

Dagong Credit Rating Bulletin

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Dagong Global Credit Rating Co., Ltd. (Dagong) assigned *A₂-* credit rating on Wise Welding Technology & Equipment Co., Ltd. The rating reflects the fast development of welding equipment market, high degree of specialization of products, stable relationship with clients, increase of export and surge of revenue. On the other hand, it reflects the severe competition of welding equipment market, high industry risk and leverage ratio. The repayment ability of current assets is just in common level and the account receivable increased greatly.

Driven by the sustainable development of national economy, the steel demand from railways, shipbuilding and automobiles surged, which brought the welding equipment development. The severe market competition drove the welding equipment to develop in the high-tech direction. The company focuses on supplying specific equipment and related technology to some boiler companies. However, the products are directly effected by prosperity of boiler industry, which means high risk.

The products of company include Membrane Panel, Serpentuator and SAW machine for saddle pipe joints, which must be used in boiler producing process. The quality and technology level of products are in leading position national while the cost is far low compared with the same products in foreign countries. The good quality and low cost helped to strengthen the co-operation between company and several major boiler companies. The national market share reached 90% while Indonesia, Southeast Asia and European market had been explored, which effectively cut down the operational risk. In 2007, the export revenue occupied 50% of total sales.

During past three years, the assets increased fast and were with good quality. The

asset-liability ratio is high while the repayment ability was in common level. In 2007, the revenue surged and the profitability can be kept in certain level. Because of the increase of account receivable, the cash flow in 2005-2007 gradually decreased. It is expected the cash flow in 2008 will be changed and the repayment ability will be improved as well.

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

Sep.2nd,2008

Dagong Global Credit Rating Co., Ltd.