

MIRA INFORM REPORT

Report No. :	521412
Report Date :	21.07.2018

IDENTIFICATION DETAILS

Name :	ZHEJIANG HUAHAI PHARMACEUTICAL CO., LTD.
Registered Office :	Xunqiao, Linhai, Zhejiang Province 317024 PR China
Country :	China
Financials (as on) :	31.12.2017
Date of Incorporation :	28.02.2001
Com. Reg. No.:	91330000147968817N
Legal Form :	Shares Limited Company
Line of Business :	<ul style="list-style-type: none"> Subject includes manufacturing drug (range see the People's Republic of China Pharmaceutical Production License); manufacturing pharmaceutical intermediates; import and export business. Products mainly include: APIs and pharmaceutical intermediates, such as Irbesartan and Hydrochlorothiazide Tablets.
No. of Employees :	6,065

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 :	Good
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 (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 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 Zhejiang Huahai Pharmaceutical Co., Ltd.
**CURRENT ADDRESS/
REGISTERED ADDRESS** Xunqiao, Linhai, Zhejiang Province 317024 PR China
TEL. NO. 86 (0) 576-85016569/ 85010288/ 85016009/ 85991096
FAX NO. 86 (0) 576-85016010

EXECUTIVE SUMMARY

DATE OF REGISTRATION : FEBRUARY 28, 2001
UNIFIED SOCIAL CREDIT CODE : 91330000147968817N
LEGAL FORM : SHARES LIMITED COMPANY
CHIEF EXECUTIVE : CHEN BAOHUA (LEGAL REPRESENTATIVE)
REGISTERED CAPITAL : CNY 1,042,490,332
STAFF : 6,065
BUSINESS CATEGORY : MANUFACTURING & TRADING
REVENUE : CNY 5,002,003,000 (Consolidated, As of Dec. 31, 2017)
EQUITIES : CNY 5,054,724,000 (Consolidated, As of Dec. 31, 2017)
WEBSITE : www.huahaipharm.com
E-MAIL : postmaster@huahaipharm.com
PAYMENT : REGULAR
MARKET CONDITION : COMPETITIVE
FINANCIAL CONDITION : FAIRLY GOOD
OPERATIONAL TREND : STEADY
GENERAL REPUTATION : 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
Fair
Stagnant
Downward
Not known
Not yet be determined

General Reputation:-

Excellent
Good
Fairly Good
Average
Fair
Detrimental
Not known
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: 91330000147968817N.

SC's Import and Export Enterprise Code: 3300147968817

SC's registered capital: CNY 1,042,490,332

Registration Change Record:-

Date	Change of Contents	Before the change	After the change
--	Registered No.	3300001007639	330000000027652
2012	Registered Capital	CNY 538,607,000	CNY 547,448,000
2013	Registered Capital	CNY 547,448,000	CNY 775,486,000
	Registered Capital	CNY 775,486,000	CNY 785,302,271
2014	Registered Capital	CNY 785,302,271	CNY 785,653,271
2015-9-25	Registered Capital	CNY 785,653,271	CNY 793,137,771
2015-12-24	Registration No./ Unified Social Credit Code	330000000027652	91330000147968817N
2016-11-28	Registered Capital	CNY 793,137,771	CNY 1,031,079,103
2016-12-29	Registered Capital	CNY 1,031,079,103	CNY 1,043,049,722
2017-9-4	Registered Capital	CNY 1,043,049,722	CNY 1,042,560,402
2018-2-23	Registered Capital	CNY 1,042,560,402	CNY 1,042,490,332

