

MIRA INFORM REPORT

Report No. :	520196
Report Date :	20.07.2018

IDENTIFICATION DETAILS

Name :	HUNG CHOU FIBER INDUSTRIAL CO., LTD.
Formerly Known As :	HUNG CHOU FIBER INDUSTRY CO., LTD.
Registered Office :	7/F, No.607, Ruiguang Rd., Neihu Dist., Taipei City 11492, Taiwan (R.O.C.)
Country :	Taiwan
Financials (as on) :	31.12.2017
Date of Incorporation :	30.07.1968
Com. Reg. No.:	07220710
Legal Form :	Joint Stock Company
Line of Business :	Manufacturing and sale of polyester filament.
No. of Employees :	240

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 :	Satisfactory
Payment Behaviour :	No Complaints
Litigation :	Clear

NOTES :

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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 (31.12.2017)	Current Rating (01.04.2018)
Taiwan	A1	A2

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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TAIWAN - ECONOMIC OVERVIEW

Taiwan has a dynamic capitalist economy that is driven largely by industrial manufacturing, and especially exports of electronics, machinery, and petrochemicals. This heavy dependence on exports exposes the economy to fluctuations in global demand. Taiwan's diplomatic isolation, low birth rate, rapidly aging population, and increasing competition from China and other Asia Pacific markets are other major long-term challenges.

Following the landmark Economic Cooperation Framework Agreement (ECFA) signed with China in June 2010, Taiwan in July 2013 signed a free trade deal with New Zealand - Taipei's first-ever with a country with which it does not maintain diplomatic relations - and, in November of that year, inked a trade pact with Singapore. However, follow-on components of the ECFA, including a signed agreement on trade in services and negotiations on trade in goods and dispute resolution, have stalled. In early 2014, the government bowed to public demand and proposed a new law governing the oversight of cross-Strait agreements, before any additional deals with China are implemented; the legislature has yet to vote on such legislation, leaving the future of ECFA uncertain. President TSAI since taking office in May 2016 has promoted greater economic integration with South and Southeast Asia through the New Southbound Policy initiative and has also expressed interest in Taiwan joining the Trans-Pacific Partnership as well as bilateral trade deals with partners such as the US. These overtures have likely played a role in increasing Taiwan's total exports, which rose 11% during the first half of 2017, buoyed by strong demand for semiconductors.

Taiwan's total fertility rate of just over one child per woman is among the lowest in the world, raising the prospect of future labor shortages, falling domestic demand, and declining tax revenues. Taiwan's population is aging quickly, with the number of people over 65 expected to account for nearly 20% of the island's total population by 2025.

The island runs a trade surplus with many economies, including China and the US, and its foreign reserves are the world's fifth largest, behind those of China, Japan, Saudi Arabia, and Switzerland. In 2006, China overtook the US to become Taiwan's second-largest source of imports after Japan. China is also the island's number one destination for foreign direct investment. Taiwan since 2009 has gradually loosened rules governing Chinese investment and has also secured greater market access for its investors on the mainland. In August 2012, the Taiwan Central Bank signed a memorandum of understanding (MOU) on cross-Strait currency settlement with its Chinese counterpart. The MOU allows for the direct settlement of Chinese renminbi (RMB) and the New Taiwan dollar across the Strait, which has helped Taiwan develop into a local RMB hub.

Closer economic links with the mainland bring opportunities for Taiwan's economy but also pose challenges as political differences remain unresolved and China's economic growth is slowing. President TSAI's administration has made little progress on the domestic economic issues that loomed large when she was elected, including concerns about stagnant wages, high housing prices, youth unemployment, job security, and financial security in retirement. TSAI has made more progress on boosting trade with South and Southeast Asia, however, which may help insulate Taiwan's economy from a fall in mainland demand should China's growth slow in 2018.

