

Qingdao Inter-Credit Services Pte Co., Ltd.

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Date of Report : Mar. 26, 2010

Client's ref. :

Our ref. : 50038-230

SHENZHEN FUQI JEWELRY CO., LTD.

深圳市福麒珠宝首饰有限公司

4-6/F BLOCK 1 SHIHUA INDUSTRIAL ZONE, NORTH CUIZHU ROAD,
LUOHU DISTRICT, SHENZHEN, GUANGDONG PROVINCE, 518019 PR CHINA

广东省深圳市罗湖区翠竹北路石化工业区 1 栋 4-6 层

TEL: 86 (0) 755-25801888 FAX: 86 (0) 755-25803999

EXECUTIVE SUMMARY

INCORPORATION DATE : APR. 2, 2001
REGISTRATION NO. : 440301503260172
REGISTERED LEGAL FORM : WHOLLY FOREIGN OWNED ENTERPRISE
CHIEF EXECUTIVE : MR. ZHUANG RUGUI (CHAIRMAN)
STAFF STRENGTH : 600
REGISTERED CAPITAL : USD 70,000,000
BUSINESS LINE : MANUFACTURING
TURNOVER : CNY 2,187,865,496.41 (AS OF DEC. 31, 2008)
EQUITIES : CNY 440,250,607.63 (AS OF DEC. 31, 2008)
PAYMENT : AVERAGE
RECOMM. CREDIT RANGE : UP TO USD 4,000,000
MARKET CONDITION : COMPETITIVE
FINANCIAL CONDITION : FAIRLY GOOD
OPERATIONAL TREND : STEADY
GENERAL REPUTATION : WELL KNOWN
EXCHANGE RATE : CNY 6.83= USD1 AS OF 2010-3-26

CREDIT RATING : CA3+ (see below explanatory notes)

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

This rating serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors and their relative weights (as indicated through %) in our credit analysis are as follows:

Financial condition (40%)

Ownership background (20%)

Payment record (10%)

Credit history (10%)

Market trend (10%)

Operational size (10%)

In case of unlimited companies, newly established companies, or lack of financial data, more weight is given to 'Ownership background' and 'Payment record' in our analysis.

Adopted abbreviations:

ANS - amount not stated

NS - not stated

SC - subject company (the company inquired by you)

NA - not available

CNY - China Yuan Ren Min Bi

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HISTORY

SC was registered as a limited liabilities company at local Administration for Industry & Commerce (AIC - The official body of issuing and renewing business license) on Apr. 2, 2001 and under present ownership since Jul. 2006.

Company Status: Wholly foreign-owned enterprise

This form of business in PR China is defined as a legal person. It is a limited co. established within the territories of PR China with capital provided totally by the foreign investors. More than one foreign investor may jointly invest in a wholly foreign-owned enterprise. The investing party/parties solely exercise management, reap profit and bear risks and liabilities by themselves. This form of companies usually have a limited duration is extendible upon approval of Examination and Approval Authorities.

SC's registered business scope includes manufacturing, processing, wholesaling, retailing, importing and exporting silver products, platinum jewelry, diamond jewelry, bijouterie and crafts. (该公司的法定经营范围包括：白银制品、铂金首饰、黄金首饰、钻石首饰、珠宝首饰、工艺品的生产、加工、批发、零售、进出口。)

SC is mainly engaged in manufacturing and selling jewelry. (该公司目前实际主要从事生产销售珠宝首饰。)

Mr. Zhuang Rugui (庄儒桂) has been chairman of SC since 2003.

SC is known to have approx. 600 employees at present.

SC is currently operating at the above stated address, and this address houses its operating office and factory in the industrial zone of Shenzhen. Our checks reveal that SC owns the total premise about 8,000 square meters.

WEB SITE

<http://www.fuqi.com.cn> The design is professional and the content is well organized. At present it is in both Chinese and English versions.

E-mail: fuqi@fuqi.com.cn

KEY EVENTS/RECENT DEVELOPMENT

*To what extent is your company affected by the current Credit Crisis?

SC's management declined to make any comments.

