

Business 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: January 4, 2015  
Report Type: Business Credit Report  
Type of Enquiry: Normal  
Date of Delivery: January 10, 2015

**INVESTIGATION NOTES**

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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)

SBD 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  
Organization Type: Corporate enterprise  
Debt Issued or Not: Yes  
Debt Issuance Status: Normal  
Listed or Not: Yes  
Listing Status: Normal  
Stock Code: 600789 / 200008  
Listing Location: Shanghai Stock Exchange/  
Shenzhen Stock Exchange

Layers of Shareholding: 3  
External Investment or Not: Yes  
Legal Rep.: WANG Tao  
Availability of Main Executive Background: Yes  
Registered Capital: 1,000,000  
Sales: 1,703,326,000 (2013)  
Net Profit: 16,722,000 (2013)  
Total Assets: 639,145,000 (Dec. 31, 2013)  
Net Worth: 128,147,000 (Dec. 31, 2013)  
Employees: 56  
I/E License: Yes  
Litigation Records: Yes  
Credit Records: Yes  
Public 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:	87	Large
Company Background:	68	Fairly Strong
Financial Position:	54	Average
Industry Outlook:	73	Fairly Strong
Credit Rating:	70	CR3
Base Credit Limit:		Over 10,000,000

## RATING DISTRIBUTION IN EXPERIAN DATABASE



## MAIN BUSINESS & INDUSTRY CLASSIFICATION

Main Business: Wholesale and retail of computer equipment  
Chinese SIC: 5170, Wholesale of mechanical equipment, hardware, electrical and electronic products  
ISIC: 4650, Wholesale of machinery, equipment and supplies  
NACE: 46.5, Wholesale of information and communication equipment

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

## FINANCIAL SUMMARY

	2013	2012
Sales	1,703,326,000	1,468,603,000
Total profit	22,806,000	36,786,000
Net profit	16,722,000	27,357,000
Total assets	639,145,000	500,319,000
Total liabilities	510,998,000	371,902,000
Total shareholders' equity	128,147,000	128,417,000
Return on net assets (%)	13.05	21.30
Net profit margin (%)	0.98	1.86
Turnover of total assets	2.67	2.94
Liabilities/assets ratio (%)	79.95	74.33
Sales growth (%)	15.98	--
Total assets growth (%)	27.75	--

## IMPORTANT EVENTS

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

## GENERAL COMMENTS

Subject, through sixteen years' development in this line, enjoys well-established channels of distribution and certain competitive edges in East China. The strong shareholder background and rich industry and management experience of its management officers also lay a foundation for its steady development.

Additionally, China has been growing into the largest computer consumption market in the world and therefore the computer distribution industry shows a solid uptrend. To conclude, Subject is expected to maintain certain growth potentials in future.

## 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, 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: 2013

## 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

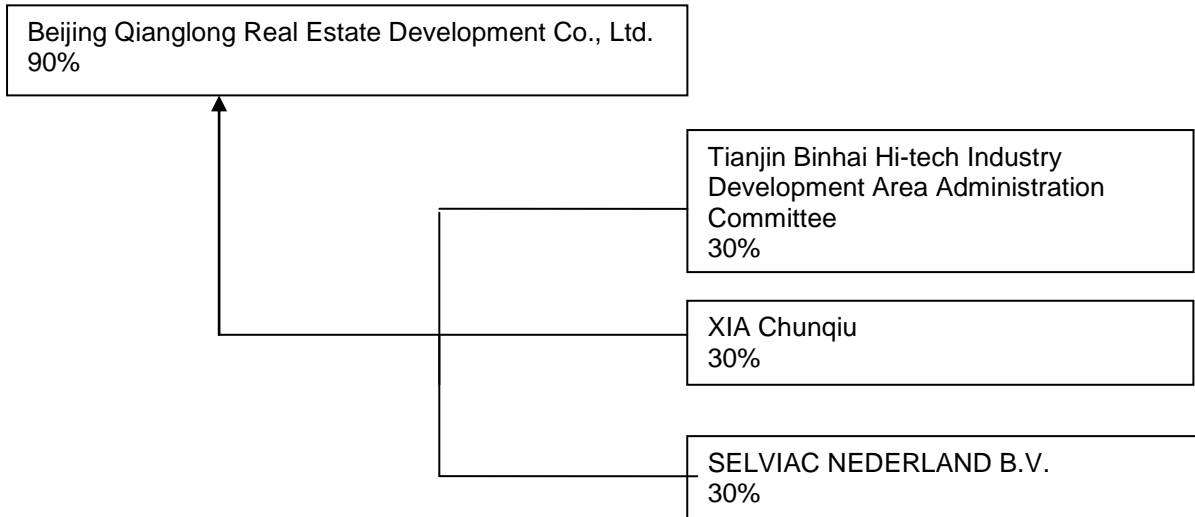
Name: Shanghai Dalong (Group) Co., Ltd.  
SBD No.: 0243321552  
Establishment Date: May 18, 1997  
Legal Rep.: WANG Tao  
AIC No.: 310000101234567  
Legal Status: Joint stock limited company (listed)  
Registered Capital: 1,000,000.00  
Debt Issued or Not: Yes  
Debt Issuance: Normal  
Listed or Not: Yes  
Listing: Normal  
Stock Code: 600780 / 200008  
List Site: Shanghai Stock Exchange / Shenzhen Stock Exchange  
Address: 300 Dalian Rd., Shanghai  
Telephone: (+86 21) 67891234  
Facsimile: (+86 21) 67894321  
Website: www.dalong.com.cn

