

China Business Compliance Report

D-U-N-S® NUMBER 65-450-2665
Company Name Sample Report (China) Co., Ltd.
中国样本报告有限公司
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Summary

Identification	Legal Risk	Regulatory Risk	Adverse Media	Black/Sanction List	Potential Business Conflict of Interest (with Management Team)	Credit Risk
						
Potential Risk Signals						
 Alert	<p>Legal Risk Relevant legal risk information about subject: 2 records (Page 4: Compliance Check Details – Legal Risk)</p>					
 Attention	<p>Regulatory Risk</p> <ul style="list-style-type: none"> Subject was classified as Enterprise with rather poor credit according to the search in General Administration of Customs of the People's Republic of China website and is suitable for under close supervision (Page 4: Compliance Check Details – Regulatory Risk) <p>Potential Business Conflict of Interest (with Management Team)</p> <ul style="list-style-type: none"> Principal(s) was found 5 clues of potential business interest conflicts via inquiry of HDBC Commercial Database (Page 6: Compliance Check Details – Potential Conflict of Business Interest) Individual shareholder(s) was found 3 clues of potential business interest conflicts via inquiry of HDBC Commercial Database (Page 8: Compliance Check Details – Potential Conflict of Business Interest) <p>Adverse Media</p> <ul style="list-style-type: none"> Parent company was matched 1 adverse media records (Page 7: Compliance Check Details – Adverse Media) Subsidiary was matched 2 adverse media records (Page 9: Compliance Check Details – Adverse Media) Affiliate(s) was matched 1 adverse media records (Page 10: Compliance Check Details – Adverse Media) <p>Black/Sanction List</p> <ul style="list-style-type: none"> Ultimate parent company was found in black list or sanction list. (Page 9: Compliance Check Details – Black/Sanction) 					
Summary	<p>Risk Analysis Summary :</p> <ul style="list-style-type: none"> Subject has records on legal risks. Subject was classified as Enterprise with rather poor credit and is suitable for under close supervision. Potential Business Interest Conflict with Management Team has been found. Subject's parent company/ related company was matched 4 adverse media records Ultimate parent company was found in black list or sanction list. <p>Suggestions and Recommended Actions :</p> <ul style="list-style-type: none"> Need subject providing instructions to further assess the impact of compliance 					

For the explanation of HDBC Compliance Report Red/Yellow/Green Lights, please refer to appendix.

Potential Business Interest Conflict Clue is based on the matching result with HDBC database.

This cannot rule out the possibility of same names and is for reference only.

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1. SUBJECT

1.1 Identification

Registration Name	中国样本报告有限公司	English Name	Sample Report (China) Co., Ltd.
Started Year	1989	Type of Business	Sino-foreign Joint Venture
Registration Date	Feb. 26, 1989	License Expiry Date	Feb. 25, 2031
Registration Authority	Shanghai Administration for Industry & Commerce Jiading Branch	Tax No.	31010667354XXXX
Credibility Code	91440300060292148N	National Organization Code	67354XXXX
Registration No.	31010602000XXXX	Registration Status	Active
Registered Capital	RMB 15,500,000	Operation Status	Active
Legal Representative	Tian HUA (华田)		
Registered Address	No.3, Yongjia Road, Wuniu Industry Zone, Jiading Dist., Shanghai		
Business Scope	Manufacture of lighting appliances, lamps and accessories (except light source), electrical antenna, plastic products (except medical plastic products), procession of machine parts, self-operation and being an agent of import and export of variety of commodities and technologies (except those limited and prohibited by State)		
Other License	License Name, Licensing Authority, Validation Date, License Number		
Annual Report	The 2014 annual report of subject is published on Mar. 1, 2015.		

