

MIRA INFORM REPORT

Report No. :	546308
Report Date :	22.12.2018

IDENTIFICATION DETAILS

Name :	HENGDIAN GROUP DMEGC MAGNETICS CO., LTD.
Registered Office :	Hengdian Industrial Zone, Dongyang, Zhejiang Province 322118 PR
Country :	China
Financials (as on) :	30.09.2018
Date of Incorporation :	30.03.1999
Unified Social Credit Code:	91330000712560751D
Legal Form :	Shares Limited Company
Line of Business :	Subject registered business scope includes certified business items: providing catering, accommodation, ballroom and Karaoke services (with permit if needed). Normal operating projects: manufacturing and selling magnetic equipment, battery, electronics, crystalline silicon solar cell; selling water clarifier, water treatment equipment and air cleaner; developing hi-tech products and technology consulting; industry investment; import and export business.
No. of Employees :	13,597

RATING & COMMENTS

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

MIRA's Rating : A+

Credit Rating	Explanation	Rating Comments
A+	Low Risk	Business dealings permissible with low risk of default

Status :	Excellent
Payment Behaviour :	Regular
Litigation :	Clear

NOTES :

Any query related to this report can be made on e-mail : 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

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 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

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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 Hengdian Group Dmegc Magnetics Co., Ltd.
CURRENT ADDRESS/ REGISTERED ADDRESS Hengdian Industrial Zone, Dongyang, Zhejiang Province
322118 PR China
TEL. NO. 86 (0) 579-86588825/86551999/86553766
FAX NO. 86 (0) 579-86555328

EXECUTIVE SUMMARY

DATE OF REGISTRATION : MARCH 30, 1999
UNIFIED SOCIAL CREDIT CODE : 91330000712560751D
LEGAL FORM : SHARES LIMITED COMPANY
CHIEF EXECUTIVE : HE SHIJIN (LEGAL REPRESENTATIVE)
REGISTERED CAPITAL : CNY 1,643,600,000
STAFF : 13,597
BUSINESS CATEGORY : MANUFACTURING & TRADING
REVENUE : CNY 4,555,363,000 (CONSOLIDATED JAN. 1, 2018
TO OF SEP. 30, 2018)
EQUITIES : CNY 4,938,858,000 (CONSOLIDATED AS OF
SEP. 30, 2018)
WEBSITE : www.dmegc.com.cn
E-MAIL : export@dmegc.com.cn
PAYMENT : REGULAR
MARKET CONDITION : COMPETITIVE
FINANCIAL CONDITION : FAIRLY GOOD
OPERATIONAL TREND : STEADY
GENERAL REPUTATION : FAIRLY GOOD

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: 91330000712560751D.

SC's Import and Export Enterprise Code: 3300712560751

SC's registered capital: CNY 1,643,600,000

SC's paid-in capital: CNY 1,643,600,000

Registration Change Record:-

Date	Change of Contents	Before the change	After the change
2015-12-10	Registration No./Unified Social Credit Code	330000000013406	91330000712560751D
2016-5-26	Registered Capital	CNY 410,900,000	CNY 821,800,000
2017-5-5	Registered Capital	CNY 821,800,000	CNY 1,643,600,000

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

Name of Shareholder (s) (As of September 30, 2018)	% of Shareholding
Hengdian Group Holding Co., Ltd.	50.15
Dongyang Bochi Investment Partnership (Limited Partnership)	5.64
Central Huijin Asset Management Co., Ltd.	1.21
Huatai Securities Co., Ltd.	0.96
Xing Jianmin	0.86
Zheng Wengan	0.75
Industrial Securities Co., Ltd.	0.69
Other Shareholders	39.74

SC's Chief Executives:-

Position	Name
Legal Representative and Chairman	He Shijin
General Manager	Ren Hailiang
Deputy General Manager	Ren Xiaoming
	Guo Xiaodong

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Wu Xueping
He Junyi

RECENT DEVELOPMENT


SC is a listed company in Shenzhen Stock Exchange Market with the code of 002056.

