



中國高速傳動設備集團有限公司\*  
China High Speed Transmission Equipment Group Co., Ltd.

# 2008 Interim Results

18 September 2008



# Disclaimer

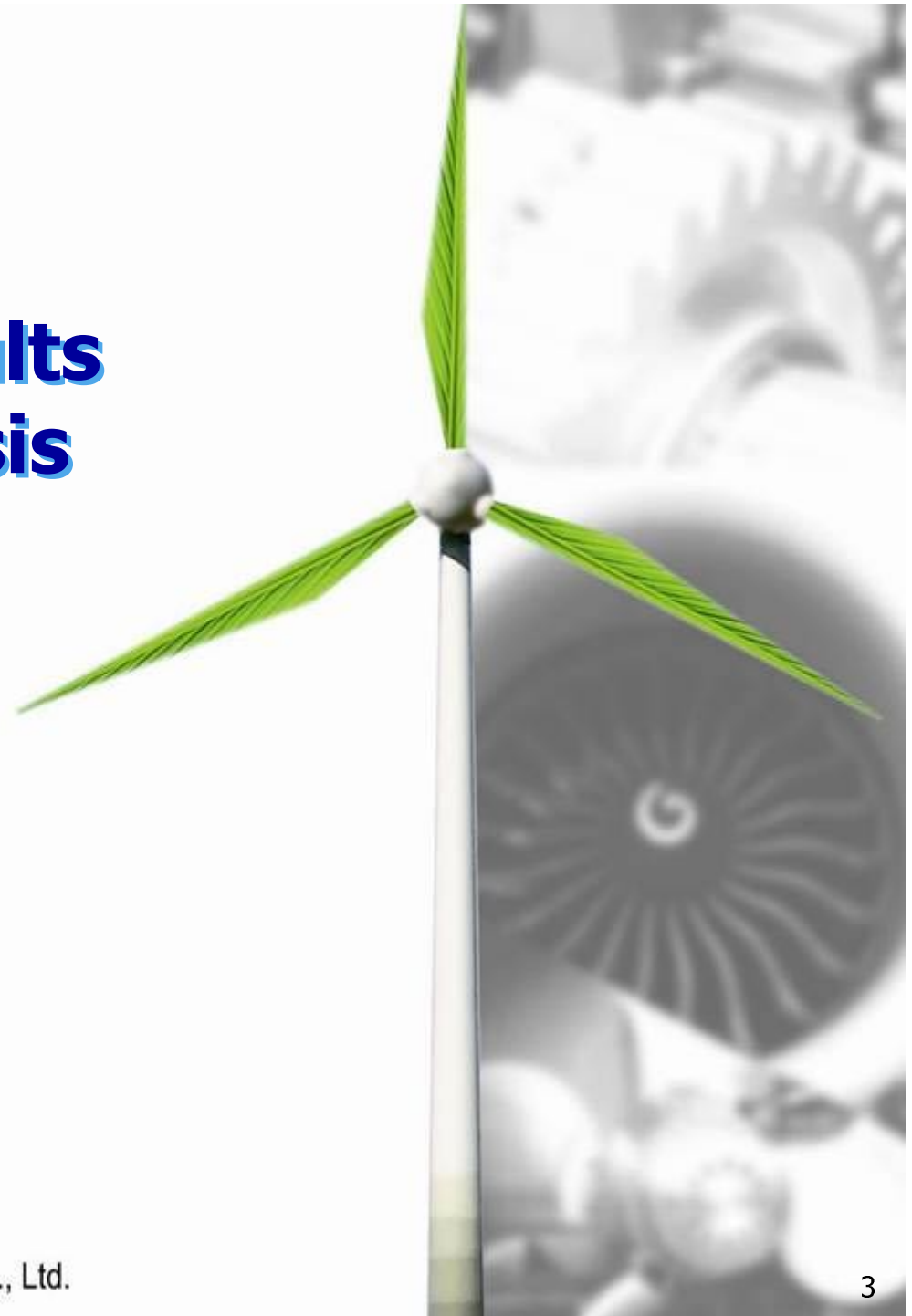
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# Agenda

- 1 2008 Interim Results Review and Analysis
- 2 2008 Operational Review
- 3 Industry Outlook
- 4 Future Prospect
- 5 Q & A

# 2008 Interim Results Review and Analysis



# Financial Highlights

## Remarkable Growth in Net Profit Attributable to Equity Holders

For the half year ended 30 June

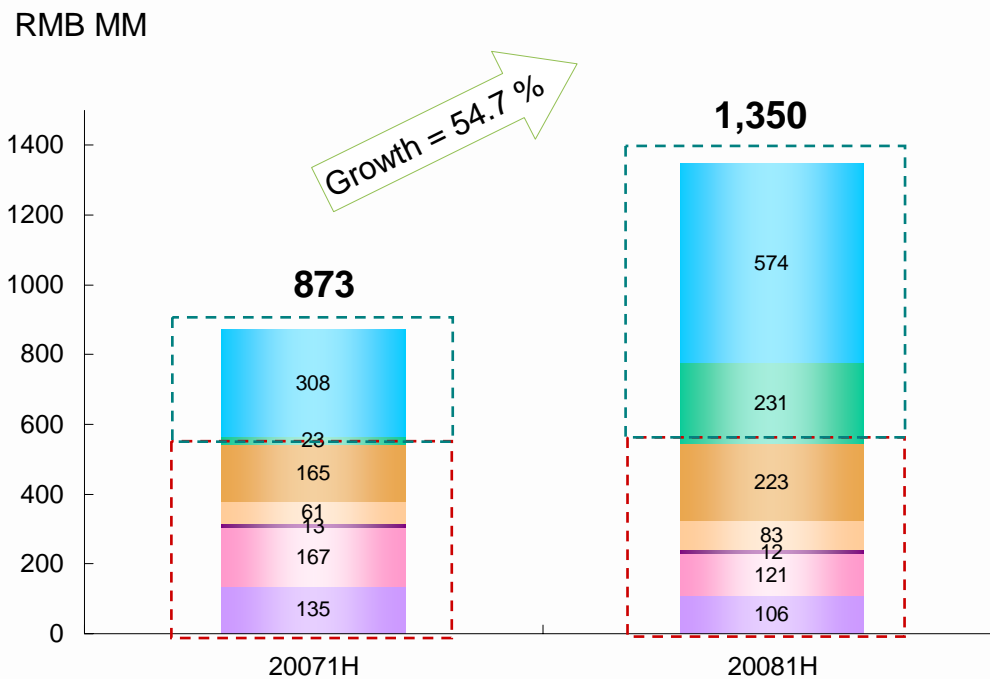
RMB MM	2007	2008	% Change
Sales Revenue	873.0	1350.3	▲ 54.7%
Gross Profit	233.1	417.3	▲ 79.0%
Core EBITDA	157.5	318.3	▲ 102.1%
Core EBIT	117.9	254.7	▲ 116.1%
Net Profit Attributable to Equity Holders	133.8	252.8	▲ 89.0%
Adjusted Net Profit Attributable to Equity Holders (excl. extraordinary items*)	90.7	241.9	▲ 166.7%
Gross Profit Margin	26.7 %	30.9 %	▲ 4.2%
Core EBITDA Margin	18.0 %	23.6 %	▲ 5.6%
Core EBIT Margin	13.5 %	18.9 %	▲ 5.4%
Net Profit Margin	15.3 %	18.7%	▲ 3.4%
Adjusted Net Profit Margin (excl. extraordinary items*)	10.4 %	17.9%	▲ 7.5%
Earning per Share - Basic (RMB)	0.15	0.20	▲ 33.3%

\*Including: (1) changes in fair values of derivative financial instruments (Equity Swap)  
(2) changes in fair value of convertible bonds

# Revenue Analysis of Gear Transmission Equipment

As a leading supplier of gear transmission equipment, the Group's total revenue substantially increased by 54.7% in the first half of 2008

Revenue Breakdown by Business Segment



## Wind and Marine Gear Transmission Equipment

20071H 20081H change in revenue (%)  
(% to total revenue)

