

**HUBEI HONGYUAN PHARMACEUTICAL TECHNOLOGY CO., LTD. - 521002 PAGE NO. : 1**

**MIRA INFORM REPORT**

<b>Report No. :</b>	521002
<b>Report Date :</b>	24.07.2018

**IDENTIFICATION DETAILS**

<b>Name :</b>	HUBEI HONGYUAN PHARMACEUTICAL TECHNOLOGY CO., LTD.
<b>Registered Office :</b>	No. 428 Yishui North Road, Fengshan Town, Luotian County, Hubei Provinc
<b>Country :</b>	China
<b>Financials (as on) :</b>	31.12.2017
<b>Date of Incorporation :</b>	21.01.2002
<b>Unified Social Credit Code :</b>	9142110073519634XF
<b>Legal Form :</b>	Shares Limited Company
<b>Line of Business :</b>	Subject registered business scope includes manufacturing and selling Glyoxalsolution, Glyoxylic acid, Lithium Hexafluorophosphate, APIs, "Fu Qi Ren" capsule, drinks, formic acid, formic acid, Dimetridazole, pharmaceutical intermediates, Guanine and intermediate; selling sucralose; wholesaling and storage of hydrofluoric acid; manufacturing and selling non-aseptic APIs; selling coals; importing and exporting commodities and technology; purchasing and selling Chinese medicinal materials, agricultural and sideline products; and retailing grocery.
<b>No. of Employees :</b>	2,033

**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>	Good
<b>Payment Behaviour :</b>	Regular
<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**

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

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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** Hubei Hongyuan Pharmaceutical Technology Co., Ltd.  
**CURRENT ADDRESS/  
GIVEN ADDRESS** No. 8 Fengshan Road, Industrial And Economic Development Zone,  
Luotian Country, Huanggang City, Hubei Province PR China  
**OTHER ADDRESS/ REGISTERED  
ADDRESS** No. 428 Yishui North Road, Fengshan Town, Luotian County, Hubei  
Provinc  
**TEL. NO.** 86 (0) 713-5072428/5072024  
**FAX NO.** 86 (0) 713-5072224

**\*\*\*Note: SC's subsidiary-Hubei Sinovitamins Co., Ltd. locates in the given address "NO. 126, DABIESHAN ROAD INDUSTRIAL AND ECONOMIC DEVELOPMENT ZONE LUOTIAN COUNTY HUANGGANG CITY HUBEI ".**

**EXECUTIVE SUMMARY**

**DATE OF REGISTRATION** : JANUARY 21, 2002  
**UNIFIED SOCIAL CREDIT CODE** : 9142110073519634XF  
**LEGAL FORM** : SHARES LIMITED COMPANY  
**CHIEF EXECUTIVE** : YIN GUOPING (LEGAL REPRESENTATIVE)  
**REGISTERED CAPITAL** : CNY 352,749,600  
**STAFF** : 2,033  
**BUSINESS CATEGORY** : MANUFACTURING & TRADING  
**REVENUE** : CNY 1,278,187,000 (CONSOLIDATED, AS OF DEC. 31, 2017)  
**EQUITIES** : CNY 607,264,000 (CONSOLIDATED, AS OF DEC. 31, 2017)  
**WEBSITE** : [www.hybiochem.com](http://www.hybiochem.com)  
**E-MAIL** : [office@hbhypharm.com](mailto:office@hbhypharm.com) & [info2@hbhypharm.com](mailto:info2@hbhypharm.com)  
**PAYMENT** : REGULAR  
**MARKET CONDITION** : COMPETITIVE  
**FINANCIAL CONDITION** : FAIRLY STABLE  
**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  
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: 9142110073519634XF.

SC's registered capital: CNY 352,749,600

SC's paid-in capital: CNY 352,749,600

**Registration Change Record:-**

<b>Date</b>	<b>Change of Contents</b>	<b>Before the change</b>	<b>After the change</b>
2002-5-29	Registered Capital	CNY 500,000	CNY 3,148,000
2007-7-3	Registered Capital	CNY 3,148,000	CNY 20,000,000
2008-3-19	Registration No.	4211231002149	310115400027799
2008-8-4	Company Name	Luotian Hongyuan Biochemical Co., Ltd.	Hubei Hongyuan Pharmaceutical Co., Ltd.
2013	Registered Capital	CNY 20,000,000	CNY 70,000,000
2014-4-8	Company Name	Hubei Hongyuan Pharmaceutical Co., Ltd.	Hubei Hongyuan Pharmaceutical Technology Co., Ltd.
	Legal Form	Limited Liabilities Company	Shares Limited Company
2015-7-14	Registered Capital	CNY 70,000,000	CNY 77,988,000
2015-12-2	Registered Capital	CNY 77,988,000	CNY 155,976,000
2016-2-25	Registered Capital	CNY 155,976,000	CNY 167,976,000
2016-12-8	Registered Capital	CNY 167,976,000	CNY 352,749,600
	Registration No./ Unified Social Credit Code	421123000005111	9142110073519634XF