SHAREHOLDER CHART & BACKGROUND

<i>Name</i>	<i>% of Shareholding</i>
(As of September 30, 2018)	
Hengdian Group Holding Co., Ltd.	50.15
Dongyang Bochi Investment Partnership (Limited Partnership)	5.64
Central Huijin Asset Management Co., Ltd.	1.21
Huatai Securities Co., Ltd.	0.96
Xing Jianmin	0.86
Zheng Wengan	0.75
Industrial Securities Co., Ltd.	0.69
Other Shareholders	39.74

 **Hengdian Group Holding Co., Ltd.**

Date Of Registration: November 22, 1999
Unified Social Credit Code: 91330783717672584H
Chief Executive : Xu Yong'an
Registered Capital: CNY 2,000,000,000

 **Central Huijin Asset Management Ltd.**

Unified Social Credit Code: 91110101MA001QTAX2
Legal Form: Sole State-owned Enterprise
Registered Capital: CNY 5,000,000,000
Legal Representative: Zhang Hongan

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Website: www.hujiin-inv.cn

MANAGEMENT

He Shijin Legal Representative and Chairman



- Gender: M
- Nationality: China
- Age: 58
- Qualification: University
- Working experience (s):

At present, working in SC as legal representative and chairman

Ren Hailiang , General Manager

- Gender: M
- Nationality: China
- Age: 42
- Qualification: University
- Working experience (s):

At present, working in SC as general manager

Ren Xiaoming , Deputy General Manager

- Gender: M
- Nationality: China
- Age: 54
- Qualification: University
- Working experience (s):

At present, working in SC as deputy general manager

Guo Xiaodong, Deputy General Manager

- Gender: M
- Nationality: China
- Age: 50
- Qualification: University
- Working experience (s):

At present, working in SC as deputy general manager

Wu Xueping , Deputy General Manager

- Gender: F

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- Nationality: China
- Age: 41
- Qualification: University
- Working experience (s):

At present, working in SC as deputy general manager

He Junyi, Deputy General Manager

-
- Gender: M
 - Nationality: China
 - Age: 52
 - Qualification: University
 - Working experience (s):

At present, working in SC as deputy general manager

BUSINESS OPERATION

SC's registered business scope includes certified business items: providing catering, accommodation, ballroom and Karaoke services (with permit if needed). Normal operating projects: manufacturing and selling magnetic equipment, battery, electronics, crystalline silicon solar cell; selling water clarifier, water treatment equipment and air cleaner; developing hi-tech products and technology consulting; industry investment; import and export business.

SC is mainly engaged in manufacturing and selling magnetic equipments and its related products.

SC's products mainly include: Ferrite Magnet, Ferrite Core, NdFeB Magnet, Motor Housing and Assembly, Ferrite Powder, Solar PV, Purifying Home Appliance, Alkaline Battery Hard Alloy, Etc.

SC sources its materials 90% from domestic market, and 10% from overseas market. SC sells 40% of its products in domestic market, and 60% to overseas market.

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:**

=====
Dongguan Jiamao Electronic Technology Co., Ltd.
Suzhou Sonavox Electronics Co., Ltd.

***Major Suppliers:**

=====
Zhejiang Dongyang Chengji Electric Motor Co., Ltd.
Zhejiang Hengdian Import and Export Co., Ltd.
DMEGC Imp. & Exp. Co., Ltd.

Staff & Office:

SC is known to have approx. 13,597 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:

Ningbo Magnetic Materials Application Technology Innovation Center Co., Ltd.

Shanghai DMEGC Magnetism Magnetic Materials Co., Ltd.

Dongyang DMEGC Magnetism New Energy Co., Ltd.

Qixian Dmegc New Energy Co., Ltd.

Yunnan DMEGC Magnetism Nonferrous Metal Co., Ltd.

Dongyang Zhongshi Mould Co., Ltd.

