



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

# 2009 Interim Results Announcement Presentation

21 September 2009



# Forward Looking Statement

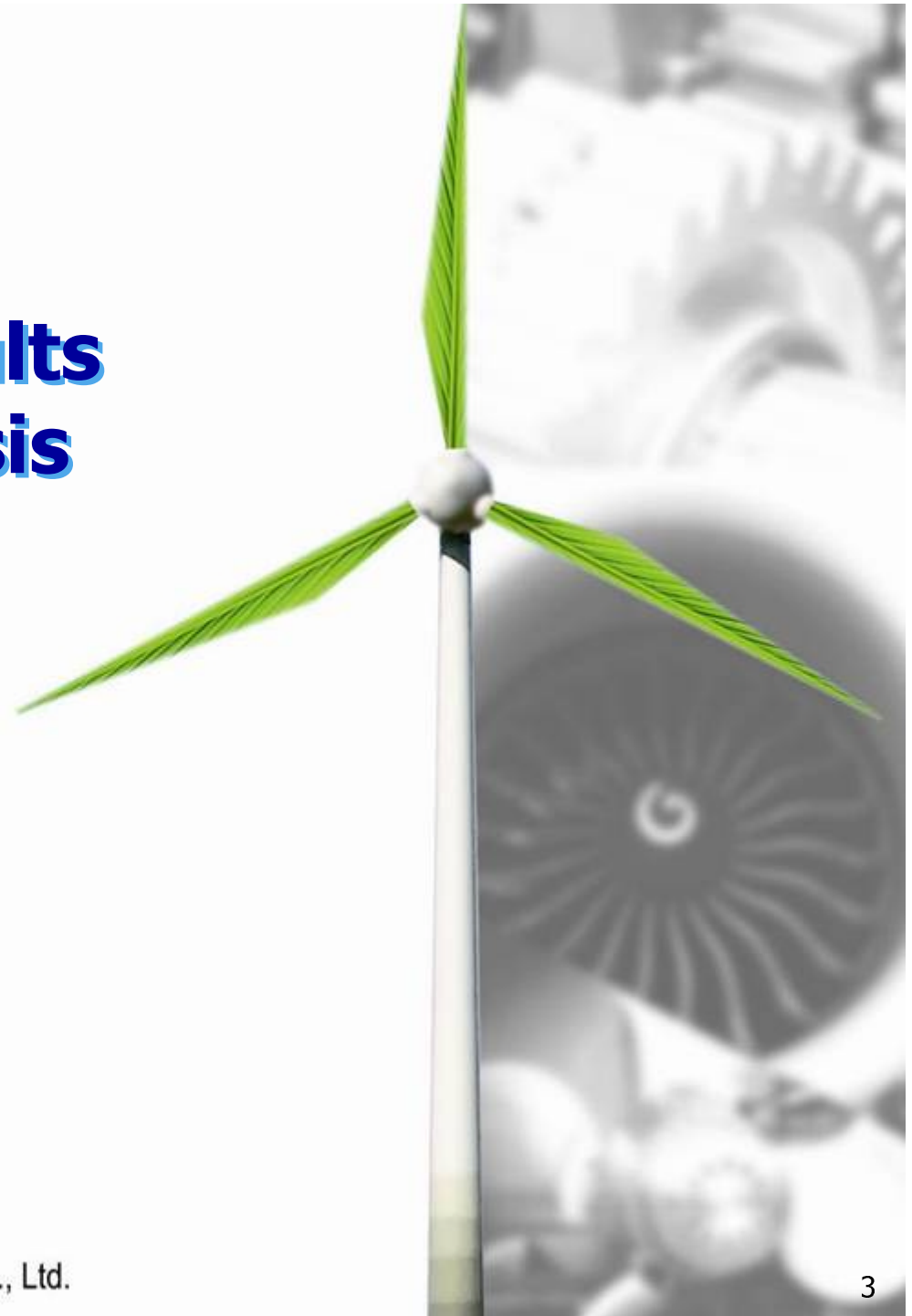
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# Agenda

- 1 2009 Interim Results Review and Analysis
- 2 1H 2009 Business Review
- 3 Industry Outlook
- 4 Future Prospect
- 5 Plants
- 6 Q & A

