

**CHING HUNG MACHINERY & ELECTRIC INDUSTRIAL CO., LTD - 536836 PAGE NO. : 1**

## MIRA INFORM REPORT

Report No. :	536836
Report Date :	26.10.2018

### IDENTIFICATION DETAILS

Name :	CHING HUNG MACHINERY & ELECTRIC INDUSTRIAL CO., LTD
Registered Office :	No.3, Jingke 1st Rd., Wenshan Li, Nantun Dist., Taichung City 40852,
Country :	Taiwan
Financials (as on) :	31.12.2017
Date of Incorporation :	01.04.1975
Com. Reg. No.:	52307500
Legal Form :	Joint Stock Company
Line of Business :	Manufacturing and Trading of Wire Cut Electric Discharge Machine
No. of Employees :	About 190

### RATING & COMMENTS

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

MIRA's Rating :	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Good
Payment Behaviour :	No Complaints
Litigation :	Clear

#### 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.

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**ECGC Country Risk Classification List**

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Taiwan	A2	A2

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

**TAIWAN - ECONOMIC OVERVIEW**

Taiwan has a dynamic capitalist economy that is driven largely by industrial manufacturing, and especially exports of electronics, machinery, and petrochemicals. This heavy dependence on exports exposes the economy to fluctuations in global demand. Taiwan's diplomatic isolation, low birth rate, rapidly aging population, and increasing competition from China and other Asia Pacific markets are other major long-term challenges.

Following the landmark Economic Cooperation Framework Agreement (ECFA) signed with China in June 2010, Taiwan in July 2013 signed a free trade deal with New Zealand - Taipei's first-ever with a country with which it does not maintain diplomatic relations - and, in November of that year, inked a trade pact with Singapore. However, follow-on components of the ECFA, including a signed agreement on trade in services and negotiations on trade in goods and dispute resolution, have stalled. In early 2014, the government bowed to public demand and proposed a new law governing the oversight of cross-Strait agreements, before any additional deals with China are implemented; the legislature has yet to vote on such legislation, leaving the future of ECFA uncertain. President TSAI since taking office in May 2016 has promoted greater economic integration with South and Southeast Asia through the New Southbound Policy initiative and has also expressed interest in Taiwan joining the Trans-Pacific Partnership as well as bilateral trade deals with partners such as the US. These overtures have likely played a role in increasing Taiwan's total exports, which rose 11% during the first half of 2017, buoyed by strong demand for semiconductors.

Taiwan's total fertility rate of just over one child per woman is among the lowest in the world, raising the prospect of future labor shortages, falling domestic demand, and declining tax revenues. Taiwan's population is aging quickly, with the number of people over 65 expected to account for nearly 20% of the island's total population by 2025.

The island runs a trade surplus with many economies, including China and the US, and its foreign reserves are the world's fifth largest, behind those of China, Japan, Saudi Arabia, and Switzerland. In 2006, China overtook the US to become Taiwan's second-largest source of imports after Japan. China is also the island's number one destination for foreign direct investment. Taiwan since 2009 has gradually loosened rules governing Chinese investment and has also secured greater market access for its investors on the mainland. In August 2012, the Taiwan Central Bank signed a memorandum of understanding (MOU) on cross-Strait currency settlement with its Chinese counterpart. The MOU allows for the direct settlement of Chinese renminbi (RMB) and the New Taiwan dollar across the Strait, which has helped Taiwan develop into a local RMB hub.

Closer economic links with the mainland bring opportunities for Taiwan's economy but also pose challenges as political differences remain unresolved and China's economic growth is slowing. President TSAI's administration has made little progress on the domestic economic issues that loomed large when she was elected, including concerns about stagnant wages, high housing prices, youth unemployment, job security, and financial security in retirement. TSAI has made more progress on boosting trade with South and Southeast Asia, however, which may help insulate Taiwan's economy from a fall in mainland demand should China's growth slow in 2018.

Source : CIA

## **COMPANY NAME AND ADDRESS**

Company Name: Ching Hung Machinery & Electric Industrial Co., Ltd.  
Trading Address: No.3, Jingke 1st Rd., Wenshan Li, Nantun Dist., Taichung City, Taiwan  
Telephone Number: +886-4-2350-9188  
Fax Number: +886-4-2350-0977  
E-mail: [overseas@mail.chmer.com](mailto:overseas@mail.chmer.com)  
Website: [www.chmer.com](http://www.chmer.com)  
Notes: The exact name and address are as above.

