

## MIRA INFORM REPORT

<b>Report No. :</b>	524475
<b>Report Date :</b>	13.08.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	WEIHAI HUADONG AUTOMATION CO., LTD.
<b>Registered Office :</b>	No. 698 Huanshan Road, Economic Development Zone, Weihai, Shandong Province 264205 PR
<b>Country :</b>	China
<b>Financials (as on) :</b>	31.03.2018
<b>Date of Incorporation :</b>	04.03.2002
<b>Unified Social Credit Code.:</b>	91370000735783157F
<b>Legal Form :</b>	Shares Limited Company
<b>Line of Business :</b>	Subject registered business scope includes manufacturing and selling CNC system, CNC machine tools, cutting tools, hand tools, metal cutting machine tools, machine accessories, hydraulic components, pneumatic components, power tools, motors, electrical components, industrial automation instruments; selling measuring instrument; exporting its products and technology; importing materials, instrument, machinery and equipment, parts and technology needed for its production; processing with imported materials, processing with imported samples, assembling with imported parts, and compensation trade in agreement
<b>No. of Employees :</b>	761

### RATING & COMMENTS

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

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

<b>Status :</b>	Satisfactory
<b>Payment Behaviour :</b>	Slow but Correct

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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 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

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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***

**COMPANY NAME** Weihai Huadong Automation Co., Ltd.  
**CURRENT ADDRESS/ REGISTERED ADDRESS** No. 698 Huanshan Road, Economic Development Zone,  
Weihai, Shandong Province 264205 PR China  
**TEL. NO.** 86 (0) 631-5968077  
**FAX NO.** 86 (0) 631-5967988

## ***EXECUTIVE SUMMARY***

**DATE OF REGISTRATION** : MARCH 4, 2002  
**UNIFIED SOCIAL CREDIT CODE** : 91370000735783157F  
**LEGAL FORM** : SHARES LIMITED COMPANY  
**CHIEF EXECUTIVE** : LIAN XIAOMING (LEGAL REPRESENTATIVE)  
**REGISTERED CAPITAL** : CNY 307,495,600  
**STAFF** : 761  
**BUSINESS CATEGORY** : MANUFACTURING & TRADING  
**REVENUE** : CNY 23,153,000 (CONSOLIDATED, JAN. 1, 2018  
TO MAR. 31, 2018)  
**EQUITIES** : CNY 604,519,000 (CONSOLIDATED, AS OF  
MAR. 31, 2018)  
**WEBSITE** : [www.huadongcnc.com](http://www.huadongcnc.com)  
**E-MAIL** : [sale@huadongcnc.com](mailto:sale@huadongcnc.com)  
**PAYMENT** : SLOW BUT CORRECT  
**MARKET CONDITION** : AVERAGE  
**FINANCIAL CONDITION** : FAIR  
**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

Fairly Steady

Ordinary

General Reputation:-

Excellent

Good

Fairly Good

Average

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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: 91370000735783157F.

SC's Import and Export Enterprise Code: 3700735783157

SC's registered capital: CNY 307,495,600

SC's paid-in capital: CNY 307,495,600

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

<b>Date</b>	<b>Change of Contents</b>	<b>Before the change</b>	<b>After the change</b>
2014-5-26	Registered Capital	CNY 257,495,600	CNY 307,495,600
2015-6-9	Legal Representative	Tang Shixian	Guo Hongjun
2015-7-6	Legal Representative	Guo Hongjun	Li Zhuang
2015-11-25	Legal Representative	Li Zhuang	Liu Yongqiang
2018-5-8	Legal Representative	Liu Yongqiang	Lian Xiaoming

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

<b>Name of Shareholder (s) (As of March 31, 2018)</b>	<b>% of Shareholding</b>
Weihai Weigao International Medical Investment Holding Co., Ltd.	16.06
Shandong High-tech Investment Corporation Co., Ltd.	6.83
Tang Shixian	4.71
Li Meifang	1.51
Peng Hanguang	1.3
Bi Junna	1.25
Zhou Renyu	1.02
Feng Yansong	1
Li Zhijuan	0.64
Li Gang	0.56
Other Shareholders	65.12

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**SC's Chief Executives:-**

**Position**

Legal Representative and Chairman  
General Manager  
Deputy General Manager

**Name**

Lian Xiaoming  
Tang Shixian  
Wang Haibo  
Mao Weishun  
Li Xiaomeng  
Liu Yongqiang

## **RECENT DEVELOPMENT**

SC was listed in Shanghai Stock Exchange Market with the code of 002248.

## **SHAREHOLDER CHART & BACKGROUND**

<i>Name (As of March 31, 2018)</i>	<i>% of Shareholding</i>
Weihai Weigao International Medical Investment Holding Co., Ltd.	16.06
Shandong High-tech Investment Corporation Co., Ltd.	6.83
Tang Shixian	4.71
Li Meifang	1.51
Peng Hanguang	1.3
Bi Junna	1.25
Zhou Renyu	1.02
Feng Yansong	1
Li Zhijuan	0.64
Li Gang	0.56
Other Shareholders	65.12

 Weihai Weigao International Medical Investment Holding Co., Ltd.

Unified Social Credit Code: 9137100032175222XU

Legal Representative: Chen Xueli

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Registered Capital: CNY 14,757,900

Shandong High-tech Investment Corporation Co., Ltd.

