

The Standard Credit Assessment Report on the Chinese Enterprise



中国出口信用保险公司
China Export & Credit Insurance Corporation

COMPANY SUMMARY	
SinoRating Ref. No.	CHN000686071
Company Name	Taicang Sample Co., Ltd.
Trade Name	--
Operating Address	No. ***, Shanghai East Road, Taicang Economic Development Zone, Jiangsu Province
Zip Code	215***
Registered Address	No. ***, Shanghai East Road, Taicang Economic Development Zone, Jiangsu Province (Zip Code: 215***)
Telephone	(86)512-5356****
Fax	(86)512-5356****
Company Website	www.sample.com.cn
Email	--
VAT No.	320585742*****
Registered Date	2002-09-02
Start Year	2002-09-02
Registered Capital	USD25,000,000
CEO	Hengtian Xiuxiong
Listed Company	No
Business Scope	Manufacturer of automotive electronic equipments
Industry	Manufacturer of other unlisted electronic apparatus
Industry Code	4090
Export/Import License	Yes
Sales	653,144,000 (2005)
Net Worth	205,393,000 (2005)
Employee	2,000

Financial Status	OK
Trend	Upward
Payment Record	Prompt
SinoRating Credit Rating	AA
Currency	Renminbi unless otherwise stated
Report Date	2007-01-26
Remark	'-' means that we did not get this information. 'Industry Code' is according to the 'National Economic Industry Classification' by National Bureau of Statistics of China.

REGISTRATION INFORMATION	
Registry	Jiangsu Province Suzhou City Administration for Industry & Commerce
Organization Code	742*****
Legal Representative	Cangdao Yao
Registration No	012***
Registered Capital	USD25,000,000
Company Type	Wholly Foreign Owned Enterprise
Business Scope	The assembly, processing, production and sale of automobile electronic equipment system, automobile communication equipment, automobile navigation system and related products and spare parts as well as the provision of after-sale technical service.
Business Licence Valid Until	2052-09-01

OWNERSHIP	
Shareholders	Shareholding
Japan Sample Inc.	32%
Sample (China) Co., Ltd.	68%

PARENT INFORMATION	
SinoRating Ref. Number	CHN000455205
Company Name	Sample (China) Co., Ltd.
Address:	**/F, Block **, China Merchant Building, No. ***, Jianguo Road, Chaoyang District, Beijing City
Postalcode	100***
Telephone	(86)10-6566****
Fax	(86)10-6566****
Company Type	Wholly Foreign Owned Enterprise
Shares Hold	68%
<p>Sample (China) Co., Ltd. is a wholly Foreign Owned Enterprise invested by Japan Sample Inc. with the total investment of USD70 million in 1994 in Beijing. With 65 employees, it is engaged in the investment of automobile electronic field for Japan Sample Inc. in the Chinese Mainland, including automobile sound products and related components, automobile communication equipment, automobile navigation system, key spare parts, etc. as well as the provision of sale and after-sale services of products produced by invested enterprises.</p> <p>It got ISO9001 certificate in December 2000.</p> <p>Besides establishing branches in Shanghai City, Dalian City and Guangzhou City, it has set up representative offices in Changchun City, Shenyang City and Chengdu City and 4 single ventures and joint ventures, i.e. Dandong Sample Co., Ltd., Dalian Sample Co., Ltd., Taicang Sample Co., Ltd. and DRGroup Ltd.</p>	

HEADQUARTERS INFORMATION

Company Name	Japan Sample Inc.
Country/Region	Japan
Shares Hold	32%
Japan Sample Inc. is an automobile electronics enterprise specializing in the production of automobile sound and automobile communication system. It has more than 30 overseas enterprises in more than 10 countries. Except its own brand "Sample", it also provides OEM service for well-known automobile manufacturers in the world.	

HISTORY

When subject was established on September 2, 2002, its registered capital was USD20 million and its shareholders were Japan Sample Inc. (40%) and Sample (China) Co., Ltd. (60%)
On March 8, 2005, subject increased its registered capital to USD25 million and its shareholding structure was changed to Japan Sample Inc. (32%) and Sample (China) Co., Ltd. (68%).

KEY EXECUTIVES

Name	Hengtian Xiuxiong
Title	General Manager
Gender	Male
Responsibility	Overall Management
Name	Cangdao Yao
Title	Chairman of the Board
Gender	Male
Age	63
Industry Experience	27 years
Management Experience	5 years
Work Experience	2003-01-now , Sample (China) Co., Ltd., General Manager 2004-06-now , Subject, Chairman of the Board
Remark	He joined Japan Sample Inc. in 1979.

