Through Sustainable Growth To An Enduring Enterprise

——the Entire Lifecycle Management of Investment Projects

Project Management Office - HIGHFIVE (XN20233111)

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H I G H F I V E

Renee

Anna

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Lissy


The first meeting...

01

Case Review

Global high-end, intelligent and green manufacturing **trend**

Government policy on accelerating intelligent transformation

PCI Company's long-term development **Strategy**

PCI Company's 5-year strategic **Plan**

Intelligent Transformation

Investment Projects

Project Management Office (PMO)

- Strategic Management Department
- Legal and Compliance Department
- Financing Management Department
- Financial Management Department
- Product R&D Department
- Industry Research Department
- Digital IT Department
- Operation Management Department
- Risk Control Department

Identify the Project Characteristics

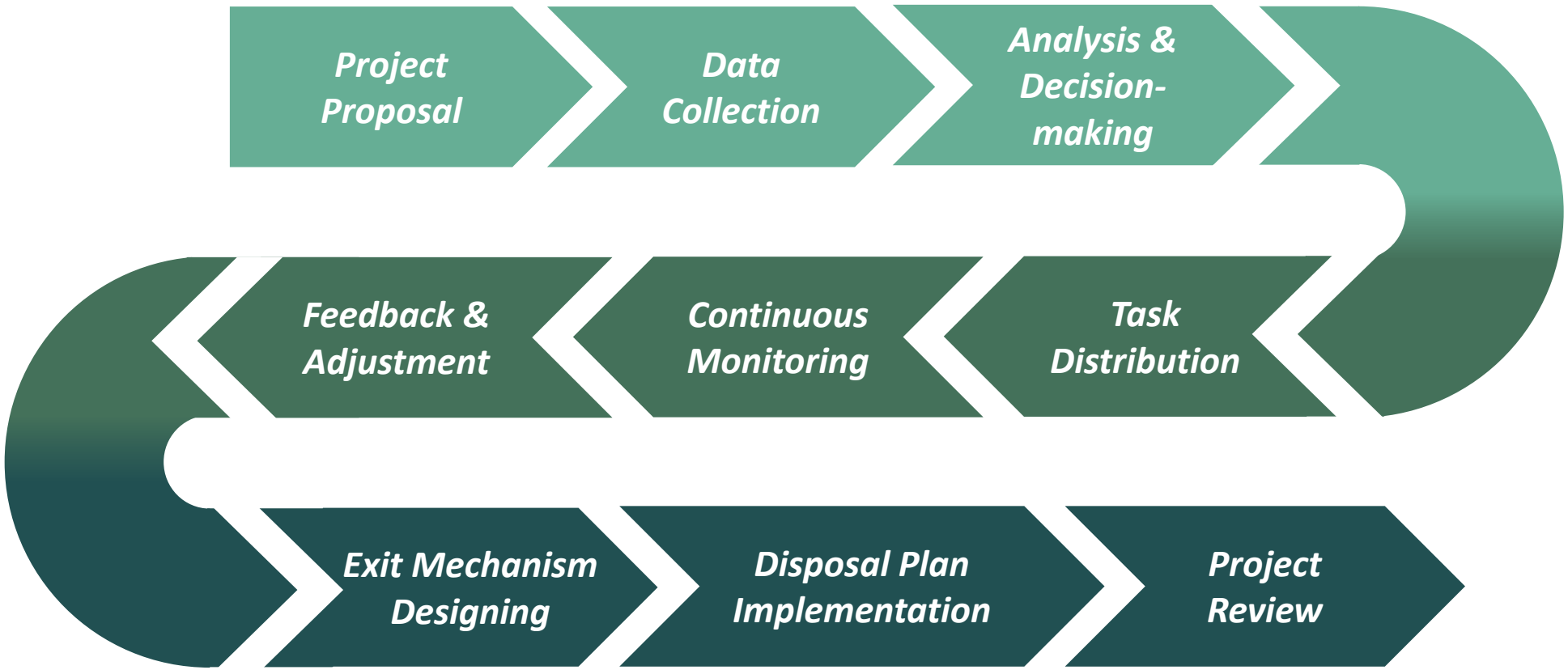
- Fixed Asset Investment Project
- Equity Investment Project
- Technology Investment Project
- Information Technology Project

Expansion Project	or	Replacement Project
Short-term Project	or	Long-term Project
Profit-oriented Project	or	Value-oriented Project

Pre-investment

Post-investment

Disposal



Basics of Project Management	*Internal Investment Process*	*Scope of Work*

Pre-investment

Post-investment

Disposal

Strategic Management Department, Financing Management Department, Product R&D Department

Project Proposal → *Data Collection* → *Decision-making*

Digital IT Department, Risk Control Department, Operation Management Department

Task Distribution → *Continuous Monitoring* → *Feedback & Adjustment*

Industry Research Department, Financial Management Department, Legal and Compliance Department

