



## Corporate Profile

China Power Equipment, Inc. ("China Power") is a holding company. Through its wholly owned subsidiary and, in turn, its affiliated operating company, it designs, manufactures, and distributes amorphous alloy transformer cores and amorphous alloy core electricity transformers in the People's Republic of China.

The use of amorphous alloy cores creates a new generation of energy saving electrical power transformers that are used to step down voltage in the final phase of electricity distribution – near consumers and companies.

A typical amorphous alloy core transformer consumes 77.6 percent less electricity to operate (compared with silicon steel core transformers), leaving more net electricity available for consumers. The typical steel core transformer consumes 670 watts, an amorphous alloy transformer consumes 150 watts. Steel core transformers have become obsolete.



## Competitive strengths and investment highlights

### Goals

1. Become the number 2 supplier in China for high-efficiency amorphous alloy transformer cores and transformers, using the most advanced and cost-effective materials and technologies available. These products are essential in the distribution of electricity, whether the electricity is generated by coal, nuclear, wind farm, or solar farm methods.
2. Expand into high-quality high-performance cost-effective electrical products that benefit from the application of China Power's advanced technologies and processes.
3. China Power's primary financial goal is to earn an internal rate of return comfortably higher than its total cost of capital. The company's second goal is to have access to the capital it needs for growth and improvement, at the lowest realistic cost of capital.

### Competitive strengths and investment highlights

- Three patents that are an important source of its competitive advantage.
- A product line that is in very high demand, with substantial backlogs.
- A successful business model that benefits from collaborating with the national and local governments, customers, suppliers, universities, and research institutes.
- A close relationship with the current and emerging suppliers of amorphous alloy strip, which is in high demand around the world.
- Extensive technical assistance to transformer makers that locks in China Power as their exclusive supplier for all their amorphous alloy core needs.
- Its location in western China makes it the closest supplier to all the western provinces, where the demand for China Power's high-efficiency transformers will have the highest growth over the longest period of time, given that China Power is likely to be the preferred "local" supplier and has no local competitor in western and middle China.
- A compelling growth strategy in a very large and rapidly expanding market.
- A conservative financial profile with modest debt leverage and a good credit record.

This amorphous alloy core has 3,150 layers, weighs 150.6 pounds, and steps down 10,000 volts to 220 volts. Price is about \$428.

Because it consumes less power, less coal is burned to deliver electricity. It prevents adding environmental carbon dioxide by 3,972 kilograms, sulfur dioxide by 120 kg., and nitrous oxide by 60 kilograms – each year.



Product name	Product code	Description
Amorphous alloy cores	SH15, SBH15, and DH15	These are the latest upgrades of the amorphous alloy cores for prior SH11 and DH11 series transformers. These new core products were introduced in early 2009. In the production process, each core is customized for its specific application.
Amorphous alloy core transformers	SH15 and SBH15 series	These are new upgrades from the SH11 series and are 3-phase oil-immersed amorphous alloy core transformers to step down a beginning voltage of 10,000 volts and have a capacity of 30 to 2,500 kilovolt-amperes. The SBH15 series are designed for the same voltage reduction at a capacity of 100 to 2,500 kilovolt-amperes.
Amorphous alloy core transformers	DH15 series	These are the latest upgrades from the DH11 series and use the new amorphous alloy cores in the DH15 series. DH15 series are 1-phase dry amorphous alloy core transformers with a beginning voltage of 10 kilovolts and a capacity of 5 to 100 kilovolt-amperes

## Market Facts

Price (April 8, 2010)

\$ 2.90

Market capitalization:

\$ 43.2 million

52-week price range

0.25 - 4.58

Basic shares (9-31-09)

14.9 million

Year ends:

December 31

## Financial Highlights

### China Power Equipment, Inc.

#### Financial Highlights

For the years ended December 31, 2007, 2008, 2009 and as of December 31, 2007, 2008, 2009