# 2009 Interim Results Review and Analysis



# Financial Highlights

**Sales revenue increased significantly by 50.6% to approximately RMB2 billion**

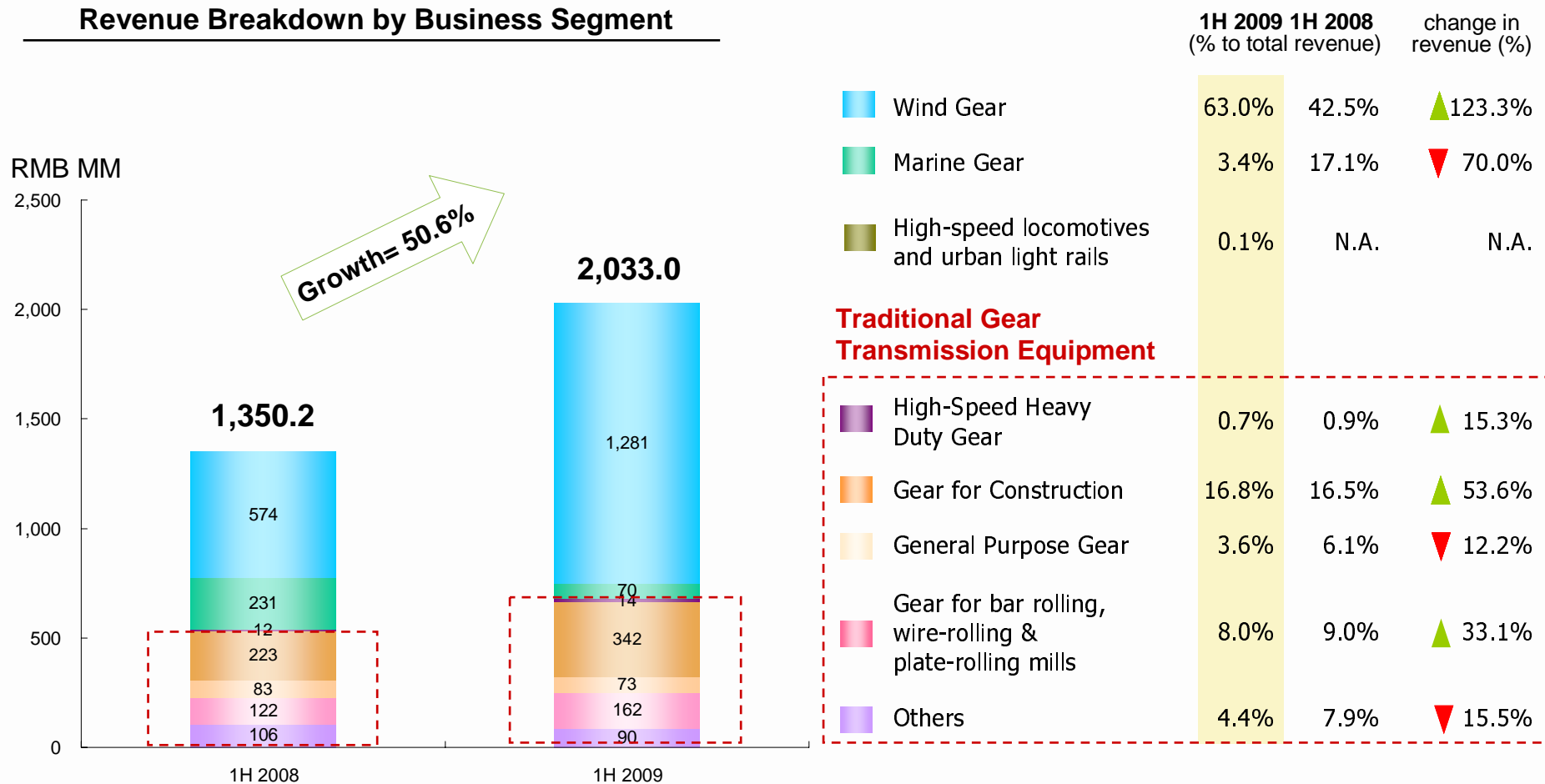
RMB MM	1H 2009	1H 2008	Change
Sales Revenue	2,033.0	1,350.3	▲ 50.6%
Gross Profit	632.8	417.3	▲ 51.6%
Core EBITDA	524.1	318.3	▲ 64.6%
Core EBIT	419.3	254.7	▲ 64.7%
Net Profit Attributable to Equity Holders	254.4	252.8	▲ 0.7%
Adjusted Net Profit Attributable to Equity Holders (excl. extraordinary items*)	333.3	241.9	▲ 37.8%
Gross Profit Margin (%)	31.1	30.9	▲ 0.2%
Core EBITDA Margin (%)	25.8	23.6	▲ 2.2%
Core EBIT Margin (%)	20.6	18.9	▲ 1.7%
Net Profit Margin (%)	12.5	18.7	▼ 6.2%
Adjusted Net Profit Margin (excl. extraordinary items*) (%)	16.4	17.9	▼ 1.5%
Earning per Share - Basic (RMB)	0.20	0.20	▲ 2.0%

\*Including: (1) fair value change of convertible bonds  
 (2) fair value change of equity swap  
 (3) loss due to the early termination of equity swap

# Continuous Strong Demand for Gear Transmission Equipment As a Whole

High-speed locomotives and urban light rails become a new source of growth for the Group

Revenue Breakdown by Business Segment



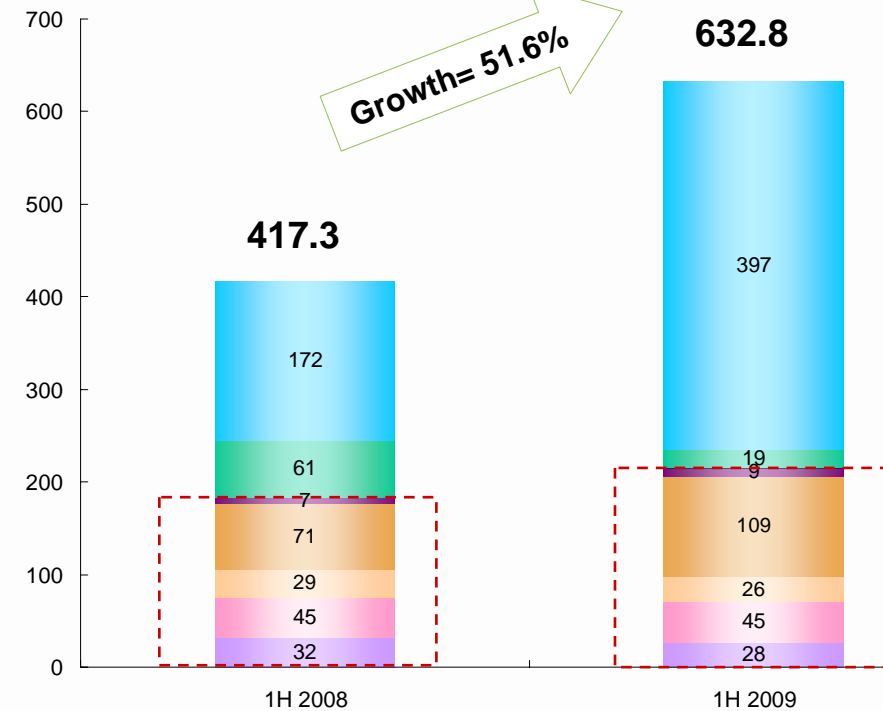
# Gross Profit Increased Significantly

Gross Profit of Wind Gear Transmission Equipment surged 131.4%

Gross Profit Breakdown by Business Segment

1H 2009  
(% to total GP)      1H 2008  
(% to total GP)      change  
of GP (%)

