



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



2010 Interim Results Presentation
31 August 2010

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中國高速傳動設備集團有限公司
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2010 Interim Results Review & Analysis

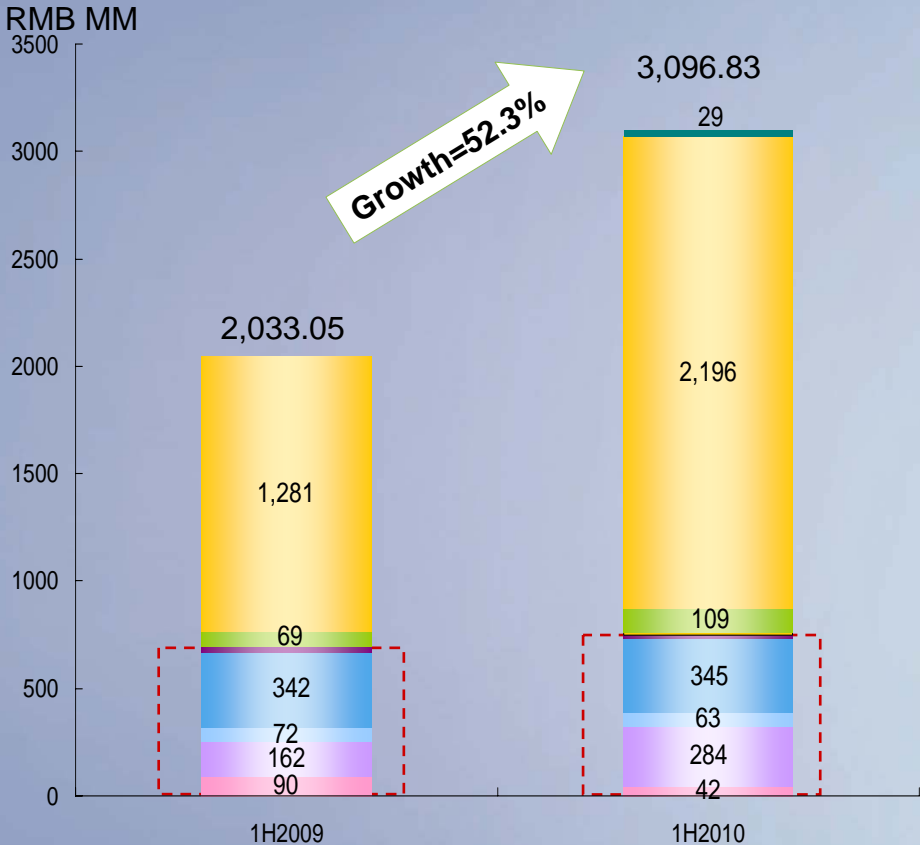
Sales revenue increased significantly by 52.3% to approx. RMB 3.1 billion

RMB MM	1H2010	1H2009	Change (%)
Sales Revenue	3,096.8	2,033.0	▲ 52.3
Gross Profit	941.1	632.8	▲ 48.7
Core EBITDA	858.2	524.1	▲ 63.7
Core EBIT	693.1	419.3	▲ 65.3
Net Profit Attributable to Equity Holders	563.5	254.4	▲ 121.5
Adjusted Net Profit Attributable to Equity Holders (excl. extraordinary items*)	516.6	333.3	▲ 55
Gross Profit Margin	30.4%	31.1%	▼ 0.7pt.
Core EBITDA Margin	27.7%	25.8%	▲ 1.9pt.
Core EBIT Margin	22.4%	20.6%	▲ 1.8pt.
Net Profit Margin	18.2%	12.5%	▲ 5.7pt.
Adjusted Net Profit Margin (excl. extraordinary items*)	16.7%	16.4%	▲ 0.3pt.
Earning per Share-Basic (RMB)	0.45	0.20	▲125

*Inc: (1) Fair value change of convertible bonds
(2) Fair value change of equity swap