FINANCIALS

Balance Sheet (in thousands)

	2006-12-31	2005-12-31	2004-12-31
	Non-consolidated		
	Non-audited		
Source	Government	3rd party	3rd party
Cash		26,906	35,817
Short-Term Investment			
Accounts Receivable	55,597	34,320	6,219
Other Accounts Receivable		503	21
Advances to Suppliers		3	
Inventory	35,898	22,396	3,778
Prepaid Expenses		673	222
Other Current Assets			159
Total Current Assets	150,328	84,801	46,216
Total Long-Term Investments			
Fixed Assets	159,097	115,722	91,303
-Accumulated Depreciation	23,268	10,622	2,107
Net Fixed Assets		105,100	89,196
-Provision for Impairment of Fixed Assets		0	0
Net Value of Fixed Assets		105,100	89,196
Construction in Progress		274	
Total Fixed Assets	135,829	105,374	89,196
Intangible Assets	215	64	52
Intangible Assets and Other		64	52

Assets			
Total Assets	286,372	190,239	135,464
Accounts Payable	62,318	29,125	10,668
Accrued Payroll		1,300	572
Welfare Payable		170	34
Tax Payable		955	
Other Payable		9,862	1,403
Accrued Expense		739	294
Total Current Liabilities	80,979	42,151	12,971
Total Long-Term Liabilities			
Total Liabilities	80,979	42,151	12,971
Paid-in Capital	206,593	165,544	132,435
Accumulated Profits		-17,456	-9,942
Total Owner's Equity	205,393	148,088	122,493
Total Liabilities and Owner's Equity	286,372	190,239	135,464

Income Statement (in thousands)			
	FY2006	FY2005	FY2004
Source	Government	3rd party	3rd party
Sales	653,144	195,730	15,808
- Cost of Goods Sold	613,525	190,773	20,333
Sales Tax	10		
Gross Profit	39,609	4,957	-4,525
+ Other Revenues and Gains	1,054	307	39
- Administrative Expenses	21,866	12,534	4,670
Operating Expenses	4,016	569	30
Financial Expenses	1,402	-305	757

Income from Operations	13,379	-7,534	-9,943
+ Return on Investment			
Subsidy Income			
Non-operating Income	73	21	
Income before Income Taxes	13,452	-7,513	-9,943
Net Income		-7,513	-9,943

Key Financial Figures (in thousands)			
	2006-12-31	2005-12-31	2004-12-31
Source	Government	3rd party	3rd party
Sales	653,144	195,730	15,808
Net Income		-7,513	-9,943
Total Assets	286,372	190,239	135,464
Working Capital	69,349	42,650	33,245
Total Liabilities	80,979	42,151	12,971
Net Assets	205,393	148,088	122,493

Key Financial Ratios			
	FY2006	FY2005	FY2004
Source	Government	3rd party	3rd party
Current Ratio	1.86	2.01	3.56
Quick Ratio	1.41	1.48	3.27
Accounts Receivable Collection Period	18.85	37	142
Accounts Payable Payment Period	29.55	38	189
Days in Inventory	24.67	25	67
Asset Turnover	2.71	1.2	.12
Debts To Total Assets Ratio(%)	28.28	22.16	9.58

Liabilities to Equity(%)	39.43	28.46	10.59
Return on Assets(%)	--	-3.95	-7.34
Return on Net Assets (%)	--	-5.07	-8.12
Operating Profit Margin (%)	6.07	2.53	-28.62
Profit Margin(%)	--	-3.84	-62.9

Industry Comparison				
	Subject Data	*Percentile 25	*Median	*Percentile 75
	FY2006	FY2006	FY2006	FY2006
Current Ratio	1.86	.98	1.33	2.12
Quick Ratio	1.41	.61	.91	1.57
Accounts Receivable Collection Period	18.85	21.96	59.29	105.78
Accounts Payable Payment Period	29.55	--	--	--
Days in Inventory	24.67	20.95	53.68	130.66
Asset Turnover	2.71	.7	1.26	2.13
Debts To Total Assets Ratio(%)	28.28	33.33	55.28	75.32
Liabilities to Equity(%)	39.43	852.4	920.64	1071.23
Return on Assets(%)	--	--	--	--
Return on Net Assets (%)	--	--	--	--
Operating Profit Margin (%)	6.07	8.39	14.89	25.45
Profit Margin(%)	--	--	--	--

*Note: If there are 100 companies in the same industry, we will rank the data under the same ratio from the smallest to the largest. Percentile 25% is the figure ranked 25th. Medium is the figure ranked 50th while percentile 75% is that ranked 75th. By using this comparison, one can have a clear idea of the status of subject's financial ratio in its industry. '--' means that we do not have enough industry data to generate the comparison.

