

Worldwide Credit Reports

On Behalf of Obolensky Asia Ltd

Business Credit Report

Guangzhou XXXX XXXX Development Co., Ltd.

Alpha & Leader Risks and Assets Management Co. Ltd.

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I · BASIC INFORMATION

Chinese Name	廣州市 XXXX 開發有限公司
English Name	Guangzhou XXX XXXX Development Co., Ltd.
Registered Address	Guangzhou XXXXX Institute, XXXX, Tianhe District, Guangzhou
Business Address	XX/F, XXX, XXXX Garden, XXXXX Road, Science City, Guangzhou
Telephone	(020) XXXXXXX
Fax	(020) XXXXXXX
Zip Cord	51XXXX
Date of Registration	2000-07-03
Legal Form	Co., Ltd. (private)
Size	Medium
Import/Export License	None
Registration Agency	Guangzhou Industry & Commerce Bureau Tianhe Branch
Registration No.	XXXXXXXXXXXX
Registered Capital	RMB 3 million
Legal Representative / Directors	XXXXXXX, president
Operation Period	From 3 rd July 2000 to 3 rd July 2050
Business Scope	Development of electronic materials, luminous material and intermediate products, relevant professional technical advisory services.
General Comments	The company mainly engages in production and sale of various electronic materials, luminous materials such as E-pulp, conductive plastic etc. In 2007, the sales income of the company reached RMB 36.42 million.

Note: The difference between its registration address and office address is due to the transition in May 2008 without appliance of local industrial and commercial department.

II · Company History

1 · Background

In July 2000, the company was invested by XXXXX, XXXXXX and XXXXXX with the registered capital of RMB 0.15 million and XXXXXX acts as the president of the company.

2 · Business Scope & Company History

On 3rd July 2000, the company was registered to set up and formally began to operate;

On 15th May 2001, the company's business scope changed from "development, research and production of sliver paste of circuit electrode and Ultra-Long-lasting luminous powder formula, process and related synthetic materials technology; technical advisory services in the industry" to "development of electronic materials, luminous material, relevant professional technical advisory services" .

On 24th July 2001, the company's shareholder changed from "XXXXX, XXXXX, XXXXX" to "XXXXX XXXXXX".

In May 2002, the company was certified with ISO9001 : 2000.

On 16th June 2003, the company's business scope changed to present one.

In December 2004, the company was honored as High-tech Enterprise by Guangzhou Technology Bureau.

On 23rd April 2007, the company's shareholder changed to "XXXXXX, XXXXX, XXXXX, XXX XXXX, XXXXX, XXXXX".

On 30th September 2007, the company's shareholder changed to current one.

On 14th May 2008, the company's business address changed from "Guangzhou XXXX Materials Research Institute, XXXXX, XXXXX District, Guangzhou to current one".

3 · Change of Capital

In July 2000, the company was registered to set up with the registered capital of RMB 0.15 million. It has been audited and approved that the capital has been put into the company.

In July 2005, the company's registered capital changed to RMB 3 million. It has been audited and approved that the capital has been put into the company and there is no change up to now.

III · Shareholders

Name	Paid-in Capital (in thousand RMB)	Paid-in Ratio
XXXXXX	1050	35%
XXXXXX	450	15%
XXXXXX	428	14.3%
XXXXXX	525	17.5%
XXXXXX	22	0.7%
XXXXXX	525	17.5%
Total	3000	100%

Background of Shareholders :

XXXXXXXX, pls. refer to the part of “Directors & Managers”;

XXXXXXXX, natural person, male, Han, born on XXth May 19XX, ID No.: XXXXXXXXXXXXX.

XXXXXXXX, natural person, male, Han, born on XXrd October 19XX, ID No.:XXXXXXXXXX.

XXXXXXXX, natural person, male, Neimenggu, born on XXth May 19XX, ID No.: XXXXXXXXXXXXX

XXXXXXXX, natural person, male, Han, born on XXth July 19XX, ID No.: XXXXXXXXXXXXXXXX.

XXXXXXXX, natural person, male, Hannan, born on Xth November 19XX, ID No.: XXXXXXXXXXXXX.