Source : CIA

COMPANY NAME AND ADDRESS

Company Name: Hung Chou Fiber Industrial Co., Ltd.
Supplied Name: HUNG CHOU FIBER INDUSTRIAL CO. LTD
Trading Address: 7/F, No.607, Ruiguang Rd., Neihu Dist., Taipei City 11492,
Taiwan (R.O.C.)
Supplied Address: 7F, NO. 607, RUI GUANG RD, NEIHU DIST 11492 TAIPEI
Telephone Number: +886-2-2657-5859
Fax Number: +886-2-8797-7888
E-mail: zack@hungchou.com.tw
Website: www.hungchou.com.tw

Notes: The exact name and address are as above.

COMPANY IDENTIFICATION DETAILS

Registered Name: Hung Chou Fiber Industrial Co., Ltd.
Registered Address: 7/F, No.607, Ruiguang Rd., Neihu Dist., Taipei City 11492,
Taiwan (R.O.C.)
Date of Foundation: 1968-7-30
Registration Number: 07220710
Registry: Department of Commerce, Ministry of Economic Affairs,
R.O.C.
Registered Capital: NTD 3,500,000,000 (USD 115,500,000)
Paid-up Capital: NTD 1,321,124,540 (USD 43,597,109.82)
Legal Representatives: Zhengtian Zhan
Legal Form: Joint Stock Company
Principal Activities: Manufacturing and sale of polyester filament, etc.
Staff: About 240 Employees
Listed at Stock Exchange: Yes; Stock Code: 1413
Date of Last Annual Return: 2016-7-22

HISTORY

Subject was incorporated on 1968-7-30 with registered number 07220710 as Joint Stock Company in Taiwan.

Change of Name

Former English Name: Hung Chou Fiber Industry Co., Ltd.
Current English Name: Hung Chou Fiber Industrial Co., Ltd.

Subject listed on Taiwan Stock Exchange on 1975-12-23.

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CORPORATE STRUCTURE

Factory

Name:	Taoyuan Factory
Address:	No.29, Hongzhou Str., Fengshu Li, 15 Lin, Guishan Dist., Taoyuan City, Taiwan
Date of Foundation:	1969-1-1
Date of Registration:	1971-1-20
Factory Registration Number:	99626042
Factory Manager:	Zhengtian Zhan
Status:	In Production
Date of Last Annual Return:	2017-8-14
Major Products:	111 Spinning
Tel	+886-3-329-4138
Fax	+886-3-320-6239

SHAREHOLDERS

Major Shareholders

Name	Subscription Shares
Yi Jinn Industrial Co., Ltd.	30,601,000
Defeng Chen	2,071,383
Yuming Chen	2,641,123
Oulian International Leasing Corporation (Literal Translation)	872,000
Linde Chen	57,516

Shareholders Information:

1

Registered Name:	Yi Jinn Industrial Co., Ltd.
Registered Address:	7/F, No.607, Ruiguang Rd., Neihu Dist., Taipei City 11492, Taiwan (R.O.C.)
Date of Foundation:	1981-3-24
Registration Number:	07669338
Registry:	Department of Commerce, Ministry of Economic Affairs, R.O.C.
Registered Capital:	NTD 5,600,000,000
Paid-up Capital:	NTD 3,016,476,400

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Legal Representatives: Zhengtian Zhan
Legal Form: Joint Stock Company
Listed at Stock Exchange: Yes; Stock Code: 1457
Date of Last Annual Return: 2018-6-20
2
Registered Name: Oulian International Leasing Corporation (Literal Translation)
Registered Address: 16/F, No.97, Sec.2, Dunhua S. Rd., Da-an Dist., Taipei City,
Taiwan
Date of Foundation: 1997-12-26
Registration Number: 16433947
Registry: Department of Commerce, Ministry of Economic Affairs,
R.O.C.
Registered Capital: NTD 2,000,000,000
Paid-up Capital: NTD 600,000,000
Legal Representatives: Kangrong Zhan
Legal Form: Joint Stock Company
Date of Last Annual Return: 2015-5-12

