# **ANALYTICAL REPORT**

SUMMARY: -

**DATE: August 25, 2016**

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| |  |  | | --- | --- | | **REGISTERED NAME:** |  | | Shaanxi Xinghua Chemistry Co., Ltd.  陕西兴化化学股份有限公司 |
|  |  |
| **SUMMARY: -** | Engaged in development, production and sales of chemical products. |
|  |  |
|  | Subject was incorporated on Aug. 29, 1997 and has been under present ownership since inception. |
|  |  |
|  | Registered Capital is CNY 358,400,000 |
|  |  |
|  | The subject is a member of a larger group operation. |
|  |  |
|  | Recent payment history shows no adverse payment history |
|  |  |
|  | **Related Company: Shaanxi Xinghua Group Co., Ltd.** – Noting the significant equity Shareholding in the Subject, we suggest ordering a report on that company as well. |
|  |  |
| **CURRENCY - approx exchange rate: -** | **US$1 = CNY 6.6554 ; and A$1 = CNY 5.0774** |
|  |  |
| **DMS RISK RATING ASSESSMENT:** | ***C*** |
|  |  |
| **COMMENT:** | SC has 1,104 (including subsidiaries) staff, is considered large-sized in its line with fairly stable financial condition. SC is a listed company and around 19 years development history. A credit line up to A$ 2,000,000 would appear to be within SC’s capacities upon a periodical review basis.  We are unable to demonstrate whether they have taken contracts of broadly comparable value, term & content for perhaps 3-4 customers within the last 2-4 years. We are unable to conduct trade references to check if SC is a reliable supplier.  During our investigations SC’s staff seems ambiguous and reluctant to answer our questions directly.  After checking the last 2-3 years media and internet sources, there is no controversial news and litigation record found.  The large amount of accounts receivable could be a threat to SC’s financial condition.  Should you rely on a related company cross-guarantee for your dealings, &/or your exposure to the Subject will be substantial, &/or the report does not clearly recommend trading at the proposed level of exposure, please consider ordering a report on the subject's Parent, if any is disclosed. |
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| **CREDIBILITY CODE:** | 91610000294207364D |
|  |  |
| **REGISTERED NAME:** | Shaanxi Xinghua Chemistry Co., Ltd.  陕西兴化化学股份有限公司 |
|  |  |
| **OTHER KNOWN TRADING NAME(S):** | N/A |
|  |  |
| **REGISTERED ADDRESS:** | Xingping City, Shaanxi Province, 713100 PR China陕西省兴平市 |
|  |  |
| **HEAD OFFICE ADDRESS:** | Yingbin Avenue, Dongcheng District, Xingping City, Shaanxi Province, 713100 PR China陕西省兴平市东城区迎宾大道 |
|  |  |
| **DATE OF INCORPORATION or ESTABLISHMENT OF BUSINESS:** | Aug. 29, 1997 |
|  |  |
| **INVOLVED IN TYPE OF BUSINESS:** | Engaged in development, production and sales of chemical products. |
|  |  |
| **REGISTERED CAPITAL:** | CNY 358,400,000 |
|  |  |
| **TELEPHONE NUMBER:** | 86 (0) 29-38838007 / 38839912 |
|  |  |
| **FAX NUMBER:** | 86 (0) 29-38822614 |
|  |  |
| **WEB SITE:** | [http://www.sn](http://www.snxhchem.com/)[xhchem.com/](http://www.snxhchem.com/) (the given website is wrong) |
|  |  |
| **EMAIL:** | [snxhchem002109@163.com](mailto:snxhchem002109@163.com) |
|  |  |
| **CHANGE OF NAME:** | N/A |
|  |  |
| **FINANCIAL YEAR END Date:** | 30th of June, 2016 |
|  |  |
| **FINANCIALS:** | See below |
|  |  |
| **AUDITORS:** | BDO China Shu Lun Pan Certified Public Accountants LLP (Yr 2015 annual reports) |
|  |  |
| **TYPE OF BUSINESS:** | Development, production and sales |
|  |  |
| **SALES:** | CNY 413,804,000 (Consolidated, Jan. 1 to Jun. 30, 2016) |
|  |  |
| **PAYMENTS:** | AVERAGE |
|  |  |
| **LEGAL ACTIONS / DEFAULTS:** | Nil recorded |
|  |  |
| **EMPLOYEES:** | 1,104 (including subsidiaries) |
|  |  |
| **BANK:** | N/A |

