

MIRA INFORM REPORT

Report No. :	521409
Report Date :	25.07.2018

IDENTIFICATION DETAILS

Name :	SHANDONG XINHUA PHARMACEUTICAL CO., LTD.
Registered Office :	Chemical Zone, High-Tech Industry Development Area, Zibo, Shandong Province 255086 PR
Country :	China
Financials (as on) :	31.03.2018
Date of Incorporation :	30.09.1993
Unified Social Credit Code :	91370300164103727C
Legal Form :	Shares Limited Company
Line of Business :	<ul style="list-style-type: none"> Subject includes manufacturing of western medicine, chemical raw materials, food additives, health food, pharmaceutical equipments, medical testing instruments and meters; technology transfer, services, technical consulting, technical training of self-R&D projects; selling self-made products; manufacturing, filling and selling tonnage oxygen and industrial nitrogen. Subject is mainly engaged in developing, manufacturing and selling of chemical raw materials, preparation, chemical and other pharmaceutical products.
No. of Employees :	6,384

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

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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

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	Shandong Xinhua Pharmaceutical Co., Ltd.
CURRENT ADDRESS	No. 1 Lutai Road, High-Tech District, Zibo, Shandong Province 255086 PR China
REGISTERED ADDRESS	Chemical Zone, High-Tech Industry Development Area, Zibo, Shandong Province 255086 PR China
TEL. NO.	86 (0) 533-2196024/2185102
FAX NO.	86 (0) 533-2287508/2282825

***Note: The given address (NO -14 DONGYI ROAD, ZHANGDIAN ZIBO SHANDONG P.R. 255005) was SC's former registered one.

EXECUTIVE SUMMARY

DATE OF REGISTRATION	: SEPTEMBER 30, 1993
UNIFIED SOCIAL CREDIT CODE	: 91370300164103727C
LEGAL FORM	: SHARES LIMITED COMPANY
CHIEF EXECUTIVE	: ZHANG DAIMING (LEGAL REPRESENTATIVE)
REGISTERED CAPITAL	: CNY 478,353,421
STAFF	: 6,384
BUSINESS CATEGORY	: DEVELOPING & MANUFACTURING & TRADING
REVENUE	: CNY 1,417,348,000 (Consolidated, Jan. 1, 2018 to Mar. 31, 2018)
EQUITIES	: CNY 2,616,093,000 (Consolidated, as of Mar. 31, 2018)
WEBSITE	: www.xhzy.com
E-MAIL	: xhzy@xhzy.com
PAYMENT	: REGULAR
MARKET CONDITION	: COMPETITIVE
FINANCIAL CONDITION	: STABLE
OPERATIONAL TREND	: FAIRLY 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
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: 91370300164103727C.

SC's registered capital: CNY 478,353,421

SC's paid-in capital: CNY 478,353,421

Registration Change Record:-

Date	Change of Contents	Before the change	After the change
--	Registration No.	001489	370300400000376
	Legal Representative	Guo Qin 郭琴	Zhang Daiming 张代铭
2018-1-17	Registered Capital	CNY 457,312,830	CNY 478,353,421

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

Name of Shareholder (s) (As of Mar. 31, 2018)	% of Shareholding
Shandong Xinhua Pharmaceutical Group Co., Ltd.	32.94
HKSCC Nominees Limited	31.14
Other Shareholders	35.92

SC's Chief Executives:-

Position	Name
Legal Representative and Chairman	Zhang Daiming
General Manager	Du Deping

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Deputy General Manager

Wang Xiaolong
Dou Xuejie
Du Deqing
He Tongqing
Zheng Zhonghui

RECENT DEVELOPMENT

SC is a listed company both in Hong Kong Exchanges and Clearing Limited with code of 0719.HK and Shenzhen Stock Exchange Market with the code of 000756.

SC is the earliest established Chinese pharmaceutical company, and has been granted the certifications of GMP, ISO9001, ISO14001, and ISO 10012. The main products of SC have been granted the COS Certificate from EDQM and passed the site inspection from USA FDA. "XINHUA" brand was honored with the title of "Chinese Famous Brand" in China.

SHAREHOLDER CHART & BACKGROUND

Name (As of Mar. 31, 2018)	% of Shareholding
Shandong Xinhua Pharmaceutical Group Co., Ltd.	32.94
HKSCC Nominees Limited	31.14
Other Shareholders	35.92

Shandong Xinhua Pharmaceutical Group Co., Ltd.

Date of Registration: March 11, 1995
Unified Social Credit Code: 913703001641324721
Chief Executive : Zhang Daiming
Registered Capital: CNY 298,504,683

HKSCC Nominees Limited

Date of Registration: May 14, 1991
Registration No.: 0309729
Legal Form: Private
Status: Live

MANAGEMENT

Zhang Daiming, Legal Representative and Chairman

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-
- Gender: M
 - Nationality: China
 - Age: 56
 - Qualification: Master Degree
 - Working experience (s):

At present, working in SC as legal representative and chairman

Du Deping, General Manager

- Gender: M
- Nationality: China
- Age: 49
- Qualification: Master Degree
- Working experience (s):

At present, working in SC as general manager

Deputy General Manager

Wang Xiaolong
Dou Xuejie
Du Deqing
He Tongqing
Zheng Zhonghui

BUSINESS OPERATION

SC's registered business scope includes manufacturing western medicine, chemical raw materials, food additives, health food, pharmaceutical equipments, medical testing instruments and meters; technology transfer, services, technical consulting, technical training of self-R&D projects; selling self-made products; manufacturing, filling and selling tonnage oxygen and industrial nitrogen.

