



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

## **2013 Interim Results Presentation**

**26 August 2013**



# 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 26, 2013. 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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**2013 Interim Results Review  
and Analysis**

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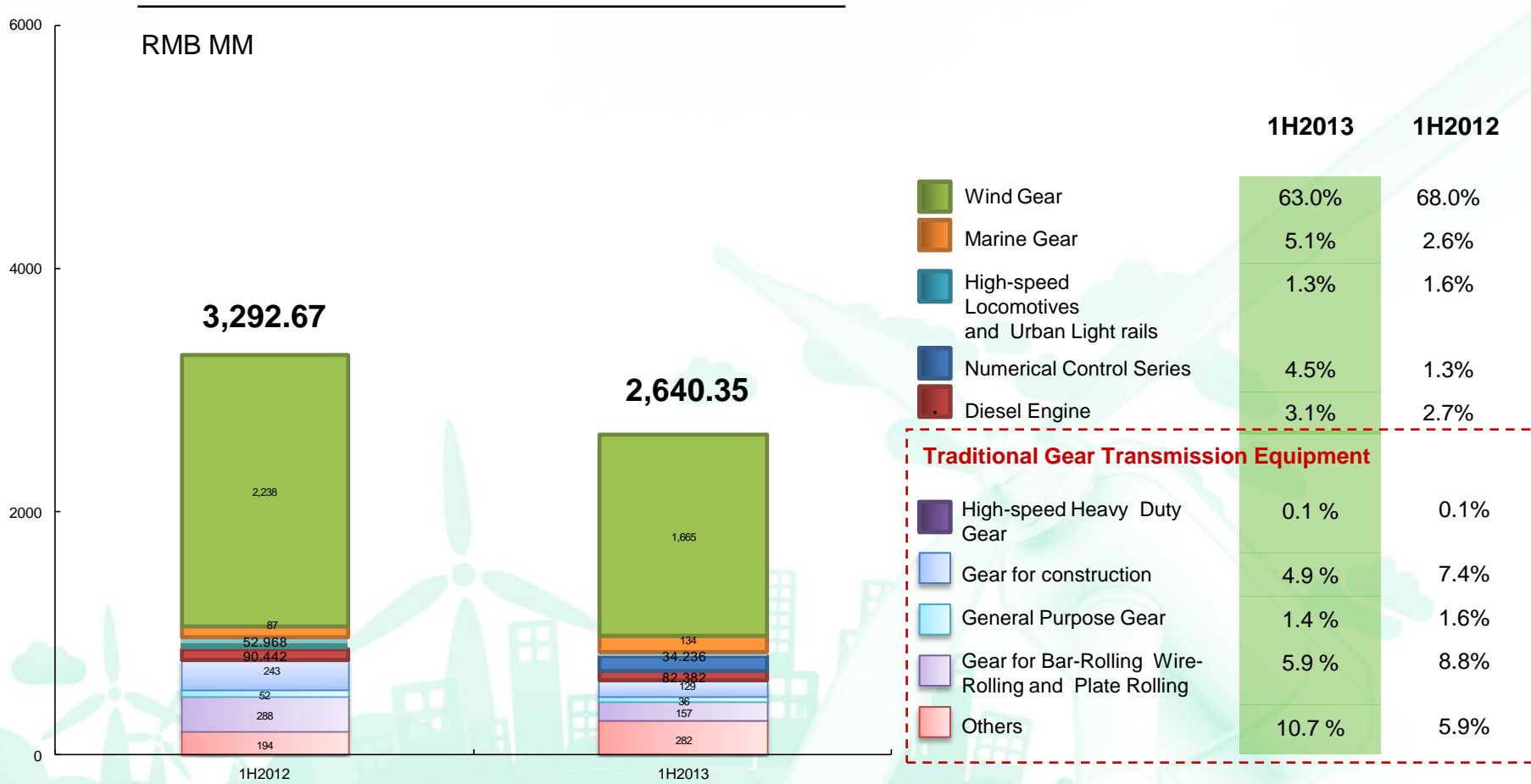
# Financial Highlights

<b>RMB MM</b>	<b>1H 2013</b>	<b>1H 2012</b>
Sales Revenue	2,640.4	3,292.7
Gross Profit	532.8	857.4
EBITDA *	387.9	723.4
EBIT *	81.3	422.6
Net Profit/(Loss) Attributable to Equity Holders	(289.3)	96.2
Gross Profit Margin	20.2%	26.0%
Earning/(Loss) per Share-Basic (RMB)	(0.212)	0.071

