

## Zhejiang Wanfeng Auto Wheel (002085):

Strong demand for magnesium alloy from automakers, and higher sales in general aviation business could boost overall financial performance

### Performance Rating

A	Profitability & Growth
B	Use of Capital
A+	Valuation
B	Stock Liquidity
A	Institutional Holdings
A+	Foreign Investors Rating
3	Trading Risk Analysis

(See Page 29) \*ESG

**BUY**

#### Singapore

Catherine Yap, Global Distribution  
catherine\_yap@chinaknowledge.com  
Tel: (65) 6743 1728

#### Shanghai

Charles Chaw, Managing Director  
charles@chinaknowledge.com  
Tel: (86) 21 8033 6883

#### Chengdu

Michael Lee  
Marketing Director  
michael\_lee@chinaknowledge.com  
Tel: (86) 28 6508 8586

#### Hong Kong

Christina Wang  
Managing Director  
christina\_wang@chinaknowledge.com

#### Shenzhen

Becky Guo  
Associate Director  
becky\_guo@chinaknowledge.com

#### London, UK

John Edward  
General Manager  
john\_ed@chinaknowledge.com

#### New York, U.S.A

Ted Worley  
General Manager  
ted\_worley@chinaknowledge.com

### Investment Highlights

As of Sep 2021, China Knowledge's Shanghai-based research analysts and our Singapore's research directors had conducted over 7 rounds of teleconference and videoconference with Wanfeng. Our analysts had performed on-site visit at its headquarter and manufacturing facilities in Shaoxing, Zhejiang Province. Several discussions were engaged with the company's management across various operations, these included key roles based at overseas office.

This research offers investors a longer-term perspective where we see the company's huge growth potentials in its auto parts supply to electric vehicles (EV) manufacturers, the aftermarket for auto wheels as decorative or performance enhancement, the general aviation, and future development of its eVTOL businesses.

In Sep the company had given indications during public IR sessions that its proprietary technologies in aviation engineering and materials science are welldeveloped for deployment in the eVTOL ventures – in part or as a whole to build such flying vehicles. On Aug 31, 2021, we published a news article titled: **"Zhejiang Wanfeng Auto's fundamentals unveil flying vehicles capability, eVTOL may be next frontier"** to offer readers a glimpse of the company's potentials and readiness in the venture. The article is available on most financial terminals.

As our coverage is on-going in the next 4 quarters, we will dwell into other hard-to-quantify revenue incomes on businesses that could benefit from change of government rules and new policies that may boost or affect Wanfeng's current and new businesses. We do not guarantee any material impact on the company's financials in the coming quarters but rather tracking the big upside that derives from these new market opportunities.

- **Capitalizing on Diamond Aircraft's leading technology and Meridian's automotive lightweight components, Wanfeng is evaluating plans to enter the eVTOL**

Capitalizing on Diamond Aircraft's years of technology research and development in the electric Vertical Take Off & Landing (eVTOL) or 'flying vehicles, as well as the company's leading position in the global supply chain of auto wheels and super lightweight auto parts demonstrate clearly its fundamental strength in assembling lightweight aircraft.

- **New Diamond's aircraft manufacturing facilities in Qingdao is expected to boost capacity and achieve high revenue growth**

Wanfeng's general aviation business is mainly limited by production capacity. To date, orders for Diamond aircraft have been scheduled until 2023, and orders for DA50 models are also fully booked for production to the end of 2022. To meet demand, its subsidiary Austria Diamonds has recently established a plant in Qingdao with annual output to reach 220 Diamond aircrafts in various phases, including 120 DA50 and 100 HK36.

- **China granting low-altitude flying presents behemoth market in recreational flying**

China is accelerating the opening up of low-altitude flying areas, where Xinjiang, Tibet, and some parts in Northwestern and Central region are now basically opened. Last November, China's Hainan Province has announced reform in low-altitude flying, and pivot itself as the country's first low-altitude flight training ground. Li Jian, a member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) and former deputy director of the Civil Aviation Administration of China (CAAC), also pointed out in March this year that China's "general aviation (GA) flight approval is cumbersome, and most GA activities should be allowed to fly, and it should be released low-altitude airspace as soon as possible." Shortly, in July, Hunan became the pilot province for low-altitude flight (below 3000 meters) throughout the whole region. Immediately after August, the Tianjin Municipal Government issued the "14th Five-Year Plan" for comprehensive transportation in Tianjin. By 2035, China General Aviation's Tianjin Binhai Airport and Jizhou General Airport will be built to support commercial flights, emergency rescue and high-end tourism. In addition, Shenzhen, Guangzhou, Zhuhai, and Hong Kong have achieved connections to each respective Central Business District (CBD), certain grade-A office aprons, and tourist attractions in the Greater Bay Area.

- **Wanfeng Meridian is expected to make a breakthrough in large-scale thin-walled magnesium alloy parts, and domestic magnesium alloy demand is about to usher in huge demand**

Meridian Lightweight Technologies, a subsidiary of Wanfeng Auto Wheel, is a global leader in the lightweight and deep processing of magnesium alloys. Founded in 1981, this company's magnesium alloys currently take up more than 65% of the North America market. The most popular products for the automotive vehicles are vital structural parts such as steering brackets and instrument panel beams. It has absolute competitive advantage in die-casting parts. For example, the 4,000-ton rear hatchback door panel has been supplied in 2015, so that Wanfeng accumulate rich technology for years. At present, it is also negotiating with China's new energy vehicles' OEMs on large thin-walled parts supply contracts. These include instrument panel brackets, cars' side-door panels, side-door inner panel and rear hatchback door panel. We believe there will be a significant breakthrough in the coming two years.

Through in-depth on-site collaboration with auto OEMs, Wanfeng will continue to expand the application of magnesium alloys in North America, while improving the application of magnesium alloy components in the entire auto industry. Such leadership in the North America will naturally promote its marketability in many Asian markets; especially, on its home tuft; China. Published figures shown the current North American markets utilize an average 15 kg of magnesium alloy per car with value of about USD 8 to USD 16 per kilogram. At present, the average use of such material in China is merely 3 kg. The China's new energy vehicles' OEMs are new driver for the use of magnesium alloys.

- **Loosening stringent laws on auto parts MRO**

In the past, the Chinese government has strict rules on cars' wheel modification, but with the introduction of the new policy in China on cars modification/overhaul in 2021, change (replacement) of auto wheel is allowed, and other accessories are granted if poises no traffic risk. There have been strong rallies from the industry players to the Chinese government to grant licensing to auto shops or technicians the autonomy to certify wheels replacement. If the rule is relaxed, a new demand from vehicle owners may further boost auto maintenance market. This will ultimately benefit Wanfeng's aluminum alloy wheels and high-quality auto parts business. With these notes we are optimistic that private manufacturing sector should receive favorable government supports for enterprises that provide employment and contribute to the real economy.

- **Earnings Estimates and Investment Rating: Buy**

We estimate the company's net profit to be potentially in the range of RMB 762 mln, RMB 926 mln and RMB 1,076 mln from 2021 to 2023. The corresponding EPS should range from RMB 0.35, RMB 0.42 and RMB 0.49, and the corresponding P/E ratio based on current stock price is 17.23 times, 14.17 times and 12.19 times, we give a 'BUY' rating.

## 1 Profitability & Growth

### General Aviation:

In H1 2021 Wanfeng's subsidiary for aviation business has attracted state-owned investment's industry support fund, and is committed to accelerate the development of domestic general aviation market estimated to worth over a trillion RMB. The new formation of shareholders' underlying structure is conducive to the long-term and sustainable development of the company's domestic general aviation industry.

In terms of general aviation's strategic development, the company will adopt a model of "driving R&D, granting authorization/technology transfer and aligning sales with aircraft manufacturing capacity", to keep ahead of competition and stay as market leader in the global aviation sector.

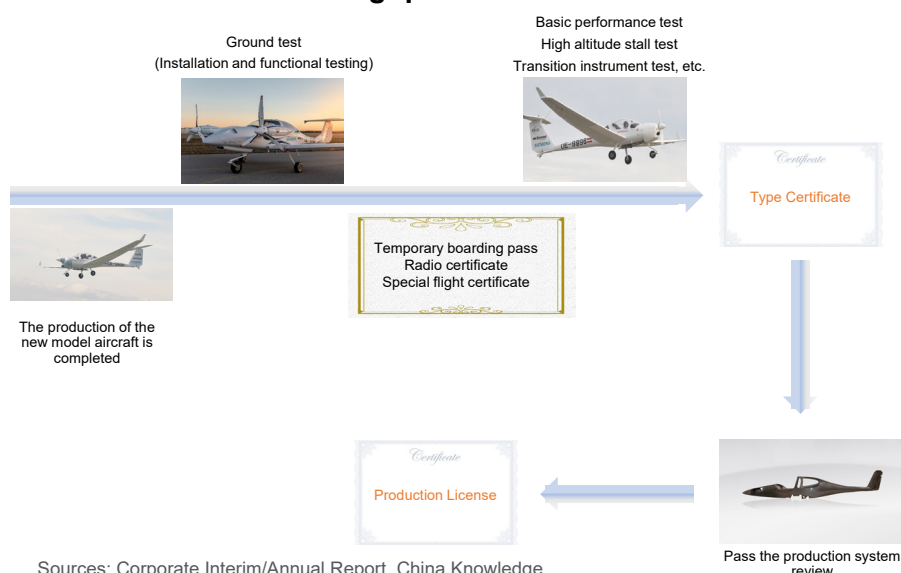
(1) R&D: The company retains its world-class leading position in the fields of general aviation, and will continue to invest heavily in the R&D. Wanfeng Diamond Aircraft has stocked a large number of general aviation technologies that featured on new piston fixed-wing aircraft, aero engines, full-hybrid engine aircraft, vertical take-off and landing (eVTOL) manned aircraft and vertical take-off and landing (VTOL) drones. It owns AE300 and AE330 independently, which are two series of diesel general aviation engine. At the same time, it also has a development plan for eVTOL, with a clear technology development roadmap in vertical take-off and landing, electric and autonomous driving. Capitalizing on the top-level Diamond aircraft R&D resources, Wanfeng could continuously launch new competitive and leading models.

