

## MIRA INFORM REPORT

<b>Report No. :</b>	536043
<b>Report Date :</b>	25.10.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	ZHEJIANG HONGSHENG CHEMICAL CO., LTD.
<b>Registered Office :</b>	No. 15 Weisan Road, Hangzhou Gulf Fine Chemical Zone, Shangyu City, Zhejiang Province 312369 PR
<b>Country :</b>	China
<b>Financials (as on) :</b>	31.12.2017
<b>Date of Incorporation :</b>	21.12.2005
<b>Com. Reg. No.:</b>	91330600782932960M
<b>Legal Form :</b>	Chinese-Foreign Equity Joint Venture Enterprise
<b>Line of Business :</b>	<ul style="list-style-type: none"> <li>Manufacturing and selling of chemical products, international trade.</li> <li>Products mainly include: hydroxyphenol, aminophenol.</li> </ul>
<b>No. of Employees :</b>	420

**RATING & COMMENTS**

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

**MIRA's Rating :**

A+

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

<b>Status :</b>	Excellent
<b>Payment Behaviour :</b>	Regular
<b>Litigation :</b>	Clear

**NOTES:**

Any query related to this report can be made on e-mail: 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

## **COMPANY NAME AND ADDRESS**

<b>COMPANY NAME</b>	Zhejiang Hongsheng Chemical Co., Ltd.
<b>CURRENT ADDRESS/ REGISTERED ADDRESS</b>	No. 15 Weisan Road, Hangzhou Gulf Fine Chemical Zone, Shangyu City, Zhejiang Province 312369 PR China
<b>TEL. NO.</b>	86 (0) 575-82738366/82728652/82738370
<b>FAX NO.</b>	86 (0) 575-82517238/82738370

## **EXECUTIVE SUMMARY**

DATE OF REGISTRATION	: DECEMBER 21, 2005
UNIFIED SOCIAL CREDIT CODE	: 91330600782932960M
LEGAL FORM	: CHINESE-FOREIGN EQUITY JOINT VENTURE ENTERPRISE
CHIEF EXECUTIVE	: GONG HAN (LEGAL REPRESENTATIVE)
REGISTERED CAPITAL	: USD 29,200,000
STAFF	: 420
BUSINESS CATEGORY	: MANUFACTURING & TRADING
REVENUE	: CNY 2,052,964,000 (AS OF DEC. 31, 2017)
EQUITIES	: CNY 2,507,498,000 (AS OF DEC. 31, 2017)
WEBSITE	: N/A
E-MAIL	: N/A
PAYMENT	: REGULAR
MARKET CONDITION	: COMPETITIVE
FINANCIAL CONDITION	: FAIRLY GOOD
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 Chinese-foreign equity joint venture enterprise of PRC with State Administration of Industry & Commerce (SAIC) under unified social credit code: 91330600782932960M.

SC's registered capital: USD 29,200,000

SC's paid-in capital: USD 29,200,000

**Registration Change Record:-**

<b>Date</b>	<b>Change of Contents</b>	<b>Before the change</b>	<b>After the change</b>
2008-12	Legal Form Shareholder (s) (% of Shareholding)	Chinese-Foreign Equity Joint Venture Enterprise Zhejiang Longsheng Group Co., Ltd. 50% HK Metrogem Holdings Limited 50%	Wholly Foreign-Owned Enterprise HK Metrogem Holdings Limited 100%
2009-3	Legal Representative	Ruan Weixiang	Gong Han
--	Registered Capital Shareholder (s) (% of Shareholding)	USD 4,500,000 HK Metrogem Holdings Limited 100%	USD 7,300,000 Amino-Chem (HK) Co Limited 100%
2014-4-8	Registered Capital Legal Form Shareholder (s) (% of Shareholding)	USD 7,300,000 Wholly Foreign-Owned Enterprise Amino-Chem (HK) Co Limited 100%	USD 29,200,000 Chinese-Foreign Equity Joint Venture Enterprise Zhejiang Longsheng Group Co., Ltd. 75% Amino-Chem (HK) Co Limited

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2016-1-15	Registration No./ Unified Social Credit Code	330600400013015	25% 91330600782932960M
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**Current Co search indicates SC's shareholders & chief executives are as follows:-**

<b>Name of Shareholder (s)</b>	<b>% of Shareholding</b>
Zhejiang Longsheng Group Co., Ltd.	75
Amino-Chem (HK) Co Limited	25

**SC's Chief Executives:-**

<b>Position</b>	<b>Name</b>
Legal Representative and Chairman	Gong Han
General Manager	Liu Yufeng
Director	Chen Guojiang
	Luo Bin
Supervisor	Ruan Guoqi

## **RECENT DEVELOPMENT**

No recent development was found during our checks at present.

