Break the Obstacles, To be the Finest

—— Business & Procurement Planning of CleanTech Co.

Solar Quintet
XN20222409

Solar Quintet

CLEANTECH

Solar Quintet Members

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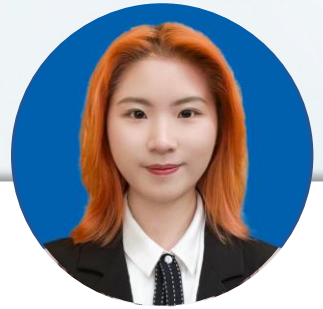

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CONTENT

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Our team will analyze the current and future situation of CleanTech , decompose problem of procurement, then give suggestions according to the following process.

Mini-Theatre —— A Salon Invitation...

The procurement department did not meet the budget target, **what should I do?** I have to invite people from **various departments** to participate in the **procurement strategy salon!**

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Procurement Strategy Salon On April 16th

Rising costs

The speed of asset turnover decreased

Shanghai Futures Copper Price Trend

Lindsay
CPO


In The Salon

Company & Industry Basic Information

Clean Photovoltaic Technology Co. Ltd.

High-tech electronics manufacturing enterprise

PV junction box and connector

Blue Ocean Market

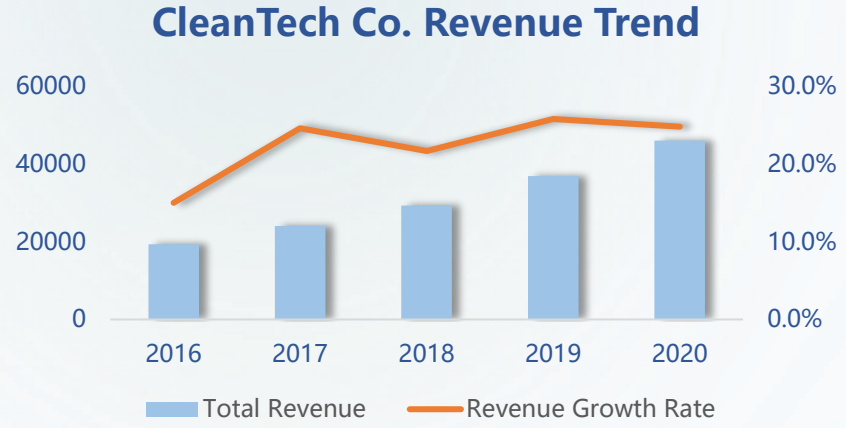
Fierce competition

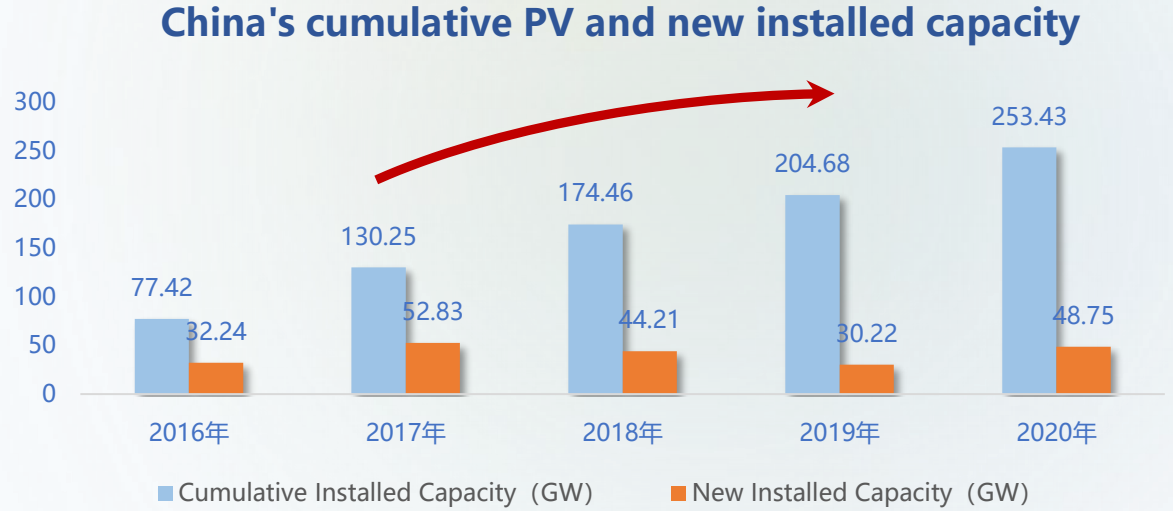
Mingxi Co.

Lingxian Co.

Revenue has grown steadily in the past 3 years

Enter The First Echelon





Macro Analysis : PEST

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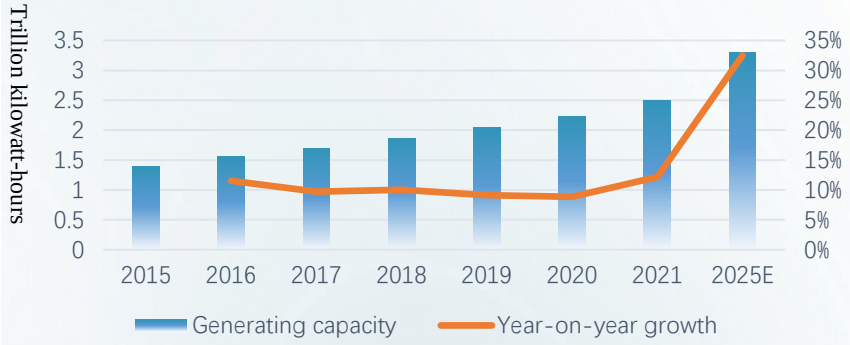
Statistics and Forecast of Renewable Energy Generation in China



P Political

- Countries develop **zero-carbon emission** plans.
- The central government **no longer subsidizes.**
- The price of raw materials **goes up.**
- Russian-Uzbekistan conflict

E Economic

- It is estimated that **the junction box market will be 18.86 billion** by 2025.
- China's industrial electricity consum-ption has **increased sharply.**
- Affected by the exchange rate, the **price** of silicon has **risen**.

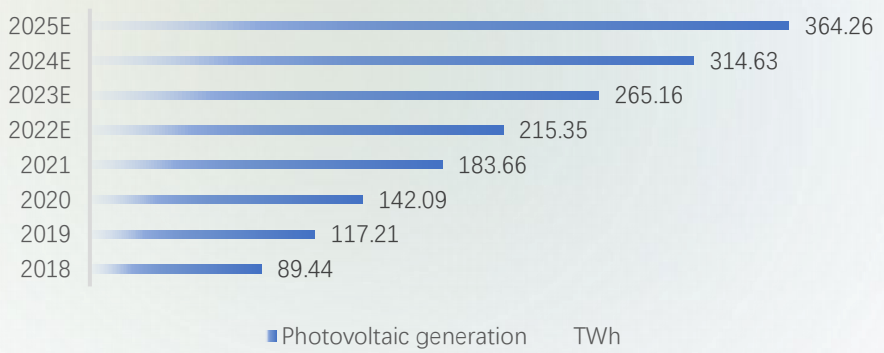
S Social

- Attach importance to the development of **renewable energy.**
- People gradually form a **healthy conc-ept of consumption.**
- **Multi-level society needs** to provide space for development.

T Technological

- Improvement of **safety standards** in various countries.
- **Fast iteration** of junction box technology.
- The **proportion** of global distributed installation is **increasing.**

TREND FORECAST OF PHOTOVOLTAIC POWER GENERATION IN CHINA



Meso Analysis: Industry Chain Analysis

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Upstream (raw material manufacturing)

Production of silicon material and silicon wafer, Silicon rod and silicon ingot

Crystaline silicon

Polycrystalline silicon

Metallic silicon

Silicon ore

Silicon wafer、Silicon rod、silicon ingot

Single crystal silicon rod

Monocrystalline silicon

Polysilicon ingot

Polycrystalline silicon wafer

Mid-stream (photovoltaic products)

Fabrication of photovoltaic cells and modules

Photovoltaic cell

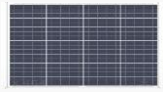
Monocrystalline silicon cell

Polysilicon cell

Photovoltaic module

Single crystal module

stent



Polycrystalline module

Accumulator battery

Downstream (photovoltaic applications)

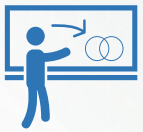
Integration and Operation of Photovoltaic Power Station system

Photovoltaic system

EPC

Photovoltaic power station

Distributed photovoltaic



- High barriers to entry and obvious scale effect.
- High technical threshold.

- The technical difficulty is small and the replacement speed is fast.
- Component providers generally have weak bargaining power.

- PV modules account for a High proportion of the initial invest-ment cost.
- There is great pressure on the cost side.

Micro Analysis: Analysis of Competitive Environment

Corporate Strategy

CleanTech Co.

- Vision
- Mission

Entered **the first tier** of the supporting production industry of domestic PV module enterprises

Carbon peaking and **carbon neutrality goals**

1. Sales revenue doubled in three years
2. Return on equity of at least 20%
3. Enter the first tier of domestic suppliers

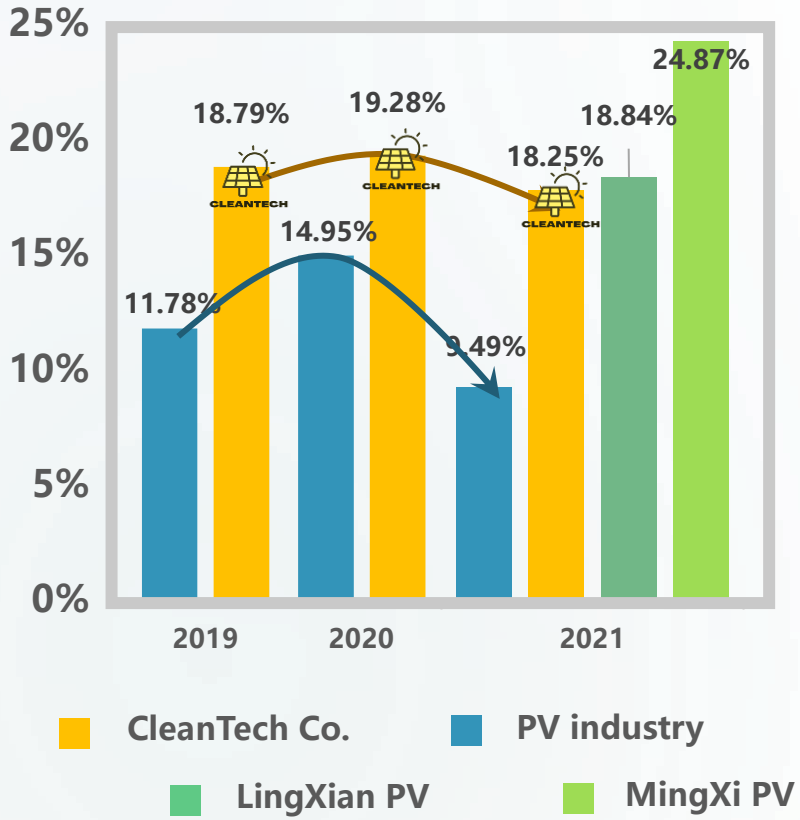
Business Analysis

We used DuPont analysis model to evaluate the performance of the company.

Return on equity (ROE)
18.22%

Using $ROE = Net\ profit\ margin \times TAT \times (1 - Asset - liability\ Ratio)$ to decompose the ratio in 2021.

Comparison of ROE



Higher than
the average level of PV

Perform well
in midstream industry

Gap still
between the first echelon

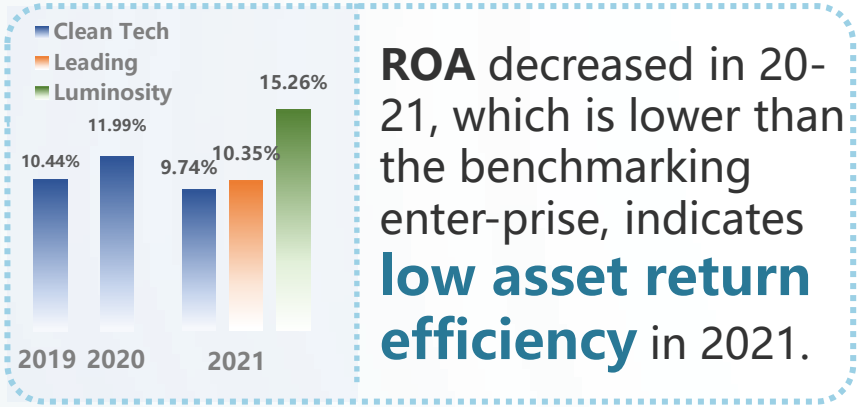
Not met 25%
of ROE target in 2021

We used DuPont analysis model to evaluate the performance of the company.

Return on equity (ROE)
18.22%

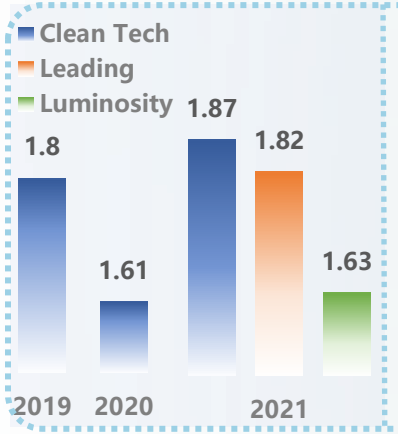
Using $ROE = Net\ profit\ margin \times TAT \times (1 - Asset - liability\ Ratio)$ to decompose the ratio in 2021.

Return on asset (ROA)
9.74%



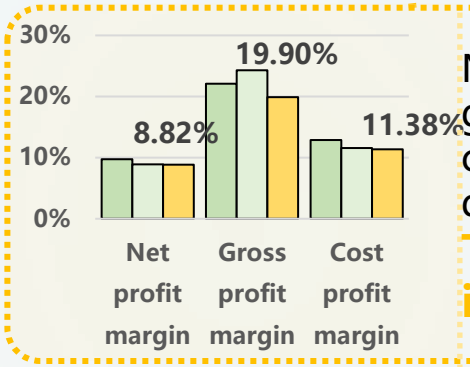
ROA decreased in 20-21, which is lower than the benchmarking enter-prise, indicates **low asset return efficiency** in 2021.

Equity multiplier (EM)
1.87



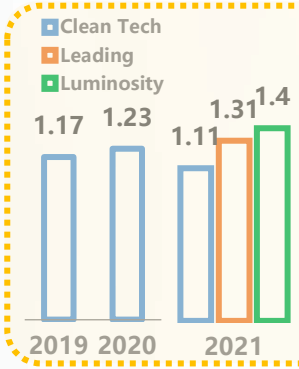
EM is fluctuated, but a peaking in 2021 indicates that we **expand financial leverage**.

