

China Supplier Evaluation Report

This report prepared by Huaxia D&B China is sent to answer your inquiry on:

Oilman Group LTD.

D-U-N-S: 52-792-3614

Prepared for	: D&B Registration (Normal) - 1 year
Subscriber Key	: 927012669
Delivery Date	: May 05,2016
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Inquiry Date	: May 03,2016
Inquiry Subject	: 上海欧曼石油设备有限责任公司
Inquiry Address	: -
Inquiry Phone/Fax	: (P)15026569531
Inquiry Reference	: CUSTSR

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China Supplier Evaluation Report

Oilman Group LTD.

Report compiled May 05,2016

IDENTIFICATION & SUMMARY

Identification

Company Name	Oilman Group LTD.
Official English Name	Yes
Chinese Name	上海欧曼石油设备有限责任公司
DUNS® Number	52-792-3614
Address	Oilman Bldg 1020, 999# Wangqiao Rd., Pudong Shanghai Shanghai
Postal Code	201201
Address (Chinese)	浦东新区王桥路999弄中邦商务园1020室上海市
Telephone	021 58380680
Facsimile	021 58380690
Website	www.oilmangroup.com
E-mail	jody.liu@oilmangroup.com
Type of Business	A limited company
Year Started	2002
History	Clear (Complete Shareholder(s) and management information)
Imports	Yes
Exports	Yes
Employees	20 (Here)
Principal	Yunting ZHOU / General Manager
US SIC Code	5084 0400
Primary Business	Petroleum industry machinery

Risk Summary

RISK EVALUATION

EMMA Score	2
D&B Rating	A1
D&B PAYDEX®	80

LEGAL EVENTS

Litigation Records	0
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PRINCIPAL INFORMATION

Principal(s)	1
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PAYMENT INFORMATION

Trade References	12
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COMPANY KEY EVENTS

History Changes	7
Media Records	0

FINANCIAL SUMMARY

Registered Capital	RMB 2,000,000
Sales/Turnover	12,616,000 (2015)
Tangible Net Worth	3,706,000 (2015)
Total Assets	24,854,000 (2015)
Shareholders Equity	3,706,000 (2015)

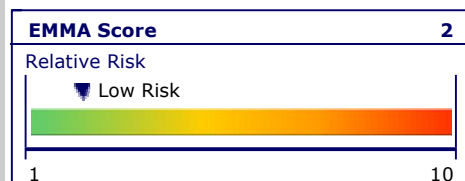
CURRENCY

All monetary amounts quoted in this report are shown in Renminbi(RMB) unless otherwise stated.

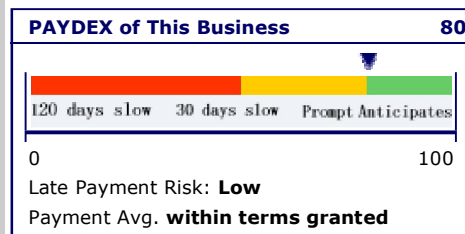
REMARK

"-" stands for "Insufficient information" or "No comments".

Risk Assessment



D&B Rating	A1
Financial Strength	A (Tangible Net worth 2,500,000 - 4,499,999)
Composite Appraisal	1 Strong



EMMA Score predicts the possibility of a business in perilous status of instability or unreliability, such as poor financials, delay payment, stale inventory, abnormal operational status, etc., it is based on a scale of 1 (the lowest risk) to 10 (the highest risk). Subject's EMMA score is '2', indicating Low Risk.

D&B Rating assesses enterprises' financial strength and credit condition and determines their credibility. Subject's D&B Rating is A1 (indicating Financial Strength: Tangible Net worth 2,500,000 - 4,499,999) and its composite credit appraisal is 1 (Strong).

D&B PAYDEX® is obtained according to enterprises' historical payment habit. Subject's PAYDEX® is '80', which shows within terms granted on average and indicates the Low Risk of Late Payment.

Company Overview

Subject was established in 2002. Subject is mainly engaged in the sale of oil equipment, drilling equipment. Currently, subject owns around 20 staff. In 2015, subject's Revenue reached RMB 12,616 thousand, Operation Profit was RMB 303 thousand and Quick Ratio that year was 1.17.

Subject's EMMA score is "2", which is in the low risk range. Based on its financial statements, subject's financial status is considered as good, indicating subject's real risk is probably lower than the EMMA score reflected.

Current Investigation

On May 05, 2016, Ruijiao Liu (Tel: 021-58380680) confirmed historical, operational and financial estimates in this report. Other information from a third party source and last investigation.

Generally in China, the information in our reports is collected and validated through telephone interview with subject, review of public web sites of the business and acquisition of data that is publicly available by the Chinese Government.

