

## MIRA INFORM REPORT

Report No. :	526165
Report Date :	21.08.2018

### IDENTIFICATION DETAILS

Name :	GUANGDONG ZHONGYAO KILN STOCK CO., LTD.
Registered Office :	East Gongye Avenue, Xiabo Industry Zone, Luocun Town, Nanhai District, Foshan City, Guangdong Province, Pr
Country :	China
Financials (as on) :	30.06.2017
Date of Incorporation :	18.03.2003
Credibility Code :	9144060074803880XF
Legal Form :	Shares Limited Company
Line of Business :	The subject's registered business scope includes processing, manufacturing and selling industrial kiln: roller kiln, dry kiln, tunnel kiln, shuttle kiln, coke oven, heating furnace and related equipment, supporting engineering; metal structure and installation of construction and mechanical equipment; importing and exporting goods and technologies.
No. of Employees :	266

### 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
Litigation :	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**

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
China	A2	A1

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

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**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

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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 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

## **COMPANY NAME & ADDRESS**

Company Name : GUANGDONG ZHONGYAO KILN STOCK CO., LTD.  
Address : ZHONGYAO BUILDING, XIABO INDUSTRY ZONE, LUOCUN TOWN, NANHAI DISTRICT, FOSHAN CITY, GUANGDONG PROVINCE, PR CHINA  
Telephone : 0086-757-86136888  
Facsimile : 0086-757-86136838  
Website : <http://www.zhongyaokiln.com>  
Email : [kiln@zhongyaokiln.com](mailto:kiln@zhongyaokiln.com)

## **REGISTRATION INFORMATION**

Established Date : 2003-03-18  
Credibility Code : 9144060074803880XF  
Legal Form : Shares Limited Co.  
Issuing Authority : Administration for Industry & Commerce (AIC) - Foshan  
Status : Active

Registered Capital : RMB 78,000,000  
Paid Up Capital : RMB 78,000,000  
Turnover : RMB 154,976,000 (Consolidated as of Jun. 30, 2017)  
Equities : RMB 224,673,000 (Consolidated as of Jun. 30, 2017)

Chief Executive : Liu Dan  
Business Line : Manufacturer  
Manpower : 266

Tax Registration  
Certificate No. : 9144060074803880XF  
Credit rating : A(Y2016)  
Organization Code : 74803880-X

HS code : 4428960402  
Import & Export code: 440074803880X

Financial Condition : Stable  
Business Size : Medium Enterprise  
Payment : Regular

### **REGISTERED ADDRESS**

EAST GONGYE AVENUE, XIABO INDUSTRY ZONE, LUOCUN TOWN, NANHAI DISTRICT, FOSHAN CITY, GUANGDONG PROVINCE, PR CHINA

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**COMPANY STATUS: SHARES LIMITED CO.**

This form of business in PR China is defined as a legal person. Its registered capital is divided into shares of equal par value and the co. raises capital by issuing share certificates by promotion or by public offer. Shareholders bear limited liability to the extent of shareholding, and the co. is liable for its debts only to the extent of its total assets. The co has independent property of legal person and enjoys property rights of legal person. The characteristics of the shares limited co. are as follows:

The establishment of the co. requires at least two promoters and no more than 200, half of whom shall be domiciled in China. Natural person are allowed to serve as promoters.

The minimum registered capital of a co. is RMB 5M. while that of the co. with foreign investment is RMB 5M. The total capital of a co. which propose to apply for publicly listed must be no less than RMB 30M.

The board of directors must consist of five to nineteen directors.

If the co. raises capital by public offer, the promoters must not subscribe less than 35% of the total shares. the promoters' shares are restricted to transfer- within one year of the offer.

A state-owned enterprise that is restructured into a shares limited co. must comply with the conditions & requirements specified under the law & administrative rule.

**PREMISE**

The subject operates from premises located at the heading address, and this address houses its operating office and factory in Foshan. Our checks reveal that the subject rents the total premise, but the square meters are unknown.