## **COMPANY IDENTIFICATION DETAILS**

Registered Name: Ching Hung Machinery & Electric Industrial Co., Ltd.  
Registered Address: No.3, Jingke 1st Rd., Wenshan Li, Nantun Dist., Taichung City 40852, Taiwan  
Date of Foundation: 1975-4-1  
Registration Number: 52307500  
Registry: Department of Commerce, Ministry of Economic Affairs, R.O.C.  
Registered Capital: NTD 560,000,000 (USD 19,040,000)  
Paid-up Capital: NTD 540,386,000 (USD 18,373,124)  
Legal Representatives: Wuxiong Wang  
Legal Form: Joint Stock Company  
Principal Activities: Manufacturing and trading of wire cut electric discharge machine.  
Staff: About 190 Employees  
Listed at OTC Stock Market: Yes; Stock Code: 6608  
Date of Last Annual Return: 2016-7-13

## **HISTORY**

Subject was incorporated on 1975-4-1 with registered number 52307500 as Joint Stock Company in Taiwan.

Subject listed on Taiwan OTC Stock Market on 2003-01-14

## **CORPORATE STRUCTURE**

### **Factories**

1

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Address: No. 15, Jingke Zhong 2th Road, Chunshe Li, Nantun District, Taichung City, Taiwan  
Date of Registration: 2018-1-18  
Factory Registration Number: 66006165  
Factory Manager: Wuxiong Wang  
Status: In Production  
Date of Last Annual Return: 2018-1-18  
Major Products: 291 Mechanical equipment for metal processing

2  
Name: Chungshan Factory  
Address: No. 28, 229 Lane, 1 Sec., Chungshan Road, Qianzhu Li, Wuri District, Taichung City, Taiwan  
Date of Registration: 2003-8-6  
Factory Registration Number: 99644912  
Factory Manager: Wuxiong Wang  
Status: In Production  
Date of Last Annual Return: 2003-8-6  
Major Products: 292 Other special mechanical equipment  
291 Mechanical equipment for metal processing

3  
Name: Jingke Factory  
Address: No., 3, Jingke 1st Road, Wenshan Li, Nantun District, Taichung City, Taiwan  
Date of Registration: 2009-9-15  
Factory Registration Number: 99720605  
Factory Manager: Wuxiong Wang  
Status: In Production  
Date of Last Annual Return: 2009-9-15  
Major Products: 291 Mechanical equipment for metal processing  
292 Other special mechanical equipment  
293 General machinery equipment

**Related Companies**

1  
Name: Holy World Trading Co., Ltd.  
Address: 1-2F, No. 13, 4 Sec., Zhongxin Road, Sanchong City, Taipei, Taiwan  
Tel: +886-2-29888668  
Fax: +886-2-29850850

2  
Name: Huang Long Mechanical Industry Limited Liability Company (Literal Translation)  
Address: No. 29, Lane 229, Sec 1, Jhongshan Rd, Wurih Dist., Taichung Country, Taiwan  
Tel: +886-4-23388170  
Fax: +886-4-23370718

4  
Name: Hangzhou Rui Peng Electromechanical Limited Company (Literal Translation)  
Address: No. 673, Ningdong Road, Xiaoshan Economic Development Zone,

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Tel: Hangzhou City, Zhejiang Province, China  
+86-571-82831033  
Fax: +86-571-82832034  
5  
Name: Shun Peng Technology Limited Liability Company  
(Literal Translation)  
Address: No. 32, 229 Lane, Sec. 1, Chungshan Road, Wuri District, Taichung City,  
Taiwan  
Tel: +886-4-23361618  
Fax: +886-4-23360731

**SHAREHOLDERS**

Major Shareholders	
Name	Subscription Shares
Wuxiong Wang	9,045,819
Chenhong Wang	7,644,073
Chongli Lin	8,300
Yang Liu	142,678
Huizhen Wang	7,649,302

**MANAGEMENT INFORMATION**

Core Management

Directors

1	Name	Wuxiong Wang
	Position	Chairman Of The Board & Manager
	Appointment Date	of 2013-3-25
	Manager	
2	Name	Chenhong Wang
	Position	Director & Manager
	Appointment Date	of 2013-3-25
	Manager	
3	Name	Haoqing Zheng
	Position	Director
4	Name	Ziyi Sun
	Position	Director
5	Name	Chongli Lin

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Position 6	Director
Name	Changmao Ruan
Position 7	Supervisor
Name	Yang Liu
Position 8	Supervisor
Name	Huizhen Wang
Position 9	Supervisor
Name	Chenpeng Wang
Position	Manager
Date of Appointment	2013-3-25

**Personnel Structure**

Total Employees                      About 190 Employees

**OPERATION INFORMATION**

Offices & Factories

Add    Headquarters  
No.3, Jingke 1st Rd., Wenshan Li, Nantun Dist., Taichung City,  
Taiwan

**Production Information**

- Subject is engaged in manufacturing of wire cut electric discharge machine, etc.
- Subject has factories in Taichung of Taiwan for production.
- Subject obtained the ISO9001 Certification and CE Certification.