Net profit margin on sales
8.82%



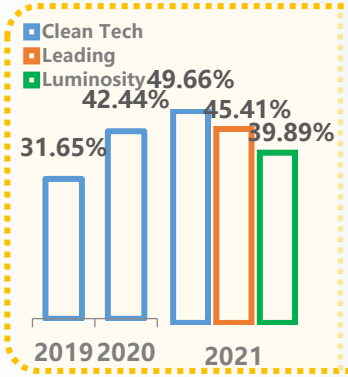
Net profit margin, gross profit margin, cost profit margin all decreased in 2022, **The profitability is decreased**.

Total asset turnover
1.11



TAT decreased in 21 and, reflecting the **ability to manage assets is decreased**.

Asset liability ratio
49.66%



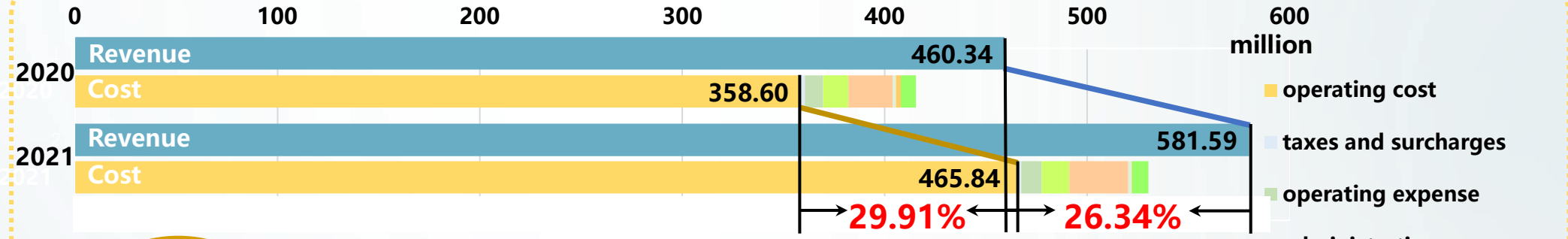
The asset-liability ratio increased, revealing **the poor liquidity of company**.

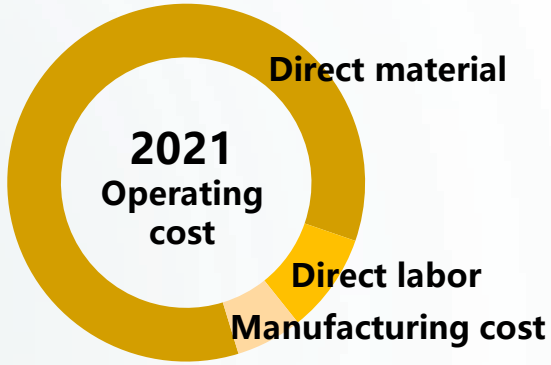
Sales revenue
581.59m

Net profit margin on sales
8.82%

Cost & Expense
530.32m

- sustainable growth
- The growth rate is declining
- Improve revenue



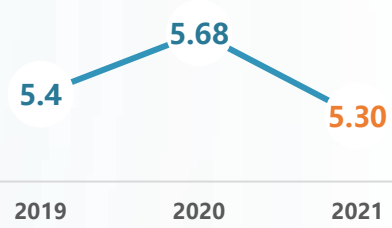


Operating cost has high proportion of cost, and increased faster comparing the sales revenue. Considered 80% of operating cost is procurement cost, methods of which need to be proposed.

Total asset turnover
1.11

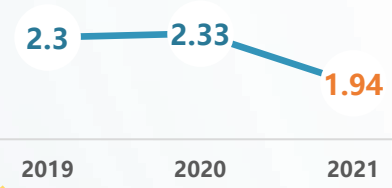
Current Asset
539.38m

INVENTORY TURNOVER



- Inventory turnover fluctuating **downward** trend from 2019 to 2021
- a **risk** of overstock and unsalable products

RECEIVABLES TURNOVER



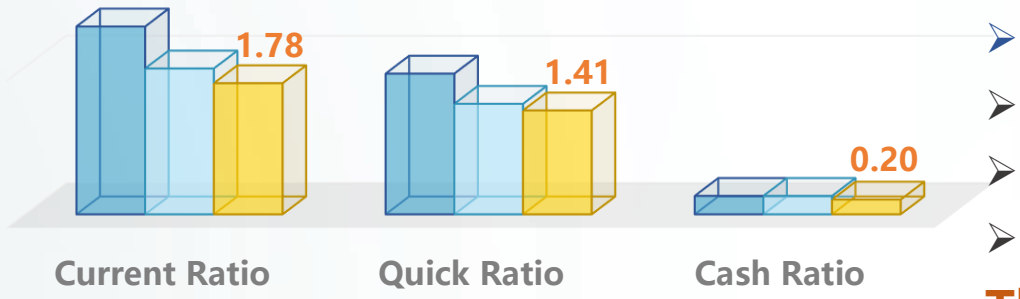
- receivables turnover fluctuated and **declined** in 2019-2021
- the ability to collect money was **weak**

GROSS MARGIN ON INVENTORY INVESTMENT

- Gross margin on inventory investment **declined** in 2019-2021
- profitability of products was **reduced.**

Asset liability ratio
49.66%

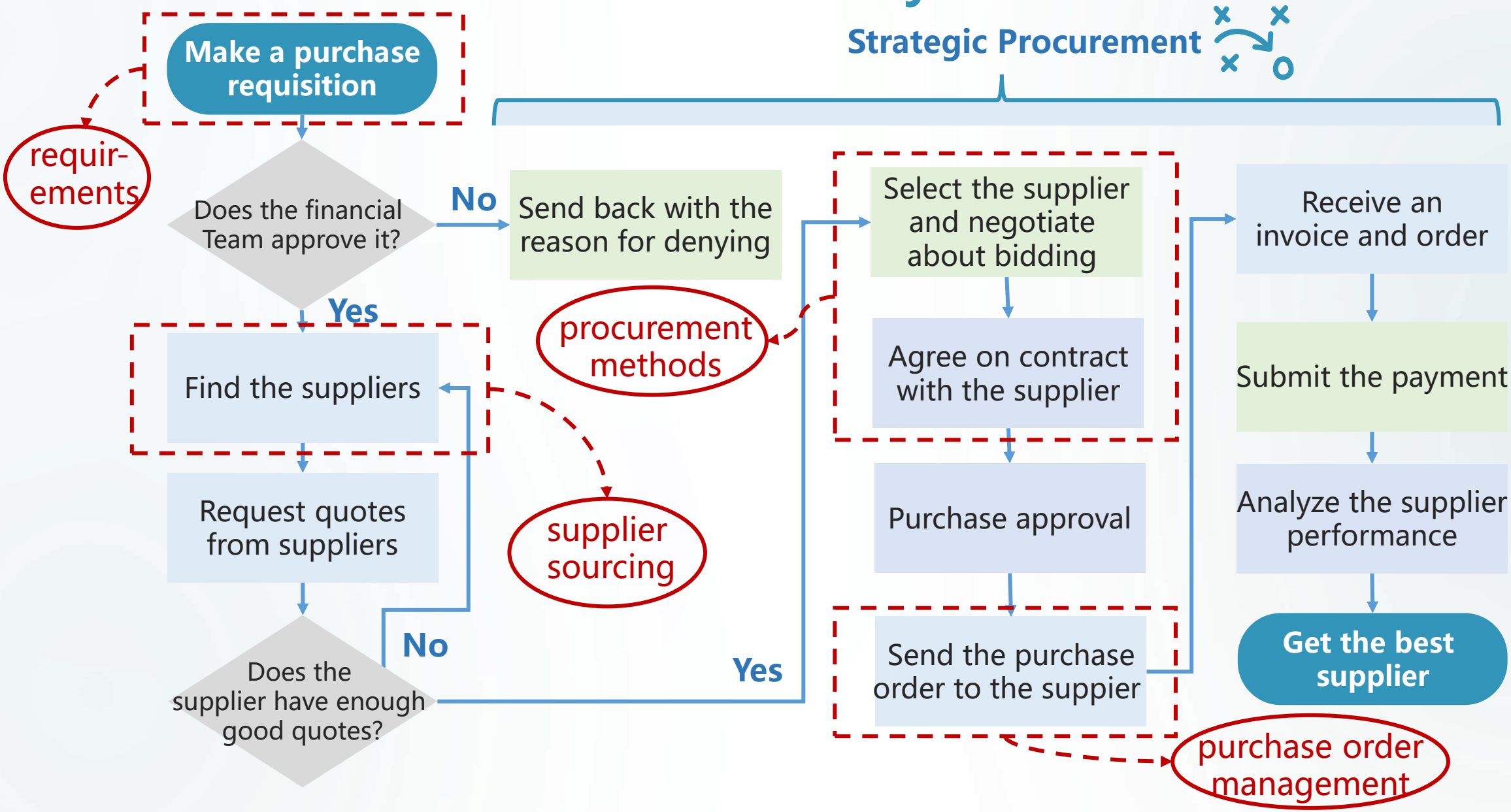
Total liability
69.52m



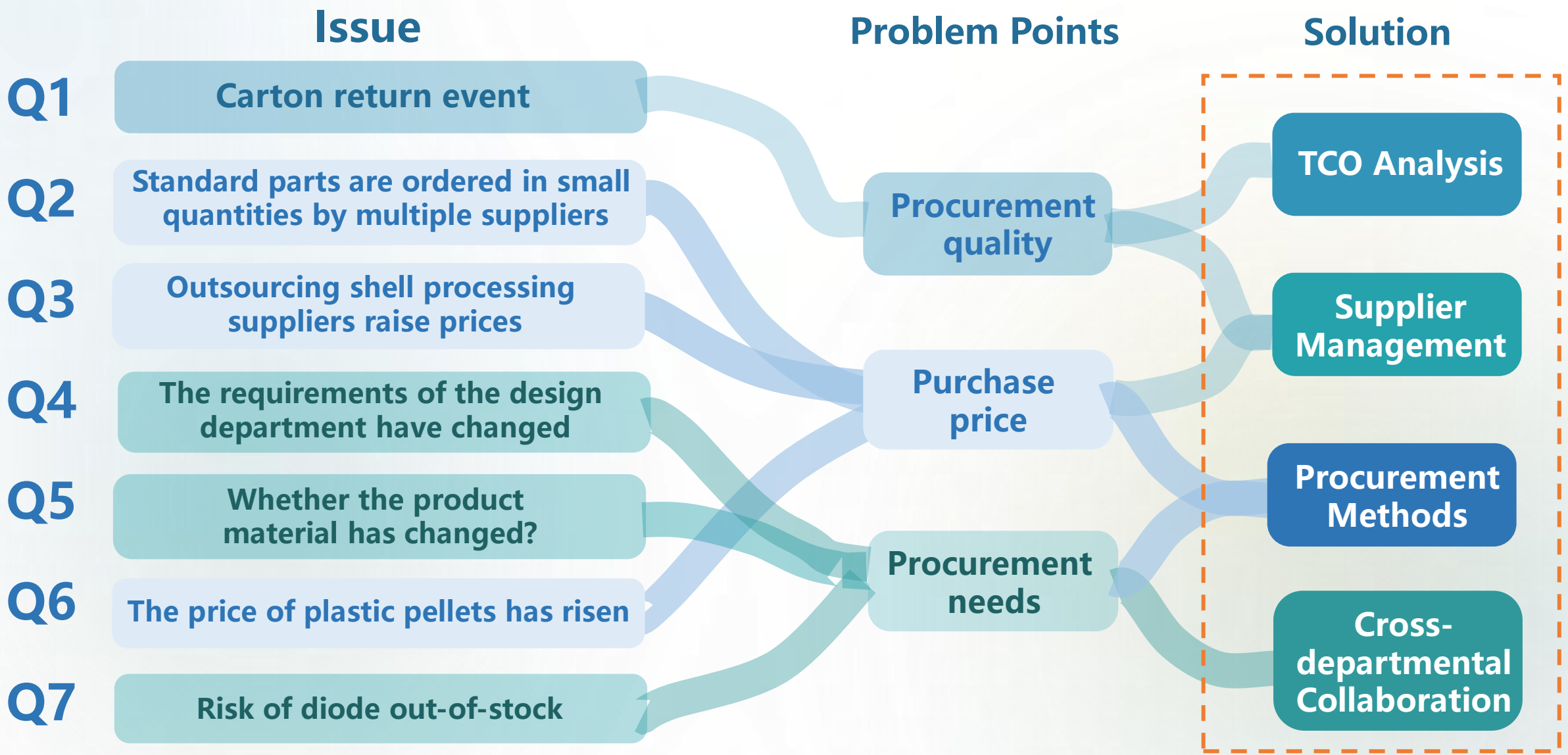
- **downward trend** in 2019-2021.
- in the middle of the **normal level**
- debt management **changed greatly**
- liquidity **reduced**

There are both risks and opportunities.

