplement. The chemical raw materials required for this project are supplied by the company's existing channels.

(5) General transport and civil works

The layout of the general plan is reasonably laid out according to the process of production flow, to ensure smooth logistics and transport, the road design needs to meet the requirements of intra-plant transport and fire fighting, as far as possible, to achieve the separation of human and logistics, to ensure the safety of transport and pedestrians.

The total planned land area of the plant is about 178,000 square metres, of which the new buildings and structures of this project will take up a total area of about 1,000,000 square metres.

The area is about 130,000 square metres, the civil engineering design is based on the current domestic norms, to meet the requirements of process production and modern enterprise management, to ensure product quality, to improve the labour environment, to achieve the safety of civil engineering design applicable, economically rational, technologically advanced, beautiful, energy-saving and environmentally friendly requirements, to achieve the coherence of the base of the plant, the reasonableness of the functional partition, the smoothness of the logistical organisation through the integration of the design, to achieve a high-end, intelligent and modernised production and distribution of products. Create high-end intelligent modernised production

Industrial parks.

(6) On public works and ancillary facilities

This project requires new water pump house, refrigeration station, air pressure station, power station, steam and 10kV power supply from the plant's total substation, the stations are arranged in the centre of the load, energy saving and consumption reduction.

(7) On energy conservation, environmental protection, fire protection, occupational safety and industrial hygiene

The main pollutants of this project are carbon black dust, rubber smelting fumes and vulcanisation fumes, carbon black unpacking is equipped with a dust hood, this carbon black dust is purified by the baghouse dust collector by the standard discharge, hot rubber fumes through the exhaust hood and exhaust system of the organisational emissions, and the concentration of non-methane hydrocarbons in line with the prescribed emission standards. This project production wastewater and domestic wastewater mixed to meet the park sewage take-over standards, no need to go through other processing, directly discharged into the park sewage pipe network, unified by the park sewage treatment plant for treatment.

The project complies with the current domestic relevant norms, regulations and provisions, and is designed in strict accordance with Chinese standards in terms of building fire prevention, labour safety, industrial hygiene, environmental protection, energy saving and fire fighting, etc. It can ensure the safety of the enterprise and the labour safety and health of the workers, satisfy the requirements of process production and modern enterprise management, ensure the quality of products, and achieve safety and applicability, economic rationality and technological advancement.

(8) On labour force and human resources allocation

The main management personnel and technicians required for the project are transferred internally, and most of the workers are recruited through social recruitment. The total number of production and management personnel is 1,605, including 1,405 production personnel and Chinese management personnel.

100 persons and 100 foreign managers.

(9) On the project planning implementation plan

The construction period of the project is 18 months, and it is expected to be put into operation by June 2023.

(10) On project funding

The funds required for this project are intended to be resolved through the company's own funds, direct financing in the capital market and bank loans. The main investment components are as follows:

Unit: \$ million

serial number	Investment projects	investment amount
1	Acquisition of equipment	97979
2	Cost of installation work	7330
3	Cost of construction work	46198
4	Other construction costs	7639
5	preparatory costs	4774
6	Interest during construction	4165
7	money in circulation	22573

serial number	Investment projects	investment amount
add up the total	-	190658

According to the calculation, after the project reaches production, it is expected that the new annual average business income (excluding tax) will be 221.19 million yuan, the new annual average profit will be 249.56 million yuan, the new annual average net profit will be 219.96 million yuan, the project's after-tax financial internal rate of return will be 14.36 per cent, the project's after-tax payback period will be 7.97 years (including the construction period) and the project's capital will have a financial internal rate of return of 25.69 per cent, and the break-even point (production capacity utilisation rate) will be 70.99 per cent. Balance point (capacity utilisation rate) 70.99%.

The financial evaluation shows that the project has good economic benefits after completion. In summary, the evaluation conclusions of the project

It is that the construction conditions are available, the scale of construction is reasonable, the economic benefits are good, the risks are controllable, and the project is feasible. **VI. Analysis of social benefits**

The project construction process to increase the development and production of green high-performance tyres, in line with the direction of development of the tyre industry, so that the enterprise to produce economies of scale, can reduce the unit cost to enhance product competitiveness, the development of the enterprise has a great role in promoting the enterprise, and to do a good job for the enterprise to become bigger and stronger. Therefore, this project has good social benefits. As tyre manufacturing is a labour-intensive industry, it can bring more labour employment opportunities to the local community.

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

The project of building 5 million high-performance semi-steel radial tyres and 900,000 high-performance all-steel radial tyres in Saikang Special Zone of Cambodia focuses on the main business, which is in line with the national industrial guiding principles, strategic cooperation of international production

capacity and the direction of "One Belt, One Road", and accelerates the company's international development. At the same time, relying on the company's own technology and resources, it will give full play to the company's operating advantages and enhance its ability to cope with international trade barriers.

After various demonstrations and analyses, this project not only has the construction conditions and less risk, but also adopts the technology of The technology is mature and advanced, the supply of raw materials and market sales are reliable, the product programme and production scale are appropriate, the investment is reasonable, and the economic and social benefits are remarkable. After the project reaches production, it will further enhance the company's revenue and profitability, strengthen the company's comprehensive competitiveness, realise the company's long-term sustainable development and safeguard the long-term interests of shareholders.