

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

INVESTIGATION NOTES

The given contact person SUN Lili proves to be the Director of Subject's Sales Department.

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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

Zip Code 200000
Telephone (+86 21) 61238888
Facsimile (+86 21) 61238800
Website www.dlzh.com.cn

SUMMARY

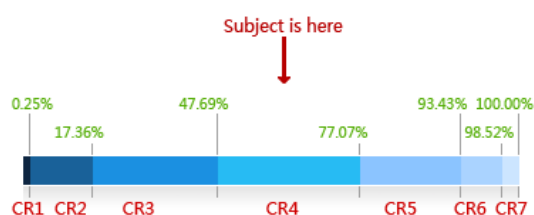
Establishment Date May 18, 1997
Legal Status Limited liability company
Listed or Not No
Legal Rep. WANG Tao
Registered Capital 1,000,000
Sales 11,915,000 (2010)
Net Profit 193,000 (2010)
Total Assets 6,053,000 (Dec 31, 2010)
Net Worth 3,299,000 (Dec 31, 2010)
Employees 56
I/E License No
Litigation Records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

Currency in this report is Chinese Yuan (RMB) unless otherwise stated. "--" in this report indicates "unavailable" or "no comments" 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 machinery & equipment, hardware & electric products and electronic products
ISIC: 5150, Wholesale of machinery, equipment and supplies
NACE: 51.8, Wholesale of other machinery, equipment and supplies

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

FINANCIAL SUMMARY

	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	1,963,000
Working capital	858,000	436,000	1,072,000
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	37.33	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

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

DEVELOPMENT OUTLOOK

Subject is a limited liability company with 14 years' development in relevant line of business. Having already established sound sales channels in East China, Subject holds certain competitiveness in the market. Its shareholders boast strong competencies while 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 impacts of financial crisis and partly to intensified market competition, the market shares 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 timely and swung from deficit to surplus in 2010, and meanwhile its solvency remained fairly strong. Considering the waning effects of global financial crisis and the brisk consumption demands in China, we are prudently optimistic about the future development of Subject.

POTENTIAL RISKS

A comprehensive competition environment is now seen in the industry where Subject pursues its line of business and with respect to the products it sells. 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 enlarge its sales to keep abreast of its competitors.

GENERAL COMMENTS

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

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

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
Business Scope: Computer system equipment, office automation equipment, communication 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
	-----	-----
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
Legal Status: Joint stock limited company (listed)

Main Business: Investment in industries and real estate development
Sales: 638,467,200 (2010)
Other Information: As one of Shanghai's renowned real estate companies, Shanghai Dalong (Group) Co., Ltd. got listed on Shanghai Stock Exchange in 2000 (stock code: 666666).

Name: LI Jun
ID No.: 1101021965xxxx123

Name: FU Bin
ID No.: 110105xxxxxxxx457

HISTORY

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

Year	Major Rank	Place
2008	Top 100 Private Enterprises of Shanghai	89
2007	Top 100 Private Enterprises of Shanghai	97

MAIN EXECUTIVE(S)

Name: WANG Tao
Post: Chairman of the Board
Gender: Male
Date of Birth: Oct. 21, 1969
ID No.: 220xxx196910217891
Education: Master's degree
Working 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.: 1101021965xxxx123
Education: Master's degree
Working 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

Name: WANG Tao
Post: Chairman of the Board
Nationality: People's Republic of China (PRC)
Gender: Male
Date of Birth: Oct. 21, 1969
ID/Passport No.: 220xxx196910217891

Name: ZHANG San
Post: Director
Nationality: People's Republic of China (PRC)
Gender: Male
Date of Birth: Aug. 25, 1956
ID/Passport No.: 110xxxxxx

Name: LI Si
Post: Director
Nationality: People's Republic of China (PRC)
Gender: Male
Date of Birth: Dec. 25, 1958
ID/Passport No.: 110xxxxxx

BOARD OF SUPERVISORS

Name: ZHAO Yi
Post: Supervisor

Nationality: People's Republic of China (PRC)
Gender: Female
Date of Birth: May 10, 1975
ID/Passport No.: 32000xxxxxxxx

AFFILIATE(S)

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: 90.00%

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: 95.00%

BANKING RELATIONSHIP

Account Bank: Bank of Shanghai, Xuhui District Sub-branch
Account No.: xxxxxxxx8090333 (RMB)
Account No.: xxxxxxxx8090334 (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

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.