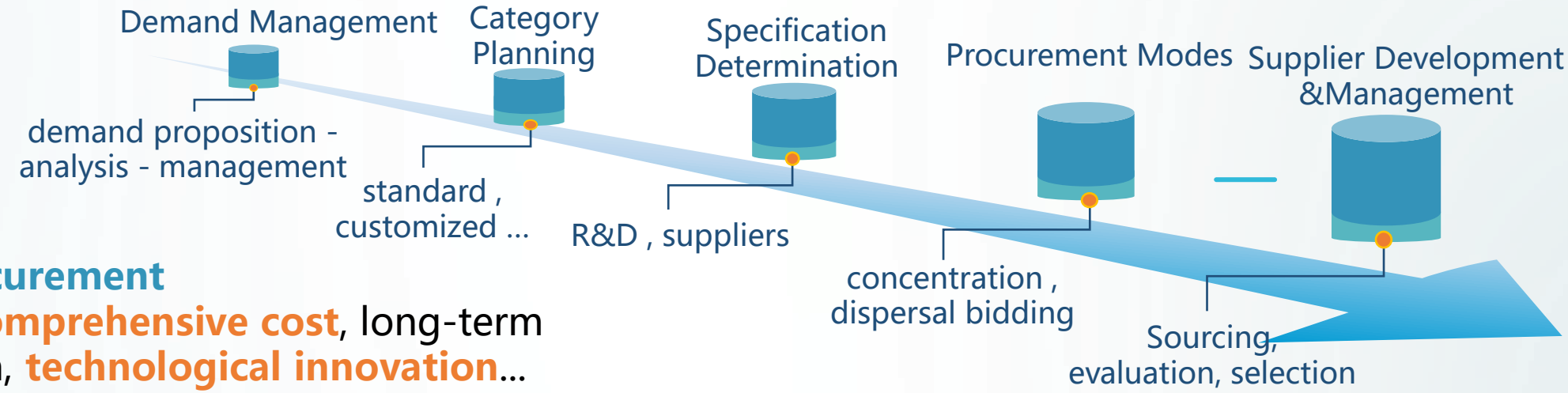
Procurement Process: Pain Point Analysis



Breakdown Of Existing Problems in Procurement

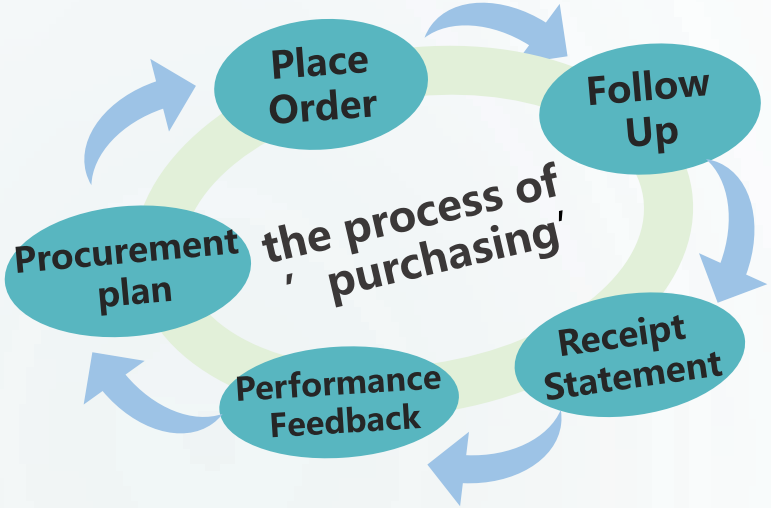


Strategic Procurement VS Operational Procurement



Strategic Procurement

- Focus on **comprehensive cost**, long-term cooperation, **technological innovation**...



Operational Procurement

- Focus on low prices, stable supply, **order & inventory management...**

Carton Case

- only considering the lowest price, good payment terms,
- not considering quality, total cost and other factors
- typical operational procurement

excessive attention to operational procurement will lead to an **increase in total costs**

Strategic Procurement： Vision, Mission and Goals

Company

Vision

Carbon peaking & carbon neutrality goals

Strategy

Overall cost leadership/ differentiation strategy

Procurement

Vision

Achieve excellence in sustainable procurement in a transformative environment

Mission

Achieve optimized commercial solutions to **achieve the goal of CleanTech**

Strategic Objectives

- **Reduce** procurement **costs**
- Optimization of procurement **system and method**
- **Consumer-oriented** value transfer
- Ensure effective **technical support**
- Build internal and external **strategic alliances**

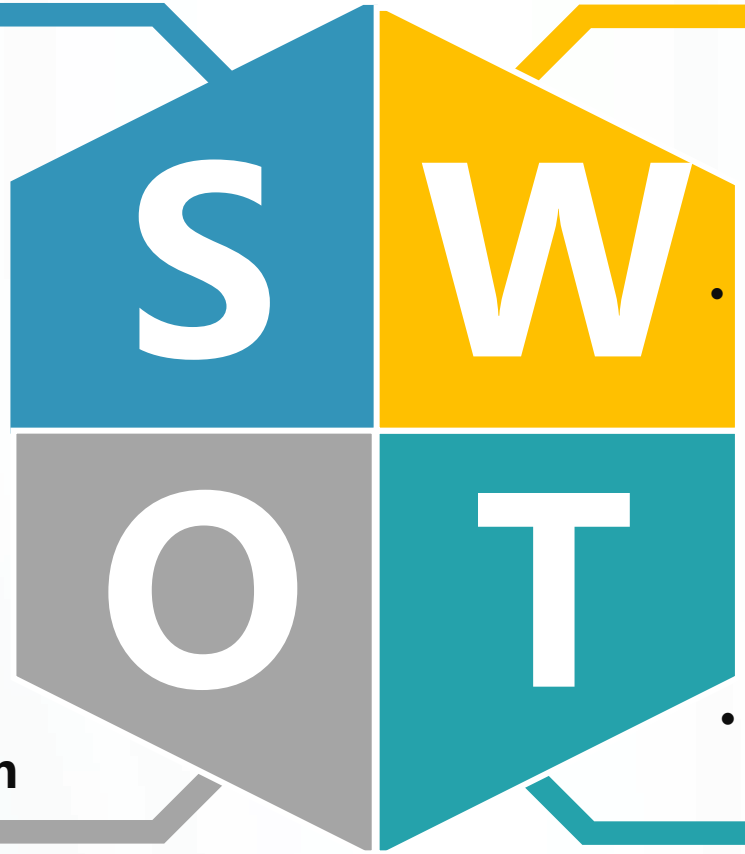
Strategic Procurement : Situation Analysis

Strenths

- clear **strategic** orientation
- a certain brand effect attracts suppliers
- economies of scale
- have **a digital team**

Opportunities

- rising sun industry
- technology changes quickly
- **supplier synergy**
- build a **supply chain ecosystem**



Weakness

- decentralized procurement bargaining power is weak
- excessive **administrative** workload
- the **system** is single
- risk of **requirements changes**

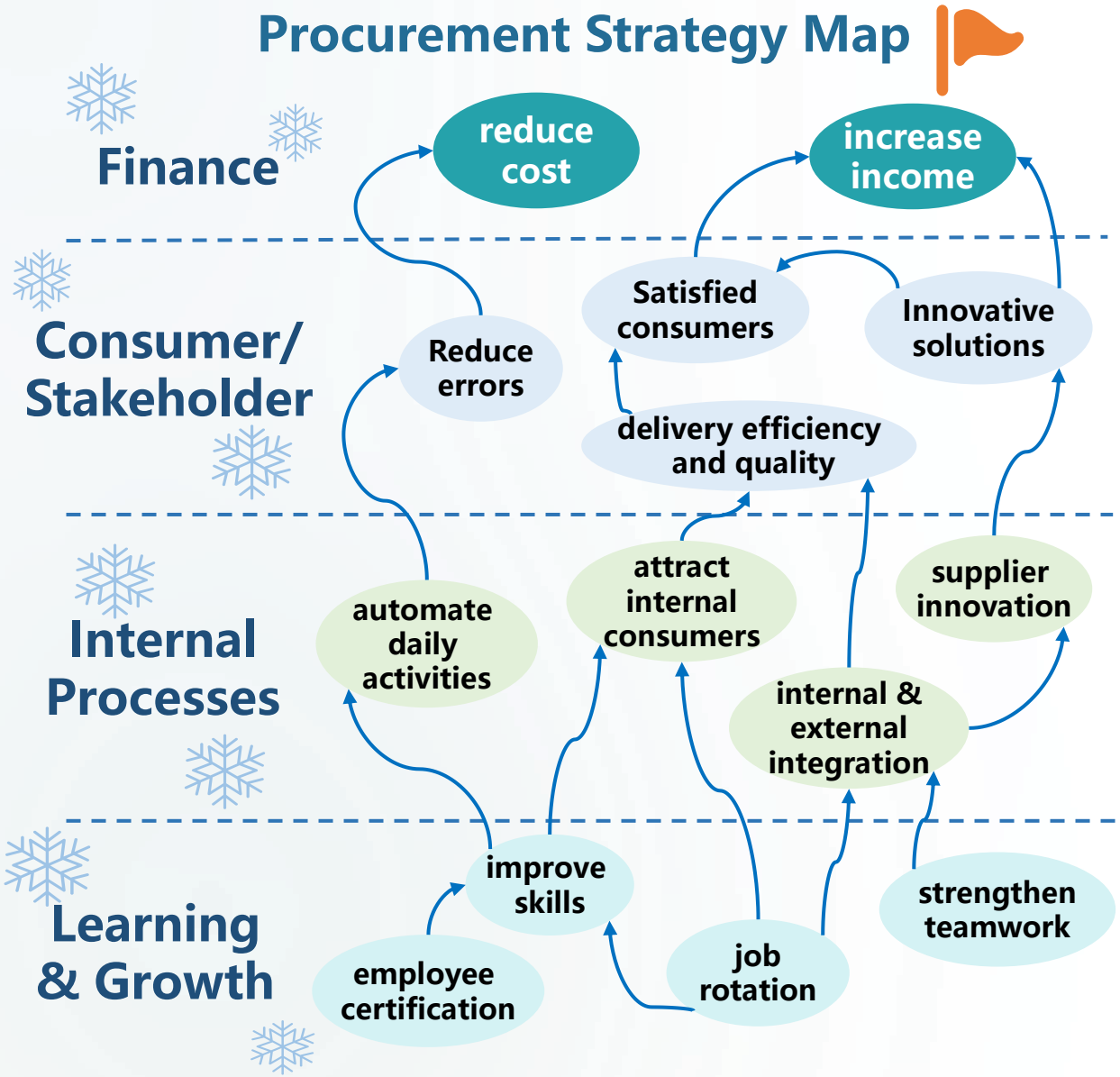
Threats

- low technical barriers
- **competitive** industry
- **commodity** supplies are volatile

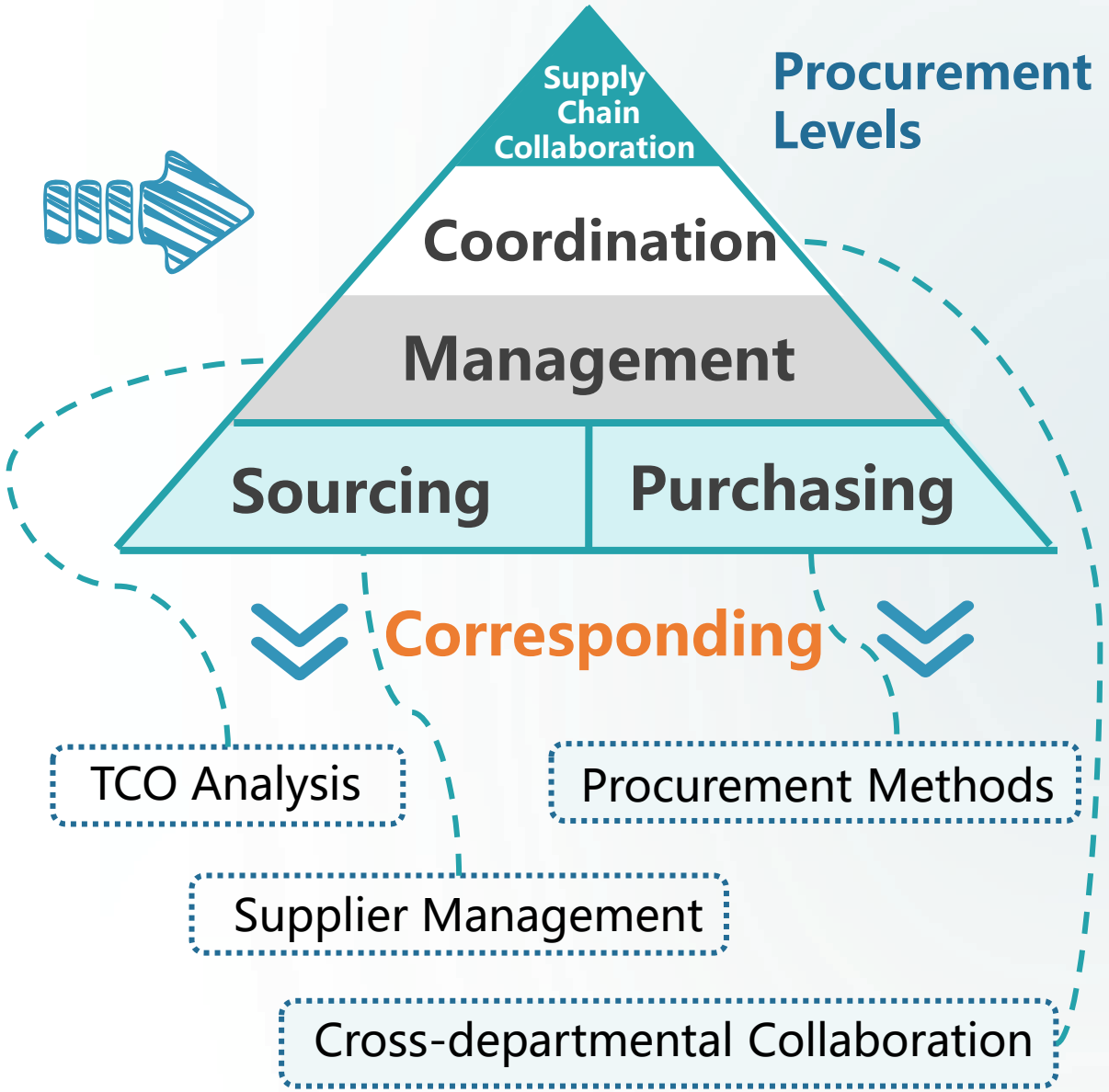
CONCLUSION: Analyze the total procurement **cost**, combine **intelligent technology**, and formulate strategies from the aspects of demand, **supplier sourcing, the mode, and purchase order tracking,**etc.

Strategic Procurement : Establish specific procurement strategies

Procurement Strategy Map



Procurement Levels



Framework For Plans

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CleanTech's Overall Goal

Procurement status

Strategic Procurement

Procurement : Vision & Mission & Goals

1. TCO Analysis
2. Supplier Management
3. Procurement Methods
4. Cross-Departmental Collaboration

improve the matching of procurement needs

improve procurement quality

reduce procurement prices

reduce procurement costs

improve procurement efficiency

Procurement Strategy Implementation Guarantee System

Business data

External data

TCO Analysis : Tip of The Iceberg

TCO Analysis : Total Cost Component of Procurement

What Goes Into a TCO Model?

Explicit Cost

Supply Chain Cost

purchase price

insurance costs

storage fees

freight

Manage Costs

procurement staff salaries

travel expenses

…

Order Management Costs
Information System Costs …

Implicit Cost

Cost of Quality

maintenance fees

repair fees

internal disposal charges for non-conforming products

amortization of return packaging, etc

customer return costs

customer complaint costs

production interruption costs

Environmental Costs

Environmentally disposal costs

Purchase Contract Costs

contract negotiation, signing, performance and other costs

costs such as order processing, notification to suppliers, shipping notifications, acceptance, payment, etc

TCO Analysis : How to Calculate ?

