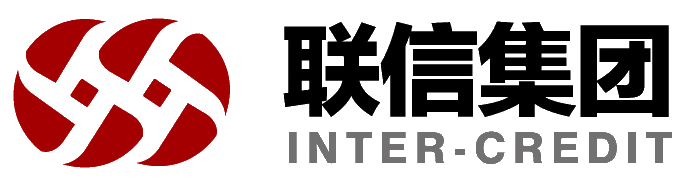
\*\*\*\*\*\*\*\* POWER EQUIPMENT MANUFACTURING CO.,LTD

INTER-CREDIT CODE :123646-368



CREDIT RISK ANALYSIS REPORT

**EXECUTIVE SUMMARY**

|  |  |
| --- | --- |
| COMPANY NAME | :\*\*\*\*\*\*\*\*电力装备制造有限公司 |
| ENGLISH NAME | :\*\*\*\*\*\*\*\* POWER EQUIPMENT  MANUFACTURING CO.,LTD |
| INTER-CREDIT CODE | :123646-368 |
| OPERATION ADDRESS | :浙江丽水市丽阳街572号-1  \*\*\*,\*\*\*\*\*\*\*\*, Lishui City,  Zhejiang Province |
| TELEPHONE NO. | :（+86 571）869\*\*\*\*\*\* |
| FAX NO. | :N/A |
| WEBSITE | :N/A |
| EMAIL | :[zhangxj2009hy@163.com](file:///I:\工作文件\报告\报告\7月\7.19\zhangxj2009hy@163.com) |
| CREDIBILITY CODE | :91331100\*\*\*\*\*\*\*\*\*\*\*\*\* |
| CHIEF EXECUTIVE | :Zhou Wenwei |
| STAFF STRENGTH | :120 |
| NIC CODE | :3411 |
| BUSINESS LINE | :Manufacture and processing of pipe supports and hangers, garbage feeder, steel structure parts (excluding building components); processing of machinery parts; wholesale, retail, consignment-sales and consignment-purchase of metal materials. |
| REGISTERED CAPITAL | :21,000,000 |
| TURNOVER | :1,729,000 (2016-12-31) |
| TOTAL ASSETS | :64,612,000 (2016-12-31) |
| EQUITIES | :10,304,000 (2016-12-31) |

|  |  |
| --- | --- |
| **CREDIT RISK ANALYSIS** | |
| PAYMENT | :Good |
| RECOMM.CREDIT RANGE | :30,000 |
| MARKET CONDITION | :Good |
| FINANCIAL CONDITION | :Poor |
| OPERATIONAL TREND | :Poor |
| GENERAL REPUTATION | :Good |
| EXCHANGE RATE | :CNY 6.7540=USD 1(2017-07-19) |

**CREDIT RATING CA4**  (see below explanatory notes)

|  |  |  |  |
| --- | --- | --- | --- |
| RATING KEY | | CREDIT RISK ASSESSMENT | PROPOSED CREDIT LIMIT  (in concerned business field) |
| CA1 | Minimal | Large amount | Credit can proceed with favorable terms |
| CA2 | Low | Fairly large amount | Credit can proceed promptly |
| CA3 | Average | Moderate amount | Credit can proceed normally |
| CA4 | Above average | Small amount – periodical review | Credit should proceed with monitor |
| CA5 | Fairly High | C.O.D. To small amount | Credit should be extended under guarantee |
| CA6 | High | C.O.D. | Credit is not recommended |
| NR | Assessment not conducted | No recommendation | Insufficient data available |

This rating 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 and their relative weights (as indicated through %) in our credit analysis are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Financial condition (40%) |  | Ownership background (10%) | | Payment record (10%) |  |
| Credit history (15%) |  | Market trend (10%) |  | Operational size (15%) |  |

In case of unlimited companies, newly established companies, or lack of financial data, more weight is given to ‘Ownership background’ and ‘Payment record’ in our analysis.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Adopted abbreviations： | |  | |  |
| N/A – not available | CNY – China Yuan Renminbi | | SC – subject company (the company inquired by you) | |