Note: Information provided herein comes directly from Experian database and may contain obsolete information.

## LAYERS OF SHAREHOLDING

Shanghai Dalong (Group) Co., Ltd.

Tianjin Hi-tech Holdings Group Co., Ltd.  
51.57%



Order of Layer: 1  
 Ultimate Controller: Tianjin Hi-tech Holdings Group Co., Ltd.  
 SBD No.: 0330123552  
 % Ownership: 51.57%

Order of Layer: 2  
 Ultimate Controller: Beijing Qianglong Real Estate Development Co., Ltd.  
 SBD No.: 0123321552  
 % Ownership: 90%

Order of Layer: 3  
 Ultimate Controller: Tianjin Binhai Hi-tech Industry Development Area Administration Committee  
 SBD No.: 0243321552  
 % Ownership: 30%

Order of Layer: 3  
 Ultimate Controller: XIA Chunqiu  
 Country (Address): Hong Kong  
 % Ownership: 30%

Order of Layer: 3  
 Ultimate Controller: SELVIAC NEDERLAND B.V.  
 SBD No.: 0343321552  
 Country (Address): British Virgin Is.  
 % Ownership: 30%

Note: The information above comes directly from Experian database and may contain obsolete information. It is provided herein for reference only.

Note: A total of 3 layers of shareholding have been found in Experian database as of the completion date of this report.

Please order Shareholder Background Report for complete layers of shareholding of Subject.

**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 2010 Subject became the general agent of Nanjing Hwuary Display Co., Ltd. in East China.

## MAIN EXECUTIVE(S)

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Name: WANG Tao  
Post: Chairman of the Board  
Gender: Male  
Date of Birth: Oct. 21, 1969  
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.

No. of Invested and Appointed Companies: 5

Name: LI Jun  
Post: General Manager  
Gender: Male  
Date of Birth: 1965  
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.

**Note:** The information above comes directly from Experian database and may contain obsolete information. It is provided herein for reference only.

*Please order Report on Investments and Appointments of Executives for details on other companies which the main executives of Subject have invested in and been appointed to.*

## BOARD OF DIRECTORS

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Name: WANG Tao  
Post: Chairman of the Board  
Nationality: China  
Gender: Male

Name: ZHANG San  
Post: Director  
Nationality: China  
Gender: Male

Name: LI Si  
Post: Director  
Nationality: China  
Gender: Male

## BOARD OF SUPERVISORS

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Name: ZHAO Yi  
Post: Supervisor  
Nationality: China  
Gender: Female

## EXTERNAL INVESTMENT

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Company Name: Shanghai Dalong Zhiyu Technology Development Co., Ltd. (literal translation)  
SBD NO.: 0325732319  
% Ownership: 65.00%  
Address: 218 Dongfang Rd., Pudong New Area, Shanghai

*Note: A total of XX companies invested by Subject have been found in Experian database as of the completion date of this report and we provide herein only 5 (at most) of them, which are displayed randomly.*

**Please order External Investment Report for details.**

## 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: May 16, 2012

## NUMBER OF EMPLOYEES

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Total Employees: 56  
Head office: 18

The information above was confirmed by Subject's managerial staff in May 2012.