Wind Gear	35.3%	42.5%	▲ 86.2%
Marine Gear	2.7%	17.1%	▲ 865.5%

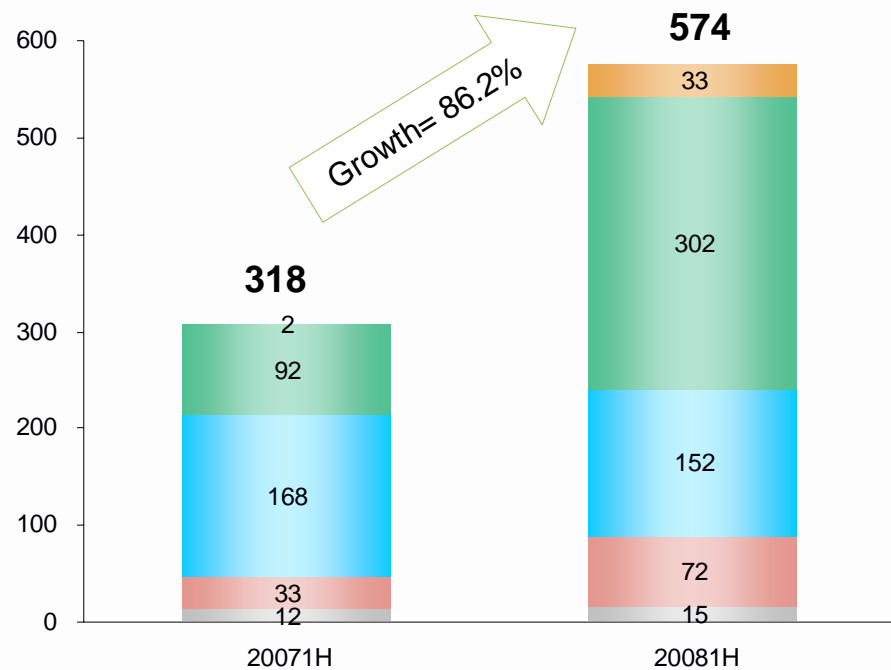
## Traditional Gear Transmission Equipment

Gear for Construction	18.9%	16.5%	▲ 34.9%
General Purpose Gear	7.0%	6.1%	▲ 35.3%
High-Speed Gear	1.5%	0.9%	▼ 12.8%
Gear for Rolling	19.1%	9.0%	▼ 27.0%
Others	15.5%	7.9%	▼ 21.3%

# Revenue Analysis of Wind Gear Transmission Equipment

Revenue Breakdown by Products

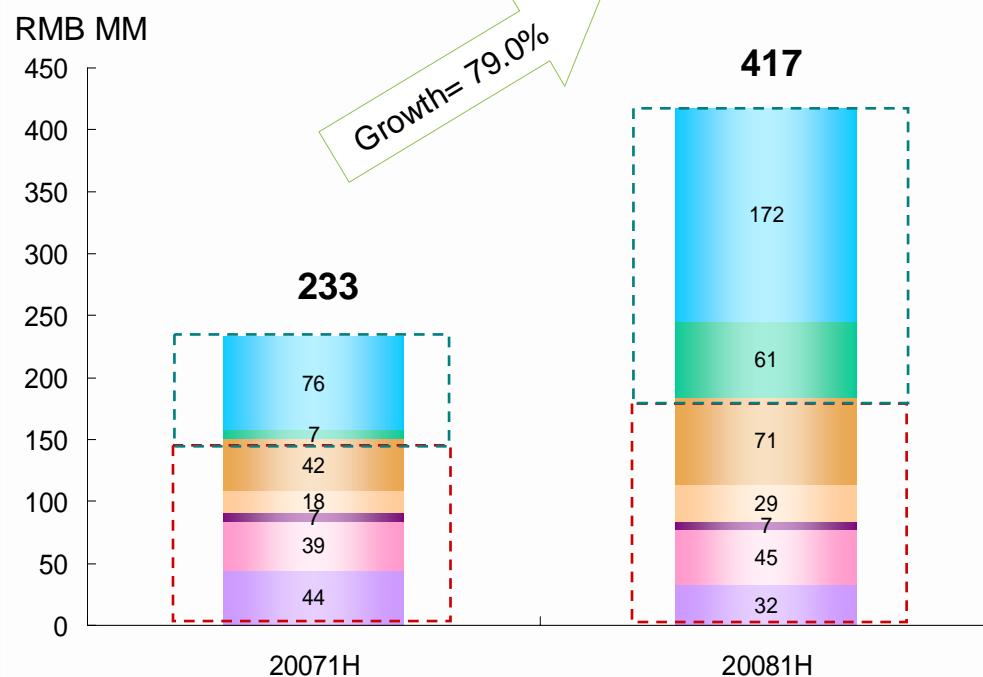
RMB MM



	20071H (% to total revenue)	20081H (% to total revenue)	change in revenue (%)
2MW Gearbox	0.8%	5.8%	▲ 1259.3%
1.0, 1.3, 1.5MW Gearbox	30.0%	52.6%	▲ 226.8%
750kW Gearbox	54.8%	26.4%	▼ 9.9%
Yaw Motor & Drive	10.7%	12.6%	▲ 120.4%
Pitch	4.0%	2.5%	▲ 18.9%

# Gross Profit Analysis

Gross Profit Breakdown by Business Segment

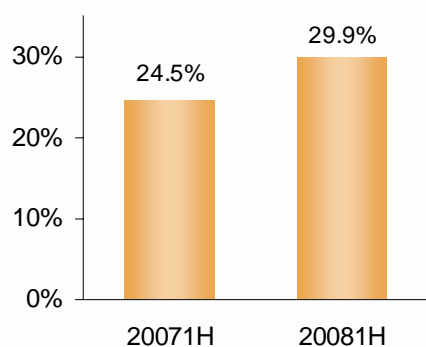


	20071H (% to total GP)	20081H (% to total GP)	change of GP (%)
<b>Wind and Marine Gear Equipment</b>			
Wind Gear	32.4%	41.1%	▲ 127.0%
Marine Gear	2.8%	14.7%	▲ 837.8%
<b>Traditional Gear Equipment</b>			
Gear for Construction	18.2%	17.0%	▲ 67.0%
General Purpose Gear	7.5%	7.0%	▲ 66.9%
High-Speed Gear	3.1%	1.8%	▲ 1.5%
Gear for Rolling	16.9%	10.7%	▲ 12.9%
Others	19.0%	7.7%	▼ 27.1%

