

MIRA INFORM REPORT

Report No. :	531433
Report Date :	21.09.2018

IDENTIFICATION DETAILS

Name :	BROTHER MACHINERY (ASIA) LIMITED
Registered Office :	12/F., Peakcastle, 476 Castle Peak Road, Kowloon
Country :	Hong Kong
Date of Incorporation :	18.01.1996
Com. Reg. No.:	19626336
Legal Form :	Private Limited Company
Line of Business :	Trader of all kinds of printers, office machinery and equipment
No. of Employees :	18

RATING & COMMENTS

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

MIRA's Rating :	A+
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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

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BROTHER MACHINERY (ASIA) LIMITED - 531433

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Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Hong Kong	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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HONG KONG - ECONOMIC OVERVIEW

Hong Kong has a free market economy, highly dependent on international trade and finance - the value of goods and services trade, including the sizable share of reexports, is about four times GDP. Hong Kong has no tariffs on imported goods, and it levies excise duties on only four commodities, whether imported or produced locally: hard alcohol, tobacco, hydrocarbon oil, and methyl alcohol. There are no quotas or dumping laws. Hong Kong continues to link its currency closely to the US dollar, maintaining an arrangement established in 1983.

Hong Kong's open economy left it exposed to the global economic slowdown that began in 2008. Although increasing integration with China through trade, tourism, and financial links aided a more rapid initial recovery than many observers anticipated, its continued reliance on foreign trade and investment leaves it vulnerable to renewed global financial market volatility or a slowdown in the global economy.

The Hong Kong Government is promoting the Special Administrative Region (SAR) as the site for Chinese renminbi (RMB) internationalization. Hong Kong residents are allowed to establish RMB-denominated savings accounts; RMB-denominated corporate and Chinese government bonds have been issued in Hong Kong; and RMB trade settlement is allowed. The territory far exceeded the RMB conversion quota set by Beijing for trade settlements in 2010 due to the growth of earnings from exports to the mainland. RMB deposits grew to roughly 9.4% of total system deposits in Hong Kong by the end of 2015. The government is pursuing efforts to introduce additional use of RMB in Hong Kong financial markets and is seeking to expand the RMB quota.

The mainland has long been Hong Kong's largest trading partner, accounting for about half of Hong Kong's total trade by value. Hong Kong's natural resources are limited, and food and raw materials must be imported. As a result of China's easing of travel restrictions, the number of mainland tourists to the territory has surged from 4.5 million in 2001 to 47.3 million in 2014, outnumbering visitors from all other countries combined. Mainland visitors to Hong Kong declined 3% in 2015 to approximately 45.7 million, reflecting an overall drop of 2.5% in total visitors to Hong Kong. Hong Kong has also established itself as the premier stock market for Chinese firms seeking to list abroad. In 2015, mainland Chinese companies constituted about 51% of the firms listed on the Hong Kong Stock Exchange and accounted for about 62.1% of the exchange's market capitalization. During the past decade, as Hong Kong's manufacturing industry moved to the mainland, its service industry has grown rapidly. In 2014, Hong Kong and China signed a new agreement on achieving basic liberalization of trade in services in Guangdong Province under the Closer Economic Partnership Agreement, adopted in 2003 to forge closer ties between Hong Kong and the mainland. The new measures, which took effect in March 2015, cover a negative list and a most-favored treatment provision, and will improve access to the mainland's service sector for Hong Kong-based companies.

Credit expansion and a tight housing supply have caused Hong Kong property prices to rise rapidly; consumer prices increased 2.6% in 2016, but slowed to 2.0% in 2017. Lower- and middle-income segments of the population are increasingly unable to afford adequate housing.

Hong Kong's economic integration with the mainland continues to be most evident in the banking and finance sector. Initiatives like the Hong Kong-Shanghai Stock Connect, the Mutual Recognition of Funds, and The Hong Kong Shanghai Gold Connect are all important steps towards opening up the Mainland's capital markets and has reinforced Hong Kong's leading role as China's offshore RMB market. Additional connect schemes from bonds to commodities and other investment products are also under exploration by Hong Kong authorities. In 2017, Chief Executive Lam announced plans to increase government spending on research and development, education, and technological innovation with the aim of spurring continued economic growth through greater sector diversification.

Source : CIA

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COMPANY NAME AND ADDRESS

BROTHER MACHINERY (ASIA) LIMITED

ADDRESS: 12/F., PeakCastle, 476 Castle Peak Road, Kowloon, Hong Kong.

PHONE: 852-2111 1255

FAX: 852-2110 9311

MANAGEMENT

Managing Director: Mr. Koichi Naganuma

SUMMARY

Incorporated on: 18th January, 1996.

Organization: Private Limited Company.

