



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

( Stock code : 658.HK )

# 2011 Interim Results Presentation

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1 September 2011

# Forward-Looking Statements

The presentation is prepared by China High Speed Transmission Equipment Co., Ltd (the “Company”) and is solely for the purpose of corporate communication and general reference only. The presentation is not intended as an offer to sell, or to solicit an offer to buy or to form any basis of investment decision for any class of securities of the Company in any jurisdiction. All such information should not be used or relied on without professional advice. The presentation is a brief summary in nature and do not purport to be a complete description of the Company, its business, its current or historical operating results or its future business prospects.

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 March 28, 2011. 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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# Financial Highlights

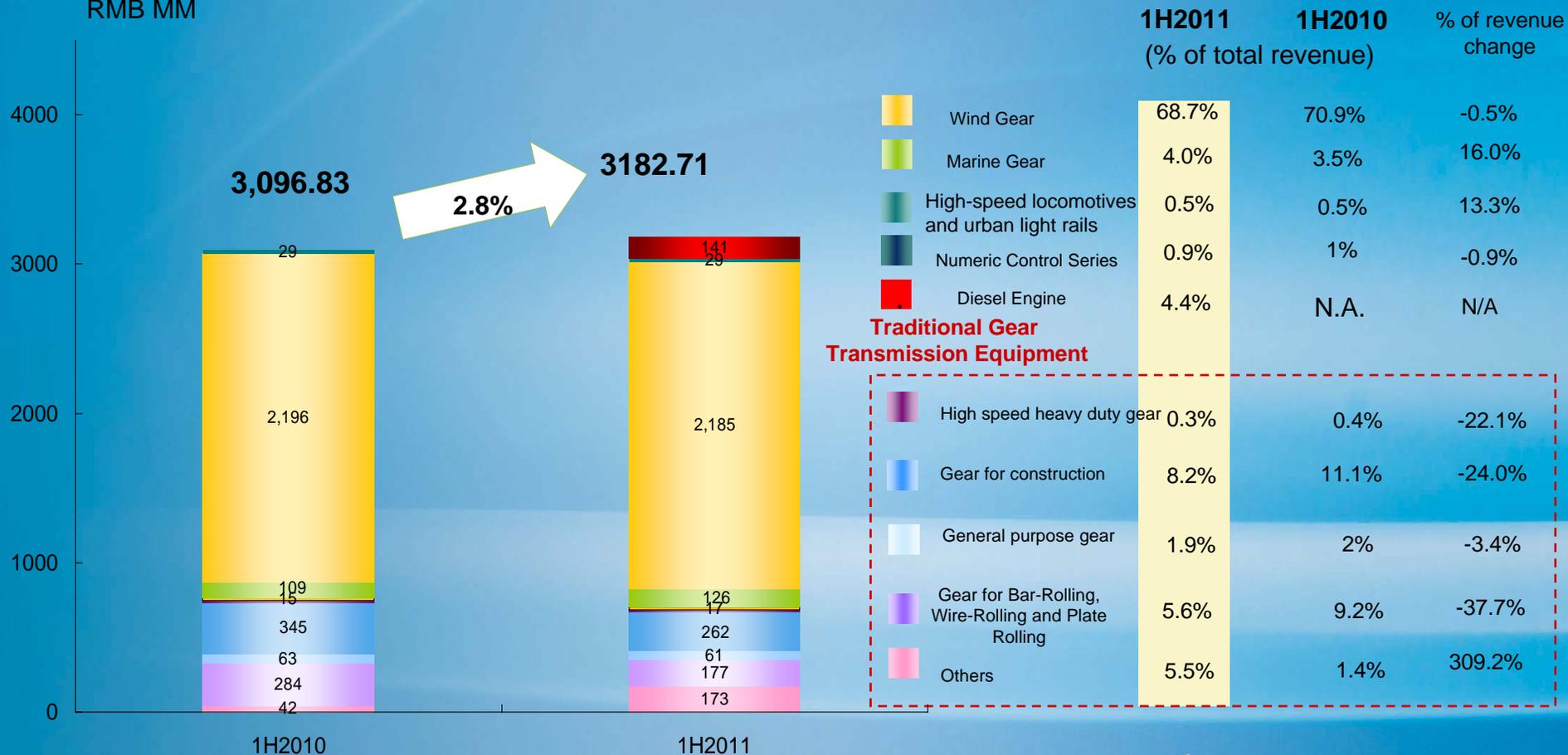
RMB MM	1H2011	1H2010	Change%
Sales Revenue	<b>3182.7</b>	3096.8	2.8%
Gross Profit	<b>860.2</b>	941.1	-8.6%
Core EBITDA	<b>796.2</b>	858.2	-7.2%
Core EBIT	<b>564.3</b>	693.1	-18.6%
Net Profit Attributable to Equity Holders	<b>286.5</b>	563.5	-49.2%
Adjusted Net Profit Attributable to Equity Holders (excl. extraordinary items*)	<b>374.8</b>	516.6	-27.5%
Gross Profit Margin	<b>27%</b>	30.4%	-3.4pt.
Core EBITDA Margin	<b>25.0%</b>	27.7%	-2.7pt.
Core EBIT Margin	<b>17.7%</b>	22.4%	-4.7pt.
Net Profit Margin	<b>9.0%</b>	18.2%	-9.2pt.
Adjusted Net Profit Margin (excl. extraordinary items*)	<b>11.8%</b>	16.7%	-4.9pt.
Earning per Share-Basic (RMB)	<b>0.21</b>	0.45	