MANAGEMENT INFORMATION

Core Management

Directors

1

Name Zhengtian Zhan
Position Chairman of the Board

2

Name Qing Zhan
Position Director

3

Name Yujing Cheng
Position Director

4

Name Jinling Lin

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Position	Director & Manager
Date of Appointment for Manager	2015-2-2
5	
Name	Hengjia Zhang
Position	Director
6	
Name	Defeng Chen
Position	Director
7	
Name	Yuming Chen
Position	Director
8	
Name	Shoubo Zhao
Position	Independent Director
9	
Name	Weiji Huang
Position	Independent Director
10	
Name	Guanru Chen
Position	Supervisor
11	
Name	Linde Chen
Position	Supervisor

Personnel Structure

Total Employees About 240 Employees

OPERATION INFORMATION

Offices & Factories

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Add Headquarters
7/F, No.607, Ruiguang Rd., Neihu Dist., Taipei City 11492,
Taiwan (R.O.C.)

Production Information

Subject is engaged in manufacturing of polyester filament, etc.
Subject has a factory in Taiwan for production.
Subject obtained the certifications of ISO 9001:2008, ISO 14001:2004.
It is introduced that total production quantity of 2017 is about 162,774 metric tons.

Purchase Information

The registered activities of subject:

Business Code	Details
C801120	Manufacturing of artificial fiber
C805990	Manufacturing of other plastic products
C802100	Manufacturing of cosmetics
C802990	Manufacturing of other chemical products
F401010	International trade
JE01010	Leasing industry
F301010	Department store industry
F301020	Supermarket industry
E801010	Upholstery industry
I503010	Landscape and interior design
C302010	Weaving industry
C301010	Spinning industry
C306010	Garments industry
C305010	Printing and dyeing finishing
H701010	Developing and leasing of buildings
H701020	Developing and leasing of industrial factory building
H701040	Developing of special area
H701050	Investment of public construction
H703090	Real estate trading
H703100	Real estate leasing
ZZ99999	Besides licensed business, all other business items those are not banned or restricted.

The raw materials for production are mostly purchased at home.
It is introduced that subject's suppliers include Oriental Petrochemical (Taiwan) Co., Ltd., Oriental Union Chemical Corporation, etc.

Sales Information

Subject is engaged in sale of polyester filament, etc.
The major products include polyester chip, polyester pre-oriented yarn, polyester fully drawn yarn, and polyester drawn textured yarn and so on.
Subject's sales regions are domestic market, Asia, etc.

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Subject's major customers are from industries of garments, textiles, etc.

Import and export right:

Import right	Yes
Export right	Yes

SETTLEMENTS

Purchase

Domestic Purchase

Products	Raw materials, etc.
Payment Terms	T/T, Cash, etc.

Import

It is introduced that subject has little import.

Sales

Domestic Markets

Product	Polyester filament, etc.
Selling Terms	T/T, Cash, etc.

Export

Product	Polyester filament, etc.
Selling Terms	L/C, T/T, etc.

FINANCIALS

Balance Sheet

Unit: NTD/000

	2017-12-31	2016-12-31
Assets		
Current assets		
Cash and cash equivalents		
Total cash and cash equivalents	106,551	30,673
Current financial assets at fair value through profit or loss		
Total current financial assets at fair value through profit or loss	0	0
Current available-for-sale financial assets		

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Current available-for-sale financial assets, net	3	3
Notes receivable, net		
Notes receivable, net	119,344	108,444
Notes receivable due from related parties, net		
Notes receivable due from related parties, net	39,359	71,433
Accounts receivable, net		
Accounts receivable, net	42,515	58,930
Accounts receivable due from related parties, net		
Accounts receivable due from related parties, net	19,673	14,284
Other receivables		
Other receivables, net	310	10,869
Other receivables due from related parties		
Other receivables due from related parties, net	10,948	17,045
Inventories		
Total inventories	426,955	510,606
Prepayments		
Total prepayments	5,619	1,409
Other current assets		
Other current financial assets	109,207	8,173
Other current assets, others	345	0
Total other current assets	109,552	8,173
Total current assets	880,829	831,869
Non-current assets		
Non-current financial assets at cost		
Non-current financial assets at cost, net	11,850	11,850
Property, plant and equipment		
Total property, plant and equipment	1,155,419	1,195,864
Investment property, net		
Investment property, net	270,526	258,818
Deferred tax assets	0	0
Other non-current assets		
Other non-current assets, others		
Total other non-current assets, others	1,592	2,170
Total other non-current assets	1,592	2,170
Total non-current assets	1,439,387	1,468,702
Total assets	2,320,216	2,300,571
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings		
Total short-term borrowings	100,000	183,000
Notes payable		

