**Credit Audit Report**

|  |  |  |
| --- | --- | --- |
| **General Information** | |  |
| Client: |  | |
| Audited Company | N/A | |
| Audit Date | N/A | |
| Report Date | Sep. 20, 2017 | |

{{#regist}}

|  |  |  |
| --- | --- | --- |
| **I. Company Summary** | |  |
| Company Name (English) | Guangdong Xinbao Electrical Appliances Holdings Co., Ltd. | |
| Company Name  (Chinese) | 广东新宝电器股份有限公司 | |
| Operating Address | Longzhou Road, Leliu Town, Shunde District, Foshan City, Guangdong Province | |
| Registered Address | Zhenghe South Road, Leliu Town, Shunde District, Foshan City, Guangdong Province | |
| Telephone No. | (+86 757) 25333888/25336206 | |
| Fax No | (+86 757) 25562533/25521283 | |
| Website | <http://www.donlim.com/> | |
| E-mail | [investor@donlim.com](mailto:investor@donlim.com) | |
| Credibility Code | 91440000617653845D | |
| Registration Date | Dec. 11, 1995 | |
| Legal Status | Live | |
| Registered Capital | 813,437,768 | |
| Legal Representative | Guo Jiangang | |
| Company type | shares limited co. | |
| Business Scope | production and operation of electric steam iron, mixer, coffee pot, water boilers, bread maker and other household appliances products, water treatment equipment, machinery and equipment, lithium-ion batteries, nickel-metal hydride batteries, nickel-cadmium batteries, power battery (used for home appliances, digital products, mobile power), mold, electric motor, circuit boards and other electrical products parts, spare parts, plastic products, engineering plastics, precision die casting, engaged in product design, mold design, embedded software design, certification testing and other services (with permit if needed). | |
| Business License Valid Until | Long terms | |
| Export--Import License | No | |
| Sales | 6,378,914,000 (2016) | |
| Net Worth | 2,489,632,000 (2016) | |
| Reputation | Well-known | |
| Business Trend | Steady | |
| Credit Rating | CA2- | |
| Risk Level | Low | |

\* All currencies quoted in this report are expressed in RMB unless otherwise specified.

|  |  |
| --- | --- |
| **II. Legal Status & History** |  |

1. History

|  |  |
| --- | --- |
| Dec. 1995 | Subject was established. |
| Dec. 2015 | Subject reported sales of RMB 5,827,722,000 and total profit of RMB 315,773,000. |
| Dec. 2016 | Subject reported sales of RMB 6,378,914,000 and total profit of RMB 468,774,000. |

1. Registration change record

|  |  |  |  |
| --- | --- | --- | --- |
| **Date of Change** | **Change(s)** | **From** | **To** |
| 2000-12-20 | Registered Capital | HKD 7,866,000 | HKD 8,896,000 |
| 2002-04-15 | Registered Capital | HKD 8,896,000 | HKD 10,032,000 |
| 2002-06-28 | Registered Capital | HKD 10,032,000 | HKD 39,328,000 |
| 2003-08-28 | Legal Representative | Guo Jianqiang | Present one |
| 2003-10-17 | Registered Capital | HKD 39,328,000 | HKD 44,828,000 |
| 2003-12-19 | Registered Capital | HKD 44,828,000 | HKD 83,145,900 |
| 2004-03-19 | Company Name | Shunde Xinbao Electrical Appliances Co., Ltd. | Foshan Shunde Xinbao Electrical Appliances Co., Ltd. |
| 2004-12-01 | Registered Capital | HKD 83,145,900 | HKD 110,837,200 |
| 2005-07-25 | Registered Capital | HKD 110,837,200 | HKD 115,543,500 |
| 2006-01-17 | Company Name | Foshan Shunde Xinbao Electrical Appliances Co., Ltd. | Present one |
| Registered Legal Form | Chinese-Foreign Equity Joint Venture Enterprise | Present one |
| Registered Capital | HKD 115,543,500 | CNY 332,600,000 |
| 2009-11-27 | Registered Capital | CNY 332,600,000 | CNY 338,890,000 |
| 2010-01-07 | Registered Capital | CNY 338,890,000 | CNY 366,001,200 |
| 2014-04-23 | Registered Capital | CNY 366,001,200 | CNY 442,001,200 |
| 2016-07-25 | Registered Capital | CNY 442,001,200 | CNY 574,601,560 |
| 2017-04-14 | Registered Capital | CNY 574,601,560 | CNY 625,721,360 |
| 2017-06-16 | Registered Capital | CNY 625,721,360 | Present Amount |
| Unknown | Registration no. | 440000400003206 | (Credibility code)  91440000617653845D |

