

In-depth Credit Report
WUXI SAMPLE HEAT EXCHANGER STOCK COMPANY LTD.

无锡SAMPLE换热器股份有限公司

Your Enquiry: 无锡SAMPLE换热器股份有限公司
Date of Enquiry: Oct. 21, 2014
Report Type: In-depth Credit Report
Type of Enquiry: Normal
Date of Delivery: Nov. 05, 2014

INVESTIGATION NOTES

The given English company name: Wuxi SAMPLE Heat Exchanger Stock Company Ltd is Subject's legal English name.

The given address is Subject's present business address.

The given contact person: LU Wenlong is Subject's Legal Representative.

The given website: <http://www.SAMPLEcooler.com.cn/> is Subject's legal official website, while the one given by Sinotrust in this report includes the Chinese version page.

Subject's clerk said the given telephone number: 86-510859908XX belongs to the office of Subject's Chairman of the Board.

No one answered the given mobile phone number: 138061968XX despite numerous attempts, so we were unable to confirm whether this number belongs to Subject.

PROFILE

| | |
|----------------|------------------------------------------------------------------------------|
| Subject Name: | WUXI SAMPLE HEAT EXCHANGER STOCK COMPANY LTD. (Given by Official Sources) |
| Sinotrust No.: | 01257448XX |
| AIC No.: | 3202110000695XX |
| N.O.C.: | 7505254XX |
| Tax File No.: | 3202117505254XX |
| Address: | No. 5, Xiaguang Rd., Mashan Biomedical Industrial Zone Jiangsu Province |
| Zip Code: | 214091 |
| Telephone: | (+86 510) 859998XX |
| Facsimile: | (+86 510) 859901XX |
| Website: | http://www.SAMPLE.cn |

SUMMARY

| | |
|--------------------------------------------|------------------------------------------|
| Establishment Date: | Jun. 05, 2003 |
| Legal Status: | Joint stock limited company (non-listed) |
| Organization Type: | Corporate enterprise |
| Debt Issued or Not: | No |
| Listed or Not: | Yes |
| Listing Status: | Normal |
| Stock Code: | 830882 |
| Listing Location: | Third Market |
| External Investment or Not: | No |
| Legal Rep.: | LU Wenlong |
| Availability of Main Executive Background: | Yes |
| Registered Capital: | 10,000,000 |
| Sales: | 56,317,000 (2014) |
| Net Profit: | 5,198,000 (2014) |
| Total Assets: | 92,407,000 (Jun. 30, 2014) |
| Net Worth: | 66,101,000 (Jun. 30, 2014) |
| Employees: | 300 |
| I/E License: | Self-run I/E license |
| Litigation Records: | Yes |
| Credit Records: | Yes |
| Public Records: | No |

Currency in this report is Chinese Yuan (RMB) unless otherwise stated. "--" in this report indicates "unavailable" or "no comment" due to insufficient information.

CREDIT ASSESSMENT

| Major Indicators | Score | Rating |
|---------------------|-------|---------------|
| Business Size: | 67 | Fairly Large |
| Company Background: | 37 | Fairly Weak |
| Financial Position: | 70 | Fairly Strong |
| Industry Outlook: | 73 | Fairly Strong |
| Credit Rating: | 63 | CR4 |
| Base Credit Limit: | | 2,000,000 |

RATING DISTRIBUTION IN SINOTRUST DATABASE



MAIN BUSINESS & INDUSTRY CLASSIFICATION

| | |
|----------------|----------------------------------------------------------------|
| Main Business: | Production and sale of heat exchangers |
| Chinese SIC: | 3442, Manufacture of gas compression machinery |
| ISIC: | 2813, Manufacture of other pumps, compressors, taps and valves |
| NACE: | 28.13, Manufacture of other pumps and compressors |

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

FINANCIAL SUMMARY

| | 2013 | 2012 |
|----------------------------------------|-------------|-------------|
| Sales | 97,168,000 | 93,034,000 |
| Total profit | 4,225,000 | 6,244,000 |
| Net profit | 3,848,000 | 5,758,000 |
| Total assets | 125,385,000 | 150,468,000 |
| Total liabilities | 64,482,000 | 93,121,000 |
| Total shareholders' equity | 60,903,000 | 57,347,000 |
| Total current assets | 97,924,000 | 121,112,000 |
| Total current liabilities | 64,482,000 | 93,121,000 |
| Working capital | 33,442,000 | 27,991,000 |
| Total fixed assets | 24,329,000 | 26,080,000 |
| Return on net assets (%) | 6.32 | 10.04 |
| Net profit margin (%) | 3.96 | 6.19 |
| Turnover of total assets | 0.77 | 0.62 |
| Turnover of accounts receivable (days) | 128.17 | 124.97 |
| Liabilities/assets ratio (%) | 51.43 | 61.89 |
| Current ratio | 1.52 | 1.30 |
| Quick ratio | 1.36 | 1.18 |
| Sales growth (%) | 4.44 | -- |
| Gross profit growth (%) | -5.61 | -- |
| Total assets growth (%) | -16.67 | -- |

IMPORTANT EVENTS

Subject was listed on the National Equities Exchange and Quotations, and SINOTRUST considers this kind of enterprise as a listed enterprise, but Subject's legal status with the Chinese Government company registration authorities, the AIC, is "Joint stock limited company (non-listed)".

DEVELOPMENT OUTLOOK

Industry outlook: The domestic heat exchanger industry has a history of 50 odd years. It has seen rapid growth, along with the development of the petroleum, chemical, equipment machinery, energy, and auto industries. In recent years, the industry has made remarkable achievements in terms of energy saving and efficiency improvement, improvement of heat transfer efficiency, reduction of heat transfer area, reduction of intensity pressure, and reinforcement of equipment heat transfer strength. The product types change quickly as well. The domestic heat exchanger industry will maintain this upward trend, thanks to the stable heat exchanger demand growth of such sectors as petroleum, chemical, electric power, metallurgy, shipping, machinery, food and pharmaceutical. According to the forecast of the China Machinery Industry Federation, the domestic heat exchanger industry will maintain an annual growth rate of 10%-15% from 2010 to 2020. The industry will breach 88 billion in size by 2015 and the industry size is expected to reach 150 billion by 2020.

