

## **SAMPLE**

In-depth Credit Report

**SHANGHAI DALONG ZHIHENG TECHNOLOGY DEVELOPMENT CO., LTD.**

上海大隆智恒科技发展有限公司

Your Enquiry: Shanghai Dalong Zhiheng Technology Development Co., Ltd.  
Date of Enquiry: Jun 10, 2011  
Report Type: In-depth Credit Report  
Type of Enquiry: Normal  
Date of Delivery: Jun 16, 2011

## PROFILE

Subject Name: SHANGHAI DALONG ZHIHENG TECHNOLOGY DEVELOPMENT CO., LTD.

(Given by Official Sources)

Sinotrust No.: 0243320517  
AIC No.: 310000101234567  
N.O.C.: 222222222

Address: Suite B, 24/F, 88 Hengshan Rd.  
Xuhui District  
Shanghai City

Zip Code: 200000  
Telephone: (+86 21) 61238888  
Facsimile: (+86 21) 61238800  
Website: <http://www.dlzh.com.cn>

## SUMMARY

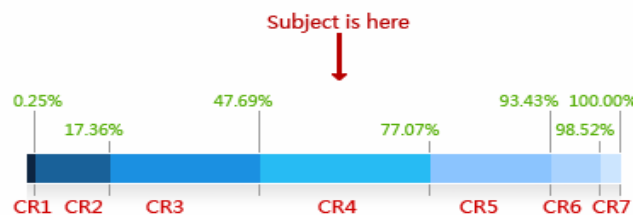
Establishment Date: May 18, 1997  
Legal Status: Limited liability company  
Listed or Not: No  
Legal Rep.: WANG Tao  
Registered Capital: 1,000,000  
Sales: 11,915,000 (2010)  
Net Profit: 193,000 (2010)  
Total Assets: 6,053,000 (Dec. 31, 2010)  
Net Worth: 3,299,000 (Dec. 31, 2010)  
Employees: 56  
I/E License: No  
Litigation Records: Yes  
Credit Records: Yes

Currency in this report is Chinese Yuan (RMB) unless otherwise stated. "--" in this report indicates "unavailable" or "no comment" due to insufficient information.

## CREDIT ASSESSMENT

Major Indicators	Score	Rating
Business Size:	60	Medium
Profitability:	60	Average
Efficiency:	75	Fairly Strong
Solvency:	80	Fairly Strong
Growth:	55	Average
Credit Rating:	61	CR4
Base Credit Limit:		100,000

## RATING DISTRIBUTION IN SINOTRUST DATABASE



## MAIN BUSINESS & INDUSTRY CLASSIFICATION

Main Business: Wholesale and retail of computer equipment  
Chinese SIC: 6370, Wholesale of mechanical equipment, hardware, electrical and electronic products  
ISIC: 5150, Wholesale of machinery, equipment and supplies  
NACE: 46.6, Wholesale of other machinery, equipment and supplies

More information about Subject's lines of business can be found in the section OPERATIONS

## FINANCIAL SUMMARY

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	2010	2009	2008
Sales	11,915,000	10,950,000	12,507,000
Total profit	285,000	-567,000	608,000
Net profit	193,000	-489,000	500,000
Total assets	6,053,000	5,535,000	5,846,000
Total liabilities	2,754,000	2,418,000	2,207,000
Total shareholders' equity	3,299,000	3,117,000	3,639,000
Total current assets	3,359,000	2,692,000	3,035,000
Total current liabilities	2,501,000	2,256,000	1,965,000
Working capital	858,000	436,000	1,070,000
Total fixed assets	2,238,000	2,330,000	2,336,000
Return on net assets (%)	5.85	-15.69	13.74
Net profit margin (%)	1.62	-4.47	4.00
Turnover of total assets	1.97	1.98	2.14
Turnover of inventory (days)	37.60	37.34	35.86
Turnover of accounts receivable (days)	25.05	26.43	24.55
Liabilities/assets ratio (%)	45.50	43.69	37.75
Current ratio	1.34	1.19	1.54
Quick ratio	1.03	0.85	1.12
Sales growth (%)	8.81	-12.45	--
Assets growth (%)	9.36	-5.32	--
Equity growth (%)	5.84	-14.34	--

## IMPORTANT EVENTS

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Subject changed its name from Shanghai Zhiheng Technology Development Co., Ltd. to the present one in Apr. 2005.

## DEVELOPMENT OUTLOOK

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Subject is a limited liability company with 14 years' development in this line of business. Having established sound sales channels in East China, Subject holds certain competitiveness in the market. Its shareholders boast strong competencies and its management level is well experienced in respect to industry and management expertise, which lays a solid foundation for its stable development.

Due partly to the impact of the global financial crisis and partly to intensified market competition, the market share of the products Subject sells dropped so that Subject experienced certain fluctuations in operating revenues over the past few years and a loss was even posted in 2009. However, Subject adjusted its sales strategies and swung from deficit to surplus in 2010, and its solvency remained fairly strong. Considering the waning effects of the global financial crisis and the brisk consumption demands in China, we are prudently optimistic about the future development of Subject.

## POTENTIAL RISKS

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Subject's industry is quite competitive. Frequent upgrades and segmentations in consumption demand are narrowing the market shares of relevant products while its competitors have unremittingly improved their sales strategies or after-sales services to maintain and expand their operating scales. Consequently, Subject is exposed to tougher challenges and threats in terms of marketing management and also faced with heavier cost pressure, which means that Subject should streamline its marketing management and strategies and further expand its sales to keep abreast of its competitors.