History Changes

Date	Event
Sep 17, 2004	Shareholder changed
Oct 19, 2009	Shareholder changed
May 28, 2003	Capital changed Capital changed
May 28, 2003	Registered Address Changed
Sep 17, 2004	Registered Address Changed
May 02, 2006	Registered Address Changed

RISK ANALYSIS

EMMA Score



EMMA Score Analysis

Subject's EMMA score is mainly impacted by the following risk drivers:

- Trade experiences within 12 months indicate subject has low percent of slow payment in amount, indicating lower risk level.
- Subject has a long history of 14 years, donating a lower risk level.
- Subject is a limited company, which is classified as a lower risk type of business.
- Subject/Industry PAYDEX® shows payment behaviour of the company/industry is good, indicating lower risk.

EMMA Score 2

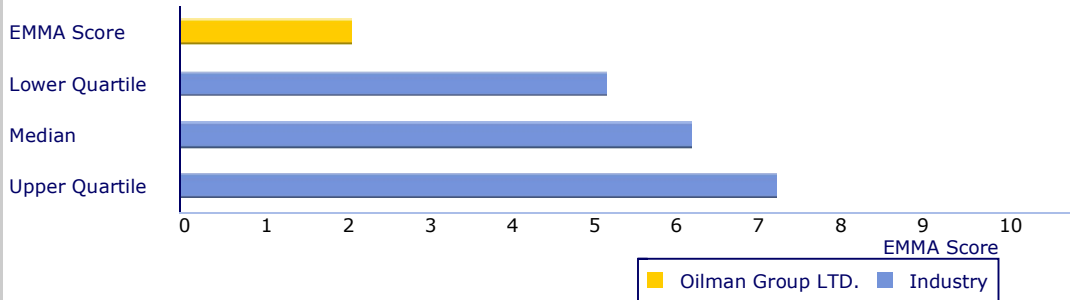
By evaluating all risk factors, the company is assigned with EMMA score of "2", indicating "Low Risk".

Industry Norm Grouping

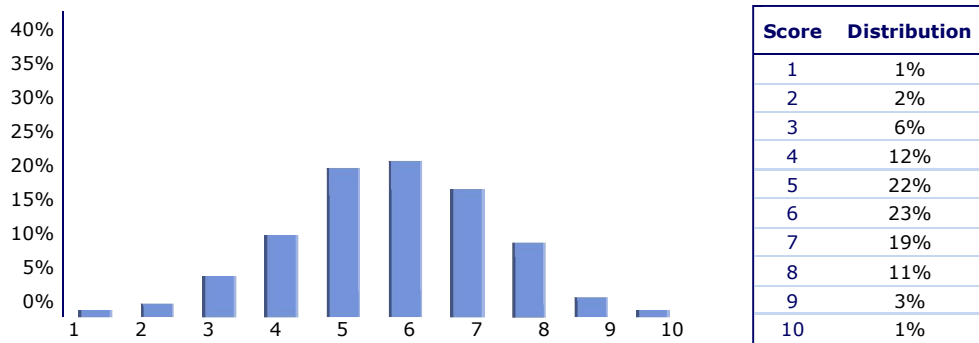
Industry Group SIC	5084
Industry Group Description	Industrial machinery and equipment

Industry Group EMMA Score Quartile Values	Lower Quartile	5
	Median	6
	Upper Quartile	7

Company Risk Vs Industry Norm Chart



Distribution of EMMA Score in Huaxia D&B China's Database



Note: please refer to the report appendix for the principle and major factors of Huaxia D&B China EMMA Score.

Risk Assessment Matrix

PAYDEX	Risk Range		
	Low (EMMA 1 - 3)	Medium (EMMA 4 - 7)	High (EMMA 8 - 10)
PAYDEX ≥ 80	AA (Subject lies in this group)	BA	CA
80 > PAYDEX ≥ 60	AB	BB	CB
PAYDEX < 60	AC	BC	CC

Interpretation and Analysis of Risk Assessment Matrix

Classifications	Risk Level	Description	Credit Policy
Quality group	AA->AB	Business is sound, and the bills are paid promptly with good credit reputation.	Favorable credit policy can be granted with automatic approval.
Medium risk group	BA->BB->AC	Business is operated under medium risk, and some delay payment behaviors exist.	Appropriate credit policy is suggested with some manual review.
High risk group	CA->BC->CB	Business is operated under high risk, and some severe delay payment behaviors exist.	Relatively strict credit policy is suggested with detailed manual review.
Monitoring group	CC	Business is run under high risk or with high possibility of windup, and the bills are unable to be paid in time.	Avoid credit sales. Cash settlement is suggested.

