



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

**2012 Annual Results Presentation**

**2 April 2013**



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2012 Annual Results Review  
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# Financial Highlights



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RMB MM	FY2012	FY2011	Change%
Sales Revenue	6,368.8	7,120.7	-10.6
Gross Profit	1,553.4	1,818.8	-14.6
Core EBITDA	1,305.2	1,661.5	-21.4
Core EBIT	731.5	1,106.7	-33.9
Net Profit Attributable to Equity Holders	138.4	557.0	-75.1
Adjusted Net Profit Attributable to Equity Holders (excl. extraordinary items*)	138.4	645.2	-78.5
Gross Profit Margin	24.4%	25.5%	-1.1pt
Core EBITDA Margin	20.5 %	23.3%	-2.8pt
Core EBIT Margin	11.5%	15.5%	-4pt
Net Profit Margin	2.2%	7.8%	-5.6pt
Adjusted Net Profit Margin (excl. extraordinary items*)	2.2%	9.1%	-6.9pt
Earning per Share-Basic (RMB)	0.102	0.407	

\*Inc: (1) Fair value change of convertible bonds on settlement (only applied to 2011)

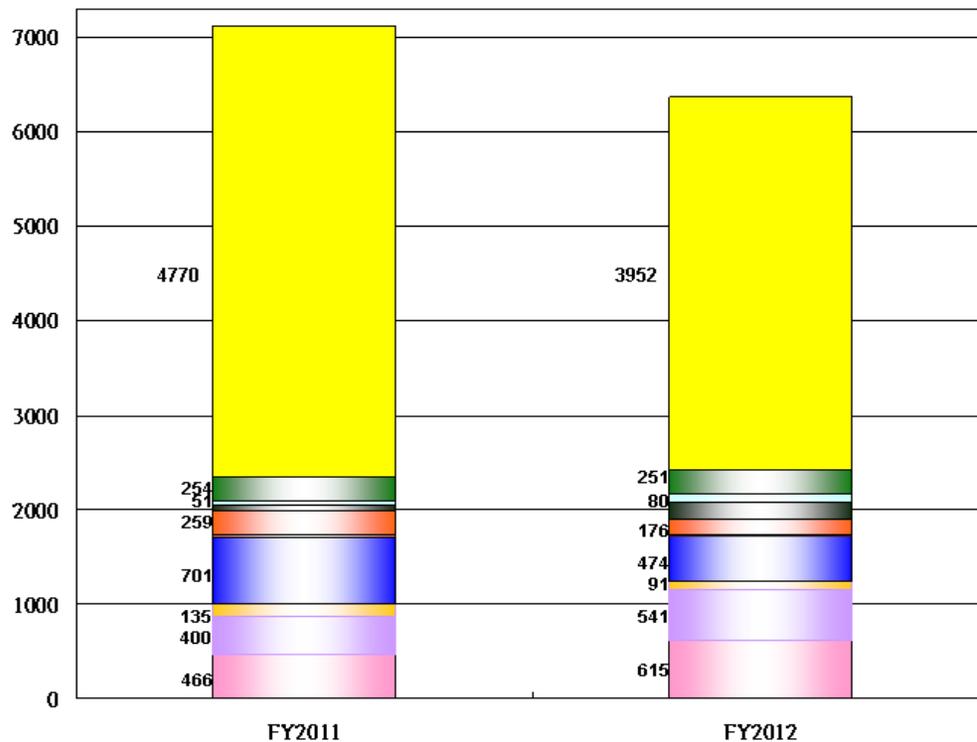
(2) Fair value change of equity swap on settlement (only applied to 2011)

# Analysis of Sales Revenue

## Revenue Breakdown by Business Segment

RMB MM

7,121  $\xrightarrow{10.6\%}$  6,369



	FY2012	FY2011	% of Revenue Change
Wind Gear	62.1%	67.0%	-17.1%
Marine Gear	3.9%	3.6%	-1.0%
High-speed Locomotives and Urban Light rails	1.3%	0.7%	56.8%
Numerical Control Series	2.8%	0.9%	195%
Diesel Engine	2.8%	3.6%	-32.3%

### Traditional Gear Transmission Equipment

High-speed Heavy Duty Gear	0.1%	0.3%	-65.6%
Gear for Construction	7.4%	9.9%	-32.4%
General Purpose Gear	1.4%	1.9%	-32.6%
Gear for Bar-Rolling, Wire-Rolling and Plate Rolling	8.5%	5.6%	35.2%
Others	9.7%	6.5%	31.8%

# Gross Profit Margin Analysis



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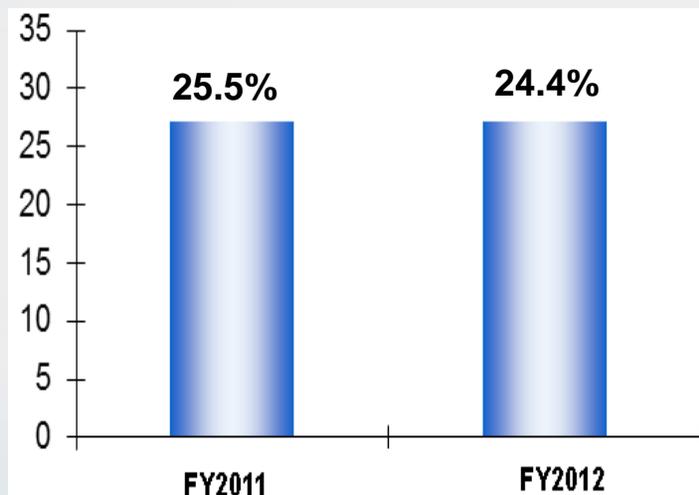
Products	FY2012	FY2011
Wind Gear	26.8 %	27.2%
Marine gear	11.1 %	23.8%
High speed locomotives and urban light rails	40.1 %	29.4%
Numeric Control Series	22.2 %	17.9%
Diesel Engine	15.1 %	17.3%

