



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

2009 Annual Results Presentation

19 April 2010



Forward-Looking Statements

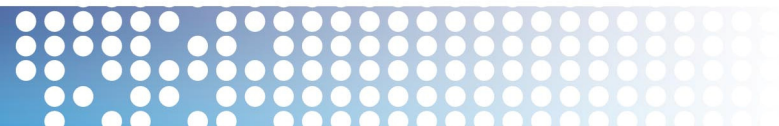
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Agenda

- 1 2009 Annual Results Review and Analysis
- 2 2009 Business Review
- 3 Industry Outlook
- 4 Future Prospects
- 5 Our Plants
- 6 Q & A





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2009 Annual Results Review & Analysis



Financial Highlights

Sales revenue increased significantly by 64.2 % to approx. RMB5,647million

RMB MM	2009	2008	Change (%)
Sales Revenue	5,647.0	3,439.2	▲ 64.2
Gross Profit	1,861.2	992.2	▲ 87.6
Core EBITDA	1,621.8	743.8	▲ 118.0
Core EBIT	1,405.7	583.1	▲ 141.1
Net Profit Attributable to Equity Holders	966.4	692.4	▲ 39.6
Adjusted Net Profit Attributable to Equity Holders (excl. extraordinary items*)	1,106.2	482.3	▲ 129.4
Gross Profit Margin	33.0%	28.8%	▲ 4.2
Core EBITDA Margin	28.7%	21.6%	▲ 7.1
Core EBIT Margin	24.9%	17.0%	▲ 7.9
Net Profit Margin	17.1%	20.1%	▼ 3.0
Adjusted Net Profit Margin (excl. extraordinary items*)	19.6%	14.0%	▲ 5.6
Earning per Share-Basic (RMB)	0.78	0.56	▲ 39.6
Earning per Share-Basic (RMB) (excl. extraordinary items*)	0.89	0.39	▲ 129.4

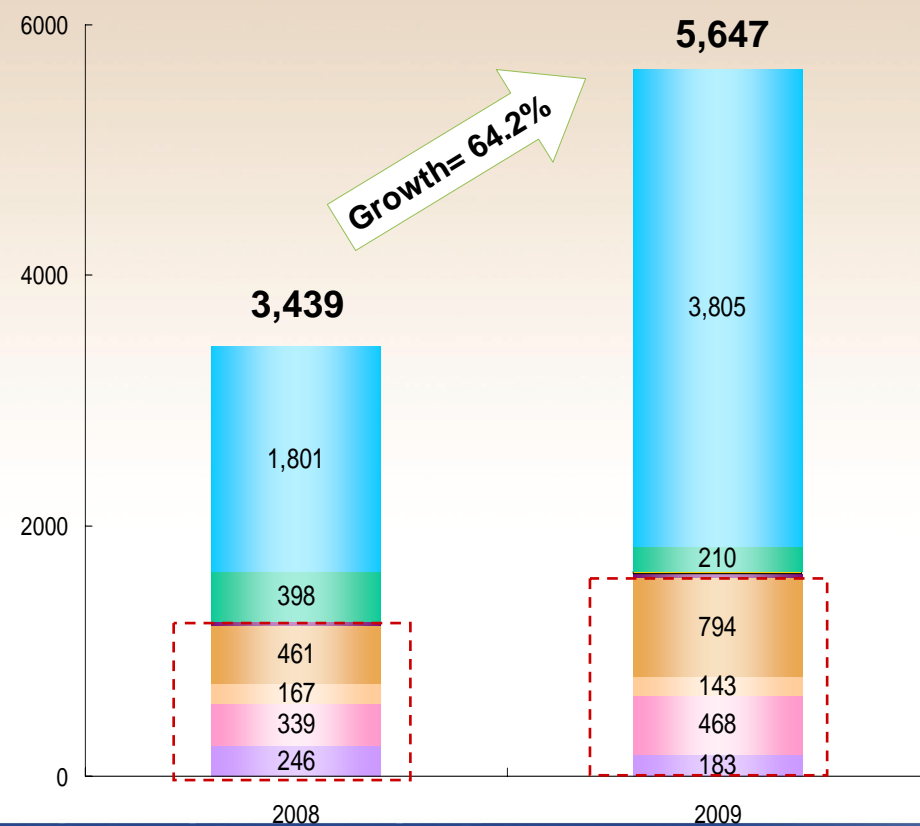
*Inc: (1) Fair value change of convertible bonds
(2) Fair value change of equity swap