## **GENERAL COMMENTS**

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Subject has good performance in operation and credit, a sound social reputation, satisfactory operating achievements, and a healthy financial position. We contacted several suppliers and banks which conducted business with Subject and enquired of the local court, and did not find any negative records against Subject. Its suppliers gave favorable references regarding Subject's payment behavior.

All in all, Subject has certain ability to resist risks and its credit risk is at the industry average level. It is advisable that transactions or cooperation with Subject should be on normal credit terms. Our credit assessment model advises a credit rating of CR4 and a base credit limit of RMB 100,000.

## REGISTRATION

Establishment Date: May 18, 1997  
Registered Address: 1688 Huqingping Highway, Shanghai  
Zip Code: 200001  
Registry: Shanghai Municipal Administration for Industry and Commerce  
Legal Rep.: WANG Tao  
AIC No.: 310000101234567  
Legal Status: Limited liability company  
Registered Capital: 1,000,000.00  
Business Scope: Computer system equipment, office automation equipment, communications equipment, mechanical and electrical equipment (wholesale and retail, and purchasing and marketing on a commission basis)  
Duration of Operation: From May 18, 1997 To May 17, 2016  
Latest Yearly Inspection: 2010

## CHANGES IN REGISTRATION

Date of Change	Change(s)	From	To
Apr.2006	Registered Capital	RMB 100,000	RMB 1,000,000
Aug.2010	AIC No.	3100001234567	310000101234567

## SHAREHOLDERS AND SHARES

Shareholders	Capital Subscribed	% of Total
Shanghai Dalong (Group) Co., Ltd.	510,000	51.00
LI Jun	400,000	40.00
FU Bin	90,000	9.00
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Total	1,000,000	100.00

Shareholders	Way of Investment	Paid-up %
Shanghai Dalong (Group) Co., Ltd.	Cash	100.00
LI Jun	Cash	100.00
FU Bin	Cash	100.00

## BACKGROUND OF MAJOR SHAREHOLDERS

Name: Shanghai Dalong (Group) Co., Ltd.  
Sinotrust No.: 0243321552  
Address: 300 Dalian Rd., Shanghai  
Telephone: (+86 21) 67891234  
Facsimile: (+86 21) 67894321  
Website: www.dalong.com.cn  
Main Business: Investment in industries and real estate development  
Sales: 638,467,200,000 (2010)  
Other Information: As one of Shanghai's most renowned real estate companies, Shanghai Dalong (Group) Co., Ltd. was listed on the Shanghai Stock Exchange in 2000 (stock code: 666666).

Name: LI Jun  
ID No.: 1101021965xxxxx123

Name: FU Bin  
ID No.: 110105xxxxxxxxx457

## HISTORY

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May 1997	Shanghai Zhiheng Technology Development Co., Ltd. was incorporated.
Apr.2005	Shanghai Zhiheng Technology Development Co., Ltd. was acquired by Shanghai Dalong (Group) Co., Ltd. and accordingly was renamed Shanghai Dalong Zhiheng Technology Development Co., Ltd.
Apr.2006	Subject increased its registered capital from RMB 100,000 to RMB 1,000,000.
May 2009	Subject became the general agent of Nanjing Hwuary Display Co., Ltd. in East China.

## MAJOR RANKS

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Year	Major Rank	Place
2008	<u>Top 100 Private Enterprises of Shanghai</u>	89
2007	<u>Top 100 Private Enterprises of Shanghai</u>	97

## MAIN EXECUTIVE(S)

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Name: WANG Tao  
Post: Chairman of the Board  
Gender: Male  
Date of Birth: Oct. 21, 1969  
ID No.: 220XXX196910217891  
Education: Master's degree  
Work Experience: Previously with the Chinese Academy of Sciences;  
currently, with Shanghai Dalong (Group) Co., Ltd. as General Manager;  
since Apr. 2005, concurrently with Subject as Chairman of the Board.

Name: LI Jun  
Post: General Manager  
Gender: Male  
Date of Birth: 1965  
ID No.: 1101021965XXXXX123  
Education: Master's degree  
Work Experience: 1983-1985: with Shanghai Chemical Fiber Research Institute as a research fellow;  
1985-1989: with Shanghai Foreign Trade Corporation as Dept. Manager;  
1989-1990: with Shanghai Honglong Electronic Co., Ltd. as Manager;  
1990-1997: with Shanghai Data Industry Co., Ltd. as General Manager;  
since 1997: with Subject as General Manager.

## BOARD OF DIRECTORS

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Name: ZHANG San  
Post: Director  
Nationality: China  
Gender: Male  
Date of Birth: Aug. 25, 1956  
ID/Passport No.: 110xxxxxxx

Name: LI Si  
Post: Director  
Nationality: China  
Gender: Male  
Date of Birth: Dec. 25, 1958  
ID/Passport No.: 110xxxxxxx

Name: WANG Tao

Post: Chairman of the Board  
Nationality: China  
Gender: Male  
Date of Birth: Oct. 21, 1969  
ID/Passport No.: 220xxx196910217891

## **BOARD OF SUPERVISORS**

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Name: ZHAO Yi  
Post: Supervisor  
Nationality: China  
Gender: Female  
Date of Birth: May 10, 1975  
ID/Passport No.: 32000xxxxxxxxxx

## **AFFILIATE(S)**

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Name: Shanghai Dalong Zhiyu Technology Development Co., Ltd. (literal translation)  
Address: 218 Dongfang Rd., Pudong New Area, Shanghai  
Website: www.dalong.com.cn  
Main Business: Selling electronic products  
Sales: 550,000 (2009)  
Shares held by Subject: 95%