1. Shareholders & shares (as of 2017-06-30)

|  |  |  |
| --- | --- | --- |
| **Shareholders** | **Capital Subscribed** | **% of Total** |
| Guangdong Donlim Kitchen Group Co., Ltd. | [345,139,879](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstocknum&code=80206212" \t "_blank) | [42.43](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstockproportion&code=80206212" \t "_blank) |
| Dong Ling Electrical Group Co. Limited (Hong Kong) | [217,313,682](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstocknum&code=80206213" \t "_blank) | [26.72](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstockproportion&code=80206213" \t "_blank) |
| Manulife Teda Fund - Shanghai Pudong Development Bank - Guangdong Finance Trust - Guangdong Finance Trust • Pufa Xuanli No. 5 Structured Collective Fund Trust Plan (in Chinese pinyin) | [10,918,228](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstocknum&code=73099735" \t "_blank) | [1.34](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstockproportion&code=73099735" \t "_blank) |
| Central Huijin Asset Management Ltd. | [10,273,341](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstocknum&code=80553146" \t "_blank) | [1.26](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstockproportion&code=80553146" \t "_blank) |
| Shanghai Zhonghui Jinrui Investment Management Co., Ltd. - Zhonghui Jinrui Directed Additional Period 3 Private Investment Fund (in Chinese pinyin) | [6,696,430](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstocknum&code=73116300" \t "_blank) | [0.82](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstockproportion&code=73116300" \t "_blank) |
| China Dragon Securities Co., Ltd. | [6,645,600](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstocknum&code=80000156" \t "_blank) | [0.82](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstockproportion&code=80000156" \t "_blank) |
| Jiangsu Soho Investment Group Co., Ltd. - Soho Selected Directed Additional No. 1 Private Equity Fund (literal translation) | [6,645,470](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstocknum&code=73116250" \t "_blank) | [0.82](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstockproportion&code=73116250" \t "_blank) |
| Zhou Xueqin | 6,645,470 | 0.82 |
| Industrial and Commercial Bank of China Limited- UBS SDIC Tritace Set By Flexible Configuration Hybrid Securities Investment Funds | [6,281,535](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstocknum&code=161233" \t "_blank) | [0.77](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstockproportion&code=161233" \t "_blank) |
| Industrial and Commercial Bank of China- China Southern Blue Chip Growth Stock Securities Investment Fund | [6,260,997](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstocknum&code=202003" \t "_blank) | [0.77](http://vip.stock.finance.sina.com.cn/corp/view/vCI_StockHolderAmount.php?stockid=002705&type=holdstockproportion&code=202003" \t "_blank) |
| Other shareholders | 190,617,136 | 23.43 |
|  | ----------- | -------- |
| Total | 813,437,768 | 100.00 |

Guangdong Donlim Kitchen Group Co., Ltd.

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Credibility Code: 91440606712270316J

Incorporation Date: 1998-12-08

Legal Representative: Guo Jiangang

Registered Capital: CNY 80,644,000

Add: Longzhou Road, Leliu Town, Shunde District, Foshan City, Guangdong

Tel: 86-757-25336333

Fax: 86-757-25331888

Website: <http://www.dkgroup.cn>

Dong Ling Electrical Group Co. Limited (Hong Kong)

