

Credit Rating for Contract Fulfillment of Beijing Sifang Automation Co.,Ltd

No.E【2006】115 Dagong Report

Credit Grade: **aaa**

Appraisal

Rating time: Jul. 2006

Re-rating duration: 2 years

Rating history:

aaa			
aa			
a	2004	2005	2006

Registered capital: 245.18 million yuan

Foundation time: Apr. 1994

Major business: R&D, production and sales of automation of electric power systems and relay protection facilities.

Major financial data and indices

(Unit: 10,000 yuan)

	2005	2004	2003
Total assets	102,009	88,207	62,594
Net assets	36,064	31,843	29,374
Major business revenue	68,920	57,690	72,113
Operating profits	6,970	6,969	5,794
Total profits	9,041	7,815	6,969
Operational net cash flow	9,693	-514	4,911
Liability/asset ratio (%)	62.18	62.24	53.04
Current ratio	1.39	1.35	1.54
Operating margin (%)	10.11	12.08	8.03
Return on equity (%)	20.06	19.44	22.06

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By request of Beijing Sifang Automation Co., Ltd ("Sifang Automation" or "the company"), Dagong Global Credit Rating Co., Ltd. ("Dagong") provided the company with credit rating for contract fulfillment and affirmed it's aaa rating. Dagong reserves the right for tracking appraisal on the credit status of the company and announcement of changes in the credit rating for contract fulfillment.

Sifang Automation is mainly engaged in R&D, production and sales of automation of electric power systems and relay protection facilities. The rating result is a comprehensive demonstration of the advantages in production scale, market position and technical strength. Despite tough market competition and risks of sales channel management and accounts receivable management, the excellent credit rating of Sifang Automation will not be seriously impacted as a result.

Major advantages / Opportunities

- The company faces good development opportunities as the investment by the state in construction of electric power grid and equipment reconstruction drives the development of the sector that the company belongs to;
- Advanced technological level, strong capacity in R&D, leading position of its products in the domestic market;
- Steady client groups and bigger market share;
- Higher brand popularity in the sector, giving the company an advantage position in the market competition;
- Advanced management approaches and high production and management efficiency.

Major risks and challenges

- It is expected that the company to use price as one of the main methods to compete in the market;

- Long period of account receivable and heavy occupation of operational capital

will impact its capital use efficiency to certain extend.

Dagong Global Credit Rating Co., Ltd

Jul. 28th, 2006