

## MIRA INFORM REPORT

<b>Report No. :</b>	538058
<b>Report Date :</b>	12.11.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	LU XI CHEMICAL (HONG KONG) CO., LIMITED
<b>Registered Office :</b>	C/o Norcola Co. Ltd. Unit 3312, 33/F., Shui On Centre, 6-8 Harbour Road, Wanchai
<b>Country :</b>	Hong Kong
<b>Date of Incorporation :</b>	10.12.2013
<b>Com. Reg. No.:</b>	62472726
<b>Legal Form :</b>	Private limited liability company
<b>Line of Business :</b>	The subject is trading in fertilizers and chemical products which are the products of the Group.
<b>No. of Employees :</b>	No employees in Hong Kong.  <b>NOTE:</b>  It is to be noted that the company does not have its own operating office in Hong Kong. The company uses the address of its secretariat as its correspondence address only. Subject operates from some other country and does not have a base in Hong Kong. Such companies are registered in Hong Kong just to tax benefit purpose and due to the strict privacy laws prevailing in the country. In such cases, the companies are not required to have any employees in Hong Kong nor do have an office there.

### RATING & COMMENTS

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

**MIRA's Rating :** C

Credit Rating	Explanation	Rating Comments
C	Medium High Risk	Business dealings permissible preferably on secured basis

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<b>Status :</b>	No operating office in Hong Kong
<b>Payment Behaviour :</b>	Unknown
<b>Litigation :</b>	Clear

**NOTES :**

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto: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)
Hong Kong	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

### HONG KONG - ECONOMIC OVERVIEW

Hong Kong has a free market economy, highly dependent on international trade and finance - the value of goods and services trade, including the sizable share of reexports, is about four times GDP. Hong Kong has no tariffs on imported goods, and it levies excise duties on only four commodities, whether imported or produced locally: hard alcohol, tobacco, oil, and methyl alcohol. There are no quotas or dumping laws. Hong Kong continues to link its currency closely to the US dollar, maintaining an arrangement established in 1983.

Excess liquidity, low interest rates and a tight housing supply have caused Hong Kong property prices to rise rapidly. The lower and middle-income segments of the population increasingly find housing unaffordable.

Hong Kong's open economy has left it exposed to the global economic situation. Its continued reliance on foreign trade and investment makes it vulnerable to renewed global financial market volatility or a slowdown in the global economy.

Mainland China has long been Hong Kong's largest trading partner, accounting for about half of Hong Kong's total trade by value. Hong Kong's natural resources are limited, and food and raw materials must be imported. As a result of China's easing of travel restrictions, the number of mainland tourists to the territory surged from 4.5 million in 2001 to 47.3 million in 2014, outnumbering visitors from all other countries combined. After peaking in 2014, overall tourist arrivals dropped 2.5% in 2015 and 4.5% in 2016. The tourism sector rebounded in 2017, with visitor arrivals rising 3.2% to 58.47 million. Travelers from Mainland China totaled 44.45 million, accounting for 76% of the total.

The Hong Kong Government is promoting the Special Administrative Region (SAR) as the preferred business hub for renminbi (RMB) internationalization. Hong Kong residents are allowed to establish RMB-denominated savings accounts, RMB-denominated corporate and Chinese government bonds have been issued in Hong Kong, RMB trade settlement is allowed, and investment schemes such as the Renminbi Qualified Foreign Institutional Investor (RQFII) Program was first launched in Hong Kong. Offshore RMB activities experienced a setback, however, after the People's Bank of China changed the way it set the central parity rate in August 2015. RMB deposits in Hong Kong fell from 1.0 trillion RMB at the end of 2014 to 559 billion RMB at the end of 2017, while RMB trade settlement handled by banks in Hong Kong also shrank from 6.8 trillion RMB in 2015 to 3.9 trillion RMB in 2017.

Hong Kong has also established itself as the premier stock market for Chinese firms seeking to list abroad. In 2015, mainland Chinese companies constituted about 50% of the firms listed on the Hong Kong Stock Exchange and accounted for about 66% of the exchange's market capitalization.

