

MIRA INFORM REPORT

Report No. :	539995
Report Date :	20.11.2018

IDENTIFICATION DETAILS

Name :	SHANDONG HEAD CO., LTD
Registered Office :	No. 999 Heda Road, Zhoucun District, Zibo City, Shandong Province 255311
Country :	China
Financials (as on) :	30.09.2018
Date of Incorporation :	07.12.1992
Unified social credit code:	91370300164367239P
Legal Form :	Shares Limited Company
Line of Business :	Subject registered business scope includes manufacturing, selling and installing chemical anticorrosion equipment, heat exchanger equipment and metal structure; installing machinery equipment and electric appliance; manufacturing and selling water-soluble polymeric compound series products; international trade within the scope of qualification certificate
No. of Employees :	957

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 (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 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

COMPANY NAME AND ADDRESS

COMPANY NAME Shandong Head Co., Ltd.
CURRENT ADDRESS/ REGISTERED ADDRESS No. 999 Heda Road, Zhoucun District, Zibo City, Shandong Province 255311 PR China
TEL. NO. 86 (0) 533-3190661/6696036/6693921
FAX NO. 86 (0) 533-3190551/6681618

EXECUTIVE SUMMARY

DATE OF REGISTRATION : DECEMBER 7, 1992
UNIFIED SOCIAL CREDIT CODE : 91370300164367239P
LEGAL FORM : SHARES LIMITED COMPANY
CHIEF EXECUTIVE : BI XINDE (LEGAL REPRESENTATIVE)
REGISTERED CAPITAL : CNY 119,064,000
STAFF : 957
BUSINESS CATEGORY : MANUFACTURING & TRADING
REVENUE : CNY 662,718,000 (CONSOLIDATED, JAN. 1, 2018 TO SEP. 30, 2018)
EQUITIES : CNY 750,412,000 (CONSOLIDATED, AS OF SEP. 30, 2018)
WEBSITE : www.sdhead.com
E-MAIL : sale@sdhead.com
PAYMENT : REGULAR
MARKET CONDITION : COMPETITIVE
FINANCIAL CONDITION : 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

General Reputation:-

Excellent

Good

Fairly Good

Average

Fair

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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: 91370300164367239P.

SC's Import and Export Enterprise Code: 3700164367239

SC's registered capital: CNY 119,064,000

Registration Change Record:-

Date	Change of Contents	Before the change	After the change
1998	Company's Name	Zibo Head Co., Ltd.	Shandong Head Co., Ltd.
2012	Registered Capital	CNY 19,883,340	CNY 71,580,000
2016-10-19	Registered Capital	CNY 71,580,000	CNY 95,560,000
	Registration No./ Unified Social Credit Code	370000018001899	91370300164367239P
2018-6-25	Registered Capital	CNY 95,560,000	CNY 119,064,000

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

Name of Shareholder (s) (As of September 30, 2018)	% of Shareholding
Bi Xinde	29.97
Bi Wenjuan	6.63
Yang Li	2.62
Bi Yudong	2.42
Zhao Xunliang	2.23
Lv Qun	0.91
Yang Binggang	0.87
Yang Bingqiang	0.72
Yang Bingsheng	0.66
Bi Songling	0.65
Other shareholders	52.32

SC's Chief Executives:-

Position	Name
Legal Representative and Chairman	Bi Xinde
General Manager and Director	Bi Yudong
Deputy General Manager	Tan Zaiying

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Qiu Jianjun
Bi Sixin
Yang Binggang

RECENT DEVELOPMENT

SC is a listed company in Shenzhen Stock Exchange Market with the code of 002810.

SHAREHOLDER CHART & BACKGROUND

<i>Name</i> (As of March 31, 2017)	<i>% of Shareholding</i>
Bi Xinde	31.12
Bi Wenjuan	6.89
Yang Li	3.62
Bi Yudong	2.51
Lv Qun	0.94
China Resources Shengtuotou Trust Co., Ltd. - Pu Sheng 5 Collection Fund Trust Plan	0.76
Sun Xianliang	0.75
Yang Binggang	0.7
Yang Bingqiang	0.59
Zhang Jing	0.57
Other shareholders	51.55

MANAGEMENT

Bi Xinde , Legal Representative and Chairman

- Gender: M
- Nationality: China

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- Age: 64
- Qualification: University
- Working experience (s):

At present, working in SC as legal representative and chairman

Bi Yudong , General Manager and Director

- Gender: M
- Nationality: China
- Age: 37
- Qualification: University
- Working experience (s):

At present, working in SC as general manager and director

Deputy General Manager

Tan Zaiying
Qiu Jianjun
Bi Sixin
Yang Binggang

BUSINESS OPERATION

SC's registered business scope includes manufacturing, selling and installing chemical anticorrosion equipment, heat exchanger equipment and metal structure; installing machinery equipment and electric appliance; manufacturing and selling water-soluble polymeric compound series products; international trade within the scope of qualification certificate.

SC is mainly engaged in manufacturing and selling chemical products and equipment.

*Cellulose ether: Cellulose ether for PVC, Cellulose ether pharmaceutical or food grade, Cellulose ether for construction use, etc.

*Graphite or graphite lined chemical equipment: GT Shell & Tube Graphite Falling-film Absorber, YKA Block Type Graphite Heat Exchanger, K Graphite Lined Reactor, Graphite Packing Tower, SHL HCl Synthesis Unit, etc.