SC is mainly engaged in developing, manufacturing and selling chemical raw materials, preparation, chemical and other pharmaceutical products.

SC's products mainly include: bulk pharmaceuticals, chemical products, finished dosages.

SC sources its materials 70% from domestic market, and 30% from overseas market, mainly European countries. SC sells 60% of its products in domestic market, and 40% to the overseas market, mainly American 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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Mitsubishi Corporation
Bayer HealthCare Limited
Hualu Group Co., Ltd.

Major Suppliers

Shandong Xinhua Industry and Trading Co., Ltd.
Shandong Xinhua Longxin Chemical Co., Ltd.
Shandong Xinhua Wanbo Chemical Co., Ltd.
Shandong Xinhua Bobang Chemical Co., Ltd.

Staff & Office:

SC is known to have approx. 6,384 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,

Shandong Xinhua Pharmaceutical Trading Co., Ltd.
Shandong Xinhua Pharmaceutical Import and Export Co., Ltd.
Zibo Xinhua Pharmaceutical Design Institute Co., Ltd.
Zibo Xinhua Pharmacy Chain Co., Ltd.
Shandong Xinhua Pharmaceutical (Europe) Co., Ltd.
Zibo Xinhua-Eastwest Pharmaceutical Co., Ltd.
Zibo Xinhua-Perrigo Pharmaceutical Co., Ltd.
Xinhua Pharmaceutical (Shouguang) 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.

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BANKING

Basic Bank:

Industrial and Commercial Bank of China Zibo Zhangdian Sub-branch
AC#: 1603002109022104858

FINANCIALS

Consolidated Balance Sheet

Unit: CNY'000

	As of Dec. 31, 2017	As of Mar. 31, 2018
Cash	731,126	735,395
Accounts receivable	312,617	600,308
Notes receivable	123,255	116,474
Advances to suppliers	22,807	37,163
Other receivable	45,017	53,233
Inventory	713,211	592,533
Non-current assets within one year	0	0
Other current assets	61,956	10,563
	-----	-----
Current assets	2,009,989	2,145,669
Long-term investments	0	0
Financial assets available for sale	0	0
Real estate investment	73,442	72,219
Fixed assets	2,152,905	2,114,575
Construction in progress	434,546	524,727
Project materials	0	0
Intangible assets	323,563	321,451
Goodwill	0	0
Deferred income tax assets	21,060	23,168
Other non-current assets	258,142	220,445
	-----	-----
Total assets	5,273,647	5,422,254
	=====	=====
Short-term loans	151,837	236,336
Notes payable	208,228	296,628
Accounts payable	530,065	568,947
Payroll payable	68,461	53,780
Taxes payable	11,997	29,014
Interest payable	2,239	3,380
Dividends payable	19,661	5,310
Advances from clients	123,295	95,103
Other payable	280,115	245,649

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SHANDONG XINHUA PHARMACEUTICAL CO., LTD. - 521409

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Non-current liabilities within one year	89,622	76,828
Other current liabilities	5,319	5,435
	-----	-----
Current liabilities	1,490,839	1,616,410
Non-current liabilities	1,203,355	1,189,751
	-----	-----
Total liabilities	2,694,194	2,806,161
Equities	2,579,453	2,616,093
	-----	-----
Total liabilities & equities	5,273,647	5,422,254
	=====	=====

Consolidated Income Statement

Unit: CNY'000

	As of Dec. 31, 2017	From Jan. 1, 2018 to Mar. 31, 2018
Revenue	4,515,717	1,417,348
Cost of sales	3,247,616	1,012,624
Business Taxes and Surcharges	60,664	15,944
Sales expense	509,749	192,083
Management expense	384,708	94,797
Finance expense	79,745	21,943
Asset impairment loss	16,136	0
Investment income	6,027	807
Non-operating income	10,921	882
Non-operating expense	24,428	1,513
Profit before tax	268,174	82,787
Less: profit tax	46,925	12,939
Profits	221,249	69,848

Important Ratios

=====

	As of Dec. 31, 2017	As of Mar. 31, 2018
*Current ratio	1.35	1.33
*Quick ratio	0.87	0.96
*Liabilities to assets	0.51	0.52
*Net profit margin (%)	4.90	4.93
*Return on total assets (%)	4.20	1.29
*Inventory / Revenue x365/90	58 days	38 days
*Accounts receivable / Revenue x365/90	26 days	39 days
*Revenue / Total assets	0.86	0.26
*Cost of sales / Revenue	0.72	0.71

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 goods sold is average, comparing with its revenue.

LIQUIDITY: AVERAGE

- 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 average.
- The accounts receivable of SC appears average.
- The short-term loans of SC appear average.
- 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 average.
- The risk for SC to go bankrupt is low.

Overall financial condition of the SC: Stable.

CONCLUSIONS

SC is considered large-sized in its line with stable 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 69.05
UK Pound	1	INR 90.30
Euro	1	INR 80.54
CNY	1	INR 10.13

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

INFORMATION DETAILS

Analysis Done by :	DIV
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)