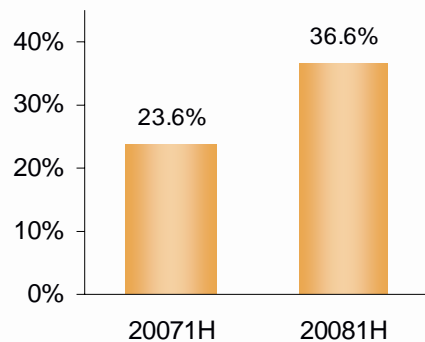


# Gross Profit Margin Analysis (by products)

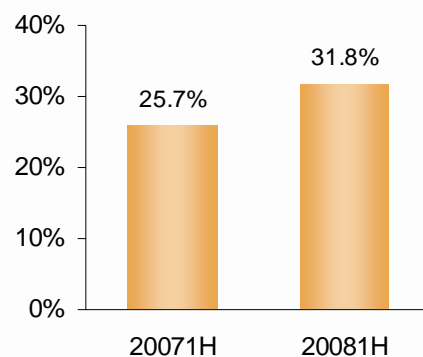
**Wind Gear**



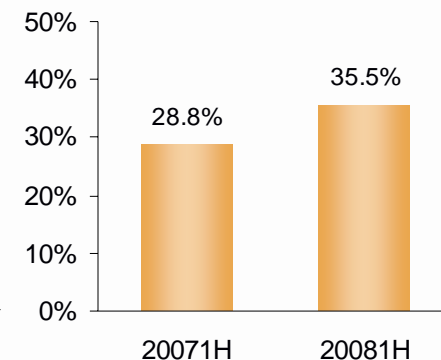
**Gear for Rolling**



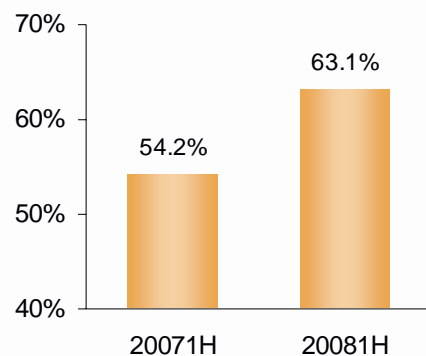
**Gear for Construction**



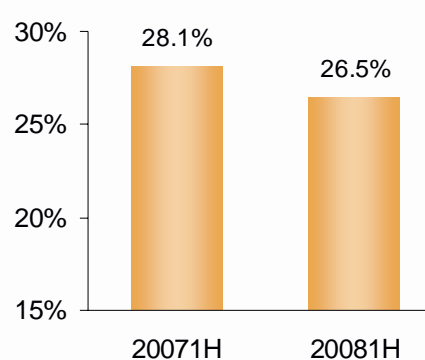
**General Purpose Gear**



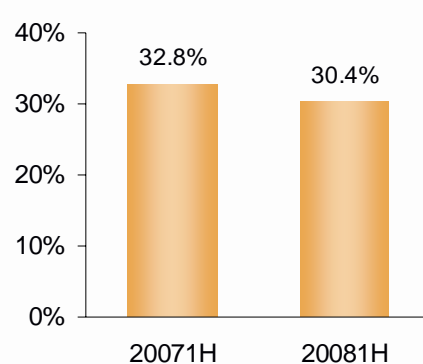
**High-Speed Gear**



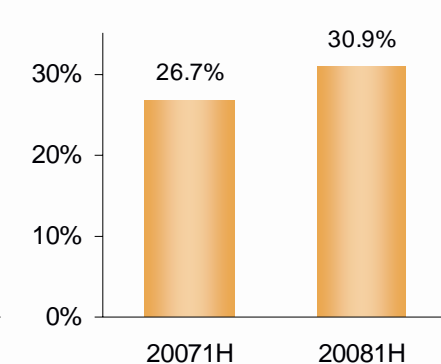
**Marine Gear**



**Others**



**Total**



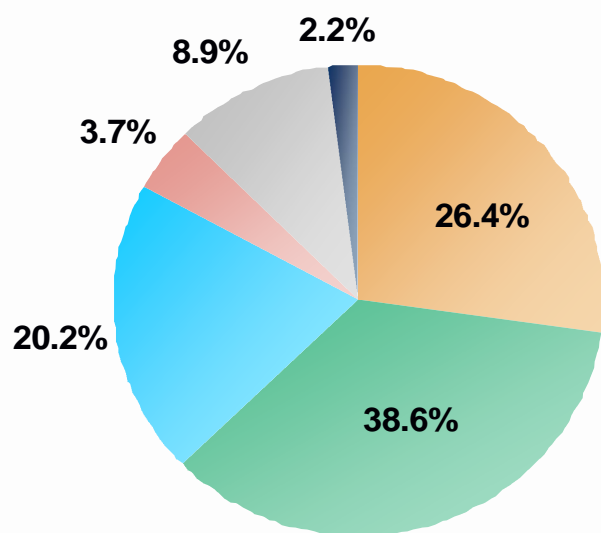
# Cost Analysis

## Breakdown of the Cost of Goods Sold

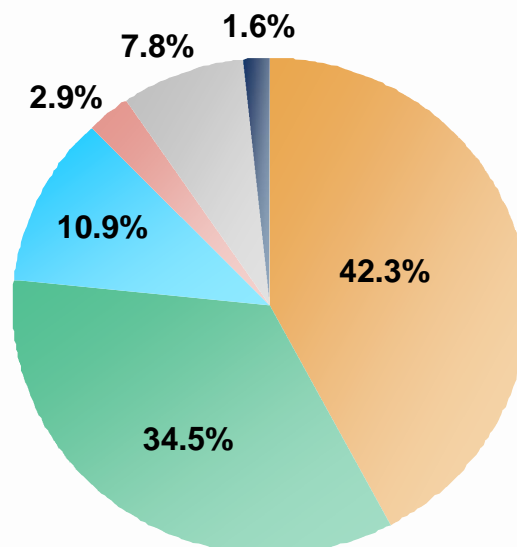
(RMB MM)

20071H

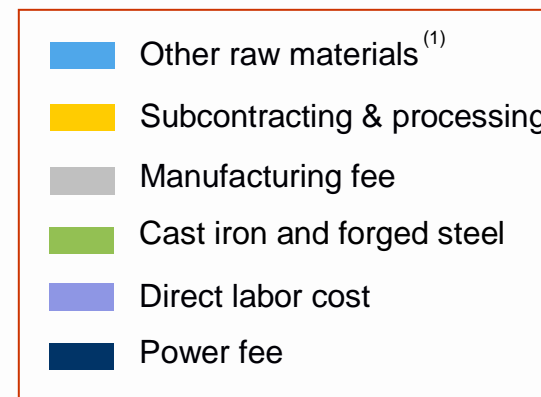
20081H



639.8



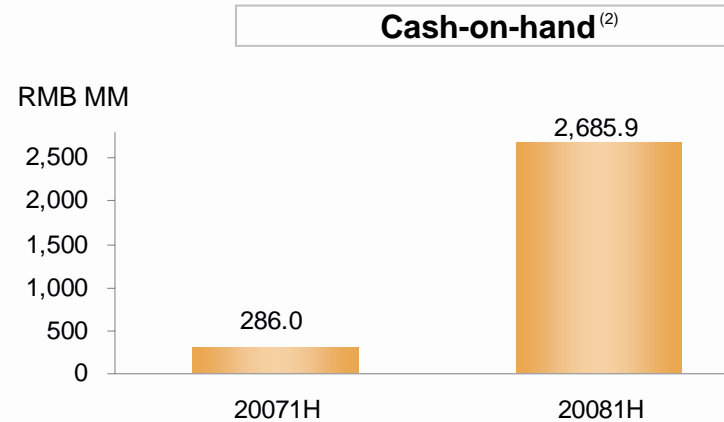
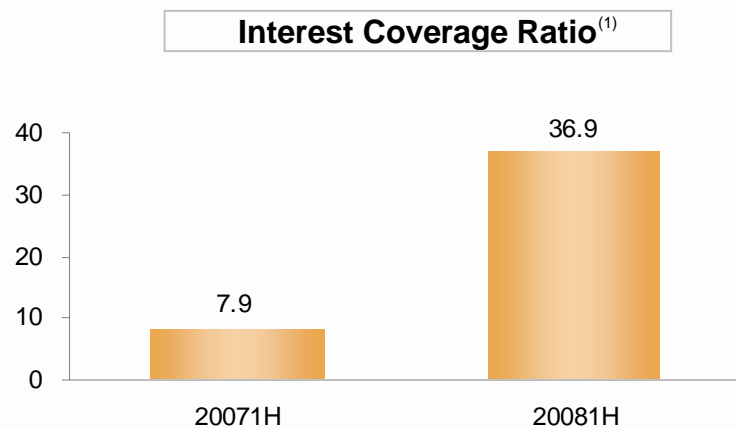
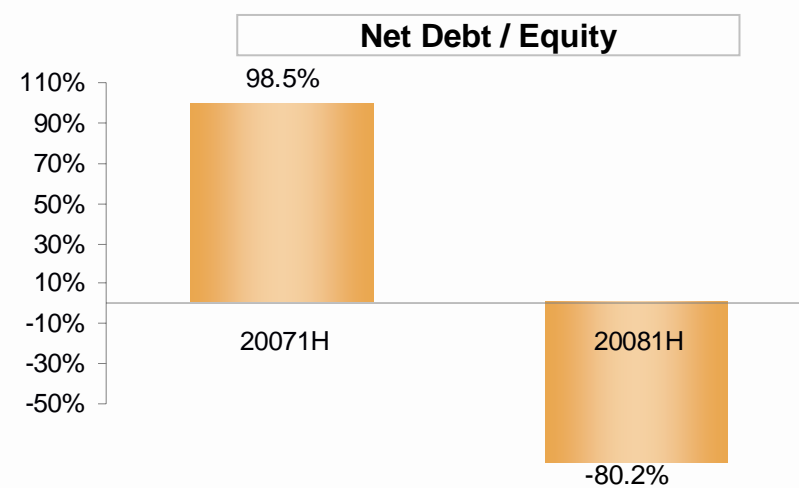
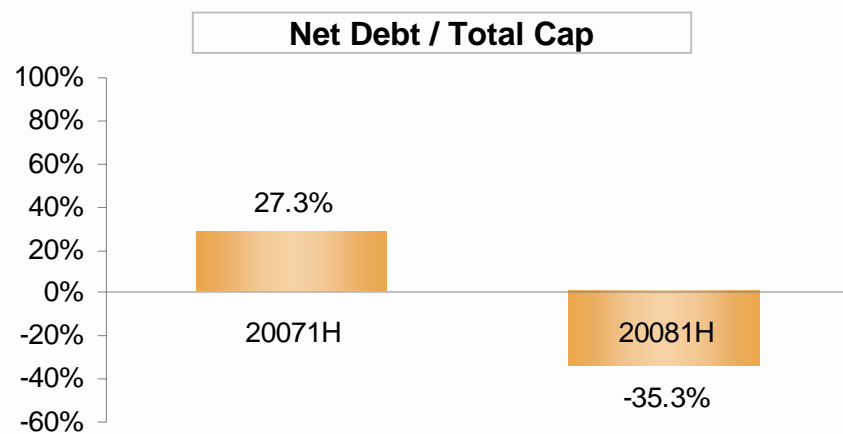
932.9