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CR No.: 0583025

Incorporation Date: 1996-12-23

Company Type: Private company limited by shares

Active Status: Live

|  |  |  |
| --- | --- | --- |
| **Shareholders** | **Way of Investment** | **Paid-up %** |
| Guangdong Donlim Kitchen Group Co., Ltd. | Currency | 100.00 |
| Dong Ling Electrical Group Co. Limited (Hong Kong) | Currency | 100.00 |
| Manulife Teda Fund - Shanghai Pudong Development Bank - Guangdong Finance Trust - Guangdong Finance Trust • Pufa Xuanli No. 5 Structured Collective Fund Trust Plan (in Chinese pinyin) | Currency | 100.00 |
| Central Huijin Asset Management Ltd. | Currency | 100.00 |
| Shanghai Zhonghui Jinrui Investment Management Co., Ltd. - Zhonghui Jinrui Directed Additional Period 3 Private Investment Fund (in Chinese pinyin) | Currency | 100.00 |
| China Dragon Securities Co., Ltd. | Currency | 100.00 |
| Jiangsu Soho Investment Group Co., Ltd. - Soho Selected Directed Additional No. 1 Private Equity Fund (literal translation) | Currency | 100.00 |
| Zhou Xueqin | Currency | 100.00 |
| Industrial and Commercial Bank of China Limited- UBS SDIC Tritace Set By Flexible Configuration Hybrid Securities Investment Funds | Currency | 100.00 |
| Industrial and Commercial Bank of China- China Southern Blue Chip Growth Stock Securities Investment Fund | Currency | 100.00 |
| Other shareholders | Currency | 100.00 |

1. Change in Shareholders

No significant changes about SC’s shareholders were found during our checks with the local AIC.

|  |
| --- |
| **III. Ownership/management background** |

1. Simplified Corporate Structure

| **MAIN EXECUTIVE(S)** |
| --- |

|  |  |
| --- | --- |
| Name: | Guo Jiangang |
| Post: | Legal representative and chairman |
| Gender: | Male |
| Date of Birth: | 1966-08-15 (ID# 44062319660815XXXX) |
| Working Experience: | From 2003 to present, working in SC as legal representative and chairman.  Also working in Guangdong Donlim Kitchen Group Co., Ltd., Foshan Shunde Yinlida Small Loan Co., Ltd. (in Chinese pinyin), Zhongshan Donlim Weili Electrical Appliances Co., Ltd., etc. as legal representative. |

|  |  |
| --- | --- |
| Name: | Zeng Zhanhui |
| Post: | President |
| Gender: | Male |
| Date of Birth: | 1972-05-21 (ID# 44062319720521XXXX) |
| Working Experience: | At present, working in SC as president.  Also working in Foshan Shunde Dongsheng Technology Co., Ltd. (in Chinese pinyin) and Guangdong Weilin Engineering Plastics Co., Ltd. as director. |

|  |  |
| --- | --- |
| Name: | Zhu Xiaomei |
| Post: | Vice president |
| Gender: | Female |
| Date of Birth: | 1976-02-02 (ID# 44182219760202XXXX) |
| Working Experience: | At present, working in SC as vice president. |

Etc.

| **BOARD OF DIRECTORS** |
| --- |

|  |  |
| --- | --- |
| Name: | Guo Jiangang |
| Post: | Legal representative and chairman |
| Nationality: | China |
| Gender: | Male |
| Date of Birth: | 1966-08-15 (ID# 44062319660815XXXX) |

|  |  |
| --- | --- |
| Name: | Guo Jianqiang |
| Post: | Vice chairman |
| Nationality: | China |
| Gender: | Male |
| Date of Birth: | 1968-07-20 (ID# 44010219680720XXXX) |

|  |  |
| --- | --- |
| Name: | Yang Fangxin |
| Post: | Director |
| Nationality: | China |
| Gender: | Male |
| Date of Birth: | 1972-02-07 (ID# 42900119720207XXXX) |

|  |  |
| --- | --- |
| Name: | Lan Hailin |
| Post: | Director |
| Nationality: | China |
| Gender: | Male |
| Date of Birth: | 1959-08-15 (ID# 44010619590815XXXX) |

Etc.

| **BOARD OF SUPERVISORS** |
| --- |

|  |  |
| --- | --- |
| Name: | Pan Weidong |
| Post: | Supervisor |
| Nationality: | China |
| Gender: | Male |
| Date of Birth: | 1968-05-05 (ID# 44062319680505XXXX) |

|  |  |
| --- | --- |
| Name: | Kang Xingzhuang |
| Post: | Supervisor |
| Nationality: | China |
| Gender: | Female |
| Date of Birth: | 1973-11-27 (ID# 44062319731127XXXX) |

|  |  |
| --- | --- |
| Name: | Zhang Jun |
| Post: | Supervisor |
| Nationality: | China |
| Gender: | Male |
| Date of Birth: | 1979-11-14 (ID# 42900119791114XXXX) |