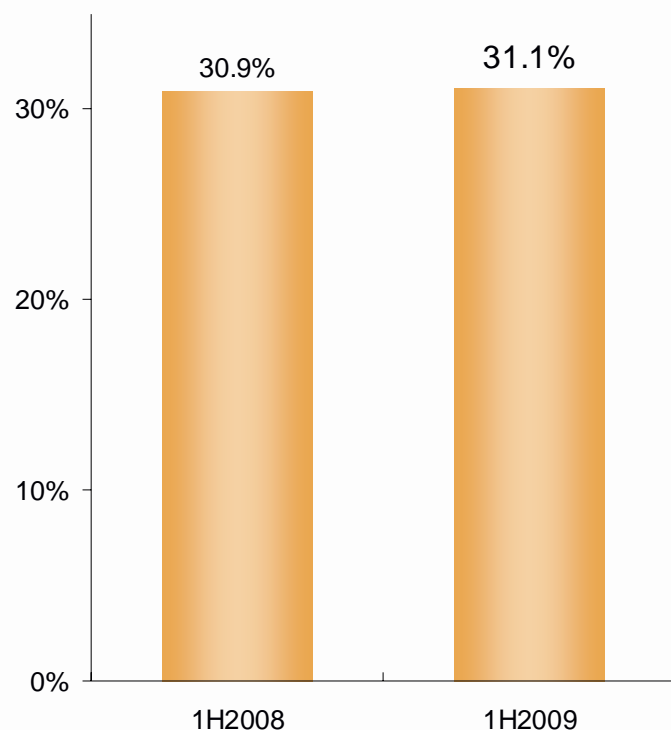
RMB MM



Business Segment	1H 2009 (% to total GP)	1H 2008 (% to total GP)	change of GP (%)
Wind Gear	62.8%	41.1%	▲ 131.4%
Marine Gear	3.0%	14.7%	▼ 68.8%
High-speed locomotives and urban light rails	0.1%	N.A.	N.A.
<b>Traditional Gear Transmission Equipment</b>			
High-Speed Heavy Duty Gear	1.4%	1.8%	▲ 15.4%
Gear for Construction	17.2%	17.0%	▲ 53.7%
General Purpose Gear	4.1%	7.0%	▼ 10.6%
Gear for bar rolling, wire-rolling & plate-rolling mills	7.0%	10.7%	▲ 0.1%
Others	4.4%	7.7%	▼ 14.1%

# Gross Profit Margin Analysis

## Consolidated Gross Profit Margin



Products	1H 2009	1H 2008	change
Wind Gear	<b>31.0%</b>	29.9%	▲ 1.1%
Marine Gear	<b>27.6%</b>	26.5%	▲ 1.1%
High-speed locomotives and urban light rails	<b>28.2%</b>	N.A.	N.A.
High-Speed Heavy Duty Gear	<b>63.2%</b>	63.1%	▲ 0.1%
Gear for Construction	<b>31.8%</b>	31.8%	-
General Purpose Gear	<b>36.1%</b>	35.5%	▲ 0.6%
Gear for bar rolling, wire-rolling & plate-rolling mills	<b>27.5%</b>	36.6%	▼ 9.1%
Others	<b>30.8%</b>	30.4%	▲ 0.4%

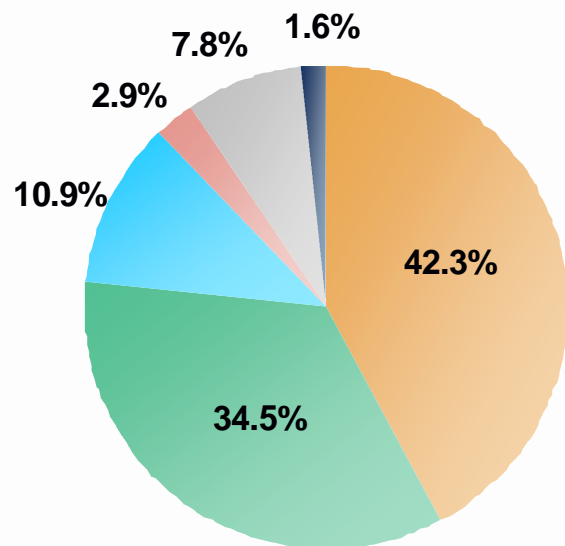


# Cost Analysis

## Breakdown of the Cost of Goods Sold

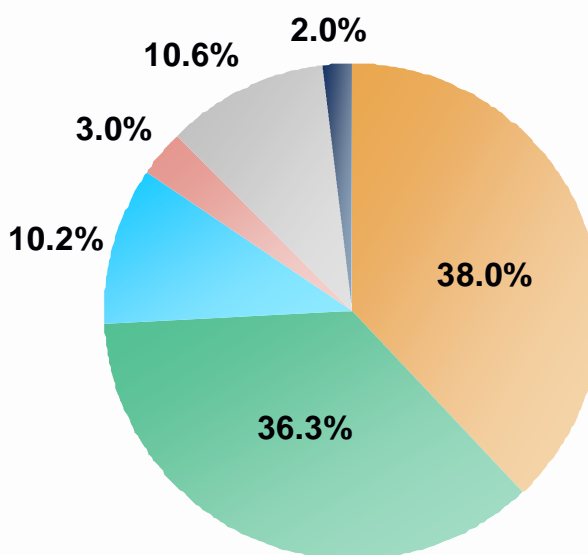
(RMB MM)