Note:

(1) Including bearing and steel plates

# Balance Sheet



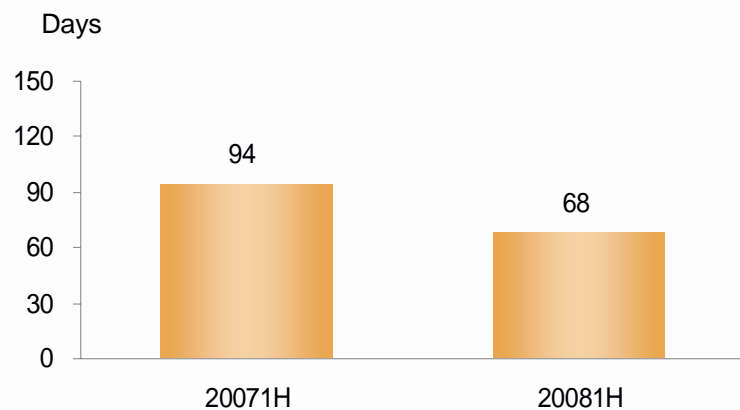
Note

(1) EBITDA / Interest Expenses

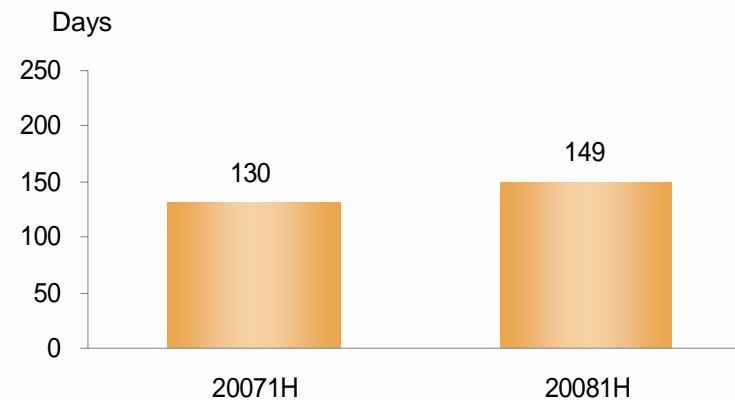
(2) Amount of 978,540,000 in cash on hand are restricted cash

# Working Capital

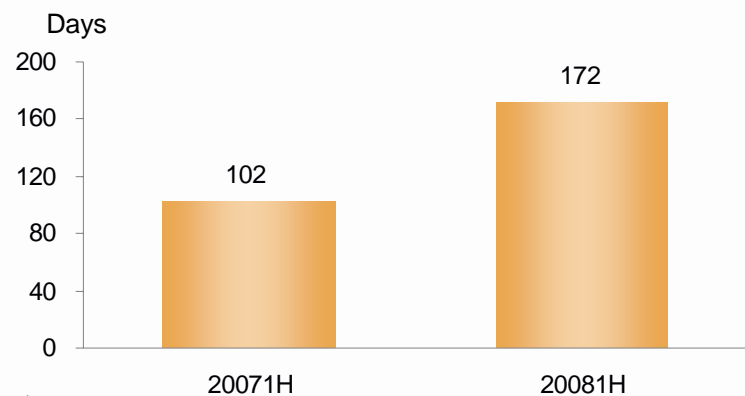
### A/R Days



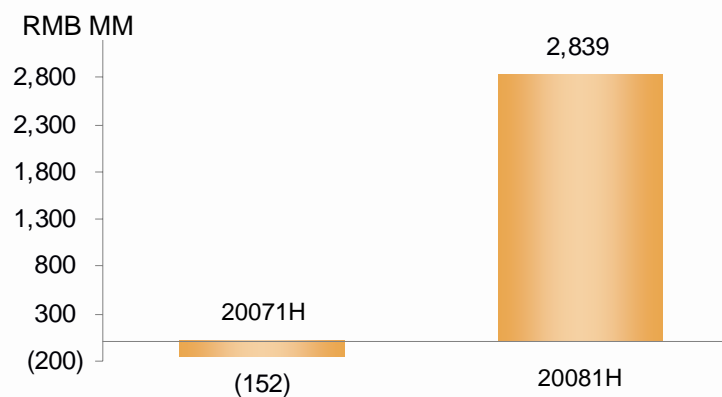
### A/P Days



### Inventory Days



### Net Working Capital<sup>(1)</sup>



**Note**

(1) Net working capital=current assets-current liabilities

# **Operational Review For The First Half of 2008**



# Increasing Customers for Wind Gear Transmission Equipment

For the first half year ended 30 June 2008, orders for wind gear transmission equipment recorded a substantial increase . The number of international clients of wind power generation mounted

Renowned international and domestic customers:



富士重工業株式会社

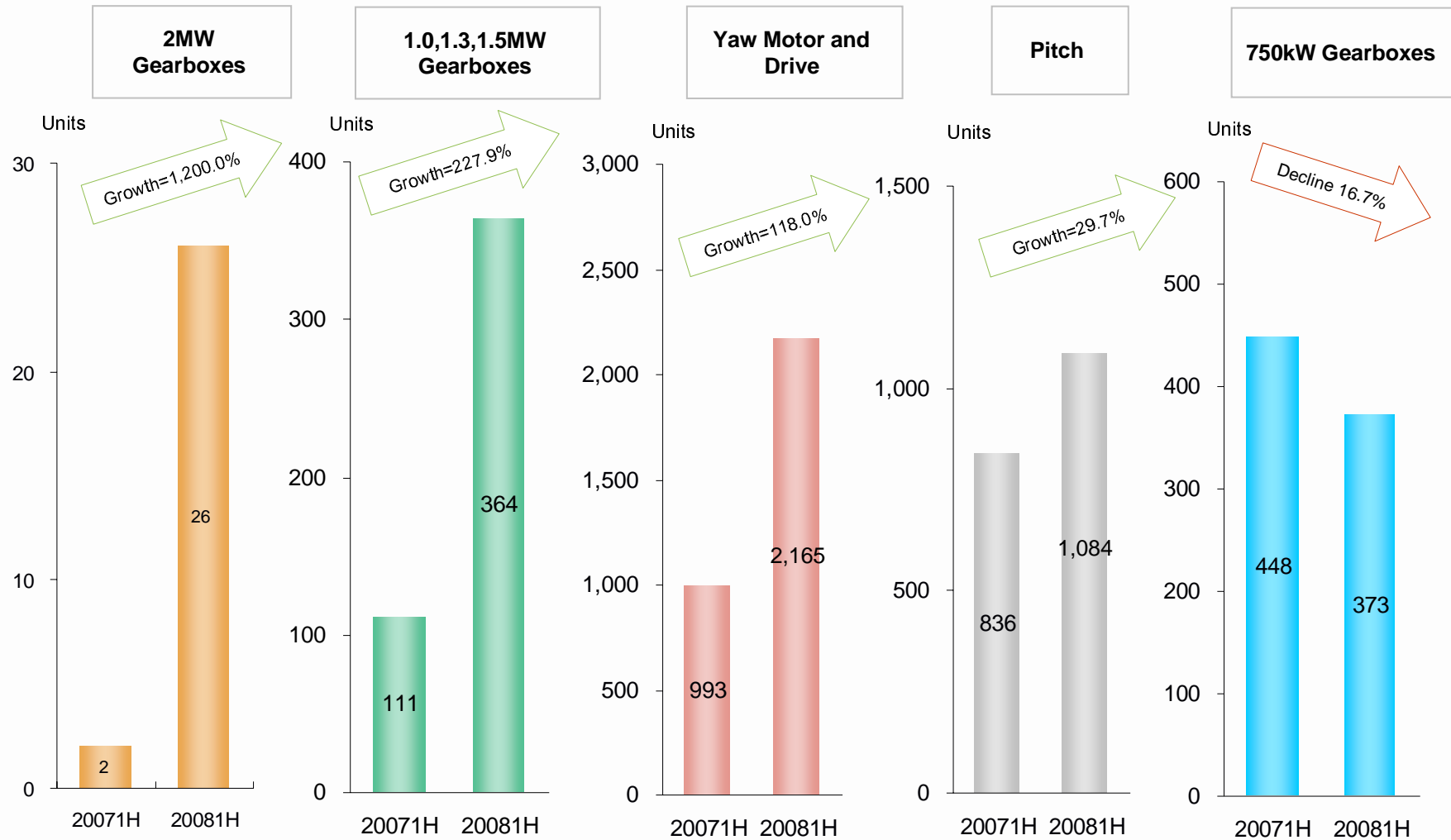


东方电气  
DONGFANG ELECTRIC

- ➔ Powered by outstanding R&D and design capabilities, our 1.5MW and 2MW products have reached the advanced international technical level and are well recognized by customers

# Production of Wind Gear Transmission Equipment

## Number of Wind Turbine Gearboxes Produced

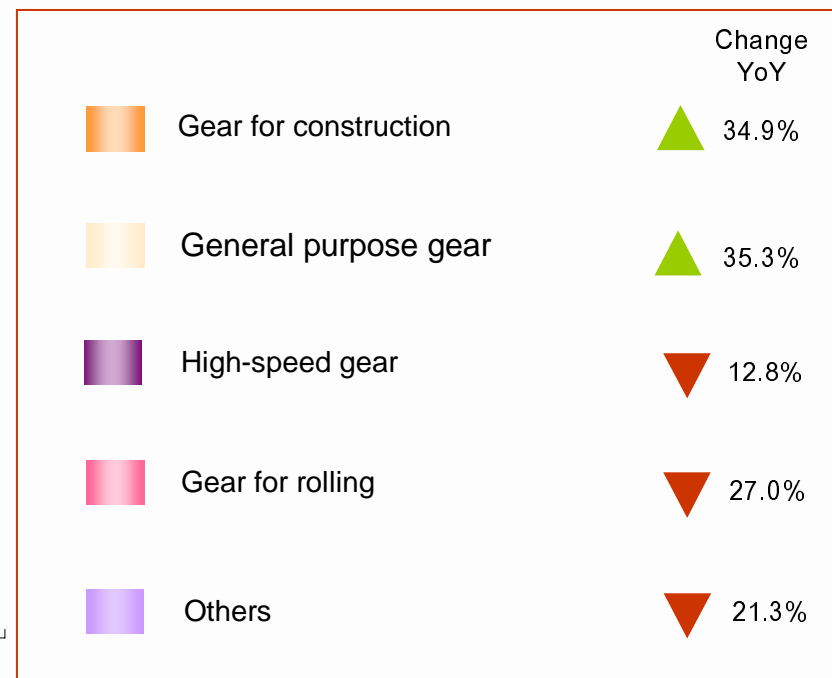
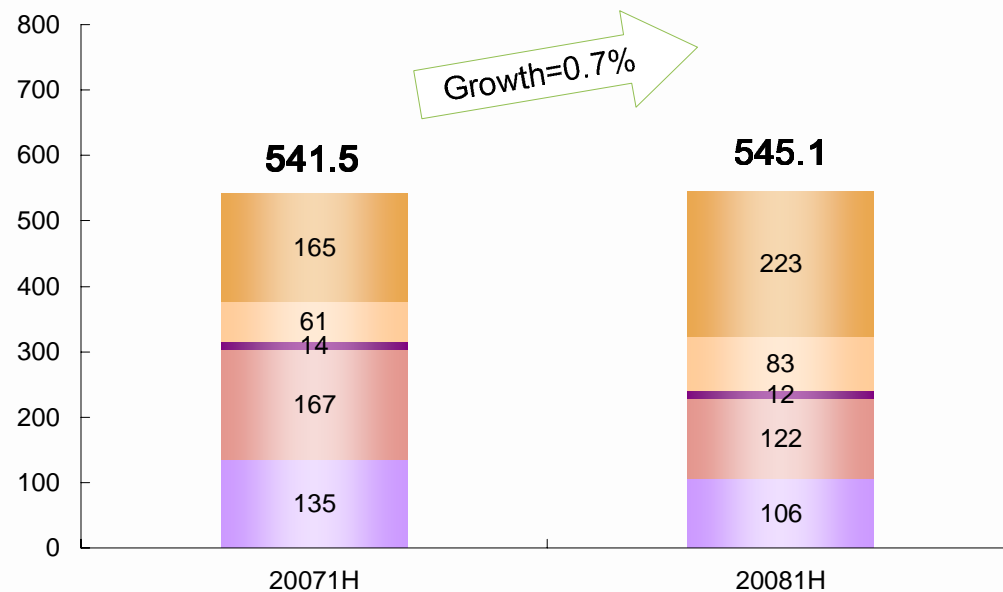


# Steady Growth in Traditional Gear Transmission Equipment Business

With a focus on energy-saving and environmental protection, the Group stuck to an approach driven by the development of new products while the revenue from gear for construction materials and general purpose gear grew by 34.9% and 35.3%

Sales Breakdown by Products

RMB MM





# Promising Future for Transmission Equipment for High-speed Locomotive and Urban Light Rails



The development of intercity rail roads and urban light rails is still in an early stage and is entering a stage of rapid growth



European high-speed rail network is expected to expand to twice of its present size by 2020

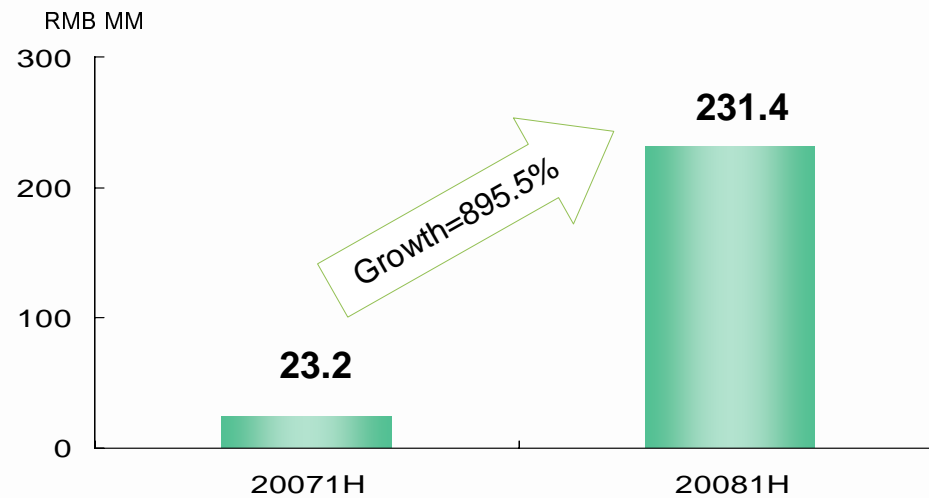
In April, we obtained  
**ALSTOM**  
product quality certification