Continuous Strong Growth in Demand for Gear Transmission Equipment

Revenue Breakdown by Business Segment

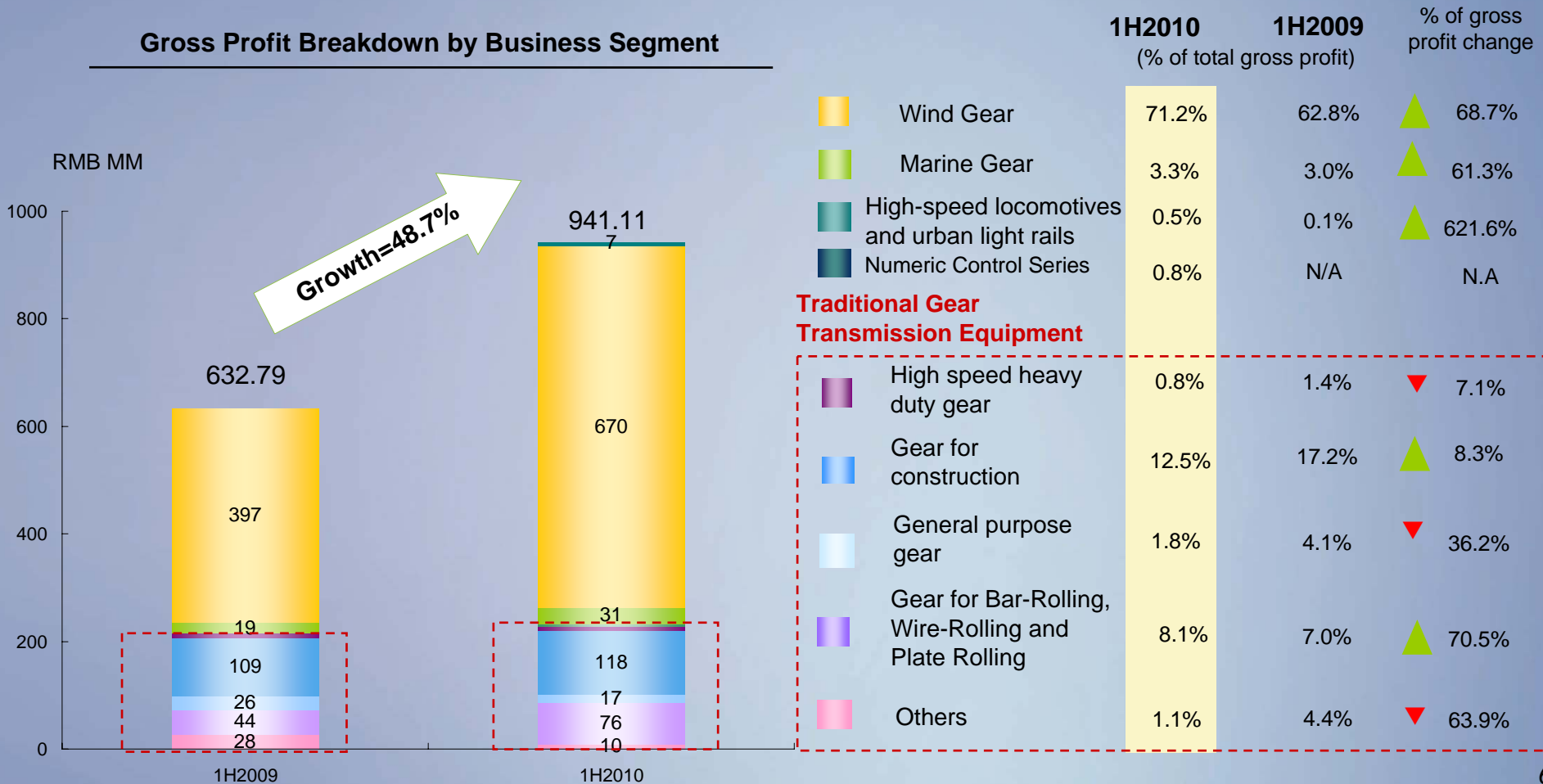


	1H2010 (% of total revenue)	1H2009 (% of total revenue)	% of revenue change
Wind Gear	70.9%	63%	▲ 71.4%
Marine Gear	3.5%	3.4%	▲ 56.9%
High-speed locomotives and urban light rails	0.5%	0.1%	▲ 569%
Numeric Control Series	1%	N/A	N/A
Traditional Gear Transmission Equipment			
High speed heavy duty gear	0.4%	0.7%	▼ 2.7%
Gear for construction	11.1%	16.8%	▲ 0.8%
General purpose gear	2%	3.6%	▼ 12.9%
Gear for Bar-Rolling, Wire-Rolling and Plate Rolling	9.2%	8%	▲ 75.3%
Others	1.4%	4.4%	▼ 52.9%

