

MIRA INFORM REPORT

Report No. :	542495
Report Date :	03.12.2018

IDENTIFICATION DETAILS

Name :	HUAFU FASHION CO., LTD.
Registered Office :	No. 6 Shishan Road, Economic Development Zone, Huaibei, Anhui Province 235000 PR
Country :	China
Financials (as on) :	30.09.2018
Date of Incorporation :	31.10.2000
Unified Social Credit Code :	9134060072553187XK
Legal Form :	Shares Limited Company
Line of Business :	Subject registered business scope includes purchasing and processing cotton; manufacturing and selling textile, knitting goods, printing & dyeing products, garment and related products; textile science research, information consulting, agency services, exporting its products and technology, importing and exporting raw materials, instruments & meters, machinery, components, and technology.
No. of Employees :	24,726

RATING & COMMENTS

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

MIRA's Rating :	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Good
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Payment Behaviour :	Regular
Litigation :	Clear

NOTES :

Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
China	A1	A1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

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CHINA - ECONOMIC OVERVIEW

Since the late 1970s, China has moved from a closed, centrally planned system to a more market-oriented one that plays a major global role. China has implemented reforms in a gradualist fashion, resulting in efficiency gains that have contributed to a more than tenfold increase in GDP since 1978. Reforms began with the phaseout of collectivized agriculture, and expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, growth of the private sector, development of stock markets and a modern banking system, and opening to foreign trade and investment. China continues to pursue an industrial policy, state support of key sectors, and a restrictive investment regime. From 2013 to 2017, China had one of the fastest growing economies in the world, averaging slightly more than 7% real growth per year. Measured on a purchasing power parity (PPP) basis that adjusts for price differences, China in 2017 stood as the largest economy in the world, surpassing the US in 2014 for the first time in modern history. China became the world's largest exporter in 2010, and the largest trading nation in 2013. Still, China's per capita income is below the world average.

In July 2005 moved to an exchange rate system that references a basket of currencies. From mid-2005 to late 2008, the renminbi (RMB) appreciated more than 20% against the US dollar, but the exchange rate remained virtually pegged to the dollar from the onset of the global financial crisis until June 2010, when Beijing announced it would resume a gradual appreciation. From 2013 until early 2015, the renminbi held steady against the dollar, but it depreciated 13% from mid-2015 until end-2016 amid strong capital outflows; in 2017 the RMB resumed appreciating against the dollar – roughly 7% from end-of-2016 to end-of-2017. In 2015, the People's Bank of China announced it would continue to carefully push for full convertibility of the renminbi, after the currency was accepted as part of the IMF's special drawing rights basket. However, since late 2015 the Chinese Government has strengthened capital controls and oversight of overseas investments to better manage the exchange rate and maintain financial stability.

The Chinese Government faces numerous economic challenges including: (a) reducing its high domestic savings rate and correspondingly low domestic household consumption; (b) managing its high corporate debt burden to maintain financial stability; (c) controlling off-balance sheet local government debt used to finance infrastructure stimulus; (d) facilitating higher-wage job opportunities for the aspiring middle class, including rural migrants and college graduates, while maintaining competitiveness; (e) dampening speculative investment in the real estate sector without sharply slowing the economy; (f) reducing industrial overcapacity; and (g) raising productivity growth rates through the more efficient allocation of capital and state-support for innovation. Economic development has progressed further in coastal provinces than in the interior, and by 2016 more than 169.3 million migrant workers and their dependents had relocated to urban areas to find work. One consequence of China's population control policy known as the "one-child policy" - which was relaxed in 2016 to permit all families to have two children - is that China is now one of the most rapidly aging countries in the world. Deterioration in the environment - notably air pollution, soil erosion, and the steady fall of the water table, especially in the North - is another long-term problem. China continues to lose arable land because of erosion and urbanization. The Chinese Government is seeking to add energy production capacity from sources other than coal and oil, focusing on natural gas, nuclear, and clean energy development. In 2016, China ratified the Paris Agreement, a multilateral agreement to combat climate change, and committed to peak its carbon dioxide emissions between 2025 and 2030.