(2) Authorization/Technology Transfer: Through granting of authorization or transfer of current and future aircraft technology, Wanfeng could monetize its capital investment in R&D more swiftly, and improve profitability. This model is especially viable in China that shortens 'research to marketplace' process.

(3) Aligning sales with aircraft manufacturing capacity: To meet customers' changing needs the constant launching of new models to seize the markets is inevitable. This entails continuous exploration of new technologies and numerous application scenarios. Given China's emerging new markets for different types of aircrafts in general aviation the calibration of sales management with production capability will be of great importance for Wanfeng's aviation business.

In terms of Wanfeng's competitive advantage, it sets a high entry barrier that not only reflected in R&D and manufacturing, but in the obtaining certificates from regulatory agencies and aviation authorities. Airworthiness qualifications usually include type certificate (TC), validation of type certificate (VTC), and production permit (PC). In addition, the stringent rules and regulations set by U.S.-based Federal Aviation Administration (FAA) that approve 'Airworthiness Certification' of each aircraft are more conducive to established manufacturers. Diamond's aircrafts sales by number is ranked third in the world, it is likely to move up a notch in 2021/2022.

### Procedures for obtaining qualifications:

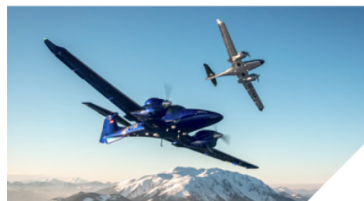


Wanfeng's aircraft manufacturing plant in China is enclosed within its self-owned and self-managed airport with supporting facilities, and this poise a great advantage flight-testing. After required tests are completed, the company assists customers in obtaining national registration certificates, radio station certificates and other standard airworthiness certificates for every single aircraft. It also provides customers with full technical support.

Sources: Corporate Interim/Annual Report, China Knowledge



## CIVIL AIRCRAFT



DA62



DA42-VI



DA50 RG

DA40 NG and Tundra Star (Jetfuel),  
DA40 XLT (AVGAS)

DA20 series

Source: Diamond Aircraft

## SPECIAL MISSION AIRCRAFT



DA42 MPP



DA62 MPP



DART series (coming soon)

## OTHERS



Austro Engine



Flight simulator

To solve the the order backlogs due to capacity limitation where orders scheduled for delivery until 2023, another production was added in June this year. It established a wholly-owned subsidiary in Qingdao that could produce 220 diamond aircraft annually; and specifically for 120 DA50 and 100 HK36 model aircrafts.

Construction period of the project	7 months
Investment payback period	5.8 years
Expected sales income	RMB 1.28 bln/year
Expected net income	RMB 170 mln/year

Source: Corporate Interim/Annual Report

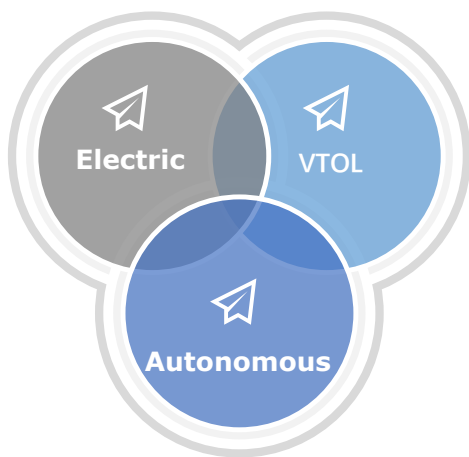
With the construction of the plant over several phases the company's general aviation aircraft business will eventually garner RMB 3 bln of income.

During the 13th China International Aviation & Aerospace Exhibition to be held in Zhuhai, Guangdong, Wanfeng's Diamond Aircraft will showcase its DA20, DA40, DA42, DA50, DA62 and electric aircraft. The focus will be on the launch of DA50 and HEMEP Multi-engine Hybrid Electric Aircraft. The DA50 is known to have won many international engineering design awards and it had received large audience at the Experimental Aircraft Association (EAA) that just ended last month (August).

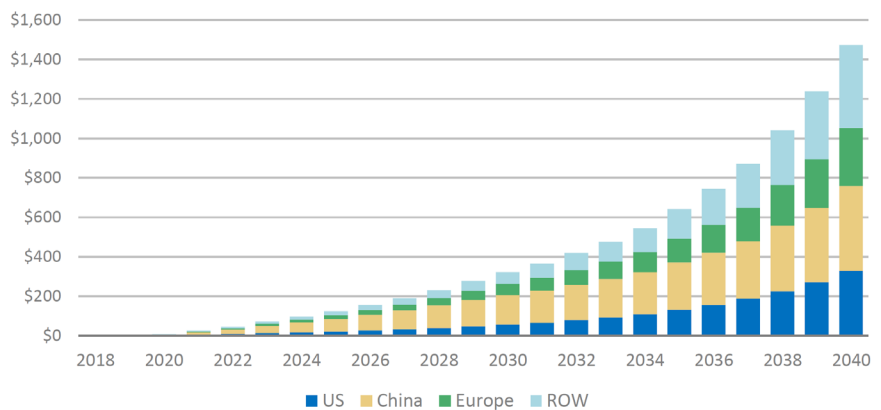
## Mulling entry in eVTOL or 'flying vehicle' worth USD 1.5 trillion by 2040 (estimates by Morgan Stanley)

Recently, Wanfeng is also evaluating plans to enter the eVTOL field. Its leading position in the global supply of auto wheels and other lightweight auto parts has demonstrated its core competencies in assembling lightweight aircraft.

The National Aeronautics and Space Administration's forecasts (NASA) show the short-distance delivery and urban air transportation are expected to form a commercially viable market before 2030. Morgan Stanley's estimates that eVTOL may reach a market size of USD 1.5 trln by 2040. It will completely change the way people travel and goods being in the next few decades. EVTOL's flexible and fast air transportation can effectively alleviate the pressure on ground traffic and help the government manage urban congestion.



UAM Global Total Addressable Market (Base Case)



Source: Morgan Stanley Research

### Diamond's capabilities to beat peers

- eVTOL R&D advancements since a decade ago
- Ability to establish a best-in-class team
- Cutting edge aircraft design and technologies in composite fuselage, propulsion, safety
- Industry-leading experience in certification
- Manufacturing and supply chain partnership with Wanfeng's network in automotive sector
- Support from Austria, Canada (London, Ontario), China (Hangzhou, Zhejiang) to run pilot projects and build infrastructure
- Collaboration with major industry players Airbus, Boeing, Siemens, battery and automakers

## Magnesium alloys:

Meridian Lightweight Technologies, a subsidiary of Wanfeng Auto Wheel, is a global leader in the lightweight and deep processing of magnesium alloys. Founded in 1981, Meridian's magnesium alloy bracket products are known for better shock absorption than aluminum alloy. Auto giants like Ford, FCA, Daimler, BMW, GM and many other new energy auto vehicles' OEMs continue to use such magnesium alloy products. Currently it is also negotiating with China's new energy vehicles' OEMs for large thin-walled parts, such as instrument panel brackets, car side door panels, side door inner panel, rear hatchback door inner door panel. We believe Meridian could achieve a significant breakthrough for more durable and lighter magnesium alloys in two years.

Magnesium alloys are lighter than aluminum alloys and have better weight reduction effects. Magnesium alloys are about 1/3 lighter than aluminum alloys and about 3/4 lighter than steel, and have good shock absorption performance.

Compared with aluminum alloys, magnesium alloys are easier to form large and complex thin-walled parts. Due to the different characteristics of the materials, the number of die-casting times of each set of magnesium alloy die-casting molds is several times that of aluminum alloy molds, so magnesium alloys have more advantages in terms of molding cost reduction. In addition, the application of magnesium alloys has a greater contribution to reducing carbon emissions; hence, more government policies will surface that encourage greater use of magnesium alloy for auto vehicles.

