

## MIRA INFORM REPORT

Report No. :	523047
Report Date :	02.08.2018

### IDENTIFICATION DETAILS

Name :	SHANDONG KAITAI PETROCHEMICAL CO., LTD.
Registered Office :	No. 202 Centre Road, Zhangdian District, ZiBo, Shandong Province 255040 PR
Country :	China
Financials (as on) :	31.12.2017
Date of Incorporation :	23.10.2002
Unified Social Credit Code :	91370300744504658E
Legal Form :	Shares Limited Company
Line of Business :	Subject registered business scope includes electricity generation; manufacturing and selling nitrogen, acrylic acid, methyl acrylate; water treatment; manufacturing and selling steam, fresh water, chilled water, circulating water, demineralized water, industrial wind, and filter; selling chemical raw materials, textile materials, coal, building materials, hardware, metal materials, mechanical and electrical products, instruments, fire-fighting equipment, needles, and grocery; community services, cleaning services; pipeline engineering matching, financial consultant and consulting; goods import and export.
No. of Employees :	856

### RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

MIRA's Rating :	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Good
Payment Behaviour :	Regular

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<b>Litigation :</b>	Clear
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**NOTES :**

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

**ECGC Country Risk Classification List**

<b>Country Name</b>	<b>Previous Rating (31.12.2017)</b>	<b>Current Rating (01.04.2018)</b>
China	A2	A1

<b>Risk Category</b>	<b>ECGC Classification</b>
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

**CHINA - ECONOMIC OVERVIEW**

Since the late 1970s, China has moved from a closed, centrally planned system to a more market-oriented one that plays a major global role. China has implemented reforms in a gradualist fashion, resulting in efficiency gains that have contributed to a more than tenfold increase in GDP since 1978. Reforms began with the phaseout of collectivized agriculture, and expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, growth of the private sector, development of stock markets and a modern banking system, and opening to foreign trade and investment. China continues to pursue an industrial policy, state support of key sectors, and a restrictive investment regime. Measured on a purchasing power parity (PPP) basis that adjusts for price differences, China in 2016 stood as the largest economy in the world, surpassing the US in 2014 for the first time in modern history. China became the world's largest exporter in 2010, and the largest trading nation in 2013. Still, China's per capita income is below the world average.

After keeping its currency tightly linked to the US dollar for years, China in July 2005 moved to an exchange rate system that references a basket of currencies. From mid-2005 to late 2008, the renminbi appreciated more than 20% against the US dollar, but the exchange rate remained virtually pegged to the dollar from the onset of the global financial crisis until June 2010, when Beijing announced it would allow a resumption of gradual liberalization. From 2013 until early 2015, the renminbi (RMB) appreciated roughly 2% against the dollar, but the exchange rate fell 13% from mid-2015 until end-2016 amid strong capital outflows in part stemming from the August 2015 official devaluation; in 2017 the RMB resumed appreciating against the dollar – roughly 7% from end-of-2016 to end-of-2017. From 2013 to 2017, China had one of the fastest growing economies in the world, averaging slightly more than 7% real growth per year. In 2015, the People's Bank of China announced it would continue to carefully push for full convertibility of the renminbi, after the currency was accepted as part of the IMF's special drawing rights basket. However, since late 2015 the Chinese Government has strengthened capital controls and oversight of overseas investments to better manage the exchange rate and maintain financial stability.

The Chinese Government faces numerous economic challenges including: (a) reducing its high domestic savings rate and correspondingly low domestic household consumption; (b) managing its high corporate debt burden to maintain financial stability; (c) controlling off-balance sheet local government debt used to finance infrastructure stimulus; (d) facilitating higher-wage job opportunities for the aspiring middle class, including rural migrants and college graduates, while maintaining competitiveness; (e) dampening speculative investment in the real estate sector without sharply slowing the economy; (f) reducing industrial overcapacity; and (g) raising productivity growth rates through the more efficient allocation of capital and state-support for innovation. Economic development has progressed further in coastal provinces than in the interior, and by 2016 more than 169.3 million migrant workers and their dependents had relocated to urban areas to find work. One consequence of China's population control policy known as the "one-child policy" - which was relaxed in 2016 to permit all families to have two children - is that China is now one of the most rapidly aging countries in the world. Deterioration in the environment - notably air pollution, soil erosion, and the steady fall of the water table, especially in the North - is another long-term problem. China continues to lose arable land because of erosion and urbanization. The Chinese Government is seeking to add energy production capacity from sources other than coal and oil, focusing on natural gas, nuclear, and clean energy development. In 2016, China ratified the Paris Agreement, a multilateral agreement to combat climate change, and committed to peak its carbon dioxide emissions between 2025 and 2030.