Business outlook: Subject is likely to further expand its production size through merging and establishing new production bases, so as to resolve its insufficient production capacity which currently restricts its development. Meanwhile, it will market and sell products through greater participation in fairs, networking platforms, and telephone calls to develop the domestic and foreign markets better and enhance its competitive position in the aluminum heat exchanger field.

POTENTIAL RISKS

1. Collection risk of accounts receivable: Subject reported a large quantity of accounts receivable balance at the yearend 2012, 2013 and middle of 2014, and the balance took up over 35% of sales. Due to the large number of accounts receivable, the possibility of bad debt could impair its operation.
2. Risk of insufficient production capacity: As compared with the big heat exchanger enterprises, Subject has a rather small scale and weak capital strength. Although the present orders have the existing production facilities working day and night, the insufficient production capacity restricts Subject's capacity to accept new orders and

expand its business size.

3. Risk of exchange rate: Subject is engaged in the R&D, production and sale of plate-fin heat exchangers and fin tube heat exchangers. Over 70% of the heat exchangers are exported to Italy, Germany, Russia and the U.S. It uses Euro and USD as its major settlement currencies, which causes exchange rate fluctuation and tariffs to become risk factors in routine operation and impairs its control over operating costs.

4. Risk of raw materials price fluctuation: The major production-needed raw materials are aluminum materials. Despite constantly low prices of aluminum in the short term, Subject will face heavy cost pressure if aluminum prices soar and Subject fails to transfer prices downstream. In addition, Subject, a labor and energy intensive production enterprise, bears high costs in hydropower energy and HR. Along with the persistently rising labor costs and gradient governing of energy in recent years, Subject might be faced with further increased cost pressure.

GENERAL COMMENTS

Established on Jun. 5, 2003 and co-founded by CHEN Guoying, LU Wenlong and QIAN Yuanqing, Subject specializes in the R&D, manufacture, processing and sale of aluminum heat exchangers. The prime products fall into two major categories: plate-fin heat exchangers and fin tube heat exchangers. Its products are widely applied to air separation equipment, air compressors, generators, hydraulic equipment, engineering machinery, wind power generation, automobiles, aerospace, and other fields. Subject went public on the National Equities Exchange and Quotations on Jul. 24, 2014, with the stock code of 830882.

With a long presence, it has formed an annual production capacity of over 3600 tons (about 200,000 sets) of heat exchangers. The self-made heat exchangers are chiefly for export and this business takes up about 70% of the total volume. The overseas clients are concentrated in Italy, Germany, Russia, and the U.S., while domestic sales account for around 30% of the total and are concentrated in Jiangsu Province, Shanghai, and Zhejiang Province (mainly the Yangtze River Delta). The major customers include SHANGHAI SCREW COMPRESSOR CO., LTD. and Wuxi Yuda Heat-exchanger Co., Ltd. Through years' of development, Subject has claimed a certain market share, suggesting certain development potential in the future.

We propose a credit rating of CR4, the most common rating we give to Chinese companies, based on Subject's present operation status, business background, and market recognition.

REGISTRATION

Establishment Date: Jun. 05, 2003
Registered Address: Mashan Biomedical Industrial Zone, Binhu District, Wuxi, Jiangsu
Zip Code: 214091
Registry: Binhu District Administration for Industry and Commerce, Wuxi
Legal Rep.: LU Wenlong
AIC No.: 3202110000695XX
Legal Status: Joint stock limited company (non-listed)
Registered Capital: 10,000,000
Business Scope: Operating items requiring permit: manufacture of Category-I pressure vessels and Category-II low & medium pressure vessels; general operating items: production, processing, sale and R&D of heat exchangers and parts & components; import and export of various types of commodities and technologies on a self-running or commission basis (excluding those operated by the companies designated by the state or those prohibited from being imported and exported by the state) (no operation is allowed before obtaining the approval of the relevant department, where approval is mandated by laws)
Duration of Operation: Unlimited
Latest Yearly Inspection: 2013

CHANGES IN REGISTRATION

| Date of Change | Change(s) | From | To |
|----------------|--------------|------------------------------------------------------------------------|-----------------------------------------------|
| Apr. 04, 2014 | Company Name | Wuxi SAMPLE Heat Exchanger Manufacture Co., Ltd. (Literal Translation) | WUXI SAMPLE HEAT EXCHANGER STOCK COMPANY LTD. |

| | | | |
|---------------|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| Apr. 04, 2014 | Legal Representative (Principal) | CHEN Guoying | LU Wenlong |
| Apr. 04, 2014 | Business Scope | Manufacture, processing, sale and R&D of heat exchangers and machinery parts & components; import and export of various types of commodities and technologies on a self-running or commission basis (excluding those operated by the companies designated by the state or those prohibited from being imported and exported by the state) | Operating items requiring permit: manufacture of Category-I pressure vessel and Category-II low & medium pressure vessels |

SHAREHOLDERS AND SHARES

| Shareholders | Capital Subscribed | % of Total |
|---------------|--------------------|------------|
| CHEN Guoying | 5,307,000 | 53.00 |
| LU Wenlong | 3,493,000 | 35.00 |
| QIAN Yuanqing | 1,200,000 | 12.00 |
| | ----- | ----- |
| Total | 10,000,000 | 100.00 |

| Shareholders | Paid-up % |
|---------------|-----------|
| CHEN Guoying | 100.00 |
| LU Wenlong | 100.00 |
| QIAN Yuanqing | 100.00 |

HISTORY

| | |
|----------|------------------------------------------------------------------|
| Jun.2003 | Subject was registered and incorporated. |
| Mar.2008 | Subject was appraised as Wuxi high-tech enterprise. |
| Jul.2014 | Subject was listed on National Equities Exchange and Quotations. |

MAIN EXECUTIVE(S)

| | |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name: | LU Wenlong |
| Post: | Chairman of the Board & General Manager |
| Gender: | Male |
| Date of Birth: | 1964 |
| Education: | Master's degree and postgraduate |
| Work Experience: | <p>Sep. 1982-Jul. 1986 taught in Gengwan Primary School of Mashan Township;</p> <p>Aug. 1986-Dec. 1991 successively as electrician and Secretary of the league branch of Gengwan Village and Factory Director of Shanghai Tonglian Electric Equipment Factory Gengwan Branch (literal translation)</p> <p>(GLOBIS Note: By the name "the league branch of Gengwan Village" one can assume this is a local Chinese Government entity and at a minimum this indicates LU Wenlong has good connections with the local Authorities, and possibly that he is a member of the Chinese Communist Party);</p> <p>Jan. 1992-Apr. 1994 with Mashan Lamp Factory (literal translation) as a sales clerk;</p> <p>May 1994-Mar. 2003 with Wuxi SAMPLE Decorative Material Co., Ltd. (literal translation) as General Manager</p> <p>(GLOBIS Note: Please see below section which indicates LU Wenlong currently owns 90% of this company);</p> |