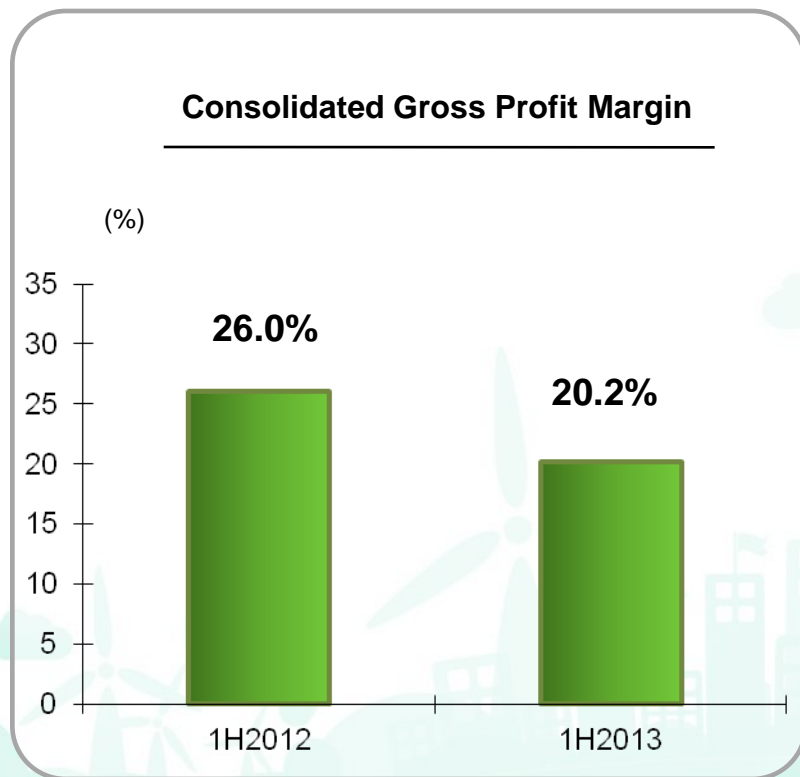
(\* including certain impairment loss items)

# Analysis of Sales Revenue

## Revenue Breakdown by Business Segment



# Gross Profit Margin Analysis



Products	1H 2013	1H 2012
Wind Gear	26.0%	27.0%
Marine gear	5.8%	11.6%
High speed locomotives and urban light rails	35.6%	43.3%
Numeric Control Series	21.0%	21.7%
Diesel Engine	13.1%	14.7%

## Traditional Gear Transmission Equipment

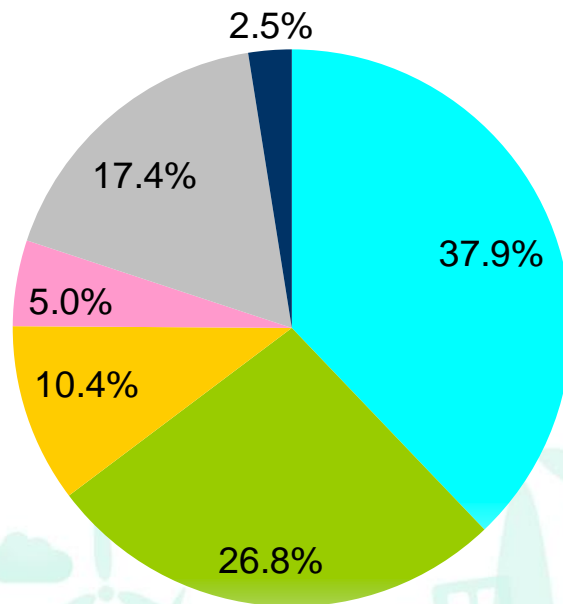
High speed heavy duty gear	21.6%	33.1%
Gear for construction	19.7%	37.2%
General purpose gear	8.3%	38.9%
Gear for Bar-rolling, Wire-rolling and Plate-rolling	9.2%	9.8%
Others	0.6%	29.2%