Ganzhou Xinsheng Rare Earth Industry Co., Ltd.

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's supplier refused 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

Basic Bank:

Agricultural Bank of China Dongyang Hengdian Sub-branch

AC#: 19636301040005765

FINANCIALS

Consolidated Balance Sheet

Unit: CNY'000	As of Dec. 31, 2017	As of Sep. 30, 2018
Cash	881,031	1,740,386
Accounts receivable	999,644	1,208,131
Notes receivable	150,576	60,597
Advances to suppliers	71,877	34,963
Other receivable	27,419	44,160
Inventory	733,936	706,957
Non-current assets within one year	0	0
Other current assets	1,079,737	394,773
	-----	-----
Current assets	3,944,220	4,189,967
Long-term Investment	1,306	1,257
Fixed assets	2,161,362	2,085,584
Construction in progress	72,918	92,794
Project materials	0	0
Intangible assets	294,662	301,892
Goodwill	0	0
Long-term deferred expense	2,482	2,408
Deferred income tax assets	8,455	10,067
Other non-current assets	63,440	107,612
	-----	-----
Total assets	6,548,845	6,791,581
	=====	=====
Short-term loans	0	100,000
Notes payable & Accounts payable	1,412,485	1,162,751
Payroll payable	226,632	233,757
Taxes payable	82,752	107,623
Advances from clients	71,279	28,533
Other payable	35,306	29,515
Other current liabilities	0	0
	-----	-----
Current liabilities	1,828,454	1,662,179
Non-current liabilities	153,525	190,544

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Total liabilities	1,981,979	1,852,723
Equities	4,566,866	4,938,858
Total liabilities & equities	6,548,845	6,791,581

Consolidated Income Statement

Unit: CNY'000	As of Dec. 31, 2017	Jan. 1, 2018 to of Sep. 30, 2018
Revenue	6,010,098	4,555,363
Cost of sales	4,618,703	3,409,660
Business Taxes and Surcharges	36,213	32,415
Sales expense	179,321	160,733
Management expense	576,702	244,488
Finance expense	11,814	-20,084
Asset impairment loss	5,651	11,985
Investment income	37,684	27,643
Non-operating income	846	2,793
Non-operating expense	10,956	2,603
Profit before tax	658,022	589,055
Less: profit tax	80,158	86,599
Profits	577,864	502,456

Important Ratios

	As of Dec. 31, 2017	As of Sep. 30, 2018
*Current ratio	2.16	2.52
*Quick ratio	1.76	2.10
*Liabilities to assets	0.30	0.27
*Net profit margin (%)	9.61	11.03
*Return on total assets (%)	8.82	7.40
*Inventory / Revenue x365/270	45 days	42 days
*Accounts receivable / Revenue x365/270	61 days	72 days
*Revenue / Total assets	0.92	0.67
*Cost of sales / Revenue	0.77	0.75

FINANCIAL COMMENTS

PROFITABILITY: FAIRLY GOOD

- The revenue of SC appears fairly good in its line.
- SC's net profit margin is fairly good.
- SC's return on total assets is fairly good.
- SC's cost of goods sold is average, comparing with its revenue.

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LIQUIDITY: AVERAGE

- The current ratio of SC is maintained in a fairly good level.
- SC's quick ratio is maintained in a fairly good level.
- The inventory of SC appears average.
- The accounts receivable of SC appears average.
- SC has no short-term loans in 2017.
- SC's revenue is in a fair level, comparing with the size of its total assets.

LEVERAGE: FAIRLY GOOD

- The debt ratio of SC is low.
- The risk for SC to go bankrupt is low.

Overall financial condition of the SC: Fairly Good.

CONCLUSIONS

SC is considered large-sized in its line with fairly good 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 70.04
UK Pound	1	INR 88.70
Euro	1	INR 80.21
CNY	1	INR 10.16

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

INFORMATION DETAILS

Analysis Done by :	DIV
Report Prepared by :	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)