## OFFICE FACILITIES

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Location: Suite B, 24F, 88 Hengshan Road, Shanghai  
Area: 300 square meters  
Property Ownership: Rented  
Traffic Convenience: Situated in Xujiahui Business Circle, Subject enjoys favorable transport facilities.  
On-site Visit:

## OPERATIONS

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Main Business: Wholesale and retail of computer equipment  
Chinese SIC: 5170, Wholesale of mechanical equipment, hardware, electrical and electronic products  
ISIC: 4650, Wholesale of machinery, equipment and supplies  
NACE: 46.5, Wholesale of information and communication equipment  
Chinese SIC: 5170, Wholesale of mechanical equipment, hardware, electrical and electronic products

ISIC: 4650, Wholesale of machinery, equipment and supplies

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.

## 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



Note: We provide herein only the three trademarks registered by Subject in the latest five years.

Patent Type	Invention Patent	Utility Model Patent	Design Patent	Total
Total Patents	0	5	5	10
Patents Applied in 2013	--	2	1	3
Patents Applied in 2012	--	1	--	1
Patents Applied in 2011	--	1	2	3
Patents Applied in 2010	--	--	2	2
Patents Applied in 2009	--	1	--	1

Note: We provide herein only the patent applications filed by Subject in the latest five years.

## 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

Subject is the general agent of Hwuary brand displays and purchases displays from Nanjing Hwuary Liquid Crystal Display Technical Co., Ltd. directly on 30-day open account.

The information above was confirmed by Subject's managerial staff in May 2012.

## 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



Subject is planning to reinforce its sales efforts in medium- and small-sized cities since gross sales profit margin in medium- and small-sized cities is relatively high. For the time being, competition in large cities of East China is heating up, leading to a declining gross sales profit margin of relevant products, especially displays Subject currently sells.

The information above was confirmed by Subject's managerial staff in May 2012.

## IMPORT & EXPORT

I/E License: Yes  
 File Number: [98] WJMGTHZ No.190  
 Date of Filing: Apr. 29, 1998  
 Filed by: Ministry of Commerce  
 Customs' Rating: A (May 16, 2012)

### Definitions of Ratings of General Customs:

AA: Excellent;  
 A: Good  
 B: Average  
 C: Fairly Poor  
 D: Very Poor

	2012	2011	2010
Total Imports (Unit: USD 10,000)	600-700	90-100	0
Total Exports (Unit: USD 10,000)	1,000-2,000	1,000-2,000	0-10

*Please order our Business I/E Records Report for more detailed import and export information of Subject.*

## CREDIT RECORDS

Supplier: Nanjing Hwuary Liquid Crystal Display Technical Co., Ltd  
 Commodities Supplied: Computer displays  
 Interviewee: Miss YAN  
 Post: Financial Dept.  
 Telephone: 025-84556567  
 Amount: Approx 3.5 million Yuan per month  
 Cooperation Duration: Long-term  
 Cooperation Terms: Monthly settlement  
 Payment Punctuality: Prompt  
 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: May 16, 2012

Supplier: Suzhou Zhongji Electronic Co., Ltd.  
 Commodities Supplied: Computer mice and hard drives  
 Interviewee: Mr. WANG  
 Post: Sales Manager  
 Telephone: 0551-63415399  
 Amount: Approx 1 million Yuan per month  
 Cooperation Duration: Long-term  
 Cooperation Terms: 45-day credit  
 Payment Punctuality: Prompt  
 Date of Interview: May 16, 2012

## MAJOR RANKS

Year	Major Rank	Place
2010	<u>Top 100 Private Enterprises of Shanghai</u>	89
2009	<u>Top 100 Private Enterprises of Shanghai</u>	97

## 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:	May 16, 2012

## PUBLIC RECORDS

Issue Title	Date of Issue
<u>List of Companies with Abnormal Operations (2012) No.5 Issue of Shanghai Xuhui District Office. SAT</u>	May 1, 2012

Note: We provide herein litigation records, public rankings and other public records of the latest five years.