IV · DIRECTORS & MANAGERS

Name :	XXXXXXXXXXXX
Position :	President
Gender :	Male
Date of Birth :	XX
Education :	College
Working Experiences	From July 2000, he began to act as the president of the company.
Industry Experiences	More than ten years
Management Experiences	More than ten years
Expertise :	Massive management
Reason of Promotion	Elected

Note : XXXXXXXX, natural person, male, Han, born on XXX July 19XX, ID No.:

XXXXXXXXXXXX

V · Production & Operation Facilities**Office Building**

Address :	XXXX/F, XXXX, XXXXX. Garden, XXXXX Road, Science City, Guangzhou
Coverage	--
Floorage	About 2400 m ²
Ownership :	Rented
Internal Layout :	Comparatively good
Location :	City center with convenient transportation
Working Status :	Active

Workshop

Address :	XXX/F, XXX, XXXXX. Garden, XXXXX Road, Science City, Guangzhou
Coverage	--
Floorage	About 2400 m ²
Ownership :	Rented
Internal Layout :	Comparatively good
Location :	Industrial park with convenient transportation
Working Status :	Active

Note : Since the office building of the company is together with its workshop, it is difficult to distinguish them.

Subsidiary

Name	XXXXXXXX XXXXXX Development Co., Ltd.
Address	XXXX standard workshop, XXX, XXXX Technology Garden, National High-tech Industrial Development Zone, Wuxi
Telephone	(0510) XXXXXXXX

VI · STAFF

Number of Employees	About 140
Including: Managerial Staff	About 8
Sale Staff	About 10

Competency of Staff : High Medium Low

Efficiency of Staff : High Medium Low

Recruitment : Yes No Reduce Redundancy

VII · SUPPLIERS AND CUSTOMERS

Major Materials/Goods Names	Source of Materials / Suppliers	Method of Payment
Silicon, aluminum, nickel materials, silver, resins, curing agent etc.	Southern area etc.	30-45 days, T/T
Silicon, aluminum, nickel materials, silver, resins, curing agent etc.	Germany, Japan etc.	30-60 days, L/C
Advisory service of international management system standard etc.	Guangzhou Judger Enterprise Management Consulting Co., Ltd. etc.	1-30 days, T/T

Major Materials/Goods Names	Method of Payment
Silicon, aluminum, nickel materials, silver, resins, curing agent etc.	100% payment to be received within the specified period agreed, no day is allowed.
Silicon, aluminum, nickel materials, silver, resins, curing agent etc.	100% payment to be received within the specified period agreed, no day is allowed.
Advisory service of international management system standard etc.	100% payment to be received within the specified period agreed, no day is allowed.

Assessment of Suppliers

Name :	Guangzhou XXXXX XXXXX Management Consulting Co., Ltd.
Type of Supplier :	Service Type
Name of products :	Advisory service of international management system standard
Stating time of partnership :	2002
Credit limit :	N/A
Credit term :	1-30 days, T/T
Overall performance :	Payment is timely

VIII · Sales of Major Products

Product	Clients	Ratio	Payment Terms
Various electronic materials, luminous materials such as E-pulp, conductive plastic etc.	All around the country	100%	30-90 days, T/T
Various electronic materials, luminous materials such as E-pulp, conductive plastic etc.	Southeast Asia, Hongkong, Macaw, Taiwan etc.	100%	30-90 days, L/C

IX · Banking

Bank :	China Industrial and Commercial Bank in Guangzhou, Tianhe Branch
Account Number :	N/A
Average Deposit Number	7 (Medium)
Collateral/Pledge/ Guarantee	The company engages in no bank loan up to now.

X · Finance**1 · Financial Reports**

<u>Assets & Liabilities (in thousands)</u>	<u>12-31-2007</u>	<u>12-31-2006</u>	<u>12-31-2005</u>
Current Asset	<u>29330</u>	<u>23020</u>	<u>26840</u>
Cash at bank & in hand	6300	16600	15100
Accounts receivable	20370	4660	7160
Other accounts Receivable	190	1300	3760
Advance payable	790	0	0
Inventories	650	460	820
Notes receivable	1030	0	0
Other Current Asset	0	0	0
Total Fixed Asset	<u>1100</u>	<u>1270</u>	<u>1540</u>
Fixed Asset-net value	1100	1270	1540
Construction in progress	0	0	0
Long-term Investment	<u>1550</u>	<u>0</u>	<u>0</u>
Total intangible and Deferred tax assets	10	0	0
Other long-term Asset	0	0	0
Total Asset	<u>31990</u>	<u>24290</u>	<u>28380</u>
Current Liabilities	<u>4340</u>	<u>4060</u>	<u>6890</u>
Short-term loans	0	0	0
Accounts payable	20	0	0
Other accounts payable	120	130	2630
Advance receivable	0	0	0
Notes payable	0	0	0
Accrued expenses	40	0	0
Taxes payable	4100	1480	1690
Other current liabilities	60	2450	2570
Long-term liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Paid-up capital	3000	3000	3000
Capital and surplus reserve fund	2200	2200	0