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

<b>Name of Shareholder (s) (As of December 31, 2017)</b>	<b>% of Shareholding</b>
Yan Xiaohui	25.91
Yin Guoping	18.19
Liao Liping	7.48
Xu Shuangxi	7.47
Hubei Hongyuan Charitable Foundation	3.87
Other Shareholders	37.08

**SC's Chief Executives:-**

<b>Position</b>	<b>Name</b>
Legal Representative, Chairman and General Manager	Yin Guoping
Vice Chairman	Yan Xiaohui
Director	Deng Zhihua
	Hu Jinfeng
	Du Shouying
	Xu Shuangying
	Duan Xiaoliu
	Liu Zhanliang
	Xie Qing
Supervisor	Lei Gaoliang
	Wang Lintao
	Li Guoxin
	Hu Yunguo

***RECENT DEVELOPMENT***

SC was listed on the new three board stock market, and the stock code is 831265.

***SHAREHOLDER CHART & BACKGROUND***

<b>Name (As of December 31, 2017)</b>	<b>% of Shareholding</b>
Yan Xiaohui	25.91
Yin Guoping	18.19
Liao Liping	7.48
Xu Shuangxi	7.47

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Hubei Hongyuan Charitable Foundation	3.87
Other Shareholders	37.08

## ***MANAGEMENT***

### **Yin Guoping, Legal Representative, Chairman and General Manager**

-----

Gender: M  
Age: 58  
ID# 422125600423001  
Qualification: University  
Working experience (s):

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

### **Yan Xiaohui, Vice Chairman**

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Gender: M  
Qualification: University  
Working experience (s):

At present, working in SC as vice chairman

### **Director**

-----

Deng Zhihua  
Hu Jinfeng  
Du Shouying  
Xu Shuangying  
Duan Xiaoliu  
Liu Zhanliang  
Xie Qing

### **Supervisor**

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Lei Gaoliang  
Wang Lintao  
Li Guoxin  
Hu Yunguo

## ***BUSINESS OPERATION***

SC's registered business scope includes manufacturing and selling Glyoxal solution, Glyoxylic acid, Lithium Hexafluorophosphate, APIs, "Fu Qi Ren" capsule, drinks, formic acid, formic acid, Dimetridazole, pharmaceutical intermediates, Guanine and intermediate; selling sucralose; wholesaling and storage of hydrofluoric acid; manufacturing and selling non-aseptic APIs; selling coals; importing and exporting commodities and technology; purchasing and selling Chinese medicinal materials, agricultural and sideline products; and retailing grocery.

SC is mainly engaged in manufacturing and selling APIs and intermediates.

SC's products mainly include: Metronidazole, 2-Methyl-5-Nitroimidazole, 2-Methylimidazole, Dimetridazole, Imidazole, 4-Nitroimidazole, and Metronidazole Benzoate, etc.

SC's annual outputs are: Glyoxal 20,000 tons, Formaldehyde 10,000 tons, 2-Methylimidazole 5,000 tons (including 500 tons of 99% and above of 2-Methylimidazole), 2-Methyl-5-Nitroimidazole 5,000 tons, Metronidazole 3800 tons, Melatonin 50 tons, L-Carnitine 100 tons, L-Carnitine L-Tartrate 100 tons, L-Carnitine Fumarate 100 tons, Acetyl-L-Carnitine HCl 100 tons, 50% L-Carnitine (feedstuffs grade) 100 tons, A5 (4-Cyano-3-hydroxybutyrate) 12 tons, flavor 1,000 tons, Dimetridazole series 1,200 tons and Benserazide hydrochloride series 5 tons.

SC sources its materials 100% from domestic market, mainly Hubei province. SC sells 60% to overseas market, mainly European and American countries, and 40% in domestic market, mainly Hubei and Jiangsu province.

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\***

-----  
Taixing Yuandong Chemical Co., Ltd.  
Isp Technologies Inc.  
Quimica Superior Unichem SA

### **Staff & Office:**

-----  
SC is known to have approx. 2,033 staff at present.

SC owns an area as its operating office & factory of approx. 18,000 sq. meters at the heading address.

## ***RELATED COMPANY***

**SC is known to have the following subsidiaries at present,**

Hubei Wannianfu Pharmaceutical Co., Ltd.

Shanghai Maibu Medical Technology Co., Ltd.