1.2 Principal(s)

Chairman of Director also Legal Representative	Tian HUA (华田)	Finance Director	Si LI (李四)
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1.3 Related Companies

	Parent Company	Sample Report Parent Company(Shareholding Proportion : 60%)
Shareholding Structure	Minor Shareholder(s)	Sample Report Minor Shareholder Co., Ltd.1 (Shareholding Proportion : 20%); Sample Report Minor Shareholder Co., Ltd.2 (Shareholding Proportion : 10%)
	Individual Shareholder(s)	San ZHANG(Shareholding Proportion : 10%)
Ultimate Parent	China Sample Group Co., Ltd.	
Subsidiary(ies)	Sample Report Subsidiary Co., Ltd. (% owned by subject : 100%)	
Affiliate(s)	Sample TW Co., Ltd. (% owned by subject : 30%)	
Branch(es)	Sample Report Branches Co., Ltd.	

Change History

Company Name		
From	China Sample Group Co., Ltd. Previous Name	
Changed to	Current Status	Change Date 2015-02-18
Legal Representative		
From	Legal Representative Previous Name	
Changed to	Current Status	Change Date 2015-01-14
Shareholder		
From	Shareholder Previous Name	
Changed to	Current Status	Change Date 2014-12-20

1.4 Compliance Check Result

<input checked="" type="checkbox"/>	Identification Abnormal	No Match	<input checked="" type="checkbox"/>	Adverse Media	No Match
<input checked="" type="checkbox"/>	Legal Risk	Match ※	<input checked="" type="checkbox"/>	Black/Sanction List	No Match
<input checked="" type="checkbox"/>	Regulatory Risk	Match ※	<input checked="" type="checkbox"/>	Corporate Bribery File /	

1.5 Compliance Check Details

Compliance Check Details – Legal Risk

Judgment Date	Oct 19, 2010
Court	District Court Judgment
Plaintiff(s)	Hope Shanghai Company
Type	Business dispute
Case Details	Shanghai No.2 Intermediate People's Court - (2010) Hu Er Zhong Min Er (Min) Chu No.9. The case is closed.

Judgment Date	Mar 13, 2010
Court	District Court Judgment
Plaintiff(s)	N/A
Case Details	Shanghai Higher People's Court - (2010) Hu Fa Zhi Zi No.02695. Currently, the case is still ongoing.
Judgment	To compensate the plaintiff with reimbursement of 3,174.00 RMB

Compliance Check Details – Regulatory Risk

Customs Code	Credit Class	Customs Deregistration	The Validity of Declaration
1234567890	Enterprise with rather poor credit	Normal	Jul. 31, 2016

Compliance Check Details — Corporate Bribery File

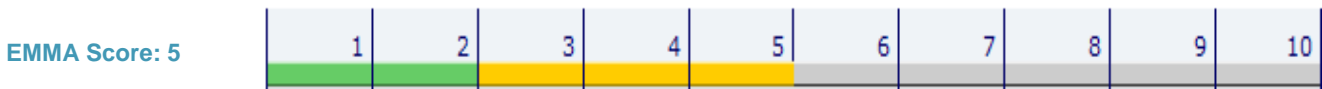
Subject declined to provide its relevant documents, therefore no corporate bribery file of subject is available.

1.6 Credit Risk

D&B Rating

Financial Strength	4AA	(Registered Capital between RMB 85,000,000 and RMB 449,000,000)
The Composite Credit Appraisal	3	Overall Credit Condition which is considered Fair

D&B EMMA Score



EMMA Score Evaluation

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

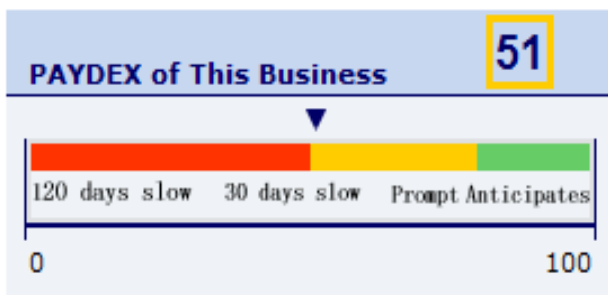
- Subject has a long history of 23 years, donating a lower risk level.
- Subject's history is Clear (Complete Shareholder(s) and management information), which indicates a lower risk level.
- Subject is a state-owned enterprise, which is classified as a medium risk type of business.
- Subject/Industry PAYDEX® shows the company/industry has some delay payment, indicating medium risk.