**HISTORY/BACKGROUND**

|  |  |
| --- | --- |
| **Registration Information** | |
| Registered No./Credibility Code | :91331100\*\*\*\*\*\*\*\*\*\*\*\*\* |
| Legal Representative | :Zhou Wenwei |
| Legal Form | :One-person Limited Liability Company  This form of business in PR China is defined as a legal person. Its registered capital is contributed jointly by at least 2 shareholders and no more than thirty. Shareholders bear limited liability to the extent of its total assets. The private enterprise law requires this form of enterprise employ not less than 8 employees and to set aside no less than 50% of its after-tax profits as a production development fund. |
| Register Date | :2002-06-12 |
| Duration | :2032-06-11 |
| Registered Capital | :21,000,000 |
| Registered Address | : \*\*\*,\*\*\*\*\*\*\*\*, Lishui City, Zhejiang Province |
| Registration Authority | : Lishui City Administration for Industry and  Commerce |
| Status | :Operating |
| Business Scope | :Manufacture and processing of pipe supports and hangers, garbage feeder, steel structure parts (excluding building components); processing of machinery parts; wholesale, retail, consignment-sales and consignment-purchase of metal materials. |

**Change of Registration Information**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Item** | **Before** | **After** |
| 2009-03-19 | Registered Address | \*\*\*,\*\*\*\*\*\*\*\*, Huancheng West Road, Haishu | \*\*\*,\*\*\*\*\*\*\*\*, Lishui City, Zhejiang Province |
| 2009-03-19 | Company’s name | Ningbo Fuxing Pipe Frame Manufacturing Co., Ltd. | \*\*\*\*\*\*\*\* Power Equipment Manufacturing Co., Ltd. |
| 2009-03-19 | egistered capital | RMB 500,000 | RMB 21,000,000 |
|  |  |  |  |
| 2016-04-26 | Registration no. | 330200000052730 | Credibility Code:  91331100\*\*\*\*\*\*\*\*\*\*\*\*\* |

**Summary**

Mr. Zhou Wenwei has been legal representative and chairman of SC since 2002.

SC is known to have approx. 120 employees at present.

SC is currently operating at \*\*\*,\*\*\*\*\*\*\*\*, Lishui City, Zhejiang Province .

**SHAREHOLDING AND MANAGEMENT**

**Shareholding**

|  |  |  |
| --- | --- | --- |
| **Name** | **State** | **% of shareholding** |
| Hangzhou \*\*\*\*\*\*\*\* \*\*\*\*\*\*\*\* Co., Ltd. | China | 100 |
|  |  |  |
| **Total** |  | **100%** |

|  |  |
| --- | --- |
| Hangzhou \*\*\*\*\*\*\*\* \*\*\*\*\*\*\*\* Co., Ltd. | |
| Registered No./Credibility Code | :91330100\*\*\*\*\*\*\*\* |
| Register Date | :1996-11-19 |
| Registered Capital | :21,160,000 |
| Registered Address | : \*\*\*\*\*\*\*\*, \*\*\*\*\*\*\*\* Town, \*\*\*\*\*\*\*\* District, Hangzhou City, Zhejiang Province. |
| Telephone No. | :0571-87061839 |
| Fax No. | :N/A |
| Email | : [351\*\*\*\*\*\*\*\*@qq.com](mailto:351********@qq.com) |
| Website | : http://www. \*\*\*\*\*\*\*\* .com |
| Business Line | : Contract to: Fire control facility engineering (Level 1), building intelligent system project (Level 3), city and road lighting project (Level 3). Design: Special fire control facility engineering (Class A) (Business scopes above can only run within the approved period of validity). Wholesale, retail: Commercial vehicle and passenger car with more than 9 seats, fire-fighting equipment, construction material, chemical material (Except dangerous chemicals and precursor chemical), water-based coatings and raw materials (Except dangerous chemicals and precursor chemical), anti-fire and anti-explosion equipment. Services: Computer network, mechanical and electrical equipment installation (Except installing (maintenance and test) electricity facility), fire control equipment maintenance, construction consulting, computer technology developing, computer maintenance and test. |

|  |  |  |
| --- | --- | --- |
| Investment | ：Company Name | Shareholding |
|  | Zhejiang \*\*\*\*\*\*\*\* safety equipment Co., Ltd. | 70.00% |
|  | \*\*\*\*\*\*\*\* Power Equipment Manufacturing Co., Ltd | 100.00% |
|  | Hangzhou \*\*\*\*\*\*\*\* Co., Ltd | 100.00% |

|  |  |
| --- | --- |
| **Management** | |
| Name | :Zhou Wenwei |
| Position | :Chairman |
| IC No. | :N/A |
| Age | :N/A |
| Gender | :Male |
| Working Experiences | : Now with Subject as Chairman of the Board; Also working in Hangzhou Public Fire Protection & Security Co., Ltd. As legal representative, etc. |
| Telephone No. | :N/A |
| Fax No. | :N/A |
| Email | :N/A |

**BUSINESS OPERATION**

**Industry**

|  |  |
| --- | --- |
| NIC Code | : 3411 |
| Industry Name | : Boiler and auxiliary equipment manufacturing |