Name: Shanghai Dalong Zhichuang Technology Development Co., Ltd. (literal translation)  
Address: 1/F, 2000 Quyang Rd., Shanghai  
Website: www.dalong.com.cn  
Main Business: Producing and selling electronic products  
Sales: 650,000 (2009)  
Shares held by Subject: 90%

## **BANKING RELATIONSHIP**

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Account Bank: Bank of Shanghai, Xuhui District Sub-branch  
Account No.: XXXXXXXXX8090333 (RMB)  
Account No.: XXXXXXXXX8090334 (FC)  
Interviewee: Miss XU, Service Counter  
Telephone: (+86 21) 56786666  
Interviewee's Remarks: Subject does hold accounts with the Bank, and its day-to-day transaction records are normal.  
Date of Interview: Jun. 16, 2011

## **NUMBER OF EMPLOYEES**

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Total Employees: 56  
Head office: 18  
Management: 8  
Sales: 20  
Technical: 10

The information above was confirmed by Subject's managerial staff in Jun. 2011.

## **ORGANIZATION STRUCTURE**

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- I .Chairman of the Board
- II .General Manager

- III. Market Dept.
- III. Sales Dept.
- III. Personnel Dept.
- III. Finance Dept.
- III. After-sales Technical Dept.

## OFFICE FACILITIES

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Location: Suite B, 24F, 88 Hengshan Road, Shanghai  
 Area: 300 square meters  
 Property Ownership: Rented  
 Traffic Convenience: Subject is located in Xujiahui Business Circle, the southwest part of downtown Shanghai and also one of the ten famous business centers of Shanghai, which enjoys easy traffic access and integrates shopping, entertainment, office, commerce & trade, recreation, accommodation, catering, training and education services.

## OPERATIONS

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Main Business: Wholesale and retail of computer equipment  
 Chinese SIC: 6370, Wholesale of mechanical equipment, hardware, electrical and electronic products  
7412, Investment and assets management  
 ISIC: 5150, Wholesale of machinery, equipment and supplies  
 7414, Business and management consultancy activities  
 NACE: 46.6, Wholesale of other machinery, equipment and supplies  
 64.2, Activities of holding companies

Subject is the general agent of Hwuary brand displays in East China and also distributes Hongda brand computer memory, Kunpeng brand hard drives, Quanshun brand CD-ROMs, keyboards, mice, etc. on a commission basis.

## PRODUCTION FACILITIES & CAPACITY

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Subject is a trade-oriented company which never engages in any manufacturing activities, but according to its staff, Shanghai Dalong Zhichuang Technology Development Co., Ltd., an affiliate invested in by Subject, principally engages in producing and selling computer fittings and has factory buildings of around 3000 square meters and 5 assembly lines, with a monthly production capacity of around 10,000 pieces.

## TRADEMARKS & PATENTS

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Total No. of Trademarks	2	
Registration No.	2345678	2123456
Registration Date	Mar. 28, 2010	Dec. 7, 2009
Trademark Design		



**DALONG**

Patent Type	Invention Patent	Utility Model Patent	Design Patent	Total
Total Patents	0	2	4	6
Patents Applied in 2006	--	1	--	1
Patents Applied in 2005	--	1	2	3
Patents Applied in 2004	--	--	2	2

## PURCHASING INFORMATION

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Main Purchases: Displays, computer memory, hard drives, CD-ROMs, etc.  
No. of Major Suppliers: Around 10  
Major Suppliers: Nanjing Hwuary Liquid Crystal Display Technical Co., Ltd., Suzhou Zhongji Electronic Co., Ltd. and other producers of computer fittings  
Main Payment Terms: 30-day credit or immediate payment

### **Purchasing Territory & Status**

Subject currently conducts sourcing mainly in Jiangsu and Zhejiang. As the general agent of Hwuary brand displays, Subject purchases displays directly from Nanjing Hwuary Liquid Crystal Display Technical Co., Ltd. Displays are also the most important product of Subject and therefore Nanjing in Jiangsu Province accounts for more than 80% of its total purchases both in terms of purchasing territory and purchasing volume. Other computer fittings are sourced from Suzhou in Jiangsu or Hangzhou in Zhejiang Province. Subject is on good terms with its suppliers and cooperative partners and enjoys a solid supply chain after years of development.

The information above was confirmed by Subject's managerial staff in Jun. 2011.

### **SELLING INFORMATION**

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Domestic: About 95%  
Regions: Shanghai and major cities in Jiangsu Province  
Customers: Retailers and individual users  
Sales Terms: 30-day credit or immediate payment

Overseas: About 5%  
Regions: Hong Kong  
Customers: ABC Ltd.  
Sales Terms: L/C

### **Sales Channels & Market Distribution**

Subject sells most of its products to first-tier cities in East China (Shanghai particularly) and has set up shop-in-shop stores in specialized malls. According to Miss WANG, Shanghai accounts for over 80% of its revenue, but its gross profit margin has dropped continually due to intensified competition in Shanghai and other first-tier cities in East China. This is especially the case with displays, the exact product Subject currently specializes in. Therefore Subject intends to strengthen its sales initiatives aimed at small- to middle-sized cities, which offer wider profit margins, lower personnel costs and shop rental rates as well as less competition. Subject hopes to expand its sales network and reap more benefits through this adjustment.

The information above was confirmed by Subject's managerial staff in Jun. 2011.