During the past decade, as Hong Kong's manufacturing industry moved to the mainland, its service industry has grown rapidly. In 2014, Hong Kong and China signed a new agreement on achieving basic liberalization of trade in services in Guangdong Province under the Closer Economic Partnership Agreement (CEPA), adopted in 2003 to forge closer ties between Hong Kong and the mainland. The new measures, which took effect in March 2015, cover a negative list and a most-favored treatment provision. On the basis of the Guangdong Agreement, the Agreement on Trade in Services signed in November 2015 further enhanced liberalization, including extending the implementation of the majority of Guangdong pilot liberalization measures to the whole Mainland, reducing the restrictive measures in the negative list, and adding measures in the positive lists for cross-border services as well as cultural and telecommunications services. In June 2017, the Investment Agreement and the Agreement on Economic and Technical Cooperation (Ecotech Agreement) were signed under the framework of CEPA.

Hong Kong's economic integration with the mainland continues to be most evident in the banking and finance sector. Initiatives like the Hong Kong-Shanghai Stock Connect, the Hong Kong- Shenzhen Stock Connect the Mutual Recognition of Funds, and the Bond Connect scheme are all important steps towards opening up the Mainland's capital markets and have reinforced Hong Kong's role as China's leading offshore RMB market. Additional connect schemes such as ETF Connect (for exchange-traded fund products) are also under

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exploration by Hong Kong authorities. In 2017, Chief Executive Carrie LAM announced plans to increase government spending on research and development, education, and technological innovation with the aim of spurring continued economic growth through greater sector diversification.

Source : CIA

## **COMPANY NAME AND ADDRESS**

### **LU XI CHEMICAL (HONG KONG) CO., LIMITED**

#### **ADDRESS:**

Registered Office:-  
c/o Norcola Co. Ltd.  
Unit 3312, 33/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

Holding Company:-  
Luxi Chemical Group Co. Ltd.  
68 Luhua Road, Liaocheng City, Shandong Province, China.

Related/Affiliated Companies:-  
Liaocheng Meishan Advanced Material Science & Technology Co. Ltd., China.  
Liaocheng Meisi New Materials Technology Co. Ltd., China.  
Liaocheng Meiwu New Materials Technology Co. Ltd., China.  
Lu Xi Chemical (Singapore) Pte. Ltd., Singapore.  
Luxi Chemical (Europe) Technology R&D GmbH, Germany.  
Luxi Group Co. Ltd., China.  
Luxi Industrial Equipment Co. Ltd., China.  
Luxi New Energy Equipment Group Co. Ltd., China.  
Ningxia Luxi Chemical Fertilizer Co. Ltd., China.  
Shandong Liaocheng Lanrui Chemical Industry Co. Ltd., China.  
Shandong Liaocheng Luxi Chemical Coal Trading Co. Ltd., China.  
Shandong Liaocheng Luxi Chemical Fifth Fertilizer Co. Ltd., China.  
Shandong Liaocheng Luxi Chemical First Fertilizer Co. Ltd., China.  
Shandong Liaocheng Luxi Chemical Fourth Fertilizer Co. Ltd., China.  
Shandong Liaocheng Luxi Chemical Sale Co. Ltd., China.  
Shandong Liaocheng Luxi Chemical Second Fertilizer Co. Ltd., China.  
Shandong Liaocheng Luxi Chemical Sixth Fertilizer Co. Ltd., China.  
Shandong Liaocheng Luxi Chemical Third Fertilizer Co. Ltd., China.  
Shandong Liaocheng Luxi Metal Material Co. Ltd., China.  
Shandong Liaocheng Zhongsheng Lanrui Chemical Co. Ltd., China.  
Shandong Luxi Financial Leasing Co. Ltd., China.

## **BUSINESS REGISTRATION NUMBER**

62472726

## **COMPANY FILE NUMBER**

2010116

## **DATE OF INCORPORATION**

10th December, 2013.