ORGANIZATIONAL STRUCTURE

- 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

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

Main Business: Wholesale and retail of computer equipment
Chinese SIC: 6370. Wholesale of machinery & equipment, hardware & electric products and electronic products
7412. Investment and asset management
ISIC: 5150, Wholesale of machinery, equipment and supplies
7414, Business and management consultancy activities
NACE: 51.8, Wholesale of other machinery, equipment and supplies
64.2, Management activities of holding companies

Subject is the general agent of Hwary 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

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 by Subject, principally engages in producing and selling computer fittings and possesses factory buildings of around 3000 square meters and 5 assembly lines, with a monthly production capacity of around 10,000 pieces.

TRADEMARKS & PATENTS

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

Notes: Only the information on the three latest registered trademarks is provided herein.

Patent Type	Invention Patent	Utility Model Patent	Design Patent	Total
Total Patents	-	-	-	-
Patents Applied in 2010	-	1	-	1
Patents Applied in 2009	-	1	2	3
Patents Applied in 2008	-	-	2	2

PURCHASING INFORMATION

Main Purchases: Displays, computer memory, hard drives, CD-ROMs, etc.
 Main Payment Terms: Around 10
 Major Suppliers: Nanjing Hwuary Liquid Crystal Display Technical Co., Ltd., Suzhou Zhongji Electronic Co., Ltd. and other producers of computer fittings
 Main Terms of Payment: 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 from Nanjing Hwuary Liquid Crystal Display Technical Co., Ltd. directly. Displays are also the most important product of Subject and therefore Nanjing of Jiangsu 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 of Jiangsu or Hangzhou of Zhejiang. Reportedly, Subject is currently on good terms with its suppliers and cooperative partners and enjoys solid supply chain after the development of years.

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

SELLING INFORMATION

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

Now 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 is intending to strengthen its sales initiatives aimed at small- to middle-sized cities, which proffers wider profit margins, lower human cost and shop rental rate 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

I/E License: No

CREDIT RECORDS

Supplier: Nanjing Hwuary Liquid Crystal Display Technical Co., Ltd
 Commodities Supplied: Computer displays
 Interviewee: Miss YAN
 Post: Financial Dept.
 Telephone: (+86 25) 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: (+86 551)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 RECORDS

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

Taxation Record: No detrimental taxation records against Subject have been found.
 Source: www.csj.sh.gov.cn
 Date of Acquisition: Jun 16, 2011

QUALITY INSPECTION RECORDS

Quality Inspection Record: No quality defect records against Subject have been found.
 Source: www.shzj.gov.cn
 Date of Acquisition: Jun 16, 2011

FINANCE

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
Total Current Assets	3,359	2,692	3,035
Long-term equity investment	35	24	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
Total Non-Current Assets	2,694	2,843	2,811
TOTAL ASSETS	6,053	5,535	5,846

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
Total Current Liabilities	2,501	2,256	1,965
Long-term loans	253	162	242
Total Non-Current Liabilities	253	162	242
TOTAL LIABILITIES	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
TOTAL SHLDRS' EQUITY	3,299	3,117	3,639
TOTAL LIABILITIES & SHLDRS' EQUITY	6,053	5,535	5,846

Income Statement ('000):

	2010	2009	2008
Sales	11,915	10,950	12,507
Less: Cost of sales	7,440	7,434	8,402
Sales taxes and additional	789	782	43

Gross Profit	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
Operating Profit	230	-819	257
Plus: Non-operating income	96	290	407
Less: Non-operating expenses	41	38	56
Total Profit	285	-567	608
Less: Income tax	92	-78	108
Net profit	193	-489	500