1H 2008



932.9

1H 2009



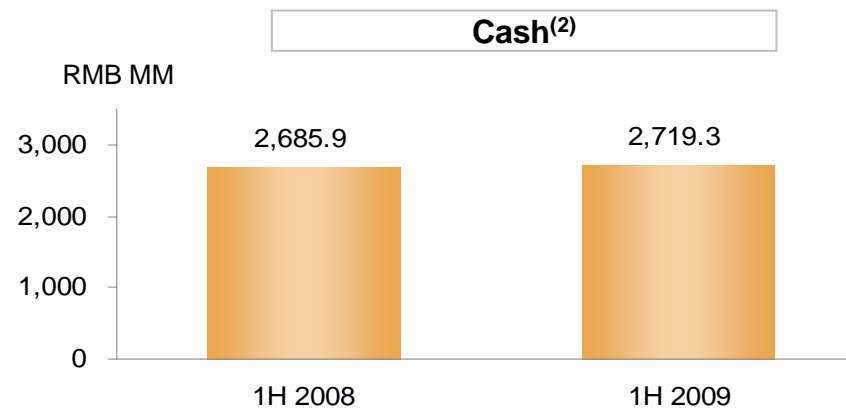
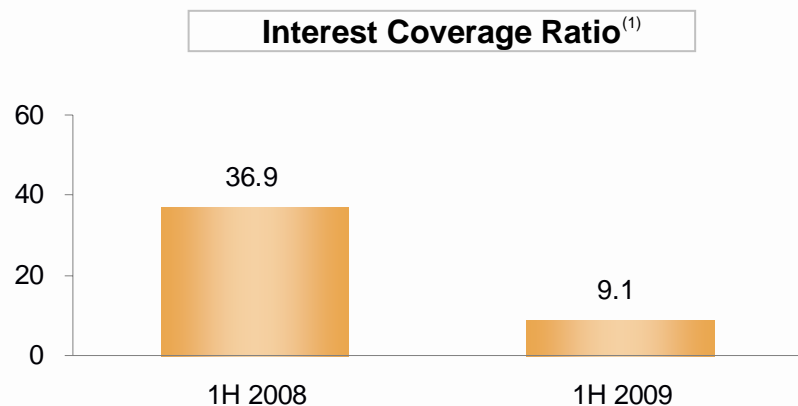
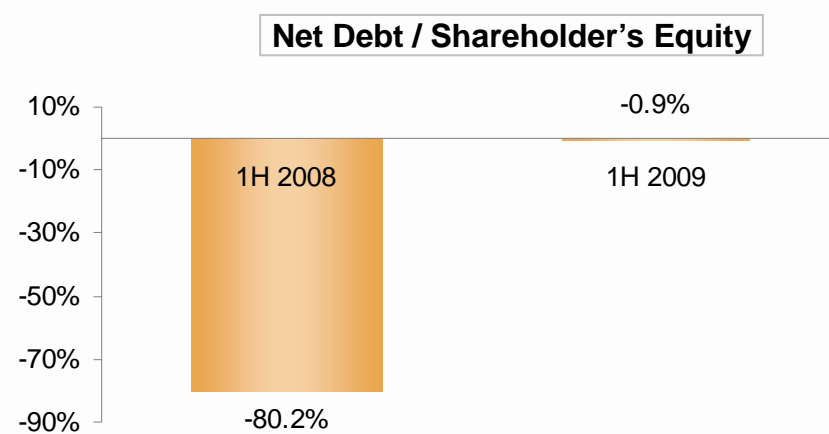
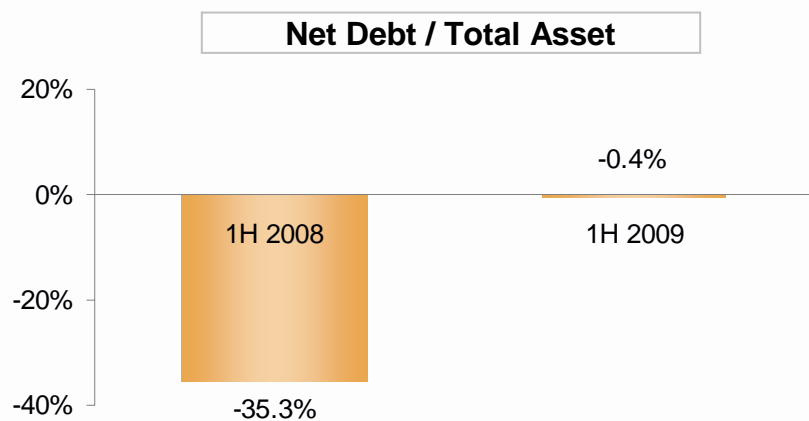
1,400.3

- Other raw materials<sup>(1)</sup>
- Cast iron and forged steel
- Subcontracting & processing
- Direct labor cost
- Manufacturing fee
- Power fee

**Note:**

(1) Including bearing and steel plates

# Balance Sheet



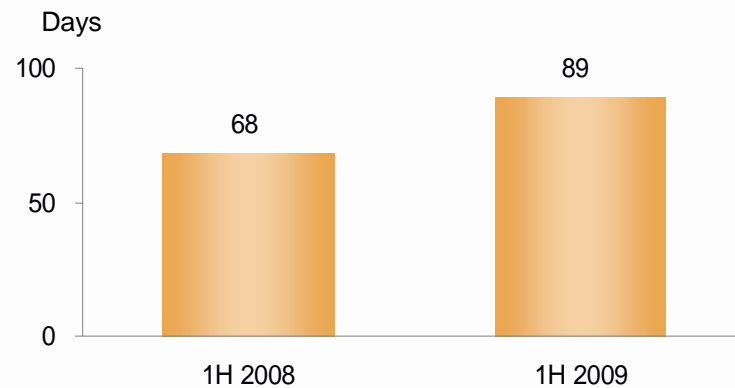
Note

(1) EBITDA / Interest Expenses

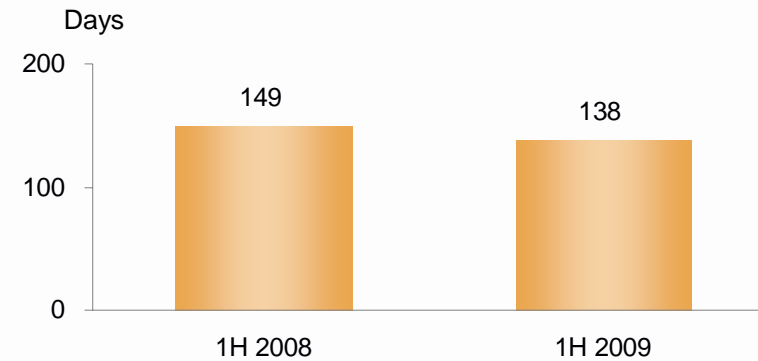
(2) Amount of RMB152,077,000 in cash on hand are restricted cash