Exit Mechanism Designing → *Disposal Plan Implementation* → *Project Review*

Comprehensive Understanding & Frequent Interaction

Basics of Project Management | *Internal Investment Process* | *Scope of Work*

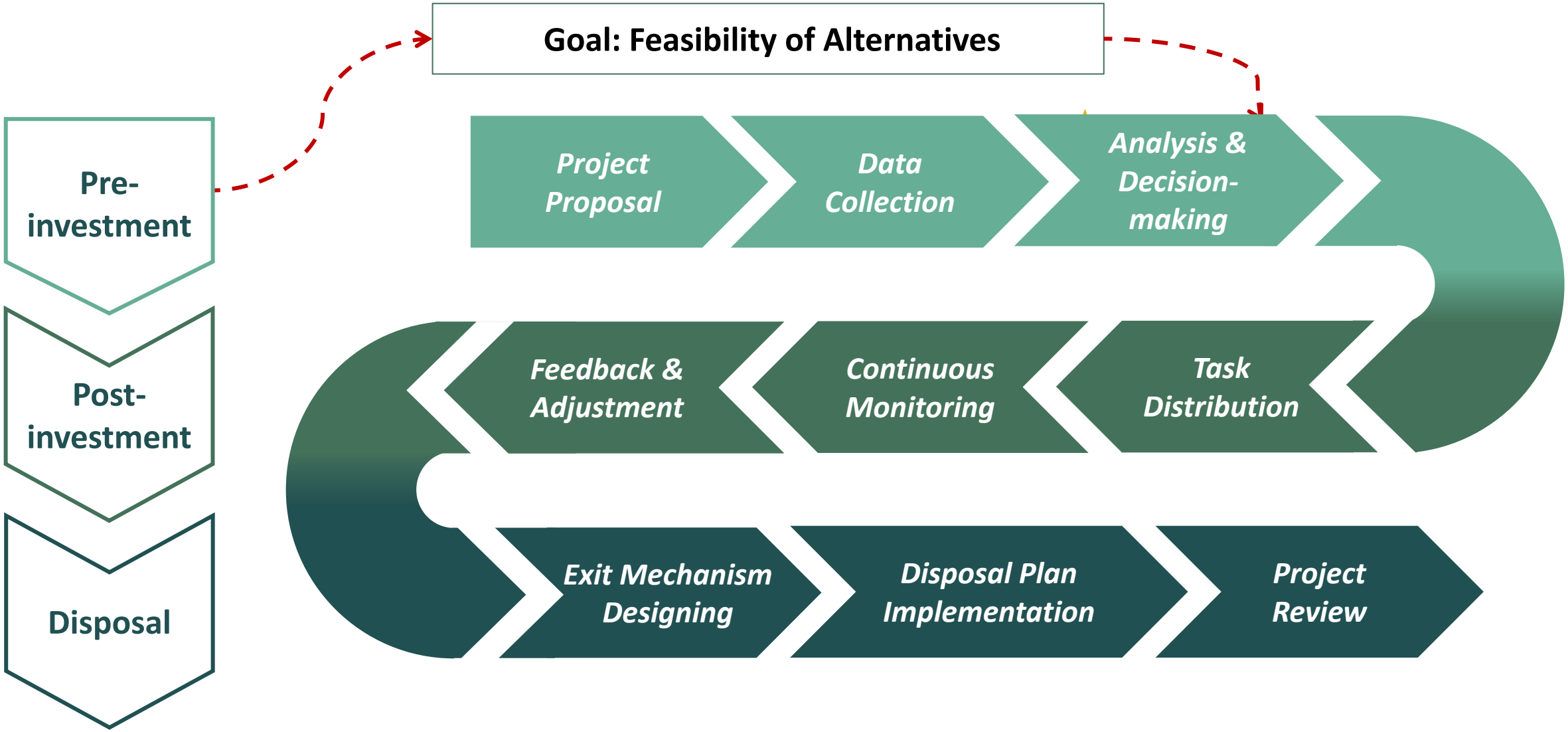
Next month:

On-site research & Detailed research report


1 Month later...
Presentation Day...

02

Pre-investment Management


Goal: Feasibility of Alternatives
Pre-investment
Post-investment
Disposal
Project Proposal
Data Collection
Analysis & Decision-making
Task Distribution
Continuous Monitoring
Feedback & Adjustment
Exit Mechanism Designing
Disposal Plan Implementation
Project Review

Risks

Selection of qualitative and quantitative indicators

Balance the results if different methods give different conclusions

Current: Qualitative-Quantitative **Balanced Model**

Result of Quantitative Analysis	Result of Qualitative Analysis: Support	Result of Qualitative Analysis: Not Recommend	Result of Qualitative Analysis: Against
Support	Do	Do for Profit-Oriented Investment Projects	
Not Recommend	Do for Value-Investr Projects	Do Not Do	
Against			

Focus more on short-term financial performances
Quantitative result > Qualitative result

Related to long-term strategic transformation
Qualitative result > Quantitative result

Drawbacks

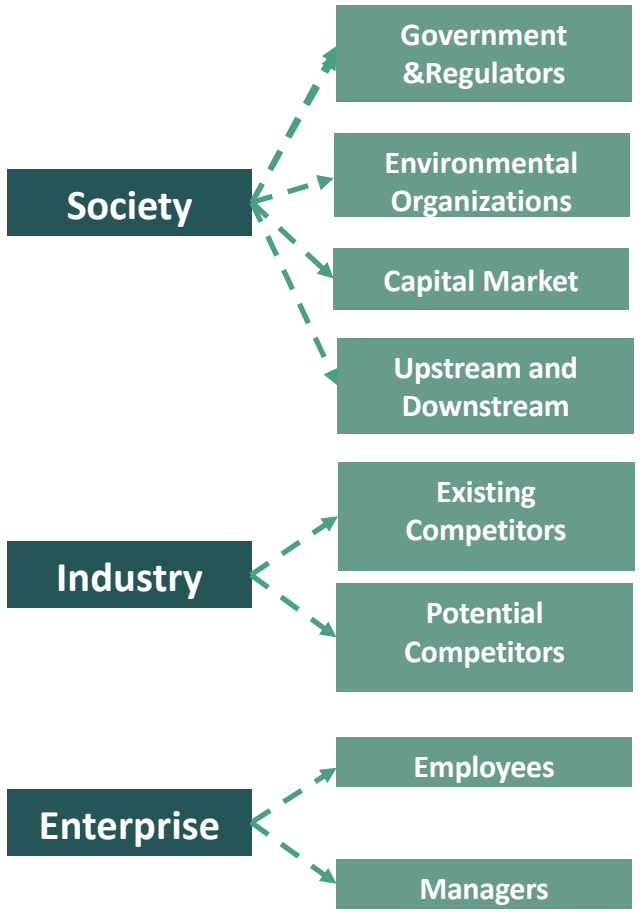
1 Over Simplified Rule

The decision-making mechanism is too simplistic.