## FINANCE

### Balance Sheet ('000):

	Dec. 31, 2013 (Unconsolidated)	Dec. 31, 2012 (Unconsolidated)
<b>TOTAL ASSETS</b>	639,145	500,319
<b>TOTAL LIABILITIES</b>	510,998	371,902
<b>TOTAL SHLDRS' EQUITY</b>	128,147	128,417
<b>TOTAL LIABILITIES &amp; SHLDRS' EQUITY</b>	639,145	500,319

### Income Statement ('000)

	2013	2012
<b>Starting Date</b>	Jan. 01, 2013	Jan. 01, 2012
<b>Closing Date</b>	Dec. 31, 2013	Dec. 31, 2012
<b>Sales</b>	1,703,326	1,468,603
<b>Total profit</b>	22,806	36,786
Less: Income tax	6,084	9,429
<b>Net profit</b>	16,722	27,357

### Cash Flow Statement ('000):

	2013	2012
Net cash flow from operating activities	699	--
Net cash flow from investing activities	-179	--
Net cash flow from financing activities	-201	--

## 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.

### Change of Key Financials ('000):

	2013	Growth Rate (%)	2012
Sales	1,703,326	15.98	1,468,603
Net profit	16,722	-38.87	27,357
Total assets	639,145	27.75	500,319
Total liabilities	510,998	37.40	371,902
Total shareholders' equity	128,147	-0.21	128,417

### Important Ratios:

Profitability	2013	Year-on-year Comparison	2012
Return on net assets (%)	13.05	↓	21.30
Return on total assets (%)	2.62	↓	5.47
Net profit margin (%)	0.98	↓	1.86

Efficiency	2013	Year-on-year Comparison	2012
Turnover of total assets	2.67	↓	2.94

Solvency	2013	Year-on-year Comparison	2012
Liabilities/assets ratio (%)	79.95	↑	74.33

Growth	2013	Year-on-year Comparison	2012
Sales growth (%)	15.98	--	--
Total assets growth (%)	27.75	--	--

## INDUSTRY PROFILE

5170, Wholesale of mechanical equipment, hardware, electrical and electronic products

### Industry Definition:

This industry includes the wholesale and import & export of general-purpose machinery, special-purpose equipment, traffic & transport equipment, electric machinery, hardware & electric products, electric materials, computer equipment, communication equipment, electronic products, meters & instruments and office machinery.

### Industry Status & Trend:

Thanks to global economic recovery, the export of China's mechanical and electrical products has rebounded in major markets worldwide. As compared with the recession in the first half of 2013, the world economy had shown a brighter outlook in the fourth quarter of 2013 under the drive of easy monetary policies adopted by different countries, and the manufacturing sector of major economies expanded in various degrees, which greatly invigorated the mechanical and electrical product import and export markets. China's import and export value of mechanical and electrical products totaled USD2.1 trillion (reaching above USD2 trillion for the first time) in 2013, accounting for one half of China's total import and export value and ranking the first place in the

world for four years in a row. The export value of mechanical and electrical products stood at USD1.26 trillion and the percentage of mechanical and electrical products in total cargo export value increased from 8.6% in 1980 to 57.0%. The import value stood at USD839.85 billion and the percentage in China's total cargo import value was raised from 28.2% in 1980 to 43.1% in 2013.

Surging trade protectionism globally, industry transfer and rising business pressure are among the unfavorable factors for China's import and export of mechanical and electrical products. According to China Chamber of Commerce for Import & Export of Machinery & Electronics Products, domestic companies should pay more attention to preliminary research on trade policies and investment environment in international market when venturing out and the companies in industrial concentration regions should utilize local and geographic advantages to design, more scientifically, a cooperative production pattern integrating upstream and downstream industries to reduce their costs.

## INDUSTRY BENCHMARK

5170, Wholesale of mechanical equipment, hardware, electrical and electronic products

2013	Subject	Best	Average	Worst
	Return on net assets (%)	13.05	8.70	-8.70
	Return on total assets (%)	2.62	5.10	-4.90
	Gross profit margin (%)	--	5.80	2.10
	Turnover of total assets	2.67	2.50	0.10
	Turnover of current assets	--	3.40	0.40
	Turnover of accounts receivable (days)	--	50.00	240.00
	Liabilities/assets ratio (%)	79.95	65.00	90.00
	Current ratio	--	1.41	0.70
	Quick ratio	--	0.88	0.44
	Sales growth (%)	15.98	10.50	-18.90
	Gross profit growth (%)	--	7.40	-20.10
	Total assets growth (%)	27.75	9.60	-12.20