*Risk levels are listed in order of risk from low to high.

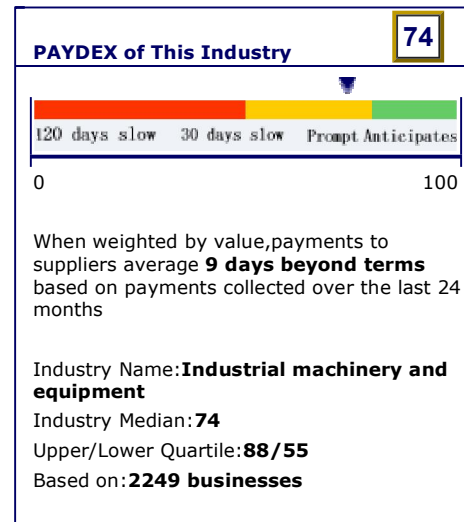
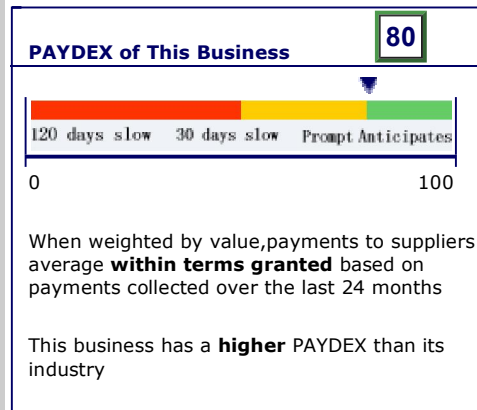
According to the Risk Assessment Matrix, subject is rated as "AA", which represents the subject belongs to the quality group:

- The risk level of the subject is low, which reveals its business risk is relatively lower than the average level amid all Chinese enterprises;
- The PAYDEX® of subject/industry indicates that most of the bills are paid promptly, rarely with any delay, and the credit reputation of subject/industry is decent;
- Subject is rated as a quality company due to its sound operation, prompt payment, low risk level and good credit reputation. Therefore, subject is recommended to be granted with relative favorable credit policy.

Third Parties References

D&B PAYDEX®

The D&B PAYDEX® is a unique indicator of payment performance weighted by the monetary value of the payment experiences as reported to D&B by trade references. A detailed explanation of how to read and interpret PAYDEX values can be found in the Appendices section of this report.



D&B PAYDEX® Key

<p>■ High risk of late payment (average 30 to 120 days beyond terms)</p>	<p>■ Medium risk of late payment (average 30 days or less beyond terms)</p>	<p>■ Low risk of late payment (average prompt to 30+ days sooner)</p>
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Trade Payment Information

Trade Payment Experiences Summary

Value Bands - Now Owes RMB	No. of Exp	Sum of Now Owes RMB	Within Terms	1-30 Days	31-60 Days	61-90 Days	91+ Days
>10,000,000	0	0.00	0%	0%	0%	0%	0%
1,000,000 - 9,999,999	0	0.00	0%	0%	0%	0%	0%
500,000 - 999,999	0	0.00	0%	0%	0%	0%	0%
100,000 - 499,999	0	0.00	0%	0%	0%	0%	0%
50,000 - 99,999	0	0.00	0%	0%	0%	0%	0%
<50,000	12	7750.00	91.67%	8.33%	0%	0%	0%
TOTAL	12	7750.00	91.67%	8.33%	0%	0%	0%

Note: Above Trade Payment Experiences Summary is derived by analysis trade payment experiences details within 24 months.

Trade Payment Experiences Details (Max. 100 records displayed)

(Amounts may be rounded to the nearest figure in prescribed ranges)

Date	Paying Record	High Credit	Now Owes	Past Due	Selling Terms	Last Sale
May 05,2016	Prompt	15,000,000	0	0	T/T	--
May 05,2016	Prompt	970,000	0	0	T/T	--
May 05,2016	Prompt	34,166	0	0	T/T	--
Aug 03,2015	Prompt	5,000	1,000	0	Net 60	--
Jul 31,2015	Prompt	750	750	0	Net 30	--
Jul 01,2015	Prompt	5,000	750	0	Net 60	--
Jun 30,2015	Prompt	750	250	0	Net 30	--
Apr 24,2015	Prompt	20,000	0	0	Advance	Apr 01,2015
Apr 24,2015	Prompt	25,000	0	0	Net	Apr 01,2015
Apr 24,2015	Prompt	307	0	0	Advance	Apr 01,2015
Apr 24,2015	Prompt	2,000	0	0	Advance	Apr 01,2015

Apr 01,2015	Slow 30+	5,000	5,000	2,500	Net 60	--
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Note: The above payment record reflects how accounts are paid in relation to the terms granted. Slow-30, for example, indicates a 30 day term where 30 additional days are taken. In some instance, payment beyond terms can be the result of disputes over merchandise, lost invoices, etc

Supplier Reference

According to one of subject's suppliers, subject has the good credit, with no delinquent account.