Changes of SC's registered information:

Date	Item	Before changed	After changed
Mar. 2003	Legal rep.	Zhong Shanglin 钟尚林	Zhuang Rugui 庄儒桂
	Shareholders	Zhong Shanglin 钟尚林 30.00% Zhuang Liexi 庄烈希 50.00% Zhuang Rugui 庄儒桂 20.00%	Zhong Shanglin 钟尚林 10.00% Zhuang Liexi 庄烈希 10.00% Zhuang Rugui 庄儒桂 80.00%
	Registered capital	CNY 3,000,000	CNY 20,000,000
Oct. 2003	Shareholders	Zhong Shanglin 钟尚林 10.00% Zhuang Liexi 庄烈希 10.00% Zhuang Rugui 庄儒桂 80.00%	Zhuang Liexi 庄烈希 20.00% Zhuang Rugui 庄儒桂 80.00%
Jun. 2005	Registered capital	CNY 20,000,000	CNY 60,000,000
Jul. 2006	Shareholders	Zhuang Liexi 庄烈希 20.00% Zhuang Rugui 庄儒桂 80.00%	Fuqi International Holdings Co., Ltd. BVI 100%
	Legal form	Limited liabilities company	Present one
Nov. 2007	Registered capital	CNY 60,000,000	USD 37,000,000
	Registered number	319338	440301503260172
Oct. 2009	Registered capital	USD 37,000,000	USD 70,000,000

OWNERSHIP/MANAGEMENT

MAIN SHAREHOLDERS:

Name	% of Shareholding
Fuqi International Holdings Co., Ltd. BVI	100

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MANAGEMENT

● ***Chairman and General Manager:***

Mr. Zhuang Rugui (庄儒桂), ID: 440301195909242536, in his 50's with university education. He is currently responsible for the overall management of SC.

Working Experience(s):

From 2003 to present Working in SC as chairman and general manager.

● ***Vice Chairman:***

Mr. Zhuang Liexi (庄烈希), ID: 440524196810082915, in his 40's with university education. He is currently responsible for the daily management of SC.

Working Experience(s):

From 2006 to present Working in SC as vice chairman.

● ***Director:***

Zhou Yinghui 周映辉

BUSINESS OPERATIONS

SC is mainly engaged in manufacturing and selling jewelry. (该公司目前实际主要从事生产销售珠宝首饰。)

SC's products mainly include:

Gold Series

- + Ring
- + Earrings
- + Pendants
- + Necklaces
- + Bracelets
- + Bangles
- + Wedding Bands
- + Gold Figures

Platinum Series

- + Ring
- + Earrings
- + Pendants
- + Necklaces
- + Bracelets
- + Bangles
- + Wedding Bands

Studded Jewelry Series

SC sources its materials 80% from domestic market, and 20% from the overseas market, mainly European countries. SC sells 40% of its products in domestic market, and 60% to the overseas market, mainly American and European countries.

The buying terms of SC include Check, T/T, L/C and Credit of 30-60 days. The payment terms of SC include T/T, L/C and Credit of 30-60 days.

RELATED COMPANIES

SC is not known to have any subsidiary at present.

PAYMENT

Overall payment appraisal:

Excellent Good Average Fair Poor Not yet determined

The appraisal serves as a reference to reveal SC's payments habits and ability to pay. It is based on the 3 weighed factors: Trade payment experience (through current enquiry with SC's suppliers), our delinquent payment records and our debt collection record concerning SC.

Trade payment experience: SC did not provide any name of trade/service suppliers and we have no other sources to conduct the enquiry at present.

Delinquent payment record: None in our database.

Debt collection record: No overdue amount owed by SC was placed to us for collection within the last 6 years.

BANKING

China Construction Bank Shenzhen Tianbei Sub-branch
中国建设银行田背支行

AC#: 44214801800229666898

Relationship: Normal.

FINANCIAL HIGHLIGHTS

Balance Sheet

Unit: CNY

	as of Dec. 31, 2007	as of Dec. 31, 2008
Cash & bank	83,447,752.37	5,884,562.88
Short-term investment	0	0
Bills receivable	0	0
Dividend receivable	0	0
Interest receivable	0	0
Accounts receivable	130,703,828.87	290,368,900.25
Other receivables	168,576,213.18	230,075,170.80
Advances to supplies	178,339,154.81	71,466,960.55
Inventory	167,916,043.34	270,578,587.58
Prepaid expenses	0	0
Long-term investment due within one year	0	0
Other current assets	0	0
	-----	-----
Current assets	728,982,992.57	868,374,182.06
Long-term investment on stocks	0	0
Long-term investment on bonds	500,000.00	500,000
Total long-term investment	500,000.00	500,000
Fixed assets-cost	12,845,173.66	--
Less: Accumulated depreciation	6,657,077.36	--
Net fixed assets	6,188,096.30	--
Less: Fixed assets depreciation reserves	0	--
Fixed assets net value	6,188,096.30	--
Project goods and material	0	--
Projects under construction	0	--
Liquidation of fixed assets	0	--
Improvement of operating lease of fixed assets	3,272,463.76	--
Less: Accumulated depreciation	2,083,593.01	--
Net Improvement of operating lease of fixed assets	1,188,870.75	--
Total fixed assets	7,376,967.05	8,636,841.31
Intangible assets	280,155.00	257,675.00
Long-term deferred expense	0	4,541,542.82
Other Long-term assets	0	0
Intangible assets and other assets	280,155.00	4,799,217.82
Deferred taxes debit	0	0
	-----	-----
Total assets	737,140,114.62	882,310,241.19
	=====	=====