Issued Share Capital: US\$37,000,000.00

Business Category: Office Machine trader.

Group Net Sales: ¥641,185 million (Year ended 31-03-2017)

Employees: 18.

Main Dealing Banker: The Bank of Tokyo-Mitsubishi UFJ Ltd., Hong Kong Branch.

Banking Relation: Good.

ADDRESS

Registered Head Office:-
12/F., PeakCastle, 476 Castle Peak Road, Kowloon, Hong Kong.

Holding Company:-
Brother Industries Ltd., Japan.

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Associated Companies:-

Betop Staff Ltd., Japan.
Brother (China) Ltd., China.
Brother Commercial (Thailand) Ltd., Thailand.
Brother Enterprise Ltd., Japan.
Brother Finance (Japan) Ltd., Japan.
Brother Industries (Philippines) Inc., Philippines.
Brother Industries (Shenzhen) Ltd., China.
Brother Industries (Vietnam) Ltd., Vietnam.
Brother Industries Saigon Ltd., Vietnam.
Brother Industries Technology (M) Sdn. Bhd., Malaysia.
Brother International (Aust.) Pty. Ltd., Australia.
Brother International (Gulf) FZE Turkey Branch, Turkey.
Brother International (Gulf) FZE, UAE.
Brother International (HK) Ltd., Hong Kong.
Brother International (India) Private Ltd., India.
Brother International (Malaysia) Sdn. Bhd., Malaysia.
Brother International (NZ) Ltd., New Zealand.
Brother International (Vietnam) Co. Ltd., Vietnam.
Brother International Corporation, Japan.
Brother International Korea Co. Ltd., Korea.
Brother International Philippines Corporation, Philippines.
Brother International S.A. (Pty) Ltd., South Africa.
Brother International Singapore Pte. Ltd., Singapore.
Brother International Taiwan Ltd., Taiwan.
Brother Living Service Co. Ltd., Japan.
Brother Logitec Ltd., Japan.
Brother Machinery Shanghai Ltd., China.
Brother Machinery Vietnam Co. Ltd., Vietnam.
Brother Machinery Xian Co. Ltd., China.
Brother Real Estate Ltd., Japan.
Brother Sales Ltd., Japan.
Brother System Technology Development (Hangzhou) Ltd., China.
Brother Technology (Shenzhen) Ltd., China.
Mie Brother Precision Industries Ltd., Japan.
Nissei Corporation, Japan.
PT Brother International Sales Indonesia, Indonesia.
Standard Corp., Japan.
Taiwan Brother Industries Ltd., Taiwan.
Xing Inc., Japan.
Zhuhai Brother Industries Co. Ltd., China.
etc.

BUSINESS REGISTRATION NUMBER

19626336

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COMPANY FILE NUMBER

0536318

MANAGEMENT

Managing Director: Mr. Koichi Naganuma

ISSUED SHARE CAPITAL

US\$37,000,000.00

SHAREHOLDER

(As per registry dated 18-01-2018)

Name

Brother Industries Ltd.

15-1, Naeshiro-Cho, Mizuho-Ku, Nagoya-Shi, 467-8561, Japan.

No. of shares

37,000,000

=====

DIRECTORS

(As per registry dated 18-01-2018)

Name

(Nationality)

Yasuyuki HASEGAWA

Yoshimi ITO

Koichi NAGANUMA

Toshiaki YAMADA

Tsuyoshi OKISHIO

Address

15 Daito, Kochino Cho, Konan city, Aichi Prefecture, Japan.

404 Cen 18 Road 101 Gulshan2 Dhaka 1212 Bangladesh.

Kameshiro 4-12, Mizuho-Ku, Nagoya, Aichi, Japan.

2-1611, Kamakuradai Midori-Ward, Nagoya City, Aichi Prefecture, Japan.

4804-13 Shimoyamanouchi Inajima-cho, Inazawa, Aichi 492-8207, Japan.

SECRETARY

(As per registry dated 18-01-2018)

<u>Name</u>	<u>Address</u>	<u>Co. No.</u>
Prime Professional Services Ltd.	Unit 2405, 24/F., World Wide House, 19 Des Voeux Road Central, Hong Kong.	1124542

HISTORY

The subject was incorporated on 18th January, 1996 as a private limited liability company under the Hong Kong Companies Ordinance.

Originally the subject was registered under the name of Mizuho Corporation (HK) Ltd., name changed to Brother International (HK) Ltd. on 26th March, 1999, and further changed to the present style on 10th March, 2014.

Formerly the subject was located at 'Unit 620-2 & 6, 6/F., Ocean Centre, 5 Canton Road, Tsimshatsui, Kowloon, Hong Kong', moved to the present address in October 2015.