***MANAGEMENT***

<b>Position</b>	<b>Name</b>	<b>Nationality</b>
Legal representative, General Manager Chairman	Liu Dan	Chinese
Vice General Manager	Liang Wenge Yang Xiaoping Hong Xiaodan	Chinese
Directors	Cao Yong Liang Wenge Liu Renhe Jin Shandong Feng Qing Yin Hong	Chinese
Supervisors	Ma Jingjing Liu Huoyuan Kuang Yinglan	Chinese

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## **MAJOR SHAREHOLDERS**

<b>Name (as of 2017-08-15)</b>	<b>% Shareholding</b>
Liu Dan	54.74
Xinyu Zhongdan Investment Management Co Ltd	7.83
Yang Yi	7.38
Guangzhou Kaitongde Venture Investment Limited Partnership (Limited Partnership)	4.43
Li Bojia	2.77
Deng Jianwei	2.43
Shenzhen Kaijianhong Investment Management Co Ltd - Kaijianhong Jiufeng Tianshun 1 No.	2.01
Sun Shimin	1.69
The Securities Account Of The Changjiang Securities Co Ltd For Market Making	1.58
Liu Mingchao	1.56
Other shareholders	13.58

## **KEY EVENTS**

### **Changes of its registered information are as follows:**

<b>Date of change</b>	<b>Item</b>	<b>Before the change</b>	<b>After the change</b>
2015-06-19	Registered capital	RMB 72,000,000	Present one

## **BUSINESS OPERATIONS**

The subject's registered business scope includes processing, manufacturing and selling industrial kiln: roller kiln, dry kiln, tunnel kiln, shuttle kiln, coke oven, heating furnace and related equipment, supporting engineering; metal structure and installation of construction and mechanical equipment; importing and exporting goods and technologies (with permit if needed)

The subject is mainly engaged in manufacturing and selling industrial kiln.

### **Products:**

Roller kiln  
Dry kiln  
Tunnel kiln  
Shuttle kiln  
etc.

The subject sources its materials 60% from domestic market, and 40% from overseas market. the subject sells 30% of its products in domestic market, and 70% to overseas market.

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

## **SUPPLIER & CUSTOMER**

No record.

## **RELATED COMPANIES**

### **Subsidiary**

Foshan Zhong Yao Technology Co., Ltd.  
=====

Credibility Code: 91440605594032076R

Legal representative: Liu Dan

Registered Capital: RMB 10,000,000

Established Date: 2012-04-10

## **NEGATIVE INFORMATION**

### **Lawsuit Record:**

<b>Date</b>	<b>Case No.</b>	<b>Petitioner</b>	<b>Defendant</b>	<b>Executive court</b>	<b>Status</b>
2018-02-11	2017-0605	The subject company.	Hubei Dihao Ceramics Co. Ltd	The people's Court of Nanhai District, Foshan	Concluded
2017-04-19	2016-0605	China Pingan Safe Property Insurance Co Ltd	The subject company.	The people's Court of Nanhai District, Foshan	Concluded

Etc.

**Trade payment experience:** The subject 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 the subject was placed to us for collection within the last 6 years.

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**Customs administrative penalty:** No record.

**Equity freeze information:** No record.

**Administrative Penalty:** No record.

## **MORTGAGE**

There is no record of mortgage information at present.

## **TRADEMARK**

Registration No.	Registration Date	Trademark Design
10046603	2011-10-10	ZHONGYAO KILN
10046453	2011-10-10	中窑窑业

## **PATENT**

Patent name	Published Application	Application number	Date of publication
Activated furnace for continuous production of carbon fiber	CN105821525B	CN201610368680.1	2017-11-28
A roller kiln	CN104896921B	CN201510357238.4	2017-07-04

Etc.