2 No Optimization

Do not consider how to optimize the plan.

1. Project proposal



2. Project classification

Expansion Projects

- *New product development*
- *New plasma collection station*
- *… …*

Replacement Projects

- *Production lines upgrade*
- *Additional investment*
- *… …*

3. Applicaton

IG: Intelligent production line upgrade project

Society	Aging probelm	As the **population aging problem** intensifies, can this proposed plan help our company to reduce labor costs?
Industry	Competitors	Can the proposed investment plan improve our **competition advantage**?
Firm	Bottleneck	Can the proposed investment improve the **efficiency** of **raw material utilization**?

Evaluation: Quantitative Analysis

Time value of money?

YES → **Long term**
- NPV
- IRR

NO → **Short term**
- AAR
- ROI

Equal service life?

YES → **Incremental method**
- Incremental NPV
- Incremental IRR
- Incremental PI

NO → **Replacement method**
- Replacement Chain
- EAA
- Accounting Indicator

Optimization

Does the result of quantitative indicators support investment plans?

If supported, economically feasible

If not supported, how can we optimize the plan?

CASE: In technology replacement plan, EAA (Traditional) > EAA (Intelligent)

- ✓ *Increase selling price*
- ✓ *Improve capacity utilization rate*

Sensitivity

Contribution margin
= tax - free sales − variable cost

Breakeven sales volume
= fixed cost/tax-free price x (1 − business taxrates) − variable cost per unit

Safety margin
= budget sales volume − breakeven sales volume

Ability

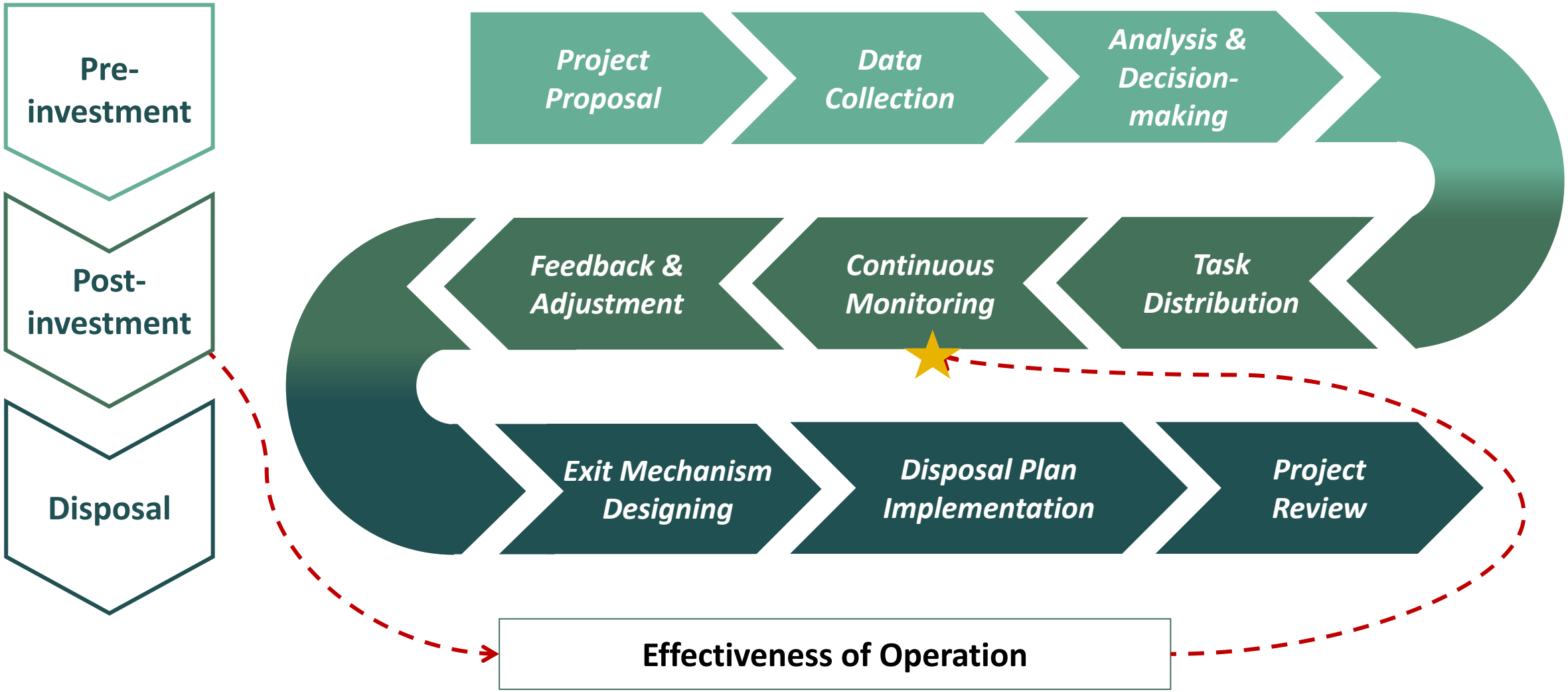
Operational knowledge

↓

Capital budgeting decision-making

03

Post-investment Management


Pre-investment
Post-investment
Disposal
Project Proposal
Data Collection
Analysis & Decision-making
Task Distribution
Continuous Monitoring
Feedback & Adjustment
Exit Mechanism Designing
Disposal Plan Implementation
Project Review
Effectiveness of Operation