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Short loans	125,000,000.00	150,000,000.00
Bills payable	0	0
Accounts payable	295,395.97	29,579,773.78
Advances from clients	0	0
Accrued payroll payable	0	0
Welfare payable	166,4791.39	1,130,478.94
Dividend payable	0	
Taxes payable	-11,816,831.51	-21,467,613.87
Other unpayable	0	0
Other accounts payable	16,033,000.00	15,934,944.71
Drawing expense in advance	0	0
Long-term liabilities due within one year	0	0
Other current liabilities	0	0
	-----	-----
Current liabilities	131,176,355.85	175,177,583.56
Long term loans	0	0
Bonds payable	0	0
Long-term account payable	266,882,050.00	266,882,050.00
Special accounts payable	0	0
Other long-term liabilities	0	0
Total Long-term liabilities	266,882,050.00	266,882,050.00
Deferred tax credits	0	0
	-----	-----
Total liabilities	398,058,405.85	442,059,633.56
Paid-up capital	276,351,600.00	276,351,600.00
Less: Investments returned	0	0
Net paid-up capital	276,351,600.00	276,351,600.00
Capital surplus	0	0
Surplus reserves	0	0
Including: public welfare fund	0	0
Unappropriated profit	62,730,108.77	163,899,007.63
Equities	339,081,708.77	440,250,607.63
	-----	-----
Total liabilities & equities	737,140,114.62	882,310,241.19
	=====	=====

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Income Statement

Unit: CNY

	as of Dec. 31, 2007	as of Dec. 31, 2008
Turnover	1,013,057,894.20	2,187,865,496.41
Less: Cost of goods sold	978,215,969.92	2,079,195,259.68
Tax and associate charge	1,495,757.12	2,146,295.66
Main Business Profits	33,346,167.16	106,523,941.07
Add: Other operating income	27,408,108.85	38,907,589.70
Less: Sales expense	2,963,218.76	4,468,937.58
Management expense	5,511,270.34	9,705,517.94
Finance expense	7,977,344.47	9,522,413.47
Operation profit	44,302,442.44	121,734,661.78
Add: Investment income	0	0
Subsidy income	0	2,400,000.00
Non-operating income	0	162.43
Less: Non-operating expenses	1,200.74	604,557.00
Total profits before tax	44,301,241.70	123,530,267.21
Less: profit tax	6,645,366.38	22,361,368.35
Net profit	37,655,875.32	101,168,898.86

Important Ratios

	as of Dec. 31, 2007	as of Dec. 31, 2008
*Current ratio	5.56	4.96
*Quick ratio	4.28	3.41
*Liabilities to assets	0.54	0.50
*Net profit margin (%)	3.72	4.62
*Return on total assets (%)	5.11	11.47
*Inventory /Turnover × 365	60days	45days
*Accounts receivable/Turnover × 365	47days	48days
*Turnover/Total assets	1.37	2.48
* Cost of goods sold/Turnover	0.97	0.95

FINANCIAL COMMENTS**PROFITABILITY: FAIRLY GOOD**

- The turnover of SC appears fairly good.
- SC's net profit margin is average.
- SC's return on total assets is fairly good.
- SC's cost of goods sold is fairly high, comparing with its turnover.

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LIQUIDITY: AVERAGE

- The current ratio of SC is maintained in a good level.
- SC's quick ratio is maintained in a good level.
- The accounts receivable of SC is average.
- The inventory of SC is average.
- The short loans of SC are average.
- SC's turnover is in a fairly good level, comparing with the size of its total assets.

LEVERAGE: AVERAGE

- The debt ratio of SC is average.
- The risk for SC to go bankrupt is low.

Overall financial condition of the SC: Fairly good

REMARKS

SC is well-known in its industry with fairly good financial conditions. Over the past 9 years, SC has made a stable growth with fairly good profit. A credit line up to USD 4,000,000 would appear to be within SC's capacities.

END OF THIS REPORT