1. Chief Executives

|  |  |
| --- | --- |
| Title | Name |
| Chairman | Guo Jiangang |
| Legal Representative | Guo Jiangang |
| President | Zeng Zhanhui |

1. Background of Chief Executives

President: Zeng Zhanhui

Gender: Male

Marital Status: N/A

Direct share in Subject : N/A

Civil litigation : No

|  |  |
| --- | --- |
| Work Experiences: | Acting as the President of Subject |
| Trade Experiences: | [ ] Over 10 years [ ] Over 5 years [ ] Below 5 years |
| Operation Experiences: | [ ] Over 10 years [√] Over 5 years [ ] Below 5 years |
| Strong Points: | [√ ] Management [ ] Technology [ ] Marketing |
| Reasons of Promotion: | [ ] Founder [ ] Transfer from the outside  [ ] Appointed by the higher authority [ ] Hiring  [] Contracting [ ] Inheritance |

|  |
| --- |
| **IV. Operation** |

|  |  |
| --- | --- |
| Main Business: | Manufacturing and selling small household electrical appliances. |

|  |
| --- |
| Subject is mainly engaged in manufacturing and selling small household electrical appliances. Products mainly include:  Bread Makers  Coffee Makers  Stand Blenders  Food Processors  Toasters  Sandwich Toasters  Toaster Ovens  Deep Fryers  Hand Mixers  Water Kettles  Can Openers  Food Steamers  Steam Irons  Bbq Grill  Juice Extractors  Stand Mixer  Hand Blender  Vacuum Cleaner  Steam Mop  Juicer  Steam Station  Induction Cookers  Buffet Server  Others |

|  |
| --- |
| **V. Purchasing Information** |

|  |  |
| --- | --- |
| Main Purchases: | household electrical appliances raw materials, etc. |
| Major Suppliers: | N/A |
| Main Payment Terms: | T/T, L/C, Transfer account, accept, etc. |

|  |
| --- |
| The information above was confirmed by Subject's staff in Sep. 2017. |

|  |
| --- |
| **VI. Sales Information** |

|  |  |
| --- | --- |
| Regions: | Nationwide, overseas |
| Customers: | N/A |
| Sales Terms: | T/T, L/C, etc. |

|  |
| --- |
| The information above was confirmed by Subject's staff in Sep. 2017. |

|  |
| --- |
| **VII. Industry/business Information** |

**Industry code: 3850**

**Industry name: Household electrical appliance manufacturing**

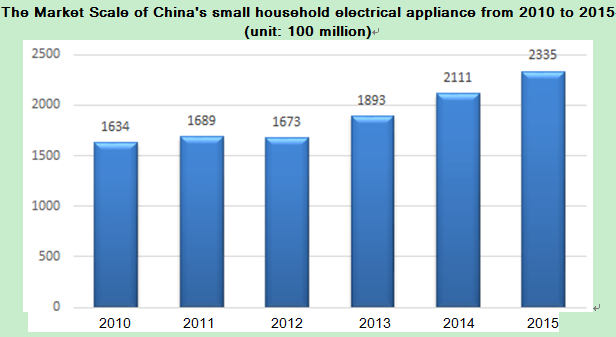
The gross domestic product of China in 2015 which is 676,708 billion that is increased 6.9% than previous year.

After three decades of rapid development, the penetration rate of domestic white goods has been higher and updating needs become dominant. The industry has entered a period of steady growth. Industry growth drivers from the growth of sales growth change to structure improving that is sales growth combined with consumer upgrades. Refrigerator industry fell slightly while washing machine industry grew slightly, which benefits from average price increase, brought by the upgrading of product structure. The performance of retail sales of ice washing industry is better than retail sales.

According to the data shown in the China Market Monitor, the retail sales of refrigerator industry fell by 1.2% in 2015 and retail sales fell 4.9% on year-on-year basis; retail sales of washing machine industry up 4.0% year on year and retail sales increased slightly by 0.6%. The output of household refrigerator, in 2015, reached 79.9275 million units. However it is 87.9609 million units in 2014. As for household washing machines, the output reached 72.7450 million units in 2015 which is increased than 2014.

From a macro point of view, small household electrical appliance industry continues to benefit from the growth of residents' income and quality of life. With the continuous growth of income, rising labor costs, accelerated pace of life, improvement of the quality of life, small household electrical appliance can reduce the work intensity, and improve the quality of life, so the small household appliances will have a lot of room for development.