By evaluating all risk factors, the company is assigned with EMMA score of "5", indicating "Slight Below Average Risk".

Industry Group Standard

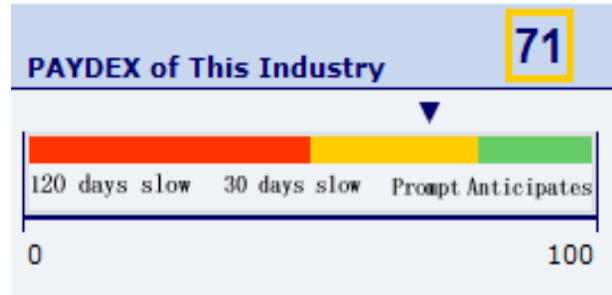
Industry Group Description	Lighting Equipment, nec	
Industry Group EMMA Score (Quartile Values)	Lower Quartile	5
	Median	6
	Upper Quartile	7

D&B PAYDEX



When weighted by value, payments to suppliers average 29 days beyond terms based on payments collected over the last 24 months

This business has a lower PAYDEX than its industry



When weighted by value, payments to suppliers average 14 days beyond terms based on payments collected over the last 24 months

- **Industry Name:** Lighting equipment, nec
- **Industry Median:** 71
- **Upper/Lower Quartile:** 80/58
- **Based on:** 152 businesses

D&B PAYDEX® KEY

- High risk of late payment (average 30 to 120 days beyond terms)

- Medium risk of late payment (average 30+ days or less beyond terms)
- Low risk of late payment (average prompt to 30+ days sooner)

Risk Assessment Matrix

PAYDEX	Risk Range		
	Low (EMMA 1 - 3)	Medium (EMMA 4 - 7)	High (EMMA 8 - 10)
PAYDEX ≥ 80	AA	BA	CA
80 > PAYDEX ≥ 60	AB	BB	CB
PAYDEX < 60	AC	BC (Subject lies in this group)	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 "BC", which represents the subject belongs to the high risk group:

- The risk level of the subject is medium, which reveals its business risk is at the average level amid all Chinese enterprises.
- The PAYDEX® of subject/industry indicates that its payment experience is below the average level, and some severe delay payment behaviors exist.

On the whole, Subject's business is operated at the average level and its business risk is also in the general level. While the subject/industry has some severe delay payment behaviors, therefore, the subject is rated in the high risk group. The cash settlement and the advance payment are recommended. If the credit policy needs to be granted to the subject, a decent manual review of the subject based on its capacity, internal policy and risk tolerance is highly recommended, and the relatively strict credit policy is necessary.



2. PRINCIPAL(S)

2.1 Principal(s)

Principal 华田 Tian HUA

Position	Chairman of Director also Legal Representative	Daily Operation	Yes
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Educational Background	Master	Area of Responsibility	Overall management
Qualification and Title	Senior Economist	Related Working Experience	Over 5 years
Work Experience	Company	Last Position	
Time 1	A Co., Ltd	General Manager	
Time 2	B Co., Ltd.	Legal Representative	

Principal 李四 Si LI			
Position	Finance Director	Daily Operation	Yes
Educational Background	Master	Area of Responsibility	Overall management
Qualification and Title	Senior Economist	Related Working Experience	Over 6 years
Work Experience	Company	Last Position	
Time 1	C Co., Ltd	Finance Director	
Time 2	D Co., Ltd	Finance Director	

2.2 Compliance Check Result

<input checked="" type="checkbox"/>	Legal Risk	No Match	<input checked="" type="checkbox"/>	Adverse Media	No Match
<input checked="" type="checkbox"/>	Potential Conflict of Business Interest (with Management Team) - Relevant Work Experience	No Match	<input checked="" type="checkbox"/>	Potential Conflict of Business Interest (with Management Team) - HDBC Business Database	Match ✖
<input checked="" type="checkbox"/>	Potential Conflict of Business Interest (with Management Team) - Government Official	No Match			

2.3 Compliance Check Details

Compliance Check Details - Potential Conflict of Business Interest (with Management Team) - HDBC Business Database

5 clues of potential business interest conflicts are founded via inquiry of HDBC Business Database. Namely, subject's legal representative (Tian HUA) and Finance Director (Si LI) have the same names with principals of following enterprises, but the search may found different people with the same names.