The company's magnesium alloys currently take up more than 65% of the North American market. Through in-depth on-site collaborations with auto OEMs, Wanfeng will continue to expand the application of magnesium alloys in North America, while improving the application of magnesium alloy components in the entire autocar manufacturing process. Such leadership in the North America will naturally promote its marketability in many Asian markets; especially, on its home turf, China. Published figures shown the current North American markets utilize an average 15 kg of magnesium alloy per car with value of about USD 8 to USD 16 per kilogram. At present, the average use of such material in China is merely 3 kg. The China's new energy vehicles' OEMs are new driver on the use of magnesium alloys.

Large-scale integrated die-casting products will be the future development direction. The equipment and fixed assets involved in traditional automobile supporting parts such as welding parts have been invested heavily, and the replacement cost of equipment and process technology is relatively high. But for new energy auto OEMs, there are no burdens and less worries in this regard.

The advantages of using large-scale magnesium alloy die castings are:

(1) High material utilization

The utilization rate of traditional welding parts is about 70%, and the utilization rate of large-scale integrated die-casting materials reaches more than 90%.

(2) Relatively low equipment investment

There are a lot of equipment invested in welding parts, and the production space is relatively large, while the equipment and space required for large-scale die-casting parts are relatively small.

(3) High efficiency of large-scale integrated die-casting parts

The production time of one-piece die-casting products is much shorter than the production time of welded parts, and the production efficiency per unit time can be greatly improved.

In terms of profitability, we also consider the growth of other businesses, such as aluminum alloy wheels and stamping parts to slow down in the short term due to the impact of the global automotive supply chain; especially the shortage of microchips and hiking in shipping costs. Hence, we maintain a 'A' rating.

### Magnesium alloy auto parts



Cross car beam



Front-end structure



Seat bracket and chassis parts, etc

Sources: Meridian Lightweight Technologies



## 2 Use of Capital

Wanfeng Auto Wheel's asset-liability ratio has stabilized between 52% and 53% in the last two years; current ratio and quick ratio have improved after acquiring 55% of the shares of Wanfeng Aircraft Industry in 2020.

# B

Indicator	2019	2020	2021Q1	2021H1	Aircraft Manufacturers	Manufacturers of Auto Lightweight
Liabilities to Assets Ratio	52.39%	52.99%	53.22%	52.99%	74.30%	51.15%
Current Ratio	1.22	1.06	1.08	1.09	1.13	1.38
Quick Ratio	0.96	0.67	0.65	0.65	0.44	0.86
Return on Equity (ROE)	12.58%	10.27%	3.10%	4.39%	2.18%	5.75%

Sources: China Knowledge, Corporate Quarterly/Interim/Annual Report

Although the above indicators show the company's debt servicing and liquidity capabilities are slightly weaker than that of comparable companies in the same industry, we have observed that Wanfeng's contractual sales (deposits from customers) have increased from RMB 159 mln to RMB 672 mln in H1 2021, compared to last year shows an increase of 31.1%. Such increase is mainly due to the increase in advance receipts from the general aviation aircraft manufacturing business in H1 this year. By IFRS standards it is booked under liabilities until the aircrafts are delivered. On the other hand, the sales model of its subsidiary Wanfeng Aircraft Industry adopts direct sales and agency. The advance payment of deposit provides the company with healthy cash flow.

In this respect, we give a "B" rating for the company's use of capital.

Diamond DA62 MPP  
Source: Diamond Aircraft



### 3 Valuation

In the general aviation business, the orders for Diamond DA50 have already cover its production capacity until the end of 2022. Its new plant in Qingdao which is capable of producing 220 aircrafts which a mix of 120 DA50 and 100 HK36 was launched this Jun. According to the company's announcement the construction period will take about 7 months to complete, and the sales income derive from this facility is expected to reach RMB 1.28 bln per year. We believe that the income of the company's general aviation business will kick in gradually.



#### Revenue Forecast by Business (RMB mln)

Business	2019	2020	2021H1	2021(E)	2022(E)
General Aviation Aircraft Manufacturing	1,847	1,630	791	1,670	1,772
Aluminum Alloy wheel manufacturing	6,189	5,485	2,851	10,175	11,050
Magnesium Alloy Auto Parts	2,843	2,558	1,363		
Stamping Parts and Precision Mold Business	772	754	401		
Metal Casting	310	-	-		
Coating Business	279	273	143		

Sources: China Knowledge, Corporate Interim/Annual Report

#### Gross Margin Forecast by Business

Business	2019	2020	2021H1	2021(E)	2022(E)
General Aviation Aircraft Manufacturing	30.02%	29.67%	31.93%	32.01%	32.50%
Aluminum Alloy wheel manufacturing	19.93%	18.48%	15.55%	15.56%	16.13%
Magnesium Alloy Auto Parts					
Stamping Parts and Precision Mold Business					
Metal Casting					
Coating Business					

Sources: China Knowledge, Corporate Interim/Annual Report

In terms of lightweight auto parts, the rapid development of the new energy vehicle industry and the continuous advancement of "T3+1" alliance technology R&D will greatly promoted the application and development of magnesium alloy parts in China's automotive industry. It is estimated that by 2025, the proportion of electric vehicles could reach 20% to 25% of the total car sales, and according to the forecast of "National Energy-saving and New Energy Vehicle Technology Roadmap 2.0"; by 2030, the proportion of new energy vehicles in the total sales is likely to reach 40%. On the longer term new energy vehicles in China will become the mainstream of the China's domestic car market, and could for more than 50% of total sales.

The company has absolute leading advantage in magnesium alloy application technology. At present, it has become the preferred partner of automotive magnesium alloy for new energy auto OEMs including Tesla, NIO, Xpeng and BYD.

In the North American market, the average use of magnesium alloy per car is about 15KG with value worth USD 8 to USD 16 per kilogram (kg). Notably, the company's magnesium alloys is currently occupying more than 65% of the North American market. With China's average usage of magnesium alloy in each car at merely 3 kg, major new energy auto OEMs will be the key driver on use of magnesium alloy.





Diamond DA50  
Source: Diamond Aircraft

From the technical planning of lightweight materials for automobiles, the amount of magnesium used per vehicle is increasing.

(From 2015)	2020	2025	2030
Vehicle Weight	10% weight loss	20% weight loss	35% weight loss
High-strength Steel	50% of AHSS steel with strength above 600Mpa is used	The application ratio of the third-generation automotive steel on the body-in-white reaches 30%	Application of steel above 2000Mpa
Aluminum Alloy (per vehicle usage)	190KG	250KG	350KG
Magnesium Alloy (per vehicle usage)	15KG	25KG	45KG

Source: "Energy-saving and New Energy Vehicle Technology Roadmap"

## Key Financial Data & Forecast

Key Indicators	2019	2020	2021E	2022E	2023E
Revenue (RMB mln)	12,635	10,699	11,845	12,822	13,639
Net Profit (RMB mln)	896	566	762	926	1,076
EPS (RMB)	0.41	0.27	0.35	0.42	0.49
PE Ratio	14.63	22.22	17.23	14.17	12.19

Sources: China Knowledge, Corporate Annual Report

In the context of global new energy vehicle adoption, Wanfeng's lightweight auto parts business will benefit vastly with its technological leadership and broad market prospects. This combines with the Diamond's growing demand in the general aviation sector, we give it an "A+" rating in terms of valuation. We have not included the upside of eVTOL (possible of a spin-off), and the unquantifiable demand of auto wheels as decorative or recreational purpose as China gradually permits such usage.

## 4 Stock Liquidity

Aug 15 - Sep 15

Code	Company Name	Amihud Liquidity ( $10^{10}$ )
002085	Wanfeng Auto Wheel	0.93
000768	AVIC Aircraft	7.84
300428	Lizhong Sitong	1.41
002182	Nanjing Yunhai	2.16
603358	Huada Automotive Tech	0.34
603305	Ningbo Xusheng Auto	0.95

Source: China Knowledge

According to the Amihud liquidity measurement which is a widely used liquidity proxy in finance literature that uses the absolute value of the daily volume-to-return ratio to capture price impact. The bigger the number, the higher the liquidity of the stock trading it presents.

Wanfeng's liquidity proxy marks 0.93, lower than the chosen comparable companies in category of auto parts businesses and aircraft manufacturing. As a whole, we attached a "B" rating.