Notes to Finance:

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	139.47	-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:

Profitability	2010	2009	2008
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

Efficiency	2010	2009	2008
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	37.33	35.86
Turnover of accounts receivable (days)	25.05	26.43	24.55

Solvency	2010	2009	2008
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

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

INDUSTRY BENCHMARK

6370, Wholesale of machinery & equipment, hardware & electric products and electronic products

2010 (4994*)	Subject	Best 10%	Average	Worst 10%
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

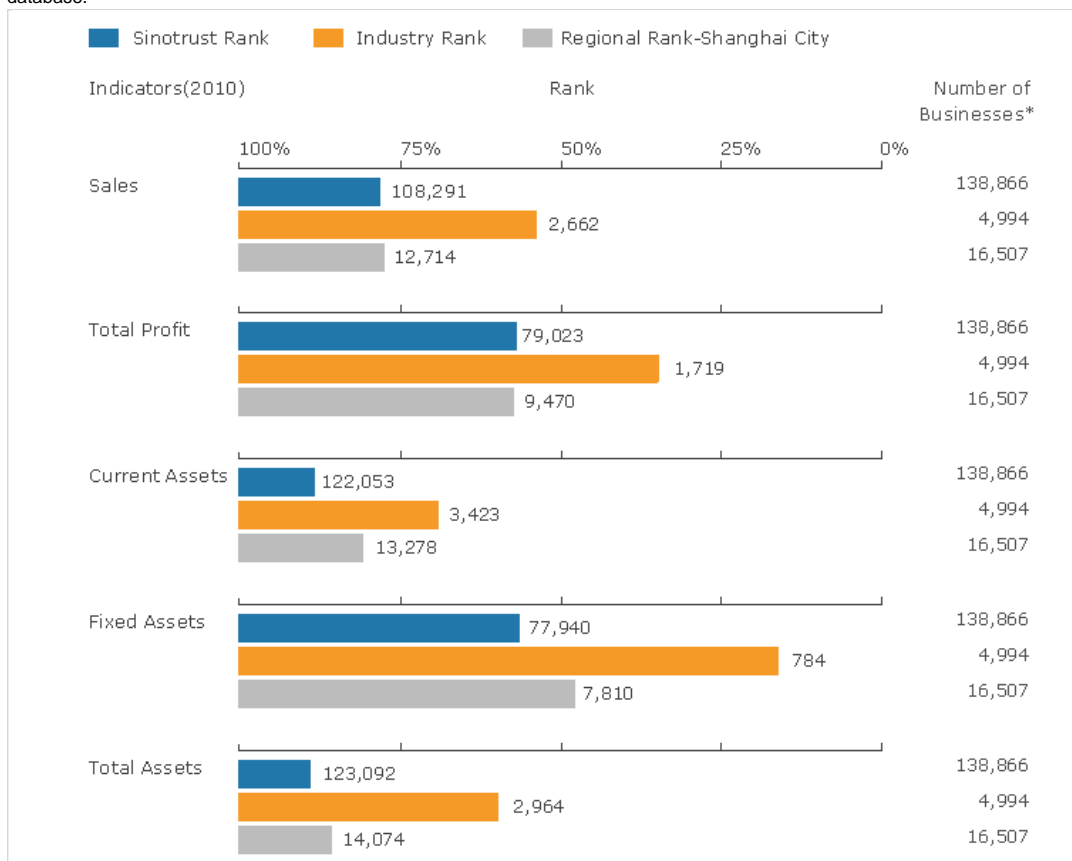
2009 (5966*)	Subject	Best 10%	Average	Worst 10%
Return on net assets (%)	-15.69	51.56	20.56	-34.54
Return on total assets (%)	-8.83	16.58	4.23	-13.38
Gross profit margin (%)	24.97	46.51	8.42	1.90
Net profit margin (%)	-4.47	11.41	2.81	-18.35
Turnover of total assets	1.98	6.16	1.52	0.24
Turnover of current assets	4.07	6.54	1.77	0.25
Turnover of inventory (days)	37.33	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