Name: Tian HUA

Industry (By Correlation)	Company Name
Industry 1	Shanghai ** Lubricating Oil Additive Co., Ltd.
Industry 2	Beijing *** Digital Technology Co., Ltd.
Industry 2	Guangzhou **** Accessory Co., Ltd. Zibo Branch

Name: Si LI

Industry (By Correlation)	Company Name
Industry 3	*****
Industry 4	*****

3. PARENT COMPANY

3.1 Parent Company			
D-U-N-S® Number	65-466-0166	Shares Held in Subject	60%
Company Name	Sample Report Parent Company	Registered Capital	RMB 200,000,000
Chinese Name	中国样本报告母公司	Type of Business	a limited liability company
Address	No.23, Pingzhong E. Road, Lanshan Town, Longgang District, Shenzhen, Guangdong	Year of Establishment	1985
Tel	0755-89936799	Fax	0755-89938759

3.2 Compliance Check Result			
<input checked="" type="checkbox"/> Legal Risk	No Match	<input checked="" type="checkbox"/> Black/Sanction List	No Match
<input checked="" type="checkbox"/> Adverse Media	Match ※		

3.3 Compliance Check Details

Compliance Check Details – Adverse Media

1 adverse media result was found through the search of disclosed information on the internet. Details as below:

Sample Report Parent Company

Information Source: SINA.COM

Disclose Date: Jan. 1, 2015

Keyword: Sample Report Parent Company product JDD lamps in the United States involving monopoly investigation

Web Link: <http://www.sina.com.hk/search?hl=zh-CN&source=hp&q>

4. MINOR & INDIVIDUAL SHAREHOLDER(S)

4.1 Minor Shareholder(s)	
D-U-N-S® Number	66-386-8888
Company Name	Sample Report1 Shareholder Co., Ltd.
Chinese Name	中国样本报告参股股东有限公司 ¹
Address	Hong Kong

Shares Held in Subject	20%
D-U-N-S® Number	66-386-0000
Company Name	Sample Report2 Shareholder Co., Ltd.
Chinese Name	中国样本报告参股股东有限公司 2
Address	Macau,
Shares Held in Subject	10%

4.2 Compliance Check Result

<input checked="" type="checkbox"/> Legal Risk	No Match	<input checked="" type="checkbox"/> Black/Sanction List	No Match
<input checked="" type="checkbox"/> Adverse Media	No Match		

4.3 Compliance Check Details

N/A

4.4 Individual Shareholder(s)

Individual Shareholder	San ZHANG	Qualification and Title	Senior Economist
Educational Background	Master	Daily Operation	Yes

4.5 Compliance Check Result

<input checked="" type="checkbox"/> Legal Risk	No Match	<input checked="" type="checkbox"/> Adverse Media	No Match
<input checked="" type="checkbox"/> Potential Conflict of Business Interest (with Management Team) - HDBC Business Database	Match ✖	<input checked="" type="checkbox"/> Potential Conflict of Business Interest (with Management Team) - Government Official	No Match

4.6 Compliance Check Details

Compliance Check Details
 - Potential Conflict of Business Interest (with Management Team) - HDBC Business Database

3 clues of potential business interest conflicts were founded via inquiry of HDBC Business Database. Namely, individual shareholder (San ZHANG) has same name with principals of following enterprises, but the search may found different people with the same name.

Name: San ZHANG

Industry (By Correlation)	Company Name
Industry 1	Shanghai ** Lubricating Oil Additive Co., Ltd.

Industry 2	Beijing *** Digital Technology Co., Ltd.
Industry 2	Guangzhou **** Accessory Co., Ltd. Zibo Branch



5. ULTIMATE PARENT

5.1 Ultimate Parent

D-U-N-S® Number	66-000-8888
Company Name	Sample Report Parent Company
Chinese Name	中国样本报告集团有限公司

5.2 Compliance Check Result

<input checked="" type="checkbox"/> Legal Risk	No Match	<input checked="" type="checkbox"/> Black/Sanction List	Match ✖
<input checked="" type="checkbox"/> Adverse Media	No Match		

5.3 Compliance Check Details

Compliance Check Details — Black/Sanction List

According to the searches on the blacklists and sanction lists that released by foreign government departments and international organizations in including United States, United Kingdom, Australia, European Union and UN Security Council Committees, the following entity is found in the related list(s).

