



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

**27 August 2012**



# Forward-Looking Statements

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This presentation contains forward-looking statements which are subject to market risks and uncertainties. This forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, CHSTE's expectations with respect the wind gear box and other related businesses above contain forward-looking statement. Such statements involve certain risks and uncertainties that could differ materially from what we have discussed today to those in the forward-looking statements. Further information regarding these and other risks has been filed with the Hong Kong Stock Exchange. In addition, any projections about CHSTE's future performance represent management's estimates as of today August 27, 2012. China High Speed Transmission Equipment Co. Ltd does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under an applicable law.

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## 2012 Interim Results Review and Analysis

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# Financial Highlights

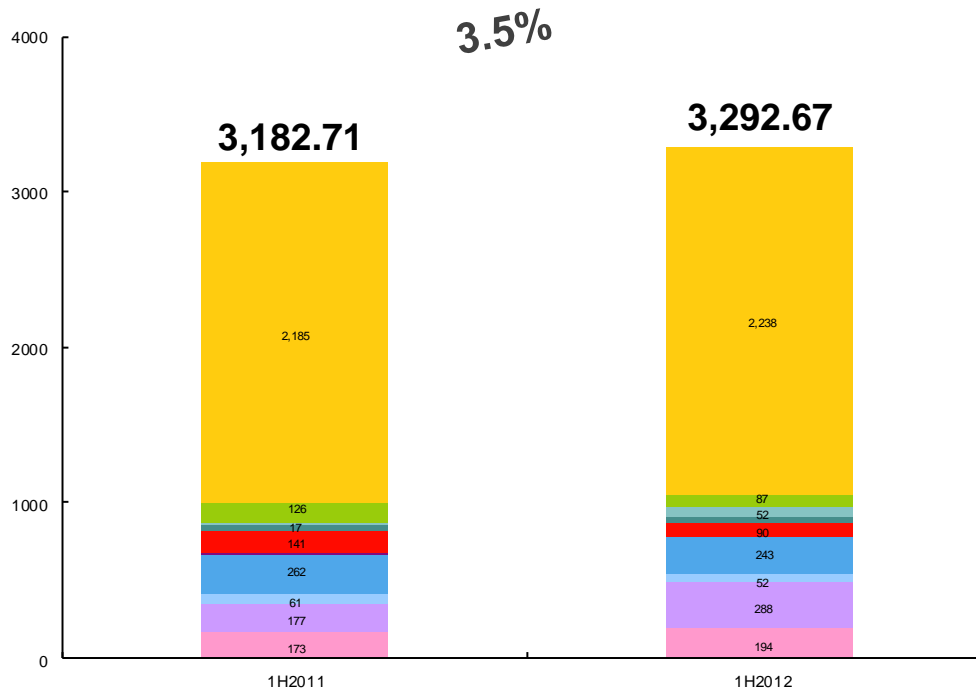
RMB MM	1H2012	1H2011	Change%
Sales Revenue	3,292.7	3,182.7	+3.5
Gross Profit	857.4	841.2	+1.9
Core EBITDA	723.4	796.2	-9.1
Core EBIT	422.6	564.3	-25.1
Net Profit Attributable to Equity Holders	96.2	286.5	-66.4
Adjusted Net Profit Attributable to Equity Holders (excl. extraordinary items*)	96.2	374.8	-74.3
Gross Profit Margin	26.0%	26.4%	-0.4pt
Core EBITDA Margin	22.0%	25.0%	-3.0pt
Core EBIT Margin	12.8%	17.7%	-4.9pt
Net Profit Margin	2.9%	9.0%	-6.1pt
Adjusted Net Profit Margin (excl. extraordinary items*)	2.9%	11.8%	-8.9pt
Earning per Share-Basic (RMB)	0.071	0.209	

\*Inc: (1) Fair value change of convertible bonds on settlement (only applied to the first half of 2011)  
(2) Fair value change of equity swap on settlement (only applied to the first half of 2011)