Jun. 2003- Mar. 2014 with Subject as Supervisor;
Since Mar. 2014 with Subject as Chairman of the Board and General Manager.
(GLOBIS Note: All of the above appointments were located in Subject's region, (Mashan Township, Wuxi, Jiangsu), suggesting Subject's Main Executive has considerable connections in the area – this can be positive for Subject's business development and relationships with the local Authorities, but should be monitored closely to ensure compliance with FCPA. The client might consider diplomatically recommending LU Wenlong participate in annual FCPA training.)

No. of Invested and Appointed 1
Companies:

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

INVESTMENTS OF EXECUTIVES

Executive's Name: LU Wenlong
Gender: Male
Post: Shareholder
Company Name: Wuxi SAMPLE Decoration Materials Co., Ltd. (literal translation of 无锡市 SAMPLE 装饰材料有限公司) (GLOBIS Note: This is identifiable with the above stated company for whom LU Wenlong was General Manager from May 1994-Mar. 2003)
Company Address: Ma Yun Road Town Masan Snow Lake District, Wuxi City, Jiangsu Province (literal translation of 江苏省无锡市滨湖区马山镇马山雪云路)
Sinotrust No.: 00739483XX
Current Status: Corporate enterprise
Establishment Date: Jun. 15, 1995
AIC Registration No.: 32021121096XX
Registered Capital: 5,030,000
% Ownership: 90.00%

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

BOARD OF DIRECTORS

Name: LU Wenlong
Post: Chairman of the Board and General Manager
Gender: Male

Name: WAN Lianghao
Post: Director
Gender: Male

Name: LU Diping
Post: Director
Gender: Male

Name: YE Bin
Post: Director
Gender: Female

Name: LU Qing
Post: Director
Gender: Female

Name: JIN Chunhua

Post: Director
Gender: Female

Name: AN Guijin
Post: Director
Gender: Female

BOARD OF SUPERVISORS

Name: YU Zurong
Post: Chairman of the Board of Supervisors
Gender: Male

Name: CHEN Yuzhong
Post: Supervisor
Gender: Male

Name: CAI Jianming
Post: Supervisor
Gender: Male

NUMBER OF EMPLOYEES

Total Employees: 300
Sales: 15
Production: 210
Technical: 15

As a manufacturing-oriented enterprise, Subject has about 210 production persons (the major part), about 15 sales clerks, and about 15 technology R&D clerks. The rest are management support clerks in finance, administration, and HR. The professional technicians take up 40% of the workforce. The information above was confirmed by Subject's clerk on Oct. 29, 2014.

ORGANIZATION STRUCTURE

- I .Chairman of the Board
- II .Board of Directors
- III.General Manager
 - IV.Deputy Executive General Manager
 - V.Comprehensive department
 - V.Technology department
 - V.Inspection station
 - V.Purchasing and supply department
 - V.Radiator department
 - V.Production department
- IV.CFO
 - V.Finance department
 - V.Depot
- IV.Sales department
 - V.Export department
 - V.Domestic sales department

OFFICE FACILITIES

Location: No. 5, Xiaguang Rd., Mashan Biomedical Industrial Zone, Binhu District, Wuxi, Jiangsu
Area: Plot area of about 22,000 square meters
Property Ownership: Leasehold
Traffic Convenience: Subject is situated in Wuxi, Jiangsu Province, which, located in Mashan Taihu National Tourism Resort of China, is a city with a long history and beautiful scenery. The city, in the center of the "equilateral triangle" made up of the cities: Shanghai, Nanjing (capital of six dynasties) and Hangzhou (capital of Zhejiang Province), connected with the Xiyi, Huning and Ninghang Expressways, and based in the hinterland of the Yangtze River Delta, functions as the major transportation junction of East China. A three-dimensional transportation network of railway, roadway, waterway and airway has been set up.

OPERATIONS

Main Business: Production and sale of heat exchangers
Chinese SIC: 3442, Manufacture of gas compression machinery
ISIC: 2813, Manufacture of other pumps, compressors, taps and valves
NACE: 28.13, Manufacture of other pumps and compressors

Subject is mainly engaged in the production and sale of aluminum heat exchangers, with plate-fin heat exchangers and fin tube heat exchangers as their prime product. The plate-fin heat exchangers include gas coolers, water coolers, oil coolers, oil gas coolers, and oil-gas-water comprehensive heat exchangers and the fin tube heat exchangers include condensers, laminated type oil coolers, automotive intercoolers, and water tanks. The company gives priority to OEM. Its products are widely applied to air separation equipment, air compressors, generators, hydraulic equipment, engineering machinery, wind power generation, automobiles, aerospace and other fields.

Subject went public on the National Equities Exchange and Quotations on Jul. 24, 2014, with the stock code of 830882.

Subject has brought in the most advanced domestic vacuum brazing furnace and continuous furnace, as well as whole-set design, production, examination, and function testing equipment. The minimum brazing size of the heat exchanger units stands at 6000×1200×1250mm and the minimum design pressure of product reads 8Mpa. At present, it claims an annual production capacity of heat exchangers of 3600 tons (about 200,000 sets).

PRODUCTION FACILITIES & CAPACITY

Subject has passed the ISO9001: 2008, ISO/TS16949: 2009 quality management system certifications, the ISO14001:2004 environment management system certification, and other international authoritative system certifications, and obtained such honored certificates as the special equipment manufacturing permit of the PRC and qualification as a hi-tech enterprise. The product quality is secured.