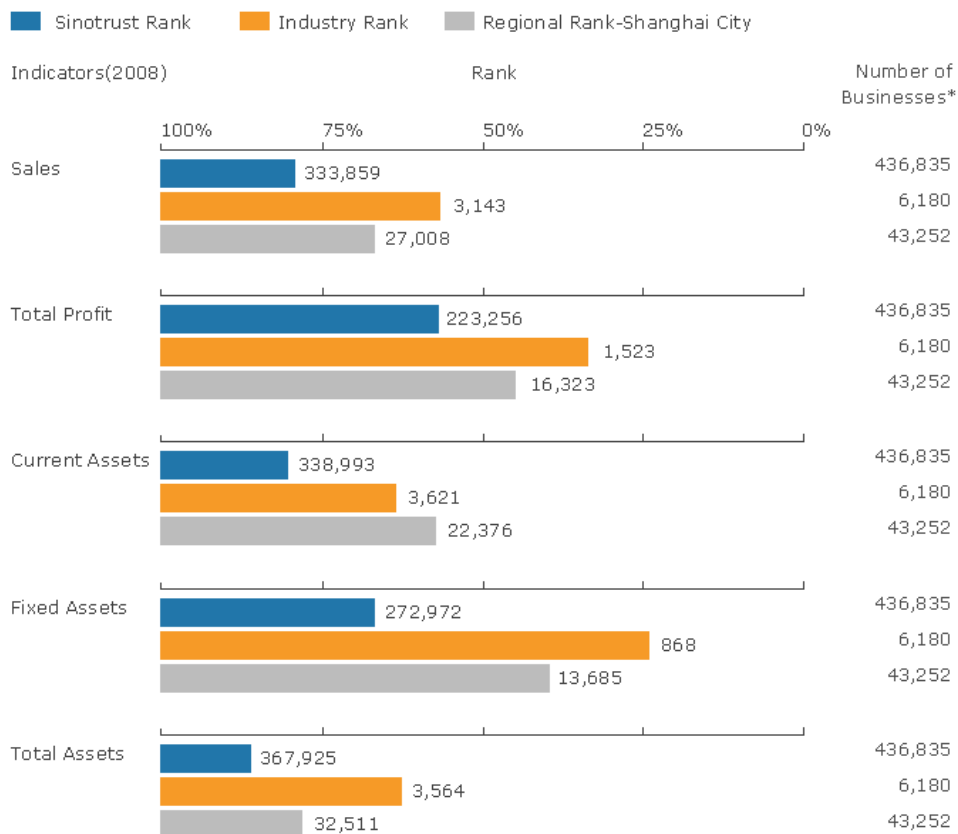
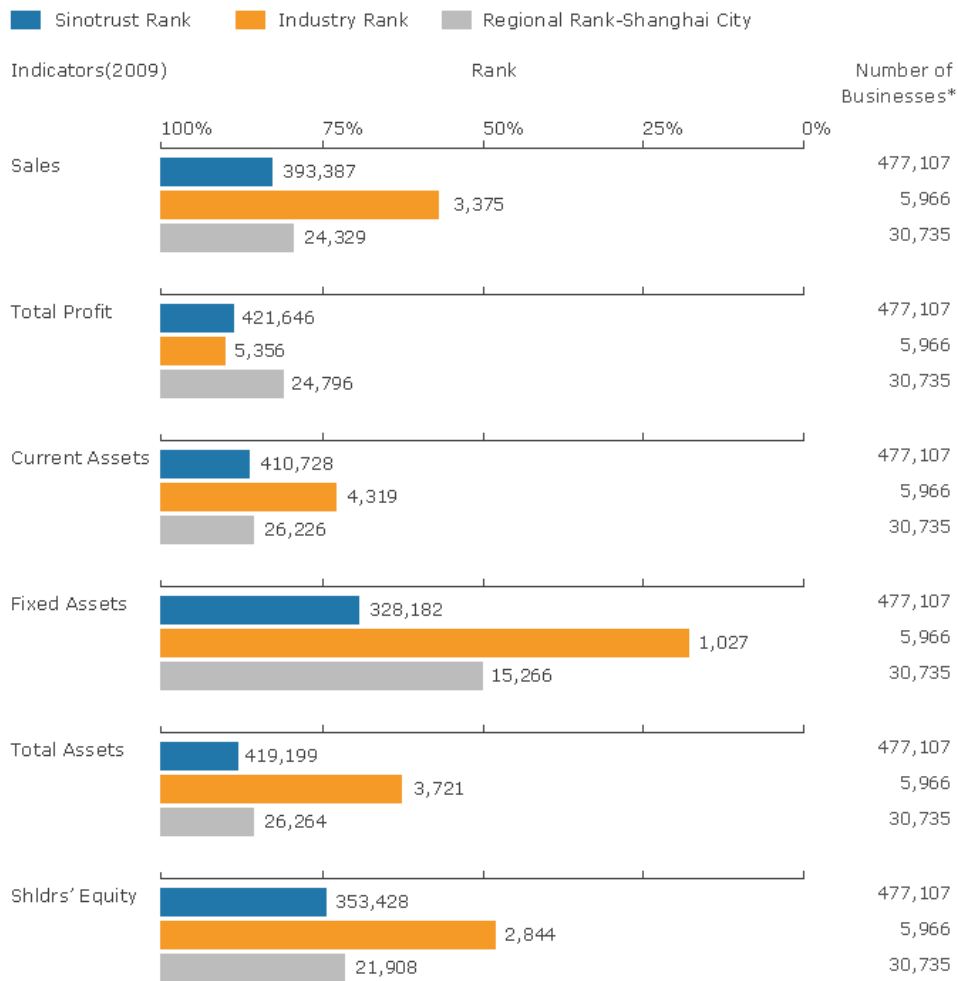
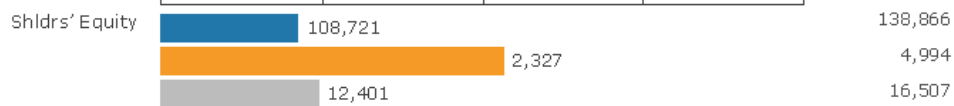
2008 (6180*)	Subject	Best 10%	Average	Worst 10%
Return on net assets (%)	13.74	46.87	19.23	-25.78
Return on total assets (%)	8.55	25.44	4.73	-11.79
Gross profit margin (%)	32.48	49.83	9.62	0.89
Net profit margin (%)	4.00	14.22	2.91	-9.52
Turnover of total assets	2.14	7.43	1.62	0.09
Turnover of current 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.