Cost Item	Cost Item Description
Purchase price	quantity * unit price
freight	shipping unit price * quantity * distance
Duties & taxes	value of goods * tax rate
Insurance costs	0.1% * cargo value (sea freight)
Storage fees	storage period * storage fee standard
Travel expenses	transportation + accommodation + communication + others
Procurement staff salaries	salary scale * Number of personnel
repair fees	depends on repair time, material, complexity, etc
Maintenance fees	number of maintenance * cost per maintenance
Amortization of return packaging, etc	costs such as return packaging / purchase order quantity
Internal disposal charges for non-conforming products	handling labor fee + equipment usage fee + material fee,etc
Production interruption costs	cost of lost production + cost of repeated purchases
Customer complaint costs	Fines and compensation costs, brand loss costs…
Customer return costs	cost of goods, shipping costs, storage costs, resale costs…
Loss of interest on payments	payment amount * daily interest rate * number of deferral days
Environmentally friendly disposal costs	including but not limited to environmental protection fees, waste disposal fees, waste materials recycling fees, etc.

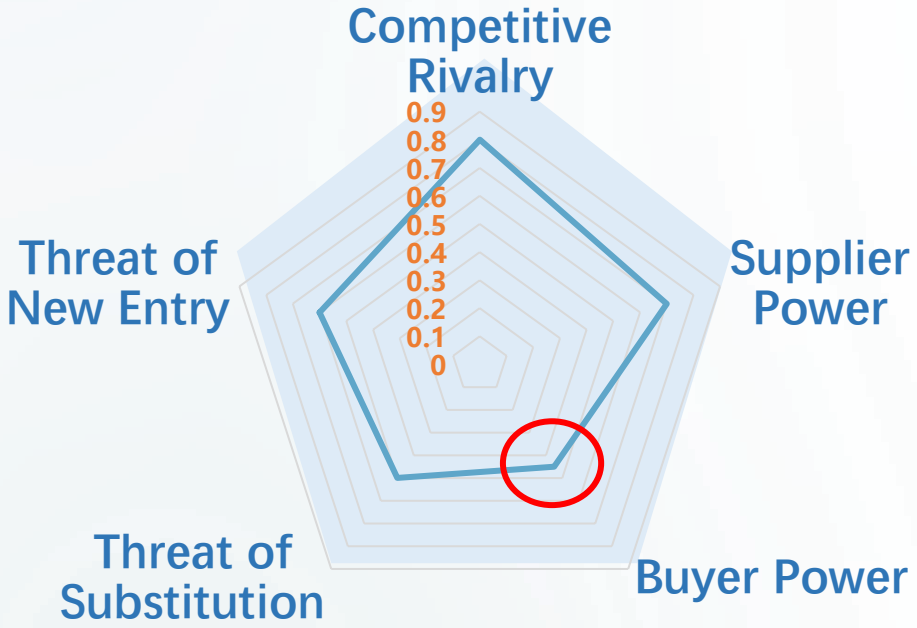
Calculate more accurately

Estimates need to be based on experience and specific circumstances

TCO Analysis : For Carton Case

Supplier market analysis

The competitive state of China's paper packaging industry



- The **bargaining power** of buyers in the carton industry is weak, so we first analyze **the supplier cost**.

Supplier Cost Analysis

10,000 square meters of carton

Tiansheng		Dali	
direct material	¥29024.37	direct material	¥26701.19
direct labor	¥1980.96	direct labor	¥2164.20
manufacturing costs	¥2010.67	manufacturing costs	¥2499.81
total cost of production	¥33016.00	total cost of production	¥31365.20

5%↓

billing period : 30 Days

billing period : 60 Days

30Days expended

$$NPV = \frac{R_t}{(1+i)^t} = \frac{TCP}{(1+0.2\%)^{30/365}}$$

NPV= ¥ 34020.70 Greater than NPV = ¥ 32319.67

Cost Looks lower!

But really?

TCO Analysis : For Carton Case

TCO of Clean Tech's 10,000 ㎡ Box

Cost Item	Tiansheng	Ritio	Dali	Ratio
purchase price(PV)	¥34020.70	77.34%	¥32319.67	70.81%
freight(PV)	¥4788.21	10.89%	¥3199.47	7.01%
insurance costs & taxes(PV)	¥68.03	0.15%	¥64.63	0.14%
storage fees	¥880.00	2.00%	¥990.00	2.17%
subtotal	¥39756.95	90.38%	¥36573.77	80.13%
inspection costs	¥1100.00	2.50%	¥1220.00	2.67%
maintenance costs	¥980.00	2.23%	¥1200.00	2.63%
production interruption costs	¥530.00	1.20%	¥1430.00	3.13%
internal disposal charges for non-conforming products	¥540.00	1.23%	¥1080.00	2.37%
customer complaint costs	¥520.00	1.18%	¥2260.00	4.95%
customer return costs	¥220.00	0.50%	¥1060.00	2.32%
environmental costs	¥340.00	0.77%	¥820.00	1.80%
subtotal	¥4230.00	9.62%	¥9070.00	19.87%
total cost of ownership	¥43986.95	100%	¥45643.77	100%

Choose Tiansheng!

explicit cost

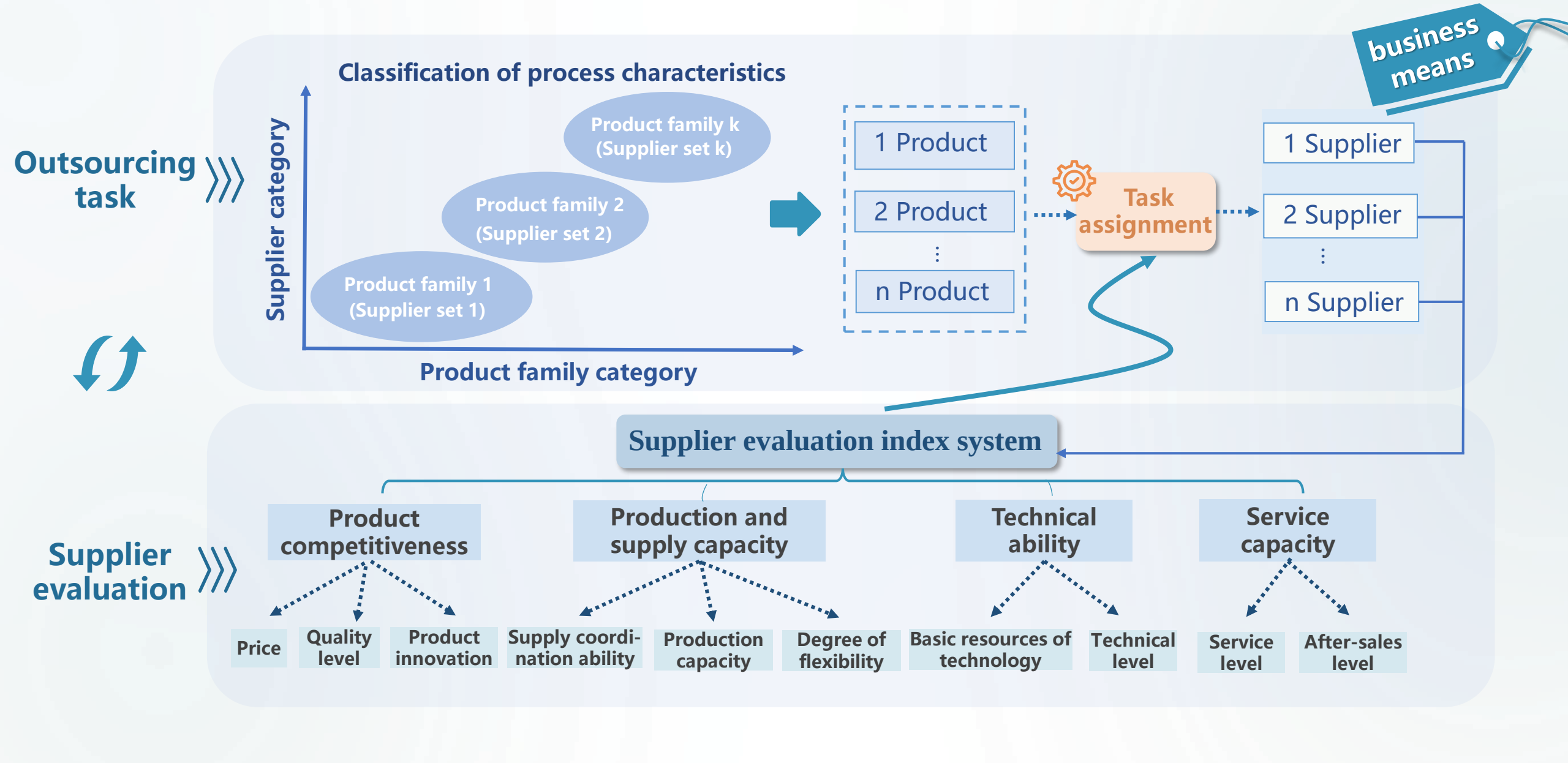
Dali is ¥ 3183.18 lower

implicit cost

Tiansheng is ¥ 4840.00 lower

Tiansheng's TCO is ¥1656.82 lower

Supplier Management: Task assignment-evaluation closed-loop



Supplier Management： Task assignment-evaluation closed-loop

Evaluation value of outsourcing suppliers

First-level index	Secondary index	Weight	Supplier Sunny	Score (Sunny)	Supplier A	Score (A)
Product competitiveness	Price	0.124	1	0.124	5	0.62
	Quality level	0.113	5	0.565	3	0.339
	Product innovation	0.102	3	0.306	1	0.102
Production and supply capacity	Supply coordination ability	0.127	3	0.381	3	0.381
	Production capacity	0.062	2	0.124	2	0.124
	Degree of flexibility	0.078	3	0.234	1	0.078
Technical ability	Basic resources of technology	0.152	3	0.456	2	0.304
	Technical level	0.185	2	0.37	2	0.37
Service capacity	Service level	0.041	3	0.123	3	0.123
	After-sales level	0.016	2	0.032	3	0.048
total	-	1	27	2.715	25	2.489

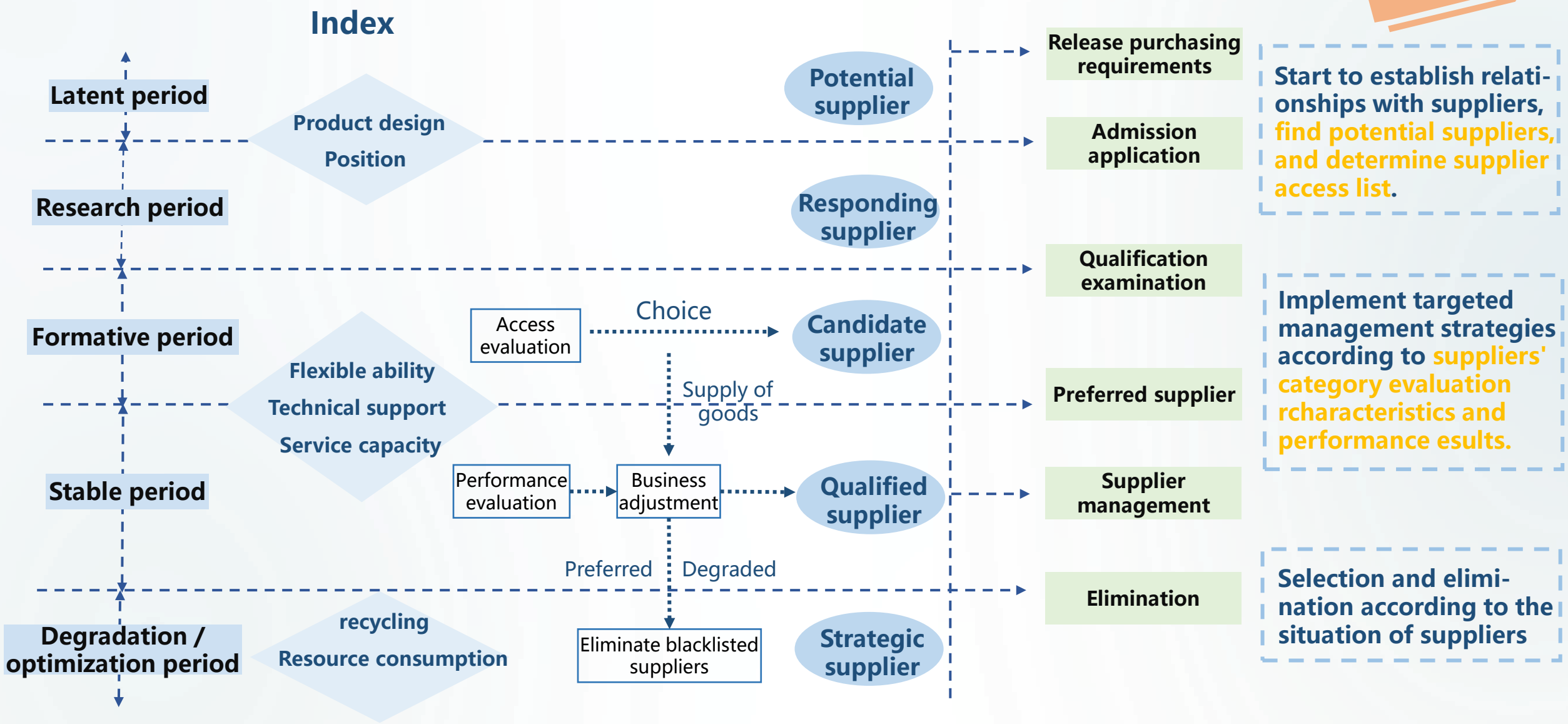
business means

The quotation of Sunny higher than that of other suppliers.

The quality of processing and technology is in the forefront of outsourcing suppliers

Choose Sunny!

Supplier Management： Supplier lifecycle



Supplier Management： Supplier collaborative management

Collaborative management of outsourcing suppliers

Collaborative elements

- Organizational coordination
- Business process collaboration
- Information sharing

Outsourced integration process

- Production and operation
- Planning and forecasting
- Product delivery
- Quality Control

Collaborative performance

- Production completion rate
- Product quality
- Reduce the cost

Management means

- Strategic partnership
- plan and adjust progress
- High degree of information sharing

Increase supplier participation

- ✓ Jointly develop new products, share technical information, etc.
- ✓ Share risks and opportunities together
- ✓ Establish a good communication and coordination mechanism

Establish a long-term cooperative relationship

- ✓ Provide long-term orders and cooperation plans
- ✓ In-depth cooperation and technical support
- ✓ Regularly evaluate the performance of outsourced suppliers

Enterprises and suppliers build a strategic partnership to achieve a win-win situation.