TRADEMARKS & PATENTS

Our check with the Trademark Office of the State Administration for Industry and Commerce of the People's Republic of China finds no trademarks registered by Subject in the latest five years.

| Patent Type | Invention Patent | Utility Model Patent | Design Patent | Total |
|-------------------------|------------------|----------------------|---------------|-------|
| Total Patents | -- | 28 | 39 | 67 |
| Patents Applied in 2014 | -- | 28 | 39 | 67 |

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

PURCHASING INFORMATION

Main Purchases: Composite boards, aluminum foil, seals, groove aluminum, and aluminum plates,

production equipment, and office supplies

No. of Major Suppliers: 10 odd

Major Suppliers: Changxing Shengda Electric Furnace Manufacturing Co., Ltd. (Literal Translation), Wuxi Huida Aluminum Co., Ltd., YINBANG CLAD MATERIAL CO., LTD., WUXI GUANYUN ALUMINIUM PRODUCTS CO., LTD., Wuxi Jujian Aluminum Co., Ltd. (Literal Translation), Wuxi Fengyun Aluminum Co., Ltd.

Main Payment Terms: Immediate payment, short-term credit or payment terms agreed in the contract

Purchasing Territory & Status

Subject is engaged in the production and sale of plate-fin heat exchangers and fin tube heat exchangers. The major production-needed raw materials include composite boards, aluminum foil, seals, groove aluminum, and aluminum plates. Composite boards and aluminum foil, the major ones, take up about 50% of the total raw materials procurement value. It buys raw materials chiefly in China, especially Wuxi, Changzhou and Shanghai (Yangtze River Delta as the focus). The suppliers are mostly aluminum manufacturers, like YINBANG CLAD MATERIAL CO., LTD., Wuxi Huida Aluminum Co., Ltd. and WUXI GUANYUN ALUMINIUM PRODUCTS CO., LTD.

Through years of development, it has formed a well established purchasing system. Raw materials purchase is not allowed before it passes the examination or enters the purchasing system. Price comparison is adopted during the procurement: the policy that quality is compared among counterparts, prices are compared when quality is the same, and reputation is compared when prices are the same, is strictly carried out. It maintains steady ties with its suppliers, which secures its goods source.

The information above was provided by Subject's clerk on Oct. 29, 2014.

SELLING INFORMATION

Domestic: 30%

Regions: Jiangsu, Zhejiang, Shanghai, Anhui and Shandong

Customers: Wuxi Yuda Heat-exchanger Co., Ltd., Wuxi Pneumatech Air/Gas Purity Equipment Co., Ltd., SHANGHAI SCREW COMPRESSOR CO., LTD.

Sales Terms: Immediate payment, credit of 30-90 days or payment terms agreed in the contract

Overseas: 70%

Regions: Italy, Germany, Russia, and the U.S.

Customers: OESSE SRL, OFFICINE MECCANICHE INDNSTRALI SRL, KUPPLUNGSTECHNIK GMBH

Sales Terms: L/C, T/T or credit of 30-90 days

Sales Channels & Market Distribution

Engaged in the R&D, production, and sale of aluminum heat exchangers and fin tube heat exchangers, Subject gives priority to OEM and ODM, especially OEM. It develops the overseas market chiefly through distributors, which sell products locally.

Subject is targeting the overseas market and the export volume takes up about 70% of its total business. The foreign customers center on Europe, America, and Asia, in particular Italy and Germany. The clients include OESSE SRL, OFFICINE MECCANICHE INDNSTRALI SRL and KUPPLUNGSTECHNIK GMBH. The domestic sales, accounting for 30% or so, centralize in Jiangsu Province, Shanghai, and Zhejiang Province, especially the Yangtze River Delta area. The major customers include SHANGHAI SCREW COMPRESSOR CO., LTD. and Wuxi Yuda Heat-exchanger Co., Ltd.

Having established a stable sales network, Subject sees steady business development and maintains stable relationships with its clients.

The information above was provided by Subject's clerk on Oct. 29, 2014.

IMPORT & EXPORT

I/E License: Self-run I/E license
Customs' Rating: B (Oct. 29, 2014)

Definitions of Ratings of General Customs:

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

| | 2012 | 2011 |
|----------------------------------|-------------|-------------|
| Total Imports (Unit: USD 10,000) | Less than 1 | Less than 1 |
| Total Exports (Unit: USD 10,000) | 1,000-2,000 | 1,000-2,000 |

CREDIT RECORD

Supplier: YINBANG CLAD MATERIAL CO., LTD.
Commodities Supplied: Aluminum foil, composite boards, and composite belts
Post: Sales department
Telephone: 0510-88997000
Cooperation Duration: Long-term
Payment Punctuality: Prompt
Interviewee's Remarks: Subject's clerk said Subject has established cooperative ties with the said company, which was confirmed by the clerk there. We also learned that this company principally offers aluminum foil, composite board, and composite belts to Subject and requires the payment term of bank transfer. Subject maintains a sound credit status. No dishonored payment record against Subject has been found.
Date of Interview: Oct. 29, 2014

LITIGATION RECORD

Source: <http://www.court.gov.cn/>
Hearing Court: Jiangsu Wuxi Binhu District People's Court
Case Number: (2011) XBZZ No. 240
Defendant: WUXI SAMPLE HEAT EXCHANGER STOCK COMPANY LTD.
Date of Hearing: Mar. 17, 2011
Case Brief: Party subject to enforcement: Wuxi SAMPLE Heat Exchanger Manufacture Co., Ltd. (Literal Translation)
Sum of subject matter: RMB6,458.00
Status: finished
This litigation record is the information before Subject changed its name. Subject's name was changed from Wuxi SAMPLE Heat Exchanger Manufacture Co., Ltd. (Literal Translation) to the current one on Apr. 4, 2014.
Date of Acquisition: Oct. 29, 2014

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

TAXATION RECORDS

No negative taxation records against Subject have been found through our querying the website of the local SAT office and other major search engines as of the completion date of this report.

QUALITY INSPECTION RECORDS

No negative quality records against Subject have been found through our querying the website of the local quality and technical supervision bureau and other major search engines as of the completion date of this report.