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

# Analysis of Sales Revenue for Gear Transmission Equipment

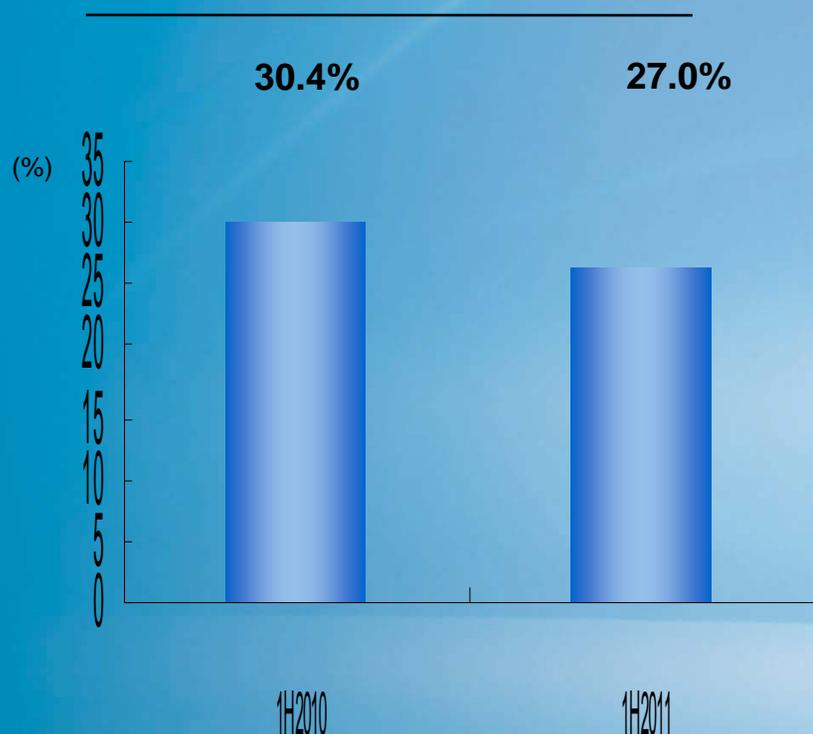
## Revenue Breakdown by Business Segment

RMB MM



# Gross Profit Margin Analysis

Consolidated Gross Profit Margin



Product	1H2011	1H2010	Change%
Wind Gear	26.9%	30.5%	-3.6pt.
Marine gear	15.3%	28.4%	-13.1pt.
High speed locomotives and urban light rails	34.2%	30.4%	3.8pt.
Numeric Control Series	19.9%	24.8%	-4.9pt.
High speed heavy duty gear	49.0%	60.3%	-11.3pt.
Gear for construction	38.2%	34.2%	4pt.
General purpose gear	28.8%	26.4%	2.4pt.
Gear for Bar-rolling, Wire-rolling and Plate-rolling	25.8%	26.7%	-0.9pt.
Others	28.2%	23.6%	4.6pt.
Diesel engine	17.2%	N/A	N/A