|  |  |
| --- | --- |
| **RELATED COMPANIES: -** |  |
| **DIRECT PARENT COMPANY:** | Shaanxi Xinghua Group Co., Ltd. 陕西兴化集团有限责任公司 |
|  |  |
| **ULTIMATE PARENT COMPANY:** | Shaanxi Yanchang Petroleum (Group) Co., Ltd.陕西延长石油（集团）有限责任公司 |
|  |  |
| **SUBSIDIARIES:** | Shaanxi Xingfu Fertilizer Co., Ltd. 陕西兴福肥业有限责任公司  Xinghua Shares (Jiangxi) Chemical Co., Ltd. (literal translation) 兴化股份（江西）化工有限公司  Shaanxi Xinghua Chemistry Co., Ltd. Shandong Sales Branch陕西兴化化学股份有限公司山东销售分公司  Shaanxi Xinghua Chemistry Co., Ltd. Shenyang Sales Company陕西兴化化学股份有限公司沈阳销售公司 |
|  |  |
| **SISTER COMPANIES:** | Shaanxi Xinghua Xinke Gas Co., Ltd. (in Chinese pinyin) 陕西兴化新科气体有限责任公司  Shaanxi Xinghua Instrument Installation Co., Ltd. (literal translation) 陕西省兴化仪表安装有限责任公司 |

**OPERATIONS:**

**General:**

SC is currently operating at the above stated address, and this address houses its operating office and factory in Xingping. Detailed premise information is not available at present.

**BACKGROUND:**

The subject was incorporated on Aug. 29, 1997, being a shares limited company.

**Company Status: Shares limited co.**

This form of business in PR China is defined as a legal person. Its registered capital is divided into shares of equal par value and the co. raises capital by issuing share certificates by promotion or by public offer. Shareholders bear limited liability to the extent of shareholding, and the co. is liable for its debts only to the extent of its total assets. The co has independent property of legal person and enjoys property rights of legal person. The characteristics of the shares limited co. are as follows:

The establishment of the co. requires at least two promoters and no more than 200, half of whom shall be domiciled in China.. Natural person are allowed to serve as promoters.

The minimum registered capital of a co. is CNY 5M. while that of the co. with foreign investment is CNY 5M. The total capital of a co. which propose to apply for publicly listed must be no less than CNY 30M.

The board of directors must consist of five to nineteen directors.

If the co. raises capital by public offer, the promoters must not subscribe less than 35% of the total shares. the promoters’ shares are restricted to transfer- within one year of the offer.

A state-owned enterprise that is restructured into a shares limited co. must comply with the conditions & requirements specified under the law & administrative rule.

No significant changes were found during our checks with the local AIC.

Import/ Export License Number: 6100294207364

HS Code: 6104912059

**Shares** are held as follows: (As of Jun. 30, 2016)

Shareholders' Name % of Shares

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Shaanxi Xinghua Group Co., Ltd.

陕西兴化集团有限责任公司 41.38

Changzhou Investment Group Co., Ltd.

常州投资集团有限公司 1.22 Zheng Minwei

郑敏炜 0.65

Li Jiansheng

李建生 0.49

Yang Chengshe

杨成社 0.47

Yang Zhongyi

杨忠义 0.46

Tan Liang

谈亮 0.45

Qi Jiawei

戚家伟 0.43

Kong Guoxing

孔国兴 0.4

Zhang Yuying

张玉英 0.38

Other shareholders

其他股东 53.67

Shaanxi Xinghua Group Co., Ltd.

陕西兴化集团有限责任公司

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Credibility code: 916100002942081649

Legal representative: Chen Tuanzhu陈团柱

Incorporation date: 1997-8-29

Tel: 86-029-38838073

<http://www.sxycpc.com/wmzc-content.jsp?urltype=news.NewsContentUrl&wbtreeid=1742&wbnewsid=45386> (the website belongs to Shaanxi Yanchang Petroleum)

Company operations commenced in 1997, and is engaged in development, production and sales of chemical products.

