

Dagong Credit Rating Bulletin

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Dagong Global Credit Rating Co., Ltd. (Dagong) assigned BBB_{zc}^{+} credit rating on Beijing BGI-GBI Biotech Co., Ltd. The rating reflects the good prospect of diagnostic industry, strong R&D ability, good reputation and comparatively standard production management policy. On the other hand, it also reflects: small company scale which does not help to turn technology advantage to economic profits; net income decreases in the past two years and current profit level tends to drop off; the debt repayment protection of operational net cash flow is weak etc.

Company business focuses on the research, produce and sale of in vitro diagnostic reagents. Currently, the products have eugenic series, hepatitis series, blood screening series and other infectious deceases series. As the improvement of life standard and strengthened importance of disease control, the increase of demand of diagnostic reagents reflects good prospect of diagnostic industry. Meanwhile, the independent intelligent property in core products has already got international and domestic patent, which is competitive in industry.

The participation of 1% Human Genome Project earned high reputation in industry and society for the company. Sufficient experience of research stuff and technical support from related entities such as Hua Da Gene Research Center make their research ability strong. The management rules have passed ISO9001 quality system attestation, as well as GMP and IVD (medicine industry certification). However, small assets scale, pressure for annual research fee and small current assets are not good for turning technology advantage to economic profits.

Gross profit of products is high. However, the net income is low because of big

quantity of sale fee and management fee. The main asset is current asset with good quality. The main liability is current liability and the debt is decreasing these years. Nowadays, the debt level is in common level. At the same time, the inventory turnover and account receivable turnover are low. The level of operational net cash flow is low, which means the repayment ability is weak.

Dagong reserves the right for reviewing the credit condition of the Company and announcement of change to the credit rating.

Aug 22nd, 2008

Dagong Global Credit Rating Co., Ltd.