## **BANKING**

Nanhai Luocun Rural Credit Cooperatives  
Account No.: --

## **ABBREVIATED FINANCIAL STATEMENT**

### **Consolidated Balance Sheet**

Unit: RMB'000

	<b>as of Dec. 31, 2016</b>	<b>as of Jun. 30, 2017</b>
Cash & bank	98,106	92,699
Notes receivable	2,000	2,128
Inventory	128,334	164,538
Accounts receivable	81,523	43,531
Advances to suppliers	188,044	162,268
Other receivables	26,923	26,018
Non-current assets due within one year	23,000	18,000
Other current assets	1	4,116
	-----	-----
Current assets	547,931	513,298
Fixed assets net value	16,450	16,040
Projects under construction	0	0
Intangible assets	12,124	11,957
Deferred tax assets	4,475	4,507
Other assets	15,884	17,802
	-----	-----
Total assets	596,864	563,604
	=====	=====
Short loans	29,400	30,000
Notes payable	48,259	42,836
Accounts payable	68,541	90,003
Advances from customers	208,611	165,852
Accrued payroll	3,298	1,477
Taxes payable	10,005	3,509
Other accounts payable	2,274	2,261
Non-current liabilities due within one year	50	50
Other current liabilities	2	2
	-----	-----
Current liabilities	370,440	335,990
Non-current liabilities	2,941	2,941
	-----	-----
Total liabilities	373,381	338,931
Shareholders equities	223,483	224,673
	-----	-----
Total liabilities & equities	596,864	563,604
	=====	=====

### **Consolidated Income Statement**

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Unit: RMB'000

	as of Dec. 31, 2016	as of Jun. 30, 2017
Turnover	252,030	154,976
Cost of goods sold	206,205	138,616
Sales expense	8,504	3,455
Management expense	18,891	9,267
Finance expense	1,520	931
Profit before tax	8,896	1,384
Less: profit tax	1,648	195
Net profit	7,248	1,189

**Important Ratios**

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	as of Dec. 31, 2016	as of Jun. 30, 2017
*Current ratio	1.48	1.53
*Quick ratio	1.13	1.04
*Liabilities to assets	0.63	0.60
*Net profit margin (%)	2.88	0.77
*Return on total assets (%)	1.21	0.21
*Inventory /Turnover x365	186 days	--
*Accounts receivable/Turnover x365	119 days	--
*Turnover/Total assets	0.42	0.27
* Cost of goods sold/Turnover	0.82	0.89

**PROFITABILITY: AVERAGE**

- The turnover of the subject is fairly good.
- The subject's net profit margin is average.
- The subject's return on total assets is average.
- The subject's cost of goods sold is average, comparing with its turnover.

**LIQUIDITY: AVERAGE**

- The current ratio of the subject is maintained in a normal level.
- The subject's quick ratio is maintained in a normal level.
- The inventory of the subject is fairly large.
- The accounts receivable of the subject is fairly large.
- The short-term loan of the subject is average.
- The subject's turnover is in a fair level, comparing with the size of its total assets.

**LEVERAGE: AVERAGE**

- The debt ratio of the subject is average.
- The risk for the subject to go bankrupt is average.

**TREND ANALYSIS**

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	2014	2015	2016
Sales Trend	--	--	--

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Profit margin	--	--	--
Debt to assets ratio	--	--	--
Overall Financial Condition	<input type="checkbox"/> Good <input type="checkbox"/> Fairly Stable	<input type="checkbox"/> Fairly Good <input type="checkbox"/> Fair	<input checked="" type="checkbox"/> Stable <input type="checkbox"/> Poor

## **COMMENT**

The subject was registered as a Shares limited co. at local Administration for Industry & Commerce (AIC - The official body of issuing and renewing business license).

The subject is considered medium-sized in its line with stable financial conditions.

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 69.76
UK Pound	1	INR 88.87
Euro	1	INR 79.67
CNY	1	INR 10.17

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

**INFORMATION DETAILS**

Analysis Done by :	VIV
Report Prepared by :	NIT

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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)