# Working Capital

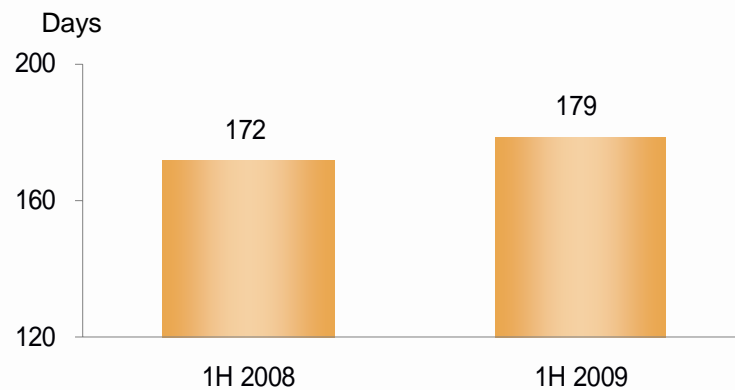
A/R Days



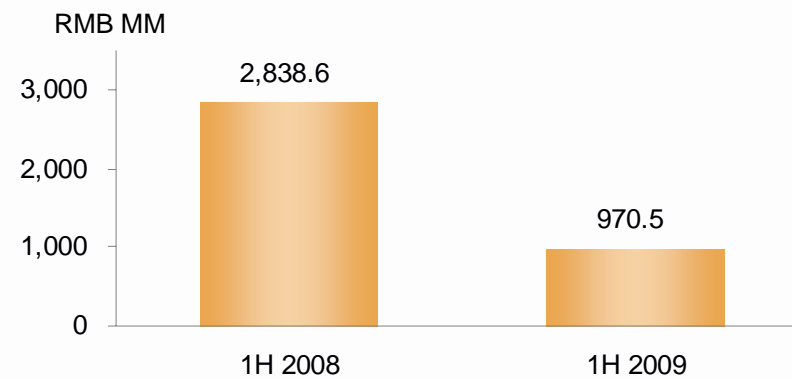
A/P Days



Inventory Days



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



**Note**

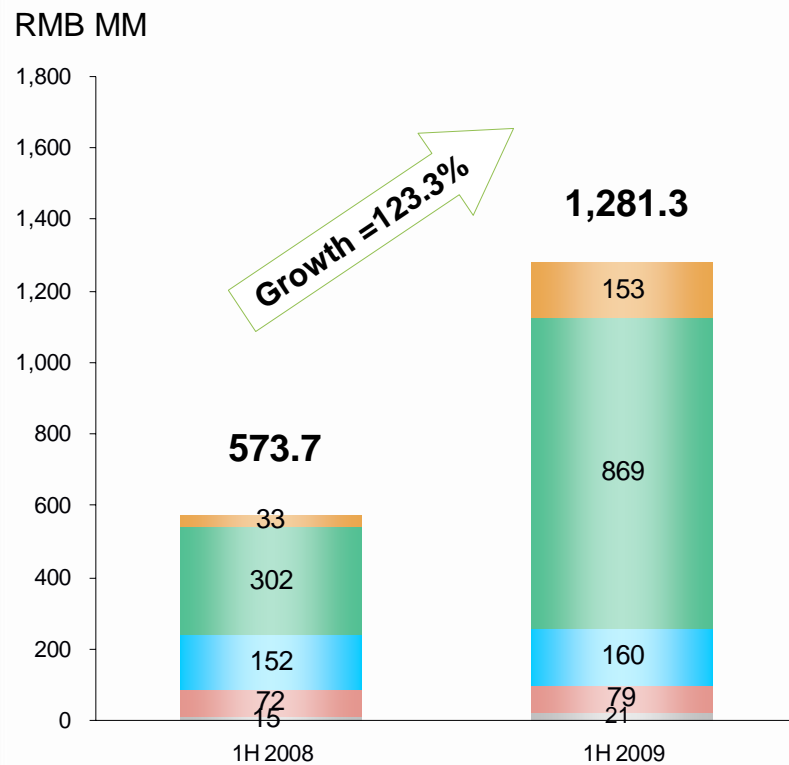
(1) Net working capital=current assets-current liabilities

# 1H 2009 Business Review



# Significant Growth in Sales of Wind Gear Transmission Equipment

Revenue Breakdown by Products



	unit		% to total revenue		change in revenue (%)
	1H 2009	1H 2008	1H 2009	1H 2008	
2MW Gearbox	119	26	11.9%	5.8%	▲ 360.7%
1.0, 1.3, 1.5MW Gearbox	1,044	364	67.9%	52.6%	▲ 187.9%
750kW Gearbox	390	373	12.5%	26.4%	▲ 5.2%
Yaw Motor and Drive	2,732	2,165	6.1%	12.6%	▲ 8.6%
Pitch	2,040	1,084	1.7%	2.5%	▲ 45.0%

# Excellent Result in R&D of Wind Gear Transmission Equipment

Number of customers and orders has increased substantially

## 1,5 MW & 2MW

- Have successfully passed various technical tests at international advanced technical levels
- Well recognized by customers