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SC sources its materials 96% from domestic market, and 4% from overseas markets, mainly Netherlands. SC sells 55% of its products in domestic market, and 45% to overseas market, mainly U.S.A., Middle East and Europe.

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:**

=====
Knauf Gips KG. (Germany)
Pankaj Sales Agency (India)
Wuzhou Shenguan Protein Casing Co., Ltd.
Netherlands ECEM Company

***Major Suppliers:**

=====
Tangshan Sanyou Group Dongguang Pulp Co., Ltd.
Shandong Befar Group Dongrui Chemical Co., Ltd.
Shanghai Qingchuan Industry Co., Ltd.
Shandong Licun Bio-technology Co., Ltd.

Staff & Office:

SC is known to have approx. 957 staff at present.

SC owns an area as its operating office & factory of approx. 87,000 sq. meters at the heading address.



RELATED COMPANY

SC is known to have 2 subsidiaries at present.

- Yantai Fuchuan Chemical Co., Ltd.

Date of Registration: September 18, 2009
Unified Social Credit Code: 91370682695411024R
Chief Executive : Bi Sixin
Registered Capital: CNY 7,880,000

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■ Shandong Healsee Capsule Co., Ltd.

Date of Registration: March 12, 2014
Unified Social Credit Code: 913703060944812895
Chief Executive : Dong Chengxi
Registered Capital: CNY 97,500,000

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 and our debt collection record concerning SC.

Trade payment experience: SC's suppliers refused to make any comment.

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:

Zibo Zhoucun District Rural Credit Union Cooperation Wangcun Credit Cooperation

AC#: 90308811120110019868

Shanghai Pudong Development Bank Zibo Branch

AC#: 51010154500000276

FINANCIALS

Consolidated Balance Sheet

Unit: CNY'000	As of Dec. 31, 2016	As of Dec. 31, 2017	As of Sep. 30, 2018
Cash	68,792	100,088	80,719
Accounts receivable	107,960	121,648	201,023
Notes receivable	44,830	28,157	25,340
Advances to suppliers	7,173	13,138	21,426

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Dividend receivable	0	0	0
Other receivable	2,016	2,385	1,936
Inventory	124,944	127,347	147,627
Non-current assets within one year	439	0	0
Other current assets	9,031	16,522	29,224
	-----	-----	-----
Current assets	365,185	409,285	507,295
Fixed assets	346,135	343,503	655,271
Construction in progress	35,719	186,685	43,813
Project materials	253	19,170	0
Intangible assets	95,863	93,887	93,211
Long-term investment	275	137	0
Deferred income tax assets	2,776	3,443	4,458
Other non-current assets	60,922	52,551	29,849
	-----	-----	-----
Total assets	907,128	1,108,661	1,333,897
	=====	=====	=====
Short-term loans	101,000	156,000	100,000
Notes payable and accounts payable	97,173	126,415	176,139
Wages payable	13,650	13,192	16,793
Taxes payable	7,557	1,763	7,923
Advances from clients	12,753	16,777	13,370
Other payable	1,150	2,310	45,102
Other current liabilities	4,800	6,524	30,000
	-----	-----	-----
Current liabilities	238,083	322,981	389,327
Non-current liabilities	33,990	106,428	194,158
	-----	-----	-----
Total liabilities	272,073	429,409	583,485
Equities	635,055	679,252	750,412
	-----	-----	-----
Total liabilities & equities	907,128	1,108,661	1,333,897
	=====	=====	=====

Consolidated Income Statement

Unit: CNY'000	As of Dec. 31, 2016	As of Dec. 31, 2017	Jan. 1, 2018 to Sep. 30, 2018
Revenue	570,170	651,402	662,718
Cost of sales	429,557	509,886	506,452
Taxes and surcharges	7,325	7,934	4,018
Sales expense	21,902	24,879	21,459
Management expense	45,289	46,789	37,367
Finance expense	7,656	11,551	23,442
Asset impairment loss	4,431	3,034	4,527
Investment income	295	304	2,003
Non-operating income	2,274	366	161
Non-operating expense	585	869	1,164
Profit before tax	55,996	53,802	70,191
Less: profit tax	9,222	7,175	10,639

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Profits	46,774	46,627	59,552
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Important Ratios

	As of Dec. 31, 2016	As of Dec. 31, 2017	As of Sep. 30, 2018
*Current ratio	1.53	1.27	1.30
*Quick ratio	1.01	0.87	0.92
*Liabilities to assets	0.30	0.39	0.44
*Net profit margin (%)	8.20	7.16	8.99
*Return on total assets (%)	5.16	4.21	4.46
*Inventory / Revenue x365/270	80 days	72 days	61 days
*Accounts receivable / Revenue x365/270	70 days	69 days	82 days
*Revenue / Total assets	0.63	0.59	0.50
*Cost of sales / Revenue	0.75	0.78	0.76

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 is maintained in an average level.
- The accounts receivable of SC is maintained in an average level.
- 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: AVERAGE

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

Overall financial condition of the SC: Stable.

CONCLUSIONS

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

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 71.90
UK Pound	1	INR 91.20
Euro	1	INR 81.94
CNY	1	INR 10.28

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

INFORMATION DETAILS

Analysis Done by :	VIV
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)

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