

MIRA INFORM REPORT

Report No. :	529045
Report Date :	11.09.2018

IDENTIFICATION DETAILS

Name :	SHANDONG HENGFENG RUBBER AND PLASTIC CO., LTD.
Registered Office :	Dawang Economic Development Zone, Dongying, Shandong Province 257335
Country :	China
Financials (as on) :	31.12.2017
Date of Incorporation :	03.08.1995
Unified Social Credit Code.:	91370523164963460H
Legal Form :	Limited Liabilities Company
Line of Business :	Subject registered business scope includes manufacturing and selling steel radial tires, reclaimed rubber, rubber hose, oxygen tubes, spiral pipe, PVC pipe, weaving, textile, motorcycle tire, agricultural vehicle tires, car tire, engineering tire, rubber and other rubber products; selling semi steel radial tire, natural rubber, synthetic rubber, and cushion belt; and international trade.
No. of Employees :	4,221

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	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Satisfactory
Payment Behaviour :	Slow but Correct
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 (31.12.2017)	Current Rating (01.04.2018)
China	A2	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

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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

COMPANY NAME Shandong Hengfeng Rubber and Plastic Co., Ltd.
CURRENT ADDRESS/ Dawang Economic Development Zone, Dongying, Shandong
REGISTERED ADDRESS Province 257335 PR China
TEL. NO. 86 (0) 546-6892011/6893625/6892015/15054601949
FAX NO. 86 (0) 546-6891621/6893593

EXECUTIVE SUMMARY

DATE OF REGISTRATION : AUGUST 3, 1995
UNIFIED SOCIAL CREDIT CODE : 91370523164963460H
LEGAL FORM : LIMITED LIABILITIES COMPANY
CHIEF EXECUTIVE : LI SHENGFA (LEGAL REPRESENTATIVE)
REGISTERED CAPITAL : CNY 220,000,000
STAFF : 4,221
BUSINESS CATEGORY : MANUFACTURING & TRADING
REVENUE : CNY 2,060,540,000 (AS OF DEC. 31, 2017)
EQUITIES : CNY 298,040,000 (AS OF DEC. 31, 2017)
WEBSITE : www.hengfengchina.com
E-MAIL : hf@hengfengtires.com
PAYMENT : SLOW BUT CORRECT
MARKET CONDITION : COMPETITIVE
FINANCIAL CONDITION : FAIR
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

General Reputation:-

Excellent

Good

Fairly Good

Average

Fair

Detrimental

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Downward	Not known
Not known	Not yet be determined
Not yet be determined	

LEGAL STATUS & HISTORY

SC was established as a limited liabilities company of PRC with State Administration of Industry & Commerce (SAIC) under Unified Social Credit Code: 91370523164963460H.

SC's registered capital: CNY 220,000,000

SC's paid-in capital: CNY 220,000,000

Registration Change Record:-

Date	Change of Contents	Before the change	After the change
2016-1-25	Registration No./ Unified Social Credit Code	370523228000114	91370523164963460H

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

Name of Shareholder (s)	% of Shareholding
Li Shengfa	50.97
Li Jun	17.39
Li Jiangying	12.65
Li Jiyong	12.17
Cai Yuming	6.82

SC's Chief Executives:-

Position	Name
Legal Representative, Chairman and General Manager	Li Shengfa
Director	Cai Yuming
	Li Jiangying
	Zhu Liangjun
	Li Xiuheng
Supervisor	Li Guoguang

RECENT DEVELOPMENT

SC passed the certifications of National Compulsory Product (CCC), ISO9001 Quality Management System, Quality Safety of U.S. Department of Transportation (DOT), Product Safety of Economic Commission for Europe

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(ECE), Brazil (INMETRO) and Indonesia (SNI). Meanwhile, SC is rated as Provincial Contract-honoring & Promise-keeping Enterprise, Provincial Inspection-free Unit, Provincial AAA Grade Credit Enterprise, Provincial Unit of Consumer Satisfaction and Grade-A Faithful Taxpayer.



SHAREHOLDER CHART & BACKGROUND

Name	% of Shareholding
Li Shengfa	50.97
Li Jun	17.39
Li Jiangying	12.65
Li Jiyong	12.17
Cai Yuming	6.82

MANAGEMENT

Li Shengfa , Legal Representative, Chairman, and General Manager

- Gender: M
- Working experience (s):

At present, working in SC as legal representative, chairman, and general manager
Also working in Dongying Hengfeng Property Service Co., Ltd. and Shandong Hengfeng Financing Lease Co., Ltd. as legal representative

Director

Cai Yuming
Li Jiangying

Supervisor

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Li Jianghan
Li Xiuheng
Li Guoguang

BUSINESS OPERATION

SC's registered business scope includes manufacturing and selling steel radial tires, reclaimed rubber, rubber hose, oxygen tubes, spiral pipe, PVC pipe, weaving, textile, motorcycle tire, agricultural vehicle tires, car tire, engineering tire, rubber and other rubber products; selling semi steel radial tire, natural rubber, synthetic rubber, and cushion belt; and international trade.

SC is mainly engaged in manufacturing and selling tires.

SC's products mainly include:

Truck and bus radial
Passenger car tires



"Shuangfeng" and "Changfeng" tires are well sold nationwide.

SC sources its materials 100% from domestic market, mainly Shandong. SC sells 40% of its products in domestic market, and 60% to the overseas market, mainly Europe, U.S.A., Africa, South Africa, the Middle East, Southeast Asia, etc.

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.

Staff & Office:

SC is known to have approx. 4,221 staff at present.

SC owns an area as its operating office and factory, but the detailed information is unknown.

RELATED COMPANY

Dongying Hengfeng Property Service Co., Ltd.

Unified Social Credit Code: 913705236806804758

Legal Representative: Li Shengfa

Date of Registration: 2008-10-14

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Registered Capital: CNY 500,000
Shandong Hengfeng Financing Lease Co., Ltd.
Unified Social Credit Code: 91370000054963259F
Legal Representative: Li Shengfa
Date of Registration: 2012-10-09
Registered Capital: USD 40,000,000
Etc.

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 records 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 Dongying Dawang Sub-branch

AC#: 15332701040006688

FINANCIALS

Financial Summary

	As of Dec. 31, 2017
Unit: CNY'000	
Total assets	3,773,380

Total liabilities	3,475,340
Equities	298,040

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Revenue	2,060,540
Profits	-4,080

Important Ratios

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As of Dec. 31, 2017

*Liabilities to assets	0.92
*Net profit margin (%)	-0.20
*Return on total assets (%)	-0.11
*Revenue / Total assets	0.55

FINANCIAL COMMENTS

PROFITABILITY: FAIR

- The revenue of SC appears fairly good in its line.
- SC's net profit margin is fair.
- SC's return on total assets is fair.

LIQUIDITY: FAIR

- 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: Fair.

➤ **CONCLUSIONS**

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

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupee
US Dollar	1	INR 71.90
UK Pound	1	INR 93.04
Euro	1	INR 83.67
CNY	1	INR 10.56

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

INFORMATION DETAILS

Analysis Done by :	PRI
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)