B

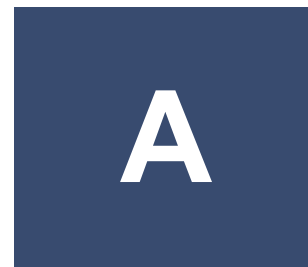


Diamond DA62  
Source: Diamond Aircraft

**5 Institutional Holdings**

Institution	Holding	Region/Country
AEON Life Insurance	8.6083%	China
Shanghai RAAS Blood Products	1.8273%	China
GF Fund Management	1.1110%	China
China Southern Fund Management	0.4684%	China
Vanguard Group	0.2073%	United States
Pictet Asset Management Ltd.	0.1778%	Italy
Dimensional Fund Advisors	0.1613%	United States
Rongtong Fund Management	0.1124%	China
E Fund Management	0.1046%	China
PGGM Vermogensbeheer B.V.	0.0985%	Netherlands
HSBC Jintrust Fund Management	0.0680%	China
China Asset Management	0.0655%	China
Fullgoad Fund Management	0.0639%	China
CPP Investment Board	0.0548%	Canada
Harvest Fund Management	0.0465%	China
Charles Schwab Corp	0.0319%	United States
Penghua Fund Management	0.0299%	China
Tianhong Asset Management	0.0288%	China
Ping An Insurance Group of China	0.0233%	China
China Universal Asset Management	0.0223%	China
Zheshang Securities	0.0140%	China
SWS MU Fund Management	0.0115%	China
China Life AMP Asset Management	0.0094%	China
HuaAn Fund Management	0.0075%	China
Huatai-PineBridge Fund Management	0.0065%	China
State Street Corp	0.0061%	United Kingdom
Robeco Luxembourg	0.0058%	Luxembourg
ICBC Credit Suisse Asset Management	0.0041%	China
Dacheng Fund Management	0.0037%	China
Krane Funds Advisors	0.0032%	United States
Deutsche Bank	0.0028%	Germany
China Merchants Fund Management	0.0026%	China
Hwabao WP Fund Management	0.0022%	China
HFT Investment Management	0.0018%	China
China International Capital	0.0016%	China
Taikang Asset Management	0.0016%	China

Sources: China Knowledge





Code	Company	Market Cap (RMB bln)	Stock Connect Holding (%)	Foreign Investors Rating
<b>002085</b>	<b>Wanfeng Auto Wheel</b>	<b>13.5</b>	<b>1.65</b>	<b>A</b>
000768	AVIC Aircraft	88	0.38	B
300428	Lizhong Sitong	11.7	0.24	A
002182	Nanjing Yunhai	16.6	3.57	A
603358	Huada Automotive Tech	7.2	0.00	C
603305	Ningbo Xusheng Auto	15.7	1.93	B

Source: China Knowledge

### Definition of Foreign Investors Rating

The ratings we devised for “Foreign Investors Rating”, FIR in short, is to provide user(s) a quantitative and qualitative analysis on foreign institutional investors’ trading activities in a listed company in China. As part of China’s liberalization of its stock markets we also factor in foreign ‘investors relation’ (IR) performance metrics and management interaction with foreign institutional investors.

Overall, we give a rating of "A" on institutional holdings.

## 6 Foreign Investors Rating (Sep 2021)

(Monthly Update - Quantitative Research)

This rating report is available on Refinitiv Eikon, Bloomberg, S&P Market Intelligence, Dow Jones Factiva, FactSet Embargoed Research, Proquest and other licensed vendors.

From Jan 2021, we will publish our Foreign Investors Rating (FIR) report on a monthly basis to better cater to the trend of substantial foreign investment in A-shares. The range has also been adjusted to exclude Special-Treatment (ST/ST\*) stocks and new stocks that are listed for less than 3 months.

The rating here is to provide user(s) a quantitative and qualitative analysis on foreign institutional investors' trading activities in a listed company in China. As part of China's liberalization of its stock markets we also factor in foreign investor relations performance metrics and management interaction with foreign investors.

### Basic Information (as of 23 Sep, 2021)

Stock Code:	002085	Industry:	Automobile
Market Cap:	RMB 11 bln	Free Float:	2.19 bln Shares
P/E (TTM):	20.37	Outstanding:	2.19 bln Shares
Year High:	RMB 8.33	Free Float/Outstanding:	100.00%
Year Low:	RMB 5.06	No. of Shareholders:	50,108
Avg Weekly Vol (3 Months): 136.9 mln Shares			

### Indexes Inclusion

#### Foreign Index

1) FTSE China A50 Index



#### Stock Connect

1) SH/SZ-HK Stock Connect



**Eligible for Margin Trading & Stock Lending**



#### Domestic Index

1) CSI 100



2) CSI 300



3) SSE180 / SZSE100



A company selected and included in a major stock index usually indicate sound management, growth potential and reasonably liquid. By presenting a checkbox on major foreign and domestic stock indexes it offers our user(s) a quick grasp of the company's assigned weightage in the above indexes.

### Popularity Among Foreign Investments

002085	★★★★☆
002085 CK Indicator*	★★★★★
Automobile Industry**	★★★★☆

CK Indicator\*: Based on foreign investors' interest of this stock in recent three months and the level of investments in its industry by foreign investors. It is a gauge of future inflow of foreign investment.

Industry\*\*: Rated in accordance to the current proportion of foreign investment into the industry, the number of stars indicates the popularity of the industry among foreign investors.

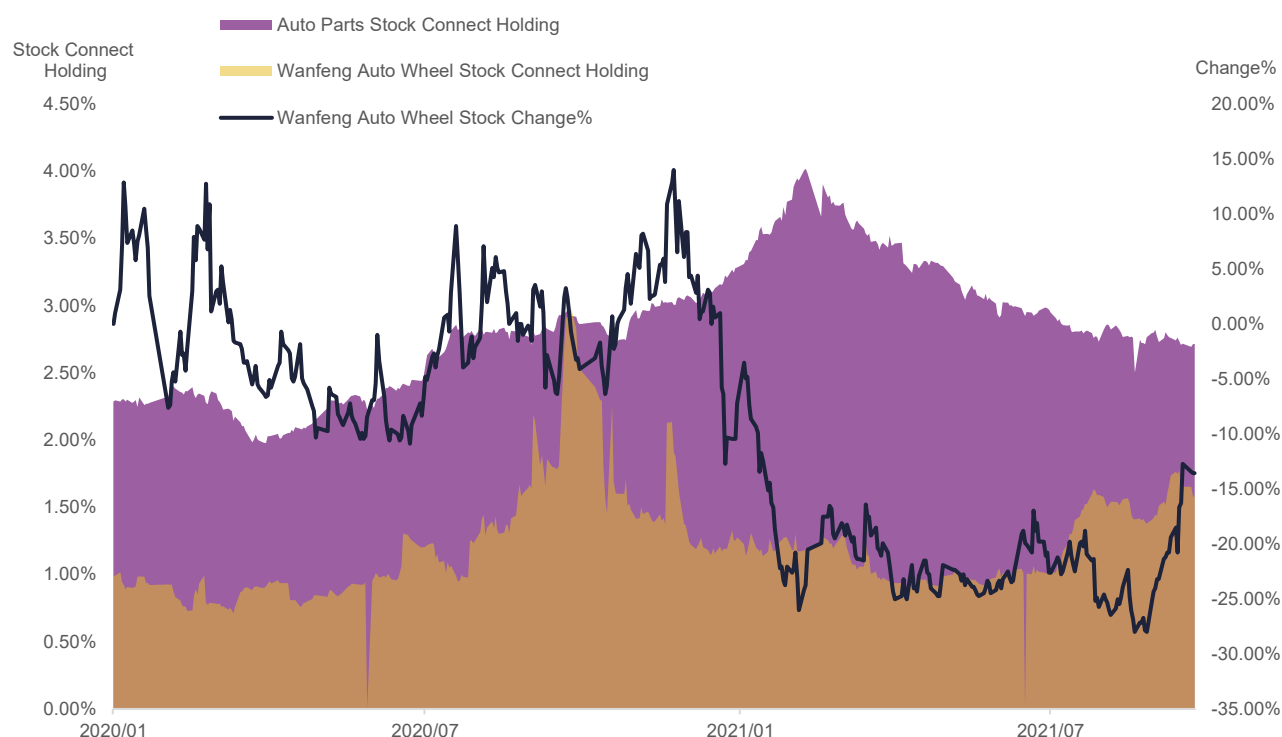
## Foreign Investors' Holdings by Percentage

Good

As of this month, foreign investments in A-shares accounted for about 3.41%. We have revised the previous method of tracking foreign shareholders, and changed it to track the 2000+ funds with the most active investments in A-shares, analyzed their positions in A-shares companies, and combined with the holdings from HK Stock Connect, to redefine the rating of foreign investors' holdings by percentage. In addition, we also make monthly statistics on the number and changes of foreign fund investors' holdings on a listed companies, to help readers gain insight into the trend of foreign funds' investments.

**Stock Connect Holdings: 1.44%**

(As of Sep 2021)



Sources: China Knowledge

### Definition

- Excellent:** This grade is allocated to a company with foreign investors' holdings (including stock connect) that exceeds all A-shares average and industry's average. Only 331 companies made it to this grade.
- Good:** Company placed in the top 30% with foreign investors in its respective industry, excluding those placed under the 'Excellent' category.
- Adequate:** Belong to the remaining lower tier 70% of companies with registered foreign investors.
- Poor:** No foreign investors.

*Note: We classify Hong Kong SAR (HK), Macau SAR (Macau) and Taiwan China (Taiwan) as Foreign/Offshore. There could be Mainland China's monies/funds invested in the Foreign/Offshore funds.*



## Foreign Investors' Fund Flow Analysis

Strong

We also track the number of foreign fund investors in the last three months, the change from HK Stock Connect's holding, and the change of Top 10 FFIs to observe the trend of foreign capital towards individual stocks.