Continuous Demand Growth in Gear Transmission Equipment

Revenue Breakdown by Business Segment

RMB MM



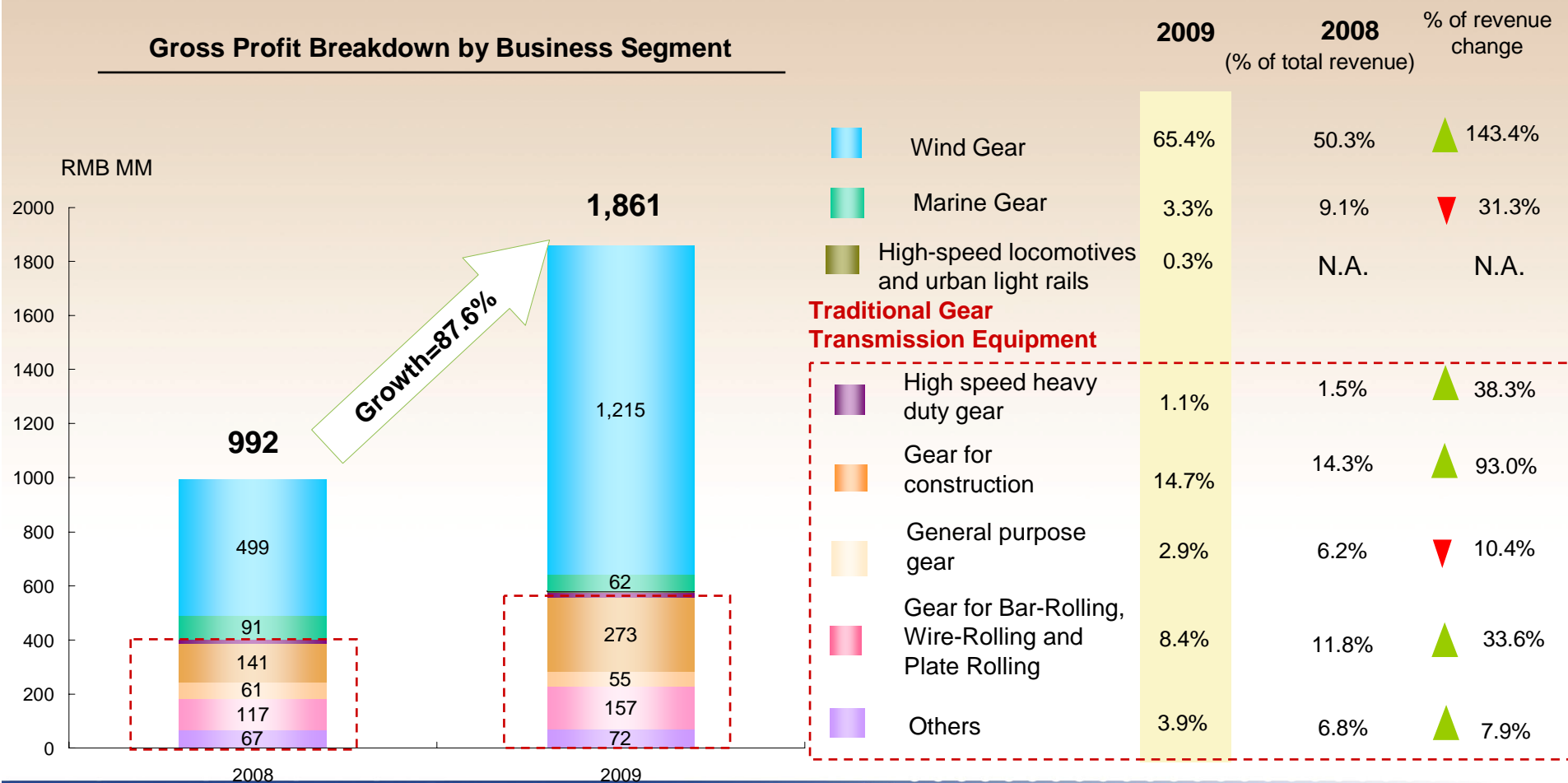
	2009 (% of total revenue)	2008 (% of total revenue)	% of revenue change
Wind Gear	67.4%	52.4%	▲ 111.3%
Marine Gear	3.7%	11.6%	▼ 47.3%
High-speed locomotives and urban light rails	0.2%	N.A.	N.A.
Traditional Gear Transmission Equipment			
High speed heavy duty gear	0.5%	0.8%	▲ 0.5%
Gear for construction	14.1%	13.4%	▲ 72.3%
General purpose gear	2.5%	4.8%	▼ 14.0%
Gear for Bar-Rolling, Wire-Rolling and Plate Rolling	8.3%	9.8%	▲ 38.2%
Others	3.3%	7.2%	▼ 25.1%