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Total notes payable	22,881	17,924
Notes payable to related parties		
Total notes payable to related parties	4,739	8,553
Accounts payable		
Total accounts payable	301,886	245,055
Accounts payable to related parties		
Total accounts payable to related parties	1,828	13,682
Other payables		
Other payables, others	55,503	48,781
Total other payables	55,503	48,781
Other payables to related parties	2,271	0
Current provisions		
Total current provisions	1,363	1,363
Other current liabilities		
Advance receipts		
Total advance receipts	33,608	82,944
Long-term liabilities, current portion		
Total long-term liabilities, current portion	139,075	10,800
Other current liabilities, others	2,295	1,427
Total other current liabilities	174,978	95,171
Total current liabilities	665,449	613,529
Non-current liabilities		
Long-term borrowings		
Total long-term borrowings	450,910	519,003
Deferred tax liabilities		
Total deferred tax liabilities	224,155	224,155
Other non-current liabilities		
Long-term notes and accounts payable		
Long-term accounts payable	84,550	163,500
Total long-term notes and accounts payable	84,550	163,500
Net defined benefit liability, non-current	0	1,794
Total other non-current liabilities	84,550	165,294
Total non-current liabilities	759,615	908,452
Total liabilities	1,425,064	1,521,981
Equity		
Share capital		
Ordinary share	1,321,124	1,321,124
Total capital stock	1,321,124	1,321,124
Capital surplus		
Total capital surplus	0	0
Retained earnings		
Legal reserve	0	0
Special reserve	0	0
Unappropriated retained earnings (accumulated deficit)		
Total unappropriated retained earnings (accumulated deficit)	-425,972	-542,534

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Total retained earnings	-425,972	-542,534
Other equity interest		
Other equity, others		
Total other equity, others	0	0
Total other equity interest	0	0
Total equity	895,152	778,590
Total liabilities and equity	2,320,216	2,300,571
Equivalent issue shares of advance receipts for ordinary share	0	0
Number of shares in entity held by entity and by its subsidiaries	0	0

Profit and Loss Account

Unit: NTD/000

	2017	2016
Operating revenue		
Net sales revenue		
Sales revenue		
Total sales revenue	3,160,607	2,215,892
Sales returns	12,255	14,278
Sales discounts and allowances	4,209	8,880
Net sales revenue	3,144,143	2,192,734
Total operating revenue	3,144,143	2,192,734
Operating costs		
Cost of sales		
Cost of sales	2,953,791	2,188,940
Total cost of sales	2,953,791	2,188,940
Total operating costs	2,953,791	2,188,940
Gross profit (loss) from operations	190,352	3,794
Gross profit (loss) from operations	190,352	3,794
Operating expenses		
Administrative expenses		
Total administrative expenses	68,080	55,589
Total operating expenses	68,080	55,589
Net operating income (loss)	122,272	-51,795
Non-operating income and expenses		
Other income		
Total other income	15,212	10,434
Other gains and losses		
Other gains and losses, net	-5,205	-151
Finance costs		
Finance costs, net	15,717	16,869
Total non-operating income and expenses	-5,710	-6,586
Profit (loss) from continuing operations before tax	116,562	-58,381
Tax expense (income)		

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Total tax expense (income)	0	4,225
Profit (loss) from continuing operations	116,562	-62,606
Profit (loss)	116,562	-62,606
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss		
Gains (losses) on remeasurements of defined benefit plans	0	-49
Components of other comprehensive income that will not be reclassified to profit or loss	0	-49
Other comprehensive income, net	0	-49
Total comprehensive income	116,562	-62,655
Basic earnings per share		
Basic earnings (loss) per share from continuing operations	0.88	-0.47
Total basic earnings per share	0.88	-0.47