Apart from these, neither material change nor amendment has been ever traced and noted.

OPERATIONS

Activities: Office Machine trader.

Lines: All kinds of printers, office machinery and equipment

Employees: 18.

Commodities Imported: China, Japan, etc.

Markets: Asian countries, Europe.

Group Net Sales in International Financial Reporting Standards:

¥682,119 million (Year ended 31-03-2016)

¥641,185 million (Year ended 31-03-2017)

¥700,000 million (Year ended 31-03-2018) [Forecast]

¥476,867 million (9 months ended 31-12-2016)

¥534,162 million (9 months ended 31-12-2017)

Terms/Sales: L/C or as per contracted.

Terms/Buying: L/C, T/T, D/P, etc.

FINANCIAL INFORMATION

Issued Share Capital: US\$37,000,000.00

Group Profit in International Financial Reporting Standards:
(Attributable to shareholders)

¥41,238 million (Year ended 31-03-2016)

¥47,242 million (Year ended 31-03-2017)

¥48,500 million (Year ended 31-03-2018) [Forecast]

¥38,667 million (9 months ended 31-12-2016)

¥38,838 million (9 months ended 31-12-2017)

Profit or Loss: Making a small profit every year.

Condition: Keeping in an active manner.

Facilities: rather active use of general banking facilities

Payment: Regular.

Commercial Morality: Satisfactory.

Banker: The Bank of Tokyo-Mitsubishi UFJ Ltd., Hong Kong Branch.

Standing: Very Good.

GENERAL

Brother Machinery (Asia) Limited formerly was jointly owned by Brother International Corp., holding 8.1%, and Brother Industries, Ltd. [Brother], holding 91.9%. Both were Japan-based companies.

Now, the subject is a wholly-owned subsidiary of Brother which is a listed company in Japan.

The subject is an office machinery and equipment trader. It is a member of the Brother Group of companies.

The subject moved to the present address in October 2015. Formerly it had shared the office with its associated company Brother International (HK) Ltd. but now it has got its own office.

For more than a century, Brother has won recognition as a brand synonymous with delivering product innovation and customer satisfaction. Being a Japanese company founded in 1908, Brother has 16 production facilities and 51 sales companies operating in 44 countries in different regions today.

Brother consists of six segments:

1. Printing & Solutions Business

Printers, All-in-Ones, Facsimiles, Labelling Systems, Label Printers, Scanners, etc.

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2. Personal & Home Business
Home Sewing Machines, Home Cutting Machine, etc.
3. Machinery & Solution Business
Industrial Sewing Machines, Garment Printers, Machine Tools, Reducers and Gears, etc.
4. Network & Contents Business
Online Karaoke Systems, Management of Karaoke Clubs, Content Services, etc.
5. Industrial Part
6. Domino Business
Coding & Marking Equipment, Digital Printing Equipment, etc.

Brother is now a leading brand that produces quality innovative products for the print and imaging, labelling and sewing markets. Key products include laser printers, Multi-Function Centres (MFCs), fax machines, labellers, label printers, and a wide range of home and industrial sewing machines.

Now, overseas sales of the Group account for over 80% of the Group's total sales.

Now, Brother has established its original "Brother Green Label" for the products, in conformity with ISO 14021 and JIS Q14021. Besides, it has been providing all its products in accordance with the RoHS Directive for all market areas (excluding machine tools).

For the year ended 31st March, 2017, the net sales of the Group amounted to ¥641.2 billion (2016: ¥682.1 billion), decreased by 6.0%; net income amounted to ¥47.2 billion (2016: ¥41.2 billion), increased by 14.6%.

These figures are International Financial Reporting Standards [IFRS].

For the 9 months ended 31st December, 2017, the net sales of the Group amounted to ¥534.2 billion (same period of 2016: ¥476.9 billion), increased by 12.0%; net income amounted to ¥38.8 billion (same period of 2016: ¥38.7 billion), increased by 0.3%.

For the year ended 31st March, 2017, the Group had 36,929 employees (2016: 36,307 employees). About 60% of the Group's employees are in Asia, Oceania, the Middle East and Africa.

The Group's China factory is chiefly in Xi'an, Shaanxi Province, China while the Group's China sales company is in Shanghai, China. The CEO and Chairman of the Shanghai Company is Mr. Yasuyuki Hasegawa who is also one of the directors of the subject.

The Managing Director of the subject in Hong Kong is Mr. Koichi Naganuma who is a Japanese.

As the history of the subject is over 22 years and two month in Hong Kong, on the whole, consider it good for normal business engagements.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 72.67
UK Pound	1	INR 95.59
Euro	1	INR 84.90
HKD	1	INR 9.25

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

INFORMATION DETAILS

Analysis Done by :	VIV
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)