Consolidated Gross Profit Increased

Gross Profit of Wind Gear Transmission Equipment surged 143.4%

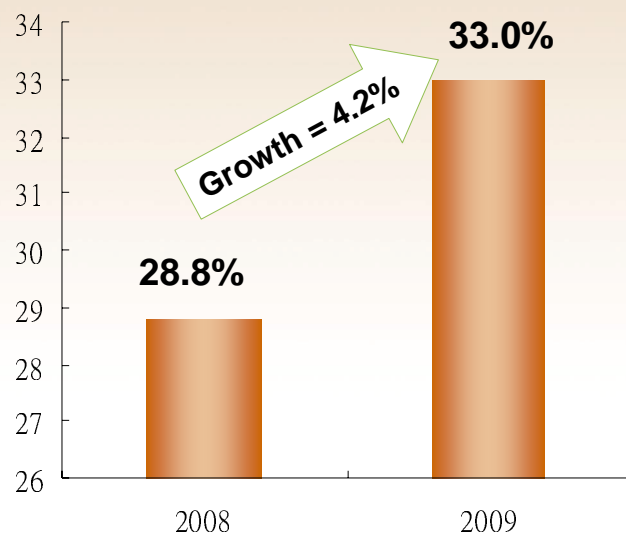
Gross Profit Breakdown by Business Segment