Continuous Monitoring

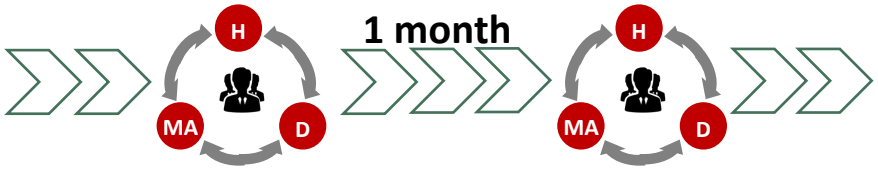
Bottleneck

The **coordination** of data between departments was not timely and accurate

The project did not meet expectations, and the **feedback** was not timely

Current: guided by consulting team

Regular project reporting



Non-problem-driven　Untimely

Only retropetion

ROI、DPP、NPV

Misleading

Regular data recollection

Rolling budgets

Time-consuming and labor-intensive

Future: guided by intelligent system

Behavior Digitization

Data Capitalization

Effects:

- More timly and accurately data collection
- More efficient organizational collaboration
- Early warning & Timely feedback
- Reducing costs

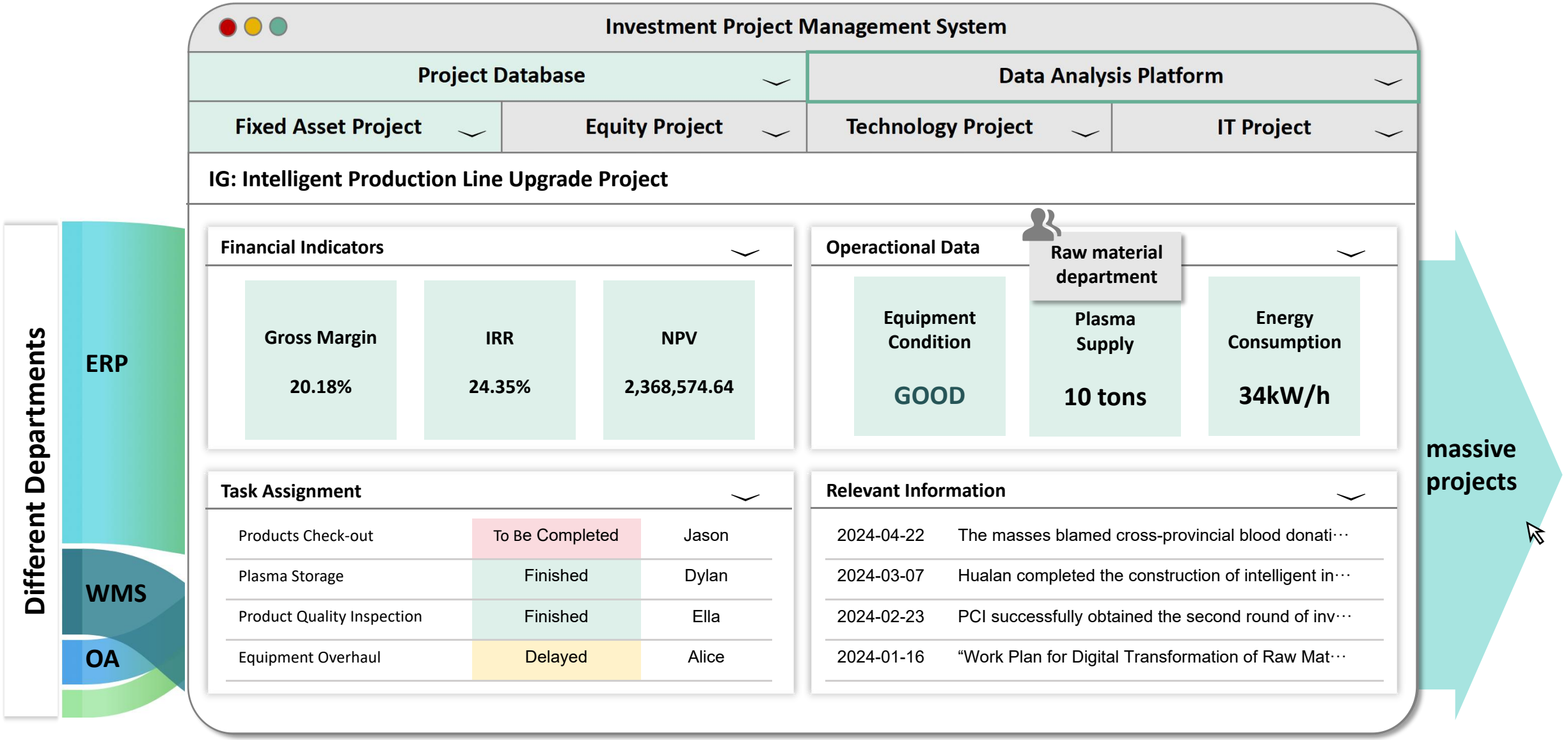
Investment Project Management System

Project Database | **Data Analysis Platform**

Fixed Asset Project | **Equity Project** | **Technology Project** | **IT Project**

Project	Person in Charge	Investment Capital	Overall Progress	Significant Events
IG:Intelligent Pr…	Adam	¥ 20,000,000		!! 14%↑ in line efficiency…
ALB:Plasma St…	Eva	¥ 6,500,000		!! Plasma supply↓ due to…

Current Stage	Project Database Diagram	Project Data Analysis Platform	Competency



Correspondence with the project database part one by one

AI Analysis Data Mining Textual Analysis ... ...

