

China Elevator Industry & Market

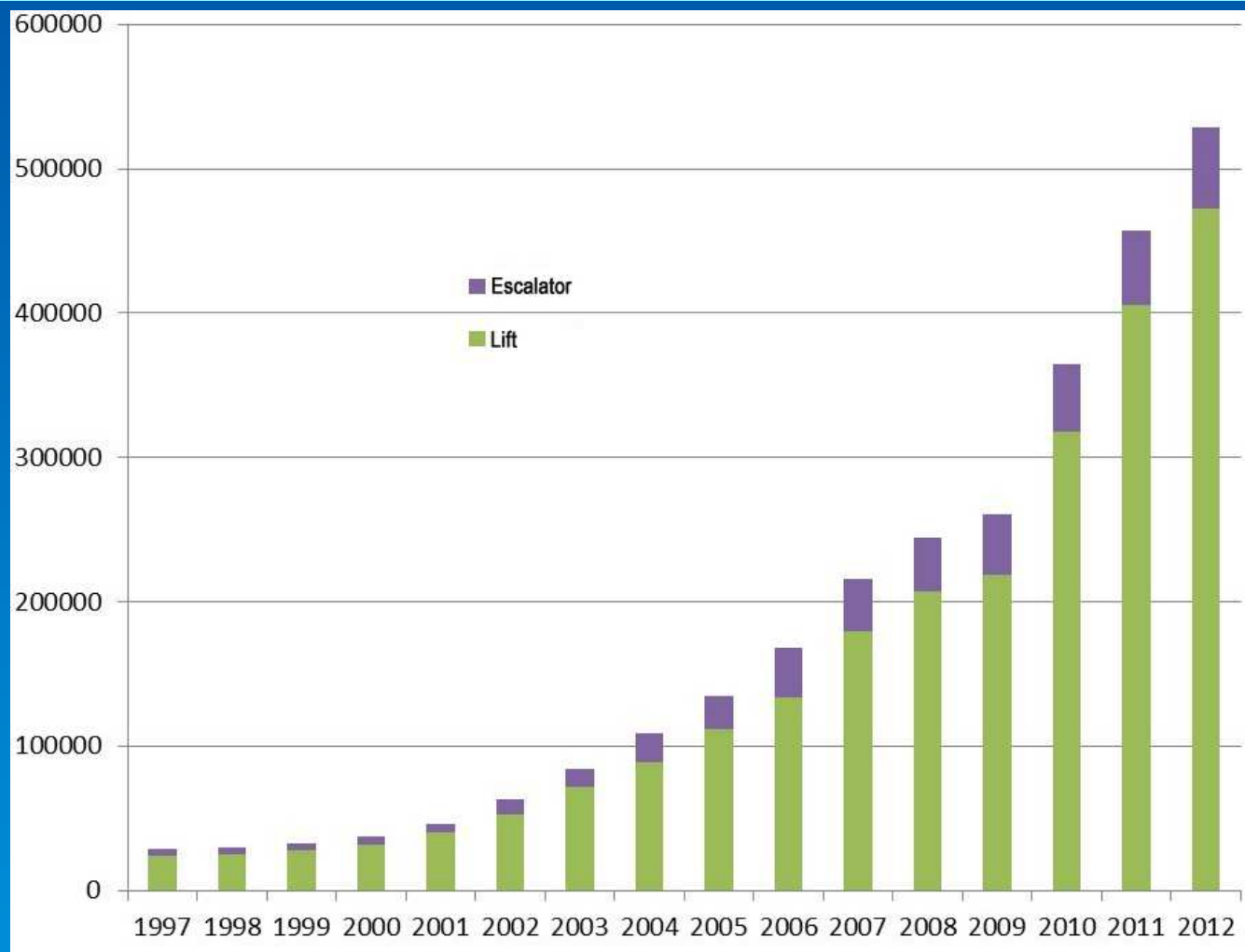
Sicher Elevator Co., Ltd.

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Oct. 15th, 2013

1997-2012 Elevator and Escalator Annual Output

SRH
SAFE REACH



Data sourcing: China Elevator Association

- **Manufacturing:**
Approximately 529,000 units in 2012;
Estimated 579,700 units in 2013, an
increase of 9.58%.

2006-2012 Analysis of Domestic Elevator Demands & the Export Volume



(Unit: 10,000 sets)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------|-------|-------|-------|-------|-------|-------|
| Domestic Elevator Demands | 12.77 | 15.18 | 18.83 | 23.33 | 32.75 | 40.65 | 47.12 |
| Vertical Elevator Export Volume | 1.09 | 1.65 | 2.48 | 1.94 | 2.36 | 3.071 | 3.80 |
| Escalator Export Volume | 1.16 | 1.51 | 1.82 | 1.36 | 1.36 | 1.68 | 1.74 |

Data sourcing: China Elevator Association

Export Volume:

Approximately 53,000 units in 2012;

Estimated 58,300 units in 2013, an increase of 10%.