## **ISSUED SHARE CAPITAL**

RMB1,000,000.00 Yuan

## **SHAREHOLDER**

(As per registry dated 10-12-2017)

Name

Luxi Chemical Group Co. Ltd.

No. 68 Luhua Road, Liaocheng City, Shandong Province, China.

No. of shares

1,000,000

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## **DIRECTOR**

(As per registry dated 10-12-2017)

Name

(Nationality)

ZHANG Jincheng

Address

7-4 Financial Lane, Dongchangfu District, Liaocheng City,  
Shandong Province, China.

## **SECRETARY**

(As per registry dated 10-12-2017)

Name

Norcola Co. Ltd.

Address

Unit 3312, 33/F., Shui On Centre, 6-8 Harbour  
Road, Wanchai, Hong Kong.

Co. No.

0111227

## **MORTGAGE OR CHARGE**

Date: 21-11-2017

Description of Instrument: Trade Finance Security Assignment

Mortgagee: Industrial & Commercial Bank of China (Asia) Ltd., Hong Kong.

## **GENERAL**

Lu Xi Chemical (Hong Kong) Co., Limited was incorporated on 10th December, 2013 as a private limited liability company under the Hong Kong Companies Ordinance.

The subject does not have its own operating office. Its registered office is in a commercial service firm located at "Unit 3312, 33/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong" known as "Norcola Co. Ltd." which is handling its correspondences and documents. Norcola is also the corporate secretary of the subject.

The subject has no employees in Hong Kong.

According to the Companies Registry of Hong Kong, the subject has issued 1 million ordinary shares of RMB1.00 each which are wholly owned by Luxi Chemical Group Co. Ltd. [Luxi/Group].

The director of the subject Mr. Zhang Jincheng is a China merchant. He is a China ID holder and does not have the right to reside in Hong Kong permanently. He is also the only director of the subject.

Luxi is a listed company on Shenzhen SEZ Stock Exchange. The subject is trading in fertilizers and chemical products which are the products of the Group.

Luxi Group was approved by the China's Securities Regulatory Commission in March 1998, and listed on Shenzhen Stock Exchange in May 1998, bearing Stock Code 000830, and Stock Abbreviation Luxi Chemical.

With total assets of nearly RMB10 billion Yuan and had 12,460 employees as at end of December, 2016, the company mainly produces five series products in more than 50 varieties, integrating the production of fine chemical products and fertilizers, the manufacture and installation of equipment and chemical research and design, the enterprise technology centre as national technical centre possesses such qualifications as Grade B petrochemical and pharmaceutical industry, Grade A chemical engineering, Class III pressure vessel manufacture and installation.

The Group's products are marketed in China, exported to the other Asian countries, Europe, the Middle East, North and South America, etc.

Mr. Zhang Jincheng is also the President of the Luxi Group.

The followings are the financial highlights of the Group:  
(Year ended 31 December, Unit: RMB' million Yuan)

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Item	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total assets	27,774.7	25,064.5	22,366.8	19,861.9
Operating Income	15,761.8	10,948.6	12,870.9	13,029.4
Net Profit (Loss) attributable to shareholders	1,994.9	252.6	289.3	361.1

Item	<u>2018 (Jan to Jun)</u>	<u>2017 (Jan to Jun)</u>
Total assets	29,574.6	27,774.7
Operating Income	10,607.3	7,287.6
Net Profit (Loss) attributable to shareholders	1,720.2	551.2

The subject is fully supported by Luxi Group. The Group is liable for the debts of the subject.

The annual operating income of the subject ranges from RMB900 to 1,500 million Yuan, net profit is less than RMB5 million Yuan.

The Group has been banking with Industrial & Commercial Bank of China (Asia) Ltd. of Hong Kong. History in Hong Kong is about five years.

The subject's business in Hong Kong is not active.

Since the subject does not have its own operating office and has no employees in Hong Kong, consider it good for business engagements on L/C basis or in small credit amounts.

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**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 72.73
UK Pound	1	INR 94.87
Euro	1	INR 82.52
HKD	1	INR 9.25

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

**INFORMATION DETAILS**

Analysis Done by :	DIV
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)