

MIRA INFORM REPORT

Report No. :	539340
Report Date :	15.11.2018

IDENTIFICATION DETAILS

Name :	BEIJING HEZONG SCIENCE & TECHNOLOGY CO., LTD.
Registered Office :	D 1211, 1212 Jiahua Building, 9 Shangdi Sanjie, Haidian District, Beijing 100085 PR
Country :	China
Financials (as on) :	30.09.2018
Date of Incorporation :	15.04.1997
Unified Social Credit Code :	911100006336146947
Legal Form :	Shares Limited Company
Line of Business :	Registered business scope includes technology consulting, technology development, technology services, technology popularization, and technology transfer; professional contracting; construction project management; selling electronic products, machinery and equipment, building materials, hardware and electrical appliances, and chemical products; importing and exporting commodities and technology, repairing machinery; designing products; economic trade consulting, and manufacturing electrical appliance equipment
No. of Employees :	323

RATING & COMMENTS

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

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

Status :	Good
Payment Behaviour :	Regular

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Litigation :	Clear
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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

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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 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	Beijing Hezong Science & Technology Co., Ltd.
CURRENT ADDRESS/ REGISTERED ADDRESS	D 1211, 1212 Jiahua Building, 9 Shangdi Sanjie, Haidian District, Beijing 100085 PR China
TEL. NO.	86 (0) 10-62973188
FAX NO.	86 (0) 10-62975911

EXECUTIVE SUMMARY

DATE OF REGISTRATION	: APRIL 15, 1997
UNIFIED SOCIAL CREDIT CODE	: 911100006336146947
LEGAL FORM	: SHARES LIMITED COMPANY
CHIEF EXECUTIVE	: LIU ZEGANG (LEGAL REPRESENTATIVE)
REGISTERED CAPITAL	: CNY 582,194,642
STAFF	: 323
BUSINESS CATEGORY	: TRADING
REVENUE	: CNY 1,555,230,000 (CONSOLIDATED, JAN. 1, 2018 TO SEP. 30, 2018)
EQUITIES	: CNY 1,974,450,000 (CONSOLIDATED, AS OF SEP. 30, 2018)
WEBSITE	: www.chinahezong.com
E-MAIL	: market@chinahezong.com
PAYMENT	: REGULAR
MARKET CONDITION	: COMPETITIVE
FINANCIAL CONDITION	: FAIRLY 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:-	General Reputation:-
Upward	Excellent
Steady	Good
Fairly Steady	Fairly Good
Ordinary	Average
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: 911100006336146947.

SC's Import and Export Enterprise Code: 1100633614694

SC's registered capital: CNY 582,194,642

Registration Change Record:-

Date	Change of Contents	Before the change	After the change
2015-8-3	Registered Capital	CNY 82,180,000	CNY 108,180,000
2016-9-26	Registered Capital	CNY 108,180,000	CNY 279,768,466
--	Registration No./ Unified Social Credit Code	110000004679691	911100006336146947
2017-12-12	Registered Capital	CNY 279,768,466	CNY 323,441,468
2018-9-19	Registered Capital	CNY 323,441,468	CNY 582,194,642

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

Name of Shareholder (s) (As of Sep. 30, 2018)	% of Shareholding
Liu Zegang	22.53
Wei Qiang	11.38
Zhang Renzeng	5.31
Ye Yun	4.5
Ganzhou Hezong Investment Management Partnership	2.97

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Enterprise (Limited Partnership)	
Beijing Hezong Science & Technology Co., Ltd.- The First Employee Stock Ownership Plan	2.88
Gao Xing	2.29
Li Zhijun	1.92
Shenzhen Tianfeng Tiancheng Asset Management Co., Ltd.- Tianfu No. 13 Asset Management Plan	1.61
Wang Weiping	1.12
Other Shareholders	43.49

SC's Chief Executives:-

Position	Name
Legal Representative, Chairman and General Manager	Liu Zegang
Deputy General Manager	Han Guoliang
	Feng Zheng

RECENT DEVELOPMENT

SC is a listed company in Shenzhen Stock Exchange Market with the code of 300477.

SHAREHOLDER CHART & BACKGROUND

Name	% of Shareholding
(As of Sep. 30, 2018)	

Liu Zegang	22.53
Wei Qiang	11.38
Zhang Renzeng	5.31
Ye Yun	4.5
Ganzhou Hezong Investment Management Partnership Enterprise (Limited Partnership)	2.97
Beijing Hezong Science & Technology Co., Ltd.- The First Employee Stock Ownership Plan	2.88
Gao Xing	2.29
Li Zhijun	1.92
Shenzhen Tianfeng Tiancheng Asset Management Co., Ltd.-Tianfu No. 13 Asset Management Plan	1.61

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Wang Weiping	1.12
Other Shareholders	43.49

MANAGEMENT

Liu Zegang, Legal Representative, Chairman and General Manager

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

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

Deputy General Manager

Han Guoliang
Feng Zheng

BUSINESS OPERATION

SC's registered business scope includes technology consulting, technology development, technology services, technology popularization, and technology transfer; professional contracting; construction project management; selling electronic products, machinery and equipment, building materials, hardware and electrical appliances, and chemical products; importing and exporting commodities and technology, repairing machinery; designing products; economic trade consulting, and manufacturing electrical appliance equipment.

