

## MIRA INFORM REPORT

<b>Report No. :</b>	536320
<b>Report Date :</b>	27.10.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	GUANGDONG ZHONGYAO KILN STOCK CO., LTD.
<b>Registered Office :</b>	No. 8 Xiabo Industry Avenue, Luocun Town, Shishan Town, Nanhai District, Foshan City, Guangdong Province
<b>Country :</b>	China
<b>Financials (as on) :</b>	30.06.2018
<b>Date of Incorporation :</b>	18.03.2003
<b>Com. Reg. No.:</b>	9144060074803880XF
<b>Legal Form :</b>	Shares Limited Company
<b>Line of Business :</b>	Subject includes processing, manufacturing and selling of various industrial furnaces (roller kiln, drying kiln, tunnel kiln, shuttle kiln, coke oven, heating furnace and supporting equipment); metal structure and construction, mechanical equipment installation; importing and exporting goods and technology; own property lease.
<b>No. of Employees :</b>	253

### RATING & COMMENTS

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

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

<b>Status :</b>	Good
<b>Payment Behaviour :</b>	Regular

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<b>Litigation :</b>	Clear
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**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**

<b>Country Name</b>	<b>Previous Rating (30.06.2018)</b>	<b>Current Rating (30.09.2018)</b>
China	A1	A1

<b>Risk Category</b>	<b>ECGC Classification</b>
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**

<b>COMPANY NAME</b>	Guangdong Zhongyao Kiln Stock Co., Ltd.
<b>CURRENT ADDRESS</b>	Zhongyao Building, Xiabo Industry Zone, Luocun Town, Nanhai District, Foshan City, Guangdong Province 528226 PR China
<b>REGISTERED ADDRESS</b>	No. 8 Xiabo Industry Avenue, Luocun Town, Shishan Town, Nanhai District, Foshan City, Guangdong Province
<b>TEL. NO.</b>	86 (0) 757-86136888
<b>FAX NO.</b>	86 (0) 757-86136838

## **EXECUTIVE SUMMARY**

DATE OF REGISTRATION	: MARCH 18, 2003
REGISTRATION NO.	: 9144060074803880XF
LEGAL FORM	: SHARES LIMITED COMPANY
CHIEF EXECUTIVE	: LIU DAN (LEGAL REPRESENTATIVE)
REGISTERED CAPITAL	: CNY 78,000,000
STAFF	: 253
BUSINESS CATEGORY	: MANUFACTURING & TRADING
REVENUE	: CNY 83,779,000 (FROM JAN. 1, 2018 TO JUN. 30, 2018)
EQUITIES	: CNY 228,467,000 (AS OF JUN. 30, 2018)
WEBSITE	: <a href="http://www.zhongyaokiln.com">www.zhongyaokiln.com</a>
E-MAIL	: <a href="mailto:kiln@zhongyaokiln.com">kiln@zhongyaokiln.com</a>
PAYMENT	: REGULAR
MARKET CONDITION	: COMPETITIVE
FINANCIAL CONDITION	: FAIRLY 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  
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: 9144060074803880XF.

SC's Import and Export Enterprise Code: 440074803880X

SC's registered capital: CNY 78,000,000

SC's paid-in capital: CNY 78,000,000

**Registration Change Record:-**

Date	Change of Contents	Before the change	After the change
2015-6-19	Registered Capital	CNY 72,000,000	CNY 78,000,000
--	Registration Unified Social Credit Code	No./ 440682000047378	9144060074803880XF

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

Name of Shareholder (s) (As of June 30, 2018)	% of Shareholding
Liu Dan	54.74
Xinyu Zhongdan Investment & Management Co., Ltd.	7.83
Yang Yi	7.38
Guangzhou Detong Kaide Venture Capital Limited Partnership (Limited Partnership)	4.43
Li Bojia	2.77
Other Shareholders	22.85

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**SC's Chief Executives:-**

**Position**

Legal Representative, Chairman and General Manager  
Director

Supervisor

**Name**

Liu Dan  
Liang Wenge  
Liu Renhe  
Cao Yong  
Kuang Yinglan  
Ma Jingjing

## **RECENT DEVELOPMENT**

SC was listed on the new three board stock market, and the stock code is 830949.