From a micro perspective, the development of small household electrical appliance industry shows the following characteristics: single product popularity cycle is short, industry growth depends on new products driven, the marginal utility of new products gradually weakened. Compared with the large household appliances, small appliances popularization cycle is short, showing explosive growth in 1-2 years generally, and then the sales began to decline.



**Related company:**

Foshan Shunde Dongsheng Technology Co., Ltd. (in Chinese pinyin)

Foshan Shunde Yinlida Small Loan Co., Ltd. (in Chinese pinyin)

Zhongshan Donlim Weili Electrical Appliances Co., Ltd.

Etc.

**SC is known to invest in the following companies:**

Guangdong Weilin Engineering Plastics Co., Ltd.

Foshan Xinbao Network Technology Co., Ltd.

Guangdong Dongling Electrical Appliances Co., Ltd.

Chuzhou Donlim Electrical Appliances Co., Ltd.

Etc.

|  |
| --- |
| **VIII. Public Records & Trade Records** |

| **PUBLIC RECORDS** |
| --- |

|  |
| --- |
| Awards (According to SC’s website): |
| Xinbao Holding has been awarded horrors including "Industry Design Model Enterprise of Guangdong Province", "The Most Creative Design Center of the Top Ten China Industry Designs" and "China Industry Design Top Ten Creative Enterprise". The products with "Donlim" brand have been awarded honors including "Red Star Award", "Kapok Prize", "China Appearance Design Competition" and "IF Award". |
| SC listed in Shenzhen Stock Exchange Market in 2014 with the stock number of 002705. |

|  |  |
| --- | --- |
| LITIGATION RECORDS： | No |

| **TRADEMARKS & PATENTS** |
| --- |

|  |  |  |  |
| --- | --- | --- | --- |
| Total No. of Trademarks |  |  |  |
| Registration No. | 16296163 | 16174137 | 15882923 |
| Registration Date | 2016-03-28 | 2016-03-21 | 2016-02-14 |
| Trademark Design |  |  |  |

| **TRADE RECORDS** |
| --- |

N/A

|  |
| --- |
| **IX. Employee & Facilities Information** |

**Subject’s employment is given to:**

|  |  |  |  |
| --- | --- | --- | --- |
| Total | 20,624 (including subsidiaries) | | |
| Including: | | | |
| HQ: | N/A | Management: | 2,127 |
| Sales: | 375 | Production personnel: | 15,043 |
| Technicians: | 2,128 | Others: | 951 |

Quality of Employees: [ ] High [√] Average [ ] Low

Work efficiency: [ ] High [√] Average [ ] Low

Personnel planning: [ ] Increase of employee [√] No [ ] Downsizing

**Facilities**

Office & Factory

|  |  |
| --- | --- |
| Address: | Longzhou Road, Leliu Town, Shunde District, Foshan City, Guangdong Province |
| Number: | N/A |
| Area coverage: | N/A |
| Construction Area: | N/A |

Construction structure: [ ] One-storey houses [√] Building

Ownership: [ ] Self-owned [ ] Rented [ ] Owned by Shareholder [√] Unknown

Outlook: [√] Good [ ] Average [ ] Poor

Location: [ ] Good [√] Average [ ] Poor

**Organization Chart**

**Board of Directors**

President Office

Finance Depart.

Securities Depart.

Marketing Depart.

HR Depart.

Administration Depart.

Production Depart.

Tech. Depart.

Purchase Depart.

|  |
| --- |
| **X. Financials** |

| **Balance Sheet ('000):** |
| --- |

|  |  |  |
| --- | --- | --- |
|  | **Dec. 31, 2016 (Unconsolidated)** | **Dec. 31, 2015 (Unconsolidated)** |
| Cash & bank | 704,776 | 938,648 |
| Bills receivable | 14,066 | 1,034 |
| Accounts receivable | 671,238 | 770,577 |
| Advances to suppliers | 17,688 | 16,060 |
| Interest receivable | 529 | 3,577 |
| Other receivables | 186,156 | 199,722 |
| Inventory | 813,479 | 666,615 |
| Other current assets | 814,930 | 244,694 |
| **Total Current Assets** | 3,222,862 | 2,840,927 |
| Long-term equity investment | 287,425 | 234,829 |
| Fixed assets | 1,079,216 | 953,992 |
| Construction-in-progress | 138,683 | 98,016 |
| Disposal of fixed assets | 0 | 0 |
| Intangible assets | 224,428 | 231,824 |
| Long-term deferred expenses | 20,223 | 18,600 |
| Deferred tax assets | 6,496 | 8,162 |
| Other non-current assets | 38,368 | 14,609 |
| **Total Non-Current Assets** | 1,794,839 | 1,560,032 |
| **TOTAL ASSETS** | 5,017,701 | 4,400,959 |