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Luotian Hongyuan Chemical Machinery Co., Ltd.

Hubei Sinovitamins Co., Ltd.

Hubei Tongyuan Sweetener Co., Ltd.

Hubei Chutianshu Pharmaceutical Co., Ltd.

Hubei Hongyuan Chemistry Technology 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 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:**

Bank of China Luotian Sub-branch

AC#: 06332508093001

## **FINANCIALS**

### **Consolidated Balance Sheet**

Unit: CNY'000

	<b>As of Dec. 31, 2015</b>	<b>As of Dec. 31, 2016</b>	<b>As of Dec. 31, 2017</b>
Cash	177,601	53,367	122,333

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Notes receivable	40,788	69,909	71,438
Accounts receivable	103,549	105,792	113,835
Advances to suppliers	14,952	4,519	8,280
Other receivable	11,146	7,960	7,660
Inventory	142,751	125,534	140,721
Prepaid expenses	0	0	0
Other current assets	11,090	21,445	27,421
	-----	-----	-----
Current assets	501,877	388,526	491,688
Financial assets available for sale	1,500	1,500	1,500
Long-term accounts receivable	10,080	15,461	18,428
Long-term Investment	4,948	4,913	4,609
Fixed assets	408,784	604,655	570,115
Construction in progress	94,017	41,791	182,100
Intangible assets	108,065	101,273	95,829
Goodwill	76,119	70,569	70,258
Long-term prepaid expenses	6,205	5,978	12,147
Deferred income tax assets	812	468	8,692
Other non-current assets	36,850	14,529	164,250
	-----	-----	-----
Total assets	1,249,257	1,249,663	1,619,616
	=====	=====	=====
Short-term loans	181,000	172,000	250,115
Notes payable	100,327	23,000	83,198
Accounts payable	106,822	101,380	121,157
Wages payable	15,988	12,408	18,966
Taxes payable	16,687	22,356	12,957
Interest payable	1,180	0	0
Advances from clients	31,239	29,977	22,040
Other payable	41,098	17,436	30,262
Accrued expenses	0	0	0
Other current liabilities	79,556	88,761	134,831
	-----	-----	-----
Current liabilities	573,897	467,318	673,526
Non-current liabilities	161,478	200,471	338,826
	-----	-----	-----
Total liabilities	735,375	667,789	1,012,352
Equities	513,882	581,874	607,264
	-----	-----	-----
Total liabilities & equities	1,249,257	1,249,663	1,619,616
	=====	=====	=====

**Consolidated Income Statement**

Unit: CNY'000	As of Dec. 31, 2015	As of Dec. 31, 2016	As of Dec. 31, 2017
Revenue	1,003,128	1,075,442	1,278,187
Cost of sales	768,547	776,573	1,026,037
Taxes and surcharges	3,970	8,204	8,063

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Sales expense	47,287	59,759	69,978
Management expense	74,507	100,799	105,751
Finance expense	33,350	28,382	35,441
Investment income	2,665	-35	-305
Non-operating income	4,560	3,256	7,491
Non-operating expense	1,568	13,673	6,615
Profit before tax	76,259	82,010	38,286
Less: profit tax	11,155	14,018	5,356
Profits	65,104	67,992	32,930

**Important Ratios**

=====

	As of Dec. 31, 2015	As of Dec. 31, 2016	As of Dec. 31, 2017
*Current ratio	0.87	0.83	0.73
*Quick ratio	0.63	0.56	0.52
*Liabilities to assets	0.59	0.53	0.63
*Net profit margin (%)	6.49	6.32	2.58
*Return on total assets (%)	5.21	5.44	2.03
*Inventory / Revenue x365	52 days	43 days	41 days
*Accounts receivable / Revenue x365	38 days	36 days	33 days
*Revenue / Total assets	0.80	0.86	0.79
*Cost of sales / Revenue	0.77	0.72	0.80

***FINANCIAL COMMENTS***

**PROFITABILITY: AVERAGE**

The revenue of SC appears fairly good in its line.  
SC's net profit margin is average.  
SC's return on total assets is average.  
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 appears average.  
The accounts receivable of SC is maintained in an average level.  
SC's short-term loans appear average.  
SC's revenue is in an average level, comparing with the size of its total assets.

**LEVERAGE: AVERAGE**

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

**Overall financial condition of the SC: Fairly Stable**

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## **CONCLUSIONS**

SC is considered medium-sized in its line with fairly stable financial conditions.

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**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.70
UK Pound	1	INR 90.28
Euro	1	INR 80.56
CNY	1	INR 10.11

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

**INFORMATION DETAILS**

Analysis Done by :	VIVR
Report Prepared by :	TRU

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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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