FINANCES

Balance Sheet ('000):

| | Jun. 30, 2014 (Consolidated) | Dec. 31, 2013 (Consolidated) | Dec. 31, 2012 (Consolidated) |
|-----------------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Cash & bank | 14,714 | 21,589 | 25,448 |
| Held-for-trading financial assets | 92 | 92 | 138 |
| Notes receivable | 1,850 | 686 | -- |
| Accounts receivable | 40,684 | 34,595 | 32,296 |
| Advances to suppliers | 942 | 981 | 1,131 |
| Other receivables | 1,530 | 29,725 | 50,831 |
| Inventory | 7,297 | 10,256 | 11,268 |
| Total Current Assets | 67,109 | 97,924 | 121,112 |
| Fixed assets | 22,199 | 24,329 | 26,080 |
| Construction-in-progress | -- | -- | 189 |
| Intangible assets | 2,583 | 2,616 | 2,681 |
| Deferred income tax assets | 516 | 516 | 406 |
| Total Non-Current Assets | 25,298 | 27,461 | 29,356 |
| TOTAL ASSETS | 92,407 | 125,385 | 150,468 |
| Short-term borrowings | 11,000 | 36,000 | 60,000 |
| Notes payable | -- | 12,000 | 18,850 |
| Accounts payable | 11,521 | 10,681 | 8,860 |
| Advances from customers | -- | 1,164 | 862 |
| Accrued payroll | 3,269 | 5,154 | 4,824 |
| Taxes payable | -69 | -707 | -442 |
| Interest payable | -- | 73 | 126 |
| Other payables | 219 | 117 | 41 |
| Other current liabilities | 366 | -- | -- |
| Total Current Liabilities | 26,306 | 64,482 | 93,121 |
| Total Non-Current Liabilities | 0 | 0 | 0 |
| TOTAL LIABILITIES | 26,306 | 64,482 | 93,121 |
| Paid-up capital | 10,000 | 10,000 | 10,000 |
| Surplus reserve | 4,732 | 4,732 | 4,347 |
| Undistributed profit | 51,369 | 46,171 | 43,000 |
| TOTAL SHLDRS' EQUITY | 66,101 | 60,903 | 57,347 |
| TOTAL LIABILITIES & SHLDRS' EQUITY | 92,407 | 125,385 | 150,468 |

Income Statement ('000)

| | 2014 | 2013 | 2012 |
|-------------------------------|---------------|---------------|---------------|
| Starting Date | Jan. 01, 2014 | Jan. 01, 2013 | Jan. 01, 2012 |
| Closing Date | Jun. 30, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
| Sales | 56,317 | 97,168 | 93,034 |
| Less: Cost of sales | 41,945 | 72,476 | 66,741 |
| Business taxes and surcharges | 488 | 610 | 781 |
| Gross Profit | 13,884 | 24,082 | 25,512 |
| Less: Selling expenses | 1,731 | 3,132 | 3,356 |
| Administrative expenses | 5,892 | 14,479 | 14,265 |
| Financial expenses | 472 | 1,433 | 628 |
| Assets impairment loss | -- | 739 | 1,022 |
| Plus: Investment income | -- | -46 | 2 |

| | | | |
|-----------------------------------|-------|-------|-------|
| Net income from fair value change | -- | -- | 6 |
| Operating Profit | 5,789 | 4,253 | 6,249 |
| Plus: Non-operating income | 288 | -- | 7 |
| Less: Non-operating expenses | -- | 28 | 12 |
| Other profit | 38 | -- | -- |
| Total profit | 6,115 | 4,225 | 6,244 |
| Less: Income tax | 917 | 377 | 486 |
| Net profit | 5,198 | 3,848 | 5,758 |

NOTES TO FINANCES

Due to the lack of a clear government policy regarding the 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.

"Taxes payable" in "total current liabilities" was negative, which is attributed to the taxes Subject overpaid before.

Change of Key Financials ('000)

| | 2013 | Growth Rate (%) | 2012 |
|----------------------------|---------|-----------------|---------|
| Sales | 97,168 | 4.44 | 93,034 |
| Net profit | 3,848 | -33.17 | 5,758 |
| Total assets | 125,385 | -16.67 | 150,468 |
| Total liabilities | 64,482 | -30.75 | 93,121 |
| Total shareholders' equity | 60,903 | 6.20 | 57,347 |
| Total current assets | 97,924 | -19.15 | 121,112 |
| Total current liabilities | 64,482 | -30.75 | 93,121 |
| Working capital | 33,442 | 19.47 | 27,991 |
| Total fixed assets | 24,329 | -6.71 | 26,080 |

Important Ratios:

| Profitability | 2013 | Year-on-year Comparison | 2012 |
|----------------------------|-------|-------------------------|-------|
| Return on net assets (%) | 6.32 | ↓ | 10.04 |
| Return on total assets (%) | 3.07 | ↓ | 3.83 |
| Gross profit margin (%) | 24.78 | ↓ | 27.42 |
| Net profit margin (%) | 3.96 | ↓ | 6.19 |

| Efficiency | 2013 | Year-on-year Comparison | 2012 |
|----------------------------------------|--------|-------------------------|--------|
| Turnover of total assets | 0.77 | ↑ | 0.62 |
| Turnover of current assets | 0.99 | ↑ | 0.77 |
| Turnover of accounts receivable (days) | 128.17 | ↑ | 124.97 |

| Solvency | 2013 | Year-on-year Comparison | 2012 |
|------------------------------|-------|-------------------------|-------|
| Liabilities/assets ratio (%) | 51.43 | ↓ | 61.89 |
| Current ratio | 1.52 | ↑ | 1.30 |
| Quick ratio | 1.36 | ↑ | 1.18 |

| Growth | 2013 | Year-on-year | 2012 |
|--------|------|--------------|------|
|--------|------|--------------|------|

| | Comparison | | |
|-------------------------|------------|----|----|
| Sales growth (%) | 4.44 | -- | -- |
| Gross profit growth (%) | -5.61 | -- | -- |
| Total assets growth (%) | -16.67 | -- | -- |

BENCHMARK ANALYSIS

Analysis of Subject's profitability and growth capacity: Its sales slightly rose from 2012 to 2013. The sales growth rate only sat at 4.44% in 2013, proving stable business development. Subject could not accept more orders, as a result of its limited production capacity. Rising raw materials costs and expenses markedly reduced its net profit margin in 2013 and led to weak profitability.

Analysis upon Subject's operating capacity: Subject's turnover of total assets and turnover of current assets slightly mounted up from 2012 to 2013, denoting improved utilization efficiency of self-owned assets and capital. However, the macro economy caused trouble for customers in capital turnover. In order to help clients make it through, Subject prolonged the credit period, which increased its own turnover of accounts receivable (days) in 2013 against 2012 and led to an average receivables collection period of 128.17 days. The overall operating capacity was in need of improvement.