Entity Name: **Sample Report Parent Company**
 List: SDN List of OFAC, US Department of Treasury



6. SUBSIDIARIES

6.1 Subsidiaries

D-U-N-S® Number	66-386-1234
Company Name	Sample Report Subsidiary Co., Ltd.
Chinese Name	中国样本报告子公司
Address	123 Renmin Rd., Ningbo, Zhejiang
% Owned by Subject	100%

6.2 Compliance Check Result

<input checked="" type="checkbox"/> Legal Risk	No Match	<input checked="" type="checkbox"/> Black/Sanction List	No Match
<input checked="" type="checkbox"/> Adverse Media	Match ✖		

6.3 Compliance Check Details

Compliance Check Details — Adverse Media

2 adverse media records are found through the search of disclosed information on the internet. Details as below:

Sample Report Subsidiary Co., Ltd.

Source: Financial Times

Publish Date: Sep. 20, 2014

Keyword: Sample Report Subsidiary Co., Ltd. Product is not qualified

Web Link: <http://www.finance.com.hk/search?hl=z36h-CN&source>

Source: SINA.COM

Publish Date: Apr. 4, 2015

Keyword: Sample Report Subsidiary Co., Ltd. Was punished for violating the action

Web Link: <http://www.sina.com.hk/search?hl=zh26-CN&5source=hp&q>



7. AFFILIATES

7.1 Affiliates

D-U-N-S® Number	62-123-4554
Company Name	Sample TW Co., Ltd.
Chinese Name	中国样本报告台湾公司
Address	Taiwan
% Owned by Subject	30%

7.2 Compliance Check Result

<input checked="" type="checkbox"/> Legal Risk	No Match	<input checked="" type="checkbox"/> Black/Sanction List	No Match
<input checked="" type="checkbox"/> Adverse Media	Match ※		

7.3 Compliance Check Details

Compliance Check Details — Adverse Media

1 adverse media record is found through the search of disclosed information on the internet. Details as below:

Sample TW Co., Ltd.

Source: 163.COM

Publish Date: Jul. 2, 2013

Keyword: Sample TW Co., Ltd. Is facing bankruptcy

Web Link: <http://www.163.com.hk/search?hl=z36h-CN&source>



8. BRANCHES

8.1 Branches

D-U-N-S® Number	62-123-4550
Company Name	Sample Report Branches Co., Ltd.
Chinese Name	中国样本报告分支机构
Address	No. 310, Fuzhou Road, Shanghai, China

8.2 Compliance Check Result

<input checked="" type="checkbox"/> Legal Risk	No Match	<input checked="" type="checkbox"/> Black/Sanction List	No Match
<input checked="" type="checkbox"/> Adverse Media	No Match		