### **IMPORT & EXPORT**

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I/E License: No

### **CREDIT RECORD**

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Supplier: Nanjing Hwuary Liquid Crystal Display Technical Co., Ltd.  
Commodities Supplied: Computer displays  
Interviewee: Miss YAN  
Post: Financial Dept.  
Telephone: 025-84556567  
Interviewee's Remarks: As the general agent of the said company in East China, Subject makes payments in a fairly prompt manner.  
Date of Interview: Jun. 16, 2011  
Supplier: Suzhou Zhongji Electronic Co., Ltd.

Commodities Supplied: Computer mice and hard drives  
 Interviewee: Mr. WANG  
 Post: Sales Manager  
 Telephone: 0551-63415399  
 Interviewee's Remarks: Extended a credit of 45 days, Subject makes payments in a fairly prompt manner.  
 Date of Interview: Jun. 16, 2011

## LITIGATION RECORD

Source: www.hshfy.sh.cn  
 Hearing Court: Pudong New Area People's Court, Shanghai  
 Case Number: (2010) PMY(M)CZ No. 15487  
 Plaintiff: SONG Sanxiong  
 Date of Hearing: Sep. 28, 2010  
 Case Brief: Dispute over the sales contract between SONG Sanxiong and Subject  
 Date of Acquisition: Jun. 16, 2011

## TAXATION RECORDS

No negative taxation records against Subject have been found through our querying the website of the local SAT office and other major search engines up to the completion of this report.

## QUALITY INSPECTION RECORDS

No negative quality records against Subject have been found through our querying the website of the local quality and technical supervision bureau and other major search engines up to the completion of this report.

## FINANCES

### Balance Sheet ('000):

	Dec. 31, 2010 (Consolidated)	Dec. 31, 2009 (Consolidated)	Dec. 31, 2008 (Consolidated)
Cash & bank	1,394	1,052	1,247
Tradable financial assets	132	0	0
Accounts receivable	829	804	853
Advances to suppliers	174	1	0
Other receivables	53	64	98
Inventory	777	771	837
<b>Total Current Assets</b>	<b>3,359</b>	<b>2,692</b>	<b>3,035</b>
Long-term equity investment	35	24	--
Long-term investment on bonds	--	--	12
Fixed assets	2,238	2,330	2,336
Construction-in-progress	61	120	159
Intangible assets	183	177	178
Deferred income tax assets	177	192	126
<b>Total Non-Current Assets</b>	<b>2,694</b>	<b>2,843</b>	<b>2,811</b>
<b>TOTAL ASSETS</b>	<b>6,053</b>	<b>5,535</b>	<b>5,846</b>
Short-term loans	89	0	0
Accounts payable	1,203	1,043	851
Advances from customers	303	343	324
Accrued payroll	145	129	105
Taxes payable	8	15	112
Other payables	753	725	570

Other current liabilities	0	1	3
<b>Total Current Liabilities</b>	2,501	2,256	1,965
Long-term loans	253	162	242
<b>Total Non-Current Liabilities</b>	253	162	242
<b>TOTAL LIABILITIES</b>	2,754	2,418	2,207
Paid-up capital	1,000	1,000	1,000
Capital reserve	889	889	831
Surplus reserve	663	663	662
Undistributed profit	606	423	1,023
Minority interests	141	142	123
<b>TOTAL SHLDRS' EQUITY</b>	3,299	3,117	3,639
<b>TOTAL LIABILITIES &amp; SHLDRS' EQUITY</b>	6,053	5,535	5,846

### Income Statement ('000)

	2010	2009	2008
<b>Sales</b>	11,915	10,950	12,507
Less: Cost of sales	7,440	7,434	8,402
Sales taxes and additional	789	782	43
<b>Gross Profit</b>	3,686	2,734	4,062
Less: Selling expenses	2,958	2,727	3,584
Administrative expenses	413	693	421
Financial expenses	27	25	21
Assets impairment loss	61	120	93
Plus: Investment income	3	12	314
<b>Operating Profit</b>	230	-819	257
Plus: Non-operating income	96	290	407
Less: Non-operating expenses	41	38	56
<b>Total profit</b>	285	-567	608
Less: Income tax	92	-78	108
<b>Net profit</b>	193	-489	500

### NOTES TO FINANCES

Please note that owing to the imperfect information sources in China, some entries in Subject's financial statement might be missing, which will lead to the inequality between the sums of the listed entries and the totals written in the financial statement.

The 2010 financial statements were obtained from government sources and audited by Shanghai Huizhong Accounting Firm;

The 2009 financial statements were obtained from government sources and audited by Shanghai Huizhong Accounting Firm;

The 2008 financial statements were obtained from government sources and audited by Shanghai Huizhong Accounting Firm;

### Change of Key Financials ('000)

	2010	Growth Rate (%)	2009
Sales	11,915	8.81	10,950
Net profit	193	--	-489
Total assets	6,053	9.36	5,535
Total liabilities	2,754	13.90	2,418
Total shareholders' equity	3,299	5.84	3,117
Total current assets	3,359	24.78	2,692
Total current liabilities	2,501	10.86	2,256

Working capital	858	96.79	436
Total fixed assets	2,238	-3.95	2,330

### Important Ratios:

<b>Profitability</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Return on net assets (%)	5.85	-15.69	13.74
Return on total assets (%)	3.19	-8.83	8.55
Gross profit margin (%)	30.94	24.97	32.48
Net profit margin (%)	1.62	-4.47	4.00

<b>Efficiency</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Turnover of total assets	1.97	1.98	2.14
Turnover of current assets	3.55	4.07	4.12
Turnover of inventory (days)	37.60	37.34	35.86
Turnover of accounts receivable (days)	25.05	26.43	24.55