Analysis of Subject's solvency: Its liabilities/assets ratio kept on falling from 2012 to 2013. Its liabilities/assets ratio in 2013 read 51.43%, which was below the industry average and denoted improved assets structure, eased financial risk, and enhanced long-term solvency. Its current ratio and quick ratio in 2013 grew over the prior year to differing extents, and accounts receivable balance was a large amount, which imperiled its short-term solvency.

INDUSTRY PROFILE

3442, Manufacture of gas compression machinery

Industry Definition:

This industry includes the manufacture of compression machinery used for increasing the pressure of gas to above 340kPa by compressing.

Industry Status & Trend:

China's compressor industry has been developing towards the middle- and high-end market over the past few years, always focused on continuous innovation and striving for different levels of application in new fields. China produced 24,780,584 air compressors in Dec. 2013, up 7.75% year-on-year, and the full-year output was 293,732,914 units, up 11.82% year-on-year, revealing a strong growth impetus and stable growth rate. In a geographic breakdown, Guangdong ranked the first place in China with an output of 6,287,896 units in December 2013 alone, and its full-year output, which stood at 61,912,613 units, was also the highest of all provinces, municipalities, and autonomous regions in China.

With the continuous development of the compressor industry, the center of the global compressor industry has gradually shifted to the Chinese mainland as major international air compressor manufacturers flood into the Chinese market. This has also intensified the market competition of China's compressor industry and imposed pressure on domestic compressor companies. The accelerated development of downstream industries also urges domestic compressor companies to quicken their pace in phasing out backward manufacturing techniques and energy-inefficient equipment, and increasing the added value of compressors manufactured by them.

INDUSTRY FINANCIAL RATIOS

3440, Manufacture of pumps, valves, compressors and similar machinery

| 2013 | Subject | Best | Average | Worst |
|----------------------------|---------|-------|---------|-------|
| Return on net assets (%) | 6.32 | 12.90 | 6.30 | -5.30 |
| Return on total assets (%) | 3.07 | 9.80 | 5.00 | -3.90 |
| Gross profit margin (%) | 24.78 | 23.90 | 12.60 | 3.10 |
| Turnover of total assets | 0.77 | 1.70 | 0.80 | 0.20 |
| Turnover of current assets | 0.99 | 2.30 | 1.00 | 0.30 |

| | | | | |
|----------------------------------------|--------|-------|--------|--------|
| Turnover of accounts receivable (days) | 128.17 | 33.64 | 100.00 | 720.00 |
| Liabilities/assets ratio (%) | 51.43 | 50.00 | 60.00 | 85.00 |
| Current ratio | 1.52 | 2.18 | 1.28 | 0.64 |
| Quick ratio | 1.36 | 1.36 | 0.80 | 0.40 |
| Sales growth (%) | 4.44 | 30.40 | 10.30 | -19.40 |
| Gross profit growth (%) | -5.61 | 27.10 | 6.70 | -15.70 |
| Total assets growth (%) | -16.67 | 22.10 | 9.50 | -12.40 |

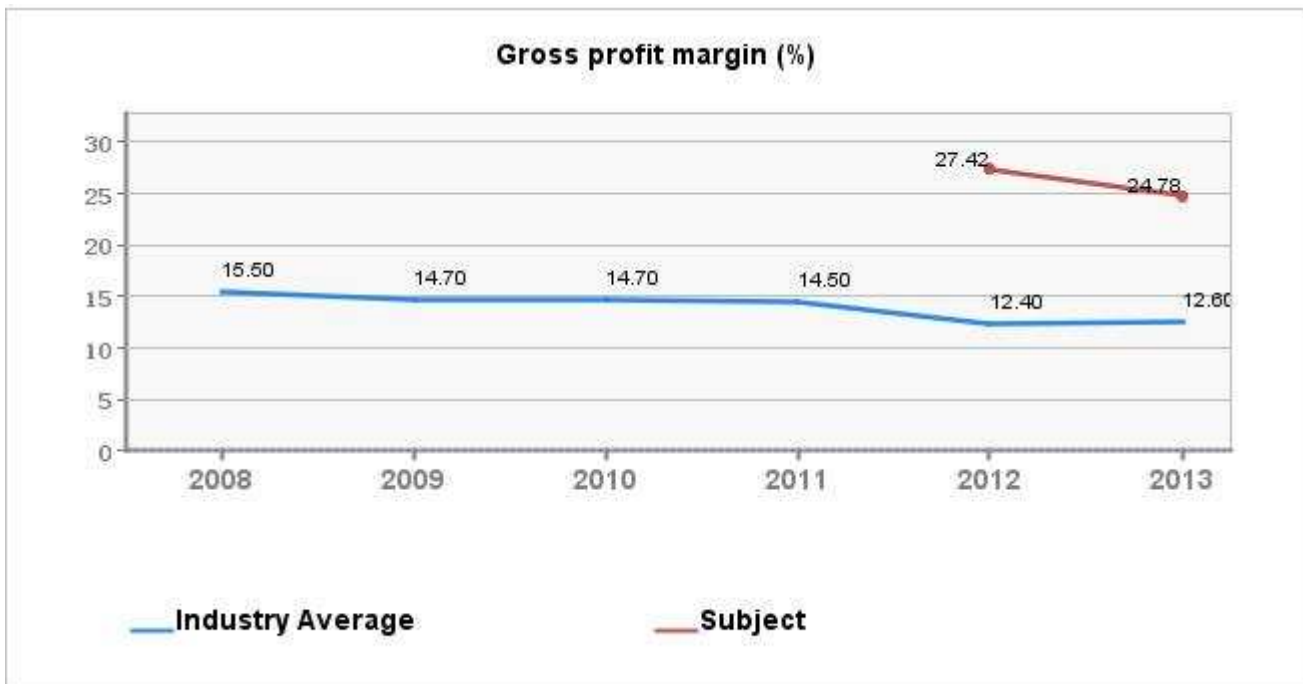
| 2012 | Subject | Best | Average | Worst |
|----------------------------------------|---------|-------|---------|--------|
| Return on net assets (%) | 10.04 | 12.60 | 6.20 | -5.40 |
| Return on total assets (%) | 3.83 | 9.50 | 4.80 | -4.00 |
| Gross profit margin (%) | 27.42 | 23.50 | 12.40 | 3.00 |
| Turnover of total assets | 0.62 | 1.60 | 0.70 | 0.10 |
| Turnover of current assets | 0.77 | 2.30 | 1.00 | 0.30 |
| Turnover of accounts receivable (days) | 124.97 | 33.64 | 100.00 | 720.00 |
| Liabilities/assets ratio (%) | 61.89 | 44.50 | 62.50 | 86.20 |
| Current ratio | 1.30 | 2.18 | 1.28 | 0.64 |
| Quick ratio | 1.18 | 1.36 | 0.80 | 0.40 |
| Sales growth (%) | -- | 28.30 | 8.20 | -21.40 |
| Gross profit growth (%) | -- | 25.00 | 6.20 | -17.20 |
| Total assets growth (%) | -- | 20.90 | -9.00 | -13.10 |