The government's 13th Five-Year Plan, unveiled in March 2016, emphasizes the need to increase innovation and boost domestic consumption to make the economy less dependent on government investment, exports, and heavy industry. However, China has made more progress on subsidizing innovation than rebalancing the economy. Beijing has committed to giving the market a more decisive role in allocating resources, but the



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<http://www.miraglobalcollections.com>

Chinese Government's policies continue to favor state-owned enterprises and emphasize stability. Chinese leaders in 2010 pledged to double China's GDP by 2020, and the 13th Five Year Plan includes annual economic growth targets of at least 6.5% through 2020 to achieve that goal. In recent years, China has renewed its support for state-owned enterprises in sectors considered important to "economic security," explicitly looking to foster globally competitive industries. Chinese leaders also have undermined some market-oriented reforms by reaffirming the "dominant" role of the state in the economy, a stance that threatens to discourage private initiative and make the economy less efficient over time. The slight acceleration in economic growth in 2017—the first such uptick since 2010—gives Beijing more latitude to pursue its economic reforms, focusing on financial sector deleveraging and its Supply-Side Structural Reform agenda, first announced in late 2015.

Source : CIA

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## **COMPANY NAME AND ADDRESS**

<b>COMPANY NAME</b>	Shandong Kaitai Petrochemical Co., Ltd.
<b>CURRENT ADDRESS/ REGISTERED ADDRESS</b>	No. 202 Centre Road, Zhangdian District, ZiBo, Shandong Province 255040 PR China
<b>TEL. NO.</b>	86 (0) 533-3576559/3576637
<b>FAX NO.</b>	86 (0) 533-3576565

## **EXECUTIVE SUMMARY**

DATE OF REGISTRATION	: OCTOBER 23, 2002
UNIFIED SOCIAL CREDIT CODE	: 91370300744504658E
LEGAL FORM	: SHARES LIMITED COMPANY
CHIEF EXECUTIVE	: ZHAO SHIXIANG (LEGAL REPRESENTATIVE)
REGISTERED CAPITAL	: CNY 186,196,484
STAFF	: 856
BUSINESS CATEGORY	: MANUFACTURING & TRADING
REVENUE	: CNY 1,401,491,000 (CONSOLIDATED, AS OF DEC. 31, 2017)
EQUITIES	: CNY 434,270,000 (CONSOLIDATED, AS OF DEC. 31, 2017)
WEBSITE	: <a href="http://www.sdkt.com.cn">www.sdkt.com.cn</a>
E-MAIL	: <a href="mailto:sdktfz@tom.com">sdktfz@tom.com</a>
PAYMENT	: REGULAR
MARKET CONDITION	: COMPETITIVE
FINANCIAL CONDITION	: FAIRLY STABLE
OPERATIONAL TREND	: FAIRLY STEADY
GENERAL REPUTATION	: AVERAGE

Adopted abbreviations (as follows)

**SC** - Subject Company (the company inquired by you)

**N/A** – Not available

**CNY** – China Yuan Ren Min Bi

## **OPERATIONAL TREND & GENERAL REPUTATION**

This section aims at indicating the relative positions of SC in respect of its operational trend & general reputation

Operational Trend:-

Upward

Steady

General Reputation:-

Excellent

Good

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Fairly Steady	Fairly Good
Ordinary	Average
Fair	Fair
Stagnant	Detrimental
Downward	Not known
Not known	Not yet be determined
Not yet be determined	

## **LEGAL STATUS & HISTORY**

SC was established as shares limited company of PRC with State Administration of Industry & Commerce (SAIC) under Unified Social Credit Code: 91370300744504658E.