Investment Project Management System

Project Database | **Data Analysis Platform**

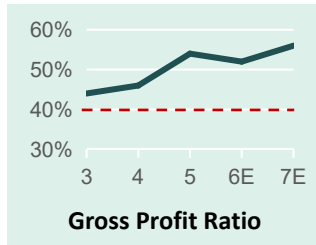
Asset Project | **Equity Project** | **Technology Project** | **IT Project**

igent Production Line Upgrade Project

Financial Performance

EAA

351,218

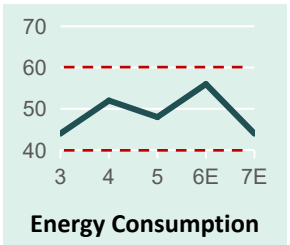


Gross Profit Ratio

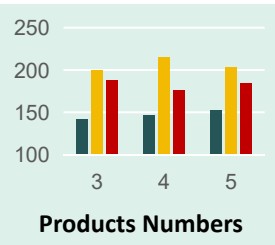
Schedule Deviation Degree

8%

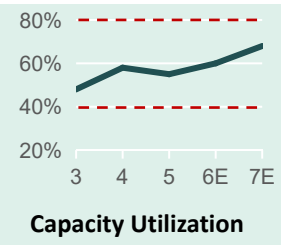
Project Operations



Energy Consumption



Products Numbers



Capacity Utilization

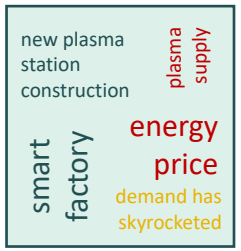
Department KPI

Procurement and Supply Department

Raw Material Department

Storage and Transportation Department

Trend Tracking



Trend Forecasting

Risk Warning

Visual Monitoring

Analysis & Warning

Identify Risks & Causes

Investment Project Management System

Project Database | **Data Analysis Platform**

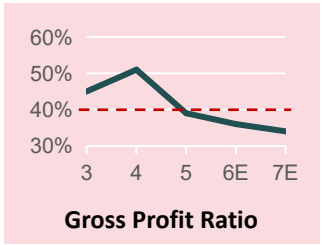
Fixed Asset Project | **Equity Project** | **Technology Project** | **IT Project**