Further progress in domestic and overseas markets will bring new growth sources for us

# Rapid Growth in Overseas Market Sales for Marine Transmission Equipment



## Sales Revenue for Marine Transmission Equipment



# Vertical Integration Advantage

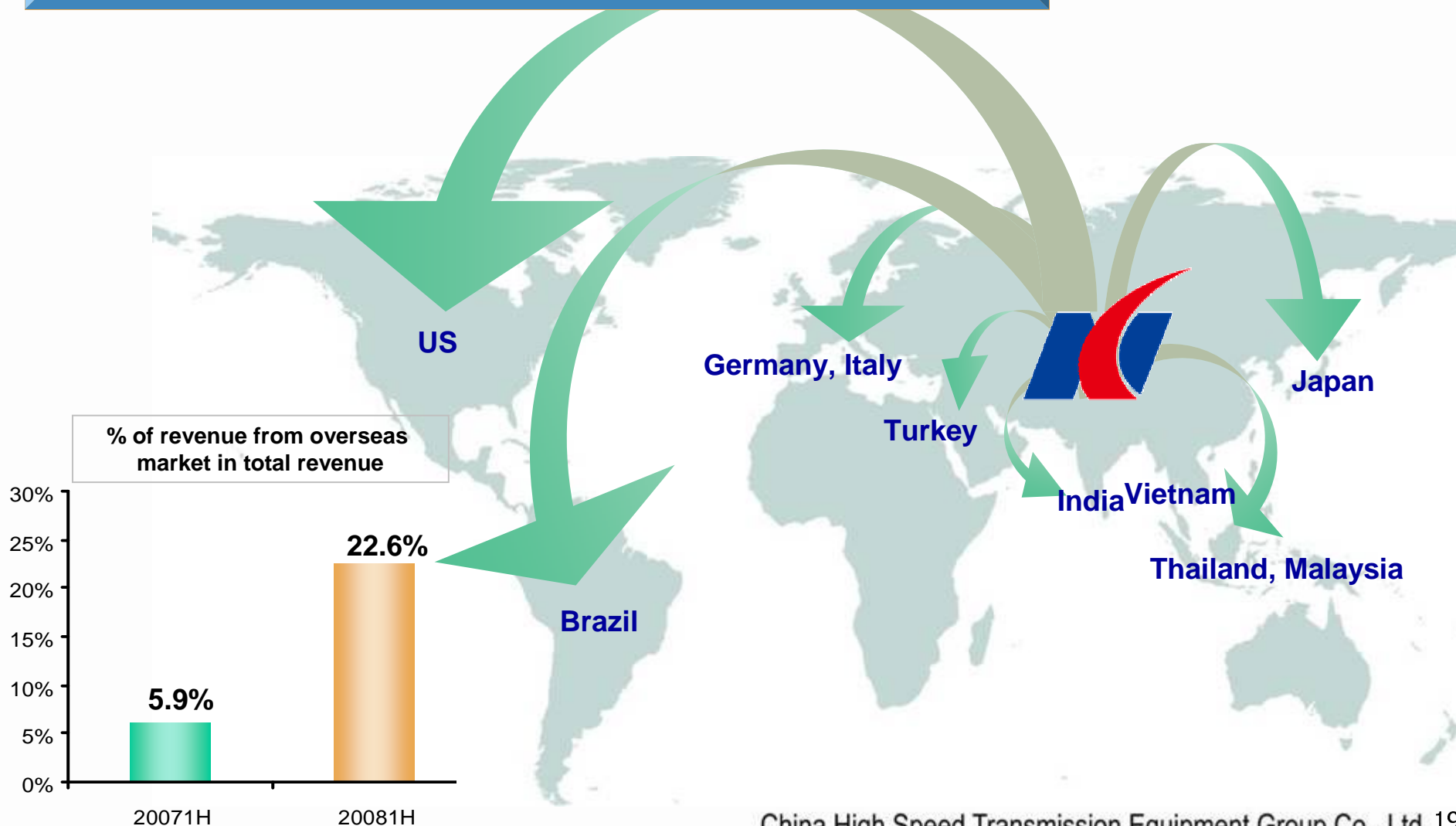
**CHSTE entered into an investment agreement with Jiangsu Hongsheng Heavy Industries Group Co., Ltd. on 30 June 2008 to satisfy the growing demand on raw materials of the Group**



Jiangsu Hongsheng is principally engaged in the production of special steel including alloy steel, forged steel, bearing steel and stainless steel. Upon the acquisition, increase in production capacity and the capability in producing high graded special steel products by Jiangsu Hongsheng is expected which will enable the Group to implement policies efficiently