Customer Reference

Customers of subject were unavailable during current investigation, so no customer comment was obtained.

HISTORY

Registration

Registration Date	Apr 04,2002
Registered At	Shanghai Pudong New Area Market Supervisory Authority
Registration No.	310115000667987
National Organization Code	737488127
United Social Credit Code Certificate No.	91310000737488127C
Enterprise Registration Status	in good standing (in operation, open and registered)
Enterprise Management Status	open
Registered Capital	RMB 2,000,000
Paid-up Capital	RMB 2,000,000
Business Started	2002
Type of Business	a limited company
Registered Address	Rm 1109A, Binjiang Mansion, No.88, Zhangyang Road, China (Shanghai) Free Trade Zone
Legal Representative	Yunting Zhou
Business Scope	Oil equipment, research and development of tools and drilling fluid additives, sales and related business advisory services, self-employed and agents of all types of goods and technology import and export, but the state limit or prohibit the import and export of goods and technology. [Legally subject to the approval of the project, before carrying out business activities approved by the relevant department]

Shareholder(s)

Shareholding Structure

Name	Region/Country	Shares	Investment Mode	Paid-Up Rate
Yunting Zhou 周运廷	China	100.00%	Cash	fully paid
Total		100%		

Comment:

- Its operation period is not fixed.
- According to the notification from China State Administration for Industry & Commerce on February 19, 2014, business annual inspection is officially ceased as of March 1, 2014.
- The type of business of subject is a limited liability company (natural-owned).
- Subject changed its English name from 'Oilman Rig Co., Ltd.' to current name on August 1, 2010.

History Changes

Registered Address Changed

From:	Rm.212, Bldg.3, No.2230, Pudong South Road, Pudong New Area	
To:	Rm.1107A, No.88, Zhangyang Road	On(in) May 28,2003
To:	Rm.1105A, Binjiang Mansion, No.88, Zhangyang Road, Pudong New Area, Shanghai	On(in) Sep 17,2004
To:	Rm 1109A, Binjiang Mansion, No.88, Zhangyang Road, China (Shanghai) Free Trade Zone(Current Registered Address)	On(in) May 02,2006

Shareholders Changed

From:	Yunting Zhou(50.00%), Tao Li(35.00%), Xudong Zhang(15.00%)	
To:	Yunting Zhou(65.00%), Tao Li(35.00%)	On(in) Sep 17,2004
To:	Yunting Zhou(100.00%)(Current Shareholders)	On(in) Oct 19,2009

Capital Changed

From:	RMB 500,000	
To:	RMB 1,000,000	On(in) May 28,2003
To:	RMB 2,000,000(Current Capital)	Change date not available

History Summary

In 2002, Yunting Zhou(50.00%), Tao Li(35.00%), Xudong Zhang(15.00%) jointly invested RMB 500,000 to establish subject. With some changes, currently, Yunting Zhou shares 100.00% of subject. Subject's registered capital is RMB 2,000,000 at present.

PRINCIPALS

Principal(s)

Yunting ZHOU - General Manager/Legal Representative

周运廷

Gender	Male
Started with Subject	2002
Activity Status	Yes
Area of Responsibility	Overall management
Related Working Experience	5 Year+

OPERATIONS

Supply Capacity & Operation Nature

Subject is a trading enterprise.

Subject is mainly engaged in the sale of oil equipment, drilling equipment.

US SIC Code 5084 0400	Petroleum industry machinery
US SIC Code 5084 0403	Drilling equipment, excluding bits

Licenses

Subject is entitled to independent import and export rights.

Purchasing

Purchase Territory

Area	Percent	Region/Country
Domestic	70%	
Overseas	30%	United States

Purchasing Terms

Terms	Percent
Agreement/Contract basis -	-

Purchasing Settlement Method

Settlement Method	Percent
T/T	

Major Suppliers

Area	Name	DUNS
	Jiangsu Rutong Petro-Machinery Co., Ltd.	
	Nanjing Yalong Technology Co., Ltd.	52-933-8148
	Baoji Mantesen Industry and Trade Co., Ltd.	