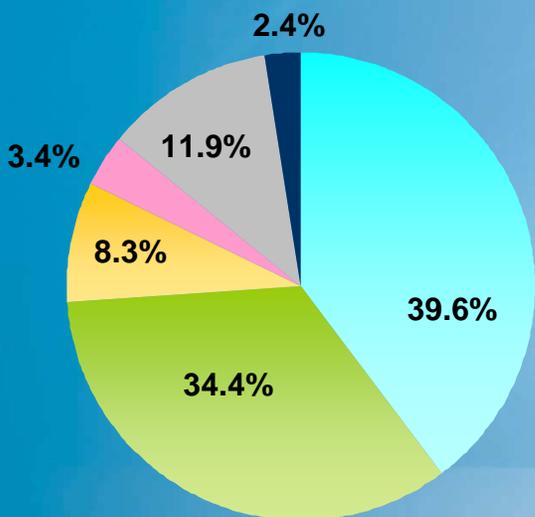
# Cost Analysis

## Cost of Goods Sold

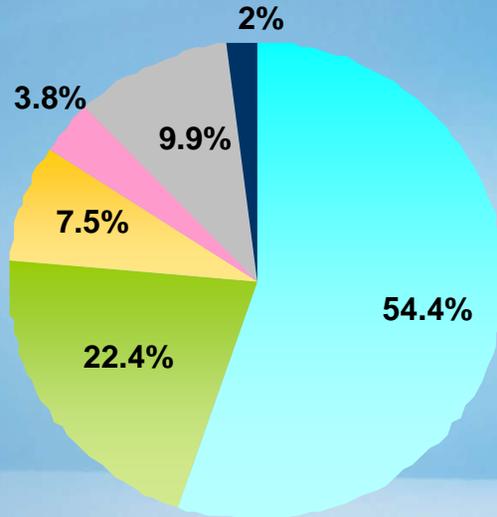
(RMB MM)

1H2010

1H2011



Cost of Goods Sold 2,155.7



Cost of Goods Sold 2,322.5



Note : (1) Including bearing and steel plates

# Balance Sheet Summary

1H2011

RMB MM	1H2011	FY2010
<b>Fixed Assets</b>	<b>7,506</b>	<b>6,789</b>
<b>Current Assets</b>	<b>9,420</b>	<b>8,142</b>
Inventories	2,066	1,257
Account Receivables	2,609	1,954
Notes Receivable	1,220	1,274
Cash and Deposits	2,795	3,038
Others	730	619
<b>Total</b>	<b>16,926</b>	<b>14,931</b>
<b>Equity</b>	<b>7,282</b>	<b>7,514</b>
<b>Non Current Liabilities</b>	<b>3,320</b>	<b>2,191</b>
Loans	3,156	2,043
Others	164	148
<b>Current Liabilities</b>	<b>6,324</b>	<b>5,226</b>
Account Payables	1,333	960
Notes Payable	793	750
Loans	3,102	1,209
Others	1,096	1,087
Finance Liabilities-Convertible Bonds	-	1,220

-Increased in Non-current assets partly related to the investment and share profits from the Company's associates companies during the period under review.

-Increase in Account receivable and inventory days mainly due to the delay in sales delivery happened in late May and June

-Bank loan amount increase for business development and re-financing of the redemption of the convertible bond in May 2011.

-The restricted cash reduced to zero balance is due to the Company has an off market shares repurchase of 12,616,707 company shares on the physical shares settlement of the equity swap on May 2011 and those share had been cancelled

-Good relationship with both domestic and offshore bank. The unused banking facilities amounted to approx. RMB 7 billions.

-Cash level remained solid.



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# Diversification of Product-mix in Each Business Segment

## Wind transmission equipment

Company successfully developed an intellectual property rights of a series of wind power electrical automatic control equipment.

## Marine transmission equipment

Self-developed NCP120 Adjustable paddle the four products break the monopoly of foreign products of shipbuilding industry and giving contribute to domestic ship by improve the shipping rates

## High Speed Locomotive & Light Rail Equipment

PSM-370 single-stage gear box have received a large orders from subway and successfully applied to Beijing, Shanghai and other cities.

## Numeric Control Series

Through acquisitions and the Group's technology platform, Enhance the development of high-end CNC machine tools and key technologies

## Traditional Equipment

Developed a heavy plate mill, sheet mill gear boxes, High power transmission centers and vertical mill drive gear boxes.

