

**INNER MONGOLIA CHANGSHENG PHARMACEUTICAL CO., LTD. - 545236 PAGE NO. : 1**

## MIRA INFORM REPORT

<b>Report No. :</b>	545236
<b>Report Date :</b>	17.12.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	INNER MONGOLIA CHANGSHENG PHARMACEUTICAL CO., LTD.
<b>Registered Office :</b>	Tuodian Industrial Zone, Tuoketuo County, Hohhot, Inner Mongolia 010206 PR
<b>Country :</b>	China
<b>Financials (as on) :</b>	31.12.2016
<b>Date of Incorporation :</b>	17.10.2003
<b>Unified social credit code.:</b>	911501007525871666
<b>Legal Form :</b>	Wholly Foreign Owned Enterprise
<b>Line of Business :</b>	Subject registered business scope includes manufacturing and selling 6 - aminopenicillanic acid, amoxicillin, ampicillin, 7 - amino-3 the - off acetoxy Cephalosporanic acid, deacetyl-7-ACA, 7 - aminocephalosporanic acid; industrial wastewater treatment; manufacturing and selling organic fertilizer, blended fertilizer and related products; manufacturing and selling fine chemical products.
<b>No. of Employees :</b>	900

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**RATING & COMMENTS**

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

**MIRA's Rating :**

A

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
<b>Litigation :</b>	Clear

**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 (30.06.2018)	Current Rating (30.09.2018)
China	A1	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. From 2013 to 2017, China had one of the fastest growing economies in the world, averaging slightly more than 7% real growth per year. Measured on a purchasing power parity (PPP) basis that adjusts for price differences, China in 2017 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.

In July 2005 moved to an exchange rate system that references a basket of currencies. From mid-2005 to late 2008, the renminbi (RMB) 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 resume a gradual appreciation. From 2013 until early 2015, the renminbi held steady against the dollar, but it depreciated 13% from mid-2015 until end-2016 amid strong capital outflows; in 2017 the RMB resumed appreciating against the dollar – roughly 7% from end-of-2016 to end-of-2017. 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

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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 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** Inner Mongolia Changsheng Pharmaceutical Co., Ltd.  
**CURRENT ADDRESS/ REGISTERED ADDRESS** Tuodian Industrial Zone, Tuoketuo County, Hohhot, Inner Mongolia 010206 PR China  
**TEL. NO.** 86 (0) 471-8660666/8660628/8660624/8660622  
**FAX NO.** 86 (0) 471-8660964

## ***EXECUTIVE SUMMARY***

DATE OF REGISTRATION : OCTOBER 17, 2003  
UNIFIED SOCIAL CREDIT CODE : 911501007525871666  
LEGAL FORM : WHOLLY FOREIGN OWNED ENTERPRISE  
CHIEF EXECUTIVE : ZHANG HONGBIN (LEGAL REPRESENTATIVE)  
REGISTERED CAPITAL : HKD 271,647,200  
STAFF : 900  
BUSINESS CATEGORY : MANUFACTURING & TRADING  
REVENUE : CNY 908,600,000 (AS OF DEC. 31, 2016)  
EQUITIES : CNY 205,040,000 (AS OF DEC. 31, 2016)  
WEBSITE : N/A  
E-MAIL : [wangxiaokang@mail.ecspc.com](mailto:wangxiaokang@mail.ecspc.com)  
PAYMENT : SLOW BUT CORRECT  
MARKET CONDITION : COMPETITIVE  
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

Fair

Stagnant

General Reputation:-

Excellent

Good

Fairly Good

Average

Fair

Detrimental

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Downward	Not known
Not known	Not yet be determined
Not yet be determined	

***LEGAL STATUS & HISTORY***

SC was established as a wholly foreign owned enterprise of PRC with State Administration of Industry & Commerce (SAIC) under Unified Social Credit Code: 911501007525871666.