**Directors’** information in detail is as follows:

* ***Legal representative and chairman:***

Mr. Wang Ying (王颖), born in 1962 with university education, senior engineer, he is currently responsible for the overall management of SC.

Working Experience(s):

At present Working in SC as legal representative and chairman.

* ***General manager:***

Mr. Zhao Bo (赵波), born in 1966 with university education, senior engineer, he is currently responsible for the daily management of SC.

Working Experience(s):

At present Working in SC as general manager.

* ***Vice general managers:***

Zhang Suili张岁利

Chen Tuanzhu陈团柱

Xi Yongsheng席永生Shi Lei石磊

* ***Directors:***

Yang Weiqiao杨为乔Xu Binghui徐秉惠Xi Yongsheng席永生

Zhao Bo 赵波

Etc.

* ***Supervisors:***

Xu Yarong徐亚荣Liu Yi刘毅

Wang Yan王彦

Etc.

**INVESTIGATION:**

According to SC’s public report, operational and trading details were confirmed as follows:

SC is engaged in development, production and sales of chemical products. (该公司目前实际主要从事化工产品的开发、生产、销售。)

Main Products: Ammonium nitrate, ammonia, hydrogen, oxygen, nitrogen, argon, nitric acid, carbonyl iron powder, iron pentacarbonyl, sodium nitrate, sodium nitrite, etc.

SC sources its materials from 99% from domestic market and 1% from overseas market. SC sells 96% of its products in domestic market, 4% to overseas market.

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

Main customers:

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Shanxi China Coal Pingshuo Blasting Equipment Co., Ltd. (literal translation)

山西中煤平朔爆破器材有限责任公司

Ansteel Mining Blasting Co., Ltd. (literal translation)

鞍钢矿业爆破有限公司

Baotou Iron & Steel (Group) Co., Ltd.

包头钢铁（集团）有限责任公司

North Blasting Technology Co., Ltd.

北方爆破科技有限公司

Hubei Dongshen Tianshen Co., Ltd.

湖北东神天神实业有限公司

Main suppliers:

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Shanghai Paite Precious Metals Metal Environmental Protection Science & Technology Co., Ltd.

上海派特贵金属环保科技有限公司

Xingping Hongda Construction and Installation Company (in Chinese pinyin)

兴平市宏达建筑安装公司

Shaanxi Huawei Construction Engineering Co., Ltd. (in Chinese pinyin)

陕西华威建设工程有限公司

| **TRADEMARKS & PATENTS** |
| --- |

|  |  |  |  |
| --- | --- | --- | --- |
| Registration No. | 7198964 | 8157538 | 10114241 |
| Registration Date | 2010-08-21 | 2011-04-07 | 2014-09-07 |
| Trademark Design |  |  |  |