Gross Profit Margin Analysis

Efficient measures in cost control and production

Consolidated Gross Profit Margin



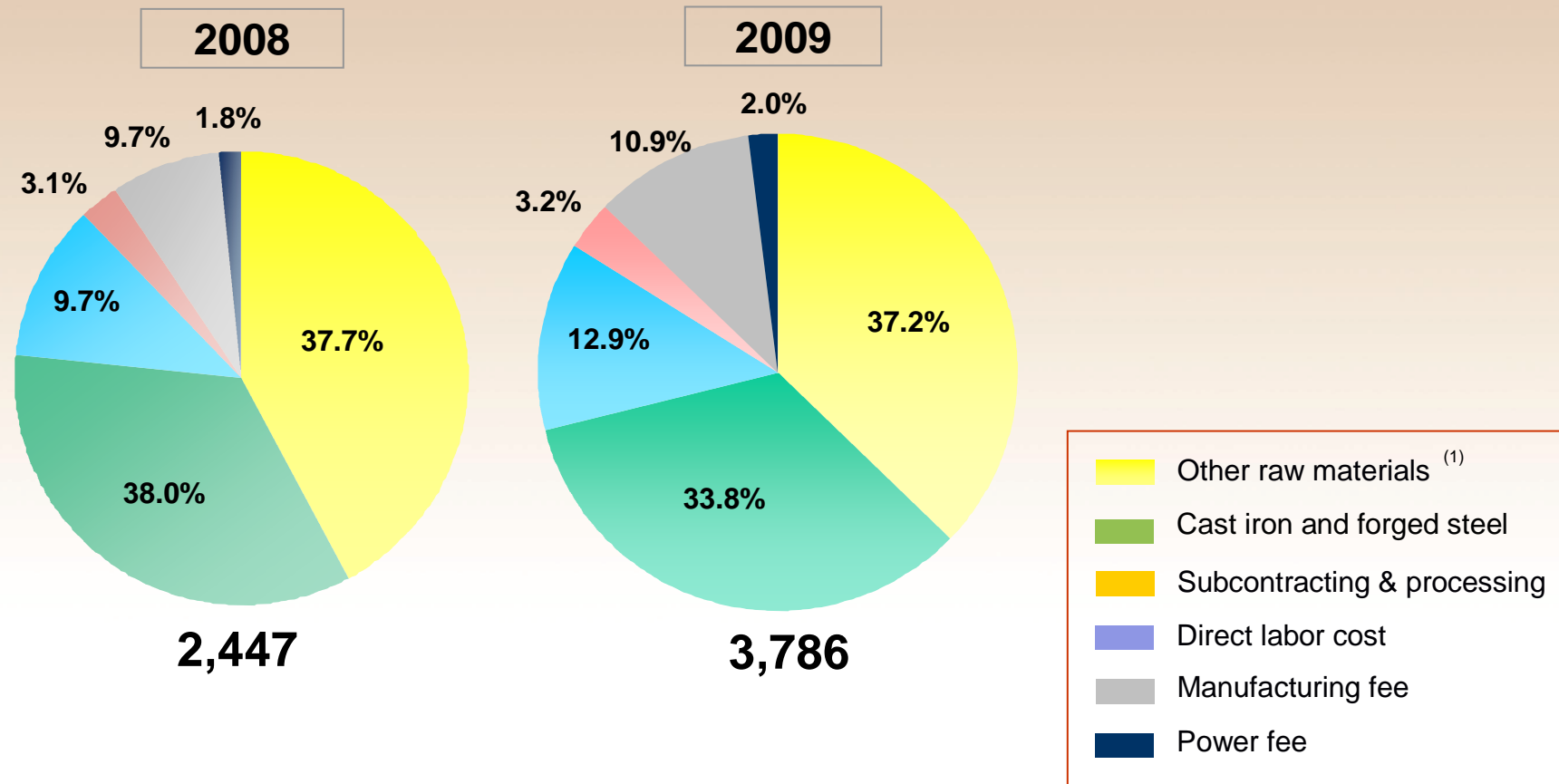
Product	2009	2008	Change (%)
Wind Gear	31.9%	27.7%	▲ 4.2
Marine gear	29.7%	22.7%	▲ 7
High speed locomotives and urban light rails	38.9%	N.A.	N.A.
High speed heavy duty gear	72.8%	52.9%	▲ 19.9
Gear for construction	34.4%	30.7%	▲ 3.7
General purpose gear	38.2%	36.7%	▲ 1.5
Gear for Bar-rolling, Wire-rolling and Plate-rolling	33.5%	34.7%	▼ 1.2
Others	39.4%	27.4%	▲ 12



Cost Analysis

Breakdown of the Cost of Goods Sold

(RMB MM)



Note :

(1) Including bearing and steel plates



Balance Sheet Highlights

FY 2009

RMB MM	2009	2008
Fixed Assets	5,198	3,617
Current Assets	5,037	4,861
Inventories	1,313	1,336
Trade Receivables	2,613	1,294
Cash and Deposits	1,074	2,166
Others	37	65
Total	10,235	8,478
Equity	4,450	3,735
Non Current Liabilities	2,497	1,348
Loans	1,012	68
Current Liabilities	3,288	3,395
Trade Payables	1,566	2,049
Loans	1,556	1,292
Others	166	54

- A new factory plant was built and commenced production in July 2009
- Inventories decreased
- Trade receivable increased due to significant increase in sales revenue in wind power product
- Cash level remained solid
- Net debt RMB 1,494 million
- Unused banking credit facilities amounting to approx. RMB 5 billion as at 31 December 2009





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2009 Business Review



Diversification of Product-mix in Each Business Segment

Wind transmission
equipment

Break through in 3MW wind gear box

High speed
Locomotive & light
rail equipment

Continuous business expansion to meet future market
demand

Marine transmission
equipment

Enhancing marine transmission equipment product
diversification,
strengthening domestic sales

Conventional
Products

Stabilizing growth of sales, strengthening the
Group's revenue,
exploring new product market