Consolidated Gross Profit Increased

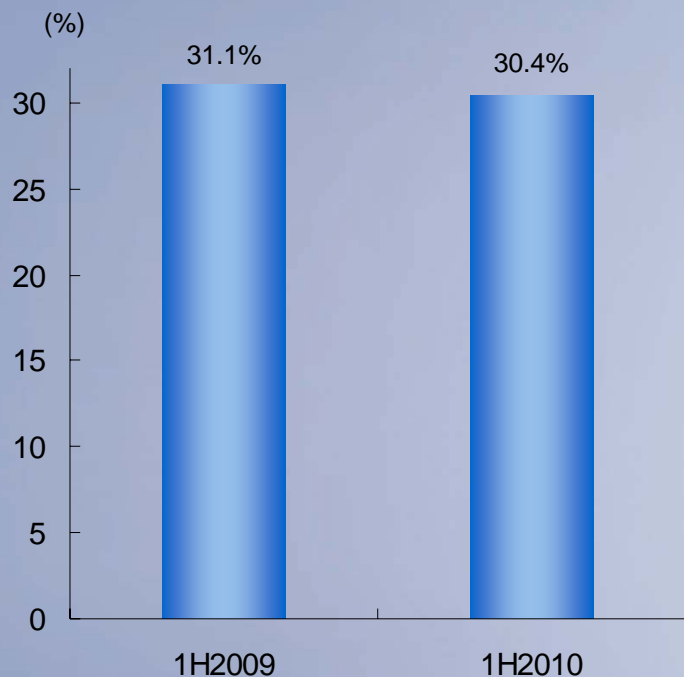
Sales Revenue of Wind Gear Transmission Equipment surged 71.4%

Gross Profit Breakdown by Business Segment



Gross Profit Margin Analysis

Consolidated Gross Profit Margin

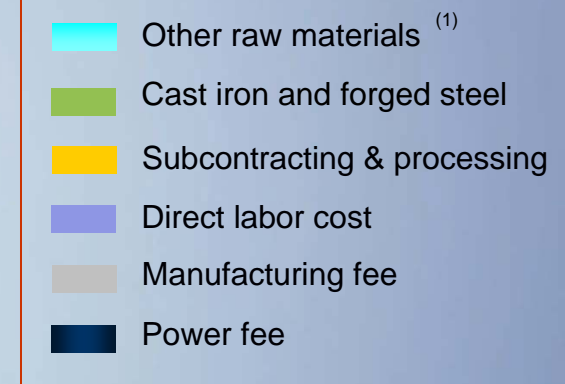
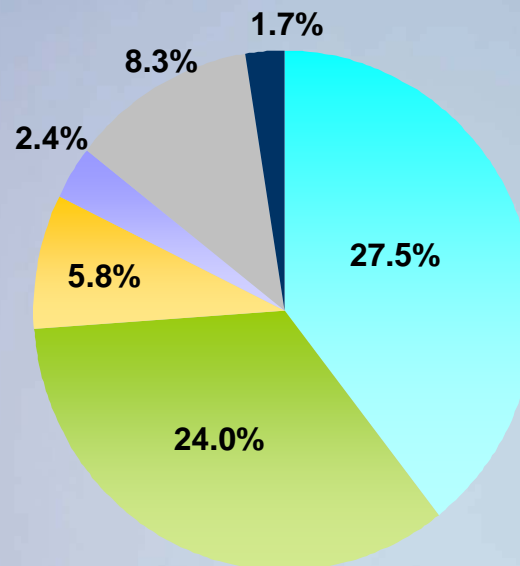
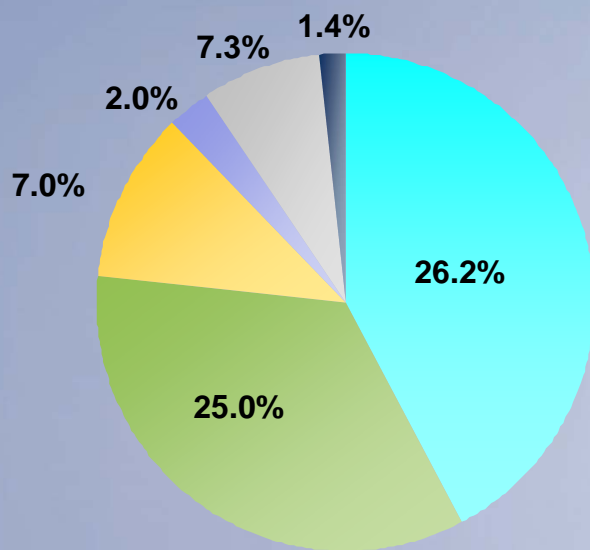