Supplier Management : Supplier" data decision-making "

Technical means

Purpose of analysis → Data collection → Data processing → Data analysis → Data presentation → analysis report

Institutionalizing and standardizing to promote data decision-making.

Factors affecting the long-term coopera-tion between suppliers and enterprises need to be considered.

- Product data
- Commun-icate data
- Event data
- Relational data
- Risk data
- Flexible data
- ...

Supplier big data

Time dimension | Material dimension | Supplier dimension

Product level ⇄ Interaction / Analysis ⇄ Supplier level

Historical data

Repurchase

Crest and trough

Reduce cost

Competition pattern (Brand share)

Cooperation Pattern (Proportion of Product type)

Future trend

Promote **supplier big data analysis**, "speak with data", and deeply excavate the hidden **value of procurement data** analysis.

Procurement Methods : Centralized Procurement

business means

Establish a procurement agency to *centrally* manage the procurement of goods required by the entire company

Integrate procurement organizational

Business Unit A
Business Unit B
→ Product Classification Management → Group Procurement

Centralized procurement authority management
From scattered orders to unified procurement by the group

Resource optimization and allocation Management
Improve the supply situation of the same material

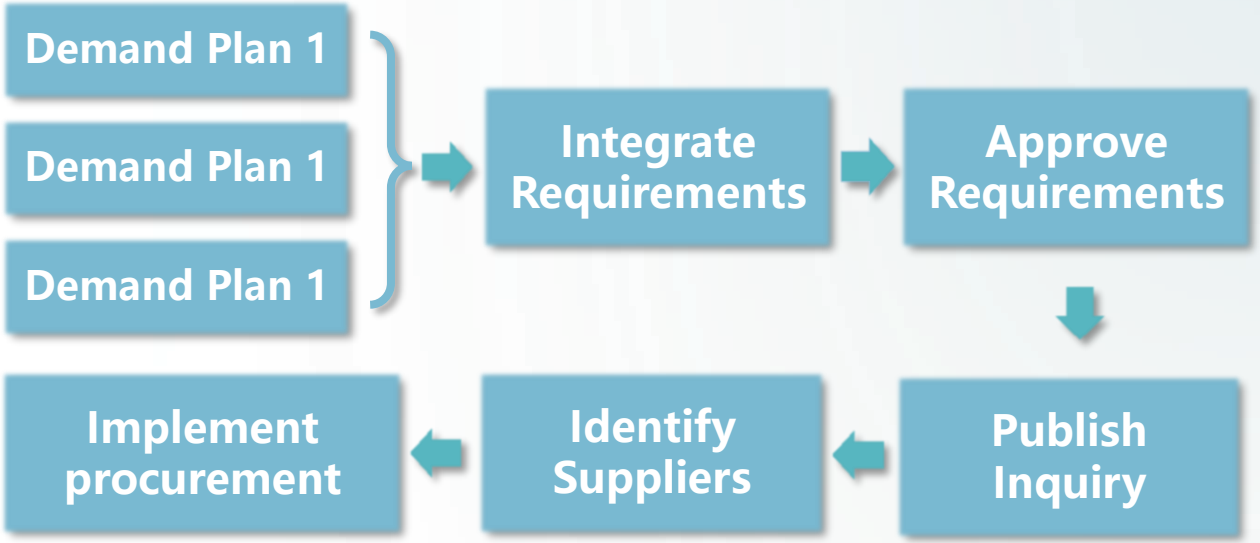
Refined management of procurement work
Responsible for procurement of different product stages

Optimize procurement process

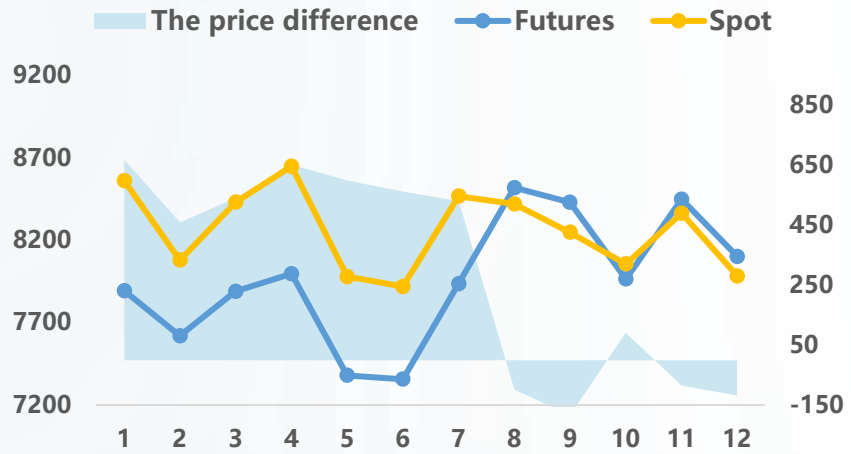
For products
Centralized demand management

For supplier selection
Procurement organization determination

For suppliers
Centralized procurement implementation



Procurement Methods : Hedging



- *High correlation* between main contract period and current price
- *Active market* transactions and good liquidity
- *High participation* of physical enterprises

Feasible

Utilizing the mature plastic futures market
managing enterprise risks
exploring spot channels

business means

Plastic particles

Prices continue to rise

Increase in sea freight

Labor shortage

Procurement strategy selection

Hedging with futures

Using Futures Contracts to Avoid Price Risks

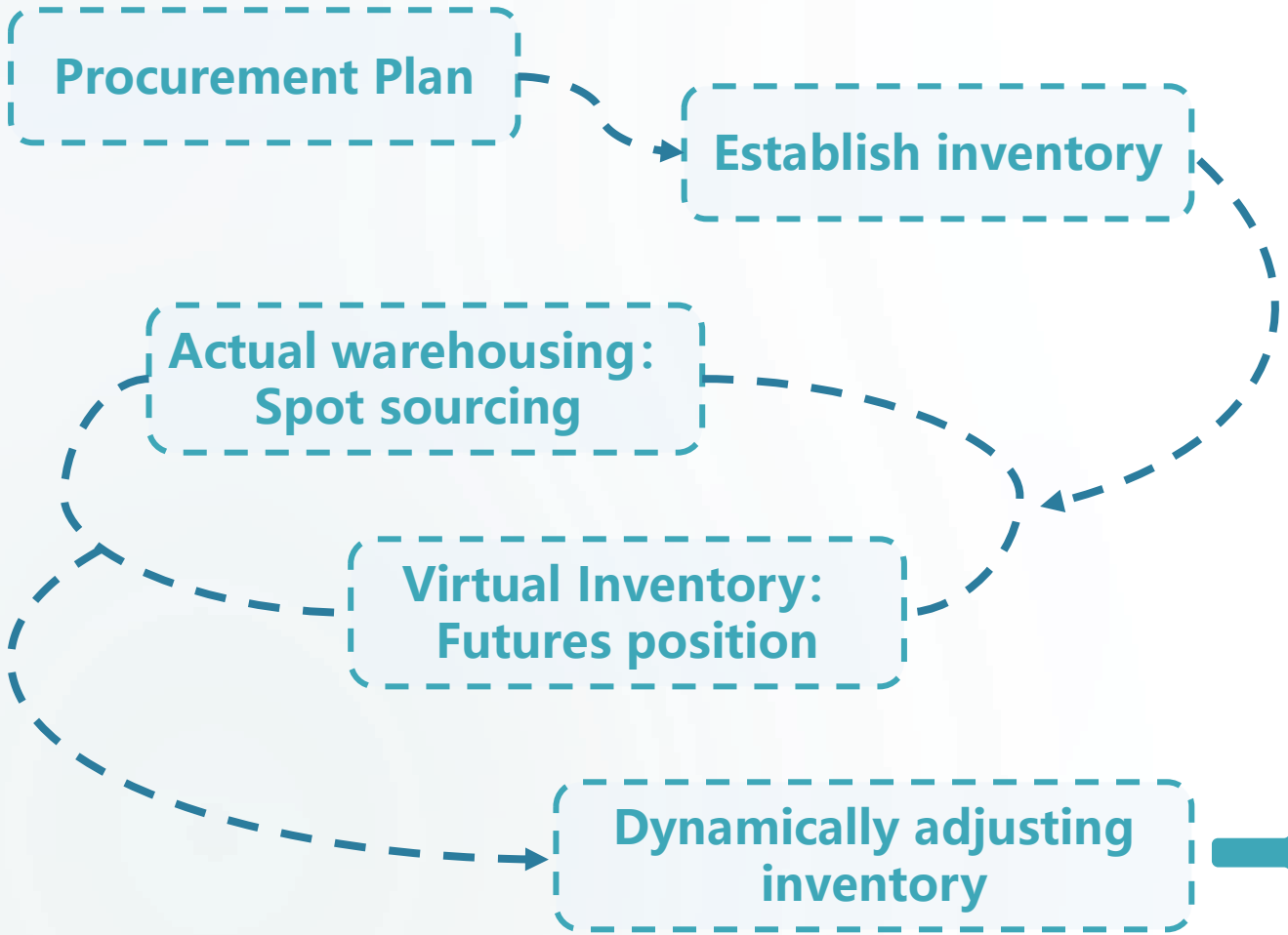
Selection of trading direction	Expected increase in raw material prices	Buy hedge
Selection of futures contracts	Consider the liquidity of futures contracts	Main contract
Determination of hedging quantity	Expected increase in raw material prices	Partial hedging

➢ Continuously **adjust futures positions** based on the progress of raw material usage during the holding process, until all **futures positions** are **closed**.

Procurement Methods : Hedging

business means

Using futures contracts to dynamically manage inventory



When raw material *prices rise*

- Establish virtual inventory

When the spot price of *raw* materials is *low*

- Futures contract management inventory

When under *financial pressure*

- Sales of inventory raw materials
- Convert actual inventory to virtual inventory