Selling

Sales Territory

Area	Percent	Region/Country
Overseas	100%	United States Indonesia Oman Algeria Netherlands

Selling Terms

Terms	Percent
Advance	-
L/C	-

Selling Settlement Method

Settlement Method	Percent
T/T	
L/C	

China Customs Import and Export Data

HS Code	841391	Pump parts
HS Code	843143	Parts for oil and natural gas drilling machinery
HS Code	848180	Electromagnetic valve
HS Code	848190	valve parts (for pipes, boiler shells, tanks, drums or similar products)
HS Code	902620	Pressure / differential pressure transmitter

HS Code's full name is International Convention for Harmonized Commodity Description and Coding System, which is a multipurpose international trading commodity classification catalog. Abbreviation: Harmonized System, i.e. HS. The above HS Code are listed based on products of subject that have the top 5 import/export values in the latest 12 months.

Transport Type

	2015	2014	2013
Import	Air Transport	Air Transport, River-Sea Transportation	River-Sea Transportation

Export	Air Transport,River-Sea Transportation	Air Transport, River-Sea Transportation, Motor Vehicle Transportation	Air Transport,River-Sea Transportation
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Trade Type

	2015	2014	2013
Import	Ordinary Trade	Ordinary Trade, Others	Ordinary Trade
Export	Ordinary Trade	Ordinary Trade	Ordinary Trade

Import & Export Value

	2015	2014	2013
Import	3,328	USD 44,918	USD 1,400
Export	USD 1,440,185	USD 1,560,909	USD 3,211,485

Main Import & Export Country

Import Country	Export Country
United States	United States Indonesia Oman Algeria Netherlands

The above data are provided with the authorization of China General Administration of Customs.

Employees

Employee Size

Type	Number
Here	20

The above are approximate staff numbers.

Operations Summary

Subject is mainly engaged in the sale of oil equipment, drilling equipment. The materials subject demands for its production are 70% purchased domestically. 30% of the materials are imported, mainly from United States. Subject is entitled to I/E Rights. 100% of the products are exported, such as United States, Indonesia, Oman, Algeria and Netherlands and other country/region.

Location

Principal Place of Business

Location Description A residential/commercial area
Used as Office

Other Place of Business

Type REGISTERED ADDRESS
Address Rm 1109A, Binjiang Mansion, No.88, Zhangyang Road, China (Shanghai)
Free Trade Zone

FINANCE & BANKING

Finance

Please note that any financial information (such as financial statements) included in this report was obtained with the company's consent or from the stock exchange. If no financial information is provided in this report, it is because the company did not provide its consent to have such information disclosed. Pursuant to the Interim Regulations on the Public Disclosure of Enterprise Information, issued by the State Council and effective from 1 October 2014, companies will no longer be required to submit their financial statements to the Administration of Industry and

Commerce (AIC). Instead, only limited financial figures of the company will be reported to the AIC, and such figures will be made available in reports only if the company itself has consented to the disclosure of such financial figures. These new requirements affect all company financial information for the 2013 financial year and onward, and as such, financial statements should no longer be available in any reports for the 2013 financial year and onward, unless the company itself has provided such statements and consented to the disclosure of such statements, or the company's financial statement has been published on a stock exchange.

The 2015 financial statements were submitted by the company personnel.

Financial Highlights

	Dec 31,2015 RMB '000	Change %	Dec 31,2014 RMB '000
Current Assets	24,772	-1.36%	25,113
Current Liabilities	21,148	-	21,248
Working Capital	3,624	-6.24%	3,865
Tangible Net Worth	3,706	-6.18%	3,950
Fixed Assets	82	-3.53%	85
Total Assets	24,854	-1.37%	25,198
Total Liabilities	21,148	-	21,248
Shareholders Equity	3,706	-6.18%	3,950
Sales	12,616	23.49%	10,216
Net Profit	(244)	-117.94%	1,360

Balance Sheet

	Dec 31,2015 RMB '000 Fiscal (Independent)	Dec 31,2014 RMB '000 Fiscal (Independent)
Cash and Bank	7,317	7,852
Accounts Receivables	9,785	9,867
Other Receivables	7,578	6,320
Advance to Suppliers	92	1,074
Total Current Assets	24,772	25,113
Fixed Assets, at cost	1,647	1,647
Less Acc. Depreciation	(1,565)	(1,562)
Total Fixed Assets	82	85
Total Intangible Assets	-	-
Total Investment & Other Assets	-	-
TOTAL ASSETS	24,854	25,198
Accounts Payable	13,083	13,296
Other Payables	8,065	7,952
Total Current Liabilities	21,148	21,248
Total Non-Current Liabilities	-	-
Total Liabilities	21,148	21,248
Capital	2,000	2,000
Surplus	525	525
Retained Earnings	1,181	1,425
Total Equity	3,706	3,950
TOTAL LIABILITIES & EQUITY	24,854	25,198