### Definition

This month witnessed foreign investors' investment (including stock connect) in A-shares by proportion reached 3.40%.

**Strong:** Gained in Foreign Investors in the past 1 month, growth in Foreign Investors exceeds all A-shares average increment.

**Medium:** Gained in Foreign Investors in the past 1 month, but growth rate below all A-shares average increment.

**Weak:** Foreign Investors' investment sees little or no change.

**Decline:** In the past 1 month, the foreign investors' investment declined.

**NR:** Not rated due to zero foreign investors.

## Investors Relation Management's Performance

Active

### Basic Info

Website: [www.wfaw.com.cn](http://www.wfaw.com.cn)  
 English Website: [www.wfaw.com.cn](http://www.wfaw.com.cn)  
 IR Webpage (ENG): [www.wfaw.com.cn/investor](http://www.wfaw.com.cn/investor)  
 Annual Report (ENG): YES  
 IR Contact (ENG): Tel: 0575-86298339  
 Email: [ya.li@wfjt.com](mailto:ya.li@wfjt.com)

To request assistance contacting the company's IR personnel or key representative please drop us an email to [help@chinaknowledge.com](mailto:help@chinaknowledge.com). We will respond to your email within 24-hour on working days.

The IR activities gathered and counted here include: company's investors conference call, arranged visit from securities analysts, media interview, press conference, and any recorded public interaction with investors.

Date Range: Jun 2021 - Aug 2021

Institutional Investors/Visitors Received:

22

Sources: SSE, SZSE, China Knowledge

*Note: Since 2012, the stock exchange has required companies to file IR activities on its system for record. The exchange hopes to boost the quality of companies' IR, and encourage more interaction with the general public, media and financial intermediaries to better communicate companies' operation, management and future plans that could impact a company's future earnings.*

Date	Institution	Type
20210915	Changjiang Securities	Conference Call
20210915	China Pacific Insurance (group) Asset Management	Conference Call
20210907	China Great Wall Securities	Visit the Site
20210818	China Securities	Conference Call
20210818	Mighty Divine	Conference Call
20210818	Hongdao Investment	Conference Call
20210818	Zhongrong International Trust Co.	Conference Call
20210818	PICC	Conference Call
20210818	Ruibang Investment	Conference Call
20210818	Fullgoal Fund Management	Conference Call
20210818	Tenbagger Capital	Conference Call
20210818	New Top-Founder	Conference Call
20210818	Willing Capital	Conference Call
20210818	Greatwall Wealth Asset Management	Conference Call
20210818	TruValue Asset Management	Conference Call
20210818	Shenzhen Rongxin Yingtong Asset Management	Conference Call
20210818	Comein Finance	Conference Call
20210818	BOC International Securities	Conference Call

Source: China Knowledge

Date	Institution	Type
20210610	Kaiyuan Securities	Conference Call
20210610	TruValue Asset Management	Conference Call
20210610	First State Cinda Fund	Conference Call
20210610	Shusheng Capital	Conference Call
20210610	Broad Fund	Conference Call
20210610	Qian He Capital Management	Conference Call
20210608	DAPU Asset Management	Target Research

Source: China Knowledge

## Chinese News Coverage

Good

Date Range: Jun 2021 - Aug 2021

For daily/weekly Chinese News Coverage data for quant research. Pls write to fir@chinaknowledge.com

### Definition

<b>Excellent:</b>	Have very strong and proactive news media coverage. Excellent and very frequent reporting in the online and offline financial media. We considered real-time press releases and regular news conferences from the company is important in disseminating most current financial results. As always such company has massive followers from retail investors. About one-tenth of listed companies are placed in this category.
<b>Good:</b>	Have strong news media coverage. Regularly covered in the online and offline financial media. The company exercises up-to-date press releases and financial results reporting. It also has large retail investors' follow up. About 15% of listed companies are in this category.
<b>Adequate:</b>	Adhere and abide to legal requirement on financial results report. Information that may have material impact on shares prices are published on a timely basis. There could be some engagement of media relation or investor relation to improve news coverage.
<b>Poor:</b>	Very limited news exposure, and few news gathered from local search engines. Weak exposure in the mainstream news press and online financial media. Except news on financial results reporting or periodic filing, little media coverage can be found. One-third of the listed companies are not adequately covered in the domestic news media.

All local news coverage measured by currency, frequency and channels.

## English News Coverage

Good

Date Range: Jun 2021 - Aug 2021

For daily/weekly English News Coverage data for quant research, pls write to fir@chinaknowledge.com

English news of A-shares is very important to the company's globalization, and popularity overseas, but most of China's listed companies do not have enough English overseas news exposure. Therefore, we include English News Coverage as an important part of our Foreign Investors Rating (FIR) to observe whether the exposure of such news has certain correlation with the foreign investment structure and stock price.

### Definition

<b>Excellent:</b>	(>30)	We track and monitor English news reported on the company from nearly 28,600 sources (including press, journals, websites, blogs and social media). The quantity of news covered on this company reflects its level of international exposure, and its distribution of English news and press releases. The search results are based on company's name appeared on news titles or published on the first paragraph in an article.
<b>Good:</b>	(15-30)	
<b>Adequate:</b>	(4-14)	
<b>Poor:</b>	(<4)	

## Analysts' Coverage (Chinese)

Good

Date Range: Jun 2021 - Aug 2021

For daily/weekly Analysts' Coverage (Chinese) data for quant research, please write to [fir@chinaknowledge.com](mailto:fir@chinaknowledge.com)

Definition		
<b>Excellent:</b>	(≥8)	From our observations, almost one half A-shares were not covered by analysts in 2020. In spite of 14% rise in stocks value last year, 368 companies that have more than 35 reports had on averaged achieved >70% increase in shares prices. On the other hand, the companies had not covered analysts only increased 1.1% average increase in shares prices. Therefore, we have gathered and compiled the number of analysts' reports, and factored in for this rating.
<b>Good:</b>	(3-8)	
<b>Adequate:</b>	(1-2)	
<b>Poor:</b>	(<1)	

Date	Institution	Analyst	Type
20210819	Huaan Securities	Xiao Chen	CN Research
20210625	Kaiyuan Securities	Jianquan Deng	CN Research
20210617	Huaan Securities	Xiao Chen	CN Research

Source: China Knowledge

## Analysts' Coverage (English)

Adequate

Date Range: Jun 2021 - Aug 2021

For daily/weekly Analysts' Coverage (English) data for quant research, please write to [fir@chinaknowledge.com](mailto:fir@chinaknowledge.com)

2019 is an exciting year for foreign equity investors. China has removed the investment quota on Qualified Foreign Institutional Investor (QFII) and Renminbi QFII. The China Securities Regulatory Commission (CSRC) even lifted foreign ownership limits on local listed companies, stockbrokerage, futures trading and fund management companies. About 1 million foreign residents are allowed to trade equity, bonds and many other financial products since last Oct. We expect more foreign stockbrokers, financial research companies and investment banks to increase their coverage on China's A-shares. Therefore, we include tracking of such English foreign research on China's listed companies in this rating report.

Definition	
<b>Adequate:</b>	We consider such companies as 'Adequate' with one or more analyst's report in English. Only a full report is qualified, other type/format in the form of Morning Notes, Earnings Estimate or Industry Research is not counted.
<b>Unavailable:</b>	Not found either in the financial terminals or research report aggregators, we classified as 'Unavailable'.



# SCORECARD - Sep 2021

Company: Zhejiang Wanfeng Auto Wheel

Ticker: 002085



Quantitative Measurement	Qualitative Measurement	
Foreign Investors' Shareholding Percentage (Incl. Stock Connect)	Indexes Inclusion Weightage	
	Fund Flows	
	IR Activities	
	News Coverage (CHN)	News Coverage (ENG)
	Analysts' Coverage (CHN)	Analysts' Coverage (ENG)

## Past Performance



### Ratings Definition

The ratings definition is to provide user(s) a quantitative and qualitative analysis on foreign investors' trading activities on a listed company in China. As part of China's liberalization of its stock markets we also factor in foreign investor relations performance metrics and management interaction with foreign investors. The rating results do not constitute a long/short recommendation. Please read the disclaimers below before applying or constitute our rating in your investment decision.

**A+:** To make it to the highest rating, a company must have foreign investment proportion higher than the average of all A-shares and its industry's average. Its latest month should see an increase of more than 3% in foreign investment over previous month, or a net growth rate higher than A-shares' average over a period most current 3 months. On the qualitative aspects we assigned foreign investor relations performance metrics to the overall scoring. We find companies rated A+ in most current quarter as sound investment for foreign institutional investors.

**A:** The company's proportion of foreign investment is either higher than the A-shares average or its industry's average. It must see positive net growth over the latest 3 months.