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

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Name of Shareholder (s) (As of December 31, 2017)	% of Shareholding
Chen Baohua	26.47
Zhou Minghua	19.36
Norges Bank-Own Assets	1.49
Central Huijin Asset Management Ltd.	1.47
Weng Zhenyu	1.36
National Council for Social Security Fund Combination 114	1.26
Zhejiang Huahai Pharmaceutical Co., Ltd.-Y2015 The Employee Stock Ownership Plan	1.15
Taikang Life Insurance Co., Ltd.-Toulian-Venture Power	1.07
Haitong Asset Management-Minsheng-Haitong Haihui Series-Xingshi No. 1 Collection Asset Management Plan	1.05
Hong Kong Securities Clearing Company Limited	0.93
Other Shareholders	44.39

SC's Chief Executives:-

Position	Name
Legal Representative, Chairman and General Manager	Chen Baohua
Vice Chairman and Director	Du Jun
Director	Shan Weiguang
	Zhu Yonghua
	Su Yan
	Guo Sijia

RECENT DEVELOPMENT

SC is a listed company in Shanghai Stock Exchange Market with the code of 600521.

SHAREHOLDER CHART & BACKGROUND

Name	% of Shareholding
(As of December 31, 2017)	
Chen Baohua	26.47
Zhou Minghua	19.36
Norges Bank-Own Assets	1.49
Central Huijin Asset Management Ltd.	1.47

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Weng Zhenyu	1.36
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Haitong Asset Management-Minsheng-Haitong Haihui Series-Xingshi No. 1 Collection Asset Management Plan	1.05
Hong Kong Securities Clearing Company Limited	0.93
Other Shareholders	44.39

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

MANAGEMENT

Chen Baohua, Legal Representative, Chairman and General Manager



- Gender: M
- Age: 56
- Qualification: Senior Engineer
- Working experience (s):

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

Du Jun, Vice Chairman and Director

- Gender: M
- Age: 62
- Qualification: University
- Working experience (s):

At present, working in SC as vice chairman and director

Director

Shan Weiguang
Zhu Yonghua

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Su Yan
Guo Sijia

BUSINESS OPERATION

SC's registered business scope includes manufacturing drug (range see the People's Republic of China Pharmaceutical Production License); manufacturing pharmaceutical intermediates; import and export business.

SC is mainly engaged in manufacturing and selling APIs (Active Pharmaceutical Ingredients) and pharmaceutical intermediates.

SC's products mainly include: APIs and pharmaceutical intermediates, such as Irbesartan and Hydrochlorothiazide Tablets, etc.

SC sources its materials 50% from domestic market, and 50% from overseas market. SC sells 20% of its products in domestic market, mainly Zhejiang province, and 80% 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:**

=====
Shanghai MSD Pharmaceutical Trading Co., Ltd.
Par Pharmaceutical Inc.
Merck Sharp & Dohme Asia Pacific Services Pte Ltd.

***Major suppliers:**

=====
Lupin Limited
Shanghai Kingsun Pharma & Tech. Co., Ltd.
Rexam HealthCare Packaging
USV Limited

Staff & Office:

SC is known to have approx. 6,065 staff at present.
SC owns an area as its operating office & factory of approx. 1,200,000 sq. meters at the heading address.

RELATED COMPANY

SC is known to have the following subsidiaries at present, as follows:

- Linhai Huanan Chemical Co., Ltd.
- Zhejiang Huahai Medical Sale Co., Ltd.

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- Zhejiang Huahai Import & Export Co., Ltd.
 - Shanghai Aobo Bio-pharmaceutical Tech. Co., Ltd.
 - Shanghai Shuanghua Biological Medicine Technology Development Co., Ltd.
 - Shanghai SynCores Technologies, Inc.
 - Zhejiang Huahai Yintong Real Estate Co., Ltd.
 - Linhai Huahai Pharmaceutical Equipment Co., Ltd.
- Etc.