# Cost Analysis

## Cost of Goods Sold

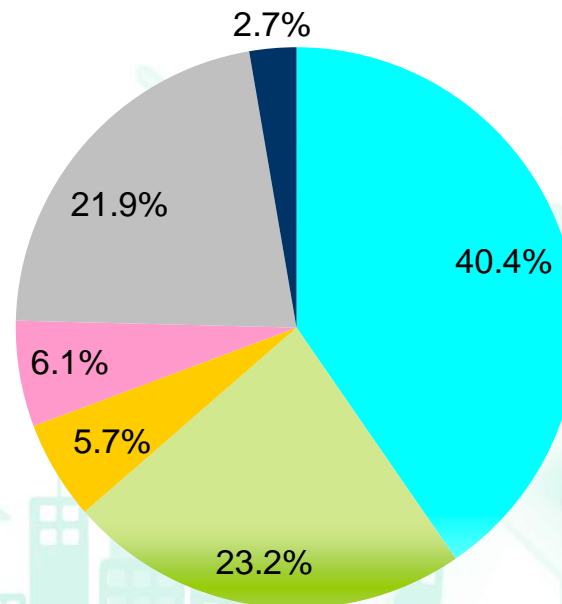
(RMB MM)

1H2012



Cost of Goods Sold 2,435.3

1H2013



Cost of Goods Sold 2,107.6

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

Note : (1) Including bearing and steel plates



# Balance Sheet Summary

RMB MM	1H2013	FY 2012
<b>Non-current Assets</b>	<b>9,304</b>	<b>9,069</b>
<b>Current Assets</b>	<b>10,872</b>	<b>10,813</b>
Inventories	2,184	1,781
Account Receivables	3,665	3,127
Bill Receivable	670	1,153
Cash and Deposits	3,575	4,302
Others	778	450
<b>Total</b>	<b>20,176</b>	<b>19,882</b>
<b>Capital &amp; Reserves</b>	<b>7,571</b>	<b>7,744</b>
<b>Non Current Liabilities</b>	<b>1,835</b>	<b>1,493</b>
Loans	1,615	1,288
Others	220	205
<b>Current Liabilities</b>	<b>10,770</b>	<b>10,645</b>
Account Payables	1,723	1,534
Notes Payable	730	450
Loans	7,170	7,449
Others	1,147	1,212

**Business Review**

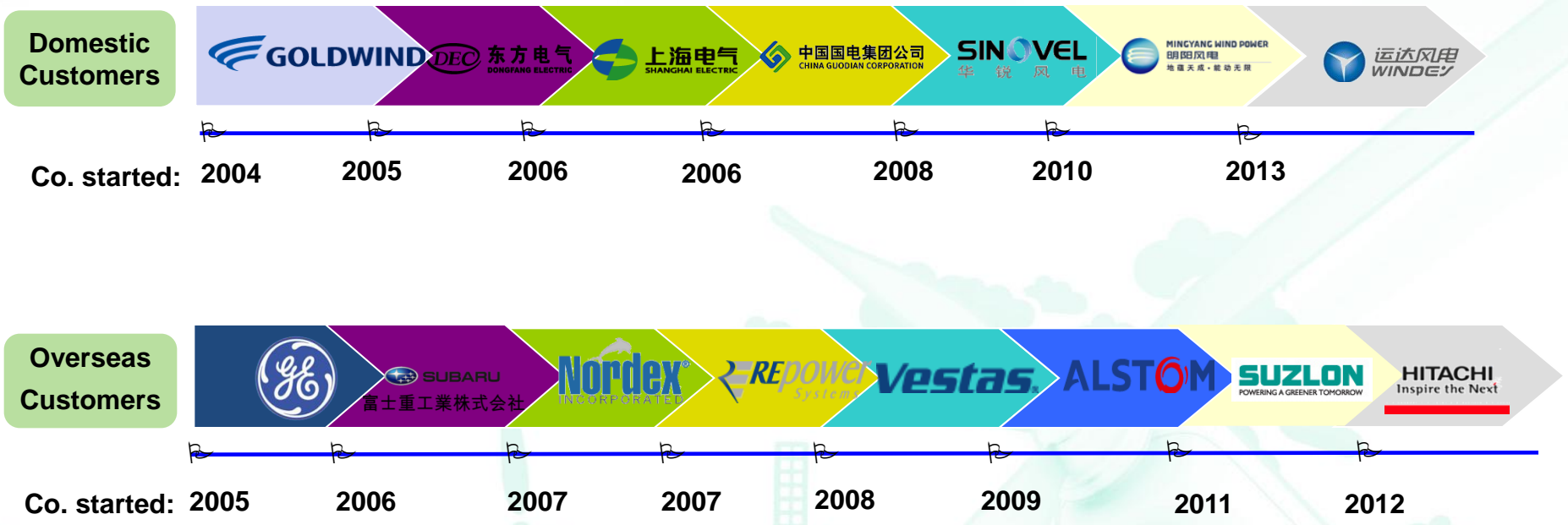
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# Wind Gear Transmission Equipment