**B:** Its foreign investment is lower than the average of all A-shares and its industry's. Its latest month has either declined or remained the same level. Performance on foreign investor relations' metrics has little impact on overall scoring due to very small proportion of foreign investors and the total sum invested.

**C:** This rating shows little or almost no foreign investment. Its proportion of foreign investments is below all A-shares' average and industry's average in its latest 3 months. Scoring on foreign investor relations' performance metrics is insignificant if the foreign investors are not participating in investing the company.

**D:** This lowest rating is given to company that failed to meet all 5 core benchmarks. It shows zero or no foreign investment, has poor coverage in both domestic and foreign news, and very few Chinese or English analysts' reports. Its IR management does not meet professional standards.

## 7 Trading Risk Analysis (Sep 2021)

China  
Knowledge

(Monthly Update - Quantitative Research)

This rating report is available on Refinitiv Eikon, Bloomberg, S&P Market Intelligence, Dow Jones Factiva, FactSet Embargoed Research, Proquest and other licensed vendors.

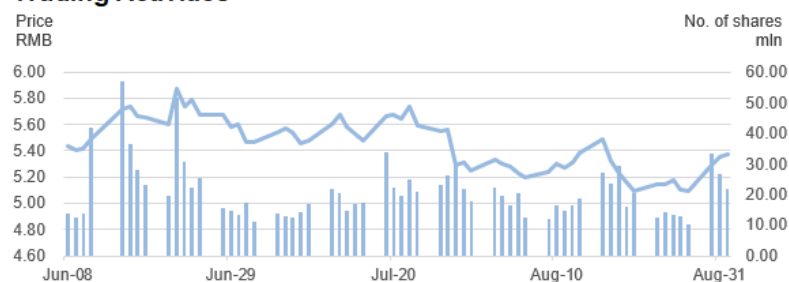
\*From Oct 2020, we have selected and included 6 key factors in our rating as an added dimension to measure the trading risk of a listed company.

This Trading Risk Analysis is a short term 1-month risk indicator weighed on market-relevant metrics. In addition to conventional technical and trading analysis it includes a tracking of the company's margin trading, stock lending activities, major shareholders' shares sales and factors that could affect short-term price volatility. It provides reader an indicative Risk Level from 1 to 5. Level 1 indicating lowest trading risk, and Level 5 is the highest that suggest a company's shares price could subject to downward swings. This report does not constitute a long or short call of a company's shares.

### Basic Information (as of 1 Sep)

Stock Code: 002085 Industry: Automobile  
Market Cap: RMB 11.74 bln P/E (TTM): 21.49  
Daily Avg Vol (1 Yr): 26.85 mln Shareholders: 50,108  
Weekly Avg Vol (1 Yr): 134.26 mln

### Trading Activities



### Ranking by Trading Volume & Value

	Mar	Apr	May	Jun	Jul	Aug
by Value	1,826	1,897	2,147	1,545	1,918	2,213
by Volume	1,082	1,000	1,268	778	1,060	1,212

### Shares Trading 'Circuit Breaker'

Trading day(s) that triggered the 'circuit breaker' on share price hitting the day's maximum limits of up/down 10%. Only closing prices that reached the trading cap are recorded in this 6-month signal board.

- Up > 10%
- ▲ Up > 5%
- Up/Down within 5% range
- Down > 10%
- ▼ Down > 5%
- Mkt Closed

Mar					Apr					May				
Mon	Tue	Wed	Thu	Fri	Mon	Tue	Wed	Thu	Fri	Mon	Tue	Wed	Thu	Fri
○	○	○	○	○				○	○	●	●	●	○	○
○	○	○	○	○	●	○	○	○	○	○	○	○	○	○
○	▲	○	○	○	○	○	○	○	○	○	○	○	○	○
○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
○	○	○			○	○	○	○	○	○				
Jun					Jul					Aug				
Mon	Tue	Wed	Thu	Fri	Mon	Tue	Wed	Thu	Fri	Mon	Tue	Wed	Thu	Fri
	○	○	○	○				○	○	○	○	○	○	○
○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
○	○	○			○	○	○	○	○	○	○	○	○	○
○	○	○			○	○	○	○	○	○	○			

Note: China's stock exchanges set trading limits on each company's share prices that increase or decline 10% in a single day. Except for new IPOs in SSE or SZSE where the limits are set at 44% up/down in prices on its first trading day. As for the STAR Market or ChiNext it allows wider prices swings of 20% up/down after a week of listing.

Free Float:	2,186,879,678
Outstanding:	2,186,879,678
Free Float/Outstanding:	100.00%

## Collateralized Shares Report

D

<b>Proportion of Collateralized Shares vs. Outstanding Shares:</b>	11.5%
Total no. of Collateralized Shares:	252,380,000
- Free Float Shares:	100.0%
- Lockup Shares:	0.0%
No. of Institutional Investors:	4
No. of times collateralized:	8
No. of shares collateralized:	303.8 mln
Lowest Market Discounted Rate on Collateralized Share:	70.1%

Sources: CSDC

### Definition:

- A: Less than 2.30% of the company's outstanding shares are collateralized, and publicly disclosed. We view such company with no or low collateralized shares as one with large institutional holding, and not subject to behind-the-scene substantial shares sales by large shareholder(s) or company's directors and senior manager(s).
- B: Between 2.31% and 5.6% of the company's outstanding shares are collateralized, and publicly disclosed.
- C: Between 5.61% and 9.99% of the company's outstanding shares are collateralized, and publicly disclosed.
- D: More than 10% of the company's outstanding shares are collateralized, and publicly disclosed. Such rating signals trading short-term risks that might occur when shares prices decline drastically. A sharp decline could trigger pledgee's shares to be sold at low prices; hence, depressing prices further.

By CSRC laws no publicly-listed companies' shares are allowed to be collateralized without disclosure and filing with the exchange.

## Shares under Custody by Court's Order

A

'Shares freeze' refers to a compulsory measure taken by the People's Court by restricting equity owner to sell or transfer his/her shares. Such action taken by Court usually involve legal litigation on defendant (shares owner) by plaintiff or prosecutor that own the rights to the defendant's properties (including shares). In this process there is no denial of the defendant's shares ownership, and he/she still reserves the right to earnings and dividends. **From the public records, more than 400 A-shares companies' shareholders have had their shares frozen under Court's custody accumulating more than RMB 380 bln.**

Court Order's Announcement Date	No. of Shares Frozen (thousand)	Frozen Shares over Outstanding Shares (%)	Start Date	End Date
---------------------------------	---------------------------------	---	------------	----------

No such Court's order executed.

Sources: SSE, SZSE

### Definition:

- A: Nil. None of the company's shares placed under Court's custody.
- B: There are cases reported. A small amount of shares frozen but lesser than 1.2% of outstanding shares. Usually occurred when shareholder (individual or corporate entity) involved in litigation and legal issues that the Court had ordered the freezing or surrender of one's shares.
- C: Involve in legal dispute (s) that had major shareholder's shares placed under Court's custody. A substantial number of shares amounting to more than 1.2% of outstanding shares.



**Major Shareholders' Sales of Shares** (Announced)Nil: ☐☒ Alert ☐ Nil

Types of shareholders	Declared Max. Shares Sales Limits (mln)	In Proportion of Outstanding Shares
Controlling Stakeholder	0.00	0.00%
Major shareholder (>5% outstanding shares)	0.00	0.00%
Senior Management	0.00	0.00%
Employees' Shares Ownership Plan	0.00	0.00%
Other types of shareholder(s)	0.00	0.00%
Total	0.00	0.00%

Sources: SSE, SZSE

The sale or substantial short position by major shareholders are often seen as negative sign by retail investors and fund managers. Whenever there is a major shareholder reduction of shares in a company the stock price would generally decline; and, sometimes, increase the concentration of large sell (short) orders. Hence, this could be a signal of large downward price swings. In the case of China's equity market, usually the major shareholders do not reduce their holdings in order to invest in other preferred industries or stocks, but to transfer funds or cashed in on the shares.

**Shares Lockup**Nil: ☐☒ Alert ☐ Nil

Shares lockup period is the time-span that restricts a company's shares from selling in the open market. The lockup period applies to IPO (usually 3 years), placement shares, employees' shares option, strategic investment and others that require meeting such sell restriction.

Lifting of Restricted Shares' Sale (Announcement Date): N.A

Effective Date: N.A

No. of Restricted Shares Allowed for Sales: N.A

Shares Value of Restricted Shares (as at announced date): N.A

Restricted Shares in Proportion of Outstanding Shares: N.A

Type of Restricted Shares Lifted for Sales: N.A

Sources: SSE, SZSE

## Shares Buyback

Nil: ○

● Alert ○ Nil

In the past 1 year more than 200 A-shares companies have announced share buybacks with a total exceeding RMB 100 bln. Most countries have different regulations on share buyback by listed companies. Share buybacks are banned in Japan, Hong Kong, Singapore and elsewhere, but allowed, with certain conditions, in the U.K, U.S, Canada and some European countries. According to China's new company laws, a company shall not repurchase its shares, except under the following circumstances:

- (1) to reduce the registered capital of a company;
- (2) a listed company's holding shares when merged with other companies, if required to exercise buyback;
- (3) to reward shares to the company's employees, or as equity incentive;
- (4) by shareholder requests to exercise buyback because disagreement with the resolution on merger or division of the company made at the shareholders' meeting;
- (5) to allow conversion of shares due from convertible corporate bonds issued the company;
- (6) and when it becomes necessary to maintain the value of the company and shareholders' equity value.