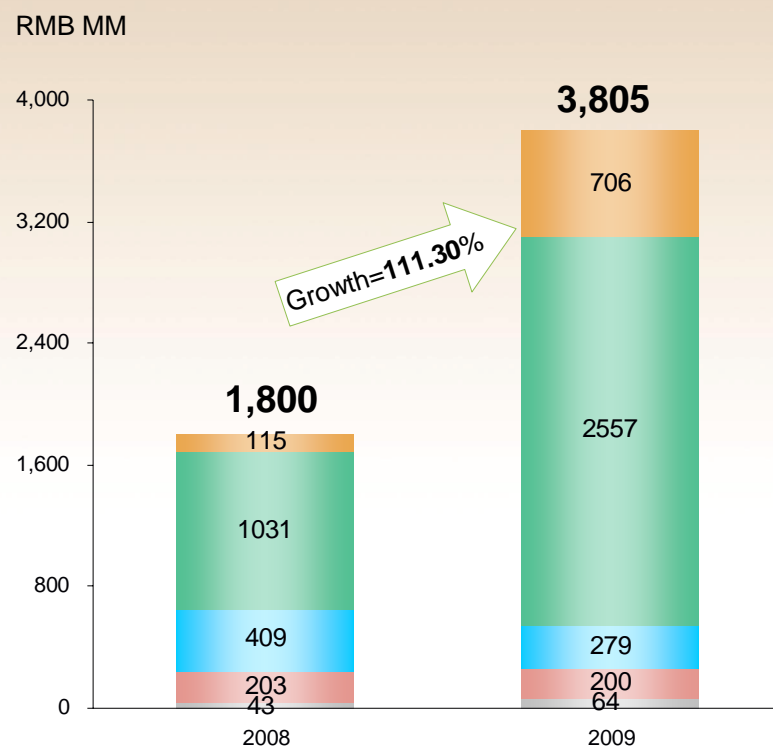
In-house R&D

Continuous R&D enhancement, completion of 133
patent applications, a total of 97 patents have
already been obtained



Significant Growth of Sales in Wind Gear Transmission Equipment

Revenue Breakdown by Products









	Unit		% of total revenue of wind power		% of revenue change
	2009	2008	2009	2008	
2MW Gearbox	587	94	18.6%	6.4%	▲ 514.8%
1.0, 1.3, 1.5MW Gearbox	3,171	1,458	67.1%	57.2%	▲ 148.0%
750KW, 850KW Gearbox	664	1,114	7.3%	22.7%	▼ 31.9%
Yaw Motor & Drive	7,822	9,678	5.3%	11.3%	▼ 1.5%
Pitch	5,820	5,573	1.7%	2.4%	▲ 50.1%








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

The Group's transmission equipment passed the product quality certification in April 2008 and launched sales in 2009



- By 2012 demand for locomotives will reach 1,600
- Potential demand for electronic locomotives will reach 1,900 in the next 2 years
- Urbanization will speed up the demand of city rail lines



- Core parts are made in China
- Exports increased
- Boost product gross margin



Continuous market exploration (both domestically and internationally)
Become the new economic growth point for the Group





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Industry Outlook



The Gear Box Makes Up the Core Part of Wind Turbines

Gearboxes 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
- With the US economic recovery in the second half of 2010, the global demand for wind power is expected to increase 19% in 2010.
- Wind power gearbox is a core component in manufacturing wind turbine which always happens in a situation of demand over supply
- Trend in offshore wind power development pushes the demand for multi mega watt gearboxes.