<b>Solvency</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Liabilities/assets ratio (%)	45.50	43.69	37.75
Equity ratio (%)	83.48	77.57	60.65
Current ratio	1.34	1.19	1.54
Quick ratio	1.03	0.85	1.12

<b>Growth</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Sales growth (%)	8.81	-12.45	--
Assets growth (%)	9.36	-5.32	--
Equity growth (%)	5.84	-14.34	--

### INDUSTRY BENCHMARK

6370.Wholesale of mechanical equipment, hardware, electrical and electronic products

<b>2010 (2779*)</b>	<b>Subject</b>	<b>Best 10%</b>	<b>Average</b>	<b>Worst 10%</b>	
	Return on net assets (%)	5.85	56.52	18.57	-45.52
	Return on total assets (%)	3.19	19.90	5.37	-17.50
	Gross profit margin (%)	30.94	47.34	9.30	1.68
	Net profit margin (%)	1.62	14.10	3.42	-26.94
	Turnover of total assets	1.97	5.72	0.91	0.28
	Turnover of current assets	3.55	5.86	0.98	0.32
	Turnover of inventory (days)	37.60	14.22	32.00	63.99
	Turnover of accounts receivable (days)	25.05	9.95	81.45	281.25
	Liabilities/assets ratio (%)	45.50	11.24	77.84	96.21
	Equity ratio (%)	83.48	54.11	22.82	234.17
	Current ratio	1.34	4.06	1.34	0.63
	Quick ratio	1.03	3.12	0.98	0.34
	Sales growth (%)	8.81	28.36	12.85	-79.63
	Assets growth (%)	9.36	31.95	5.26	-25.72
	Equity growth (%)	5.84	39.74	9.97	-241.23

<b>2009 (5161*)</b>	<b>Subject</b>	<b>Best 10%</b>	<b>Average</b>	<b>Worst 10%</b>	
	Return on net assets (%)	-15.69	51.56	20.56	-34.54
	Return on total assets (%)	-8.83	16.58	4.23	-13.38
	Gross profit margin (%)	24.97	46.51	8.42	1.90
	Net profit margin (%)	-4.47	11.41	2.81	-18.35

Turnover of total assets	1.98	6.16	1.52	0.24
Turnover of current assets	4.07	6.54	1.77	0.25
Turnover of inventory (days)	37.34	2.18	39.56	330.28
Turnover of accounts receivable (days)	26.43	4.06	47.56	324.32
Liabilities/assets ratio (%)	43.69	7.14	78.22	100.05
Equity ratio (%)	77.57	4.34	32.06	305.67
Current ratio	1.19	12.67	1.12	0.78
Quick ratio	0.85	5.97	0.91	0.33
Sales growth (%)	-12.45	721.83	7.08	-79.63
Assets growth (%)	-5.32	231.95	-2.37	-75.72
Equity growth (%)	-14.34	209.92	33.89	-197.84

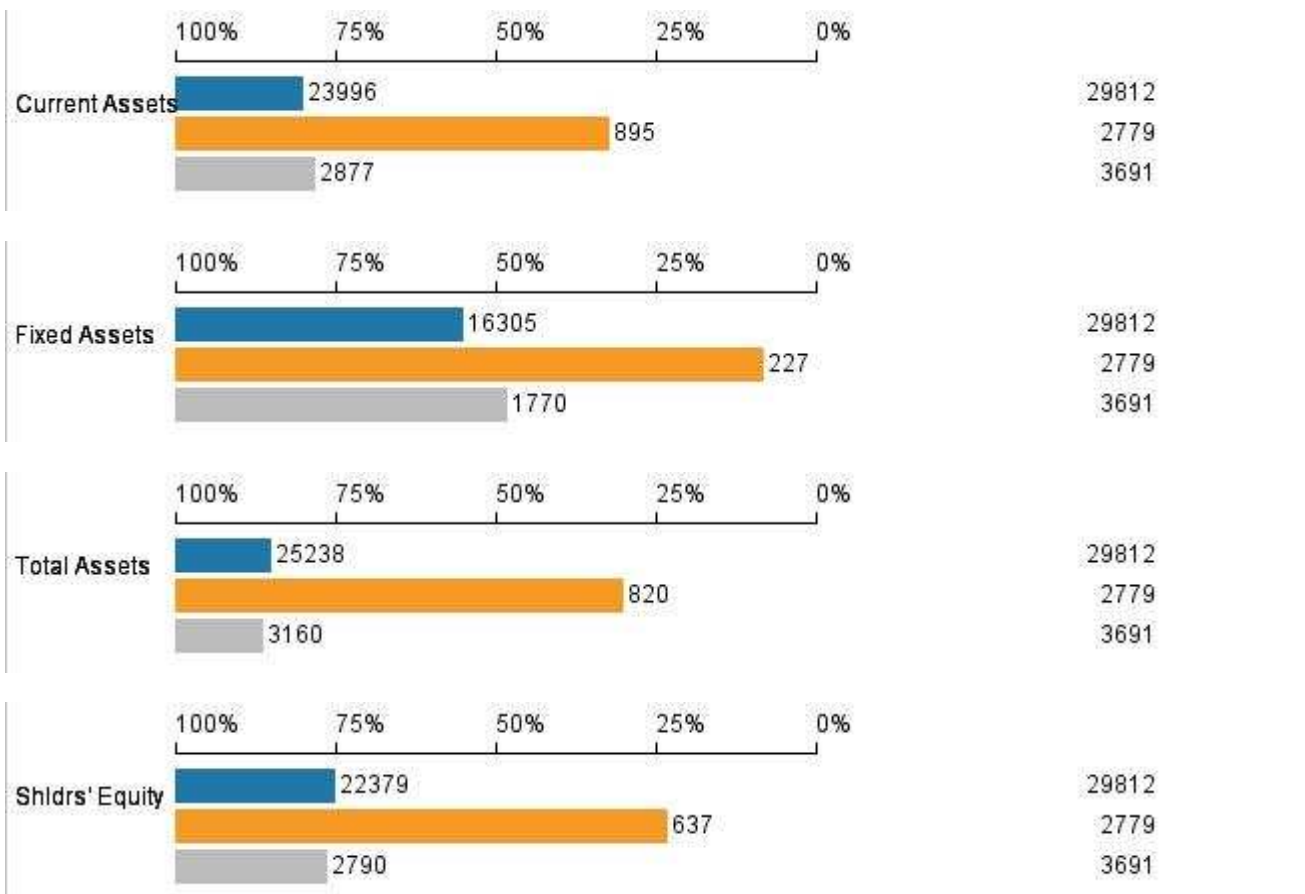
2008 (5908*)	Subject	Best 10%	Average	Worst 10%
Return on net assets (%)	13.74	46.87	19.23	-25.78
Return on total assets (%)	8.55	25.44	4.73	-11.79
Gross profit margin (%)	32.48	49.83	9.62	0.89
Net profit margin (%)	4.00	14.22	2.91	-9.52
Turnover of total assets	2.14	7.43	1.62	0.09
Turnover of current assets	4.12	8.57	1.12	0.17
Turnover of inventory (days)	35.86	3.24	46.28	354.22
Turnover of accounts receivable (days)	24.55	5.99	45.47	283.11
Liabilities/assets ratio (%)	37.75	6.24	74.52	99.83
Equity ratio (%)	60.65	7.91	17.51	150.67
Current ratio	1.54	13.90	1.05	0.54
Quick ratio	1.12	6.77	0.87	0.13
Sales growth (%)	--	581.21	18.70	-99.34
Assets growth (%)	--	195.30	8.65	-85.79
Equity growth (%)	--	324.67	28.57	-214.33

