

Standard Credit Report

Subject: Sample Company
Report Number: CN20070808
Date Presented: 2007-08-08
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Type: Regular

SHANGHAI CREDITWORLD BUSINESS CREDIT REPORTING CO., LTD.
Add: Room 821, Yuandong Plaza, No. 1101 South Pudong Road, Pudong New District,
Shanghai 200120 P.R. China
Tel: +86 21 58358929
Fax: +86 21 58359022
Website: www.creditworld.cn
E-mail: info@creditworld.cn

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【Basic Information】

1. Registration information

Company: Sample Company
Registration Number: 4403011021314
Legal Representative: Heping Sun
Registered Address: No.1314, Longyang Road, Longgang District, Shenzhen, Guangdong, China.
Physical Address: No.1314, Longyang Road, Longgang District, Shenzhen, Guangdong
Registered Capital: RMB 10 million
Company Type: Limited liability company
Date incorporated: 1987-01-01
Fields of Operation: Processing control system, multi-media communication system; Research, produce communication devices, microwave communication devices.
Granted period of operation: 1987-01-01~2040-01-01
Business Status: Active
Place of Registration: Shenzhen Municipal Administration for Industry and Commerce
Import/Export License: Granted in December 1996 by the Ministry of Foreign Trade and Economic Cooperation, PRC
Annual Evaluation: 2006 (A) passed

2. Contact Information:

Company Address: No.1314, Longyang Road, Longgang District, Shengzhen, Guangdong
Postal Code: 518656
Telephone: +86 755 28782878
Fax: +86 755 28762876

【Relevant Information】

1. Shareholders

Name: Shenzhen Yongsheng investment Co., Ltd.
Type: Corporation
Amount of Investment: 6 million RMB
Percentage: 60%

Form of investment: Cash
Actual percentage in position: 100%

Name: Heping, SUN
Type: Individual
Amount of Investment: 4 million RMB
Percentage: 40%
Form of investment: Cash
Actual percentage in position: 100%

2. Branches

Name: Eastern China Branch
Address: 8 Dongchang Street, Shanghai
Manager: Guoqiang, Liu
Phone: +86 21 68453555

Name: Northern China Branch
Address: 11 Fudong Street, Taiyuan, Shanxi
Manager: Xiang, Li
Phone: +86 351 7241995

3. Investment

Shareholding Company: Shengzhou network technology Co., Ltd.
Form of Investment: Cash
Total Stake: 100 thousand RMB
Percentage: 10%

【Changes in Registration Information】

1. Changes

Sequence : 1
Item: Capital
Date: 2001-01-01
Before Change: 5.9 million RMB
After Change: 7 million RMB

Sequence: 2
Item: Capital
Date: 2002-01-01
Before Change: 7 million RMB
After Change: 10 million RMB

【Management】

1. Legal person

Name: Heping, SUN
Gender: Male
Age: 52
Education: College
Level of Responsibility: Overall responsibility
Operation Experience:

- Over ten years
- Over three years
- Below three years

Expertise:

- Business management
- Technology
- Sales

Reasons of Promotion:

- Founder
- Appointed by the higher authority
- Hiring
- Inheritance

Brief CV: 1977-87 Local government officer;
1987-present, current position

2. Chief Operating Officer

Name: Xiang, Hua
Gender: Male
Age: 32
Education: M.S.
Level of Responsibility: Administration

【Operation Information】

1. Employees

Total Personnel: 260
Including: Management 15
Technician 35

2. Factory & Offices

Location: Longgang District, Shenzhen
Occupied Area: 5000 M²
Transportation:

- Convenient
- Subject to certain constrains

- Ownership:
 - Owned by the company
 - Rented
 - Owned by shareholder
 - Owned by higher-level administration in charge
- Mortgage:
 - Full
 - Part
 - No
 - N/A

3. Purchase

Components Purchased: Computer CMOS, Router, Display, etc.