Unassigned profit	22450	15030	18490
Total shareholders' equity	<u>27650</u>	<u>20230</u>	<u>21490</u>
Total liabilities and shareholders' equity	<u>31990</u>	<u>24290</u>	<u>28380</u>

<u>Income Statement (in thousands)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Income from principal operations	<u>36420</u>	<u>43270</u>	<u>28960</u>
Minus: Selling costs	7220	10840	5710
Taxes and additions of principal operations	510	580	440
Sales expenses	110	220	170
Administrative expenses	4100	7180	5660
Financial expenses	-110	-80	-40
Other expenses	0	0	0
Plus: other operating income	0	0	0
Profit from principal operations	<u>24590</u>	<u>24530</u>	<u>17020</u>
Non-operating income	0	0	0
Non-operating expenses	0	120	350
Plus: prior year income adjustment	0	0	0
Total Profits	<u>24590</u>	<u>24410</u>	<u>16670</u>
Minus : Income Tax	3690	3660	2750
Net profit	<u>20900</u>	<u>20750</u>	<u>13920</u>

2 、 Financial Ratio

Item	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net Return on Assets	75.59%	102.57%	64.77%
Return on Assets	65.33%	85.43%	49.05%
Net profit Ratio	57.39%	47.95%	48.07%
Total Assets Turnover Times	1.14	1.78	1.02
Current Assets Turnover Times	1.24	1.88	1.08
Receivables Turnover Times	1.79	9.29	4.04
Assets Liability Ratio	13.57%	16.71%	24.28%
Current Ratio	675.81%	567.00%	389.55%
Quick Ratio	660.83%	555.67%	377.65%

XI · OVERVIEW

1 · Status

The company mainly engages in production and sale of various electronic materials, luminous materials such as E-pulp, conductive plastic etc.

The raw materials needed for the company's production include silicon, aluminum, nickel materials, silver, resins, curing agent etc. Silicon, aluminum, nickel materials are used to produce E-pulp products while silver, resins, curing agent are for conductive plastic products. It is known that the silicon materials are purchased by domestic agencies or acting import and export companies from XXX, XXXXX etc. Most of the remaining materials are bought in China, especially in southern area and its surrounding areas. At present, its procurement resource of raw material is in stable.

The company mainly produces various of various electronic materials, luminous materials such as E-pulp, conductive plastic, including RX5 thermostat aluminum slurry, Crystalline silicon solar cell aluminum paste RX8, 1050 and 1080 series of min-temperature silver paste. The qualities of the former two products are excellent, which fills the gap of domestic conductive plastic products and creates a good economic return. With the fast development, the company's output and sale income have increased a lot in recent years. It has set up its wholly-owned subsidiary, XXXXX Technology Development Co., Ltd. in January 2006. At present, the company's output can reach annually 700 tons. Most of the products are sold in China, while 10% are sold to Southeast Asia, Hongkong, Macau and Taiwan etc.

Currently, the company is under stable operation.

2 · Brief Business Development Plan

The company has no specific development plans up to now.

3 · Perspective

The company belongs to synthetic materials manufacturing industry.

As the rapid development of the national economy, there is great need for the three major synthetic materials. In 2007, the whole industry has maintained a steady profit. As of the third quarter in 2007, the industry's profit increased by 80.5%. With the release of new energy, synthetic materials production continued to show a rapid growth momentum. XXXXX and XXXXX is still the mainstay of synthetic materials production. Due to the price, the import and export of polyester will increase sharply, which will give great pressure for domestic market. The current irrational structure and low value-added products of domestic synthetic materials will hamper the further development of the industry.

With the fierce market competition of synthetic material and national macro-control of lower graded- production enterprises, the industry will maintain a high growth rate. Technological transformation of domestic enterprises and capacity expansion will further reduce the dependence on imports.

Overall, the prospect of the industry is promising.

4 · Special Request from the esteemed client

It is a private Co., Ltd. with the registered capital of RMB 3 million reflects the largest debt sustainability of the company is RMB 3 million. Once the company's debt is larger than its registered capital, its creditors have the rights to ask the shareholders to take on the joint responsibilities by subrogation when the company winds up.

XII · Credit Rating

As a production enterprise, 13.57% of asset liability in 2007 in the financial figure (the average asset liability in Chinese synthetic material industry in 2006 is about 52.9%) belongs to comparatively low level in the industry, which shows good financial safety and long-term solvency of the company.