Announcement Date:	N.A
Processing:	N.A
Buyback Period:	N.A
Buyback Price per Share:	N.A
Proposed Repurchase Funds:	N.A
No. of Shares to be Repurchased:	N.A
% outstanding shares:	N.A

Sources: SSE, SZSE

Shares buyback could be a formidable tool in artificially pushing up shares prices. SoftBank is a classic example when it posted a record operating loss of USD 13 bln in the fiscal year ending Mar 31, 2020, as its shares prices plummeted following a collapse in the valuations of several technology companies invested in by its Vision Fund; however, in matter of weeks, by the month of April, SoftBank swiftly announced a massive USD 23 bln share buyback for the next 12 months, this resulted large upward wings in prices.

Though shares buyback in the A-shares market have not caused wild movements in shares prices but we follow closely on the size and frequency which may be a precursor of a possible upward or downward price pressure.

# Outstanding Bonds & Trust Products

A

## Latest Bond Issued

Many China's listed companies raised money through bonds and issuing of trust product with short tenor, usually less than 12 months. To constantly monitor the investment risk of China's listed companies, we relentlessly track such financing channel on a monthly basis.

## Latest Trust Products Issued

As of this month, China's trust products issued reached USD 2.0 trln. These trusts have evolved to a point where they exist more for the purposes of investment than for the purposes of private asset management. Unlike the West where trust is usually refers to family trust or real estate investment trust (REIT) the 68 trust firms in China play the roles or 'licensed' to function almost like investment bank, private equity investor, loan syndicator, project financier, asset manager, venture capitalist and possess far greater flexibility in securing asset when offering loans.

To get the detail information of outstanding bonds and trust products, please write to [quant@chinaknowledge.com](mailto:quant@chinaknowledge.com).

## Definition:

- A: The company has good cash reserves to manage bond debt due within 12 months, the ratio of cash to short-term bond obligations exceeds 3.0X the debts (if the listco is in the banking industry, it is 0.5X the debts), and it poses a lower risk.
- B: The company has generally good cash reserves to deal with bond obligation. The ratio of cash to short-term bond obligations (due within 12 months) exceeds 1.0X the debts (if the listco is in the banking industry, it is 0.3X the debts). If the company encounters a cash crunch, there may be cash flow issue.
- C: The company faces cash shortage to deal with immediate bonds come due within 12 months. The ratio of cash to short-term bond obligations is less than 1.0X (if the listco is in the banking industry, it is 0.3X the debts). There is a possible risk in meeting bond obligations. If the cash flow continues to deteriorate, the company may default on bond repayment.

## Institutional Investors' Holdings

B

Ownership by All Types of Institutions	52.5%		
Proportion by Legal Representative	41.13%	<b>Proportion by Securities Brokers</b>	<b>0%</b>
<b>Proportion by Funds</b>	<b>1.13%</b>	<b>Proportion by Banks</b>	<b>0%</b>
<b>Proportion by Trust Companies</b>	<b>1.62%</b>	<b>Proportion by Insurance Companies</b>	<b>8.61%</b>
<b>Proportion by Social Security Fund</b>	<b>0%</b>	<b>Proportion by Company's Annuity Funds</b>	<b>0%</b>

Sources: China Knowledge

### Definition

We define 'Institutional Investor' as financial institutions such as funds, securities brokers, social security and pension funds, banks, trust companies, insurers and company's annuities. This does not include corporate entity or any form of proxy that owned/registered the shares.

- A: 12% or more of the ownership are in the hands of institutional investors.  
 B: Between 7% and 12% of the outstanding shares are held by institutional investors.  
 C: Between 3% and 7% of the outstanding shares are held by institutional investors.  
 D: Less than 3% of the outstanding shares are held by institutional investors.

## Foreign Investors Rating Aug 2021

A

### Ratings Definition

The ratings definition is to provide user(s) a quantitative and qualitative analysis on foreign investors' trading activities on a listed company in China. As part of China's liberalization of its stock markets we also factor in foreign investor relations performance metrics and management interaction with foreign investors. The rating results do not constitute a long/short recommendation. Please read the disclaimers below before applying or constitute our rating in your investment decision.

- A+: To make it to the highest rating, a company must have foreign investment proportion higher than the average of all A-shares and its industry's average. Its latest month should see an increase of more than 3% in foreign investment over previous month, or a net growth rate higher than A-shares' average over a period most current 3 months. On the qualitative aspects we assigned foreign investor relations performance metrics to the overall scoring. We find companies rated A+ in most current quarter as sound investment for foreign institutional investors.
- A: The company's proportion of foreign investment is either higher than the A-shares average or its industry's average. It must see positive net growth over the latest 3 months.
- B: Its foreign investment is lower than the average of all A-shares and its industry's. Its latest month has either declined or remained the same level. Performance on foreign investor relations' metrics has little impact on overall scoring due to very small proportion of foreign investors and the total sum invested.
- C: This rating shows little or almost no foreign investment. Its proportion of foreign investments is below all A-shares' average and industry's average in its latest 3 months. Scoring on foreign investor relations' performance metrics is insignificance if the foreign investors are not participating in investing the company.
- D: This lowest rating is given to company that failed to meet all 5 core benchmarks. It shows zero or no foreign investment, has poor coverage in both domestic and foreign news, and very few Chinese or English analysts' reports. Its IR management does not meet professional standards.

N.A: Not given a 'Foreign Investors Rating'.



## Technical Analysis

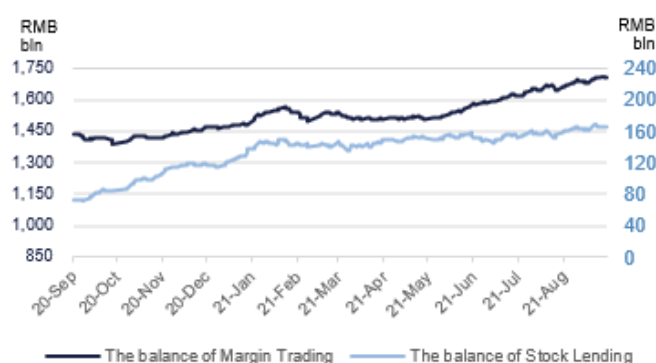


We incorporate China's most commonly-used technical analyses on trend indicator, momentum indicator and market sentiment indicators to offer readers/users a weighted directional indicator to show Uptrend (▲) and Downtrend (▼) on a monthly basis. It is a one-month forward-looking technical perspective.

## Margin Trading & Stock Lending (MTSL)



As of Sep 2021, there are approximately 2,100 stocks approved for margin trading and stock lending with an estimate value exceeding RMB 1.90 trln. Margin trading refers to investor's use of credit for buying (long) shares. Stock lending is act of investor lending of shares for short selling in the open market borrowed from securities firm (stockbroker). As general guide stockbrokers charge about 8%-12% per annual interest for margin trading; and, usually slightly higher for stock lending of about 10% pa. For market rates one has to negotiate with stockbrokers for actual rates.



Sources: SSE, SZSE

### Last Month's Activities

Margin Trading:	No. of Shares
- Long	53,728,309
- Cover Position	59,960,605
- Net Position	-6,232,296
- Cumulative	36,500,894
	<b>Multiples</b>
- Monthly Velocity	-5.48
- Annual Average	-0.93

Stock Lending:	No. of Shares
- Short	1,229,818
- Cover Position	806,103
- Net Position	423,715
- Cumulative	4,647,165
	<b>Multiples</b>
- Monthly Velocity	20.81
- Annual Average	4.50

Sources: SSE, SZSE, China Knowledge

#### Notes:

When the monthly velocity on margin trading is higher than the annual average, it usually indicates the company is bought by large number of investors in a month's period, and it may have an upward trend (▲) in the short term (1 quarter). Similarly, when the monthly velocity on stock lending is higher than the annual average, it indicates that the company is heavily short sale by increased number of investors in recent 1 month, and prices will encounter downward pressure (▼).