# Overseas Market Expansion

Existing overseas business of the Group spanned across the globe



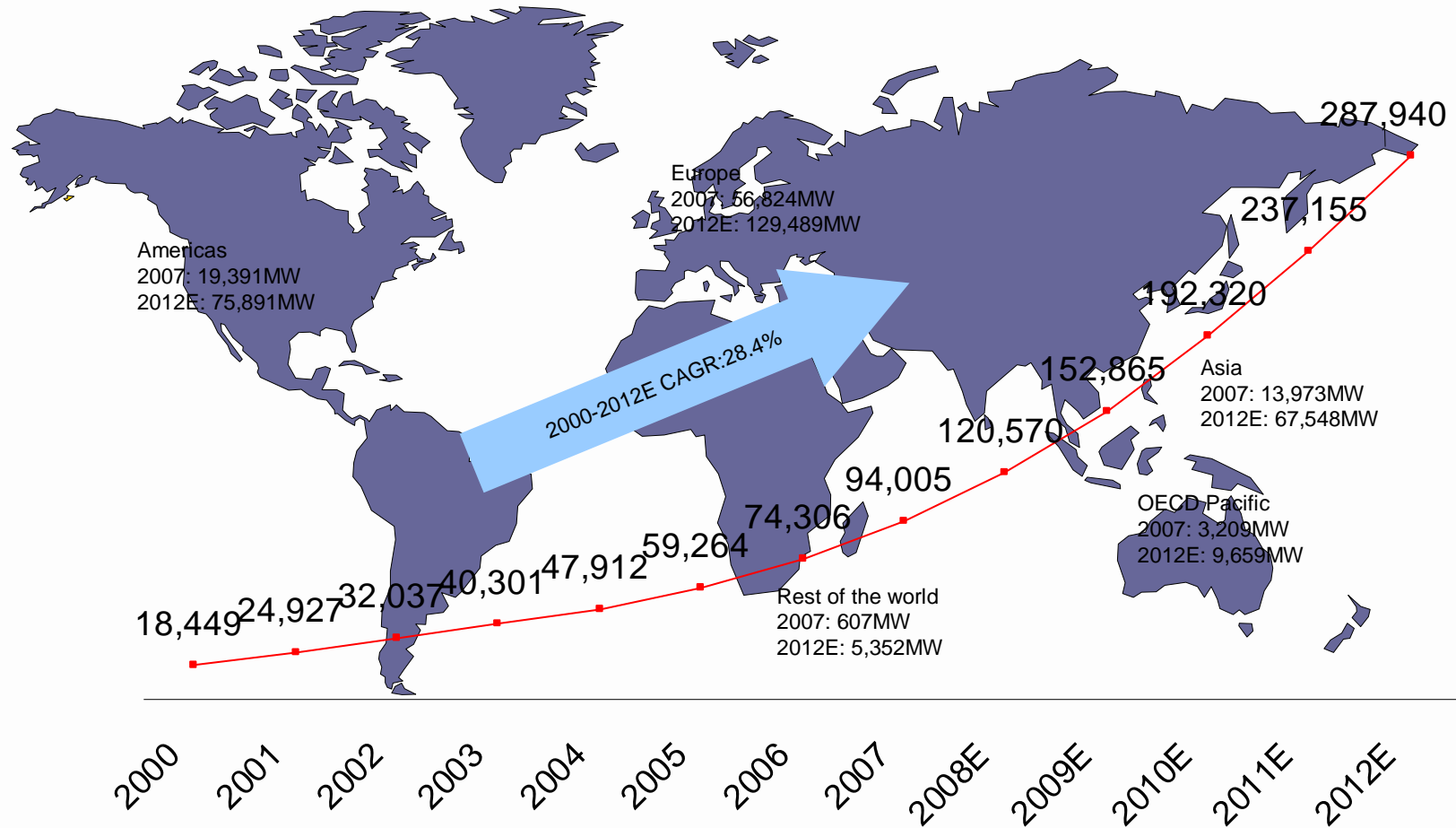
# Industry Outlook



# Flourishing Global Wind Market

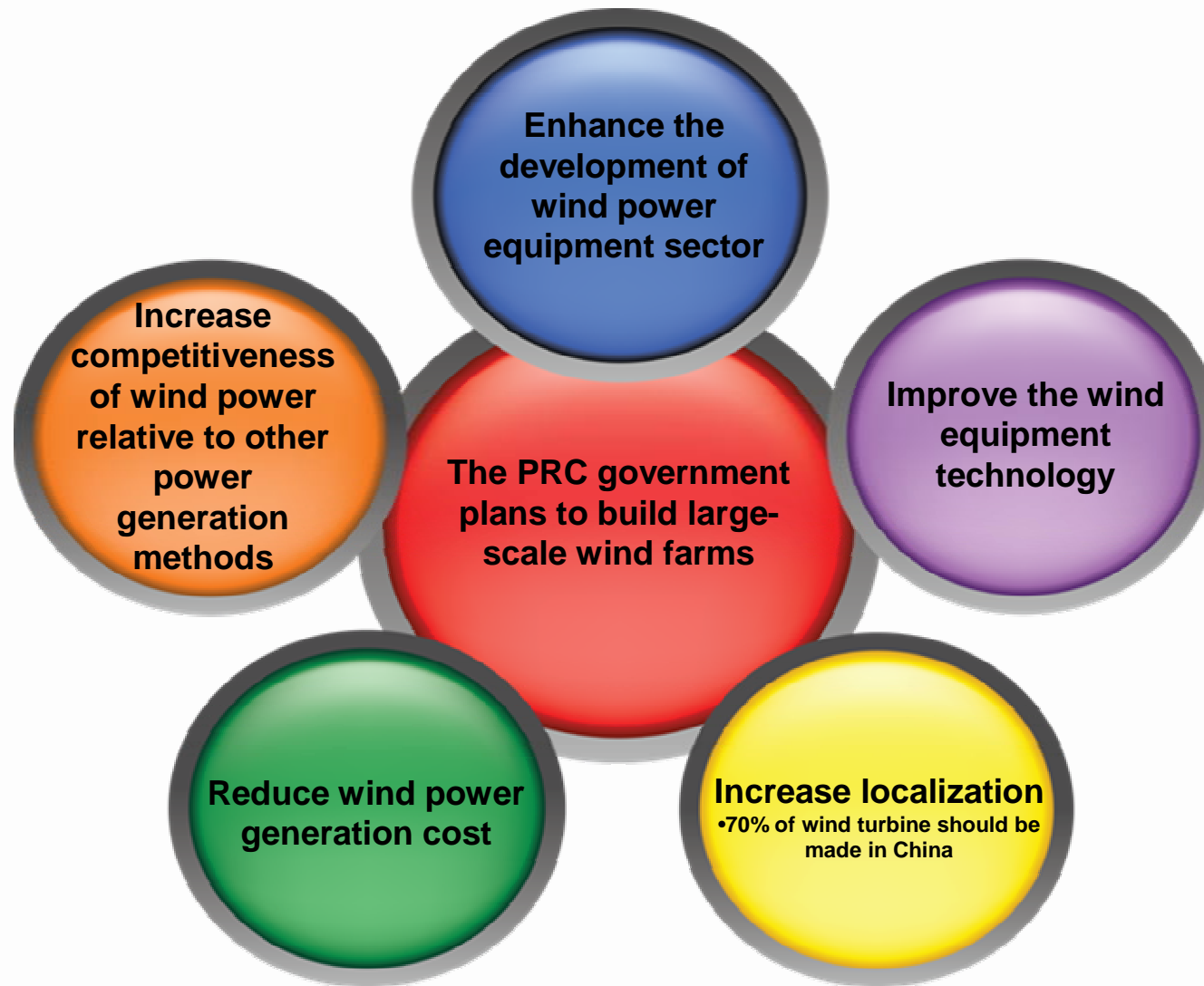
## Rapid Growth in Wind Power Demand has Led to Capacity Ramp-up

Cumulative Installed Capacity (MW)



Source: : : BTM Consult ApS, March 2008

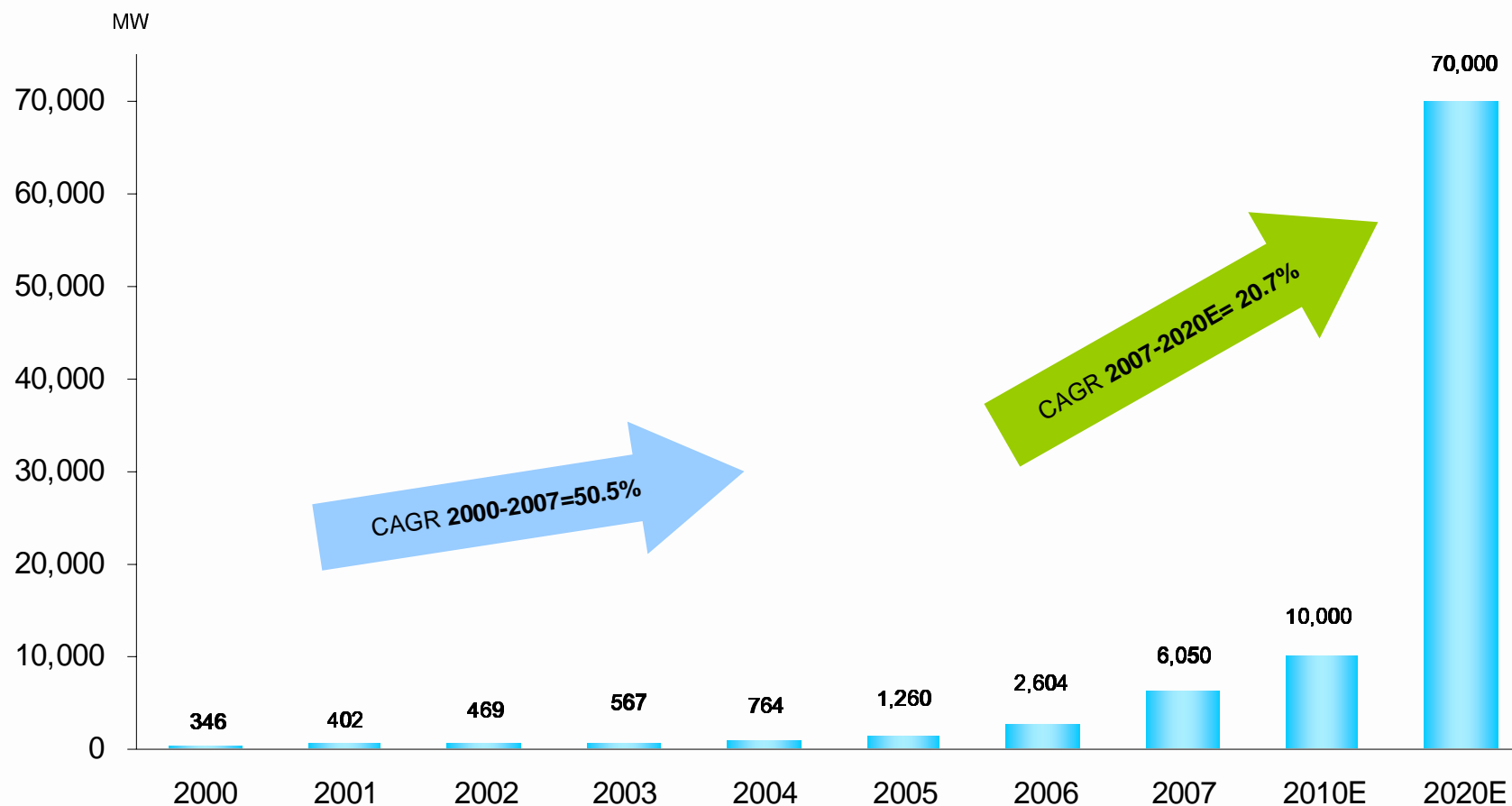
# The "Eleventh Five-Year Plan" Has Favorable Policies To Accelerate Wind Power Development