IG: Intelligent Production Line Upgrade Project

Financial Performance

EAA

18,432,617

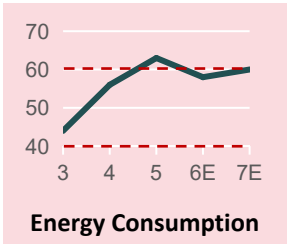


Gross Profit Ratio

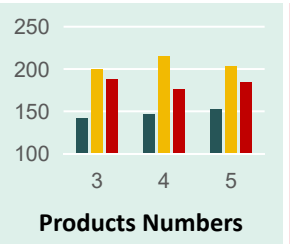
Schedule Deviation Degree

25%

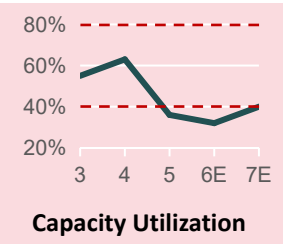
Project Operations



Energy Consumption



Products Numbers



Capacity Utilization

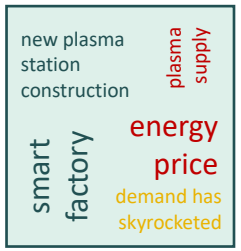
Department KPI

Procurement and Supply Department

Raw Material Department

Storage and Transportation Department

Trend Tracking



Trend Forecasting

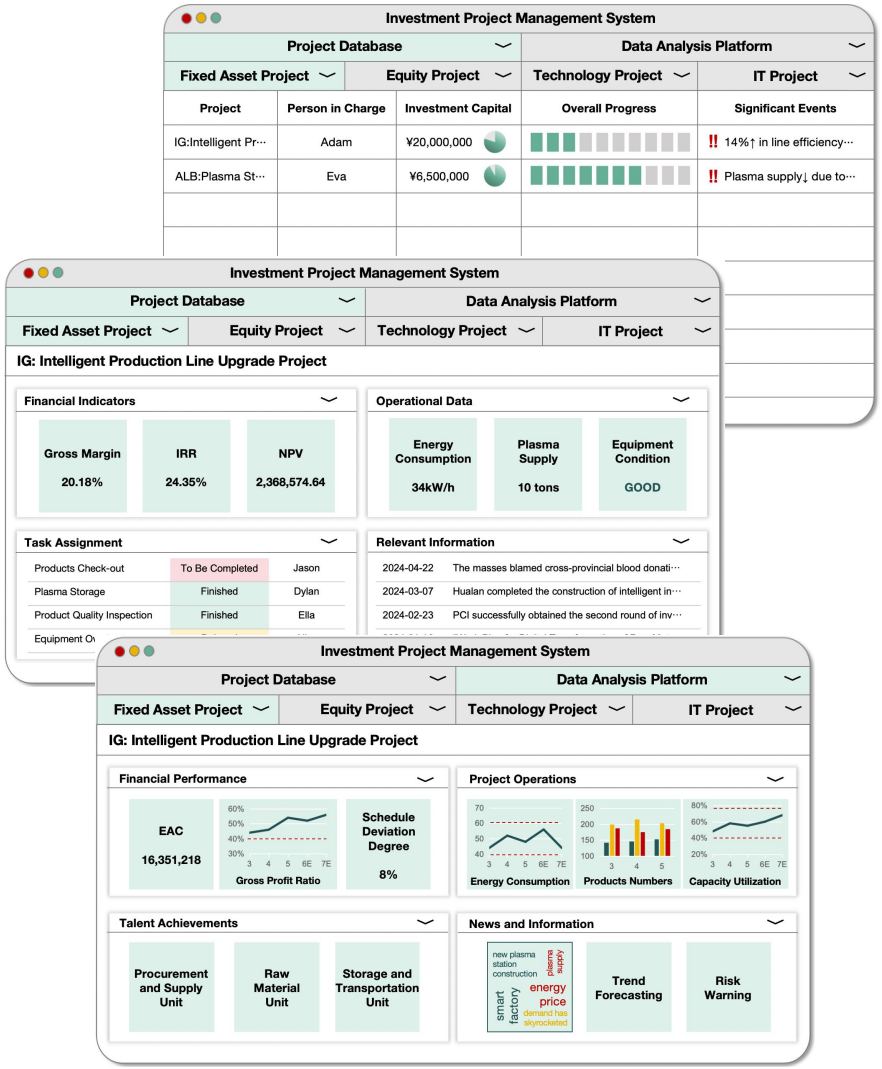
Risk Warning

Real-time Monitoring

Proactive Warning

Automatic Attribution

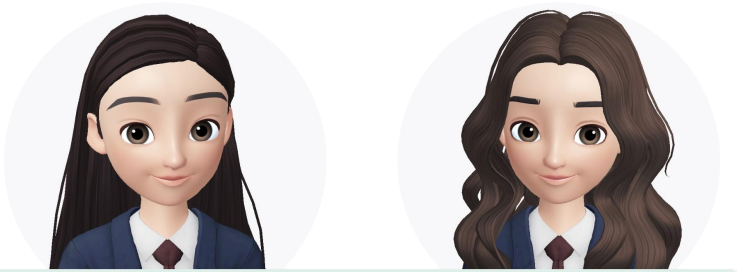
Continuous Monitoring



Investment Project Management System

Project Database

Data Analysis Platform



Data Governance

Behavior Digitization

Data Capitalization

Tool

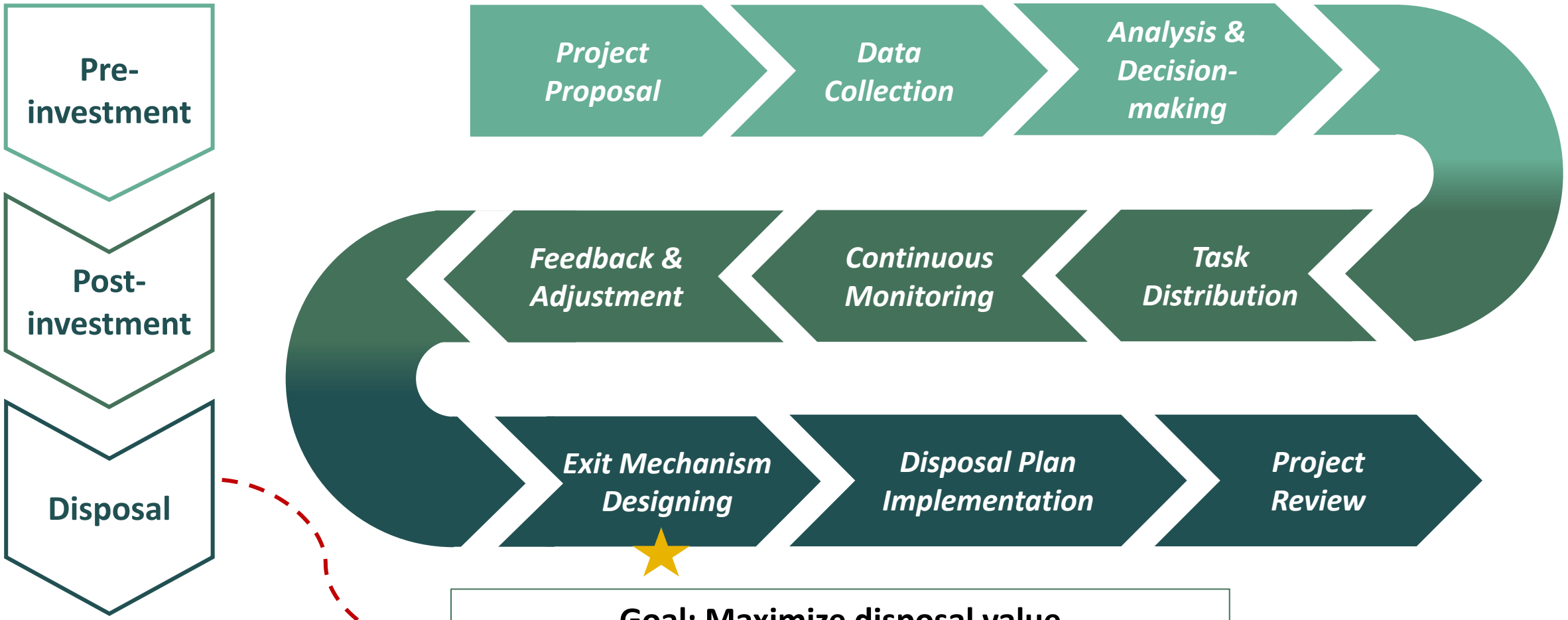
Assist whole process management

Ensure effective operation

Competency

04

Disposal Management



Goal: Maximize disposal value

Whether to dispose or not

How to dispose

Whether to dispose or not | ***How to dispose***

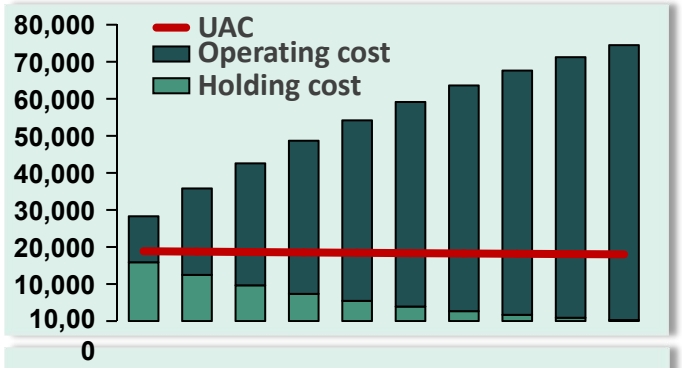
Step 1: Exit Mechanism Designing

Review: Economic life method?