After the financial pressure is *relieved*

- Convert virtual inventory to actual inventory

Procurement Methods : Economic order quantity

business means

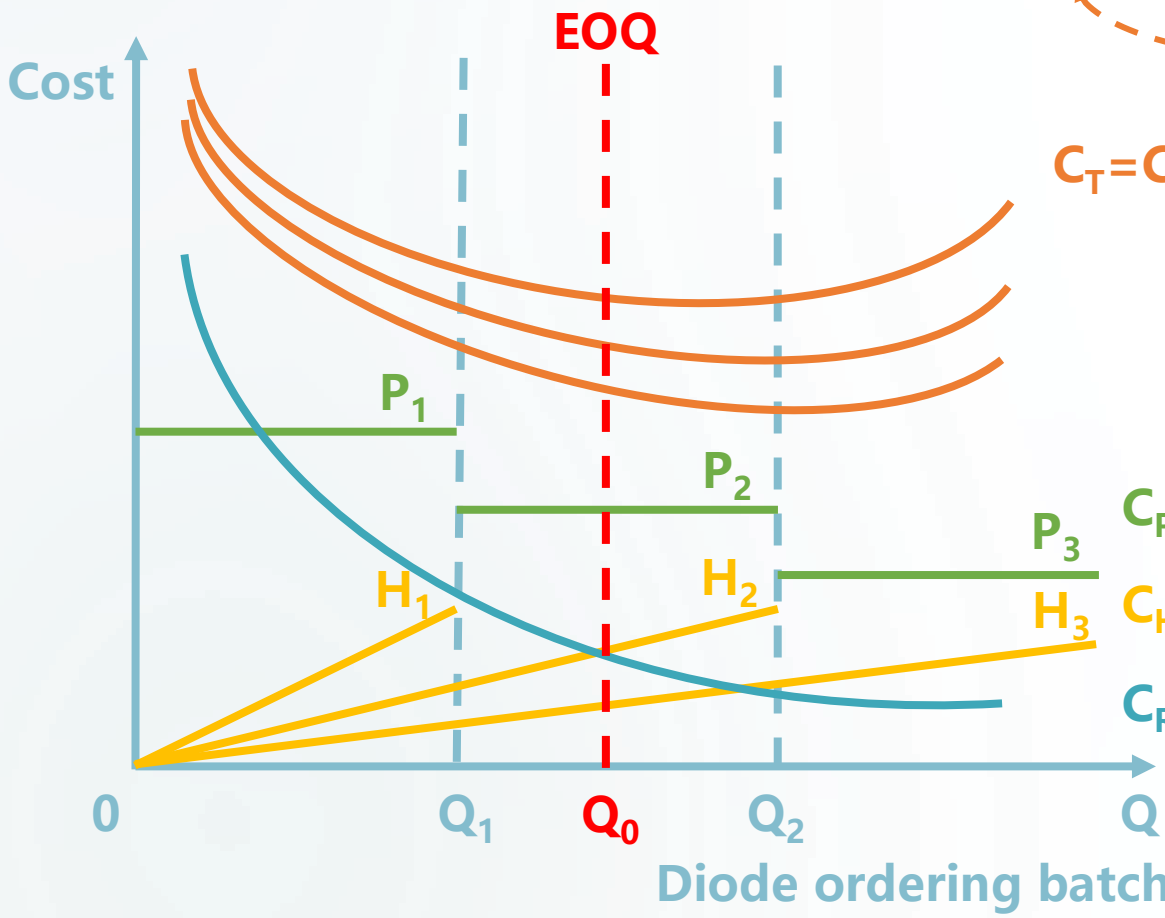
Total inventory cost (C_T) =

$C_T=C_H+C_R+C_P$

Purchase cost (C_P)
P: Unit material procurement cost
D: Requirement

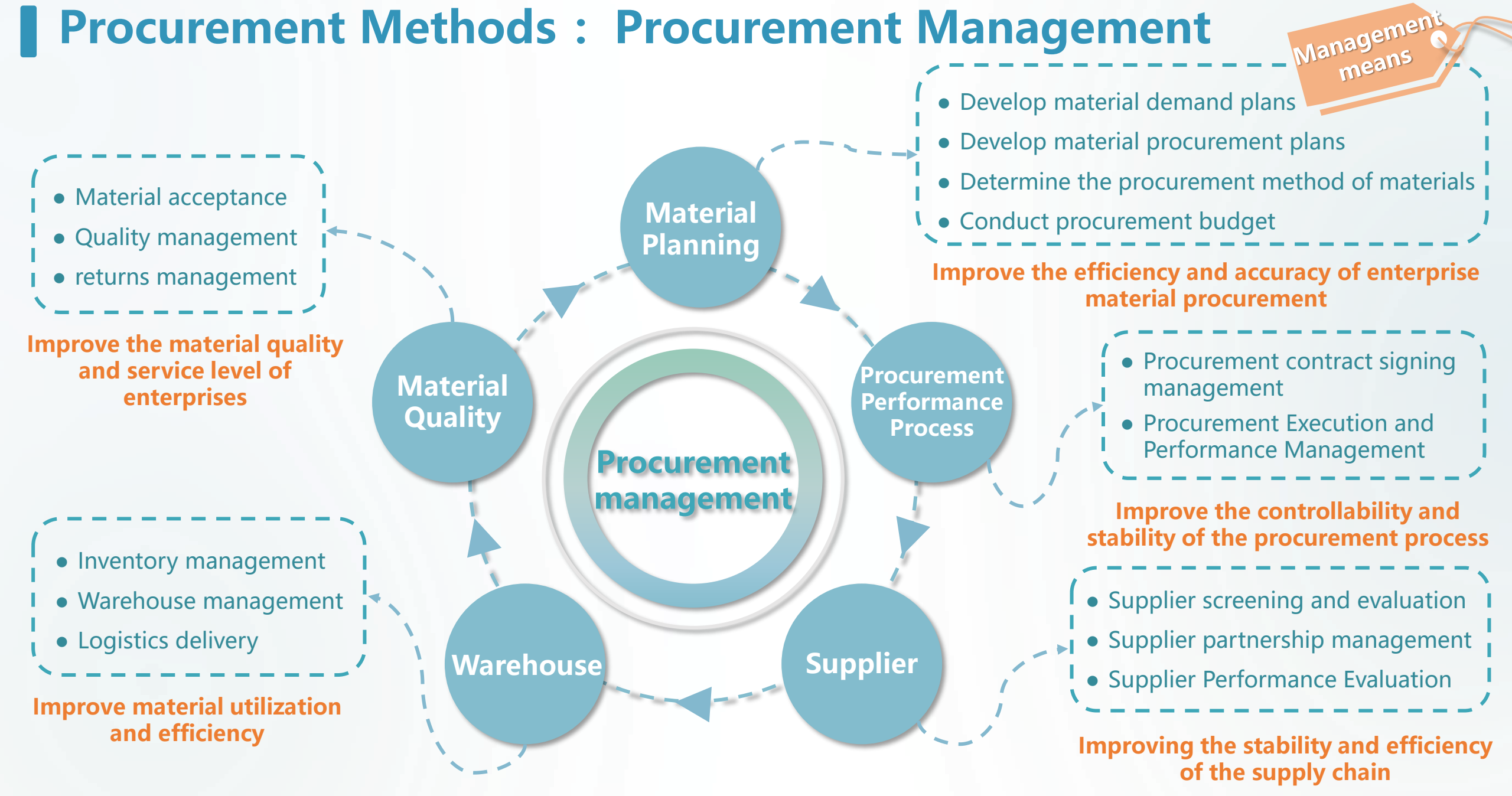
Maintain inventory costs (C_H)
H: Unit maintenance inventory cost
Q: Order quantity

Ordering cost (C_R)
S: One time order cost
D: Requirement
Q: Order quantity



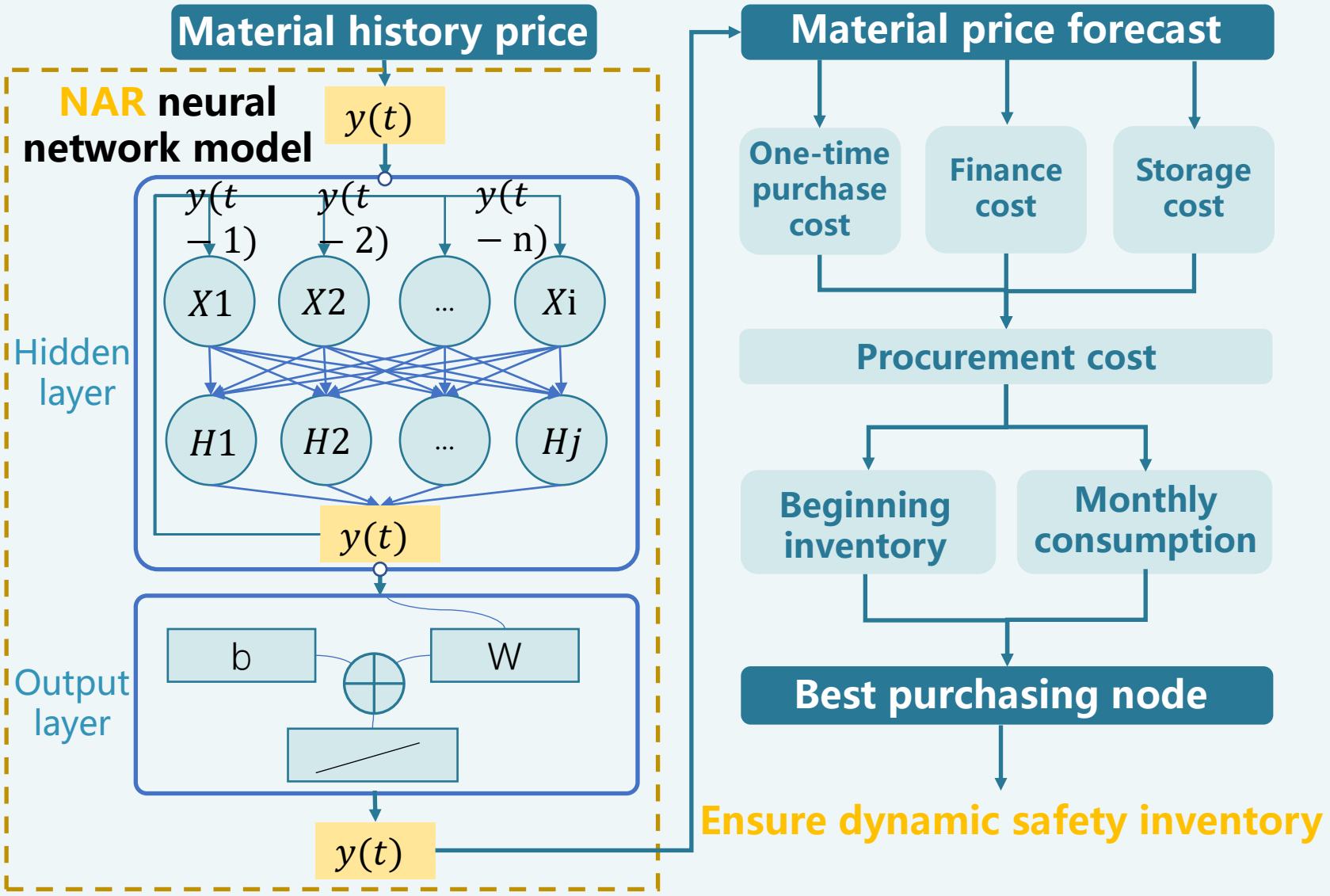
Best Order Quantity !

Procurement Methods： Procurement Management



Procurement Methods： Procurement price & node forecast

Technical means



Use the material price forecast to calculate the procurement cost and determine the best purchasing node.

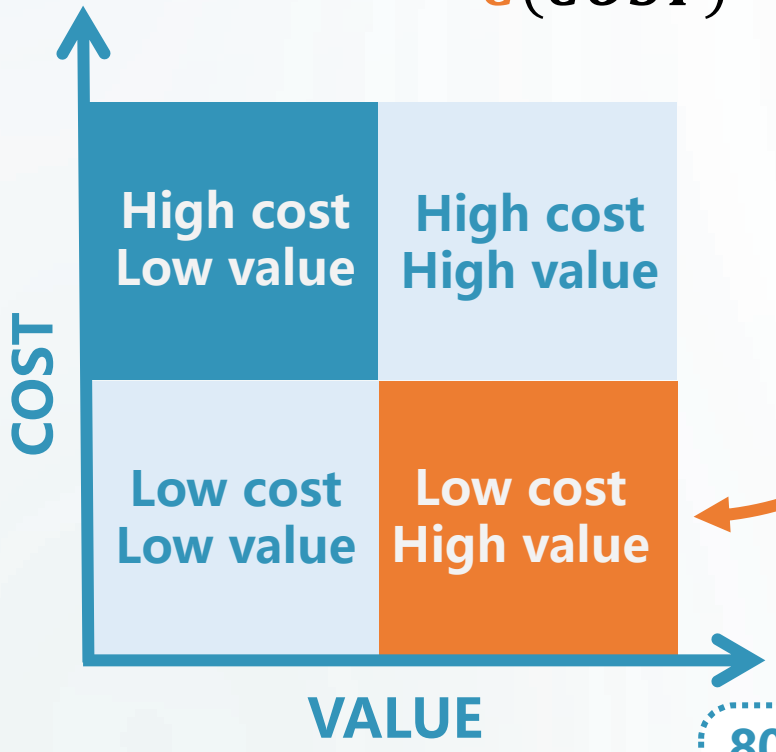
- Replenish dynamic inventory according to **minimum purchase quantity**
- Purchase according to the **best purchasing node**

Cross Departmental Collaboration: VE/VA Analysis

business means

reduce costs ≠ reduce qualiaty

$$V\ (VALUE) = \frac{F(FUNCTION)}{C(COST)}$$

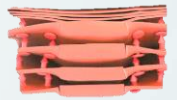


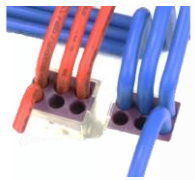
80% of the purchase cost is determined by the design

Tear Down!


Terminal Box Housing


Terminal


Insulation Material


Electric Wire


Junction Box


nut


Terminal Block


Fixed Parts

Cross Departmental Collaboration: VE/VA Analysis

business means

Cost Elements	Importance	Cost	Decision	Tactics
Terminal box housing	Medium	High	Reduce	**1.**Use cheaper materials: polypropylene or polyethylene **2.**Reduce processing steps: use injection molding technology
Terminal Block	Medium	Low	Maintain	on par with the industry
diode	High	Medium	Maintain	on par with the industry
Electric Wire	High	High	Maintain	on par with the industry
Fixed Parts	Medium	Low	Maintain	on par with the industry
Insulation Material	Low	Low	Reduce	**1.**Use cheaper material: plastic film **2.**Optimize design: reduce the demand for insulation materials
Fuse	High	Medium	Maintain	on par with the industry
LED	Low	Low	Reduce	**1.**Use cheaper material: Epoxy resin, aluminum plate **2.**Optimize design:Increase the area of the heatsink

Change the **unrea-sonable design** of the product and the **excessive quality** requirements.

Cross Departmental Collaboration: Create an IPD

Management means

The R&D department & design department works closely with customers and procurement departments to respond to customer needs in a timely manner.

Form product shelves and share them in real time

Sharing technology and products to achieve standardization of parts

Product strategy — IPMT

Vision and planning

Strategic product management

Business model, product platform, technology

market management — PMT

Customer Investment Analysis → Market Assessment & Market Segmentation → Demand Analysis & Pain Point Identification → Competitive Analysis & Selling Point Design → Product Specification & Development Strategy → Designated Product Roadmap → Marketing & Marketing Strategy → LTC

R&D and business cooperation

product development — PDT

Product line business plan

product roadmap planning

task book

R

Project initiation

concept review

planning decision-making

system preliminary inspection

product launch

life cycle

Conception

plan

validate

release

lifecycle management

M

technology development — TDT

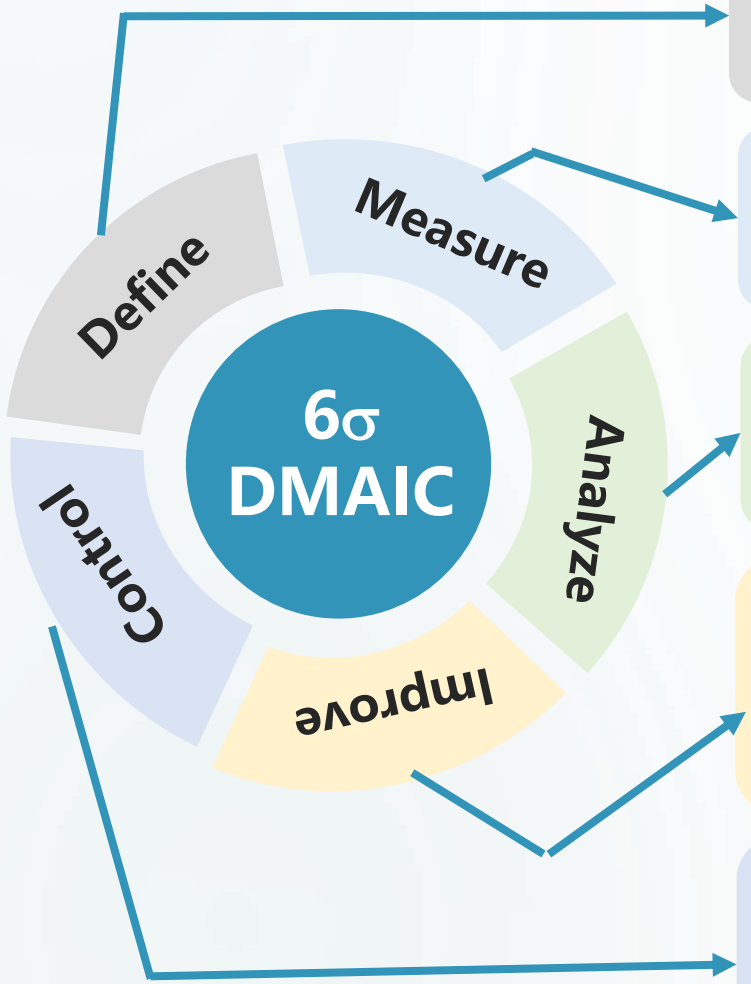
Platform development: product platform and technology platform V

Technology development: core technology and key technology development V

Cross Departmental Collaboration: DMAIC

Requirements Change Management Processes

Management means



Define

Clarify the purpose, scope and key business indicators
demand change rate, **change cycle**, procurement cost, etc.

Measure

Collect data to understand :

- why, frequency, and scale of changes in customer demand
- **the scope, cost, and benefits** of procurement changes

Analyze

Analyze **the root causes and influencing factors** of demand changes, as well as problems encountered in procurement
Tools such as 5W1H, fishbone diagram, etc. are used

Improve

Improvement measures:

- Establish a customer demand management mechanism
- Develop **procurement change management processes**
- Optimize procurement cost control mechanism, etc.

Control

Monitoring mechanism:

- **track and feedback on demand** and procurement changes establish a change management evaluation mechanism
- **evaluate** the improvement effect of procurement process.

Cross Departmental Collaboration: Requirements Change Management Processes

What is the specific process ?

Collaborative!

Management means

START

Accept customer change requests

recording what and why the change is

Analyze change requests

Confirm the scope of impact of the change on procurement and document it.