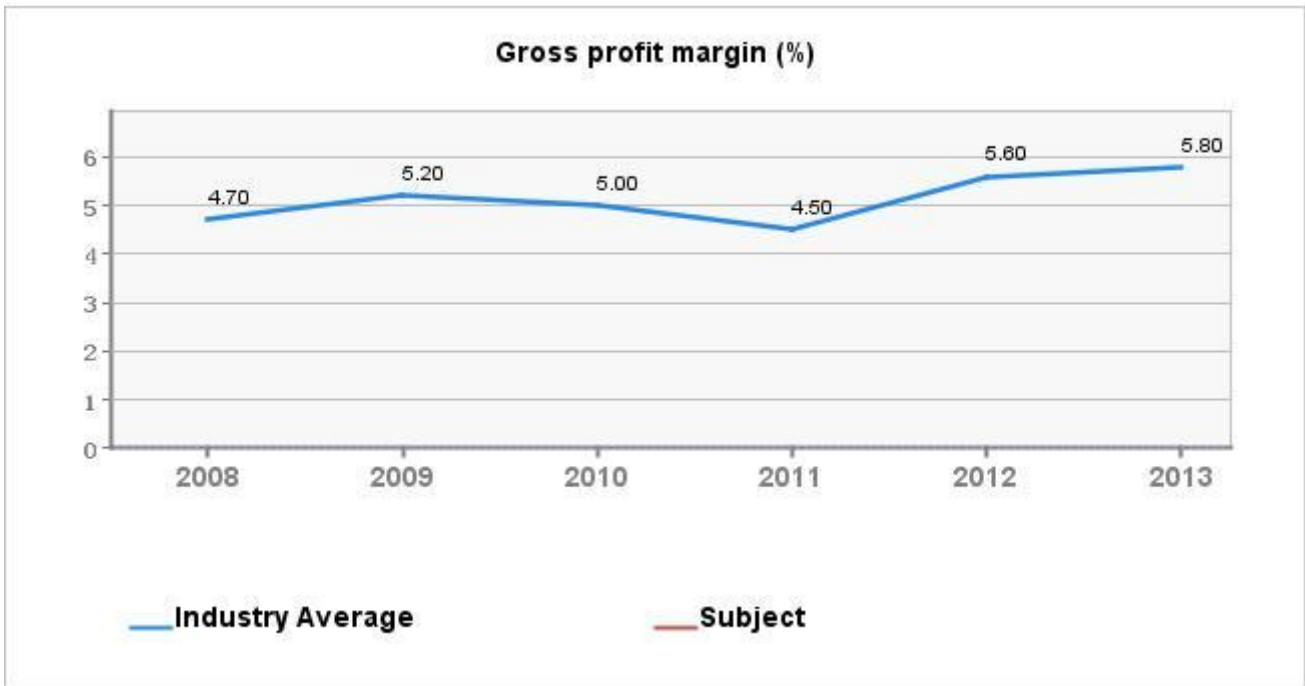
2012	Subject	Best	Average	Worst
	Return on net assets (%)	21.30	8.60	-8.80
	Return on total assets (%)	5.47	5.00	-5.00
	Gross profit margin (%)	--	5.60	2.00
	Turnover of total assets	2.94	2.60	0.20
	Turnover of current assets	--	3.50	0.50
	Turnover of accounts receivable (days)	--	50.70	257.14
	Liabilities/assets ratio (%)	74.33	66.30	85.80
	Current ratio	--	1.40	0.70
	Quick ratio	--	0.87	0.44
	Sales growth (%)	--	11.20	-17.80
	Gross profit growth (%)	--	7.60	-19.50
	Total assets growth (%)	--	13.50	-15.40

\* The above indicators come from industry statistics regularly published by the government.