**Industry analysis**

The Subject Company is mainly engaged in R&D and manufacturing pipe supports & hangers and relevant accessories. Its products are mostly used in the fields of Electricity, Steel and Petrochemicals. During the reporting period, the growth of fixed-assets investment in Electricity and Heating Supply is kept slowing down. The total fixed-assets investment nationwide (excluding peasants) was 59,650.1 billion RMB, nominally increased by 8.1%, but the growth rate reduced 1.9% compared with the same period last year. The installed power-generation capacity increased 120.61 GM which was 11.23 GM and 7% decreased by the previous year. During the reporting period, the investment of Steel industry has been shrinking over the last 3 years since Yr2014. According to the data from State Statistics Bureau, in 2016, the total amount of fixed-assets investment of Steel industry was 513.9 billion RMB, while it reduced by 8.6% compared with the same period last year. As of petrochemical area, the whole industry operated stably, the market supply was plentiful. The prices from upper reach, stream mining industry, are rising, but the turnover decreased, and the total amount of fixed-assets investment reduced. The petrochemical industry is still in a difficult situation. From the above, during the reporting period, SC’s lower reach industries declined, influenced by this, the development of the area that Subject Company operating in is blocked, and the market demands were reduced.

In the long run, SC’s products are mainly used in infrastructure, which is having a bright future given the macro economic recovery and supporting from the government. The development of SC’s clients will bring more markets and promote SC in reverse.

**Business**

|  |  |
| --- | --- |
| Products/Services | : Pipe-hanger support |

|  |  |
| --- | --- |
| Import | :N/A |
| Export | :N/A |
| HS Code | :N/A |

**Purchase**

|  |  |
| --- | --- |
| State | :China |
| Percentage | :N/A |
| Payment Terms | :Accept, T/T, etc. |

**Sales**

|  |  |
| --- | --- |
| State | :Nationwide |
| Percentage | :N/A |
| Payment Terms | :Accept, T/T, etc. |

**Clients**

Main customers of Subject Company are China Nuclear Industry 23 Construction Co., Ltd and The China Zhongyuan Engineering Corporation, etc.

**Suppliers**

|  |  |
| --- | --- |
| Supplier | :Yangzhou Chengxin Printing and Dyeing Machinery Co., Ltd. (In Chinese Pinyin) |
| Commodities Supplied | :N/A |
| Telephone | :N/A |
| Cooperation Duration | :N/A |
| Payment Punctuality | :N/A |
| Interviewee’s Remarks | :We did not find the company’s contact  information, so the Credit Records is  not |
| Post | :N/A |
| Date of Interview | :2017-07-17 |

|  |  |
| --- | --- |
| Supplier | :Tonglu Dongzhi Machinery Factory (In Chinese Pinyin) |
| Commodities Supplied | :Machinery products |
| Telephone | :86(0)-13777396335 |
| Cooperation Duration | :Average |
| Payment Punctuality | :Prompt |
| Interviewee’s Remarks | : Reportedly, Subject is one of clients of the company and makes payment normally without adverse payment record like arrears. |
| Post | : Company Personnel |
| Date of Interview | : 2017-07-17 |

**Trademarks & Patents**

|  |  |
| --- | --- |
| Registration No. | :8597123 |
| Registration Date | :2011-09-07 |
| Trademark Design |  |

|  |  |
| --- | --- |
| Registration No. | :8597122 |
| Registration Date | :2011-10-21 |
| Trademark Design |  |

**Honors**

N/A

|  |  |
| --- | --- |
| **Staff Number** | :120 |

|  |  |
| --- | --- |
| **Major Functional Department** | :N/A |

**Location**

|  |  |
| --- | --- |
| **Operating Address** | :\*\*\*,\*\*\*\*\*\*\*\*, Lishui City,  Zhejiang Province |

|  |  |
| --- | --- |
| Ownership | :N/A |
| Area | :6,000 square meter |

**PAYMENT**

**Overall payment appraisal:**

( ) Excellent (X) Good ( ) Average ( ) Fair ( ) Poor ( ) Not yet 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.