SC's Import and Export Enterprise Code: 3700744504658

SC's registered capital: CNY 186,196,484

SC's paid-in capital: CNY 186,196,484

### **Registration Change Record:-**

<b>Date</b>	<b>Change of Contents</b>	<b>Before the change</b>	<b>After the change</b>
2016-2-18	Registered Capital	CNY 69,798,242	CNY 93,098,242
2017-7-19	Registered Capital	CNY 93,098,242	CNY 186,196,484

### **Current Co search indicates SC's shareholders & chief executives are as follows:-**

<b>Name of Shareholder (s) (As of December 31, 2017)</b>	<b>% of Shareholding</b>
Zhao Shixiang	32.58
Changjiang Securities Co., Ltd. Market Specific Securities Account	1.81
Liu Aiyang	1.68
CITIC Securities Co., Ltd. Market Specific Securities Account	1.62
Ding Lihua	1.29
Other Shareholders	61.02

### **SC's Chief Executives:-**

<b>Position</b>	<b>Name</b>
Legal Representative, Chairman and General Manager	Zhao Shixiang
Deputy General Manager	Zhang Legong
	Zhu Guangtao
	Ren Qingjun

## **RECENT DEVELOPMENT**

SC was listed on the new three board stock market, and the stock code is 831928.

## **SHAREHOLDER CHART & BACKGROUND**

<b>Name (As of December 31, 2017)</b>	<b>% of Shareholding</b>
Zhao Shixiang	32.58
Changjiang Securities Co., Ltd. Market Specific Securities Account	1.81
Liu Aiyong	1.68
CITIC Securities Co., Ltd. Market Specific Securities Account	1.62
Ding Lihua	1.29
Other Shareholders	61.02

## **MANAGEMENT**

### **Zhao Shixiang, Legal Representative, Chairman and General Manager**

-----

Gender: M  
Nationality: China  
Age: 59  
Qualification: University  
Working experience (s):

At present, working in SC as legal representative, chairman and general manager

### **Zhang Legong, Deputy General Manager**

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Gender: M  
Nationality: China  
Age: 55  
Qualification: University  
Working experience (s):

At present, working in SC as deputy general manager

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**Zhu Guangtao, Deputy General Manager**  
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Gender: M  
Nationality: China  
Age: 50  
Qualification: University  
Working experience (s):

At present, working in SC as deputy general manager

**Ren Qingjun, Deputy General Manager**  
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Gender: M  
Nationality: China  
Age: 53  
Qualification: University  
Working experience (s):

At present, working in SC as deputy general manager

## ***BUSINESS OPERATION***

SC's registered business scope includes electricity generation; manufacturing and selling nitrogen, acrylic acid, methyl acrylate; water treatment; manufacturing and selling steam, fresh water, chilled water, circulating water, demineralized water, industrial wind, and filter; selling chemical raw materials, textile materials, coal, building materials, hardware, metal materials, mechanical and electrical products, instruments, fire-fighting equipment, needles, and grocery; community services, cleaning services; pipeline engineering matching, financial consultant and consulting; goods import and export.

SC is mainly engaged in manufacturing and selling petrochemical products.

Brand: KAITAI



SC's products mainly include: acrylic acid, methyl acrylate, glacial acrylic acid, butyl acrylate.

SC sources its materials 100% from domestic market, Mainly Shandong. SC sells 60% of its products in domestic market, and 40% to overseas market, mainly South Asia, America and Middle East.

The buying terms of SC include Check, T/T and Credit of 30-60 days. The payment terms of SC include Check, L/C, T/T, and Credit of 30-60 days.

\*Major Customers\*

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China Petroleum & Chemical Corporation Qilu Branch  
Shandong Nuor Biological technology Co., Ltd.  
Si Di Ke New Materials (Jiangsu) Co., Ltd.  
Qingzhou Beite Chemical Co., Ltd.  
Zhejiang Yonghe Stickiness Products Co., Ltd.

**Staff & Office:**

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SC is known to have approx. 856 staff at present.

SC owns an area as its operating office and factory, but the detailed information is unknown.

## **RELATED COMPANY**

**SC is known to have 4 subsidiaries at present.**

Shandong Kaitai Petroleum and Chemical Propenoic Acid Co., Ltd.

Zibo Kaitai equipment installation Co., Ltd.

Zibo Huanghe Trading Co., Ltd.