The government's 13th Five-Year Plan, unveiled in March 2016, emphasizes the need to increase innovation and boost domestic consumption to make the economy less dependent on government investment, exports, and heavy industry. However, China has made more progress on subsidizing innovation than rebalancing the economy. Beijing has committed to giving the market a more decisive role in allocating resources, but the Chinese Government's policies continue to favor state-owned enterprises and emphasize stability. Chinese leaders in 2010 pledged to double China's GDP by 2020, and the 13th Five Year Plan includes annual economic growth targets of at least 6.5% through 2020 to achieve that goal. In recent years, China has renewed its support

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for state-owned enterprises in sectors considered important to "economic security," explicitly looking to foster globally competitive industries. Chinese leaders also have undermined some market-oriented reforms by reaffirming the "dominant" role of the state in the economy, a stance that threatens to discourage private initiative and make the economy less efficient over time. The slight acceleration in economic growth in 2017—the first such uptick since 2010—gives Beijing more latitude to pursue its economic reforms, focusing on financial sector deleveraging and its Supply-Side Structural Reform agenda, first announced in late 2015.

Source : CIA

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COMPANY NAME AND ADDRESS

COMPANY NAME	Huafu Fashion Co., Ltd.
CURRENT ADDRESS/ REGISTERED ADDRESS	No. 6 Shishan Road, Economic Development Zone, Huaibei, Anhui Province 235000 PR China
TEL. NO.	86 (0) 561-3010820
FAX NO.	N/a

EXECUTIVE SUMMARY

DATE OF REGISTRATION	: OCTOBER 31, 2000
UNIFIED SOCIAL CREDIT CODE	: 9134060072553187XK
LEGAL FORM	: SHARES LIMITED COMPANY
CHIEF EXECUTIVE	: SUN WEITING (LEGAL REPRESENTATIVE)
REGISTERED CAPITAL	: CNY 1,519,375,555
STAFF	: 24,726
BUSINESS CATEGORY	: MANUFACTURING & TRADING
REVENUE	: CNY 10,734,038,000 (CONSOLIDATED, JAN. 1, 2018 TO SEP. 30, 2018)
EQUITIES	: CNY 7,453,753,000 (CONSOLIDATED, AS OF SEP. 30, 2018)
WEBSITE	: www.huafuyarn.com
E-MAIL	: N/A
PAYMENT	: REGULAR
MARKET CONDITION	: COMPETITIVE
FINANCIAL CONDITION	: FAIRLY GOOD
OPERATIONAL TREND	: FAIRLY STEADY
GENERAL REPUTATION	: FAIRLY GOOD

Adopted abbreviations (as follows)

SC - Subject Company (the company inquired by you)

N/A – Not available

CNY – China Yuan Ren Min Bi

OPERATIONAL TREND & GENERAL REPUTATION

This section aims at indicating the relative positions of SC in respect of its operational trend & general reputation

Operational Trend:-

Upward

Steady

General Reputation:-

Excellent

Good

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Fairly Steady	Fairly Good
Ordinary	Average
Fair	Fair
Stagnant	Detrimental
Downward	Not known
Not known	Not yet be determined
Not yet be determined	

LEGAL STATUS & HISTORY

SC was established as a shares limited company of PRC with State Administration of Industry & Commerce (SAIC) under Unified Social Credit Code: 9134060072553187XK.

SC's import and export enterprise code: 340072553187X

SC's registered capital: CNY 1,519,375,555

Registration Change Record:-

Date	Change of Contents	Before the change	After the change
2017-7-28	Registered Capital	CNY 832,992,573	CNY 1,007,319,037
2018-6-7	Registered Capital	CNY 1,007,319,037	CNY 1,012,917,037
2018-8-3	Registered Capital	CNY 1,012,917,037	CNY 1,519,375,555
--	Registration No./ Unified Social Credit Code	340000000022641	9134060072553187XK

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

Name of Shareholder (s) (As of October 31, 2018)	% of Shareholding
Huafu Holding Co., Ltd.	34.27
Anhui Feiya Textile Co., Ltd.	8.12
Shenzhen Huaren Investment Co., Ltd.	4.14
Golden Eagle Fund-Industrial and Commercial Bank-Wanxiang Trust-Xingchen No. 39 Transaction Management Single Capital Trust	3.91
Jinyuan Shunan Fund-Industrial Bank-Shanghai Aijian Trust-Aijian Trust Xinxin No. 7 Transaction Management Single Capital Trust	3.91
Taida Hongli Fund-China Merchants Bank-Changan International Trust. Huafu Single Capital Trust	2.97
China Merchants Fortune-China Merchants Bank-Hufu Fortune No. 2 Special Asset Management Plan	2
Taida Hongli Fund-China Merchants Bank-Lujiazui Trust-Lujiazui Trust-Hongtai No. 18 Single Capital Trust	1.72
Fuanda Fund-Nanjin Bank-Xiamen International Trust-Futune Gongying No. 14 Investment Single Capital Trust	1.56