Profit & Loss Statement

	Dec 31,2015 RMB '000 Fiscal (Independent)	Dec 31,2014 RMB '000 Fiscal (Independent)
Sales	12,616	10,216
-Cost of Goods Sold	11,411	7,146
Gross Profit/Loss	1,205	3,070

-Operating Expenses	440	666
-Administrative Expenses	1,276	1,051
-Financial Expenses	(814)	(8)
Operating Profit/Loss	303	1,361
-Non-Operating Expense	547	1
Profit/Loss Before Tax	(244)	1,360
Profit/Loss After Tax	(244)	1,360
Net Profit(Loss)	(244)	1,360

Key Financial Ratios

Ratio	2015	2014
Current Ratio	1.17	1.18
Quick Ratio	1.17	1.18
Total Debt/Equity Ratio	5.70	5.37
Debt Ratio	0.85	0.84
Collection Period (Days)	279	347
Payment Period (Days)	412	669
Asset Turnover	0.50	0.40
Gross Profit Margin %	9.55	30.05
Net Profit Margin %	(1.93)	13.31
Return on Equity %	(6.58)	34.43
Return on Assets %	(0.98)	5.39

Financial Comments

- Business Performance: According to subject's financial statements of 2015, its sales realized RMB 12,616 thousand, up 23.49% over the previous year, indicating its decent sales growth. During the same year, subject's net profit booked RMB -244 thousand, down 117.94% from the previous year. Its net profit margin was -1.93%, lower than the year-earlier level, which indicated its profitability should be improved.
- Solvency: By the end of 2015, Subject's current ratio and quick ratio posted 1.17 and 1.17 respectively, showing its strong short-term solvency capacity. Its working capital decreased to RMB 3,624 thousand. At the end of 2015, subject's debt ratio stood at 0.85, which indicated its capital structure should be improved.
- Cash Flow: By the end of 2015, subject's cash and bank deposit was RMB 7,317 thousand, decreasing from the previous year. At the end of 2015, subject's account receivable booked RMB 9,785 thousand, and its DSO recorded 279 day(s), shortening 68 day(s) compared with the year earlier, indicating its control on account receivable was improved to some extent. Its account payable was RMB 13,083 thousand, with a payment period of 412 day(s).
- Overall financial status of subject is considered as good.

Banking

The company maintains relationship(s) with the following bank(s) in China:

SH Pudong Development Bank Lujiazui Sub Branch

INDUSTRY ANALYSIS

Industry Highlights

Date	Jun 30, 2015
Source	Statistics Authorities
Detail	In 2014, in the case of continuously complex external environment, China's machinery industrial added value increased by 10% and the target of moderate growth has been basically realized. The machinery industry of China of the full year of 2014 realized the accumulative main business income of RMB 22.2 trillion, with the year-on-year increase of 9.4% (down 4.4 percentage points compared with the growth rate of 2013). Although the growth rates in the second half of 2014 declined month by month, the growth rate of the full year was still 2.45% higher than the national industrial growth of 2014. The economic growth of machinery industry was always faster than sales in 2014.

In the full year of 2014, the machinery industry realized the total profit of RMB 1.56 trillion, with the year-on-year increase of 10.6% (down 5% than the growth rate of 2013 and up 1.2% than the main business income growth rate of 2014). The profit margin of main business income was 7.02%, with the year-on-year increase of 0.08%. The total taxation amount of 2014 reached RMB 84.38 billion, with the year-on-year increase of 8.2%. The proportion of loss-suffering enterprises was 10.8% (with the year-on-year increase of 1.24%) and the loss amount of loss-suffering enterprises increased by 9.9%. It is predicted that the growth rate of the industrial added value and main business income of China's machinery industry of 2015 will rise by about 8%, the profit growth rate will be about 10%, and the export exchange increase rate will be about 6%.

Date May 30, 2014

Source Statistics Authorities

Detail In 2013, the machinery industry of China realized the moderate growth in the context of transformation promotion and structural adjustment. The machinery industry of China realized the main business income of RMB 20400 billion in 2013, with the year-on-year increase of 13.8% and the growth rate increased by 4 percentage points. The machinery industry added-value of 2013 experienced the year-on-year increase of 10.9%, with the growth rate increased by 2.5 percentage points. In 2013, the machinery industry realized the total profit of RMB 1,410 billion (with the year-on-year increase of 15.6%) and the main business income margin of 6.93% (with the year-on-year increase of 0.11%).