|  |  |  |
| --- | --- | --- |
| Short-term loans | 0 | 97,404 |
| Financial liabilities at fair value through profit or loss | 0 | 7,626 |
| Notes payable | 1,142,973 | 940,755 |
| Accounts payable | 956,928 | 698,852 |
| Advances from clients | 80,640 | 135,952 |
| Accrued payroll | 180,849 | 132,950 |
| Taxes payable | 51,838 | 36,116 |
| Interest payable | 0 | 269 |
| Other payables | 114,737 | 87,601 |
| Non-current liabilities due within one year | 0 | 0 |
| **Total Current Liabilities** | 2,527,965 | 2,137,525 |
| Long-term liabilities | 104 | 105 |
| **Total Non-Current Liabilities** | 104 | 105 |
| **TOTAL LIABILITIES** | 2,528,069 | 2,137,630 |
| Paid-up capital | 574,602 | 442,001 |
| Capital reserve | 529,837 | 662,437 |
| Surplus reserve | 218,856 | 182,966 |
| Undistributed profit | 1,166,337 | 975,925 |
| **TOTAL SHLDRS’ EQUITY** | 2,489,632 | 2,263,329 |
| **TOTAL LIABILITIES & SHLDRS’ EQUITY** | 5,017,701 | 4,400,959 |

| **Income Statement ('000)** |
| --- |

|  |  |  |
| --- | --- | --- |
|  | **2016** | **2015** |
| **Sales** | 6,378,914 | 5,827,722 |
| Less: Cost of sales | 5,237,550 | 4,884,204 |
| Sales taxes and additional | 45,848 | 33,981 |
| **Gross Profit** | 1,095,516 | 909,537 |
| Less: Selling expenses | 233,748 | 214,219 |
| Administrative expenses | 484,006 | 450,859 |
| Financial expenses | -67,318 | -58,238 |
| Assets impairment loss | 1,007 | 7,391 |
| Plus: income from changes in fair value | 7,626 | -12,062 |
| Investment income | 15,209 | 24,090 |
| **Operating Profit** | 466,908 | 307,334 |
| Plus: Non-operating income | 16,164 | 14,575 |
| Less: Non-operating expenses | 14,298 | 6,136 |
| Plus: Income from government subsidy | 0 | 0 |
| Other profit | 0 | 0 |
| **Total profit** | 468,774 | 315,773 |
| Less: Income tax | 109,871 | 79,288 |
| **Net profit** | 358,903 | 236,485 |

| **NOTES TO FINANCE** |
| --- |

|  |
| --- |
| Due to lack of clear government policy regarding transparency of enterprise financial information, many financial items might be missing in the above financial statements, causing possible inequality between the sum of the provided items and the provided Total Number. |

|  |
| --- |
| Subject's registered capital was changed in 2016, so in financial statement, paid-up capitals differ. |

| **Change of Key Financials ('000)** |
| --- |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** | **Growth Rate (%)** | **2015** |
| Sales | 6,378,914 | 9.46 | 5,827,722 |
| Net profit | 358,903 | 51.77 | 236,485 |
| Total assets | 5,017,701 | 14.01 | 4,400,959 |
| Total liabilities | 2,528,069 | 18.27 | 2,137,630 |
| Total shareholders’ equity | 2,489,632 | 10.00 | 2,263,329 |
| Total current assets | 3,222,862 | 13.44 | 2,840,927 |
| Total current liabilities | 2,527,965 | 18.27 | 2,137,525 |
| Working capital | 694,897 | -1.21 | 703,402 |
| Total fixed assets | 1,079,216 | 13.13 | 953,992 |