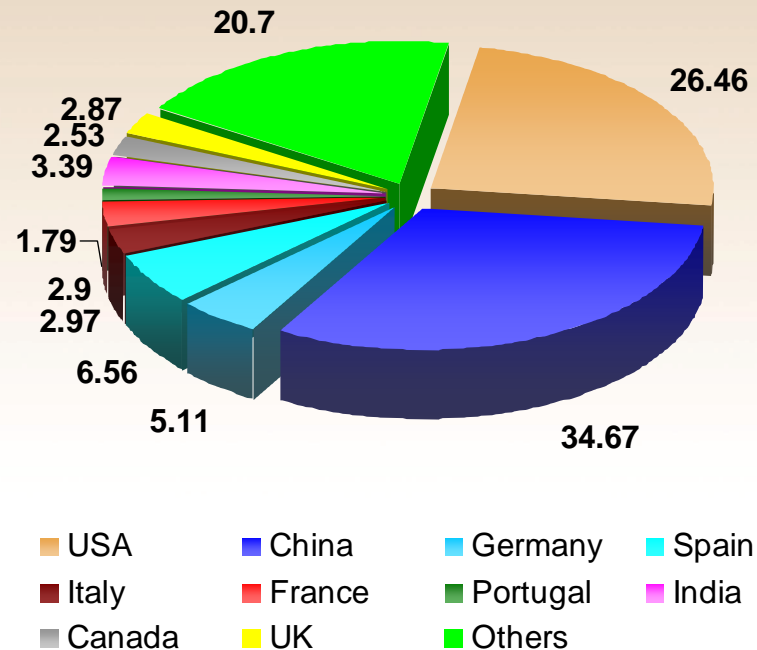
Source : Alternative Energy Asia



China Has Become The Global Leader in Wind Power with Increased Capacity Installed

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The proportion of the world's new increased wind power capacity installed in 2009



Total wind power & new increased capacity installed in 2009

Year	2008 (Actual)	2009 (Actual)	2010 (Expected)	2011 (Expected)	2012 (Expected)
Global wind power capacity installed (MW)	121,510	159,007	196,110	239,121	289,430
Global wind power generated (MW)	27,092	37,498	37,102	43,011	50,310
China	6,200	13,000	12,500	14,000	16,000
USA	8,358	9,922	8,500	9,520	11,424
Spain	2,307	2,459	1,475	1,992	2,291
Germany	1,665	1,917	2,205	2,535	2,890
India	1,810	1,270	1,715	2,315	2,824
Italy	1,010	1,114	1,337	1,604	1,925
France	950	1,088	1,164	1,246	1,320
UK	869	1,077	1,400	1,610	1,836
Canada	526	950	1,200	1,500	2,000
Portugal	712	673	774	890	1,015
Others	2,685	4,028	4,833	5,800	6,786

Source : Morgan Stanley, Global Wind Energy council



Favorable Policies Accelerates Wind Power Development



➤ China will focus on marine wind power as Chinese companies have prior and controlling right to operate their businesses

➤ 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 2005

- China will launch new policies to support new energy industries, including guarantee of the integration of wind power into national power grid and initial plan of the intelligent power grid
- 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
- The Chinese government expects wind power generation production capacity CAGR to reach 49% from 2007 to 2010
- Central government will give financial support on R&D for significant equipment and fundamental spare parts. Besides, tax concessions will be given on company and domestic consumers' purchase of environmental friendly equipments and domestic machineries
- The State Council executive meeting has approved for the restructuring and revitalization program of the equipment manufacturing industry. Company with considerable investment capacity, advanced technology and making significant contribution to environmental protection will benefit from the new policy
- In 2009 China's total investment in electricity reached RMB580 billion which accelerate the construction of nuclear power, wind power and other new energy sources



- Washington government plans to reduce greenhouse gases from 2005 by 17% in Copenhagen conference
- Obama guarantees that 10% of electricity consumption of USA will be generated from renewable energy in 2010 which will be 25% in 2050
- United States Department of Energy targets to achieve the proportion of electricity from wind power of 20% in 2030
- Obama plans to adjust the energy policy in USA, and invest US\$ 150 billion in 10 years to boost the development of renewable energy
- Production tax credit will be extended to 5 years to encourage the production of renewable energy like wind power



Source : Alternative Energy Asia

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



- 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 eleventh 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 eleventh 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

Source : J.P. Morgan Hands-on China Report





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Future Prospects



Future Prospects of the Company

- ➡ It is expected that PRC government will launch policies to encourage new energy industries which greatly support the growth of the wind gear business
- ➡ Mechatronics technology is being explored in order to enhance the company's added-value
- ➡ 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 97 authorized patents in place and 133 completed patents application, the Group will continue to strengthen independent R & D, improve quality of products and maintain its industry competitiveness
- ➡ 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 9,000 MW in 2010
- ➡ 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

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



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

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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
- Gearbox transmission equipment for Rubber & Plastic Machinery

Size : 103 acreage (appro.
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

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Factory Exterior

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





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