The total import and export amount of industry of 2013 was USD 671.3 billion (with the year-on-year increase of 3.72% and the growth rate increased by 1.18 percentage points), including the import value of USD 372.5 billion (with the increase of 6.24%) and the export value of USD 298.8 billion (with the increase of 0.74%). The machinery industry also completed the fixed asset investment of RMB 3,990 billion in total in 2013, with the year-on-year increase of 17.2%. There still exist many uncertain factors of the development of industry in 2014, including the favorable conditions of basically stable macroeconomic trends and supporting policies as well as the unfavorable factors such as great difficulties in export growth and the increasing costs and funding pressures.

PUBLIC RECORDS

Litigation Records

As of May 05, 2016, HDBC has searched the China Court website, website of local court in the place where subject is located, major domestic courts websites as well as our internal China court database, but no related court records can be found against the subject within 5 years.

Remark: The above mentioned channels are currently publicly available ones to search for the court records against China enterprises. However, due to lack of a centralized database in mainland China that covers all Chinese enterprises' litigation records, partial cases against subject might not be available.

APPENDICES

HDBC EMMA Score

D&B EMMA Score (Emerging Market Mediation Alert Score) is a risk assessment model developed for emerging market countries. It is a score developed by data profiling approach and statistical modeling, which predicts the possibility of a business in perilous status of instability or unreliability, such as poor financials, delay payment, stale inventory, abnormal operational status, etc. The EMMA Score provides you with a quick assessment of a business' risk standing, and when used together with other information, allows you to make better risk decisions.

The EMMA Score is based on a scale of 1 to 10, where 1 represents a lower risk and 10 a higher risk.

EMMA Score for China is initially rolled out in May 2009, derived from the sample analysis of millions of company records. When using the Score to make individual applicant decisions, a customized version of this table based on an analysis of the Score against your customer account portfolio is recommended. It does not necessarily mean doing business with a company, which is assigned with higher Risk Score, will result in increased risk.

Considering the particularity of Chinese business environment and in order to make EMMA Score analyze and reflect risk factors of Chinese enterprises more appropriately, HDBC conducted an optimization and adjustment toward EMMA Score in the first half of 2012, combined PAYDEX® to appraisal model as an important risk evaluating dimension and will try harder to deeply reflect the internal factors of enterprise risk. The optimized EMMA Score makes the scores more scientifically and effectively reflect the risk characteristics of current China as an emerging market and more objectively and deeply reflect risk level of Chinese enterprises.

EMMA Score for China is calibrated on regular basis following D&B Global Modeling Methodology that captures business environmental change in China caused by macro economy shift and particular systematic events.

HDBC EMMA Score Commentary

Risk Range	EMMA Score	% of Report in Database	% of High Risk Business	Commentary
Low Risk Scores	1-3	28.9%	5.7%	Lower Risk Range
Medium Risk Scores	4-7	56.7%	9.1%	Average Risk Range
High Risk Scores	8-10	14.4%	36.4%	High Risk Range

The Key Drivers of the EMMA Score include the following:

Business Information

- Business Type
- Line of Business
- Employee Size
- Sales Territory
- Registered Capital
- Year of Establishment
- History Status
- Property Ownership

Geographical Information

- Region & Province

Public Record

- Number of Negative Record

Payment Information

- Percentage of Overdue Payment
- Company/Industry PAYDEX®

EMMA Score Application

- *Low EMMA Score* - May proceed to process the applicant quickly with minimal or no manual review depending on the extent of score validation analysis.
- *Medium EMMA Score* - Medium Risk Scores - Recommend a manual review of the applicant based on the applicant's capacity, your internal policy and risk tolerance.
- *High EMMA Score* - High Risk Scores - Requires thorough manual review of potential decline, or approval depending on the applicant's capacity, your internal policy and risk tolerance.

Sample Data Analysis of Risk Assessment Matrix Database

Risk Matrix Sample Distribution

PAYDEX	Risk Range		
	Low	Medium	High
PAYDEX >= 80	13.6%	12.6%	0.5%
80 > PAYDEX >= 60	15.2%	28.7%	1.7%
PAYDEX < 60	0.1%	15.4%	12.2%

Possibility of High Risk Enterprise

PAYDEX	Risk Range		
	Low	Medium	High
PAYDEX >= 80	5.8%	8.4%	9.1%
80 > PAYDEX >= 60	5.6%	8.4%	14.5%
PAYDEX < 60	5.6%	11.1%	40.4%

Interpretation and Analysis of Risk Assessment Matrix

Classifications	Risk Level	Description	Credit Policy
Quality group	AA->AB	Business is sound, and the bills are paid promptly with good credit reputation.	Favorable credit policy can be granted with automatic approval.
Medium risk group	BA->BB->AC	Business is operated under medium risk, and some delay payment behaviors exist.	Appropriate credit policy is suggested with some manual review.
High risk group	CA->BC->CB	Business is operated under high risk, and some severe delay payment behaviors exist.	Relatively strict credit policy is suggested with detailed manual review.
Monitoring group	CC	Business is run under high risk or with high possibility of windup, and the bills are unable to be paid in time.	Avoid credit sales. Cash settlement is suggested.