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

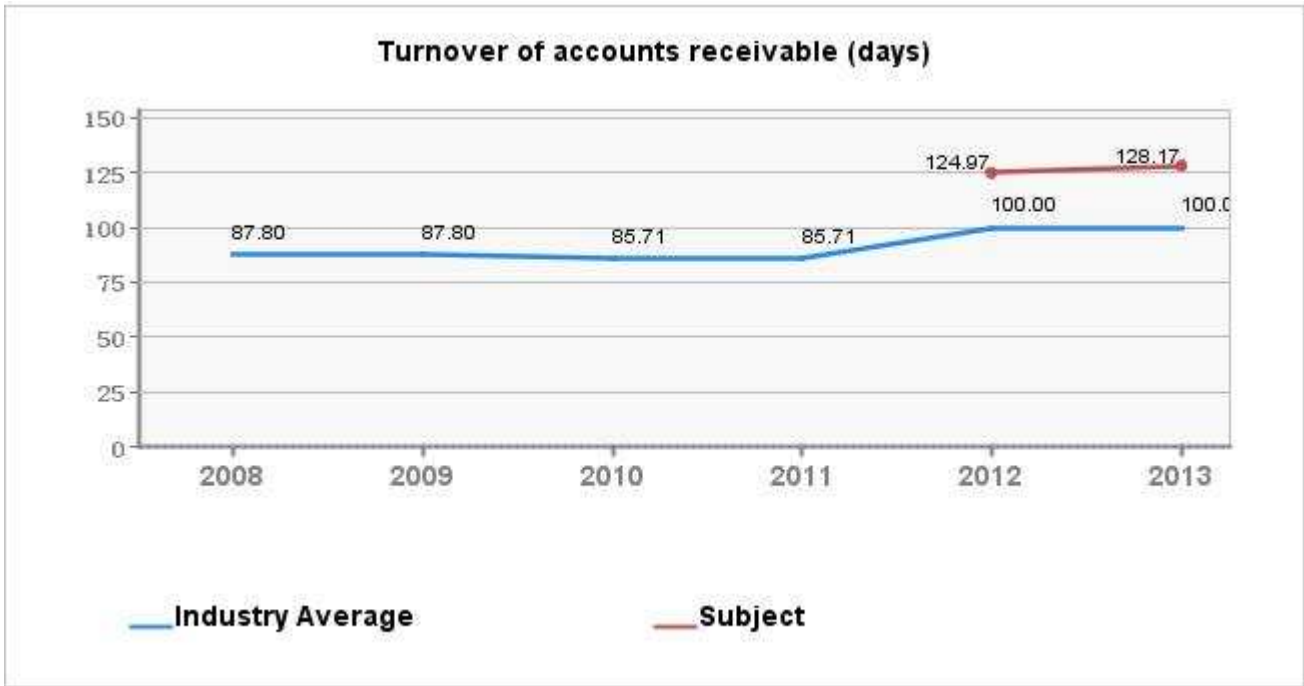
TREND CHART OF KEY INDICATORS

3440, Manufacture of pumps, valves, compressors and similar machinery

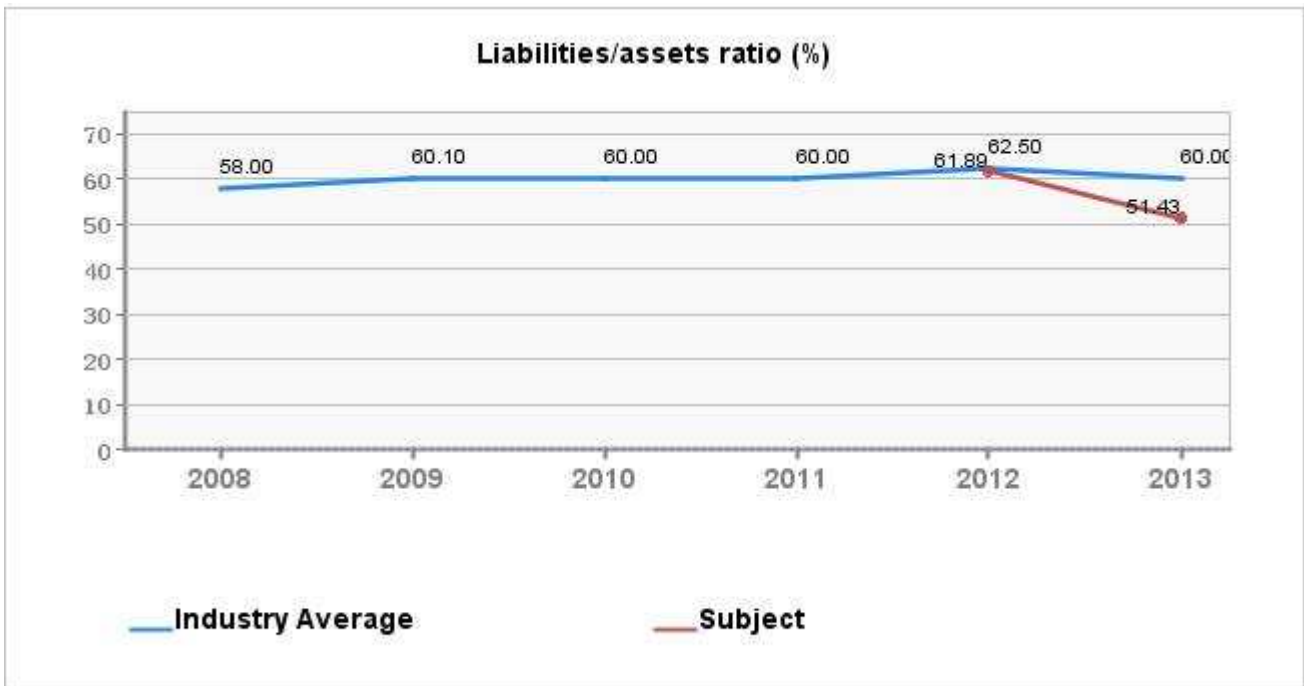
Trend of Gross Profit Margin (Average):