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Fuanda Fund-Nanjin Bank-Xiamen International Trust-Futune Gongying No. 16 Investment Single Capital Trust	1.56
Other Shareholders	35.84

SC's Chief Executives:-

Position

Legal Representative and Chairman
General Manager and Director
Director

Name

Sun Weiting
Chen Lingfen
Hu Yongfeng
Kong Xiangyun
Chen Weibin
Wang Guoyou
Cheng Guisong
Zhang Jisong
Sun Xiaoting
Sheng Yongyue
Chen Shourong
Hao Shoufang

Supervisor

RECENT DEVELOPMENT

SC is a listed company in Shenzhen Stock Exchange Market with the code of 002042.

SHAREHOLDER CHART & BACKGROUND

Name	% of Shareholding
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(As of October 31, 2018)

Huafu Holding Co., Ltd.	34.27
Anhui Feiya Textile Co., Ltd.	8.12
Shenzhen Huaren Investment Co., Ltd.	4.14
Golden Eagle Fund-Industrial and Commercial Bank-Wanxiang Trust-Xingchen No. 39 Transaction Management Single Capital Trust	3.91
Jinyuan Shunan Fund-Industrial Bank-Shanghai Aijian Trust-Aijian Trust	
Xinxin No. 7 Transaction Management Single Capital Trust	3.91
Taida Hongli Fund-China Merchants Bank-Changan International Trust. Huafu Single Capital Trust	2.97
China Merchants Fortune-China Merchants Bank-Hufu Fortune No. 2 Special Asset Management Plan	2
Taida Hongli Fund-China Merchants Bank-Lujiazui Trust-Lujiazui Trust-Hongtai No. 18 Single Capital Trust	1.72
Fuanda Fund-Nanjin Bank-Xiamen International Trust-Futune Gongying	

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No. 14 Investment Single Capital Trust	1.56
Fuanda Fund-Nanjin Bank-Xiamen International Trust-Futune Gongying	
No. 16 Investment Single Capital Trust	1.56
Other Shareholders	35.84

Huafu Holding Co., Ltd.

Unified Social Credit Code: 91440300743219206L
Legal Representative: Sun Weiting
Registered Capital: CNY 413,000,000

Anhui Feiya Textile Co., Ltd.

Unified Social Credit Code: 913406007139298643
Legal Representative: Sun Weiting
Registered Capital: CNY 110,000,000

Shenzhen Huaren Investment Co., Ltd.

Unified Social Credit Code: 914403007649924684
Legal Representative: Sun Weiting
Registered Capital: CNY 20,000,000

MANAGEMENT

Sun Weiting, Legal Representative and Chairman

Gender: M
Nationality: China
Qualification: University
Working experience (s):

At present, working in SC as legal representative and chairman
Also working in Huafu Holding Co., Ltd., Anhui Feiya Textile Co., Ltd., and Shenzhen Huaren Investment Co., Ltd.
as legal representative

Chen Lingfen, General Manager and Director

Gender: F
Nationality: China
Qualification: University
Working experience (s):

At present, working in SC as general manager and director

Director

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Hu Yongfeng
Kong Xiangyun
Chen Weibin
Wang Guoyou
Cheng Guisong
Zhang Jisong
Sun Xiaoting

Supervisor

Sheng Yongyue
Chen Shourong
Hao Shoufang

BUSINESS OPERATION

SC's registered business scope includes purchasing and processing cotton; manufacturing and selling textile, knitting goods, printing & dyeing products, garment and related products; textile science research, information consulting, agency services, exporting its products and technology, importing and exporting raw materials, instruments & meters, machinery, components, and technology.

SC is mainly engaged in manufacturing and selling knitting goods & textiles, etc.

SC's products mainly include: raw-white yarn, dyed yarn, semi-worsted yarn, open-end spinning yarn, etc.

Trademark:



SC sources its materials 80% from domestic market, and 20% from overseas market. SC sells 70% of its products in domestic market, and 30% to overseas market.

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

Staff & Office:

SC is known to have approx. 24,726 staff at present.

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

RELATED COMPANY

SC is known to have the following subsidiaries at present,

Xinjiang Huafu Cotton Co., Ltd.

Akesu Huafu Melange Yarn Co., Ltd.

Huaibei Huafu Textile Co., Ltd.

Zhejiang Jinhua Huafu Textile Co., Ltd.

Zhejiang Huafu Textile Co., Ltd.