PAYMENT

Overall payment appraisal:

() Excellent () Good (X) 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

Basic Bank:

Industrial and Commercial Bank of China Linhai Sub-branch
AC#: 1207021109045000869

FINANCIALS

Consolidated Balance Sheet

Unit: CNY'000

	As of Dec. 31, 2015	As of Dec. 31, 2016	As of Dec. 31, 2017
Cash	601,721	791,588	691,323
Trading financial assets	0	0	0
Accounts receivable	1,037,164	1,280,917	1,604,229
Notes receivable	41,758	25,897	52,846
Advances to suppliers	39,708	35,705	76,409
Interest receivable	0	0	0
Other receivable	12,850	15,181	9,150
Inventory	1,077,348	1,330,231	1,593,835
Non-current assets within one year	0	0	0

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ZHEJIANG HUAHAI PHARMACEUTICAL CO., LTD. - 521412

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Other current assets	21,028	31,835	44,403
Current assets	2,831,577	3,511,354	4,072,195
Financial assets available for sale	0	21,311	30,919
Long-term investment	0	0	334,817
Investment real estate	0	0	1,196
Fixed assets	1,600,229	1,865,228	2,233,371
Construction in progress	492,179	695,880	704,913
Project materials	1,677	0	0
Fixed assets in liquidation	8,140	0	0
Intangible assets	393,310	430,637	562,083
Development expenditure	0	52,339	142,308
Goodwill	70,902	70,902	70,902
Long-term deferred expense	0	0	2,875
Deferred income tax assets	53,798	78,733	99,666
Other non-current assets	63,684	0	11,582
Total assets	5,515,496	6,726,384	8,266,827
Short-term loans	837,776	462,351	1,059,778
Notes payable	225,520	397,119	369,572
Accounts payable	351,340	363,312	389,843
Payroll payable	86,875	107,683	130,651
Taxes payable	96,889	91,578	197,057
Interest payable	1,241	1,049	3,229
Advances from clients	10,067	18,607	24,755
Other payable	48,255	44,782	130,638
Other current liabilities	24,514	27,262	529,566
Current liabilities	1,682,477	1,513,743	2,835,089
Non-current liabilities	112,665	634,809	377,014
Total liabilities	1,795,142	2,148,552	3,212,103
Equities	3,720,354	4,577,832	5,054,724
Total liabilities & equities	5,515,496	6,726,384	8,266,827

Consolidated Income Statement

Unit: CNY'000	As of Dec. 31, 2015	As of Dec. 31, 2016	As of Dec. 31, 2017
Revenue	3,500,362	4,092,853	5,002,003
Cost of sales	1,777,490	2,052,665	2,202,668
Business Taxes and Surcharges	27,513	40,340	61,084
Sales expense	448,118	614,718	904,650
Management expense	714,171	859,527	999,942
Finance expense	-5,818	-8,026	110,331
Asset impairment loss	48,981	26,222	-7,771
Investment income	1,598	491	-2,425

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Non-operating income	41,514	69,884	860
Non-operating expense	10,824	10,816	12,793
Profit before tax	523,790	567,066	779,247
Less: profit tax	87,069	110,167	155,659
Profits	436,721	456,899	623,588

Important Ratios

=====

	As of Dec. 31, 2015	As of Dec. 31, 2016	As of Dec. 31, 2017
*Current ratio	1.68	2.32	1.44
*Quick ratio	1.04	1.44	0.87
*Liabilities to assets	0.33	0.32	0.39
*Net profit margin (%)	12.48	11.16	12.47
*Return on total assets (%)	7.92	6.79	7.54
*Inventory / Revenue x365	113 days	119 days	117 days
*Accounts receivable / Revenue x365	109 days	115 days	118 days
*Revenue / Total assets	0.63	0.61	0.61
*Cost of sales / Revenue	0.51	0.50	0.44

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 low, comparing with its revenue.

LIQUIDITY: FAIR

- The current ratio of SC is maintained in a normal level.
- SC's quick ratio is maintained in a normal level.
- The inventory of SC appears large.
- The accounts receivable of SC appears large.
- 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: 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.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.85
UK Pound	1	INR 89.67
Euro	1	INR 80.31
CNY	1	INR 10.15

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

INFORMATION DETAILS

Analysis Done by :	NIS
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)