8.3 Compliance Check Details

N/A






9. APPENDIX

9.1 Information Checklist

Focuses	Verification Process
Identification (Registration/ Operation Status)	Full registration and operation status information are obtained and checked via public data available from the Chinese Government.
Legal Risk	<p>Litigation Records</p> <p>Subject and its related companies are matched with HDBC Litigation Information Database with more than 2.19 million corporate litigation records, court information from over 19,000 valid core channels of 3,000 websites of major courts in China.</p>
	<p>Corporate Bribery File</p> <p>The corporate bribery file that publicly available from Chinese Government is and matched with full name of subject.</p>
Regulatory Risk	<p>Administrative Penalties</p> <p>The information are searched and collected via the websites of local official register as well as major related domestic websites.</p>
	<p>Customs</p> <p>The customs information of subject is searched and collected via the websites of China's General Administration of Customs and other provincial directly affiliated Customs Units.</p>
Adverse Media	<ul style="list-style-type: none"> Over 1020 thousand media records of Chinese enterprises have been collected in the HDBC database up to now. The adverse media of subject is not only match via the database, but also actively searched through over 3,000 core channels and 100,000 active sub-channels of 350 active mainstream media websites. Negative network information and risk information come from major search engines such as open network platforms Google and Baidu. 200 key fields are searched, including bribery, unfair competition, commercial corruption, revocation, cancellation, frozen account, merger, acquisition, bankruptcy and close-down case. If it is available, the adverse media information of linkage(s) will also be searched in addition to subject and its relevant administrative staffs that are legally disclosed.
Black/Sanction List	<p>Chinese Corporate Blacklist</p> <p>The public blacklists available from local authorities are searched and matched with subject.</p>
	<p>Overseas Sanction List</p> <p>Subject and its related companies are matched with Overseas Sanction Database with millions of overseas sanction records including politically exposed person (PEP), sanction list, adverse media information and enhanced due diligence reports etc.</p>
Potential Conflict of Business Interest (with Management Team)	Potential business interest conflicts of subject's management team and principals are screened via the check through HDBC business database, the browsing in public websites and the search of relevant work experiences of the management team.
Credit Risk	<p>D&B Rating</p> <p>D&B Rating is generated based on subject's net worth, registered capital, etc.</p>
	<p>D&B EMMA Score</p> <p>EMMA Score is generated by evaluating different risk factors.</p>
	<p>D&B PAYDEX</p> <p>D&B PAYDEX is generated from payment performance weighted by the monetary value of the payment experiences as reported to D&B by trade references.</p>

9.2 HDBC Check Results Red/Yellow/Green Lights Explanations

For compliance check results, please be aware of those highlighted with red or yellow lights.

Signals	Details including
 Red Light : ALERT	<p>Subject or its principals</p> <ul style="list-style-type: none"> ■ Identification (Deregistered registration or out of business operation status) ■ Legal Risk (criminal litigation records) ■ Corporate Bribery File (with matched results) ■ Adverse Media ■ Black/Sanction List ■ Credit Risk (Subject is in the “monitoring group” of the Risk Assessment Matrix)
 Yellow Light : ATTENTION	<p>Subject, its related companies or principals</p> <ul style="list-style-type: none"> ■ Legal Risk (civil litigation records or the case of action cannot be confirmed) ■ HDBC is searching the corporate bribery file/corporate bribery file is not available ■ Regulatory Risk (with administrative penalties in local authorities or major domestic websites, or rated D Class (rather poor credit) in Customs Class, etc.) ■ Potential Conflict of Business Interest (with Management Team) ■ Credit Risk (Subject is in “high risk group” in the Risk Assessment Matrix) <p>Subject’s related companies</p> <ul style="list-style-type: none"> ■ Legal Risk (criminal litigation records) ■ Adverse Media ■ Black/Sanction List
 Green Light	<ul style="list-style-type: none"> ■ Not record is found in above areas so far

9.3 Customs Remark

' Classification Management Methods for Customs Enterprises of the PRC' was carried out on January 1, 2011.

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.

Customs Class	
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.

9.4 Glossary of Terms

D-U-N-S® Number

The Data Universal Numbering System (D-U-N-S® Number) is a standard for keeping track of companies all over the world. D-U-N-S® Number is a unique nine-digit code assigned to each company worldwide.

Standard Industrial Classification (SIC)

The Standard Industrial Classification (SIC) system was first developed by the U.S. Government and has been widely adopted as the standard coding system used to define and analyze industry structure.

Parent Company

A parent company is a company holding more than 50% equity of subject.

Minor Shareholder

Minor shareholder is a company holding less than 50% equity of subject.

Ultimate Parent

Ultimate parent is the top, most important, responsible entity within the corporate family tree.

Subsidiary Company

A subsidiary is a company with more than 50% equity owned by subject.

Affiliated Company

An affiliated company is a company with 50% equity or less owned by subject.

Branch

A Branch is a secondary location for which its headquarters has legal responsibility. Typically, a branch is at a separate location. However, a branch can be located together with its headquarters or sister branch, provided they have unique, separate, and distinct operations.

-- End of the Report --