## 2.5MW & 3MW

Has achieved significant progress in research and development

Bring more new business to the Group



**Being the leading supplier of wind gear transmission equipment in the world**

# Strong Client Portfolio for Wind Gear Transmission Equipment

## Overseas Customers



**Vestas**



富士重工業株式会社

<b>Location</b>	USA	Denmark	Germany	Germany	Japan
<b>Cooperating since:</b>	2005	2008	2007	2007	2006

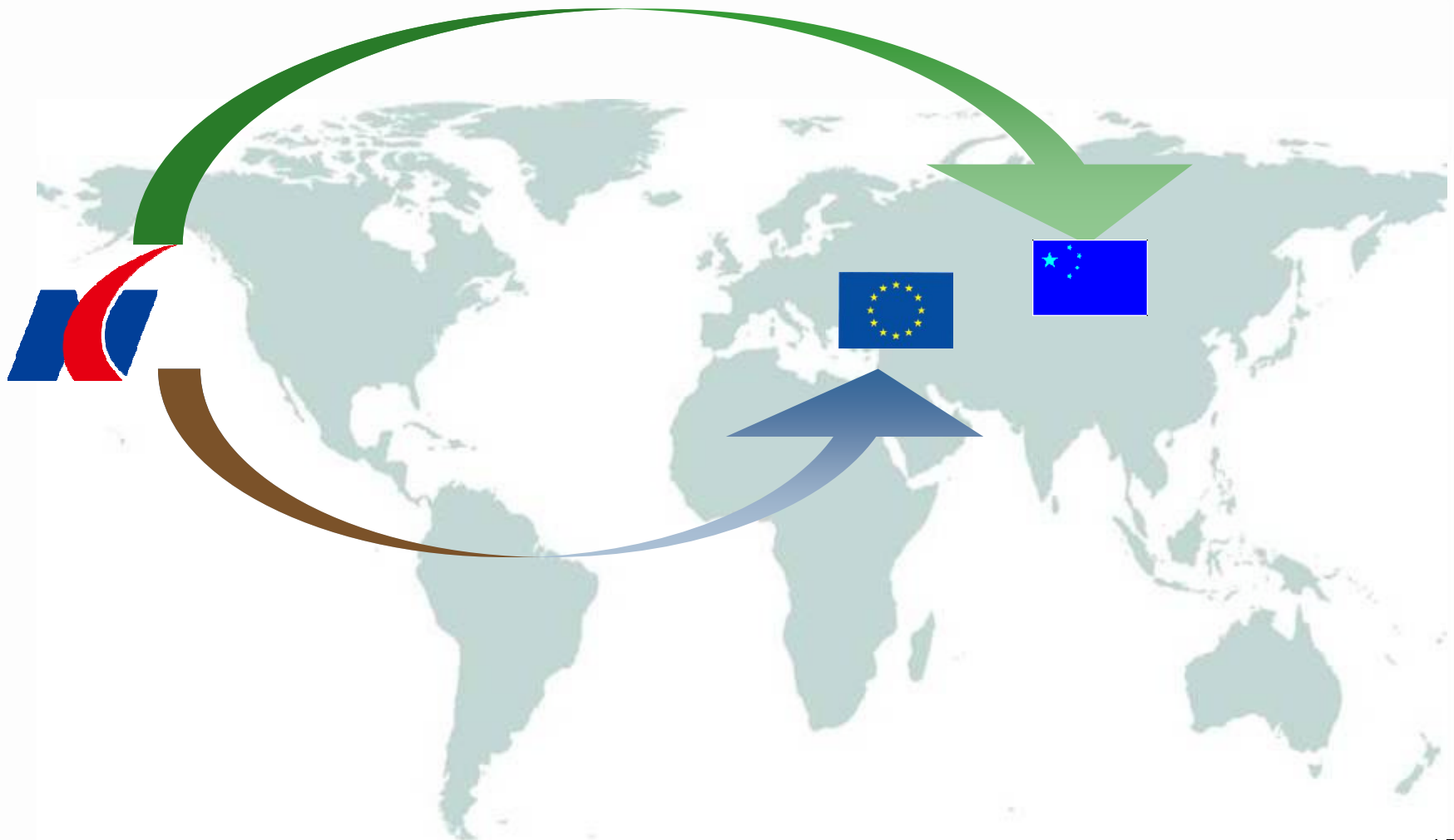
## Domestic Customers



<b>Location</b>	China	China	China	China	China
<b>Cooperating since:</b>	2004	2006	2005	2006	2008

# Marine Transmission Equipment Actively Expand in the Domestic Market

Sales of marine transmission equipment in the domestic markets was further strengthened





# High-speed locomotives and urban light rails with Promising Market Potential

The Group's transmission equipment passed the product quality certification conducted by **ALSTOM** in April 2008.

Such equipment has been installed in the high-speed trains in places such as Beijing, Shanghai and Nanjing for field testing



Development of inter-city transport in the PRC, one of the most heavily populated countries in the world, will provide tremendous market for high speed locomotive and urban light rail transportation operations



European high speed rail network is expected to treble by 2020



**The Group will further expand both domestic & overseas markets, making this a new source of growth**

# Strong Sales of Traditional Gear Transmission Equipment

- The Group has adopted an approach of product development focusing on energy-saving and environmental protection
- Vertical roller press grinding mills recently developed by the Group can save approx. 30% of the energy used by traditional transmission products and are well received in the market
- The Group has proactively developed complete sets of transmission equipment such as cold-rolled, strip and bar, wire-rolling and plate-rolling mills

# Increased Domestic Sales

During the period, the Company allocated more resources to the local market in response to the strong product demand in China