**N.A.:** It is not listed as qualifier for Margin Trading & Stock Lending.

**Formula:** 
$$\text{Velocity of Margin Trading} = \frac{(\text{Long Position} - \text{Cover Position on Margin Trading}) \times 100}{(\text{Long Position} + \text{Cover Position on Margin Trading})}$$

$$\text{Velocity of Stock Lending} = \frac{(\text{Short Position} - \text{Cover Position on Stock Lending}) \times 100}{(\text{Short Position} + \text{Cover Position on Stock Lending})}$$

## Scorecard

Level 3

Company: Zhejiang Wanfeng Auto Wheel

Stock Code: 002085

<b>D</b>	Collateralized Shares Report	<input type="radio"/>	Major Shareholders' Sales of Shares
<b>A</b>	Share Frozen by Court Order	<input type="radio"/>	Shares Lockup
<b>B</b>	Institutional Investors' Holdings	<input type="radio"/>	Shares Buyback
<b>A</b>	Foreign Investors Rating	<input checked="" type="radio"/>	Technical Analysis
<b>A</b>	Outstanding Bonds & Trust Products	<input type="radio"/>	Margin Trading & Stock Lending

## Other Risk Factors

On Aug 30, 2020, in order to promote the high-quality development of China's listed companies, Shenzhen Stock Exchange introduced a risk classification system for all A-shares based on five areas which include financial, operational, governance, market, and delisting risk.

Out of these 33 metrics, we have selected and included 6 key ones factored in our rating as an added dimension to measure the trading risk of a listed company. **If a company has had the following trait(s) reported, their trading risk will be significantly higher.**

☒ Alert    ☐ Nil

- ☐ Key positions such as CEO, CFO, and Board Secretary missing-in-action.
- ☐ Proportion of pledged (collateralized) shares by controlling shareholders exceeds 80%.
- ☐ Goodwill (premium) accounts for more than 50% of company' net assets.
- ☐ Loan extension, defaulted on coupon payment or failed to redeem bond (in the past 1 month).
- ☒ Company's violation of laws and regulations (in the past 1 month).
- ☐ External audit did not offer unqualified opinion on 2020 financial reports.

## Ratings Definition

This company's Trading Risk Analysis is conducted on a monthly basis. The scorecard is based on market-relevant metrics with a full scoring of 100 points. Each metric carries a different weightage in accordance with our in-house research to offer reader a monthly perspective and directional guidance on a company's 1-month forward trading risk. It does not constitute a Buy/Hold/Sell recommendation.

Level 1: This is lowest trading risk level that the company is unlikely to experience downward price swings. It is not exposed to uninformed large short positions. Its Foreign Investors Rating either scored 'A+' or 'A' (see Rating Definition on Page 7) indicating active foreign investment. Margin trading net off stock lending in this company's shares is positive that signals active buying. The 16-metrics measurement gives it a score above 80 points.

Level 2: This is a low trading risk level that is not likely to experience downward price swings. It is not exposed to uninformed large short positions. Its Foreign Investors Rating may be high scoring or average performer. Margin trading net off stock lending in this company's shares is positive that signals active buying. The 16-metrics measurement gives it a score of between 60 and 79 points.

Level 3: This is a neutral rating on risk level that is subject to market trading condition and may carry some risk. Price volatility is greater than stocks with lower risk levels. Its Foreign Investors Rating is good gauge of its potential price performance. The 16-metrics measurement gives it a score of between 40 and 59 points.

Level 4: This is high trading risk level that indicates possibility of downward price swings. It is likely to be exposed to large short positions. Its Foreign Investors Rating either scored 'C' or 'D' indicating few or no foreign investment. Margin trading on the stock is inactive, and below market's average. The 16-metrics measurement gives it a score of between 20 and 39 points.

Level 5: This is highest trading risk level that indicates high possibility of downward price swings. It is likely to be exposed to large short positions. Its Foreign Investors Rating either scored 'C' or 'D' indicating few or no foreign investment. Margin trading on the stock is inactive, and below market's average. The 16-metrics measurement gives it a score below 20 points.

## 8 ESG

We have requested ESG report from the management, we expect a full ESG by 2022/2023. Considering the company is involved in several business segments across various industries in North America, Western & Eastern Europe, Africa and several locations in China, a full ESG coverage will be essential to track its management of Environmental issues and in areas of Social Responsibilities in different countries.

In terms of Corporate Governance a point to note is that a relative high proportion of key management roles are women, and one-fifth are at board level. Its original founder, Ms. Chen Ailian, who is now the chairwoman of Wanfeng Auto Group Holding, wields a network of high-level official roles, these include

- A delegate to the 17th National Congress of the Communist Party of China
- Chairwoman of Zhejiang Women Business Association
- Vice-chairwoman of Zhejiang Federation of Industry & Commerce
- China's 10 Most Outstanding Woman (2007)
- Ms. Chen holds a PhD in Economic from Beijing Normal University, an EMBA, MBA and carries senior economist title.

During our video-conferencing sessions with the management, from Apr to Sep, we have raised key ESG's issues. We had gathered these facts and propositions.

### Environmental-wise:

- The company is committed to protecting the environment and their impact on the environment on manufacturing processes.
- Strive to reduce all forms of waste and emissions through internal energy and waste minimization efforts at their facilities.
- Combine the most progressive materials and technology to deliver highly reliable lightweight parts and aircraft that are less damaging to the environment.

### Social Responsibilities:

- It is committed to respecting human rights, diversity, gender equality, and health & safety for 12,000 employees.
- Advocate best practices in the industry and engage their suppliers, customers and partners with the same level of integrity.
- To date it had donated over RMB 300 million to support community development and charitable causes.

### Governance:

- Its founder, ex-Chairwoman's heritage passes on gender diversity in key management roles and board member level.
- Independent directors and supervisory board to oversee strategic directions of our organization and protect shareholder rights
- Improving internal control to ensure quality of financial reporting and risk management
- Inclusive Board composition at all overseas subsidiaries that ensure nationality diversity, equal opportunities and employment fairness.

Below we have gathered and tabulated general views of ESG ratings conducted by various sources on Wanfeng. Seven are China-based ESG rating/research company, only FT Russell is foreign source.

	Wind ESG	FT Russell	Moonshot ESG	Harvest Fund Management	Sino-Securities Index Information Services (Shanghai)	Governance Solutions Group	Syn-Tao Green Finance	China Alliance of Social Value Investment
Latest Rating Date	2021-07-31	2021-09-20	2021-09-20	2021-08-31	2021-07-31	2021-07-31	2021-06-30	2018-12-24
Score/Rating	5.51/BB	1.50	B	61.33	B	2	B-	BB+
Avg	6.54	1.39	-	49.97	-	5.89	-	56.76
Ranking	724/799	181/504	-	1381/4455	4203/4411	778/799	543/799	-

Sources: Wind, China Knowledge



## Disclosure Appendix

The analysts identified in this report each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report. References in this report to China Knowledge include all of the subsidiaries and affiliates of China Knowledge. This report may contain material that is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject China Knowledge Online Pte Ltd or its affiliates ("China Knowledge") to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to China Knowledge. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of China Knowledge. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of China Knowledge or its affiliates. The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. China Knowledge may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. China Knowledge will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. China Knowledge does not advise on the tax consequences of investments and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change. Information and opinions presented in this report have been obtained or derived from sources believed by China Knowledge to be reliable, but China Knowledge makes no representation as to their accuracy or completeness. China Knowledge accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to China Knowledge. This report is not to be relied upon in substitution for the exercise of independent judgment. China Knowledge may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the information presented in this report. Those communications reflect the different assumptions, views and analytical methods of the analysts who prepared them and China Knowledge is under no obligation to ensure that such other communications are brought to the attention of any recipient of this report. Some investments referred to in this report will be offered solely by a single entity and in the case of some investments solely by China Knowledge, or an associate of China Knowledge or China Knowledge may be the only market maker in such investments. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by China Knowledge and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk. Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase. Some investments discussed in this report may have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed. This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of China Knowledge, China Knowledge has not reviewed any such site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to China Knowledge's own website material) is provided solely for your convenience and information and the content of any such website does not in any way form part of this document. Accessing such website or following such link through this report China Knowledge's website shall be at your own risk. The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject China Knowledge to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction. This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products. If this report is being distributed by a financial institution other than China Knowledge Online Pte Ltd, or its affiliates, that financial institution is solely responsible for distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this report or require further information. This report does not constitute investment advice by China Knowledge to the clients of the distributing financial institution, and neither China Knowledge Online Pte Ltd, its affiliates, and their respective officers, directors and employees accept any liability whatsoever for any direct or consequential loss arising from their use of this report or its content. China Knowledge, or persons associated with or connected to China Knowledge, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. China Knowledge, or persons associated with or connected to China Knowledge, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, China Knowledge, or persons associated with or connected to China Knowledge, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report. China Knowledge or persons associated with or connected to China Knowledge, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. To the extent permitted by law, China knowledge, or persons associated with or connected to China Knowledge, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to China Knowledge, or persons associated with or connected to China Knowledge, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and China Knowledge, or persons associated with or connected to China Knowledge, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. China Knowledge, or persons associated with or connected to China Knowledge, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report. This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore and China or any other jurisdiction as China Knowledge may determine in its absolute discretion. This report should only be considered in its entirety. Each section should be read in the context of the entire report, and no section, paragraph, sentence or phrase is intended to stand alone or to be interpreted in isolation without reference to the rest of the report. The section headings contained in this report are for reference purposes only and may only be considered in conjunction with the detailed statements of opinions in their respective sections.

Copyright © 2021 China Knowledge and/or its affiliates. All rights reserved.