Source: Source: "11th Five-Year Plan of Renewable Energy Development" Report, 2007

# The PRC Government Has Set Aggressive Targets To Grow Wind Installed Capacity

## Historical and PRC Government's Target of Wind Power Installed Capacity

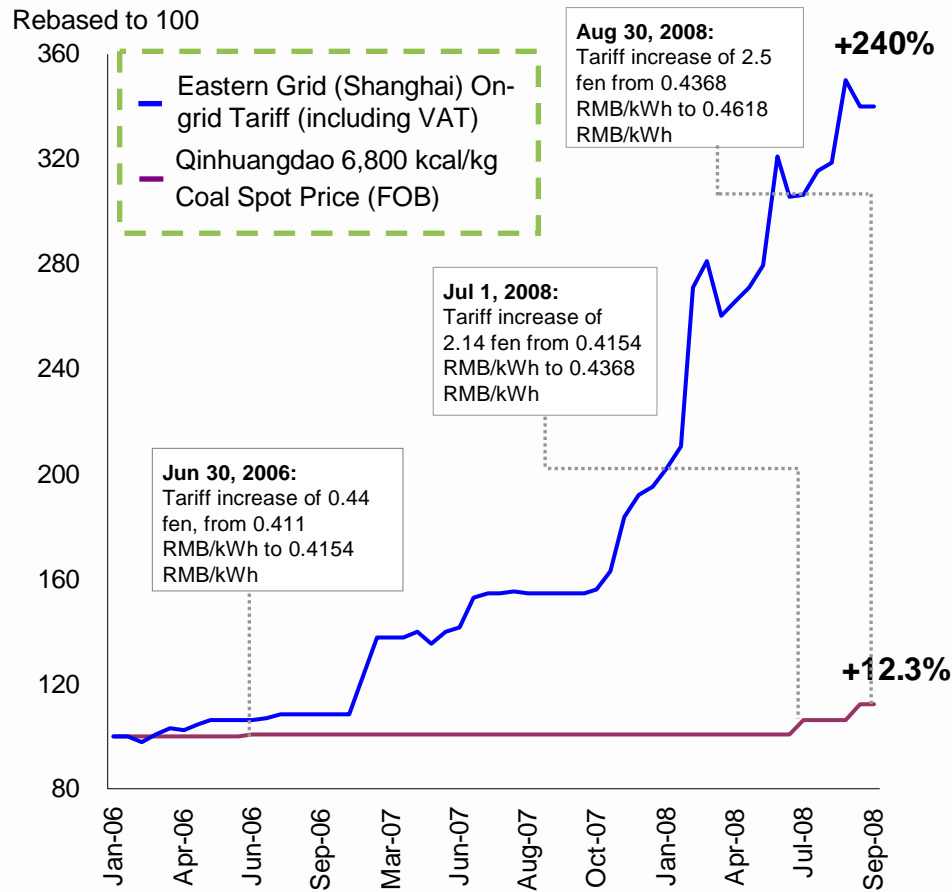


Source: Historical data from China Wind Power Report 2007;  
Forecast data from China Renewable Energy Industries Association (CERIA) Report, October 2007



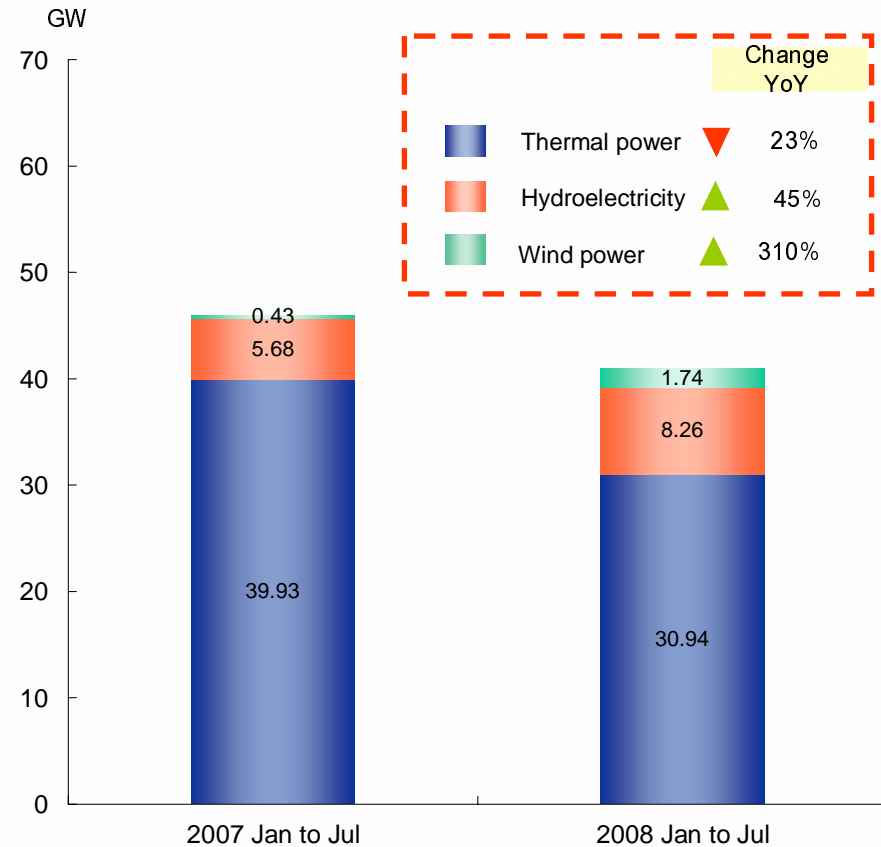
# Chinese Power Companies are Shifting Away from Loss-Making Coal-Fired Power Business to Wind Power

Comparison of Coal Price versus Electricity Tariff Rate



Source: Bloomberg, NDRC, as of September 2008

Newly Installed Power Capacity in China



Source: Company data, Morgan Stanley Research Report

# Outlook



# Future Outlook

## Strengthen technical improvement, expand production capacity of wind power equipment

- Our capacity by 2008 is expected to be 3,500MW, and is expected to reach 6,000MW by 2009, 9,000MW by 2010, and 11,000-12,000MW by 2011
- Strengthen research and development of high-power wind turbine transmission equipment and promote trial production of 2.5 MW, 3 MW and larger wind power products
- To meet market demand from wind power generation, a worldwide focus, we will improve our technical level and quality

## Expand sales in the vessel and high-speed locomotive segment

- For China such a major vessel manufacturer in the world, the insufficient domestic production capacity for vessel propelling equipment implies a huge market potential
- The construction of inter-city transportation promoted by the PRC government is bringing tremendous opportunities. Transportation will be a new market front for us
- Transmission equipment for vessel and high-speed locomotive will be our new growth sources

## Explore international market

- Expand into the international market to increase market share and achieve high speed growth in sales

## Strengthen the R&D of new products, expand into new markets

- Cultivate new business to facilitate extension to electromechanical integration
- Expand product lines and improve technical added value of products for greater economic benefit

## Foster talents to improve competitiveness in international market

- Enhance our R&D team to improve the Company's competitiveness in the international market
- Strive to cultivate a team of talents specializing in technology, international sales and corporate management to build up leadership among manufacturers in the world

# Q&A



**Thank You!!**

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