SC's Import and Export Enterprise Code: 1500752587166

SC's registered capital: HKD 271,647,200

SC's paid-in capital: HKD 271,647,200

**Registration Change Record:-**

Date	Change of Contents	Before the change	After the change
--	Registered No. Legal Representative Registered Capital	000404 Ji Jianming HKD 258,000,000	150100400000023 Liu Zhentao HKD 271,647,200
2013	Company Name Legal Representative	CSPC Zhongrun Pharmaceutical (Inner Mongolia) Co., Ltd. Liu Zhentao	Inner Mongolia Changsheng Pharmaceutical Co., Ltd. Tian Yumiao
2014-2-26	Legal Representative Shareholder (s)	Tian Yumiao China Pharmaceutical Group Limited (Hong Kong) 100%	Lu Hua Best Century Group Limited (Hong Kong) 100%
2015-8-26	Legal Representative	Lu Hua	Mu Shusheng
2015-9-29	Legal Representative Registration No./ Unified Social Credit Code	Mu Shusheng 150100400000023	Chen Yingxin 911501007525871666
2018-3-14	Legal Representative	Chen Yingxin	Zhang Hongbin

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

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<b>Name of Shareholder (s)</b>	<b>% of Shareholding</b>
Best Century Group Limited (Hong Kong)	100

**SC's Chief Executives:-**

<b>Position</b>	<b>Name</b>
Legal Representative and Chairman	Zhang Hongbin
General Manager	Guo Junchen
Director	Mu Shusheng
	Chen Yingxin

## ***RECENT DEVELOPMENT***

No recent development was found during our checks at present.

## ***SHAREHOLDER CHART & BACKGROUND***

<i>Name</i>	<i>% of Shareholding</i>
-------------	--------------------------

Best Century Group Limited (Hong Kong)	100
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Date of Registration: January 7, 2011  
CR No.: 1549788  
Company Type: Private Company Limited by Shares  
Active Status: Live

## ***MANAGEMENT***

**Zhang Hongbin , Legal Representative and Chairman**

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

At present, working in SC as legal representative and chairman, also working in Inner Mongolia Changrong Sugar Industrial Co., Ltd. as legal representative

**Guo Junchen , General Manager**

- 
- Gender: M

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- Nationality: China
- Qualification: University
- Working experience (s):

At present, working in SC as general manager

**Director**

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Mu Shusheng  
Chen Yingxin

## ***BUSINESS OPERATION***

SC's registered business scope includes manufacturing and selling 6 - aminopenicillanic acid, amoxicillin, ampicillin, 7 - amino-3 the - off acetoxo Cephalosporanic acid, deacetyl-7-ACA, 7 - aminocephalosporanic acid; industrial wastewater treatment; manufacturing and selling organic fertilizer, blended fertilizer and related products; manufacturing and selling fine chemical products.

SC is mainly engaged in manufacturing and selling pharmaceutical products.

SC's products mainly include: 6-Aminopenicillanic acid, amoxicillin, Ampicillin, etc.

SC sources its materials 90% from domestic market, and 10% from the overseas market, mainly European countries. SC sells 66% of its products in domestic market, and 34% to the overseas market, mainly Southeast Asia and European countries.

The buying terms of SC include Check, T/T, L/C 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\***

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Teva Pharmaceuticals Usa Inc.  
Globe Trotters Pvt Ltd.  
Laborate Pharmaceutical India Limited

**Staff & Office:**

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SC is known to have approx. 900 staff at present.

SC owns an area as its operating office & factory of approx. 685,000 sq. meters at the heading address.

## ***RELATED COMPANY***

SC is known to invest in the following companies:

■ Inner Mongolia Changrong Sugar Industrial Co., Ltd.  
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Date of Registration: April 19, 2004  
Unified Social Credit Code: 91150122761051662E  
Legal Representative: Zhang Hongbin  
Registered Capital: CNY 33,000,000

■ Hebei Ningji Bio-tech Co., Ltd.  
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Date of Registration: April 19, 2017  
Unified Social Credit Code: 91130104MA08EY7P28  
Legal Representative: Xiang Wei  
Registered Capital: CNY 10,000,000

■ Hebei Zhonghong Yintai International Trade Co., Ltd.  
-----

Date of Registration: September 6, 2015  
Unified Social Credit Code: 911301823480195547  
Legal Representative: Qu Zhiyong  
Registered Capital: CNY 50,000,000  
Etc.