Cash Flows

Unit: NTD/000

	2017	2016
Cash flows from (used in) operating activities, indirect method		
Profit (loss) from continuing operations before tax	116,562	-58,381
Profit (loss) before tax	116,562	-58,381
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	50,058	47,674
Interest expense	15,717	16,869
Interest income	-972	-46
Loss (gain) on disposal of property, plan and equipment	-25	359
Loss (gain) on disposal of investments	0	95
Other adjustments to reconcile profit (loss)	-50,861	0
Total adjustments to reconcile profit (loss)	13,917	64,951
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in notes receivable	-10,900	-3,949
Decrease (increase) in notes receivable due from related parties	32,074	-43,433
Decrease (increase) in accounts receivable	16,415	20,874

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Decrease (increase) in accounts receivable due from related parties	-5,389	-12,081
Decrease (increase) in other receivable	10,559	-10,861
Decrease (increase) in other receivable due from related parties	6,097	-9,052
Decrease (increase) in inventories	134,512	-7,163
Decrease (increase) in prepayments	-4,210	1,341
Decrease (increase) in other current assets	-345	0
Total changes in operating assets	178,813	-64,324
Changes in operating liabilities		
Increase (decrease) in notes payable	4,957	8,878
Increase (decrease) in notes payable to related parties	-3,814	8,553
Increase (decrease) in accounts payable	56,831	86,477
Increase (decrease) in accounts payable to related parties	-11,855	-8,026
Increase (decrease) in other payable	6,743	-3,129
Increase (decrease) in other payable to related parties	2,271	0
Increase (decrease) in receipts in advance	-49,336	-118,616
Increase (decrease) in other current liabilities	868	121
Increase (decrease) in net defined benefit liability	-1,794	-1,139
Total changes in operating liabilities	4,871	-26,881
Total changes in operating assets and liabilities	183,684	-91,205
Total adjustments	197,601	-26,254
Cash inflow (outflow) generated from operations	314,163	-84,635
Interest received	972	46
Dividends received	0	6,033
Interest paid	-15,737	-16,885
Net cash flows from (used in) operating activities	299,398	-95,441
Cash flows from (used in) investing activities		
Proceeds from capital reduction of investments accounted for using equity method	0	2,066
Acquisition of property, plant and equipment	-18,516	-8,946
Proceeds from disposal of property, plant and equipment	25	23,564
Increase in other financial assets	-101,034	-173
Increase in other non-current assets	-2,227	-3,347

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Net cash flows from (used in) investing activities	-121,752	13,164
Cash flows from (used in) financing activities		
Increase in short-term loans	1,444,877	1,327,247
Decrease in short-term loans	-1,527,877	-1,369,760
Proceeds from long-term debt	1,689,200	1,005,917
Repayments of long-term debt	-1,629,018	-856,617
Decrease in other payables to related parties	-78,950	-20,000
Net cash flows from (used in) financing activities	-101,768	86,787
Net increase (decrease) in cash and cash equivalents	75,878	4,510
Cash and cash equivalents at beginning of period	30,673	26,163
Cash and cash equivalents at end of period	106,551	30,673
Cash and cash equivalents reported in the statement of financial position	106,551	30,673

Note: The above financial figures are based on the IFRSs Accounting System.

BANKERS

Name Bank of Taiwan

PUBLIC RECORD

Mortgage

No chattel mortgage record of subject has been found within the recent 3 months.

Lawsuit

Up to date of reporting, no existing or latent litigation of the subject has been found.

SPECIAL NOTE

Interview Details

Department Business Department

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FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.83
UK Pound	1	INR 89.93
Euro	1	INR 80.12
TWD	1	INR 2.24

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

INFORMATION DETAILS

Analysis Done by :	NIS
Report Prepared by :	SYL

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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)