## Product Mix

<u>Product</u>	1H2013	1H2012	1H2013	1H2012
	(Unit)		(% of total revenue of wind power)	
3 MW Gearbox	60	68	5.1%	4.6%
2MW Gearbox	783	283	39.8%	8.7%
1.5MW Gearbox	919	1,934	42.5%	69.4%
750KW Gearbox	1	132	0%	3.2%
Yaw Motor & Drive	5,959	7,724	10.2%	11.3%
Pitch	3,991	5,561	2.4%	2.8%

# Strong Client Portfolio for Wind Gear Transmission Equipment



The Group maintains a strong client portfolio, with clients including major wind turbine manufacturers in the PRC, and renowned international wind turbine manufacturers .

# Breakthrough in Marine Transmission Equipment

The nine series of marine products have been applied in all equipments of overall ship propulsion system. The propulsion equipment manufactured by the Group, is also applied in fishery patrols in the domestic sea area and is well known in the overall marine supplementary business. The Group also cooperated with BORUSAN, an industrial baron in Turkey, to establish a sales and service outlet in Turkey, thus further enhancing the service area of the gear transmission products of China in the world. The Group entered a framework agreement on strategic partnership with Siemens (China), establishing a solid foundation for the expansion of the Company's products into the international high-end marine market.



# High-Speed Locomotive and Urban Light Rails Becomes the New Revenue Growth Point

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

- The Group got orders of gearboxes for Qingdao Metro Line 3, orders of gearboxes for South Island Line in Hong Kong, Line CCL and NEL in Singapore.
- The rail transportation products of the Group were awarded with IRIS Certificate.



# Transmission Gear Transmission

## Equipment Accelerating the Expansion in the Overseas Market

***Traditional Gear Transmission Equipment Business  
still keeps leading position in China's market  
and has entered the overseas market***

- Test run of Metallurgy gear transmission equipment by Swedish customer was successful
- Test run of Construction materials gear transmission equipment by Turkey customer was successful
- Reducers of metallurgy product series have been exported to Africa and South America



# Computer Numerical Controlled ("CNC") And Heavy, High Precision Machine Tools Product

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

- The Group has manufactured its own CNC system and CNC machine tool products through acquisition and research and development. The Group possessed the proprietary intellectual property rights of its self-developed CNC system and machine tools and its products include vertical machining centre and five-axis CNC milling machine such as high speed CNC engraving and milling machine.
- DVTA25-MC High-accuracy CNC Double-pillar Vertical Turning Center received recognition in The 13th China International Machine Tool Show (CIMT2013)







**Development Strategies**

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# Development Strategies

The Group will 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 optimizing its product mix.. The Group will follow the trend of making large wind power transmission equipment and continue to supply 3MW wind power gear boxes to clients. Now the 5MW wind power gear boxes have been successfully developed and the R&D of 6MW wind power gear boxes is in the final stage.

Popularization of high-speed railways in China is a strong driving force for the markets of high-speed locomotives, subways and urban light rails. The Group will continue to expand three major business segments being high-speed railway, metro line and urban light rail and accelerate the research and development of light rail and high-speed railway gear equipment so as to enable the rail transportation transmission equipment to become a new source of growth of the Group.

The marine transmission equipment has been one of the major products for development of the Group in recent years. In the coming year, the marine gear transmission business of the Group will continue to enhance the product diversification and be well positioned for market recovery so as to set a solid foundation for future development.

Traditional products represent the second largest business segment of the Group. Amid fierce market competition, the Group will endeavour to consolidate its leading position in China by improving quality control system, further optimising marketing efforts and strengthening technological innovation.

**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.**

# Development Strategies

In addition to transmission equipment, the Group also made significant progress in the development of new businesses. A number of newly developed coal mine machinery products have obtained the safety symbol certificate of mining products, and the Group has delivered the products to potential customers for testing. Customers' feedback gave us confidence in our Group's new products. Further negotiation about cooperation is now in steady progress.

High precision and heavy machine tools will also be the Group's main focus 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.

The Group 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 Group will focus on the development of power transmission equipment such as electric control system and transducers for providing one-stop services to customers.

The Group established subsidiaries 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. Currently, the subsidiaries operates well. Our Group's LED products have been exported to America and Taiwan and received broad market recognition on their product quality.

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



Q & A

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**Thank you !**

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