Major Supplier:

- 1.American Qualcomm Company
- 2.BenQ Corporation

Payment Terms:

1. L/C, 60-day credit
2. 30-45 days credit

Payment Record:

1. 85% paid to terms, 15% deferred (within one year)
2. 70% paid to terms, 30% deferred (within one year)

2007-08-04, Confirmed by Ms. Wang from Finance Division of the Sample Company

4. Domestic Sales

Products: Mobile communication Equipments, Cell-phone products, multimedia products, Closed Circuit TV set, etc.

Percentage of Total Sales: 55.6%

Major Customers: China Telecom, China Netcom, China Mobile, China Unicom,

Payment Term: 30-60 days credit, T/T

5. Foreign sales

Percentage of Total Sales: 44.4%

Major Customers: Egypt Telecom, Pakistan Telecom

Sale Terms: L/C, 60-day credit

2007-08-04, Confirmed by Ms. Wang from Finance Division of the Sample Company.

【Trademark and Patents】

1. Registered Trademark

Registration & Application #: 6534897

International Classification #: 38

Trademark: United

2. Patents

Name of the Patent: * * * * *

Application #: ****3038.5

Name of the Patent: * * * * *

Application #: ****6507.X

Name of the Patent: * * * * *

Application #: ****87675.8

Sources: Trademark Office, State Administration For Industry & Commerce of the P.R.C
State Intellectual Property Office of the P.R.C

【Bank Account】**1. Bank Account**

Bank: Longgang Branch of China Everbright Bank
 Bank Address: 7 Yuhang Street, Longgang District, Shenzhen
 Account Number: 76801887621916
 Account for Foreign Currency: 07241995428298
 Comments: Subject Company has good credit record with no history of delinquencies in payments by far. .

2. Loans

Loan Provider: Longgang Branch of China Everbright Bank
 Mortgage:

- Real estate
- Equipment and vehicles
- Securities
- Others

 Guarantor: Guaranteed by Shenzhou Economic Construction Investment Company
 Payment of Loan: Subject Company has cleared its CNY 2 million of current loans.

【Financial Report】**1. Balance Sheet****(in RMB)**

	12/31/2006	12/31/2005
Current assets	20,555,907	17,936,176
Including: Cash & Bank	4,311,060	5,573,132
Accounts receivable	12,329,628	8,167,495
Inventory	3,915,219	4,195,549
Total fixed assets	3,061,494	2,506,912
Long-term investment	100,681	85,459

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Intangible and deferred assets	152,859	160,264
Other long-term assets	2,046,008	1,090,320
Total assets	25,916,949	21,779,131
Current liabilities	2,146,625	3,787,321
Including: Short-term loans	500,000	250,000
Accounts payable	4,749,099	5,025,663
Long-term liabilities	5,816,067	4,328,092
Total liabilities	10,711,791	10,141,076
Total shareholder's equity	15,205,158	11,638,055
Total liabilities and shareholders' equity	25,916,949	21,779,131

2. Income statement

(in RMB)

	2006	2005
Principal operating income	23,031,684	21,575,920
Minus: Cost of sales	15,171,797	15,944,797
Selling expense	1,140,108	1,023,126
General and administrative expense	1,010,206	1,137,066
Financial expense	4,709,108	1,984,846
Gross profit/loss	1,000,465	1,486,085
Minus: Income tax	125,624	158,545
Net profits	874,841	1,327,540

3. Cash flow statement

(in RMB)

	2006	2005
Net cash from operating activities	1,554,986	177,305
Net cash used in investing activities	2,163,563	984,270
Net cash from financing activities	945,273	1,195,498
Cash and cash equivalents at beginning of year	694,850	306,317
Cash and cash equivalents at end of year	1,031,546	694,850

Data source: **Government**

Audit institution: **Huaxia audit office**

4. Key Ratios:

	2006	Industry average*	2005	Industry average
Current ratio	9.6	3.65	4.7	3.70
Quick ratio	7.8	4.49	3.6	3.50
Turnover of accounts receivable	1.9	2.26	2.6	2.10