## ***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 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:**

Industrial & Commercial Bank of China Hohhot Tuoketuo County Electronic Factory Office

AC#: 060212120900000486

Agricultural Bank of China Tuodian Park Sub-branch

AC#: 05535601040002551

## ***FINANCIALS***

### **Balance Sheet**

Unit: CNY'000	As of Dec. 31, 2012	As of Dec. 31, 2013	As of Dec. 31, 2014
Cash	33,369	15,030	20,580
Notes receivable	49,476	45,950	26,060
Accounts receivable	214,489	238,430	208,600
Advances to suppliers	118,028	109,170	93,730
Other receivable	21,416	18,050	39,860
Inventory	139,375	126,160	148,460
Non-current assets within one year	0	0	0
Other current assets	0	0	0
	-----	-----	-----
Current assets	576,153	552,790	537,290
Long-term investment	167,747	197,630	219,640
Fixed assets	683,408	562,470	517,600
Construction in progress	18,994	26,370	85,340
Intangible assets	6,963	156,790	156,430
Long-term prepaid expenses	765	6,510	6,190
Deferred income tax assets	0	0	0
Other non-current assets	0	0	0
	-----	-----	-----
Total assets	1,454,030	1,502,560	1,522,490
	=====	=====	=====
Short-term loans	0	0	0
Notes payable	59,790	0	0
Accounts payable	266,012	275,320	170,870

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Wages payable	12,840	5,760	5,180
Taxes payable	-19,249	1,170	-4,810
Advances from clients	16,313	700	29,500
Other payable	611,332	793,240	671,510
Other current liabilities	53,000	0	0
	-----	-----	-----
Current liabilities	1,000,038	1,076,190	872,250
Non-current liabilities	169,728	80,000	259,050
	-----	-----	-----
Total liabilities	1,169,766	1,156,190	1,131,300
Equities	284,264	346,370	391,190
	-----	-----	-----
Total liabilities & equities	1,454,030	1,502,560	1,522,490
	=====	=====	=====

**Income Statement**

Unit: CNY'000	<b>As of Dec. 31,</b>	<b>As of Dec. 31,</b>	<b>As of Dec. 31,</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Revenue	885,858	574,250	876,690
Cost of sales	951,931	567,010	762,140
Taxes and surcharges	494	1,650	2,480
Sales expense	12,806	12,330	12,590
Management expense	54,735	75,430	53,310
Finance expense	5,670	3,410	2,750
Profit before tax	-138,246	-86,930	45,200
Less: profit tax	0	0	0
Profits	-138,246	-86,930	45,200

**Financial Summary**

Unit: CNY'000	<b>As of Dec. 31,</b>	<b>As of Dec. 31,</b>
	<b>2015</b>	<b>2016</b>
Total assets	1,529,140	1,663,150
	-----	-----
Total liabilities	1,146,100	1,458,110
Equities	383,040	205,040
	-----	-----
Revenue	789,150	908,600
Cost of sales	693,690	789,010
Profit before tax	21,660	-1,448
Less: profit tax	0	0
Profits	21,660	-1,448

**Important Ratios**

=====

<b>As of Dec.</b>	<b>As of Dec.</b>	<b>As of Dec.</b>	<b>As of Dec.</b>	<b>As of Dec.</b>
<b>31, 2012</b>	<b>31, 2013</b>	<b>31, 2014</b>	<b>31, 2015</b>	<b>31, 2016</b>

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*Current ratio	0.58	0.51	0.62	--	--
*Quick ratio	0.44	0.40	0.45	--	--
*Liabilities to assets	0.80	0.77	0.74	0.75	0.88
*Net profit margin (%)	-15.61	-15.14	5.16	2.74	-0.16
*Return on total assets (%)	-9.51	-5.79	2.97	1.42	-0.09
*Inventory / Revenue x365	58 days	81 days	62 days	--	--
*Accounts receivable/ Revenue x365	89 days	152 days	87 days	--	--
*Revenue/Total assets	0.61	0.38	0.58	0.52	0.55
*Cost of sales / Revenue	1.07	0.99	0.87	0.88	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.
- SC's return on total assets is fair in 2016.
- SC's cost of sales is average, comparing with its revenue.

### **LIQUIDITY: FAIR**

- 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 is maintained in an average level.
- The accounts receivable of SC appears large.
- SC has no short-term loans.
- SC's revenue is in a fair level, comparing with the size of its total assets.

### **LEVERAGE: FAIR**

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

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

## ***CONCLUSIONS***

SC is considered large-sized in its line with fair financial conditions..

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**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 71.74
UK Pound	1	INR 90.58
Euro	1	INR 81.46
CNY	1	INR 10.38

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

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	DIV
<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)

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