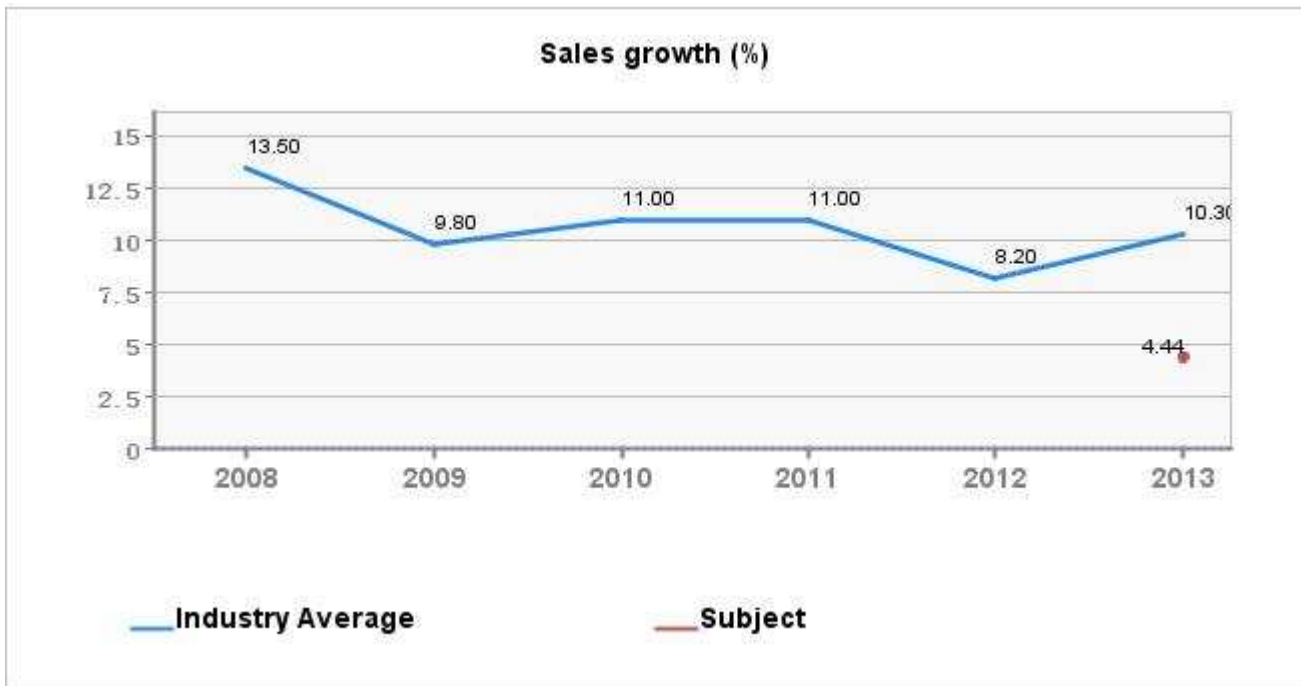
Trend of Turnover of Accounts Receivable (Days) (Average):



Trend of Liabilities/assets Ratio (Average):



Trend of Sales Growth (Average):



CREDIT RATING

CR4

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

2,000,000

When calculating base credit limit, SINOTRUST 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 the base credit limit |
| 30%~40% | 3 to 4 times the base credit limit |
| 20%~30% | 2 to 3 times the base credit limit |
| 10%~20% | 1 to 2 times the base credit limit |
| Below 10% | Within the base credit limit |

SPECIAL ENQUIRY

1. Are there any standard conduct codes?

Answer: During this investigation we learned that since its inception, Subject has established and perfected such detailed government rules as the Articles of Incorporation, Procedure Rules of Shareholder Convention, Procedure Rules of the Board of Directors, Procedure Rules of the Board of Supervisors, Associated Transaction System, External Investment Management System, and External Guarantee Management System. Meanwhile, the Finance Management System, Sales Management System, Purchasing Management System, Quality Management System, and other internal management systems in connection with risk control have been formulated according to the laws, regulations and industry regulations, to secure the smooth business development and avoid law risk.

2. Are there any standard regulations upon business entertainment and gifts given to customers?

Answer: During this investigation we learned that Subject has made regulations concerning business entertainment and gifts given to customers. However, the expenses have dropped since Subject went public on the New Third Board (National Equities Exchange and Quotations) in Jul. 2014. Details about the regulations are unavailable.

3. Whether the company is aware of the Foreign Corruption Practices Act and follows these guidelines during its cooperation with foreign firms?

Answer: During this investigation we learned from many departments of Subject that the major codes of conduct include the Articles of Incorporation, Procedure Rules of the Shareholder Convention, Procedure Rules of the Board of Directors, Procedure Rules of the Board of Supervisors, Associated Transaction System, External Investment Management System, and External Guarantee Management System. The staff has some knowledge about foreign corruption acts. The company targets overseas markets, so study and application of foreign corruption acts is needed in the future.

4. Has the company given gifts to any governmental agency?

Answer: During this investigation we learned from many departments of Subject that the company has not given gifts to any governmental agency.

GLOBIS Note: Per our comments above on pp. 5-6 regarding Subject's Legal Representative, Chairman of the Board & General Manager, LU Wenlong: he appears to have at least historical ties to the local Chinese Government Authorities. We therefore recommend the client consider providing LU Wenlong with annual FCPA training as part of the client's compliance program, and suggest Subject's other executives and employees also receive this yearly guidance.

----- End of the Report -----

This report is furnished at your request for your exclusive use in making business decisions and shall not be used in legal proceedings. Information contained herein shall not be released to the person or firm reported on, nor to any third party, unless otherwise agreed upon by SINOTRUST and GLOBIS. Neither SINOTRUST nor GLOBIS shall be held liable for any loss or damage arising out of use of any of the information contained in this report.