Shandong Huanghe New Materials Technology Co., Ltd.

## **PAYMENT**

**Overall payment appraisal:**

Excellent  Good  Average  Fair  Poor  Not yet be determined

The appraisal serves as a reference to reveal SC's payments habits and ability to pay. It is based on the 3 weighed factors: Trade payment experience (through current enquiry with SC's suppliers), our delinquent payment records and our debt collection record concerning SC.

**Trade payment experience:** SC's suppliers declined to make any comments.

**Delinquent payment record:** None in our database.

**Debt collection record:** No overdue amount owed by SC was placed to us for collection within the last 6 years.

## **BANKING**

The bank information of SC is not filed in SAIC.

## **FINANCIALS**

### **Consolidated Balance Sheet**

Unit: CNY'000

	<b>As of Dec. 31, 2016</b>	<b>As of Dec. 31, 2017</b>
Cash	119,093	146,829
Notes receivable	59,647	46,198
Accounts receivable	31,873	38,922
Advances to suppliers	38,047	29,804
Other receivable	19,276	881
Inventory	104,104	107,953
Prepaid expenses	0	0
Other current assets	15,351	13,082
	-----	-----
Current assets	387,391	383,669
Long-term investment	0	0
Fixed assets	726,457	670,606
Construction in progress	0	157,223
Intangible assets	132,026	155,589
Long-term prepaid expenses	7,265	2,422
Deferred income tax assets	4,905	5,899
Other non-current assets	12,701	225,199
	-----	-----
Total assets	1,270,745	1,600,607
	=====	=====
Short-term loans	245,800	192,800
Notes payable	44,000	55,339
Accounts payable	145,903	118,797
Wages payable	0	158
Taxes payable	4,937	3,459
Advances from clients	58,243	53,906
Other payable	35,244	37,637
Accrued expenses	0	0
Other current liabilities	12,001	80,000
	-----	-----
Current liabilities	546,128	542,096
Non-current liabilities	300,454	624,241
	-----	-----
Total liabilities	846,582	1,166,337
Equities	424,163	434,270
	-----	-----
Total liabilities & equities	1,270,745	1,600,607
	=====	=====

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**Consolidated Income Statement**

Unit: CNY'000	As of Dec. 31, 2016	As of Dec. 31, 2017
Revenue	1,106,270	1,401,491
Cost of sales	998,132	1,223,063
Sales expense	34,713	38,406
Management expense	74,586	95,549
Finance expense	31,340	27,418
Asset impairment loss	1,577	61
Profit before tax	-20,489	9,131
Less: profit tax	581	-976
Profits	-21,070	10,107

**Important Ratios**

=====	As of Dec. 31, 2016	As of Dec. 31, 2017
*Current ratio	0.71	0.71
*Quick ratio	0.52	0.51
*Liabilities to assets	0.67	0.73
*Net profit margin (%)	-1.90	0.72
*Return on total assets (%)	-1.66	0.63
*Inventory / Revenue x365	35 days	29 days
*Accounts receivable / Revenue x365	11 days	11 days
*Revenue / Total assets	0.87	0.88
*Cost of sales / Revenue	0.90	0.87

**FINANCIAL COMMENTS**

**PROFITABILITY: AVERAGE**

The revenue of SC appears fairly good in its line.  
SC's net profit margin is fair in 2016, average in 2017.  
SC's return on total assets is fair in 2016, average in 2017.  
SC's cost of sales is average, comparing with its revenue.

**LIQUIDITY: AVERAGE**

The current ratio of SC is maintained in a fair level.  
SC's quick ratio is maintained in a fair level.  
The inventory of SC appears average.  
The accounts receivable of SC appears average.  
The short-term loans of SC appear large.  
SC's revenue is in a fair level, comparing with the size of its total assets.

**LEVERAGE: AVERAGE**

The debt ratio of SC is average.

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The risk for SC to go bankrupt is average.

**Overall financial condition of the SC: Fairly Stable.**

## **CONCLUSIONS**

SC is considered medium-sized in its line with fairly stable financial conditions.

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.61
UK Pound	1	INR 89.93
Euro	1	INR 80.12
CNY	1	INR 10.04

**Note :** Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

Analysis Done by :	NIS
Report Prepared by :	TRU

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)

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