Shldrs' Equity	283,638	436,835
	2,317	6,180
	17,367	43,252

* 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 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 financial leverage and make use of available capitals more reasonably and efficiently so as to enlarge its business scale.

INDUSTRY PROFILE

6370, Wholesale of machinery & equipment, hardware & electric products 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, communication equipment, electronic products, meters & instruments and office machinery. This industry is comprised of such sub-industries as 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 communication and broadcasting & television equipment and wholesale of other machinery & equipment and electronic products n.e.s.

Industry Status & Trend:

In the first half of 2011, the machinery industry realized total industrial output value of 7.88 trillion Yuan and 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 output value and sales value were 1.56 trillion Yuan and 1.52 trillion Yuan respectively, setting new records in history. However, in the past two years, the import growth rate of the machinery industry was always higher than 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 foreign trade deficit may appear again in six years.

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

INDUSTRY FINANCIAL RATIOS

6370, Wholesale of machinery & equipment, hardware & electric products and electronic products

	2010 (4994*)	2009 (5966*)	2008 (6180*)
Profitability			
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
Efficiency			
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
Solvency			
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
Growth			
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 line 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 closely monitoring 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 of base credit limit
30%-40%	3 to 4 times of base credit limit
20%-30%	2 to 3 times of base credit limit
10%-20%	1 to 2 times of base credit limit
Below 10%	Within base credit limit

End of the Report

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