**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.

**FINANCIAL and BANKING**

**Key Financial Items**

|  |  |  |
| --- | --- | --- |
|  |  | **Unit CNY '000** |
|  | **2016-12-31** | **2015-12-31** |
| Current Assets | 62,418 | 37,425 |
| Current Liabilities | 19,340 | 14,919 |
| Fixed Assets | 1,212 | 160 |
| Total Assets | 64,612 | 37,767 |
| Total Liabilities | 54,308 | 24,919 |
| Equities | 10,304 | 12,848 |
| Turnover | 1,729 | 10,047 |
| Net Profit | -1,693 | -752 |

**Financial Statement**

|  |  |  |
| --- | --- | --- |
| **Balance Sheet** | | |
| **Unit CNY '000** | | |
|  | **2016-12-31** | **2015-12-31** |
| Cash & bank | 564 | 26 |
| Bills receivable | 0 | 400 |
| Accounts receivable | 7,680 | 9139 |
| Advanced to suppliers | 17,178 | 62 |
| Other receivable | 34,991 | 26,295 |
| Inventory | 1,996 | 1,503 |
| **Total Current Assets** | 62,418 | 37,425 |
|  |  |  |
| Long-term equity investment | 0 | 0 |
| Fixed assets net value | 1,212 | 160 |
| Projects under construction | 0 | 0 |
| Disposal of fixed assets | 0 | 0 |
| Intangible assets | 0 | 0 |
| Development expenditure | 0 | 0 |
| Long-term expenses | 982 | 182 |
| Other non-current assets | 0 | 0 |
| **Total Non-Current Assets** | 2,194 | **342** |
| **TOTAL ASSETS** | 64,612 | 37,767 |

|  |  |  |
| --- | --- | --- |
| Short-term loans | 14,000 | 10,000 |
| Notes payable | 0 | 0 |
| Accounts payable | 2,951 | 2,543 |
| Advances from clients | 19 | 0 |
| Accrued payroll | -101 | 0 |
| Taxes payable | -25 | -4 |
| Dividends payable | 0 | 0 |
| Other payable | 2,496 | 2,380 |
| Non-current liabilities due within one year | 0 | 0 |
| **Total Current Liabilities** | 19,340 | 14,919 |

|  |  |  |
| --- | --- | --- |
| Long-term loan | 34,968 | 10,000 |
| **Total Non-Current Liabilities** | 34,968 | 10,000 |
| **Total Liabilities** | 54,308 | 24,919 |

|  |  |  |
| --- | --- | --- |
| Paid-up capital | 21,000 | 21,000 |
| Capital surplus | 0 | 0 |
| Capital reserves | 0 | 0 |
| Undistributed profit | -10,696 | -8,152 |
| **Total Equities** | 10,304 | 12,848 |
| **Total liabilities & equities** | 64,612 | 37,767 |

|  |  |  |
| --- | --- | --- |
| **Income Statement** | | |
| **Unit CNY '000** | | |
|  | **2016-12-31** | **2015-12-31** |
| Turnover | 1,729 | 10,047 |
| Cost of goods sold | 546 | 8,790 |
| Taxes and additional of main operation | 8 | 127 |
| **GROSS PROFIT** | 1,175 | 1,130 |
| Sales expense | 122 | 291 |
| Management expense | 1,061 | 1,132 |
| Finance expense | 1,685 | 442 |
| Assets impairment loss | 0 | 0 |
| Investment income | 0 | 0 |
| **OPERATING PROFIT** | -1,693 | -735 |
| Non-operating income | 1 | 0 |
| Non-operating expenses | 1 | 17 |
| Income from government subsidy | 0 | 0 |
| Other profit | 0 | 0 |
| **PROFIT BEFORE TAX** | -1,693 | -752 |
| Profitable tax | 0 | 0 |
| **NET PROFIT** | -1,693 | -752 |

**Financial Analysis**

|  |  |  |  |
| --- | --- | --- | --- |
| **Key Ratios** | | | |
|  | **2016-12-31** | | **2015-12-31** |
| Current ratio | | 3.23 | 2.51 |
| Quick ratio | | 3.12 | 2.41 |
| Liabilities to assets (%) | | 84.05 | 65.98 |
| Net profit margin (%) | | -97.92 | -7.48 |
| Return on total assets (%) | | -2.62 | -1.99 |
| Inventory /Turnover ×365 (days) | | 1351 | 62 |
| Accounts receivable/Turnover ×365 (days) | | 1621 | 332 |
| Accounts payable/Cost of goods sold ×365 (days) | | 1921.05 | 105.49 |
| Turnover/Total assets (%) | | 0.03 | 0.27 |
| Cost of goods sold/Turnover (%) | | 0.32 | 0.87 |

**Financial Comments**

**Financial Structure**

As at year 2016, the total assets of Subject Company was 64,612 thousand RMB which increased by 71.08% from prior year. The total assets comprise with 96.60% current assets and 3.40% non-current assets.