\* The figure refers to the number of businesses in the same industry in our database that are included in the calculation of the average financial indicators.

## RANK OF FINANCIAL INDICATOR

The bar graph below respectively indicates Subject's industry rank, regional rank and Sinotrust rank among all businesses in the database.



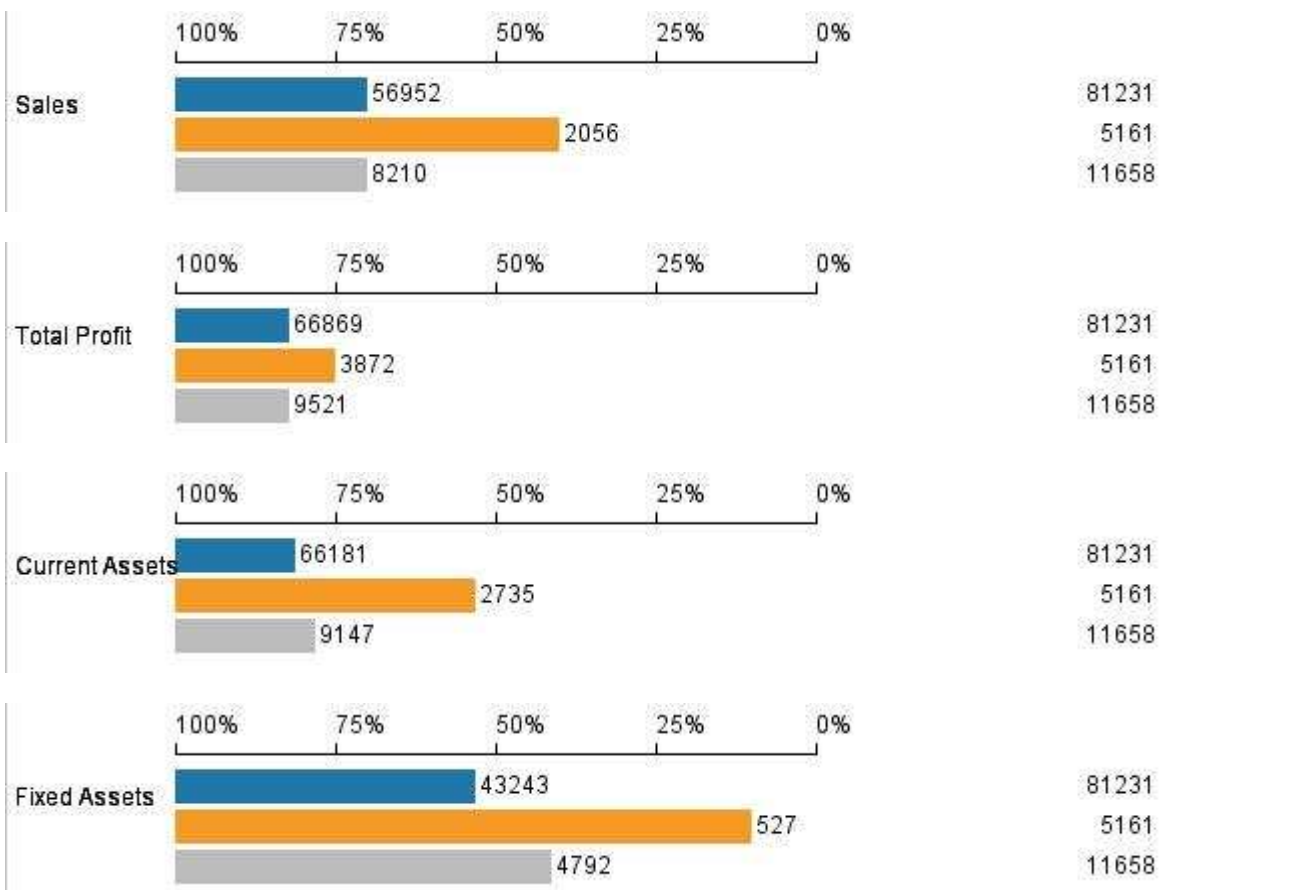


■ Sinotrust Rank ■ Industry Rank ■ Regional Rank-Shanghai City

Indicators(2009)