# Analysis of Sales Revenue

## Revenue Breakdown by Business Segment

RMB MM



	1H2012 (% of total revenue)	1H2011 (% of total revenue)	% of Revenue Change
Wind Gear	68.0%	68.7%	+2.4%
Marine Gear	2.6%	4.0%	-31.1%
High-speed Locomotives and Urban Light rails	1.6%	0.5%	+212.2%
Numerical Control Series	1.3%	0.9%	+46.7%
Diesel Engine	2.7%	4.4%	-36.0%

### Traditional Gear Transmission Equipment

High-speed Heavy Duty Gear	0.1%	0.3%	-69.6%
Gear for Construction	7.4%	8.2%	-7.3%
General Purpose Gear	1.6%	1.9%	-14.0%
Gear for Bar-Rolling, Wire-Rolling and Plate Rolling	8.8%	5.6%	+63.2%
Others	5.9%	5.5%	+11.8%

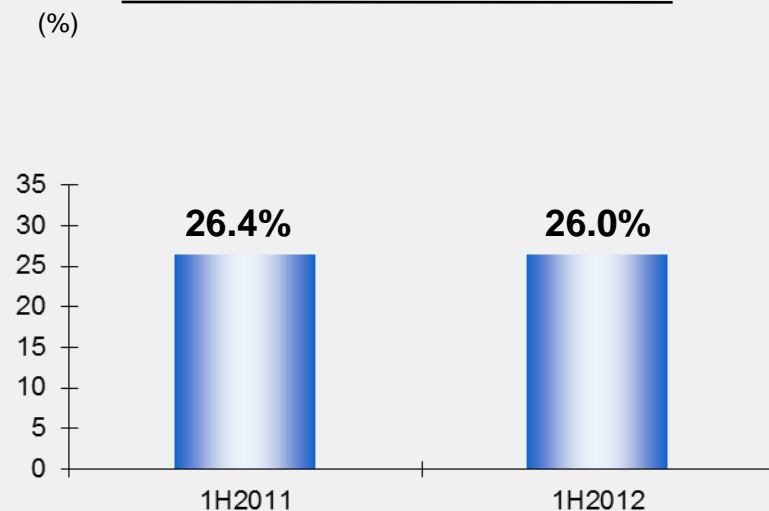
# Gross Profit Margin Analysis

Products	1H2012	1H2011
Wind Gear	<b>27.0%</b>	<b>26.9%</b>
Marine gear	<b>11.6%</b>	<b>15.3%</b>
High speed locomotives and urban light rails	<b>43.3%</b>	<b>34.2%</b>
Numeric Control Series	<b>21.7%</b>	<b>19.9%</b>
Diesel Engine	<b>14.7%</b>	<b>17.2%</b>

## Traditional Gear Transmission Equipment

High speed heavy duty gear	<b>33.1%</b>	<b>49.0%</b>
Gear for construction	<b>37.2%</b>	<b>38.2%</b>
General purpose gear	<b>38.9%</b>	<b>28.8%</b>
Gear for Bar-rolling, Wire-rolling and Plate-rolling	<b>9.8%</b>	<b>25.8%</b>
Others	<b>29.2%</b>	<b>28.2%</b>