675.81% of the current ratio reflects that the current asset of the company is about 675.81% of its current liability, which is the embodiment of strong current capability of the company. And 660.83% of the quick ratio excluding inventory (which is weak in liquidity) reflects strong liquidity and overall short-term solvency of the company.

The company has been in fast development since its establishment. There is great enhancement of its output and sales income. Despite some decrease of sales income in 2007, the company had good command of its cost and expense, the net profit still increased. Honored as High-tech Enterprise by Guangzhou Technology Bureau, the company's products have high reputation in the industry, which will enhance the company's stability and overall solvency.

We can learn from its current liability structure that, its accounts payable and other accounts payable in 2007 respectively accounts for 0.46% and 2.8% in the total current liabilities, which reflect the company maintains its daily operation by the its capital. The company has strong profitability and quick turnover. **Therefore, it is not dangerous for its suppliers to do business on credit with the company.**

Due to its strong command of cost and expense, the company maintains net profit in recent years. And considering the indexes of net return on asset, return on assets and sales margins, we suggest comparatively strong profitability of the company.

However, the company belongs to production-oriented enterprise. Its fixed asset only accounts for 3.44% of its total asset. With such a small portion, it is a sign the company invest not so much on its production, which will influence its business stability.

Overall comment: we suggest strong long-term solvency, short-term solvency, operating capability and profitability of the company.

Based on the company's financial reports of recent three years, the company's DSO is about 108.1 days (The average DSO in Chinese synthetic material industry in 2006 is about 34.4 days.), while DIO is 6.5 days and DPO is 0.1 days. It is a sign the company has loose capital management, weak recovery of funds, quick inventory cycle and quick payment cycle. **Therefore we suggest 0~15 days of credit deadline for the company which can meet the need for its normal asset operation.**

Credit Rating & Notes			
Item		MAX SCORE	SCORE
Management	Organization	10	5
	Managers	10	7
	Equipment & Staff	10	7
	Performance	15	12
Finance	Solvency	15	13
	Turnover Ability	10	8
	Profitability	10	8
Business	Present Situation	15	12
	Prospects	5	1
Additional	Additive Score(+/-)	-5~5	1
Total :		100	74
Rating	Score	Descriptions	
<input type="radio"/> AA	Above 90	The subject is believed to be trustworthy to make deals with and its credit is excellent.	
<input type="radio"/> A	80~90	The subject is believed to be trustworthy to make deals with and its credit is good at present.	
<input checked="" type="radio"/> BB	70-79	The subject is believed to be trustworthy in normal condition to make deals with and its credit is fairly good at present.	
<input type="radio"/> B	60-69	The credit of the subject is fair and transactions should be under secured terms.	
<input type="radio"/> B-	50-59	The credit of the subject is not bad and large amount of transactions should be prudent.	
<input type="radio"/> C	40-49	The credit of the subject is poor and all transactions should be prudent.	
<input type="radio"/> D	Below 40	The credit of the subject is bad and all transactions are not advisable.	
<input type="radio"/> NR	—	No credit rating is given due to its less-than-one-year existence,	

		cease of business activities or lack of sufficient credit information.
Suggested Credit Rating		RMB 100~149.9 thousand, 0~15 days

Note : Based on the financial figure of 2007 and calculated by operation assessment model, the company can endure maximum credit rating of RMB 6580 thousand. The above suggested credit rating is calculated following the company's whole status and practical operation.

The calculation of the suggested credit rating and how to use it:

Five ratios have been utilized to calculate the suggested credit rating. They are the asset liabilities ratio, the quick ratio, the net return on asset, pre-tax profits, registration capital. The calculation process involves calculated the weighted average of the five ratios.

There are many factors to consider when credit rating is suggested, such as the type of merchandise, the company's suppliers, its partners, the market competition and the demand. There may be substantially different rating given by many a supplier to the same company. One of the assumptions we have made in the report is that each supplier accounts for only 10% of the total goods purchased by the company. Besides, the relationship between the company and its suppliers is not taken into account.

Extra Notes for the Financial Analysis

Current Ratio = Current Asset / Current Liabilities

Quick Ratio = (Current Asset – Inventories) / Current Liabilities

Net Profitability = Total Profits / Sales

Asset Liabilities Ratio = Total Liabilities / Total Asset

Inventory Turnover = Cost of Goods Sold / Inventories

Account Receivable Turnover = Sales / Accounts Receivables

Expenses Profit Ratio = Total profits / (Managerial expenses + financial expenses + sales overheads)

--- End of Report ---