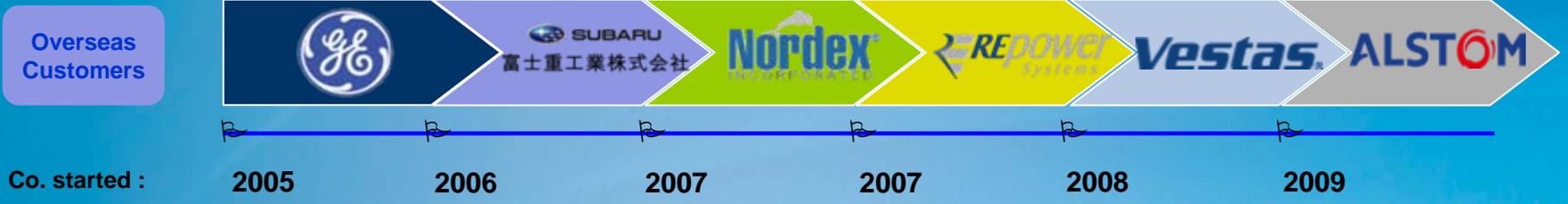
## Diesel engine

The end of 2010 the acquisition of a state-owned enterprise that transformed into private joint-stock enterprises, and products fully absorb the international advanced technology based on the innovation and upgrading.

# Continuous Growth in Order of Wind Gear Transmission Equipment

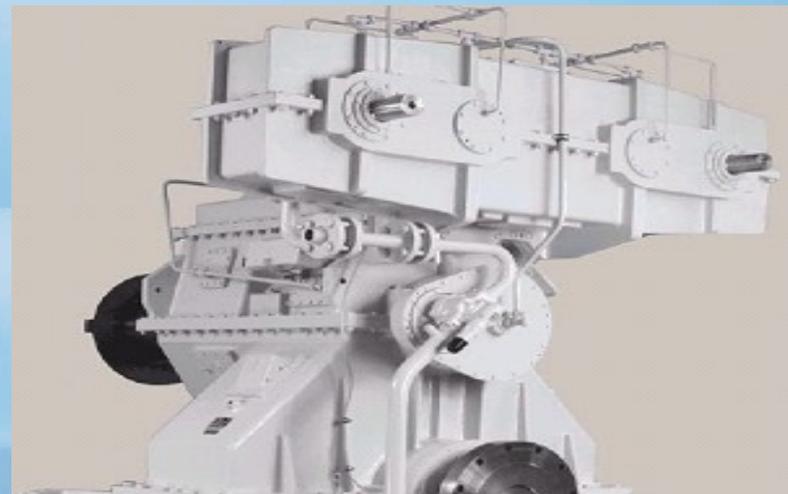
	<u>Product</u>	1H2011 (Unit)	1H2010 (Unit)	1H2011 % of total revenue of wind power	1H2010 % of total revenue of wind power	% of revenue change
	3 MW Gearbox	16	1	1%	0.1%	972.89%
	2MW Gearbox	241	179	12.5%	9.9%	25.65%
	1.5MW Gearbox	2,231	1,914	74.8%	78.4%	-5.02%
	750KW, 850KW Gearbox	13	81	0.2%	1.4%	-86.92%
	Yaw Motor & Drive	6,683	5,138	8.9%	7.9%	11.65%
	Pitch	5,694	3,243	2.6%	2.3%	14.29%

# Strong Client Portfolio for Wind Gear Transmission Equipment



# Breakthrough in Marine Transmission Equipment

- Continue to develop the domestic market, to make up for gaps in China's internal market.
- Self-developed paddle of the hydraulic adjustable drive system in the country promote the use of large vessels which change the transmission dependence on imports of China's shipbuilding situation.
- Company in the "China International Shipbuilding Fair" shows fully of strength which adjustable propeller propulsion system and thrusters to obtain recognition of the majority of participants.



# High-speed Locomotive and Urban Light Rails becomes the Group's New Revenue Growth Point



Quality with international standard Widely recognized by domestic and foreign customers :

- Intercity trains: Our companies and ALSTOM join to develop and start bulk supply in 2011
- Subway: Our company developed the products have been successfully applied to extend the line 4, Santiago, Chile, eastern extension of Line 2, Shanghai, Nanjing, No. 1, South Extension, the system projects the Beijing No. 15 line (single-stage transmission), Line 4 in Shenzhen, the Netherlands Amsterdam, M5, M6 project.
- Locomotive: In 2003 our company became qualified U.S. suppliers of GE, providing nearly 7,000 sets of railway traction gear, running around the world.