Whether to change the purchase list

YES

Confirm the cost and delivery time after the change

Notify the procurement department of the change

NO

END

design & procurement

Review procurement changes

Implement the change

Verify the change results

Feedback to customers

Cross Departmental Collaboration: QC Circle & V-Up

QC circle

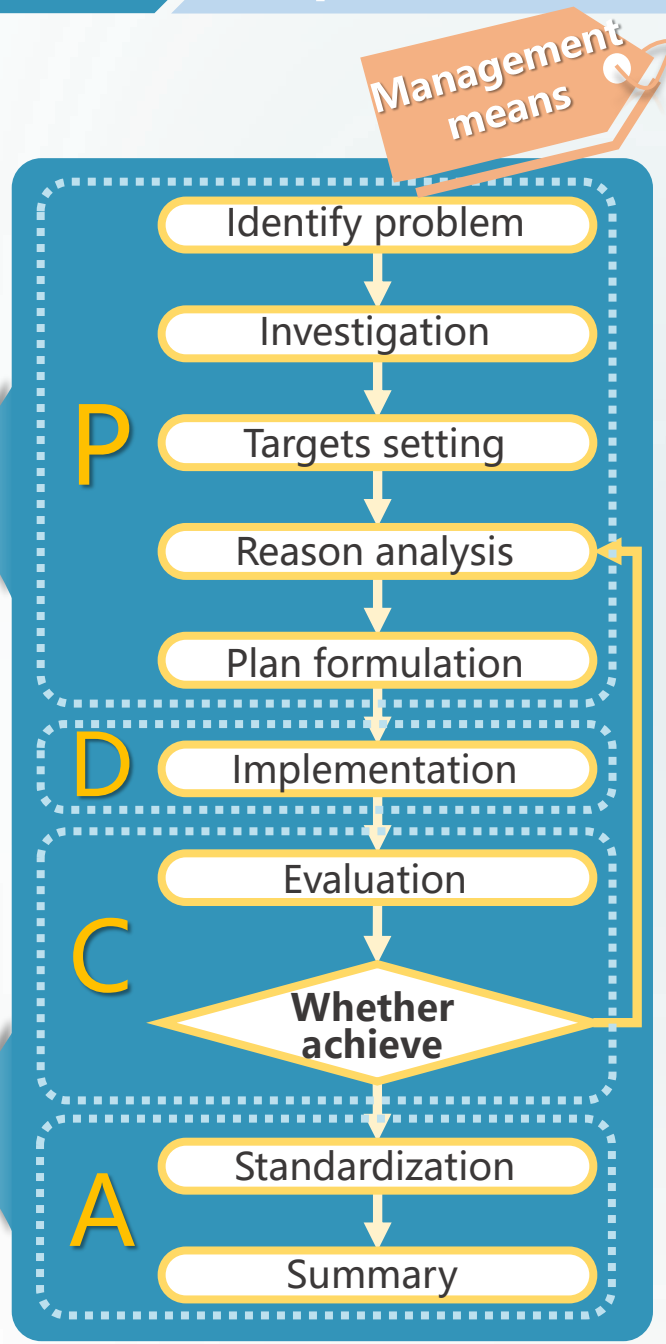
For improvement of **products**:

Circle members	Problems choose	Frequency
Marketing Department **Technology** Department **Financial** Department **Procurement** Department	• **Reduce** the total procurement cost • **Design** more adequate products	**Once a week**

V-up

For improvement of **department collaboration**:

IDEA	DECIDE	V-FAST
Subject decomposition process	**Subject implementation process**	
Generate new ideas and innovations through brainstorming sessions, team-building activities.	Evaluate and select the best ideas for implementation.	Implement the selected ideas quickly and efficiently.



Cross Departmental Collaboration: Design Optimization Team

Management means

Clarify Goals & Scope

Optimize Performance | Reduce Costs | Increase Efficiency

Identify Team Members

Engineer | Manufacturer | Designer | Purchaser

Planning Work

Timetable | Task Allocation | Resource Allocation

Training Provided

Target | Tool | Skill

Collaborative Effort

Continual Improvement

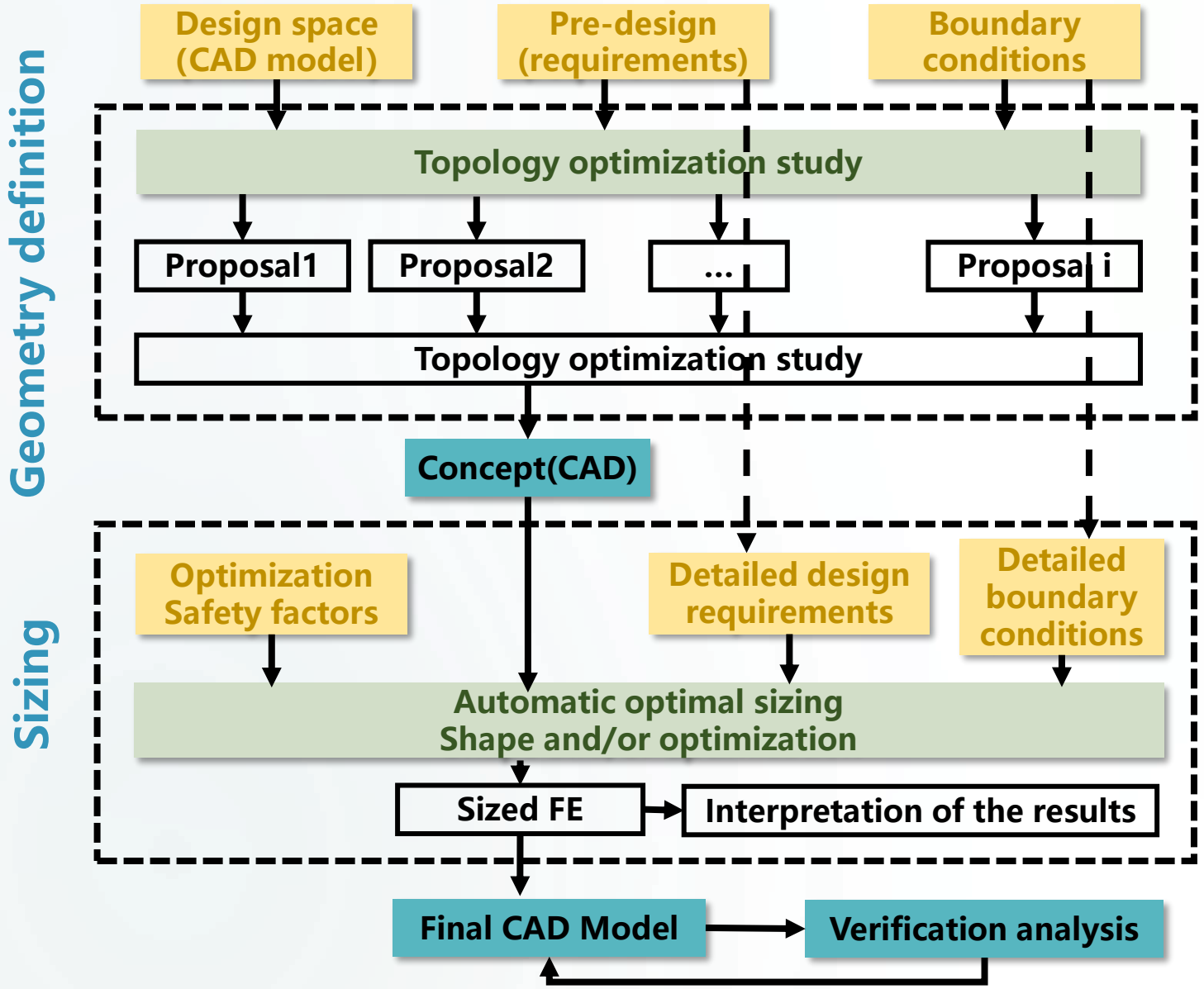
A continuous improvement process...

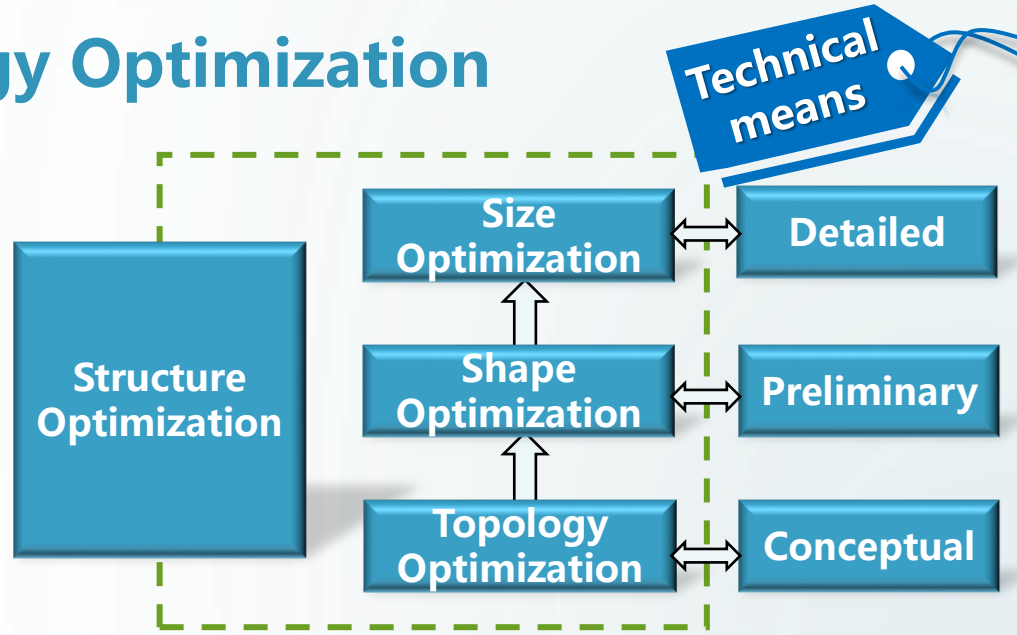
Establishing a design optimization team is an important step in achieving product design optimization. This step includes:

① Clarifying goals and scope
② Identify team members
③ Planning work
④ Training provided
⑤ Collaborative effort
⑥ Continual improvement.

This can help enterprises optimize and improve product design!!!

Cross Departmental Collaboration: Topology Optimization



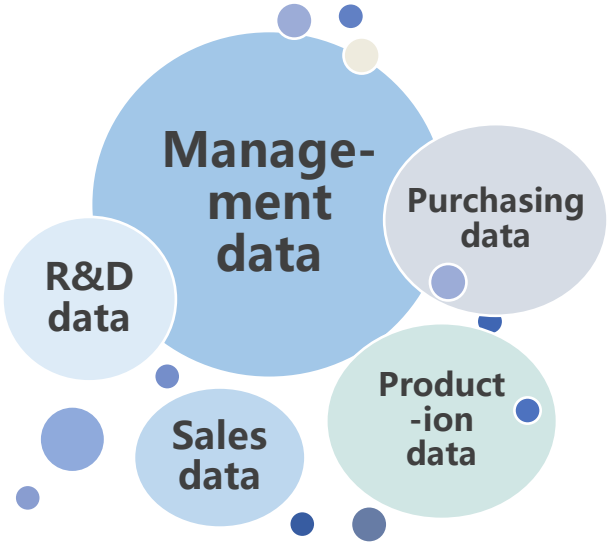


The structural topology optimization model includes size optimization, shape optimization and topology optimization.

By using computer-aided design (CAD) software, structural optimization and adjustment can be achieved, helping enterprises reduce junction box costs, improve product quality and competitiveness.

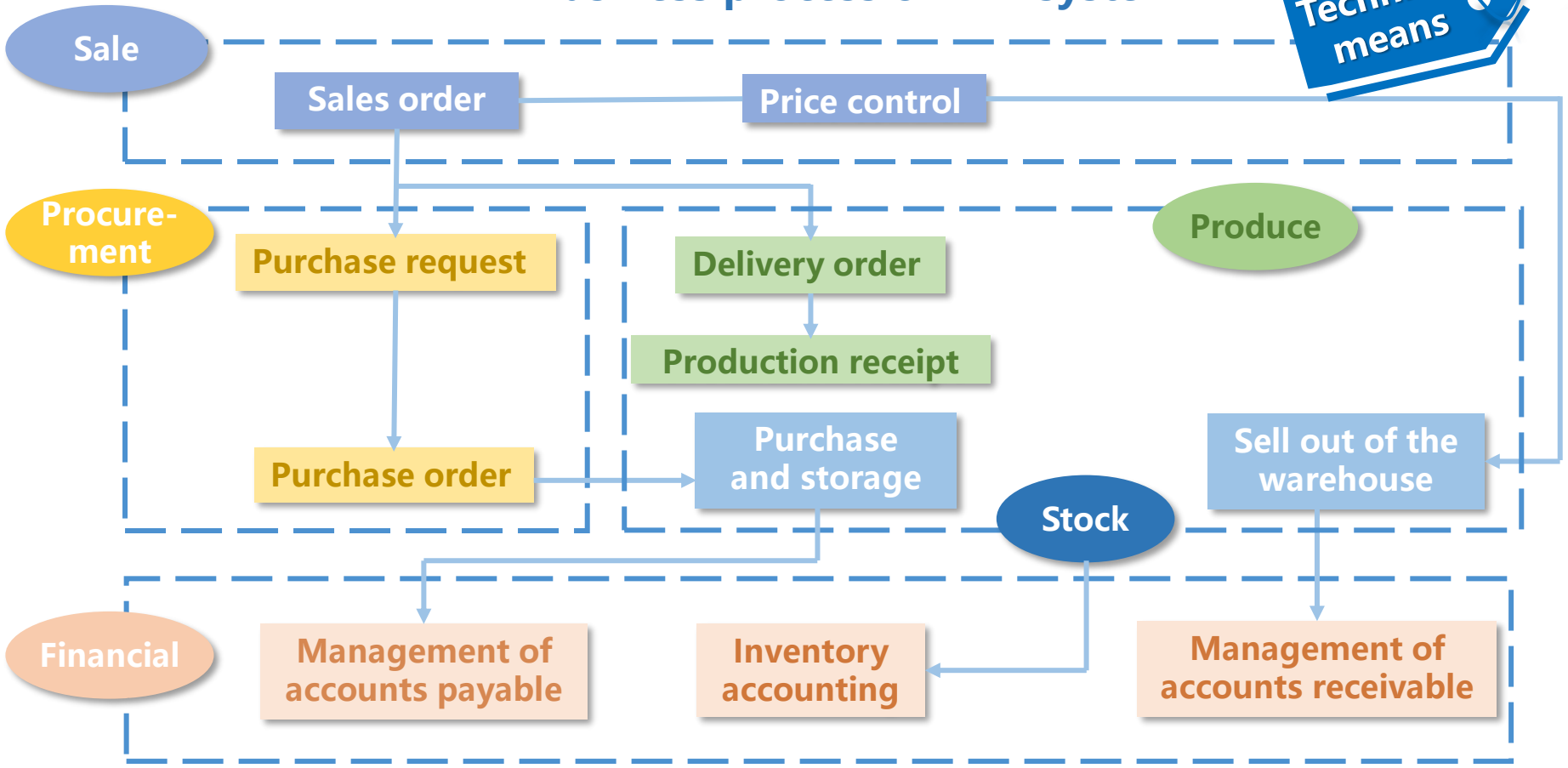
Cross Departmental Collaboration: Information Management System

Build a shared information management platform



Business process of ERP system

Technical means



Avoid the phenomenon of information asymmetry within the company

Improve the operating efficiency of enterprises !