SC is mainly engaged in selling machinery and equipment.

SC's products mainly include: ring main units, substations, transformers, pole mounted switches and cable accessories.

Trademark:



SC sources its products 100% from domestic market. SC sells 60% of its products in domestic market, and 40% to overseas market.

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.

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Staff & Office:

SC is known to have approx. 323 staff at present.

SC rents an area as its operating office, but the detailed information is unknown.

RELATED COMPANY

SC is known to have the following subsidiaries at present,

Hunan Ya Cheng New Materials Co., Ltd.
Beijing Hezong Shike Power Technology Co., Ltd.
Beijing Hezong Kewoer Power Technology Co., Ltd.
Tianjin Hezong Power Equipment Co., Ltd.

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:

Agricultural Bank of China Beijing Shangdi Sub-branch

AC#: 251001040000394

FINANCIALS

Consolidated Balance Sheet

Unit: CNY'000

	As of Dec. 31, 2016	As of Dec. 31, 2017	As of Sep. 30, 2018
Cash	299,915	365,760	178,441
Trading financial assets	0	0	0
Notes receivable	25,222	103,449	53,128
Accounts receivable	808,951	1,260,780	1,595,889
Advances to suppliers	20,391	25,592	160,158
Interest receivable	0	0	0
Other receivable	28,497	43,573	91,226
Inventory	182,306	415,696	775,668
Non-current assets within one year	0	0	0
Other current assets	1,290	233,937	1,195
	-----	-----	-----
Current assets	1,366,572	2,448,787	2,855,705
Long-term investment	53,400	157,132	490,011
Fixed assets	266,552	636,446	622,478
Construction in progress	164,847	31,032	56,623
Project materials	0	0	0
Fixed assets in liquidation	0	0	0
Intangible assets	133,668	198,927	189,727
Development expenditure	14,113	12,271	22,333
Goodwill	0	422,727	422,727
Long-term deferred expense	577	10,889	13,109
Deferred income tax assets	9,048	16,451	18,777
Other non-current assets	0	16,099	16,424
	-----	-----	-----
Total assets	2,008,777	3,950,761	4,707,914
	=====	=====	=====
Short-term loans	52,000	475,895	1,108,782
Notes payable and accounts payable	960,846	1,318,062	1,377,442
Payroll payable	15,228	30,962	29,445
Taxes payable	17,057	67,894	7,034
Interest payable	72	874	0
Advances from clients	23,696	17,995	14,300
Other payable	8,668	11,031	12,061
Other current liabilities	0	17,852	0
	-----	-----	-----
Current liabilities	1,077,567	1,940,565	2,549,064
Non-current liabilities	50,077	85,271	184,400
	-----	-----	-----
Total liabilities	1,127,644	2,025,836	2,733,464
Equities	881,133	1,924,925	1,974,450
	-----	-----	-----
Total liabilities & equities	2,008,777	3,950,761	4,707,914

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Consolidated Income Statement

Unit: CNY'000	As of Dec. 31, 2016	As of Dec. 31, 2017	Jan. 1, 2018 to Sep. 30, 2018
Revenue	1,261,974	2,109,346	1,555,230
Cost of sales	919,996	1,638,296	1,207,119
Business Taxes and Surcharges	10,910	14,469	8,176
Sales expense	143,575	158,352	111,132
Management expense	77,847	123,680	116,333
Finance expense	-2,315	8,205	31,512
Asset impairment loss	14,303	30,494	14,926
Investment income	0	199	15,843
Non-operating income	5,893	8,103	8,956
Non-operating expense	621	194	116
Profit before tax	102,930	154,641	90,715
Less: profit tax	14,419	23,385	10,405
Profits	88,511	131,256	80,310

Important Ratios

	As of Dec. 31, 2016	As of Dec. 31, 2017	As of Sep. 30, 2018
*Current ratio	1.27	1.26	1.12
*Quick ratio	1.10	1.05	0.82
*Liabilities to assets	0.56	0.51	0.58
*Net profit margin (%)	7.01	6.22	5.16
*Return on total assets (%)	4.41	3.32	1.71
*Inventory / Revenue x365/270	53 days	72 days	135 days
*Accounts receivable / Revenue x365/270	234 days	219 days	278 days
*Revenue / Total assets	0.63	0.53	0.33
*Cost of sales / Revenue	0.73	0.78	0.78

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 sales 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.

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- The accounts receivable of SC appears large.
- 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 low.
- The risk for SC to go bankrupt is low.

Overall financial condition of the SC: Fairly Stable.

CONCLUSIONS

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

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 72.10
UK Pound	1	INR 93.70
Euro	1	INR 81.44
CNY	1	INR 10.38

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

INFORMATION DETAILS

Analysis Done by :	VIV
Report Prepared by :	SYL

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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)