

Dagong Credit Rating Bulletin

No. D [2008] 137 Bulletin

Dagong Global Credit Rating Co., Ltd. (Dagong) assigned BBB_{zc} credit rating on Ponovo Co., Ltd. The rating reflects the stable prospect of electrical instrumentation industry, strong R&D ability, support from complete product series and sale-net, fast increase of revenue and low short-term liability. On the other side, it reflects the pressure from technology and product update. Meanwhile, the increased purchase cost of software and management and sale fees caused the net loss in 2007 and big drop of operational net cash flow.

The main business of company is development, producing and sale of relay tester and digital simulation equipment. The sustainable increase of state power grid investment drives the demand towards on power equipment, which brought good developing chance for company. However, because of fast update of chips and software technology, as well as the influence of properties change of relay testers, this industry faces certain pressure from technology and product update.

That the high staff quality and strong research ability provides support to products research and development. Meanwhile, the complete products system and sale-net supports the company operation. In 2004, company departed the software department and started to buy software from outside. In 2007, after structure adjustment, the company broadened the scope of entity, which brought the increase management and sale fees.

During recent years, the revenue increased year on year with fast speed. However, the increase of purchase cost of software led to net loss. The scope of company is not that big. The current asset denominated the assets and it is with good quality and liquidity. All the

liability of company is current liability, during which current liability is the main part. The asset to debt ratio is low. The cash and current liability is comparatively high. And the pressure of debt is small during short term. In 2007, the operational net cash flow decrease largely and the ability of repaying current liability is in common level.

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

Aug 28th, 2008

Dagong Global Credit Rating Co., Ltd.