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Turnover of accounts receivable (days)	192.7	156.5	136.3	171.4
Liabilities/assets ratio	41.33%	63.21%	46.56%	69.32%
Liabilities/equities	70.45%	36.51%	87.14%	41.36%
Turnover/total assets ratio	3.38%	2.39%	6.10%	4.21%
Profit margin	3.80%	2.43%	6.15%	4.60%
Turnover of inventory	5.9	2.63	5.1	2.25

* Calculated using data on similar companies from our database.

【Credit Situation】

1. Business Credit

Business Partner: BenQ Technologies, Taiwan
Components Provided: Computer Chip
Interviewee: Ms. Gong
Position of the Interviewee: V.P. in Financial Department at BenQ
Date Interviewed: 2007-08-05
Comments from the Interviewee: Prompt Payment

2. Positive Feedback on Credit History

Institute: State Administration For Industry & Commerce of the P.R.C
Contents: “Certificate of good credit and contract Abidance”
Date: 2006-01-01

3. Remarks

Institute: Social Security Office, City of ShenZhen
Contents: Late payment in Social Security Fee, 200 thousand RMB in total
Date: 2006-07-07
Follow-Up: Paid in full

【Comprehensive Comment】

1. Summary

The subject company has great operating record, credit history, social reputation, healthy fiscal and financial record. In addition, we interviewed many companies (mainly equipment distributors) and banks that have business relationship with the subject company, and checked its record at local court. No delinquencies were found. Its equipment providers have also provided positive feedbacks on its payment history.

Further more, the subject company has great business relationships with major operators and equipment distributors. Considering the fact that tele-communication equipment manufacturing industry will enter a period of fast growth in the next a few years and become

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more mature, we believe that the subject company will have a turn-around in profit as well as operating efficiency. More balanced structure of domestic and international operations will also help improve its operating record and cost structure gradually.

2. Trend & Prospect

To conclude, the subject has considerable market share and influence, it is in healthy financial situation and has good operating capability. Its major product will have a good market share in the near future. However, the subject company is relatively small and its profitability is subject to changes in the industry. Risk for creditor is also high in the short run. We suggest that companies do business with the subject company under standard credit and cooperation conditions.

3. Credit Rating BB

4. Suggested Line of Credit

Based on our analysis of the current conditions of Subject Company, a 1.5 million (RMB) line of credit to subject company could be considered within 3 to 6 months.

——End of the Report——

Appendix:

1. Credit Rating Terminology:

AAA	Lowest Risk	Transaction can be made under very relaxed terms.
AA	Low Risk	Transaction can be made under relatively relaxed terms.
A	Risk lower than average	Transactions can be made under regular credit condition.
BBB	Average Risk	Transaction can be made under constant monitoring.
BB	Higher than average risk	Avoid credit business; be cautious of transactions of large amount.
B	Considerable risk	Transaction needs guarantor.
C	Huge risk	Transactions should be based on cash only.
D	Absolute risk	No transaction is suggested.

When rating the credit situation of the subject company, we take all aspects of the subject company into consideration, including firm size, background, history of its development, and its relative fiscal and operation record compared to companies in the same industry. We also consider credit situation of the subject company and the outlook of the whole industry.

2、Notes on the suggested line of credit:

Our rating can be the basis upon which our customer can evaluate the credit condition of and the potential line of credit can be offered to the subject company. The ranking of credit is based

on the following five factors, each of which has different weight:

- ✓ Ownership of the company/background of the management personnel (20%)
- ✓ Fundamentals of operation and its competitiveness (20%)
- ✓ Outlook of the industry (15%)
- ✓ Fiscal and financial situation (30%)
- ✓ Credit rating from outside of the company, i.e. from its business partners (15%)

3、N/A indicates no relevant information can be found.