## Consolidated Gross Profit Margin

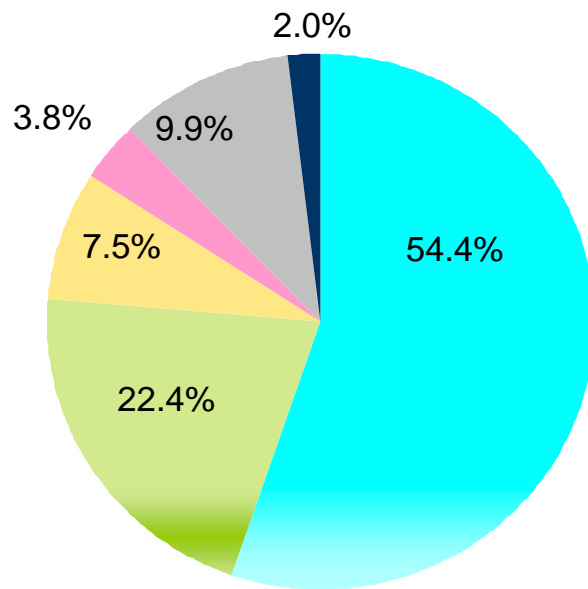


# Cost Analysis

## Cost of Goods Sold

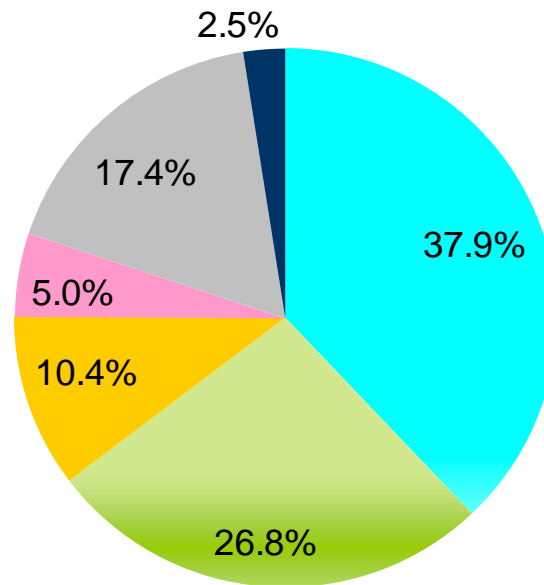
(RMB MM)

1H2011

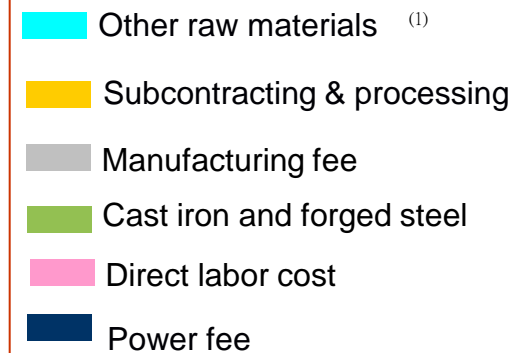


Cost of Goods Sold 2,341.5

1H2012



Cost of Goods Sold 2,435.3



Note : (1) Including bearing and steel plates



# Balance Sheet Summary

RMB MM	1H2012	FY2011
<b>Non-current Assets</b>	<b>8,577</b>	<b>8,148</b>
<b>Current Assets</b>	<b>11,557</b>	<b>10,253</b>
Inventories	1,769	1,799
Account Receivables	3,183	2,648
Bill / Notes Receivable	1,062	2,064
Cash and Deposits	5,050	3,428
Others	493	315
<b>Total</b>	<b>20,134</b>	<b>18,401</b>
<b>Capital &amp; Reserves</b>	<b>7,701</b>	<b>7,622</b>
<b>Non Current Liabilities</b>	<b>2,060</b>	<b>2,781</b>
Loans	1,836	2,627
Others	224	154
<b>Current Liabilities</b>	<b>10,373</b>	<b>7,998</b>
Account Payables	1,063	1,173
Notes Payable	881	569
Loans	7,301	4,991
Others	1,128	1,265

## 1H2012

- Increased in non-current assets mainly through the new business investment
- The increased in bank loans was mainly for satisfying the development needs of new businesses and increasing liquidity
- Inventory level is similar to the end of 2011, which is approximately 132 days
- Account receivable turnover\* is approximately 175 days
- Cash level remained solid
- Net debt / equity ratio is approximately 53 %
- Good relationship with both domestic and offshore bank. The unused banking facilities amounted to approximately RMB 7 billions