# Industry Outlook



# Gearbox – a key part in wind turbines

Gearboxes is one of the most critical parts in manufacturing wind turbines

Spare parts



Gearbox



Wind Turbine

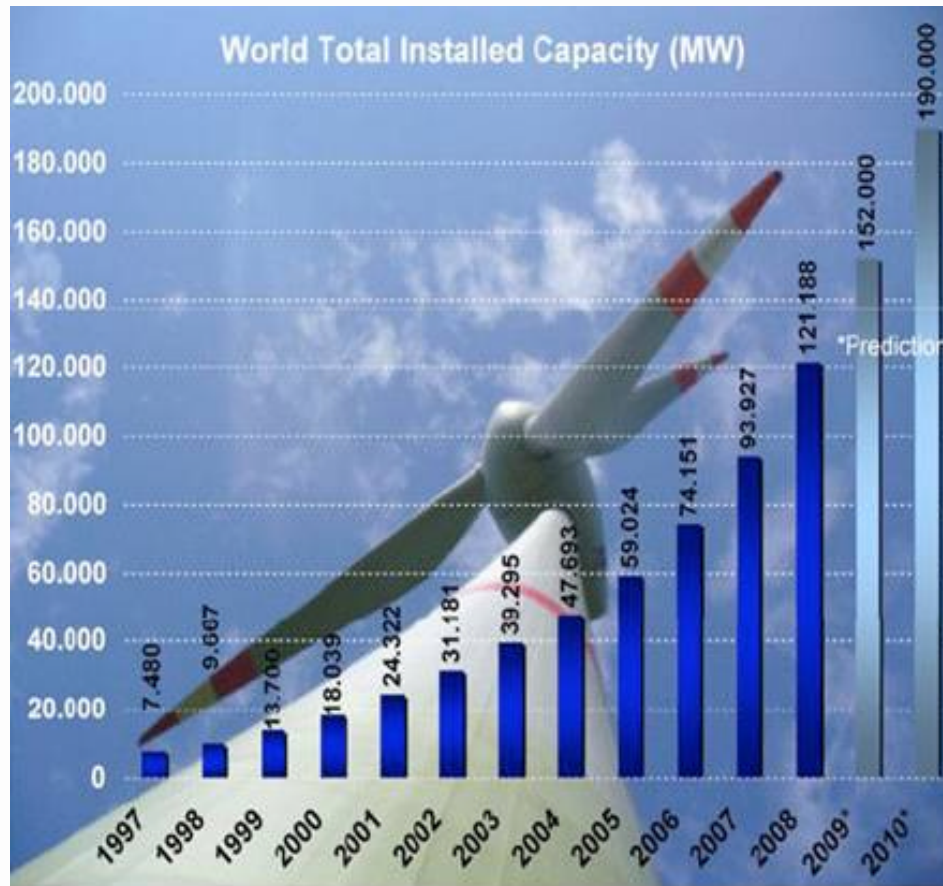


Wind Farm



- ▶ Wind power generates reliable and clean energy. Wind turbines worldwide generated 260TWh in 2008, representing more than 1.5% of the global electricity consumption
- ▶ Rapidly increasing demand for wind power has driven the rapid increase of wind turbine capacity

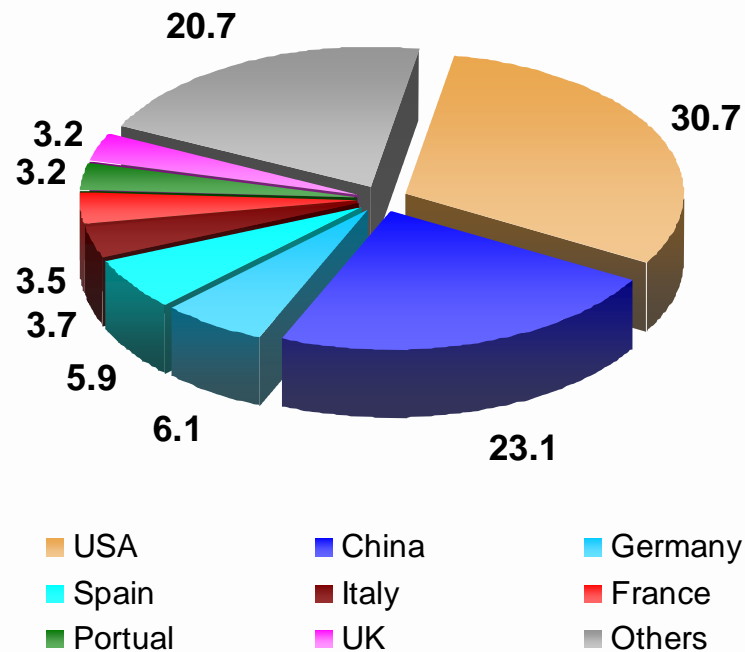
# Promising Future for Wind Energy



- Total installed capacity of wind turbines worldwide increased by 27,261 MW to 121,188MW in 2008
- By 2020, wind energy will contribute at least 12% of the world's total energy consumption, and a global capacity of wind turbines worldwide over 1,500,000 MW is expected

# China as one of the internationally leading markets for wind power in 2008

Countries' Share in New Installed Capacity of Wind Turbines in 2008



International Ranking of Installed Capacity of Wind Turbines

Ranking in 2008	Country	Total Installed Capacity of Wind Turbines in 2008 (MW)	2008 New Installed Capacity (MW)	Growth rate in 2008 (%)	Ranking in 2007	Total Installed Capacity of Wind Turbines in 2007 (MW)
1	USA	25,170	8,351	49.7	2	16,819
2	Germany	23,903	1,655	7.4	1	22,247
3	Spain	16,740	1,595	10.5	3	15,145
4	<b>China</b>	<b>12,210</b>	<b>6,298</b>	<b>106.5</b>	<b>5</b>	<b>5,912</b>
5	India	9,587	1,737	22.1	4	7,850
6	Italy	3,736	1,010	37.0	7	2,726
7	France	3,404	949	38.7	8	2,455
8	UK	3,288	899	37.6	9	2,389
9	Denmark	3,160	35	1.1	6	3,125
10	Portugal	2,862	732	34.4	10	2,130
Others		17,128	3,999	30.5	--	13,129
<b>World Total</b>		<b>121,188</b>	<b>27,261</b>	--	--	<b>93,927</b>