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



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# 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



- Total installed capacity increased to 44.73GW, overtook the US, ranked first in the world.
- Global wind power developer on the list, the top 15 in six Chinese companies. Machine manufacturers to add capacity of global rankings, the top 15 in seven Chinese companies
- China's wind power development momentum is strong. The realization of China's "five-twelve" period of non-fossil energy in primary energy consumption ratio; the target proportion reached 11.4% in 2020 to 15%

Source from : 《风光无限》 2011 中国风电发展报告

# Favorable Policies Accelerate Wind Power Development



- Other than European countries China is the first offshore wind turbine installation. Close to the end of 2010 the cumulative installed capacity of China's offshore wind power of about 150MW
- According to current planning objectives have been expected in 2015 that China's offshore wind power installed capacity will reach 5GW, 2020 up to about 30GW
- According to industry experts estimate that the end of 2015,China's total wind power installed capacity will reach 100-150GW



- U.S. wind energy projects under construction in 2011 double Dover the previous year
- U.S. federal government could develop in 2012 the proportion of renewable energy to 10%, 25% of the 2025 national goal
- After 2011, the United States will support the introduction of wind power policy



- German Renewable Energy Association will spend 200 billion Euros to develop wind and solar power generation at end of 2020.
- French nuclear power company Iberdrola Group and Spain signed a cooperation protocol. The goal from now until 2020 is French offshore wind power installed capacity to reach 6GW (60 gig watts)
- The EU is expected in 2015, installed wind power capacity increased to 150 ~ 180GW



- India's Eleven Five Year Plan as the beginning of its economic plan, the Indian government hopes that the installation capacity of renewable energy to increase to 35%
- India's New Energy and Renewable Energy said that as the first half of 2011, total installed capacity of wind power in India has risen to fifth in the world, India will actively use its coastline advantages to develop offshore wind power

Source from : 《风光无限》中国2011风电发展报告

# 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 investment in fixed assets of national railways accumulated to RMB220 billion, the investment in infrastructure construction accumulated to RMB198.6 billion,

•An investment of RMB2.8 trillion will be put into the construction of various kinds of railways during the “Twelfth Five-year Plan”

•“Specific Requirements for Nanocomposite Insulating Products Applied to Ground Equipment for Railway Transportation, Electric Traction and Overhead Contact Network” (IEC62621) was officially issued on 29 June 2011.

•By 2020, China’s railway mileage will reach 120,000 km or above, the new high-speed railway mileage will also reach 16,000 km.

•By 2020, the China’s high-speed railway network will reach more than 50,000 km, connecting all provincial capitals and cities that have population 500,000 or above, covering more than 90% of the population in China.

•Until 2015, China will invest about US\$750 million to build 1,600km city light-rails pushing the passenger carriage rate to record high

• China’s urban construction is expected to reach approximately 1,700 kilometers with a total investment of RMB620 billion.





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# Future Prospects of the Company

- ◆ Wind power generation: wind power development in the firm's policy context, the fast development of wind power need to the change to the healthy development of wind power. For the Future generation capacity will exceed annual 190TWh, more than 60 million tons of standard coal, unswervingly develop their own brand names
- ◆ Shipping market demand changes in the structure, on one hand will have to prepare the relevant capabilities of the shipyards which will bring rare opportunities. On the other hand, market heavily dependent on conventional shipyard ship a tremendous impact.
- ◆ Into the national "twelve five" plan in the first year, the Group's light rail and high-speed rail gear equipment business will be one of the highlights of growth.
- ◆ Focus on developing high-performance CNC machine tools to make products to high-speed, high accuracy, high reliability multi-axis, complex, flexible and technology-intensive products.
- ◆ Reinforce the traditional products in the country to consolidate the leading position and continue to adapt to the new era of high-tech R & D products
- ◆ Actively carry out independent research and mining machinery products and mainly divided into integrated boring machine, continuous miner, scraper conveyor, and high-end hydraulic support.
- ◆ Nantong Diesel Engine Co., with the implementation of the strategic reorganization will continues develop and product marine diesel engines, power generation, diesel engines, gas engines and a variety of different types of products