Subject's financial principal confirmed the financial information in this report, and stated the following information.

1. Subject's deficit in 2003-2005 was due to the small scale of business amount at the very beginning of its establishment, but in 2006 subject gained profits and ran well.
2. Subject's profit after tax in 2006 was RMB16 million, a little discrepant from the figures obtained from government.

BANKING	
Main Correspondent Bank(s)	China Construction Bank Taicang City Sub-branch
Bank Telephone	0512-5352****
Account Number	--
Remark	The bank's Customer Manager who is in charge of subject states that subject opens a basic RMB account with frequent exchanges in the bank, including remitting business, tax-paying business and fee-deduction business. Subject has sound credit standing and the bank has an intention to grant credit limit to subject, but it is not in operation at present.
Main Correspondent Bank	Bank of China Taicang Sub-branch
Bank Telephone	0512-5352****
Account Number	--
Remark	The bank's Customer Manager who is in charge of subject states that subject is among the high grade customers and subject opens foreign currency accounts in the bank with Top 3 settlement volume. Subject's credit rating was AA in 2005 and AAA in 2006. According to the manager, one major characteristics of subject is the large amount of affiliated exchanges. The information as he knows shows that subject gets great support from its parent company and there is no case of delayed payment. Its payment period is around 15 days averagely.

OPERATIONS

Core Business

Manufacturer of automobile electronic equipment

Subject specializes in the production of automobile sound. It put into production in August 2003 formally. It got the certificates of ISO9001 and ISO14001 in 2004. Its products are sold to China, Japan, Thailand, Malaysia, US, Germany, Mexico, etc.

Sales

Export to (2006)	UNITED STATES	36.01%
	REP. OF KOREA	17.98%
	GERMANY	17.48%
	UNITED KINGDOM	15.19%
	SINGAPORE	6.68%
	JAPAN	3.87%
	MEXICO	1.28%
	CHINA	1.24%
	Others	.27%
Export Volume	USD103,046,836 (2006)	
	USD57,038,020 (2005)	
	USD23,052,555 (2004)	
	USD1,910,047 (2003)	

Subject is a manufactory established by its headquarters in the Chinese Mainland. Its Japanese headquarters takes charge of collecting accounts for its exported products. Its parent company takes charge of collecting accounts for its domestically-sold products. Subject only settles with Japanese headquarters and Chinese parent company.

At present, 95% of subject's products are exported and only a small amount is sold domestically. Its credit term of settlement with Japanese headquarters and Chinese parent company is 30 days. Subject claims that its collection period is shorter than its credit term.

Purchase		
Import from (2006)	JAPAN	41.94%
	CHINA	35.98%
	Taiwan Prov.	8.52%
	MALAYSIA	4.88%
	PHILIPPINES	4.04%
	UNITED STATES	1.58%
	REP. OF KOREA	1.57%
	THAILAND	1.19%
	Others	.3%
Import Volume	USD27,886,310 (2006) USD19,651,771 (2005) USD11,330,253 (2004) USD7,176,255 (2003)	
Import*	Electric machinery, electric, audio-video equipment and its parts and accessories/ Nuclear reactor, boiler, mechanical apparatus and its parts/ Equipment and its parts and accessories for optics, photography and medical treatment/ Steel / Base metal apparatus, edge tool, dishware and its parts *Note: Commodity names shown here are not subject's actual import/export product name, but category name classified by China Customs.	
<p>Subject states that the major suppliers of its parts and accessories are from Japan or the enterprises set by Japanese enterprises domestically. Most of its direct import is from Japanese suppliers and only a small part is from its Japanese headquarters. Most of subject' domestic purchase is also from Japan-funded enterprises like Shanghai Panasonic, Shanghai Toshiba, etc.</p> <p>Subject also states that its settlement credit term with suppliers was mainly 30 days before 2006, but since 2006 it has been prolonged to 60 days.</p>		

Premises	
Operating Space	100,000 square metres
Owned/Rented	Owned
Location	Main Industrial District
Subject's factory covers an area of 100,000 sq.m., 12,000 sq.m. of which is office area.	