Summary For Solutions

CLEANTECH

CleanTech's Overall Goal

Procurement status

Strategic Procurement

Procurement : Vision & Mission & Goals

TCO Analysis

- TCO Modle
- supplier cost
- TCO caculation

Optimize the total Procurement cost

Supplier Management

- Task assignment-evaluation
- Supplier lifecycle
- collaborative management

Identify high-quality suppliers and collaborative innovation

Procurement Methods

- Centralized Procurement
- Hedging
- Economic order quantity
- Procurement Management
- price & node forecast

Reduce purchase price and optimize inventory

Cross-Departmental Collaboration

- VE/VA Analysis
- Create an IPD
- DMAIC
- QC Circle & V-Up
- Topology Optimization
- Information System

Precise matching demand

Reduce cost and increase efficiency

PISS – Procurement Implementation Supporting System

Action path

Global analysis, overall optimization

System planning to avoid risks

Procurement Target

Strategy Implemen-tation path

High-level conference management

Assessment of the target plan

Business analysis

Process system/organization

Finance/HR/ Administration/...

R&D | Purchasing | Sales | Production | Service

Process standardization knowledge management

IT planning/data standardization

IT selection/ implementation

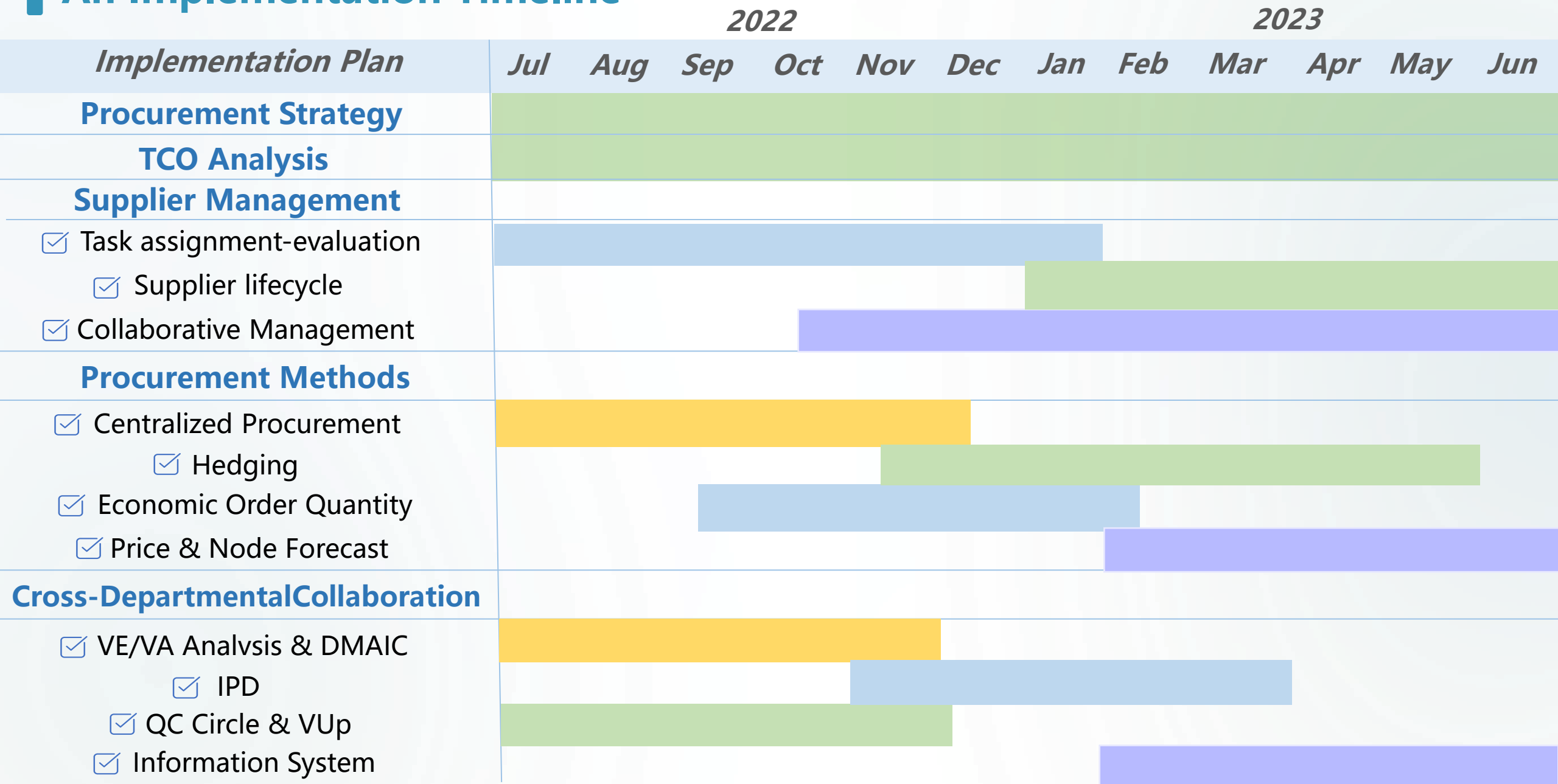
IT evaluation & conti-nuous improvement

Performance monitoring & high-level decision-making

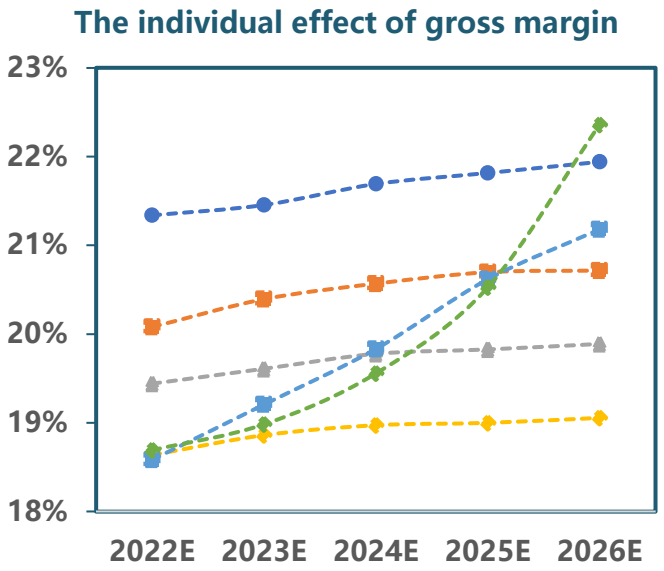
Systematization of supply chain management

Adjustment of infor-mation technology support planning

An Implementation Timeline



Implementation Effects

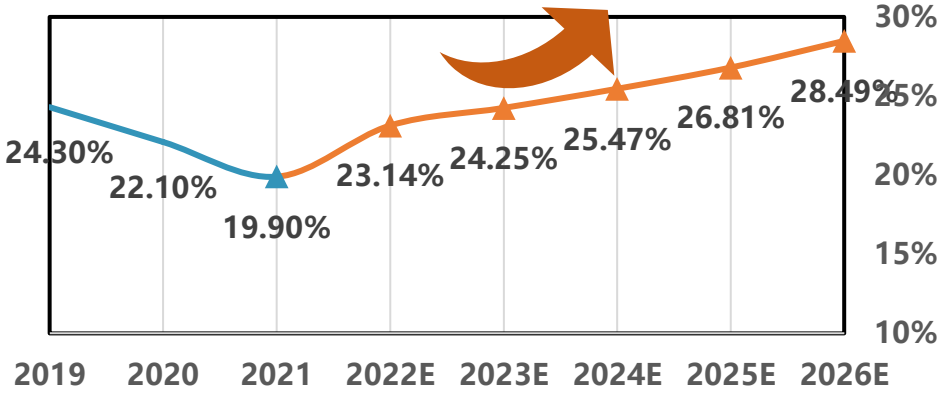


The individual effect of implementation on gross margin

Element of implementation	2022E	2023E	2024E	2025E	2026E	effects
total cost model	21.34%	21.46%	21.69%	21.82%	21.94%	Sustainable effects
EOQ	20.08%	20.39%	20.57%	20.70%	20.71%	
hedging	19.44%	19.61%	19.78%	19.83%	19.89%	
concentrated procurement	18.64%	18.86%	18.97%	19.00%	19.05%	
supplier management	18.58%	19.21%	19.83%	20.62%	21.18%	Growing effects
	18.69%	18.98%	19.56%	20.52%	22.36%	

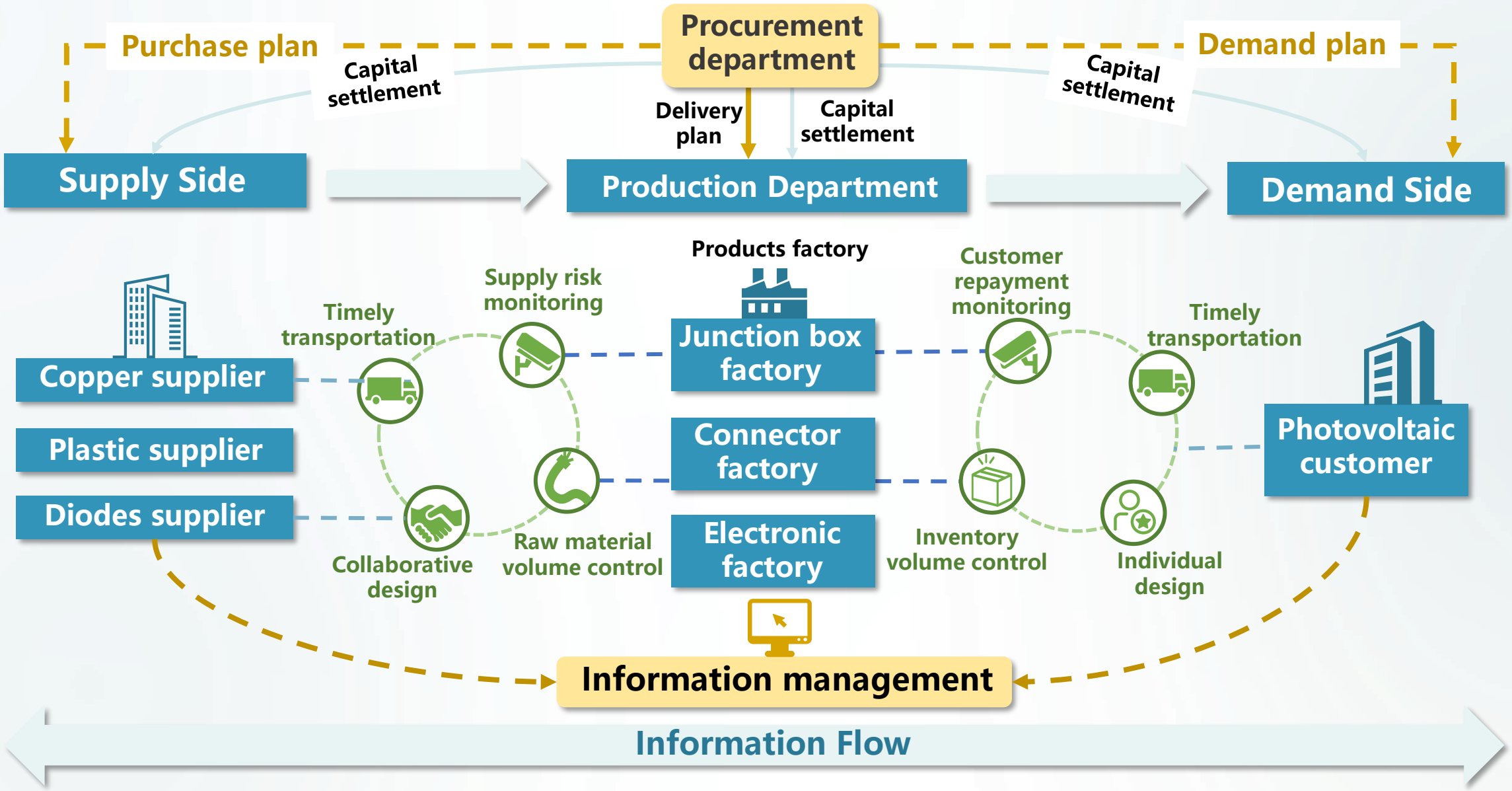
Estimated Gross Profit

Estimated(million)		2022E	2023E	2024E	2025E	2026E
Revenue		730.00	916.28	1150.10	1443.58	1811.95
Cost of sales	Direct material	471.63	581.79	716.32	879.73	1073.67
	Direct labor	53.66	67.35	84.53	106.11	133.18
	Manufacturing cost	35.77	44.90	56.36	70.74	88.79
	Total cost of sales	561.06	694.04	857.21	1056.58	1295.64
Gross profit		168.94	222.24	292.89	387.00	516.31



All measures have a positive impact on increasing profits and reducing costs

Supply Chain Ecological Outlook



Supply Chain Ecological Outlook

Strategy Level

Cultural value integration
Unity of development goals
Income apportionment
Risk sharing

Tactics Level

Bidding mode
cost control
Supplier management
Process management
Management Assessment

Technology Level

Information collection & storage
System construction
Confidentiality agreement

Outsourcing industry leading products

Risk transfer of interest game between buyers and sellers

Annual competitive bidding
Supply chain cost control
Expand supplier pool
Strict after-sales contract
Strict KPI assessment

Standardized process
Traditional KPI assessment index
Confidentiality of contract

Present goal

Transform

Cooperative research and development &OEM production

Interests integration and risks shared

Comprehensive collection
Collaborative cost control
Cross-functional capital team
Improve **project management**
Multidimensional evaluation

Create supplier portrait
Optimize system functions
Technical information confidentiality

Future goal

THANKS

Solar Quintet
XN20222409