Kuitun Jingfu Textile Limited Company

Etc.

PAYMENT

Overall payment appraisal:

Excellent Good Average Fair Poor Not yet be determined

The appraisal serves as a reference to reveal SC's payments habits and ability to pay. It is based on the 3 weighed factors: Trade payment experience (through current enquiry with SC's suppliers), our delinquent payment and our debt collection record concerning SC.

Trade payment experience: SC did not provide any name of trade/service suppliers and we have no other sources to conduct the enquiry at present.

Delinquent payment record: None in our database.

Debt collection record: No overdue amount owed by SC was placed to us for collection within the last 6 years.

BANKING

The bank information of SC is not filed in local SAIC.

FINANCIALS

Consolidated Balance Sheet

Unit: CNY'000	As of Dec. 31, 2017	As of Sep. 30, 2018
Cash	2,237,366	2,159,362
Notes receivable	286,099	254,266
Accounts receivable	785,558	845,029
Advances to suppliers	478,605	1,471,607
Interest receivable	0	0
Other receivable	364,335	783,876
Inventory	4,830,387	4,577,675
Non-current assets within one year	0	0
Other current assets	835,631	1,127,307
	-----	-----
Current assets	9,817,981	11,219,122
Financial assets available for sale	129,880	91,175
Long-term investments	1,444	334
Real estate investment	0	0
Fixed assets	4,381,480	5,105,786
Construction in progress	849,084	343,708
Project materials	0	0
Intangible assets	599,727	610,391
Goodwill	0	0
Long-term deferred expense	31,186	30,326
Deferred income tax assets	41,449	47,288
Other non-current assets	178,921	76,113
	-----	-----
Total assets	16,031,152	17,524,243
	=====	=====
Short-term loans	6,257,249	7,360,273
Notes payable and Accounts payable	982,403	773,873
Payroll payable	95,530	77,011
Taxes payable	95,397	111,414
Advances from clients	568,798	1,053,134
Other payable	210,873	248,591
Other current liabilities	281,368	20,000
	-----	-----
Current liabilities	8,491,618	9,644,296
Non-current liabilities	299,582	426,194
	-----	-----
Total liabilities	8,791,200	10,070,490
Equities	7,239,952	7,453,753
	-----	-----
Total liabilities & equities	16,031,152	17,524,243
	=====	=====

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Consolidated Income Statement

Unit: CNY'000	As of Dec. 31, 2017	Jan. 1, 2018 to Sep. 30, 2018
Revenue	12,596,539	10,734,038
Cost of sales	11,187,027	9,576,574
Taxes and surcharges	84,512	61,746
Sales expense	272,218	184,019
Management expense	421,793	273,723
Finance expense	231,842	124,360
Asset impairment loss	6,124	-1,712
Investment income	27,789	56,595
Non-operating income	9,252	18,455
Non-operating expense	15,864	4,060
Profit before tax	785,748	826,198
Less: profit tax	83,132	75,762
Profits	702,616	750,436

Important Ratios

=====	As of Dec. 31, 2017	As of Sep. 30, 2018
*Current ratio	1.16	1.16
*Quick ratio	0.59	0.69
*Liabilities to assets	0.55	0.57
*Net profit margin (%)	5.58	6.99
*Return on total assets (%)	4.38	4.28
*Inventory / Revenue x365/270	140 days	116 days
*Accounts receivable / Revenue x365/270	23 days	22 days
*Revenue / Total assets	0.79	0.61
*Cost of sales / Revenue	0.89	0.89

FINANCIAL COMMENTS

PROFITABILITY: FAIRLY GOOD

The revenue of SC appears fairly good in its line.
SC's net profit margin is fairly good.
SC's return on total assets is fairly good.
SC's cost of sales is average, comparing with its revenue.

LIQUIDITY: AVERAGE

The current ratio of SC is maintained in a normal level.
SC's quick ratio is maintained in a fair level.
The inventory of SC appears large.
The accounts receivable of SC appears average.
The short-term loans of SC appear large.
SC's revenue is in a fair level, comparing with the size of its total assets.

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LEVERAGE: FAIRLY GOOD

The debt ratio of SC is average.

The risk for SC to go bankrupt is low.

Overall financial condition of the SC: Fairly Good.

CONCLUSIONS

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

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 69.66
UK Pound	1	INR 89.08
Euro	1	INR 79.36
CNY	1	INR 10.20

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

INFORMATION DETAILS

Analysis Done by :	PRI
Report Prepared by :	TRU

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RATING EXPLANATIONS

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)