Product	1H2010	1H2009	Change (pt.)
Wind Gear	30.5%	31.0%	▼ 0.5
Marine gear	28.4%	27.6%	▲ 0.8
High speed locomotives and urban light rails	30.4%	28.2%	▲ 2.2
High speed heavy duty gear	60.3%	63.2%	▼ 2.9
Gear for construction	34.2%	31.8%	▲ 2.4
General purpose gear	26.4%	36.1%	▼ 9.7
Gear for Bar-rolling, Wire-rolling and Plate-rolling	26.7%	27.5%	▼ 0.7
Numeric Control Series	24.8%	N/A	N.A.
Others	23.6%	30.8%	▼ 7.3

**Cost of Goods Sold
(GOGS to Sales by Segments)**
(RMB MM)

1H2009

1H2010



Total Sales **2,033.0**
Cost of Goods Sold **1,400.3**

Total Sales **3,096.8**
Cost of Goods Sold **2,155.7**

Note :

(1) Including bearing and steel plates

Balance Sheet Summary

RMB MM	1H2010	FY2009
Fixed Assets	5,619	5,198
Current Assets	7,625	5,037
Inventories	1,396	1,313
Account Receivables	1,757	1,517
Notes Receivable	998	425
Cash and Deposits	2,881	1,074
Others	593	708
Total	13,244	10,235
Equity	4,692	4,450
Non Current Liabilities	1,808	2,497
Loans	1,688	1,012
Current Liabilities	6,744	3,288
Account Payables	865	506
Notes Payable	616	301
Loans	2,733	1,556
Others	1,233	925
Finance Liabilities- Convertible Bonds	1,297	N/A

1H2010

- ◆ Increase in bank note receivables from customer
- ◆ Maintain stable inventory level
- ◆ Cash level remain solid
(Pledged bank deposits and Restricted cash were RMB 0.944 billion in total)
- ◆ Net Debt is RMB1,540 millions
- ◆ The unused bank credit facilities stated at RMB6.5 billions
- ◆ Increased in current liabilities
(Convertible bond will be due in May 2011)



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1H2010 Business Review

Diversification of Product-mix in Each Business Segment

Wind transmission
equipment

Signed agreement with several domestic companies to open up and develop in 3MW large-scale wind gear box

High speed
Locomotive & light
rail equipment

Strengthening business expansion to meet future market demand, dedicated to increase sales contribution

Marine transmission
equipment

Enhancing marine transmission equipment product diversification, increasing added value of products, and strengthening domestic sales

Traditional Equipment

Recorded overall sales growth, especially the sales of gear transmission equipment for barring, wire-rolling, and plate-rolling mills. Stabilizing the revenue and actively exploring overseas market