## **SHAREHOLDER CHART & BACKGROUND**

**Name (As of June 30, 2018)**

**% of Shareholding**

Liu Dan	54.74
Xinyu Zhongdan Investment & Management Co., Ltd.	7.83
Yang Yi	7.38
Guangzhou Detong Kaide Venture Capital Limited Partnership (Limited Partnership)	4.43
Li Bojia	2.77
Other Shareholders	22.85

**Zibo Haite Imp. & Exp. Co., Ltd.**

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Date of Registration: December 9, 2010  
Registration No.: 913605035666281478  
Chief Executive : Liang Wenge  
Registered Capital: CNY 6,500,000

## **MANAGEMENT**

**Liu Dan, Legal Representative, Chairman and General Manager**

- 
- Gender: M
  - Nationality: China
  - Age: 45

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- Qualification: University
- Working experience (s):

At present, working in SC as legal representative, chairman and general manager, also working in Foshan Zhongyao Technology Co., Ltd. as legal representative

**Director**

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Liang Wenge  
Liu Renhe  
Cao Yong

**Supervisor**

-----

Kuang Yinglan  
Ma Jingjing

## ***BUSINESS OPERATION***

SC's registered business scope includes processing, manufacturing and selling various industrial furnaces (roller kiln, drying kiln, tunnel kiln, shuttle kiln, coke oven, heating furnace and supporting equipment); metal structure and construction, mechanical equipment installation; importing and exporting goods and technology; own property lease.

SC is mainly engaged in manufacturing and selling industrial furnaces.

Brand: Zhongyao

SC's products mainly include: roller kiln, drying kiln, tunnel kiln, shuttle kiln, etc.

SC sources its materials 100% from domestic market. SC sells 60% of its products in domestic market, and 40% to overseas market, 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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Shandong Zhaojin Ceramic Technology Co., Ltd.  
ZTS Non-ferrous Metals Group Co., Ltd.  
PT DHARMA PERKASA GEMILANG  
Guangdong SINID Technology Co., Ltd.

**\*Major Suppliers\***

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Foshan Boffin Mechanical & Electrical Co., Ltd.  
Zhongming (Fujian) Machinery Co., Ltd.

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Zibo Baomier Machinery Manufacturing Co., Ltd.

**Staff & Office:**

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SC is known to have approx. 253 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 a subsidiary at present.**

Foshan Zhongyao Technology Co., Ltd.

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Date of Registration: April 10, 2012

Registration No.: 91440605594032076R

Chief Executive : Liu Dan

Registered Capital: CNY 10,000,000

## **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.

**Trade payment experience:** SC's supplier refused 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.

## **BANKING**

**Basic Bank:**

Nanhai Luocun Rural Credit Cooperatives

AC#: N/a

## **FINANCIALS**

### **Balance Sheet**

Unit: CNY'000	As of Dec. 31, 2017	As of Jun. 30, 2018
Cash	126,262	95,307
Notes receivable & Accounts receivable	30,547	48,205
Advances to suppliers	145,806	156,524
Other receivable	15,164	16,865
Inventory	170,018	189,801
Prepaid expenses	0	0
Other current assets	1,388	399
	-----	-----
Current assets	489,185	507,101
Long-term investment	830	2,330
Fixed assets	15,977	15,526
Construction in progress	0	0
Intangible assets	11,792	11,638
Long-term prepaid expenses	0	0
Deferred income tax assets	5,326	5,719
Other non-current assets	8,238	8,237
	-----	-----
Total assets	531,348	550,551
	=====	=====
Short-term loans	18,000	20,000
Notes payable & Accounts payable	121,123	130,025
Wages payable	1,511	1,464
Taxes payable	3,247	1,731
Advances from clients	155,842	147,925
Other payable	1,193	1,197
Accrued expenses	0	0
Other current liabilities	50	51
	-----	-----
Current liabilities	300,966	302,393
Non-current liabilities	3,539	19,691
	-----	-----
Total liabilities	304,505	322,084
Equities	226,843	228,467
	-----	-----
Total liabilities & equities	531,348	550,551
	=====	=====

### **Income Statement**

Unit: CNY'000	As of Dec. 31, 2017	From Jan. 1, 2018 to Jun. 30, 2018
Revenue	252,904	83,779

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Cost of sales	217,567	66,306
Taxes and surcharges	1,015	401
Sales expense	7,782	3,560
Management expense	18,987	5,784
Finance expense	2,040	1,140
Investment income	-159	0
Non-operating income	6,068	0
Non-operating expense	2,129	70
Profit before tax	4,394	1,355
Less: profit tax	1,034	-269
Profits	3,360	1,624

**Important Ratios**

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	As of Dec. 31, 2017	As of Jun. 30, 2018
*Current ratio	1.63	1.68
*Quick ratio	1.06	1.05
*Liabilities to assets	0.57	0.59
*Net profit margin (%)	1.33	1.94
*Return on total assets (%)	0.63	0.29
*Inventory / Revenue x365/180	246 days	408 days
*Revenue / Total assets	0.48	0.15
*Cost of sales / Revenue	0.86	0.79

**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 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 fairly good level.
- The inventory 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: AVERAGE**

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

**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 73.37
UK Pound	1	INR 94.05
Euro	1	INR 83.41
CNY	1	INR 10.53

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

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	NIY
<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)