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# Production Base - Wind Gear Transmission Equipment - I

Plant size : 258 acreage  
(about 172,000sq. m)

Annual capacity:  
approx. 4,000MW

Main product :

◆ Wind power gearbox



Plant exterior



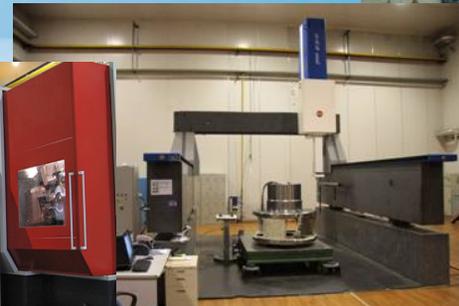
Hobbing Machine



Heat Treatment



Gear grinding machine



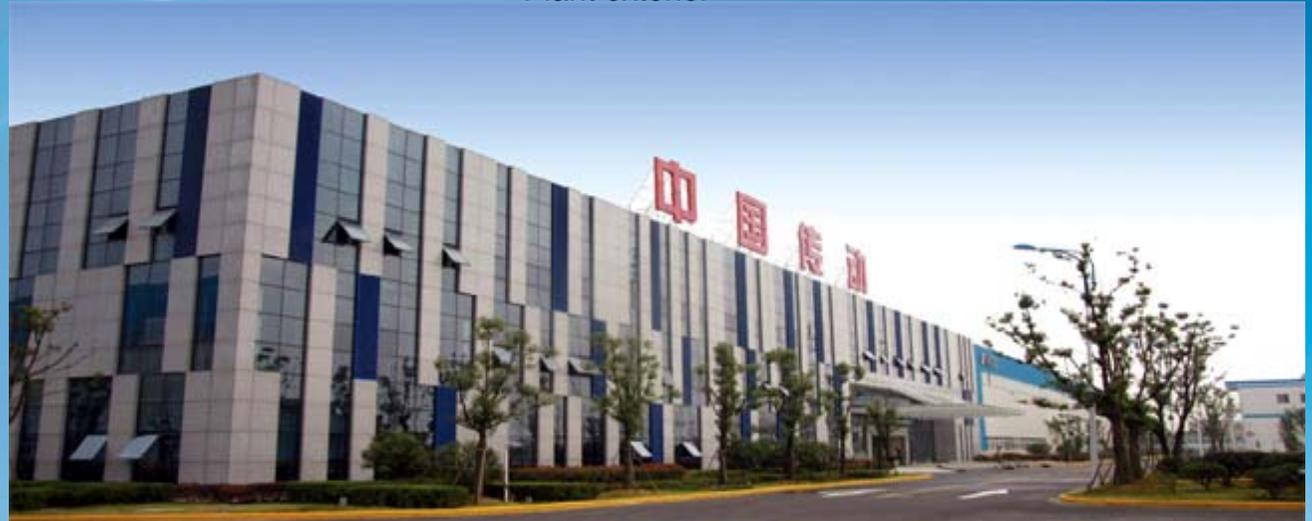
Three Dimension  
Measurement



Assembling

# Production Base – Wind Gear Transmission Equipment - II

Plant exterior



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

Annual capacity:  
approx. 6,000MW

Main product :

◆ Wind power gearbox



Three Dimension  
Measurement



Hobbing Machine



Test Bench



Finished wind power gearbox

# Production Base – Traditional Gear Transmission Equipment

**I. 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

**II. Plant Size : 103 acreage  
(about 69,000 sq. m)**

**Main products :**

- ◆ General Purpose Gearbox
- ◆ Standard Gearbox



Plant exterior

Plant exterior

Hobbing Machine



Heat Treatment



# 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



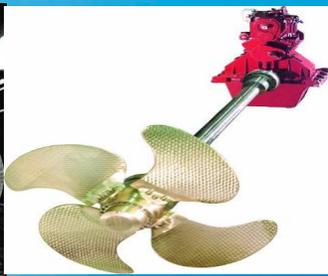
Fixed Pitch Propeller and Gearbox



Tunnel Thruster



Controllable Pitch Propeller and Gearbox





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**Thank you!**

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