*Risk levels are listed in order of risk from low to high.

Risk Assessment Matrix is the tool for investigating the insight of subject combined with EMMA Score and PAYDEX®. EMMA Score can indicate the risk level of subject. With the help of PAYDEX®, one can also further analysis subject's risk and find out the internal factors causing risks based on the payment records of subject. In summary, the assessment matrix can make further insightful analysis towards the enterprises with similar EMMA Scores.

When using EMMA Score and Risk Assessment Matrix, the combination of other information, such as internal assessment policy of enterprise, commercial information provided by HDBC, and feedback from the people who directly contacts with subject, etc., is recommended. With these information, it will allow you to be more convenient to make risk decisions.

D&B Rating

D&B Rating Interpretation Tables

Financial Strength			Composite Credit Appraisal				
Tangible Net worth	Registered Capital	Renminbi (RMB)	Strong	Good	Fair	Limited	Undetermined
5A	5AA	> 450,000,000	1	2	3	4	-
4A	4AA	85,000,000 - 449,000,000	1	2	3	4	-
3A	3AA	8,500,000 - 84,999,999	1	2	3	4	-
2A	2AA	6,500,000 - 8,499,999	1	2	3	4	-
1A	1AA	4,500,000 - 6,499,999	1	2	3	4	-
A	AA	2,500,000 - 4,499,999	1	2	3	4	-
B	BB	1,750,000 - 2,499,999	1	2	3	4	-
C	CC	1,000,000 - 1,749,999	1	2	3	4	-
D	DD	650,000 - 999,999	1	2	3	4	-
E	EE	450,000 - 649,999	1	2	3	4	-
F	FF	300,000 - 449,999	1	2	3	4	-
G	GG	200,000 - 299,999	1	2	3	4	-
H	HH	< 200,000	1	2	3	4	-
Alternate Ratings	Explanation						
N	Financial Strength is negative				3	4	-
O	Financial Strength is undisclosed		1	2	3	4	-
NB	New Business: Less than 24 months		1	2	3	4	-
NQ	Out of Business: Business has ceased to trade					4	-
BR	Branch or division location						
INV	Investigation is undergoing						

Explanation of PAYDEX

A score of 80 denotes that payments reported to D&B have generally been made within terms. Scores over 80 indicate that payments reported to D&B have been made earlier than terms. The chart below outlines the specific 0-100 score and what it means.

D&B PAYDEX®	Payment Habit
100	Anticipate
90	Discount
80	Prompt
70	15 days beyond terms
60	22 days beyond terms
50	30 days beyond terms
40	60 days beyond terms
30	90 days beyond terms
20	120 days beyond terms
0-19	Over 120 days beyond terms
UN	Unavailable

Customs Rating

According to the Measures of the Customs of the People's Republic of China on the Classified Management of Enterprises (hereafter "the Measures"), China General Administration of Customs has classified custom supervision category into 5 classes, which are AA, A, B, C and D. Enterprises are assessed and classified based on if they comply with laws, administrative regulations, custom rules, related anti-corruption stipulations and operational management conditions, supervisory and statistic custom records and etc.

AA Class: Enterprise with outstanding credit verified by the customs, suitable for correspondingly easy clearance measures.

A Class: Enterprise with good credit, suitable for generally easy clearance measures.

B Class: Enterprise with average credit, suitable for routine management.

C Class: Enterprise with poor credit, suitable for averagely close supervision measures.

D Class: Enterprise with rather poor credit, suitable for close supervision measures.

According to the notification published by China General Administration of Customs on Nov. 19, 2014 on the implementation of Interim Measures of the Customs of the People's Republic of China for the Administration of Enterprise Credit, the customs has started classifying companies into the levels of Authorized Enterprise, Average Credit Enterprise and Poor Credit Enterprise based on their credit status as of Dec. 1, 2014. According to the rules of "the Measures", companies of AA Class are classified as High Grade Authorized Enterprise; A Class as Averagely

Authorized Enterprise; B Class as Average Credit Enterprise; C and D Classes are to be reassessed accordingly. If companies of C and D Classes are rated as Poor Credit enterprise, the application period of credit level will remain the same as that of C Class and D Class.

Huaxia D&B China will timely organize the information disclosed by China General Administration of Customs.

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Remarks

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