CNC & Machine Tools

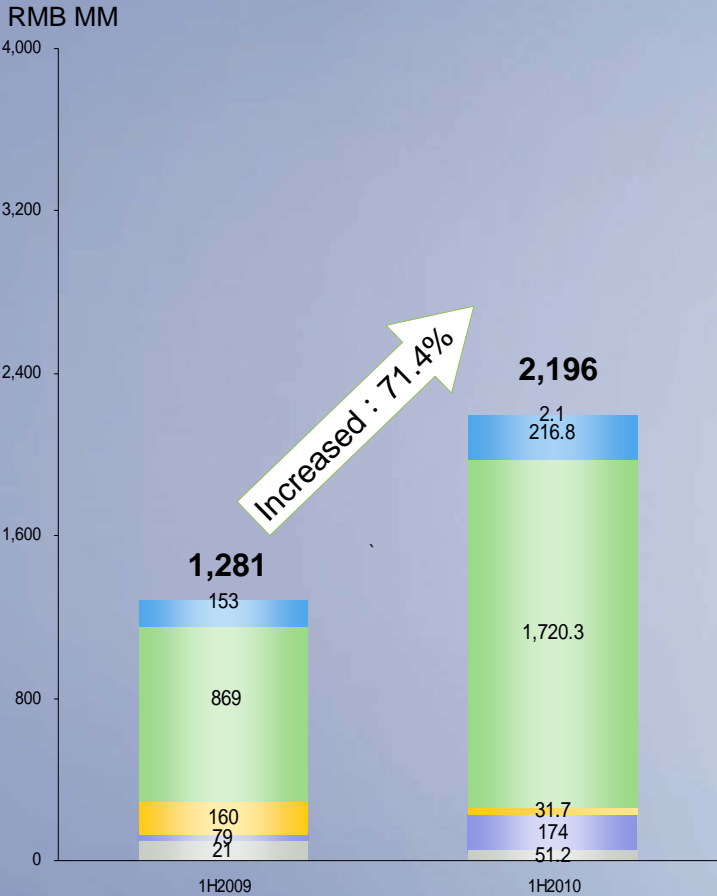
Strengthening the key technology for high-end CNC machine tool systems through acquisitions and the Group's technology platform

In-house R&D

Continuous R&D enhancement, completion of 139 patent applications, a total of 112 patents have already been obtained

Continuous Growth in Order of Wind Gear Transmission Equipment







Revenue Breakdown by Products








	1H2010	1H2009	1H2010	1H2009	% of revenue change
	Unit	Unit	% of total revenue of wind power	% of total revenue of wind power	
3 MW Gearbox	1	-	0.1%	-	N/A
2MW Gearbox	179	119	9.9%	11.9%	▲ 65.8%
1.0, 1.3, 1.5MW Gearbox	1,914	1,044	78.4%	67.9%	▲ 101.3%
750KW, 850KW Gearbox	81	390	1.4%	12.5%	▼ 81%
Yaw Motor & Drive	5,138	2,732	7.9%	6.1%	▲ 459%
Pitch	3,243	2,040	2.3%	1.7%	▼ 48%

Strong Client Portfolio for Wind Gear Transmission Equipment

Overseas Customers

Location						
	USA	Denmark	Germany	Germany	Japan	France
Co. started	2005	2008	2007	2007	2006	2009

Domestic Customers

Location					
	China	China	China	China	China
Co. started	2004	2006	2005	2006	2008

High-speed Locomotive and Urban Light Rails with Promising Market Potential

Further Developing Domestic and International Markets Becomes the Group's New Revenue Growth Point

- The Group's transmission equipment passed the product quality certification in April 2008 and launched for sale in 2009
- Equipment has been installed in the high-speed trains in Beijing, Shanghai and Nanjing for field tests
- The agreement was signed with Alstom of France for the joint development of the 570km/h high-speed trains gear



- Urbanization will speed up the demand for city rail facilities
- Core parts are made in China
- Increased in exports, boosts gross profit margin



A leading domestic manufacture for high-speed trains locomotive and urban light rails transmission equipment



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Industry Outlook

The Gear Box Makes Up the Core Part of Wind Turbines

Gearbox is the critical component in manufacturing wind turbines

Spare Parts



Gearbox



Wind Turbine



Wind Farm



- ◆ Among all renewable energies, wind power is the sector benefited the most from the government financial subsidies with the most comprising industry outlook.
- ◆ It is expected that China's wind power capacity will increase 15% to 15GWH in 2010, over the previous year.
- ◆ Wind power gearbox is a core component in manufacturing wind turbine which always happens in a situation of demand over supply.
- ◆ With the clear development trend of offshore wind power, wind power products business will be further expanded to the R&D and production of multi mega watt gearbox.

Source : *Alternative Energy Asia / JPM / Nomura*

Favorable Policies Accelerate Wind Power Development



- According to the plan of China National Energy Administration, for the next 10 years from 2011-2020, by opening the market to attract domestic and foreign investment, the direct investment to the domestic new energy industries is expected to increase to RMB 5 trillion in total.
- China's State Council meeting decided that by 2020, carbon emission per trillion US dollars of GDP will be reduced by 40%-45%, based on that of in 2005.
- Central government assessed that by 2020, the target for renewable energy electricity generation will be 17% of the total electricity, of which wind power generation will account for more than half with a proportion of 9% and wind power installed capacity is forecasted to increase 50% to 150GW by 2020.