**Purchase Information**

The registered activities of subject:

Business Code	Details
CB01010	Manicuring of machinery and equipment.
CC01010	Manicuring of power generation, transmission, distribution machinery.
CC01990	Manicuring of other electrical machinery and electronic equipment.
F401010	International trading business.
ZZ99999	Besides licensed business, all other business items those are not banned or restricted.

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The components and raw materials for production are both purchased in Taiwan and from abroad.

**Sales Information**

- Subject is engaged in sale of wire cut electric discharge machine, etc.
- The major products are wire cut electric discharge machine, die sinker electric discharge machine, drilling electric discharge machine, high speed milling machine, CNC tapping center and so on.
- Subject's sales regions are Taiwan local market, the mainland of China, Hong Kong, Canada, USA, Brazil, German, France, South Africa, Australia, etc.
- It is introduced subject has agents in the mainland of China, USA, Brazil, Canada, etc.
- The general delivery lead time of subject is about 45-60 days.
- Subject's major customers are manufacturing enterprises of components, etc.

Import and export right:

Import right	Yes
Export right	Yes

***SETTLEMENTS***

**Purchase**

Domestic Purchase	
Products	Components and raw materials, etc.
Payment Terms	T/T, Cash, etc.

Import	
Products	Components and raw materials, etc.
Payment Terms	L/C, T/T, etc.

**Sales**

Domestic Markets	
Product	Wire cut electric discharge machine, etc.
Selling Terms	T/T, Cash, etc.

Export	
Product	Wire cut electric discharge machine, etc.
Selling Terms	L/C, T/T, etc.

***FINANCIALS***

Balance Sheet  
Unit: NTD/000

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Consolidated	2017-12-31	2016-12-31
Assets		
Current assets		
Cash and cash equivalents		
Total cash and cash equivalents	765,885	710,843
Current financial assets at fair value through profit or loss		
Total current financial assets at fair value through profit or loss	28,848	0
Notes receivable, net		
Notes receivable, net	119,662	150,978
Notes receivable due from related parties, net		
Notes receivable due from related parties, net	138	64
Accounts receivable, net		
Accounts receivable, net	150,802	151,638
Accounts receivable due from related parties, net		
Accounts receivable due from related parties, net	44	123
Other receivables		
Other receivables, net	20,568	44,973
Other receivables due from related parties		
Other receivables due from related parties, net	4,362	5,609
Inventories		
Inventories, manufacturing business		
Inventories, manufacturing business, net	478,816	399,931
Total inventories	478,816	399,931
Prepayments		
Total prepayments	37,077	24,617
Other current assets		
Total other current assets	90,670	84,533
Total current assets	1,696,872	1,573,309
Non-current assets		
Non-current financial assets at cost		
Non-current financial assets at cost, net	6,600	6,600
Investments accounted for using equity method		
Investments accounted for using equity method, net	41	41
Property, plant and equipment		
Total property, plant and equipment	1,371,275	1,309,288
Investment property, net		
Investment property, net	25,710	25,830
Intangible assets		

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Total intangible assets	3,400	2,602
Deferred tax assets	14,795	10,131
Other non-current assets		
Prepayments for business facilities	29,613	23,134
Guarantee deposits paid	1,905	1,357
Other non-current financial assets		
Total other non-current financial assets	15,133	31,834
Long-term prepaid rents	16,534	17,359
Total other non-current assets	63,185	73,684
Total non-current assets	1,485,006	1,428,176
Total assets	3,181,878	3,001,485
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings		
Total short-term borrowings	32,000	0
Notes payable		
Total notes payable	132,151	75,559
Notes payable to related parties		
Total notes payable to related parties	32,500	20,062
Accounts payable		
Total accounts payable	69,141	97,495
Accounts payable to related parties		
Total accounts payable to related parties	18,943	17,864
Other payables		
Total other payables	100,766	94,960
Other payables to related parties	7,179	7,549
Current tax liabilities	37,200	31,716
Other current liabilities		
Advance receipts		
Total advance receipts	32,988	13,656
Other current liabilities, others	1,194	1,669
Total other current liabilities	34,182	15,325
Total current liabilities	464,062	360,530
Non-current liabilities		
Deferred tax liabilities		
Total deferred tax liabilities	8,613	11,263
Other non-current liabilities		
Net defined benefit liability, non-current	32,904	29,737
Guarantee deposits received	31,884	32,075
Total other non-current liabilities	64,788	61,812
Total non-current liabilities	73,401	73,075
Total liabilities	537,463	433,605
Equity		
Equity attributable to owners of parent		
Share capital		
Ordinary share	540,386	540,386
Total capital stock	540,386	540,386