The current assets of Subject Company was 62,418 thousand RMB and grow by 66.78% year-on-year. The current assets of Subject Company mainly structured by other receivable (Occupied 56.06%) and advance money (Occupied 27.54%). Other receivable was 34,991 thousand RMB and was increased by 33.07% than previous year. Due to lack of Subject Company’s accounting books, we cannot obtain the details about the structure and account-age of other receivable, however, we believe partial working capital was occupied because of its large amount. The total of advance money was 17,187 thousand RMB. Compared with the same period of earlier year, it was increased a lot. The main reason for that increase could be Subject Company prepared more inventories for expanding the production scale. Cash and bank was 564 thousand RMB, although, it was increased a lot from previous year, the monetary scale was still small. Moreover, both account receivable and inventory occupied small percentages of current assets (Account receivable occupied 12.30%, inventory occupied 3.20%). Account receivable was 7,680 thousand RMB and received in 1621 days in average. Inventory was 1,996 thousand RMB and the turnover period up to 1,351 days. In general, Subject Company’s assets had poor liquidity. The total amount of non-current assets was 2,194 thousand RMB which increased by 541.52% from previous year. Subject Company’s non-current assets structured by fixed assets (Occupied 55.24%) and long-term deferred expenses (Occupied 44.76%). The total amount of fixed assets was 1,212 thousand RMB and long-term deferred expenses was 982 thousand RMB. Compared with the same period of previous year, both fixed assets and long-term deferred expenses grew sharply (Fixed asset increased by 657.50%, long-term deferred expenses increased by 439.56%) due to the equipment purchased or upgraded by Subject Company for expending production scale needs during the reporting period.

As at year 2016, Subject Company’s total liabilities was 54,308 thousand RMB which grew by 117.94% from prior year. Current liabilities represents 35.61% of total liabilities and non-current liabilities occupied other 64.39%. Also, Subject Company had large scale of interest-bearing debts.

Current liabilities of Subject Company was 19,340 thousand RMB and it grew by 29.63% year-on-year. Subject Company’s current liabilities mainly structured by short-term loan (Occupied 72.39%). The short-term loan was 14,000 thousand RMB. Compared with the same period of previous year, it was increased by 40.00%. Non-current liabilities structured by long-term loan. The total long-term loan was 34,968 thousand RMB and it grew by 249.68% from previous year. Both short-term and long-term loans grew from previous year due to the increase of banking loans which borrowed for expending production scale. The scale of interest-bearing debts got larger which will increase interest expenses in following period.

**Profitability**

In year 2016, the turnover of Subject Company was 1,729 thousand RMB and was decreased by 82.79% from prior year which was Influenced by the decline of the downstream industries. The gross profit rate was 67.96% and it rose 56.71 percent points from previous year. The main reason for that increase could be the decreased of unit product cost. Total period expense was 2,868 thousand RMB and it mainly structured by administrative and financial expenses. Subject Company’s financial expense was 1,685 thousand RMB. Compared with the previous year, it was increased by 281.22% due to bank loan expansion. Period expenses represented 97.45% of turnover which eroded too many profits and influenced by this, Subject Company had been sustained loss for both year 2015 and year 2016. Taken up all above factors, Subject Company had poor profitability.

**Debt paying ability**

In year 2016, both current and quick ratios went up which were 3.23 and 3.12 that caused by the current assets’ scale grew faster than the current liabilities’. Both current and quick ratios were at high levels, however, Subject Company had poor asset liquidity. Taken up all factors, the actual short-term loan paying ability was poor. The assets-liabilities ratio was 84.05% and equity ratio was 527.06%. Both current and quick ratios were at high levels and Subject Company had poor ability to pay long term debts. Taken up all factors, Subject Company had poor debt paying ability.

**Remark**

During the reporting period, Subject Company had small amount of monetary capital, both profitability and debt paying ability were poor. Taken up all factors, the overall business risk level was high.

**Banking**

|  |  |
| --- | --- |
| Banking Name | :Industrial & Commercial Bank of China Lishui Liandu Sub-branch |
| Banking Account No. | :N/A |
| Banking Address | :N/A |

**Note**

The banking clerk refused to disclose any related information on Subject’s credit status for keeping confidentiality for the depositor.

**REMARKS**

During the reporting period, Subject Company had small scale of assets, poor structure of liabilities and assets, both profitability and debt paying ability were poor. Subject Company had normal payment term to suppliers and normal refunding term to customers. The ratio of return on total assets was poor, account receivable occupied a long time to be refunded; poor ability of capital operation for daily use. Subject Company had no delinquent payment record.

Taken all above factors, the overall business risk level of Subject Company above the average.

|  |  |
| --- | --- |
| RECOMM.CREDIT RANGE | :300,000 |

**END OF THIS REPORT**