Unified Social Credit Code: 91370000723862595H

Legal Representative: Liu Bozhe

Registered Capital: CNY 1,165,720,000

## **MANAGEMENT**

### **Lian Xiaoming , Legal Representative and Chairman**

- Gender: M
- Nationality: China
- Age: 46
- Qualification: University
- Working experience (s):

At present, working in SC as legal representative and chairman, also working in Weihai Huadong Heavy Industries Co., Ltd., Weihai Huadong CNC Machine Tools Co., Ltd. and Shanghai Original Precise Machine Tools Spindle Co., Ltd. as legal representative

### **Tang Shixian , General Manager**

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

At present, working in SC as general manager

### **Deputy General Manager**

Wang Haibo  
Mao Weishun  
Li Xiaomeng  
Liu Yongqiang

## **BUSINESS OPERATION**

SC's registered business scope includes manufacturing and selling CNC system, CNC machine tools, cutting tools, hand tools, metal cutting machine tools, machine accessories, hydraulic components, pneumatic components, power tools, motors, electrical components, industrial automation instruments; selling measuring

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instrument; exporting its products and technology; importing materials, instrument, machinery and equipment, parts and technology needed for its production; processing with imported materials, processing with imported samples, assembling with imported parts, and compensation trade in agreement.

SC is mainly engaged in manufacturing and selling CNC machine tools.  
Brand: HDCNC

SC's products mainly include: gantry machine, floor type borer, milling machine, etc.

SC sources its materials 100% from domestic market. SC sells 70% of its products in domestic market, and 30% to overseas market.

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

\*Major Customers:

=====  
Tianjin Siwei Machinery and Equipment Co., Ltd.  
Nantong Siguanchi CNC Machine Tools Co., Ltd.  
Baotou Iron & Steel Group Manufacture Co., Ltd.  
Xisi Zhuangming Mechanical & Electrical Equipment (Shanghai) Co., Ltd.

**Staff & Office:**

-----  
SC is known to have approx. 761 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 the following subsidiaries at present:**

Weihai Eastern Power Co., Ltd.  
Weihai Huadong Heavy Industries Co., Ltd.  
Weihai Huadong CNC Machine Tools Co., Ltd.  
Shanghai Original Precise Machine Tools Spindle Co., Ltd.  
Etc.

## ***PAYMENT***

**Overall payment appraisal:**

( ) Excellent ( ) Good (X) Average ( ) Fair ( ) Poor ( ) Not yet be determined

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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 did not provide any name of trade/service suppliers and we have no other sources to conduct the enquiry at present.

**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***

### **Basic Bank:**

China Merchants Bank Weihai High-tech Sub-branch

AC#: 531902104210888

## ***FINANCIALS***

### **Consolidated Balance Sheet**

Unit: CNY'000

	<b>As of Dec. 31, 2017</b>	<b>As of Mar. 31, 2018</b>
Cash	59,103	28,599
Accounts receivable	68,725	55,925
Notes receivable	23,265	20,667
Advances to suppliers	6,056	5,913
Interest receivable	0	0
Dividend receivable	0	0
Other receivable	71,415	69,234
Inventory	360,633	345,635
Non-current assets within one year	0	0
Other current assets	4,832	3,902
	-----	-----
Current assets	594,029	529,875
Long-term investments	0	2,697
Fixed assets	662,553	646,371
Construction in progress	118,369	118,738
Project materials	12,251	11,985
Intangible assets	156,254	155,253
Long-term deferred expense	0	0
Deferred income tax assets	0	0
Other non-current assets	0	0

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Total assets	1,543,456	1,464,919
Short-term loans	212,860	206,850
Notes payable	0	0
Accounts payable	97,310	99,132
Payroll payable	22,646	21,258
Taxes payable	24,688	10,838
Interest payable	22,454	25,496
Dividend payable	3,920	3,920
Advances from clients	74,506	61,991
Other payable	292,682	290,980
Non-current liabilities within one year	83,500	83,500
Other current liabilities	1,081	1,081
Current liabilities	835,647	805,046
Non-current liabilities	55,354	55,354
Total liabilities	891,001	860,400
Equities	652,455	604,519
Total liabilities & equities	1,543,456	1,464,919

**Consolidated Income Statement**

Unit: CNY'000	As of Dec. 31, 2017	Jan. 1, 2018 to Mar. 31, 2018
Revenue	110,913	23,153
Cost of sales	127,215	24,396
Business Taxes and Surcharges	14,348	2,718
Sales expense	12,231	2,166
Management expense	81,856	15,989
Finance expense	53,447	6,873
Asset impairment loss	125,650	7,871
Non-operating income	70,593	752
Non-operating expense	8,494	19
Profit before tax	-10,231	-36,128
Less: profit tax	-427	0
Profits	-9,804	-36,128

**Important Ratios**

	As of Dec. 31, 2017	As of Mar. 31, 2018
*Current ratio	0.71	0.66
*Quick ratio	0.28	0.23
*Liabilities to assets	0.58	0.59
*Net profit margin (%)	-8.84	-156.04
*Return on total assets (%)	-0.64	-2.47

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*Inventory / Revenue x365/90	1,187 days	1,344 days
*Accounts receivable / Revenue x365/90	227 days	218 days
*Revenue / Total assets	0.07	0.02
*Cost of sales / Revenue	1.15	1.05

## **FINANCIAL COMMENTS**

### **PROFITABILITY: FAIR**

- The revenue of SC appears average in its line.
- SC's net profit margin is poor.
- SC's return on total assets is fair.
- SC's cost of sales is high, comparing with its revenue.

### **LIQUIDITY: POOR**

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

### **LEVERAGE: FAIR**

- The debt ratio of SC is average.
- The risk for SC to go bankrupt is fairly high.

**Overall financial condition of the SC: Fair.**

## **CONCLUSIONS**

SC is considered medium-sized in its line with fair financial conditions. Taking into consideration of SC's general performance, reputation as well as market conditions

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.95
UK Pound	1	INR 88.19
Euro	1	INR 78.99
CNY	1	INR 10.16

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

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	PRI
<b>Report Prepared by :</b>	KET

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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)