## **SHAREHOLDER CHART & BACKGROUND**

<b>Name</b>	<b>% of Shareholding</b>
Zhejiang Longsheng Group Co., Ltd.	75
Amino-Chem (HK) Co Limited	25

Zhejiang Longsheng Group Co., Ltd.

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Date of Registration: March 23, 1998  
Unified Social Credit Code: 91330000704202137E  
Chief Executive : Ruan Weixiang  
Registered Capital: CNY 3,253,331,860

Amino-Chem (HK) Co Limited

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Date of Registration: April 28, 2005  
Registration No.: 0966872  
Legal Form: Private  
Status: Live

## **MANAGEMENT**

### **Gong Han, Legal Representative and Chairman**

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- Gender: M
- Nationality: China
- Age: 47
- ID# 330102197109190036
- Qualification: University
- Working experience (s):

From 2009 to present, working in SC as legal representative and chairman  
Also as director of Zhejiang Longsheng Group Co., Ltd. and working in Shanghai Annuo Aromatic Amine Chemical Co., Ltd. as legal representative

### **Liu Yufeng, General Manager**

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- Gender: M
- Nationality: China
- Age: 49
- ID# 320830196909086410
- Qualification: University
- Working experience (s):

At present, working in SC as general manager

### **Director**

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Chen Guojiang                    ID# 330682197811018091  
Luo Bin                            ID# 510824197111070076

### **Supervisor**

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Ruan Guoqi

## **BUSINESS OPERATION**

SC's registered business scope includes manufacturing and selling chemical products, international trade.

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SC is mainly engaged in manufacturing and selling chemical products.

SC's products mainly include: hydroxyphenol, aminophenol.

SC sources its materials 100% from domestic market, mainly Zhejiang. SC sells 70% of its products in domestic market, and 30% to overseas market, mainly India, USA, Japan, etc.

The buying terms of SC include Check, T/T and Credit of 30-60 days. The payment terms of SC include T/T, L/C and Credit of 30-60 days.

**\*Major Customers\***

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Dystar L.P.  
Precision Measurement International  
Jos.H.Lowenstein & Sons Inc.  
Chemspark India Private Limited  
Ravi Dyeware Co. Pvt. Ltd.  
Vidhi Specialty Food Ingredients Limited  
Dynamic Industries Limited  
Alps Chemicals Pvt. Ltd.

**Staff & Office:**

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SC is known to have approx. 420 staff at present.  
SC rents an area as its operating office & factory of approx. 33,000 sq. meters at the heading address.

## **RELATED COMPANY**

Shanghai Annuo Aromatic Amine Chemical Co., Ltd.  
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Date of Registration: April 27, 2002  
Unified Social Credit Code: 91310000738517698E  
Legal Form: Limited Liabilities Company  
Chief Executive: Gong Han  
Registered Capital: CNY 2,000,000

## **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.

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**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 Shaoxing Shangyu Sub-branch  
AC#: 19515201040014732

## **FINANCIALS**

### **Financial Summary**

Unit: CNY'000	As of Dec. 31, 2015	As of Dec. 31, 2016	As of Dec. 31, 2017
Total assets	1,738,043	5,294,191	3,376,776
Total liabilities	588,462	3,575,053	869,278
Equities	1,149,581	1,719,138	2,507,498
Revenue	1,576,851	1,574,954	2,052,964
Profit before tax	375,721	671,573	931,613
Less: profit tax	53,059	96,263	135,289
Profits	322,662	575,310	796,324

### **Important Ratios**

=====	As of Dec. 31, 2015	As of Dec. 31, 2016	As of Dec. 31, 2017
*Liabilities to assets	0.34	0.68	0.26
*Net profit margin (%)	20.46	36.53	38.79
*Return on total assets (%)	18.56	10.87	23.58
*Revenue/Total assets	0.91	0.30	0.61

## **FINANCIAL COMMENTS**

### **PROFITABILITY: FAIRLY GOOD**

- The revenue of SC appears fairly good in its line.

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- SC's net profit margin is fairly good.
- SC's return on total assets is fairly good.

**LIQUIDITY: 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 low.

**Overall financial condition of the SC: Fairly Good.**

## **CONCLUSIONS**

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

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 73.26
UK Pound	1	INR 95.05
Euro	1	INR 83.99
CNY	1	INR 10.57

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

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	VIVR
<b>Report Prepared by :</b>	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)