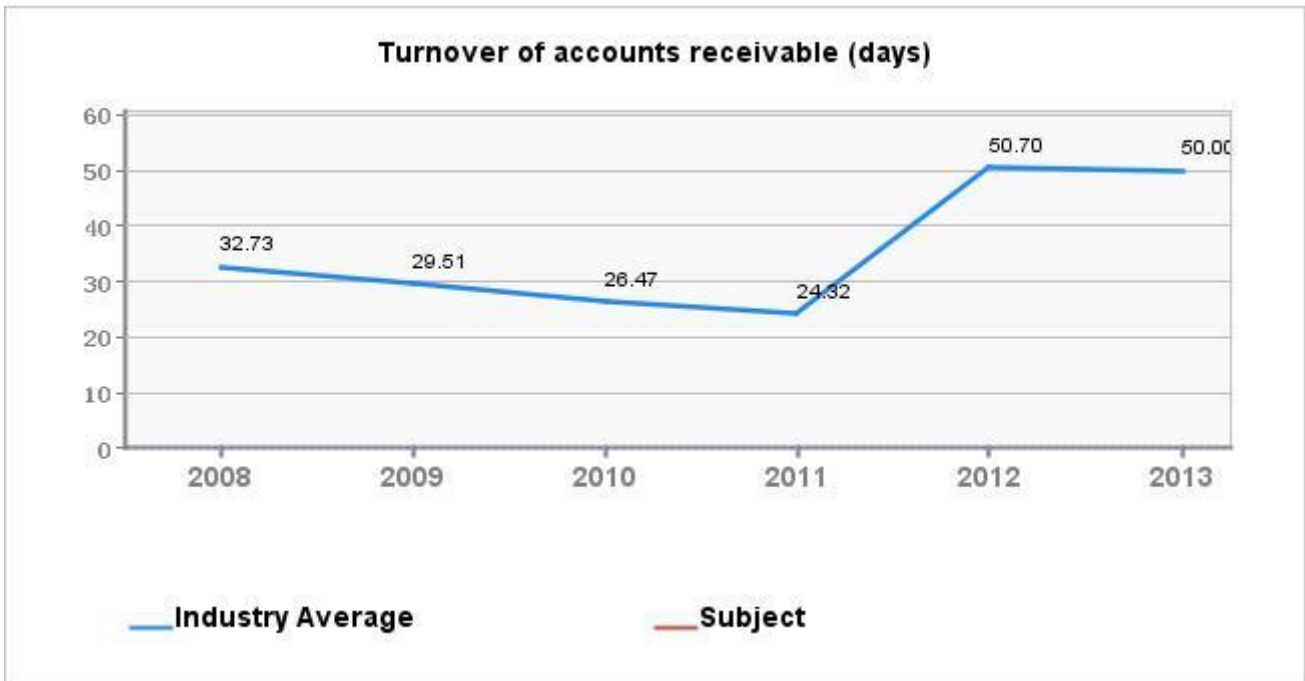
## TREND CHART OF KEY INDICATORS

5170, Wholesale of mechanical equipment, hardware, electrical and electronic products