Source : World Wind Energy Report 2008

# Favourable Policies To Accelerate Wind Power Development

## China

- ➔ The Renewable Energy Law of the PRC promulgated in 2006 introduces various supporting measures to promote the development and use of renewable energy including wind power
- ➔ The PRC Government has selected the renewable energy industry as one of the key industries in its stimulus packages and is promoting the development of the wind power industry
- ➔ The National Development and Reform Commission has raised the target for the installed capacity of wind power by 2020



- ➔ China's investment in electricity amounted to RMB 580 billion the year, significantly speeded up development of new energies like nuclear and wind power

## USA

- ➔ Obama guarantees that 10% of electricity consumption of USA will be generated from renewable energy in 2010 which will be 25% in 2050
- ➔ Obama plans to adjust the energy policy in USA, and invest US\$ 150 billion in 10 years to boost the development of renewable energy
- ➔ In 2008, the U.S. Department of Energy (DOE) published a report that examines the technical feasibility of using wind energy to generate 20% of the nation's electricity demand by 2030.
- ➔ A 5-year production tax credit extension to encourage the production of renewable energy like wind power





# Outlook



# Company's future prospects

➔ Develop domestic and overseas markets and increase market share

➔ Enhance R&D efforts and production capacity to satisfy demand

- the Company will further develop transmission equipment products for different industrial applications
- the Group will increase production capacity to meet the stronger market demand and achieve a higher degree of economy

➔ Explore new markets to pursue new opportunities

➔ Promising potential of high speed locomotive and urban light rail markets

➔ Enhance Product offerings and engage in downstream businesses

# Plants



# Production Base of Wind Gear Transmission Equipment

Size : 258 acreage  
(~ 172,000 sq. m)

Capacity : To be completed in  
2009 (4,000MW)

Main Products :

➔ Wind Gear Box



Production Flow:



Spare parts processing



Heat treatment



Measuring



Assembling



Finished products

# Production Base of Wind Gear Transmission Equipment

Size : 400 acreage  
(~266,000 sq. m)

Capacity : To possess a capacity  
of 6,000MW by the  
end of 2009

Main Products :

➤ Wind Gear Box



Plant perspective

**Production had commenced in July 2009**

# Production Base of Traditional Gear Transmission Equipment

Size: 163 acreage  
(~110,000 sq. m)

Main Products:

- ➔ Gear transmission equipment for Construction
- ➔ Gearbox transmission equipment for bar rolling, wire-rolling and plate-rolling mills of metallurgy industry
- ➔ Gear transmission equipment for plate-rolling
- ➔ Gearbox transmission equipment for Rubber & Plastic Machinery

Size: 103 acreage  
(~69,000 sp. m)

Main Products:

- ➔ General Purpose Gearbox
- ➔ Standard Gearbox



Exterior



Interior



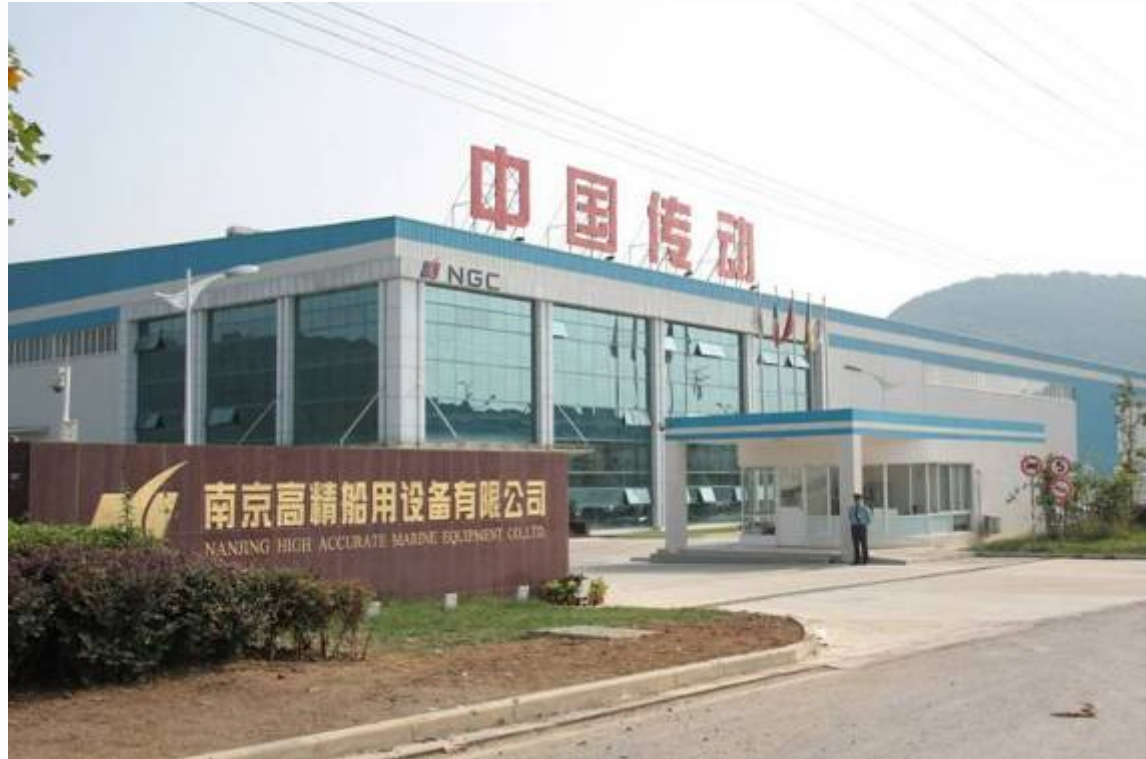
Exterior

# Production Base of Marine Gear Transmission Equipment

Size: 100 acreage  
(~67,000 sq. m)

Main Products:

- ➔ Controllable Pitch Propeller (CPP)



Exterior



Interior



# Q&A





**Thank You!!**

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