Based on the management system

Many drawbacks exist

Timely feedback on the status of the project can be provided



Considered
- ✓ cost-effectiveness

Not considered
- ✓ other economic indicators
- ✓ technological progress
- ✓ market demand changes

Not a valid basis for judging when to dispose

Benchmark met or not		Project feasibility: Met	Project feasibility: Not met
Operational effectiveness	Met	**No disposal**	**?**
Operational effectiveness	Not met	**?**	**?**

Reach the end of its physical life

Analysis

Temporary factors	Persistent factors
✓ market fluctuations ✓ management problems ✓ operational difficulties	✓ industrial development ✓ backward technology ✓ strategic adjustments
No disposal	**Disposal**
Continous monitoring and feedback	***HOW?***

Scrap ➡ **Go straight to disposal**

Whether to dispose or not	*How to dispose*

Step 1: Exit Mechanism Designing

Risks and Problems	**production cannot be fully domesticated**			**face import restrictions**
Valuation of Equipment Components	**industry-specific knowledge**			**eg. the control system and sensors**
the high-value components	**retain**	**inventory management**	**regular maintenance**	**emergency backup**
the low-value components	**partial disposal**			**disposal analysis**
no core value components	**complete disposal**			
Mode of Disposal	**sales or leasing or transfer or reorganization etc.**	**cooperate with the legal affairs department**		**legal and regulary requirements tax planning issues**
Futher Consideration	**the relationship with the equipment vendor**	**the production disruption during the transition**		**the timing and amount of the economic benefit inflow**

Whether to dispose or not	*How to dispose*	

Step 1: Exit Mechanism Designing

Whether to dispose or not	assess feasibility and effectiveness	analyze the causes of deviations	
Risks and Problems	production cannot be fully domesticated	face import restrictions	
Valuation of Equipment Components	partial disposal	complete disposal	
Mode of Disposal	sales or leasing or transfer or reorganization etc.	cooperate with the legal affairs department	legal and regulary requirements tax planning issues
Futher Consideration	the relationship with the equipment vendor	the production disruption during the transition	the timing and amount of the economic benefit inflow

Step 2: Disposal Plan Implementation

Step 3: Project Review

05

Competency

Pre-investment Stage: **Analysis and Decision-making**	Post-investment Stage: **Continuous Monitoring**	Disposal Stage: **Exit Mechanism Designing**
		
Strategic Management Department, Financing Management Department, Product R&D Department	Digital IT Department, Risk Control Department, Operation Management Department	Industry Research Department, Financial Management Department, Legal and Compliance Department
Capital Investment Decisions	Data Governance	Industry-Specific Knowledge
Decision Analysis	Information Systems	Strategic and Tactical Planning
Operational Knowledge	Data Visualization	Legal and Regulatory Requirements

	Capital Investment Decisions	Data Governance	Industry-Specific Knowledge
Pre-investment Stage	*Evaluate alternative scenarios using sensitivity analysis*	*Improve processes for preventing and correcting issues with data*	*Analyze the annual reports of customers, competitors, and suppliers*
Post-investment Stage	*Continuously monitor actual performances based on cost-of-capital hurdle rate*	*Manage the flow of data throughout its life cycle*	*Update industrial news and trends timely*
Disposal Stage	*Analyze quantitative and qualitative data for divestiture opportunities*	*Develop early warning systems and other risk mitigation data strategies*	*Analyze the industry threats leading to divestiture alarms*
Further Improvement	*Recommend potential new business ventures based on quantitative and qualitative factors*	*Automate data cleansing processes*	*Formulate ways to increase competitive advantage and identify new sources of value creation*

T H A N K S

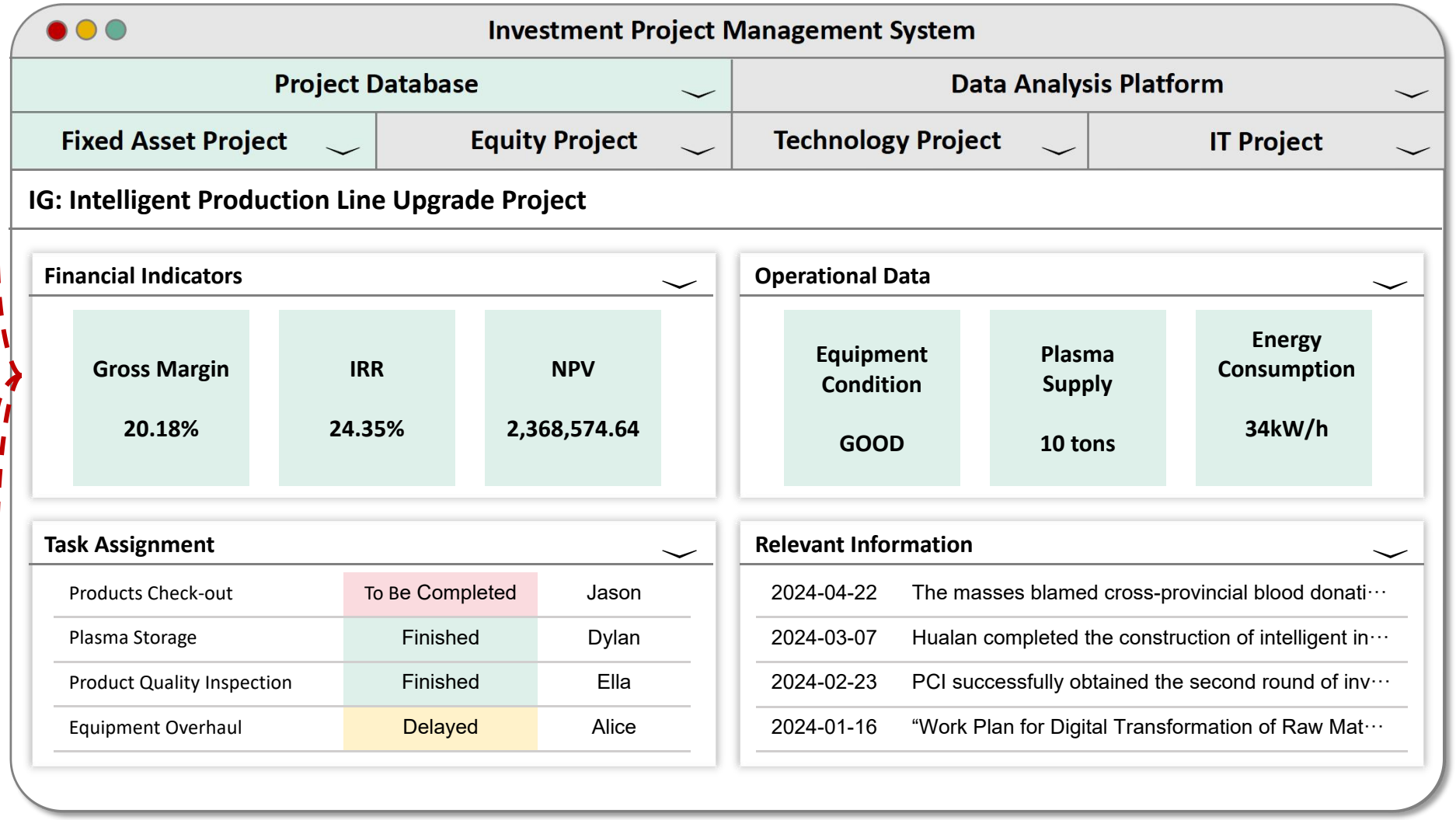
Project Management Office - HIGHFIVE (XN20233111)