Dollars except percents and ratios	% Change 2008-2007	% Change 2009-2008	2007	% of 2007	2008	% of 2008	2009	% of 2009	2010 Q1	% of 2010 Q1
<b>Summary income statement</b>										
Sales	41%	154%	\$ 6,665,678	100.0%	\$ 9,394,491	100.0%	\$ 23,866,239	100.0%	\$ 5,753,713	100.00%
Gross profit	95%	143%	1,200,295	18.0%	2,343,752	24.9%	5,698,471	23.9%	1,526,045	26.52%
Income from operations	268%	188%	424,908	6.4%	1,564,402	16.7%	4,501,842	18.9%	1,320,931	22.96%
Other income	76%	42%	198,403	3.0%	350,060	3.7%	495,881	2.1%	48,994	0.85%
Interest expense	-17%	-92%	(227,630)	3.4%	(188,110)	2.0%	(14,268)	-0.1%	0	0.00%
Income taxes	103%	182%	133,547	2.0%	270,559	2.9%	763,455	3.2%	211,009	3.67%
Net income	455%	190%	262,134	3.9%	1,455,793	15.5%	4,220,000	17.7%	1,158,916	20.14%
Foreign currency translation adjustment	20%	-95%	348,995	5.2%	419,194	4.5%	21,017	0.1%	0	0.00%
Comprehensive income	207%	126%	\$ 611,129	9.2%	\$ 1,874,987	20.0%	\$ 4,241,017	17.8%	\$ 1,158,916	20.14%
<b>Summary balance sheet</b>										
Cash	0%	729%	\$ 1,073,895	11.5%	\$ 1,071,038	11.1%	\$ 8,883,188	47.0%	\$ 8,105,276	40.88%
Accounts receivable, net	17%	-3%	1,724,658	18.5%	2,013,305	20.8%	1,949,818	10.3%	2,435,925	12.29%
Inventory	34%	-21%	344,750	3.7%	461,634	4.8%	363,312	1.9%	1,073,949	5.42%
Other current assets	110%	-79%	490,003	5.3%	1,028,107	10.6%	220,939	1.2%	282,530	1.43%
Current assets	26%	150%	3,633,306	39.0%	4,575,084	47.3%	11,417,257	60.5%	11,897,680	60.01%
Property, plant, and equipment, net	2%	47%	3,054,139	32.7%	3,116,422	32.2%	4,593,068	24.3%	5,037,440	25.41%
Other long-term assets	-25%	45%	2,639,708	28.3%	1,984,132	20.5%	2,870,809	15.2%	2,890,830	14.58%
Total assets	4%	95%	\$ 9,327,153	100.0%	\$ 9,675,638	100.0%	\$ 18,881,134	100.0%	\$ 19,825,950	100.00%
Accounts payable	-35%	-23%	\$ 1,087,476	11.7%	\$ 710,480	7.3%	\$ 549,065	2.9%	\$ 494,975	2.50%
Lease payable, current portion	18%	11%	1,647	0.0%	1,944	0.0%	2,156	0.0%	2,156	0.01%
Note payable	-95%	0%	1,100,614	11.8%	58,358	0.6%	58,503	0.3%	58,613	0.30%
Other current liabilities	-20%	19%	1,065,413	11.4%	852,311	8.8%	1,014,565	5.4%	837,627	4.2%
Current liabilities	-50%	0%	3,255,150	34.9%	1,623,093	16.8%	1,624,289	8.6%	1,393,271	7.03%
Lease payable, net	5%	-2%	111,772	1.2%	117,327	1.2%	115,463	0.6%	115,482	0.58%
Shareholders' equity	33%	116%	5,960,231	63.9%	7,935,218	82.0%	17,141,382	90.8%	18,317,197	92.4%
Total liabilities and equity	4%	95%	\$ 9,327,153	100.0%	\$ 9,675,638	100.0%	\$ 18,881,134	100.0%	\$ 19,825,950	100.00%

## Directors & Officers

### Mr. Yongxing Song

Chairman of the Board,  
President & CEO

### Mr. Michael Segal

Independent Director

### Ms. Yarong Feng

Vice General Manager & Director

### Ms. Elaine Lanfeng Zhao

Chief Financial Officer

### Mr. Zewei Xu

Chief Engineer

### Mr. Jian Xiao

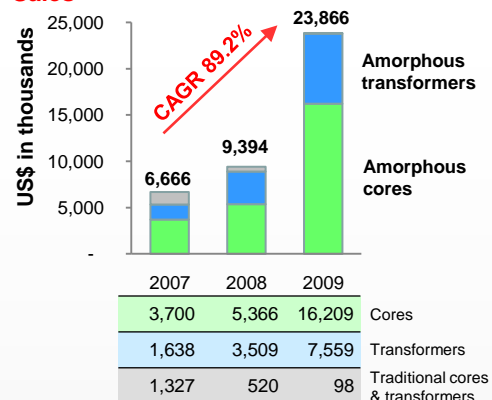
Vice General Manager

The energy-saving performance and environmental improvements that come from amorphous alloy transformers, plus China's national policy guidance that encourages their use, is creating a high and increasing demand for high-efficiency amorphous alloy cores and transformers that greatly exceeds the current supply. The order backlog continues to grow. China Power is focusing its resources on amorphous alloy cores and amorphous alloy transformers to:

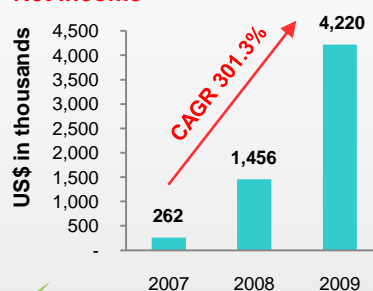
- gain a larger share of the lucrative amorphous alloy power products market,
- enjoy the financial benefits of premium pricing,
- earn an internal rate of return greater than the cost of capital,
- contribute to improving China's environment (less air and solids pollution) and to help China meet its commitment to lowering greenhouse gases, and
- help improve the quality of life for China's citizens by increasing the net amount of electricity in both urban and rural regions, at affordable prices.

Certain statements in this business plan are forward-looking or predictive statements. Such statements involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied. Such factors include but are not limited to market and customer acceptance and demand for our products; our ability to market our products; the impact of competitive products and pricing; the ability to develop and launch new products on a timely basis; the regulatory environment, including government regulation in the PRC; our ability to obtain the requisite regulatory approvals to commercialize our products; fluctuations in operating results, including spending for research and development and sales and marketing activities; and other risks as detailed in our filings with the Securities and Exchange Commission. The words identifying forward-looking or predictive statements can include believe, expect, anticipate, intend, and plan and similar words. These statements are subject to risks and uncertainties that cannot be known or quantified and, consequently, actual results may differ materially from those expressed or implied by such predictive statements. Readers are cautioned not to place undue reliance on these forward-looking or predictive statements, which speak only as of the date they are made.

## Sales



## Net income



## Market Opportunities