**Financials/Key Financial data –**

**Financials for the period 2015 and first half of 2016** are provided.

***Consolidated Balance Sheet***

Unit: CNY’000

|  |  |  |
| --- | --- | --- |
|  | **As of Jun. 30, 2016** | **As of Dec. 31, 2015** |
| Cash & bank | 43,939 | 26,668 |
| Inventory | 77,604 | 79,382 |
| Accounts receivable | 152,957 | 79,066 |
| Advances to suppliers | 19,934 | 3,084 |
| Notes receivable | 75,858 | 112,345 |
| Other accounts receivable | 1,295 | 309 |
| Other current assets | 22,295 | 32,045 |
|  | ------------------ | ------------------ |
| Current assets | 393,882 | 332,899 |
| Financial assets available for sale | 10,000 | 10,000 |
| Investment real estate | 0 | 3,741 |
| Long-term investment | 0 | 0 |
| Fixed assets | 1,305,679 | 1,355,043 |
| Project under construction | 7,748 | 8,049 |
| Intangible assets | 36,584 | 37,111 |
| Deferred tax assets | 7,991 | 7,658 |
| Other assets | 18,640 | 18,640 |
|  | ------------------ | ------------------ |
| Total assets | 1,780,524 | 1,773,141 |
|  | ============= | ============= |
| Short loans | 310,000 | 255,000 |
| Notes payable | 0 | 0 |
| Accounts payable | 275,152 | 248,612 |
| Advances from clients | 18,782 | 18,684 |
| Employee pay payable | 21,042 | 28,326 |
| Taxes payable | 9,245 | 2,214 |
| Interest payable | 561 | 676 |
| Other accounts payable | 6,749 | 5,421 |
| Non-current liabilities due within one year | 44,700 | 47,700 |
| Other current liabilities | 0 | 2,695 |
|  | ------------------ | ------------------ |
| Current liabilities | 686,231 | 609,328 |
| Long-term loans | 98,177 | 119,027 |
| Long-term accounts payable | 4,500 | 4,500 |
| Deferred income | 7,857 | 8,571 |
|  | ------------------ | ------------------ |
| Total liabilities | 796,765 | 741,426 |
| Equity | 983,759 | 1,031,715 |
|  | ------------------ | ------------------ |
| Total liabilities & equities | 1,780,524 | 1,773,141 |
|  | ============= | ============= |

***Consolidated Income Statement***

Unit: CNY’000

|  |  |  |
| --- | --- | --- |
|  | **Jan. 1 to Jun. 30, 2016** | **As of Dec. 31, 2015** |
| Turnover | 413,804 | 856,731 |
| Cost of goods sold | 378,963 | 800,702 |
| Taxes and additional of main operation | 2,194 | 4,224 |
| Sales expense | 31,700 | 71,096 |
| Management expense | 29,315 | 75,780 |
| Finance expense | 10,885 | 23,175 |
| Assets impairment loss | 4,790 | 11,693 |
| Investment income | 800 | 400 |
| Non-operational income | 3,032 | 5,505 |
| Non-operational expense | 7,506 | 11,813 |
| Profit before tax | -47,717 | -135,847 |
| Less: profit tax | -333 | -1,191 |
| Profits | -47,384 | -134,656 |

***Important Ratios***

***=============***

|  |  |  |
| --- | --- | --- |
|  | **As of Jun. 30, 2016** | **As of Dec. 31, 2015** |
| \*Current ratio | 0.57 | 0.55 |
| \*Quick ratio | 0.46 | 0.42 |
| \*Liabilities to assets | 0.45 | 0.42 |
| \*Net profit margin (%) | -11.45 | -15.72 |
| \*Return on total assets (%) | -2.66 | -7.59 |
| \*Inventory /Turnover ×365 | / | 34 days |
| \*Accounts receivable/Turnover ×365 | / | 34 days |
| \*Turnover/Total assets | 0.23 | 0.48 |
| \* Cost of goods sold/Turnover | 0.92 | 0.93 |

**PROFITABILITY: FAIR**

* The turnover of SC appears good in its line.
* SC’s net profit margin is poor.
* SC’s return on total assets is fair.
* SC’s cost of goods sold is fairly high, comparing with its turnover.

**LIQUIDITY: FAIR**

* The current ratio of SC is maintained in a fair level.
* SC’s quick ratio is maintained in a fair level.
* The inventory of SC appears average.
* The accounts receivable of SC appears average in 2015 but fairly large in the first half of 2016.
* The short-term loan of SC appears average.
* SC’s turnover is in a fair level, comparing with the size of its total assets.

**LEVERAGE: AVERAGE**

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

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

**SHARE PRICE:**

Our investigations suggest a connection with the following related Public Company, listed on the Shenzhen Stock Exchange on Jan. 26, 2007 with stock code of 002109. Stock price is CNY 6.48, against a year Hi/Lo of CNY 9.39 and CNY 5.56.

**LEGAL ACTIONS / DEFAULTS:**

Nothing of an adverse nature has been recorded in our database against subject.