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Capital surplus		
Capital surplus, additional paid-in capital		
Total capital surplus, additional paid-in capital	215,043	215,043
Capital surplus, gain on disposals of property, plant and equipment	200	200
Capital surplus, net assets from merger	87,154	87,154
Total capital surplus	302,397	302,397
Retained earnings		
Legal reserve	334,840	315,281
Special reserve	11,482	11,482
Unappropriated retained earnings (accumulated deficit)		
Total unappropriated retained earnings (accumulated deficit)	1,221,972	1,150,429
Total retained earnings	1,568,294	1,477,192
Other equity interest		
Exchange differences on translation of foreign financial statements		
Total exchange differences on translation of foreign financial statements	-14,332	-9,285
Total other equity interest	-14,332	-9,285
Total equity attributable to owners of parent	2,396,745	2,310,690
Non-controlling interests	247,670	257,190
Total equity	2,644,415	2,567,880
Total liabilities and equity	3,181,878	3,001,485
Equivalent issue shares of advance receipts for ordinary share	0	0
Number of shares in entity held by entity and by its subsidiaries	0	0
Profit and Loss Account		
Unit: NTD/000		
Consolidated	2017	2016
Operating revenue		
Total operating revenue	1,444,893	1,355,609
Operating costs		
Total operating costs	900,851	768,364
Gross profit (loss) from operations	544,042	587,245
Gross profit (loss) from operations	544,042	587,245
Operating expenses		
Selling expenses		
Total selling expenses	187,403	180,178
Administrative expenses		
Total administrative expenses	90,958	87,683
Research and development expenses		

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Total research and development expenses	32,343	31,122
Total operating expenses	310,704	298,983
Net operating income (loss)	233,338	288,262
Non-operating income and expenses		
Other income		
Total other income	21,643	18,228
Other gains and losses		
Other gains and losses, net	-31,405	-30,402
Finance costs		
Finance costs, net	77	5
Total non-operating income and expenses	-9,839	-12,179
Profit (loss) from continuing operations before tax	223,499	276,083
Tax expense (income)		
Total tax expense (income)	52,194	62,493
Profit (loss) from continuing operations	171,305	213,590
Profit (loss) from discontinued operations		
Total profit (loss) from discontinued operations	0	0
Profit (loss)	171,305	213,590
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss		
Gains (losses) on remeasurements of defined benefit plans	-8,007	-3,779
Components of other comprehensive income that will not be reclassified to profit or loss	-8,007	-3,779
Components of other comprehensive income that will be reclassified to profit or loss		
Exchange differences on translation	-6,201	-15,115
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-964	-2,174
Components of other comprehensive income that will be reclassified to profit or loss	-5,237	-12,941
Other comprehensive income, net	-13,244	-16,720
Total comprehensive income	158,061	196,870
Profit (loss), attributable to:		
Profit (loss), attributable to owners of parent	152,754	195,592
Profit (loss), attributable to non-controlling interests	18,551	17,998

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Comprehensive income attributable to:		
Comprehensive income, attributable to owners of parent	140,094	178,493
Comprehensive income, attributable to non-controlling interests	17,967	18,377
Basic earnings per share		
Total basic earnings per share	2.83	3.62
Diluted earnings per share		
Total diluted earnings per share	2.83	3.62
Cash Flows		
Unit: NTD/000		
Consolidated	2017	2016
Cash flows from (used in) operating activities, indirect method		
Profit (loss) from continuing operations before tax	223,499	276,083
Profit (loss) before tax	223,499	276,083
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	39,502	41,058
Amortization expense	869	791
Provision (reversal of provision) for bad debt expense	1,545	-817
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	1,297	0
Interest expense	77	5
Interest income	-6,259	-2,660
Dividend income	-198	-990
Loss (gain) on disposal of property, plan and equipment	-249	-1,400
Other adjustments to reconcile profit (loss)	-4,809	-51,597
Total adjustments to reconcile profit (loss)	31,775	-15,610
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in notes receivable	31,316	-43,672
Decrease (increase) in notes receivable due from related parties	-74	47
Decrease (increase) in accounts receivable	-713	-46,915
Decrease (increase) in accounts receivable due from related parties	79	-95
Decrease (increase) in other receivable	24,409	-16,378
Decrease (increase) in other receivable due from related parties	1,247	89