Appendix 1 Project Database Diagram

Equity Project:
Satisfaction with software use
BUG tips
BUG fixes...

Technology Project:
Product market feedback
Market share...

IT Project:
The operation of the investee company...



Appendix 3 Tax Planning

Definition:
Tax planning refers to a series of planning activities to achieve the goal of paying less tax or deferring tax by making prior arrangements for tax-related matters such as business activities or investment behaviors of taxpaying entities (legal persons or natural persons) without violating the laws and regulations (tax law and other relevant laws and regulations) before the occurrence of tax acts.
The two main points of tax planning are "according to law" and "planning".

In order to get as much as possible "tax saving" tax benefits, we have the following six methods on tax planning:
1. Utilize tax incentives to carry out tax planning.
2. Reasonable use of business organization to carry out tax planning.
3. Using depreciation methods to carry out tax planning.
4. Tax planning using inventory valuation methods.
5. Using the choice of revenue recognition time for tax planning.
6. Tax planning using the choice of expense deduction standard.

eg. Price Options
When a fixed asset is sold at a price higher than its original value, the net gain is not necessarily higher than when it is sold at a price equal to or lower than its original value. That is, there is an equilibrium point where the net gain from selling at a higher price equals the net benefit from selling at the original value. Let us assume that the original value of the used fixed assets is P, the sales price of the used fixed assets is S, the applicable VAT rate when the sales price of the used fixed assets is higher than the original value is 4%, and the value-added rate of the used fixed assets is D.

When S/104% > P, the maximum actual sales revenue of the enterprise is = S-S/104%×4%.
When S/104% ≤ P, the maximum actual sales revenue of the enterprise is = S - S/104% × 4%.
If maximum actual sales revenue = P
The two formula synthesized, resulting in:
P = S - S/104% x 4%
(S-P)/P=3.85%=E

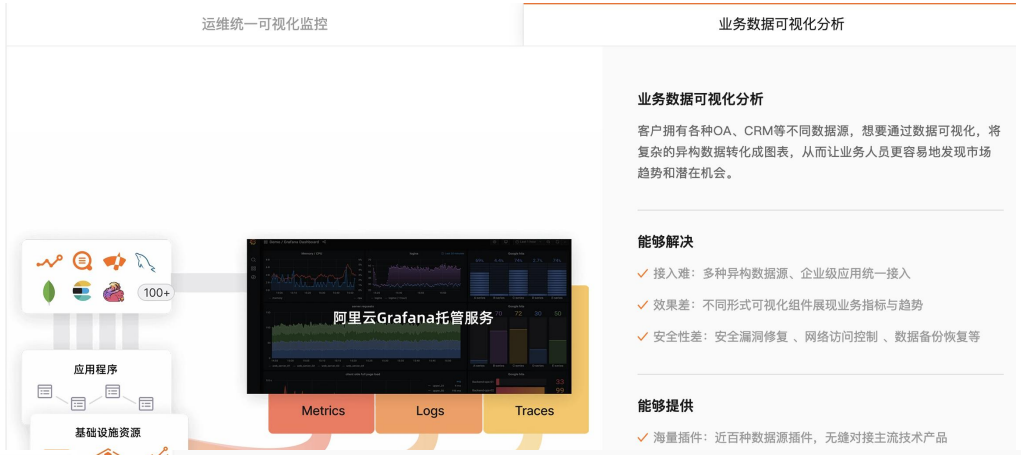
If the price of more than the original value but not more than the original value of 3.85% VAT exemption tax savings point, it should try to make the sales price does not exceed the original price, then the tax effect of tax exemption will bring more revenue.

If the price can exceed the VAT exemption point of 3.85% of the original price, then this indicates that the exemption should be waived and the VAT payment will bring in more revenue.

Appendix 2 Exist Project Managment System

Kingdee

Aliyun



Yuanian

Yonyou