**CONCLUDING COMMENTS: - C**

#### THIS INFORMATION IS PROVIDED CONFIDENTIALLY

IN RESPECT OF A COMMERCIAL CREDIT ENQUIRY

**CREDIT RISK ASSESSMENT** - **FINANCIAL DATA INCLUDED**

|  |  |  |
| --- | --- | --- |
| **CREDIT FACTORS** | **POSSIBLE SCORE** | **SCORE** |
| **HISTORY** **-** Age of company, start up, acquired other business, etc | **1 to 12** | **10** |
| **PAID/REGISTERED CAPITAL** - Reasonable capital commitment for business of this size, small committed capital, Unit Trust, Sole Trader or Partnership, etc, | **1 to 12** | **9** |
| **SCALE/SCOPE OF OPERATIONS**  - Number of employees, interstate/other branches, subsidiary companies etc | **1 to 12** | **10** |
| **DIRECTORS/PARTNERS BACKGROUND** - Date of appointment, industry specialisation, Tertiary/professional competence, complimentary Board skills etc | **1 to 12** | **8** |
| **FINANCE** **-** (Un)encumbered, self-funded, financed by Bank or Finance companies, etc | **1 to 12** | **8** |
| **PROFITABILITY** | **0 to 10** | **0** |
| **APPARENT LIQUIDITY**  - 1:1 is the minimum, scored = 3 | **0 to 10** | **1** |
| **NET WORTH/EQUITY** **- adjusting 'Goodwill', Asset Revaluation Reserves, etc** | **0 to 20** | **15** |
| **OTHER FACTORS** - additional issues specific to the subject which in the Analyst’s view enhance suitability for unsecured credit | **0 to 6** | **0** |
| **TRADE REFEREES** – not available in many African, Middle Eastern, Latin American countries – if available, then **(MERIT SCORE APPLIES)** - number/size of credit references, time taken, history, referees' general comments, etc | **1 to 6** | **0** |
| **AFFILIATION (MERIT SCORE APPLIES)** - likely support from sister or parent company, or other group company association | **1 to 6** | **4** |
| **CREDIT INSURANCE if Subject insures their Trade Debts (MERIT SCORE APPLIES)** - more for Whole of Turnover Insurance, intermediate for 'Top 10 or 20 accounts', less for Specific account cover | **1 to 6** | **0** |
| SELF–ENCUMBERED (NEGATIVE SCORE APPLIES - score ‘0’ if not applying) - mortgage in favour of Director, Shareholder wife/mother, related company, vendor or Supplier - very important | **-3 to -10** | **0** |
| **LITIGATION (NEGATIVE SCORE APPLIES - score ‘0’ if not applying)**  - Collection, legal action or other adverse info - assessed frequency, amount, how recent & whether disputed | **-1 to -10** | **0** |
| **FACTORING DEBTS (NEGATIVE SCORE APPLIES - score ‘0’ if not applying)**  - Debtors partially/totally funded, resource used, etc | **-3 to -6** | **0** |
| **TOTAL SCORE:** | **100** | **65** |
| **RATING: C - AVERAGE** | | |

**A (86-100) EXCELLENT** Appears to have a sound financial base with a strong

capability to meet trading commitments; liquidity looks healthy

**B (66-85) GOOD** Appears to have adequate resources and working capital

to meet normal commitments

**C (51-65) AVERAGE** Appears to have average ability to meet trading commitments

**D (36-50) LIMITED** Appears to have limited ability to meet commitments and

caution needs to be exercised

**E (Below 35) POOR** Extreme caution needs to be exercised when dealing with this company

**NR Not Rated** Not rated due to lack of information

- see 'RATING & Comment' above

This report is made available to the enquirer on the absolute understanding the information contained herein will be used solely for the purpose of granting commercial credit and will not under any circumstances be communicated to anyone outside the enquirer’s employ. In accepting a report, the enquirer agrees DMS Group Pty. Ltd. and its suppliers (including those who provide third party information included in this report) will not be responsible for any loss or damage of any description howsoever arising. The enquirer also accepts unreservedly that data provided is obtained from 3rd parties, may not all be totally current, may be flawed or incomplete, and that it is not possible to independently verify the veracity of all such data, especially any Financial data. Without restricting the generality of the foregoing the information given is obtained from sourcesbelieved to be reliable. © DMS Group 2014