\* excluding Bill/Notes receivable



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**Business Review**

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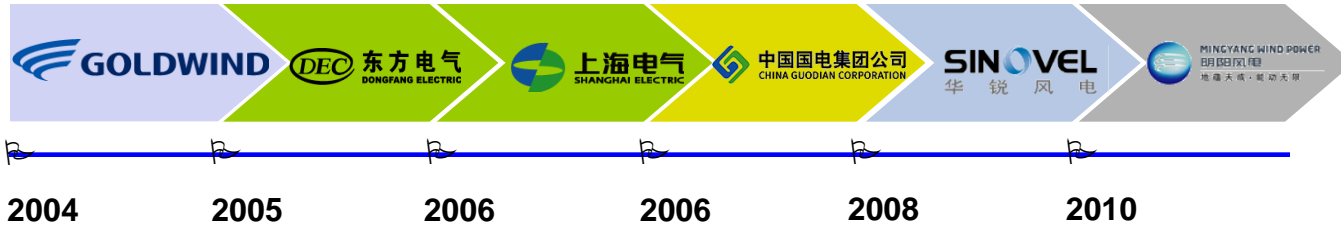
# Wind Gear Transmission Equipment

## Product Mix

<u>Product</u>	1H2012		1H2011	
	(Unit)		(% of total revenue of wind power)	
3 MW Gearbox	68	16	4.6	1%
2MW Gearbox	283	241	8.7	12.5%
1.5MW Gearbox	1,934	2,231	69.4	74.8%
750KW, 850KW Gearbox	132	13	3.2	0.2%
Yaw Motor & Drive	7,724	6,683	11.3	8.9%
Pitch	5,561	5,694	2.8	2.6%

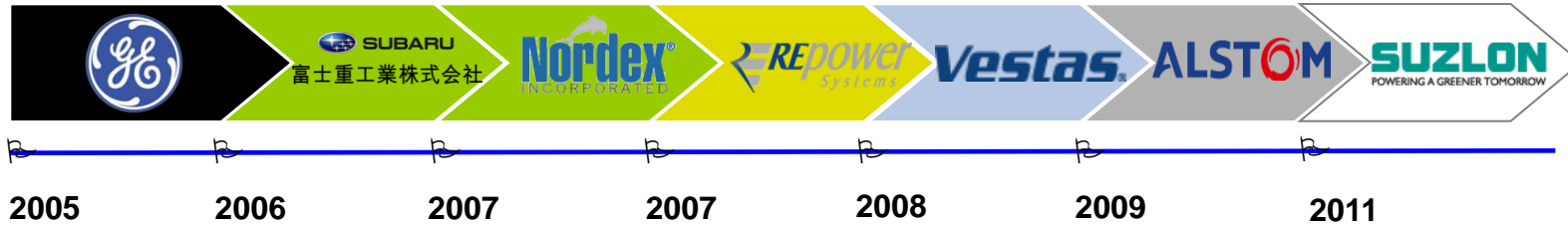
# Strong Client Portfolio for Wind Gear Transmission Equipment

## Domestic Customers



Co. started:

## Overseas Customers



Co. started:

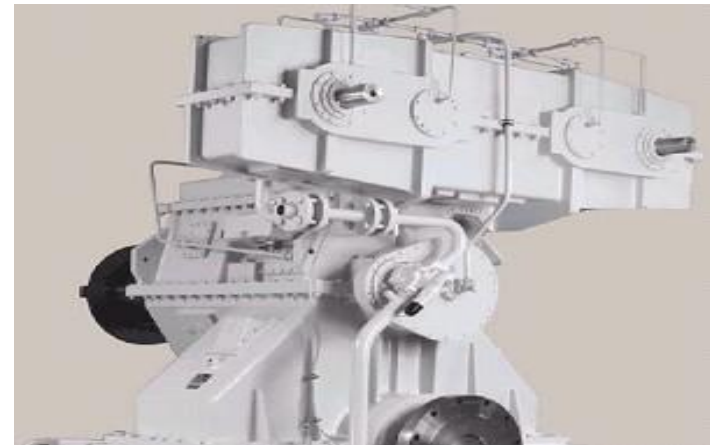
# Breakthrough in Marine Transmission Equipment

Acquired Nantong Diesel Engine Co., Ltd. in 2011 to provide one-stop service for customers