Trend of Gross Profit Margin

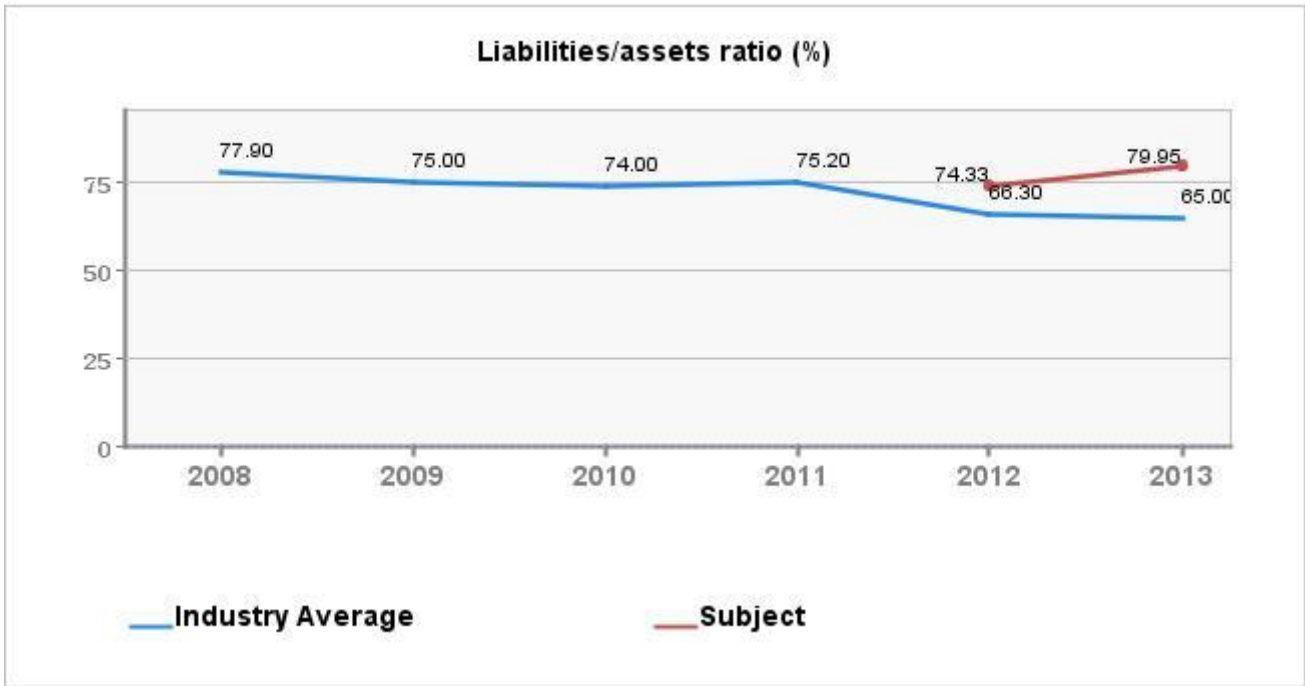


Trend of Turnover of Accounts Receivable (Days)

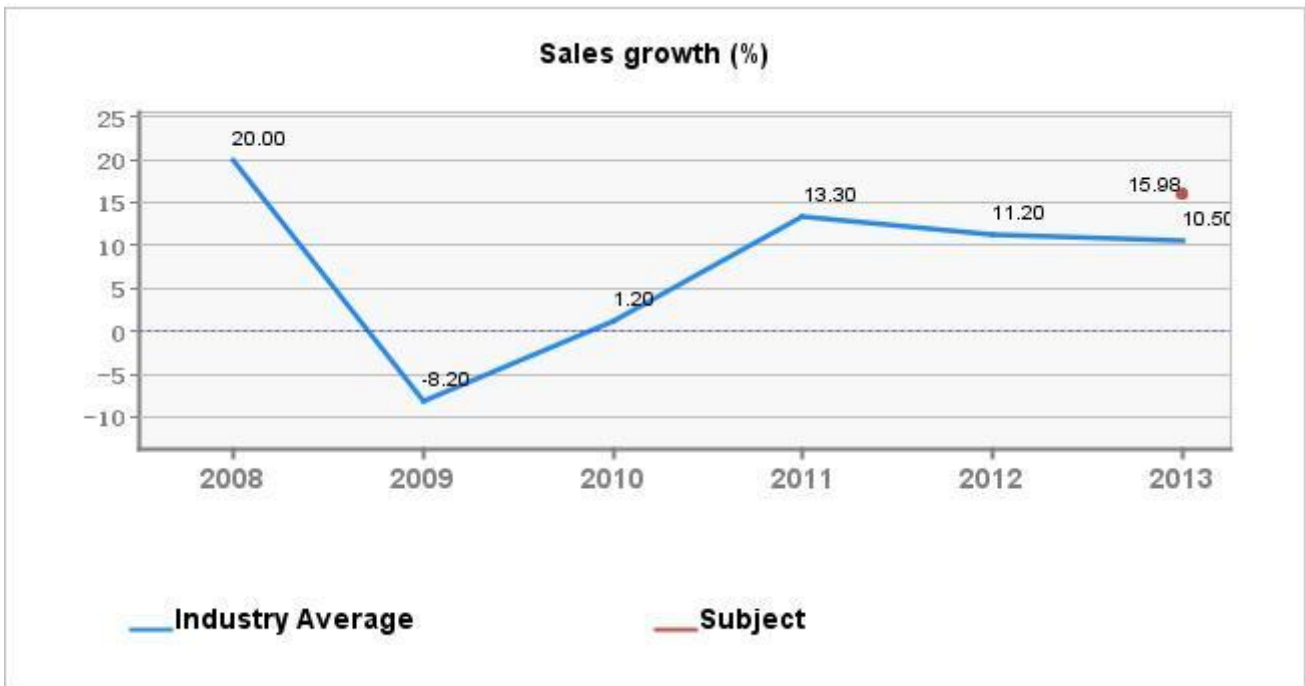


Trend of Liabilities/assets Ratio

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#### Trend of Sales Growth



### CREDIT RATING

#### CR3

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

### Over 10,000,000

When calculating base credit limit, Experian 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 -----

## SPECIAL ENQUIRY

According to Ms. BAI (Tel: 021-12345678), Subject mainly sells its products domestically with its sales network covering Shanghai and Jiangsu.

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