## Traditional Gear Transmission Equipment

High speed heavy duty gear	37.8 %	40.4%
Gear for construction	32.6 %	32.6%
General purpose gear	37.3 %	38.8%
Gear for Bar-rolling, Wire-rolling and Plate-rolling	8.9 %	5.3%
Others	20.8 %	17.2%

## Consolidated Gross Profit Margin

(%)



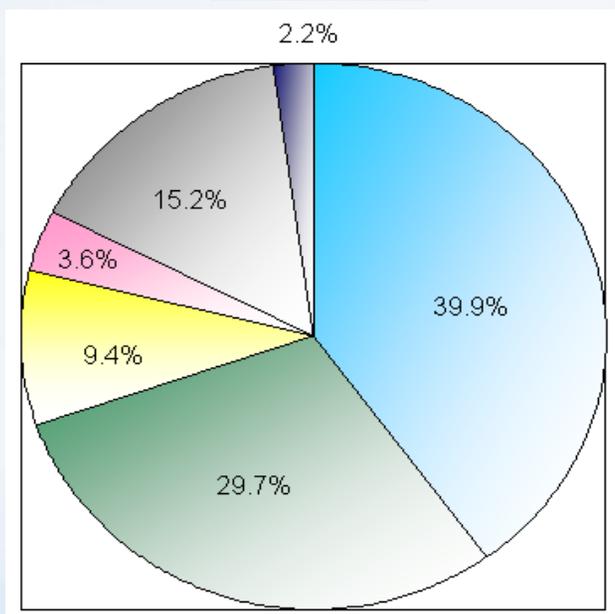
# Cost Analysis

## Cost of Goods Sold

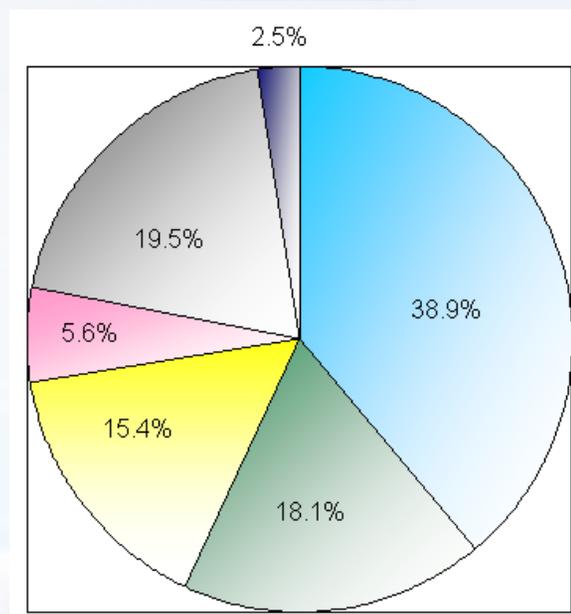
(RMB MM)

2011

2012



Cost of Goods Sold 5,301.9



Cost of Goods Sold 4,815.5

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

Note : (1) Including bearing and steel plates

# Balance Sheet Summary



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RMB MM	FY2012	FY2011
<b>Non-current Assets</b>	<b>9,069</b>	<b>8,148</b>
<b>Current Assets</b>	<b>10,813</b>	<b>10,253</b>
Inventories	1,781	1,799
Account Receivables	3,127	3,086
Bill Receivable	1,153	1,625
Cash and Deposits	4,302	3,428
Others	450	315
<b>Total</b>	<b>19,882</b>	<b>18,401</b>
<b>Capital &amp; Reserves</b>	<b>7,744</b>	<b>7,622</b>
<b>Non Current Liabilities</b>	<b>1,493</b>	<b>2,781</b>
Loans	1,288	2,627
Others	205	154
<b>Current Liabilities</b>	<b>10,645</b>	<b>7,998</b>
Account Payables	1,534	1,173
Notes Payable	450	569
Loans	7,449	4,991
Others	1,212	1,265

## FY2012

- 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 turnover is approximately 136 days
- Account receivable turnover is approximately 178 days
- Cash level remained solid
- Net debt / equity ratio is approximately 58.8 %
- Good relationship with both domestic and offshore bank. The unused banking facilities amounted to approximately RMB 7 billions

Business Review

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## Product Mix

<u>Product</u>	FY2012		FY2011	
	(Unit)		(% of total revenue of wind power)	
3 MW Gearbox	83	67	3.2%	1.7%
2MW Gearbox	357	536	8.7%	11.6%
1.5MW Gearbox	3,791	4,895	72.2%	74.7%
750KW Gearbox	38	17	0.4%	0.1%
Yaw Motor & Drive	15,181	14,949	12.4%	9.3%
Pitch	11,129	11,888	3.1%	2.6%

# Strong Client Portfolio for Wind Gear Transmission Equipment



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## Domestic Customers



## Overseas Customers



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.





## 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.





***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



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

## *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.





Development Strategies

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In respect of wind power gear box transmission equipment, the Group targets to expand its product scale, diversify its product mix and produce products with low speed. In addition to bulk export to the United States, it will strive to expand into Europe and emerging markets such as India and Brazil so as to constantly expand its market share and customer base. The Group will continue to improve our product quality and international competitiveness and actively research and develop 5MW and 6MW wind power gear boxes, so as to further increase our market share.

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.**

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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