- Washington government plans to reduce greenhouse gases from 2005 by 17% in Copenhagen conference.
- The US Federal Government may raise the proportion of renewable energy to 10% by 2012 and to 25% by 2025.
- United States Department of Energy targets to achieve the proportion of electricity from wind power of 20% in 2030.



- The EU requires that member nations increase their renewable energy usage as a percentage of total energy usage to 33% by 2020.



- Renewable power generation capacity is expected to reach 15% of total capacity by 2020.
- Planned to install an additional 14GW of renewable power generation capacity.



- Planned to increase renewable power installed capacity to 20% of the total installed capacity in 2020.

Optimistic View on High-speed Trains and City Light-rail in China and Overseas

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



- The locomotive inventory volume will reach 1,600 by 2012
- Potential demand for electric locomotives in the coming 2 years will be 1,900
- Along with the country's vigorous promotion of railroad construction, rail line equipment will enter its peak growth period and the momentum will last till after 2013
- China Rails: RMB 823.5 billion will be invested and 70 new projects will be commenced in 2010
- According to China's 11th 5-Year Plan, the government will actively promote the construction of high-speed inter-city passenger railway network which is advantageous to the growth of the Group's light-rail and high-speed equipment business.
- By the end of 2010, which is the end of the 11th 5-Year Plan, the total mileage of railways in operation in the mainland will exceed 90,000km.
- Until 2015, China will invest about US\$750 million to build 1,600km city light-rails pushing the passenger carriage rate to record high



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Future Prospects

- ✦ It is expected that the PRC government will launch policies to encourage new energy industries which will greatly support the growth of the wind gear business
- ✦ The Group has negotiated business with an Indian wind power equipment provider, which might become a new overseas client in the second half of the year
- ✦ Railway line equipment output is expected to reach its peak growth period. The Group's light-rail and high-speed railway equipment business will become the highlight for future growth
- ✦ With 139 authorized patents in place and 112 completed patents application, the Group will continue to strengthen independent R & D, improve quality of products and maintain its industry competitiveness
- ✦ Mechatronics technology is being explored in order to enhance the company's added-value
- ✦ Continue to develop a high degree of product diversification to promote Group's adaptability to the ever-changing new global energy industry
- ✦ The Group is planning to expand its wind power transmission equipment to 12GW in 2011
- ✦ Flexibility in production capacity to meet market demands and strengthen competitiveness in International markets in order to become the leading transmission equipment supplier
- ✦ Strive to expand into more overseas markets in the future



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Our Plants

Production Base - Wind Gear Transmission Equipment - I

Plant size : 258 acreage

(about 172,000sq. m)

Annual production : approx. 4,000MW

Main product :

◆ Wind power gearbox

Plant Exterior:



Spare parts processing



Heat treatment



Measuring



Assembling



Finished products

Production Base – Wind Gear Transmission Equipment - II



Three Dimension
Measurement



Test Bench



Plant exterior

Plant size : 400 acreage
(about 266,000 sq. m)

Annual production : approx. 6,000MW

Main product :

◆ Wind power gearbox



Hobbing Machine



Finished wind power gearbox

Production Base – Traditional Gear Transmission Equipment

Plant size : 163 acreage
(about 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



Plant exterior



Hobbing Machine

Heat Treatment

Size : 103 acreage
(appro. 69,000 sq. m)

Main products :

- ◆ General Purpose Gearbox
- ◆ Standard Gearbox



Plant exterior

Production Base – Marine Gear Transmission Equipment

Plant size :

100 acreage

(about 67,000 sq. m)

Main product:

Marine Transmission
system

Including :

- ◆ Pitch Propeller
- ◆ Marine Gearbox
- ◆ Tunnel Thruster
- ◆ Hydraulic Coupling
- ◆ Full Circle Swinging



Fixed Pitch Propeller and Gearbox



Tunnel Thruster



Controllable Pitch Propeller and Gearbox





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Q & A



Thank you !

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