Rank

Number of Businesses\*



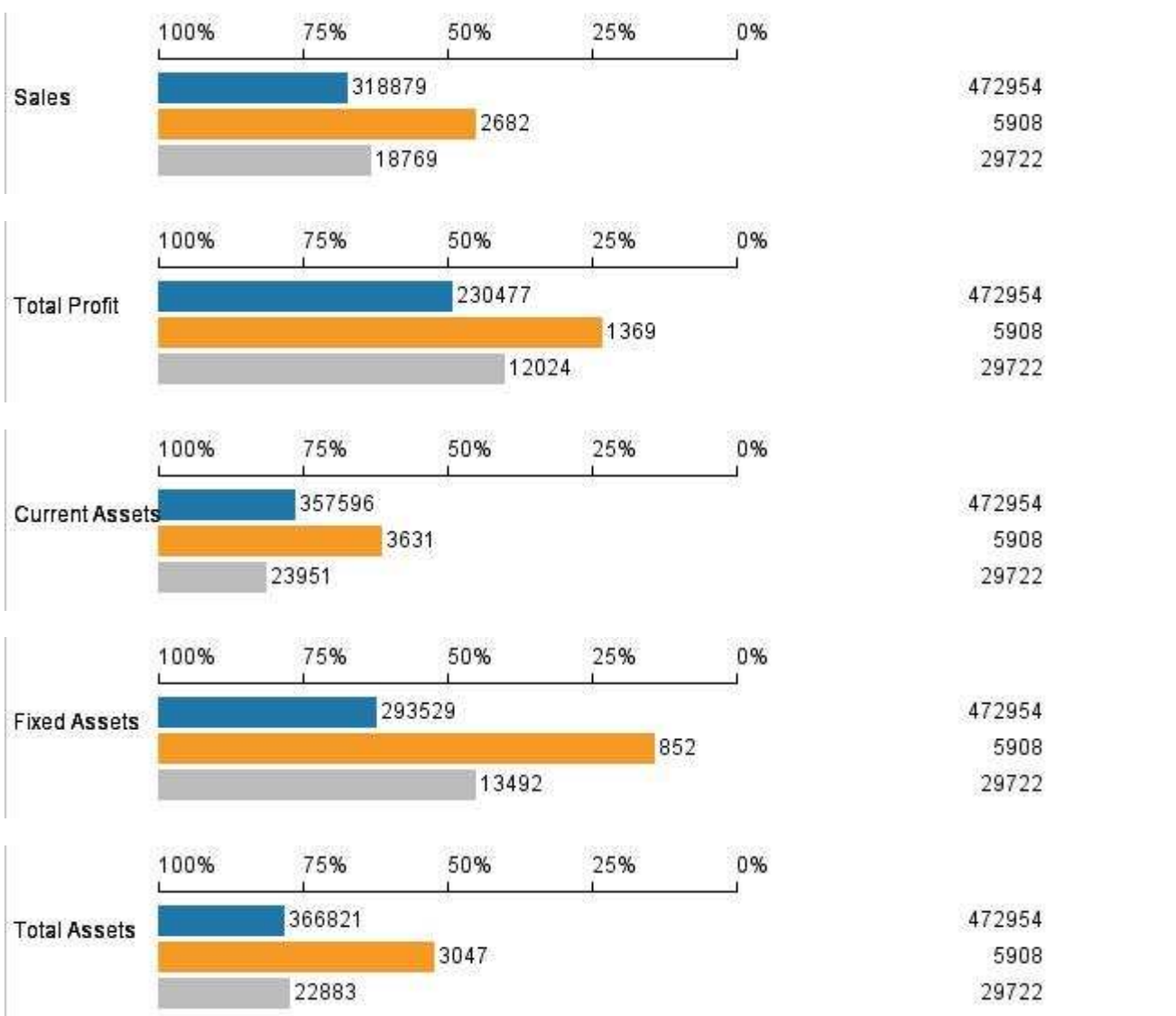


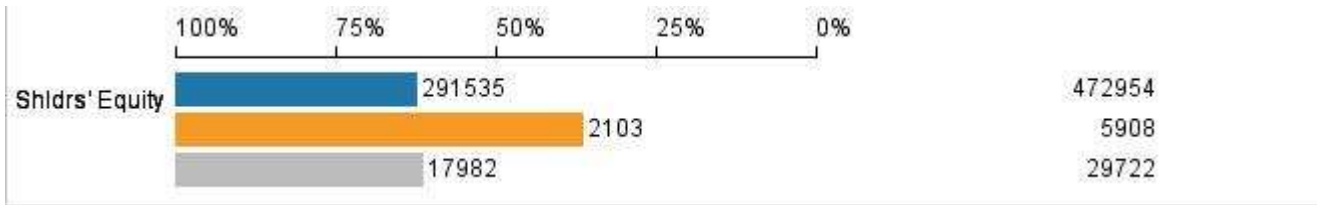
■ Sinotrust Rank 
 ■ Industry Rank 
 ■ Regional Rank-Shanghai City

Indicators(2008)

Rank

Number of Businesses\*





\* The figure refers to the number of businesses in the same line in our database that are included in the calculation of Subject's industry rank, regional rank and Sinotrust rank.