Established its first sales company in Singapore to open a sales channel to Southeast Asia and other parts of the world

Participated in the 17th Kormarine and China International Marine Industry Exposition held in Nanjing International Exposition Center which further strengthened the Company's marine cooperation and exchange of experience with international enterprises



## Light Rails Becomes the New Revenue Growth Point



### ***Remarkable R&D Performance, Product Quality in Compliance with International Standards, Huge Market Potential***

- Successfully applied to metros of Beijing, Shanghai, and Nanjing and Shenzhen
- High performance, compact structure, low noise pollution and easy maintenance, well-received and highly recognised by its peers, with domestic and overseas orders also increased significantly.
- Will further expand the domestic and overseas markets to make it a new motivator for the revenue growth





### **Major Breakthrough in Traditional Gear Transmission Equipment Business**

Metallurgy gear  
transmission  
equipment



Approved by Sweden, an European country famous of its machinery industry, and test run of our equipment by Swedish customer was successful



Construction materials  
gear transmission  
equipment



Successfully sold its construction materials gear transmission equipment to customers in Turkey



# Computer Numerical Controlled ( “CNC” ) 中國高速傳動設備集團有限公司\* China High Speed Transmission Equipment Group Co., Ltd.

## And Heavy, High Precision Machine Tools Product



### ***Explore the high-end market and provide advanced machine tools***

- Take the opportunity to develop precise and efficient general and special machine tool products to explore the high-end market and provide advanced machine tools for the equipment manufacturing industry.
- Through joint-venture and acquisition of 4 companies, the Group has manufactured its own CNC system and CNC machine tool products through acquisition and research and development.







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Development Strategies

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Adhere to its practice of giving top priority to quality and continue the manufacture of large and diversified wind power transmission equipment. The Group aims to consolidate its position in the industry through enhancing its advanced research and development capabilities, producing quality products, expanding its businesses and optimising its product mix. The trust and support of its overseas customers will continue to boost the Company's wind power transmission equipment exports. It is expected that wind gearbox export in 2012 will increase substantially as compared with the corresponding period last year.

High-speed locomotives, subways and urban light rails are a global synonym of environment friendly means of transportation. They have promising industrial development prospects. Popularisation of highspeed railways in China is a strong driving force for the markets of high-speed locomotives, subways and urban light rails. It will also facilitate the Group in achieving its goal of rapid increase in railway earnings in the future.

For the marine business, marine transmission equipment has been one of the major products of the Company in recent years. As one of the largest ship propulsion system manufacturers in China, the Group has strived to optimise and upgrade its product mix. It is capable of providing customers with a full range of products and services. It is believed that when the global economy rebounds, the Company can promptly seize market opportunities.

To expand its traditional gear transmission equipment business overseas. In 2011, the test run of the installed metallurgy equipment set by Swedish customer was successful, also the Group successfully sold its construction materials gear transmission equipment to customers in Turkey, representing a major step of the Group's development in the European market.

**By ensuring a sound financial position, the Group will continue to enhance its comprehensive competitiveness. Through actively developing new businesses and expanding into overseas markets.**

After obtaining safety symbol certificate of mining products for its newly developed coal mine machinery products, the Company has delivered the products to potential customers for testing. Customers' feedback gave us confidence in our new products. Further negotiation about cooperation is now in steady progress.

High precision and heavy machine tools are also the Group's key development products in the future. The development of these high-tech products of high speed, high precision, multi-axis, high complexity and advanced intelligence will facilitate product technological upgrade and enhance the competitiveness of its self-developed products in domestic and overseas markets.

Will continue to conduct research on mechanical and electrical integration to expand market sales of its products. In order to enhance its added value, the Company will focus on the development of power transmission equipment such as electric control system and transducers for providing one-stop services to customers.

In 2011, the Group also established a joint venture for the production of sapphire substrate which is the upstream production process of LED. This process requires key technology and provides the highest added value in the industry chain.

**We will adopt a prudent strategy while proactively improving existing products and developing new business to develop a diversified business model**



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Q & A

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**Thank you!**

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