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Decrease (increase) in inventories	-74,076	49,144
Decrease (increase) in prepayments	-12,460	5,987
Decrease (increase) in other current assets	-6,137	58,409
Total changes in operating assets	-36,409	6,616
Changes in operating liabilities		
Increase (decrease) in notes payable	56,592	-1,619
Increase (decrease) in notes payable to related parties	12,438	275
Increase (decrease) in accounts payable	-28,354	47,491
Increase (decrease) in accounts payable to related parties	1,079	9,842
Increase (decrease) in other payable	6,221	-6,888
Increase (decrease) in other payable to related parties	-370	-448
Increase (decrease) in receipts in advance	19,332	1,236
Increase (decrease) in other current liabilities	-891	-4,684
Increase (decrease) in net defined benefit liability	-4,839	-4,368
Total changes in operating liabilities	61,208	40,837
Total changes in operating assets and liabilities	24,799	47,453
Total adjustments	56,574	31,843
Cash inflow (outflow) generated from operations	280,073	307,926
Interest received	6,259	2,660
Dividends received	198	990
Interest paid	-77	-5
Income taxes refund (paid)	-53,061	-39,159
Net cash flows from (used in) operating activities	233,392	272,412
Cash flows from (used in) investing activities		
Acquisition of financial assets at fair value through profit or loss, designated as upon initial recognition	-30,145	0
Acquisition of property, plant and equipment	-102,897	-174,067
Proceeds from disposal of property, plant and equipment	505	1,674
Increase in refundable deposits	-548	-301
Acquisition of intangible assets	-1,020	0
Increase in other financial assets	16,701	-257
Increase in prepayments for business facilities	-9,033	-18,934
Net cash flows from (used in) investing	-126,437	-191,885

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activities		
Cash flows from (used in) financing activities		
Increase in short-term loans	32,000	0
Decrease in guarantee deposits received	-191	2,950
Decrease in other non-current liabilities	0	-542
Cash dividends paid	-57,700	-64,146
Change in non-controlling interests	-23,826	0
Net cash flows from (used in) financing activities	-49,717	-61,738
Effect of exchange rate changes on cash and cash equivalents	-2,196	-5,937
Net increase (decrease) in cash and cash equivalents	55,042	12,852
Cash and cash equivalents at beginning of period	710,843	697,991
Cash and cash equivalents at end of period	765,885	710,843
Cash and cash equivalents reported in the statement of financial position	765,885	710,843
Other items qualifying for cash and cash equivalents under the definition of IAS 7	0	0

**Bankers**

Subject declined to disclose its bank details; from other source we could not obtain the relevant information, either.

**PUBLIC RECORD**

Mortgage

Case Type:	Chattel Mortgage
Registered Number:	60-107-424-1(07036)
Debtor Name:	Ching Hung Machinery & Electric Industrial Co., Ltd.
Registry:	Directorate-General of Highways, MOTC
Name of Mortgagee:	Yu Rong Enterprise Co. , Ltd (Literal Translation)
Date of Registration:	2018-2-26
Amount of Secure Claims:	NTD 300,000
Type of Mortgage:	Automobile, heavy duty machines, bicycles and trailers.

**Lawsuit**

Trial Number:	2018, zhongbu, 460
Date of Trial:	2018-02-14
Reason:	Confirm the site

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Claimant: Jincheng Lin  
Dongshan Lin  
Suzhen Chen  
Defendant: Linyuyun Liao  
National Property Administration, Ministry of Finance  
Ching Hung Machinery & Electric Industrial Co., Ltd.  
An Hua Asset Development Management Limited Liability  
Company (Literal Translation)  
Taichung Irrigation Association

## **SPECIAL NOTE**

Interview Details  
Name Mr. Li  
Department Sales Department

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**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 73.27
UK Pound	1	INR 94.62
Euro	1	INR 83.65
TWD	1	INR 2.37

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

**INFORMATION DETAILS**

Analysis Done by :	DIV
Report Prepared by :	TPT

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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)