## BENCHMARK ANALYSIS

As shown by the operating and profit indicators of the past two years, Subject posted a loss in 2009 and immediately turned loss into profit in 2010. Its sales increased by 8.81% in 2010 year-on-year. Its business growth and overall profitability, although not so remarkable, still approximated the industry averages, which could prove its capacity in exploring the market and efficiency with respect to internal financial management despite the increasingly fierce competition.

As for assets structure and solvency, the relevant indicators remained constant in these two years, which equaled or outperformed the industry averages. This is especially the case with the liabilities/assets ratio, which stood below 50% for two years straight and was much better than the industry average level. The current fund, as immediate liquidity, also stayed at a safe level, which is certainly an assuring sign to its creditors. However, this also means that Subject should fully utilize its financial leverage and make use of available capital more reasonably and efficiently so as to enlarge its business scale.

## INDUSTRY PROFILE

6370, Wholesale of mechanical equipment, hardware, electrical and electronic products

### Industry Definition:

This industry involves the wholesale and import & export of general machinery, special equipment, traffic & transport equipment, electric machinery, hardware & electric products, household appliances, computer equipment, communications equipment, electronic products, meters & instruments and office machinery. This industry is composed of such sub-industries as the wholesale of agricultural machinery; wholesale of automobiles, motorcycles and components thereof; wholesale of hardware & electric products; wholesale of household appliances; wholesale of computer, software & auxiliary equipment; wholesale of communications and broadcasting & television equipment and wholesale of other machinery & equipment and electronic products n.e.s.o.i.

### Industry Status & Trend:

In the first half of 2011, the machinery industry realized a total industrial output value of 7.88 trillion Yuan and a sales output value of 7.69 trillion Yuan, up 27.08% and 26.73% respectively. To be specific, in the first five months of the year, the growth rate of output and sales volume declined monthly and in Jun. the growth rate stopped declining and turned steady and the output value and sales value were 1.56 trillion Yuan and 1.52 trillion Yuan respectively, setting new historic records. However, in the past two years, the import growth rate of the machinery industry was consistently higher than the export growth rate and in the first half of 2011, consecutive foreign trade surplus occurred in the machinery industry. Taking the present status into consideration, it is predicted that a foreign trade deficit may appear again in six years.

It is predicted that in 2011 the whole industry will continue to maintain a double-digit e growth rate of about 20%, but the industry's profit margin will be obviously lower than 2010 and a trade deficit will appear again. Faced with a series of new challenges in the international and internal economic situation, the industry must accelerate its structural adjustment, transform, and upgrade so as to maintain a sustainable and healthy development.

## INDUSTRY FINANCIAL RATIOS

6370 Wholesale of mechanical equipment, hardware, electrical and electronic products

	2010 (2779*)	2009 (5161*)	2008 (5908*)
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Return on net assets (%)	18.57	20.56	19.22
Return on total assets (%)	5.37	4.23	4.73
Gross profit margin (%)	9.30	8.42	9.62
Net profit margin (%)	3.42	2.81	2.91
Turnover of total assets	0.91	1.52	1.62
Turnover of current assets	0.98	1.77	1.12
Turnover of inventory (days)	32.00	39.56	46.28
Turnover of accounts receivable (days)	81.45	47.56	25.47
Liabilities/assets ratio (%)	77.84	78.22	74.52
Equity ratio (%)	22.82	32.06	17.51
Current ratio	1.34	1.12	1.05
Quick ratio	0.98	0.91	0.87
Sales growth (%)	12.85	7.08	18.70
Assets growth (%)	5.26	-2.37	8.65
Equity growth (%)	9.97	33.89	28.57

\* The figure refers to the number of businesses in the same industry in our database that are included in the calculation of the average financial indicators.

## CREDIT RATING

### CR4

In assessing credit status of a business, SINOTRUST takes into consideration its size, history and background, financials and operations against industry average, credit history, etc. Indications of SINOTRUST credit ratings are as follows.

Rating	Risk Level	Indications
CR1	Very low	Credit can be extended on very loose terms.
CR2	Low	Credit can be extended on fairly loose terms.
CR3	Below average	Credit can be extended on normal terms.
CR4	Average	Credit should be on a closely monitored basis.
CR5	Above average	Credit should be avoided as much as possible.
CR6	High	Credit should be on secured basis.
CR7	Very high	Transaction should be on COD basis.

## BASE CREDIT LIMIT

### 100,000

When calculating base credit limit, SINOTRUST presupposes that Subject purchases main commodities/services equally from many suppliers. Main factors considered include Net Assets, Total Assets, Total Sales, Profit, Credit Rating, etc. No consideration is given to the specific situation of your transaction with Subject. You may refer to the following recommendations when making credit decisions, but it is advisable that necessary adjustments be made in accordance with your sales strategies and credit policies.

Annual Supply/Subject's Sales	Recommended Credit Limit
Above 40%	Above 4 times the base credit limit
30%~40%	3 to 4 times the base credit limit
20%~30%	2 to 3 times the base credit limit
10%~20%	1 to 2 times the base credit limit
Below 10%	Within base credit limit

----- End of the Report -----

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