Employees	
Total Employees	2,000

PAYMENT RECORDS	
Date	2007-01-26
Comment	Prompt
Payment Term	T/T Remittance 60day(s)
Credit Limit	USD
Relationship	3 years
Industry	Manufacturer of other unlisted electronic apparatus
Supply	Direct current micro-motor
Remark	The company's Sales Manager states that the company and subject are both Japanese-owned enterprises. Subject, since it formally put into production in 2003, has established business relationship with the company and purchases direct current micro-motor from the company. The two parties do business by means of import and export by deep processing factory transfer. The business amount was USD1.5 million in 2005 and was increased to some extent in 2006. Since 2006, the settlement credit term between the two parties has been prolonged from 30 days to 60 days. Subject makes the payment promptly.
Date	2007-01-26
Comment	Prompt
Payment Term	T/T Remittance 60day(s)
Credit Limit	USD

Relationship	3 years
Industry	Manufacturer of other unlisted electronic apparatus
Supply	Internal injection molding pieces for sound
Remark	Staff from the company's sales department states that initially the company cooperated with Dalian Sample Co., Ltd. and supplied sound internal injection molding pieces for it. At that time subject hadn't been established yet. Since subject's establishment, the company supplied for both subject and Dalian Sample Co., Ltd. The company does business with subject by means of import and export by deep processing factory transfer. Since April 2006, the settlement credit term has been prolonged from 30 days to 60 days. The staff states that the prolongation of credit term was a sales means to enlarge the business amount, which is similar to price reduction. At present, subject purchases 11 kinds of products from the company and the average monthly purchase quantity of every kind of product is 150,000 pieces. The monthly trade amount is around USD100,000.

AFFILIATE INFORMATION	
SinoRating Ref. Number	CHN000042687
Company Name	Dalian Sample Co., Ltd.
Address	No. ***, Yingbin Road, Jinzhou Economic Development Zone, Jinzhou District, Dalian City, Liaoning Province
Postalcode	116***
Telephone	(86)411-8768****
Fax	(86)411-8768****,8768****
Company Type	Sino-Foreign Joint Venture
Registered Capital	USD15,400,000

Founded on Dec. 28, 1994, Dalian Sample Co., Ltd. is co-invested by Sample (China) Co., Ltd. (90%) and Dalian DX Group Co., Ltd. (10%) with a registered capital of USD15.4 million.

The company's core business is the manufacture of automobile sound and automobile communication system. Besides its own brand "Sample", it also provides OEM service for well-known auto-manufacturers in the world.

The company obtained ISO9002 quality certificate in June 1999. From May 2001, it began to manufacture components of CD players; from June of that year, it began to manufacture CD and MD player with in-built radio systems. In 2002, the company imported the precise coating equipment technologies and ultraprecision molding machines; in March of the same year, it began to manufacture in-built tuners; in April, it obtained ISO14001 environment certificate; in July, it imported the new production system--- SAPR/3; in August, it passed the ISO/TS16949 inspection.

LITIGATION

As of report date, we did not find any of subject's litigation records from Suzhou Intermediate People's Court or other related sources.

PUBLIC INFORMATION

As of report date, we did not find any negative information relating to the subject company.

SINORATING SUMMARY

Incorporated on September 2, 2002, subject is invested by Japan Sample Inc. (32%) and Sample (China) Co., Ltd. (68%) with a registered capital of USD25 million.

Subject specializes in the production of automobile sound. It put into production in August 2003 formally. It got the certificates of ISO9001 and ISO14001 in 2004. Its products are sold to China, Japan, Thailand, Malaysia, US, Germany, Mexico, etc.

According to subject, its profit after tax in 2006 was RMB16 million.

Subject's main correspondent bank, supplier and other third party make a good comment on subject's credit standing.

SINORATING CREDIT RATING

Credit Rating Result

Rating	Corresponding Comments
AAA	Very strong strength, very high resistance to risk, excellent credit status

AA	Strong strength, high resistance to risk, good credit status
A	Relatively strong strength, relatively high resistance to risk, normal credit status
BBB	Average strength, average resistance to risk, acceptable credit status
BB	Below-the-average strength, below-the-average resistance to risk, less acceptable credit status
B	Relatively weak strength, relatively low resistance to risk, passable credit status
CCC	Weak strength, low resistance to risk, relatively poor credit status
CC	Very weak strength, very low resistance to risk, poor credit status
C	On the verge of bankruptcy, basically discredited
NR	Subject is not rated because it is established for no more than one year or it goes out of business or information is not enough

Principal Consulting Index and Weight of Credit Rating

Rating Factors	Weight
Key executives, employees & organizational structure	10%
Company background, operational status	20%
Company size	15%
Financial status	30%
Company development	10%
Competitiveness and industry analysis	10%
Company and industry prospect	5%
Total	100%
Special factors	-10%~~+10%