| **Important Ratios:** |
| --- |

|  |  |  |
| --- | --- | --- |
| **Profitability** | **2016** | **2015** |
| Return on net assets (%) | 14.42 | 10.45 |
| Return on total assets (%) | 7.15 | 5.37 |
| Gross profit margin (%) | 17.17 | 15.61 |
| Net profit margin (%) | 5.63 | 4.06 |

|  |  |  |
| --- | --- | --- |
| **Liquidity** | **2016** | **2015** |
| Turnover of total assets | 1.27 | 1.32 |
| Turnover of current assets | 1.98 | 2.05 |
| Turnover of accounts receivable (days) | 38.41 | 48.26 |

|  |  |  |
| --- | --- | --- |
| **Leverage** | **2016** | **2015** |
| Liabilities/assets ratio (%) | 50.38 | 48.57 |
| Current ratio | 1.27 | 1.33 |
| Quick ratio | 0.95 | 1.02 |

|  |  |  |
| --- | --- | --- |
| **Growth** | **2016** | **2015** |
| Sales growth (%) | 9.46 | -- |
| Gross profit growth (%) | 20.45 | -- |
| Total assets growth (%) | 14.01 | -- |

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| --- |
| **XI. Banking Information** |

|  |  |
| --- | --- |
| Account Bank: | Guangdong Shunde Rural Commercial Bank Leliu New City Sub-branch |
| Account No.: | 06398800050789 |
| Interviewee: | Bank clerk |
| Telephone: | (+86 757) 25554333 |
| Interviewee's Remarks: | The banking clerk refused to disclose any related information on Subject's credit status for keeping confidentiality for the depositor. |
| Date of Interview: | Sep. 20, 2017 |

|  |
| --- |
| **XII. Risk/Credit Rating** |

**CREDIT RATING : CA2-**

| **BASE CREDIT LIMIT** |
| --- |

100,000,000

When calculating base credit limit, we presuppose 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.

|  |
| --- |
| **XIII. Summary** |

Established in Dec. 11, 1995, Subject is mainly engaged in manufacturing and selling small household electrical appliances. After 22 years of development, Subject has accumulated rich industry experience and certain client resources. And Subject as a listed shares limited co., the financing capacity is strong and with high anti-market risk capability.

As indicated by the financials available, its sales increased by 9.46% in 2016 year-on-year. The net profit margin (%) of SC is fairly good in 2016, it profitability is fairly good; In view of balance sheet, its assets were mainly current assets. Liabilities took normal proportion in 2016, showing average debt payment pressure.

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\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\* **This is The End of the Report** \*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

**Appendix**

|  |  |  |  |
| --- | --- | --- | --- |
| **RATING KEY** | **CREDIT RISK ASSESSMENT** | | **PROPOSED CREDIT LIMIT**  **(in concerned business field)** |
| CA1 | Minimal | Credit can proceed with favorable terms | Large amount |
| CA2 | Low | Credit can proceed promptly | Fairly large amount |
| CA3 | Average | Credit can proceed normally | Moderate amount |
| CA4 | Above average | Credit should proceed with monitor | Small amount – periodical review |
| CA5 | Fairly High | Credit should be extended under guarantee | C.O.D. To small amount |
| CA6 | High | Credit is not recommended | C.O.D. |
| **NR** | Assessment not conducted | Insufficient data available | No recommendation |

# CREDIT RATING EVALUATION FACTORS

The credit rating is an indicator of the company’s capability & behaviour performance based on prevailing condition & information made available during the time of rating.

|  |  |
| --- | --- |
| **Evaluation Factors** | **Relative Significance (%)** |
| **Financial condition :**  -profitability  -liquidity  -leverage  **Ownership Background & Management:**  - shareholders’ strength  - management capacity  **Payment record/ reputation:**  - suppliers and clients  - payment  **Credit History :**  - operational history  - credit expression  **Operational size :**  - Operation scale  - organization  **Market trend :**  - Marketing  - Products/service  - Industry | 40.0%  10.0%  10.0%    15.0%  15.0%  10.0% |
| The credit rating is concluded from overall assessment of a number of evaluation factors. These factors carry different weight in assessing the credit risk of the company & vary in their significance in respect of different lines of business. In case of small companies or lack of financial data, more weight is given to other evaluation factors such as ownership history, company background, management, credit history, company set-up & current investigation findings.  However, if we are not able to obtain sufficient data for evaluation, a credit rating will not  be formulated whilst this does not necessarily reflect negatively on Subject. | |