Domestic Shipping: 470,000 in 2012; Expected to more than 610,000 units in 2013

2006-2013 Elevator Market Data Analysis



| | Unit: 10,000 sets | | | | | | | |
|---|-------------------|--------|--------|--------|--------|--------|--------|--------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013E |
| Commercial real estate & Public construction & Others | - | - | - | - | - | - | 31.65 | 38.14 |
| Affordable housing | - | - | - | - | - | - | 13.00 | 10.50 |
| Update requirements | - | - | - | - | 2.90 | 2.97 | 2.95 | 3.02 |
| demand | - | - | - | - | - | - | 0.10 | 0.48 |
| Exports | 2.02 | 2.90 | 4.10 | 3.10 | 3.53 | 4.59 | 5.30 | 5.83 |
| Total production | 14.78 | 18.60 | 23.43 | 26.20 | 36.50 | 45.70 | 52.90 | 57.97 |
| Output growth | 9.48% | 25.85% | 25.97% | 11.82% | 39.31% | 25.16% | 15.75% | 9.58% |
| Ownership | 77.00 | 91.70 | 115.10 | 137.00 | 162.80 | 200.30 | 243.60 | 292.24 |

Data sourcing: China Elevator Association

- China Elevator Holding: 2,003,000 units in 2011; 2,436,000 units in 2012
- 2015 expected to reach 4.2 million units.

- **By the end of 2012:**
456 manufacturing enterprises with license;
5867 installation & maintenance companies.
- **155 components companies licensed with Type Test Record regarding to 6 major parts that includes:**
- **Traction machine**
Controller
Governor
Safety gear
Door locks
Buffer

China's Real Estate Development Data



China's real estate Investments development and sales In 2011 (Unit: 10,000 sq.m)

| Index | Absolute amount | Year on year (%) | Index | Absolute amount | Year on year (%) |
|-----------------------------|-----------------|-----------------------|--------------------|-----------------|-----------------------|
| Building under construction | 507959 | 25.3 | Completed building | 89244 | 13.3 |
| Residence | 388439 | 23.4 | Residence | 71692 | 13 |
| Office building | 15950 | 31.3 | Office building | 2179 | 20 |
| Commercial | 56278 | 26.1 | Commercial | 9045 | 9.2 |
| Construction starts | 190083 | 16.2 | Building sales | 109946 | 4.9 |
| Residence | 146035 | 12.9 | Residence | 97030 | 3.9 |
| Office building | 5361 | 46.2 | Office building | 2008 | 6.2 |
| Commercial | 20671 | 18.3 | Commercial | 7878 | 12.6 |

China's real estate Investments development and sales In 2012

(Unit: 10,000 sq.m)

| Index | Absolute amount | Year on year (%) | Index | Absolute amount | Year on year (%) |
|-----------------------------|-----------------|-----------------------|--------------------|-----------------|-----------------------|
| Building under construction | 573418 | 13.2 | Completed building | 99425 | 7.3 |
| Residence | 428964 | 10.6 | Residence | 79043 | 6.4 |
| Office building | 19434 | 21.5 | Office building | 2315 | 2.1 |
| Commercial | 6581 | 17.6 | Commercial | 10226 | 8.0 |
| Construction starts | 177334 | -7.3 | Building sales | 111304 | 1.8 |
| Residence | 130695 | -11.2 | Residence | 98468 | 2.0 |
| Office building | 5986 | 10.9 | Office building | 2254 | 12.4 |
| Commercial | 22007 | 6.2 | Commercial | 7759 | -1.4 |

Market status in 2013

- **Optimistic market**
 - Annual sales 1 billion m² , and 6 billion m² construction area.
 - Lowest growth in Feb,2012, bottom out in July, rapid growth in Quarter 4.
 - First-tier cities real estate price sustainable growth, provincial capital start to growth in Quarter 4.
 - Foundation of real estate market growth: rigid and improve demand.
 - Population birth peak crowded into marriage age brings a purchase demand of new house.
 - Private deposit nearly one hundred trillion requires investment channels and hedging.

- Local Governments Face Financial Crisis
 - Revenue from land sales and tax from real estate are the two major tax sources for local governments.
 - Each local government encourages the booming of real estate development.
- Real estate development enterprises are in the market to purchase lands.
- Government Transition Affects the New Policy of the New Government.
 - By 2020, to make sure to realize the grand goal of building a well-off society in an all-round way, and achieve the target of making the gross domestic product (GDP) and the urban and rural residents per capita income double compared to the ones in 2010.
 - Narrowing the income gap between urban and rural areas.
 - Forecast increasing rate of quantity is over 16%.

The Future of the Elevator Industry in China



- **New urbanization is the driving force for this huge elevator market.**
 - China 's urbanization process will last at least 15 to 20 years.
 - A new path of urbanization: the capitalization of rural resources; land for housing; the integration of urban and rural areas
 - Farmers are actually not poor. Land conversion and monetization is the key.
 - Attract 40 trillion investment over the next 10 years
 - Commercial real estate; the urban complex of commercial , office and residential integration is on the rise.
 - Tourism and endowment real estate
 - Transportation infrastructure construction

- **The elevator ownership in China expected to reach 10 million sets.**
 - In Korea: 50 million population; similar cultural background and architectural style with China; elevator ownership is 470,000 sets; yearly increasing installation quantity is 25,000 sets; No.4 largest elevator market in the world.
 - The population in China is 27 times than in Korea; rapid economic development in China.
 - In Hongkong and Singapore, every 100 persons can be allocated one elevator.
 - Ten years later, a stable elevator maintenance and update market can be formed. The elevator use frequency is very high and life cycle will be short in China.

The forecast demand of elevator in 2013~2015 of China

(unit: 10,000 sets)

| | 2013E | 2014E | 2015E |
|--|-------|-------|-------|
| Traditional Real Estate | 41.34 | 47.60 | 54.51 |
| Rail Transportation (Heavy loading escalators) | 0.53 | 0.53 | 0.53 |
| Security Housing | 8.67 | 8.67 | 8.67 |
| Urban Renewal | 4.04 | 4.86 | 5.92 |
| Export | 6.44 | 7.49 | 8.70 |
| Total Demand | 61.02 | 69.14 | 78.34 |

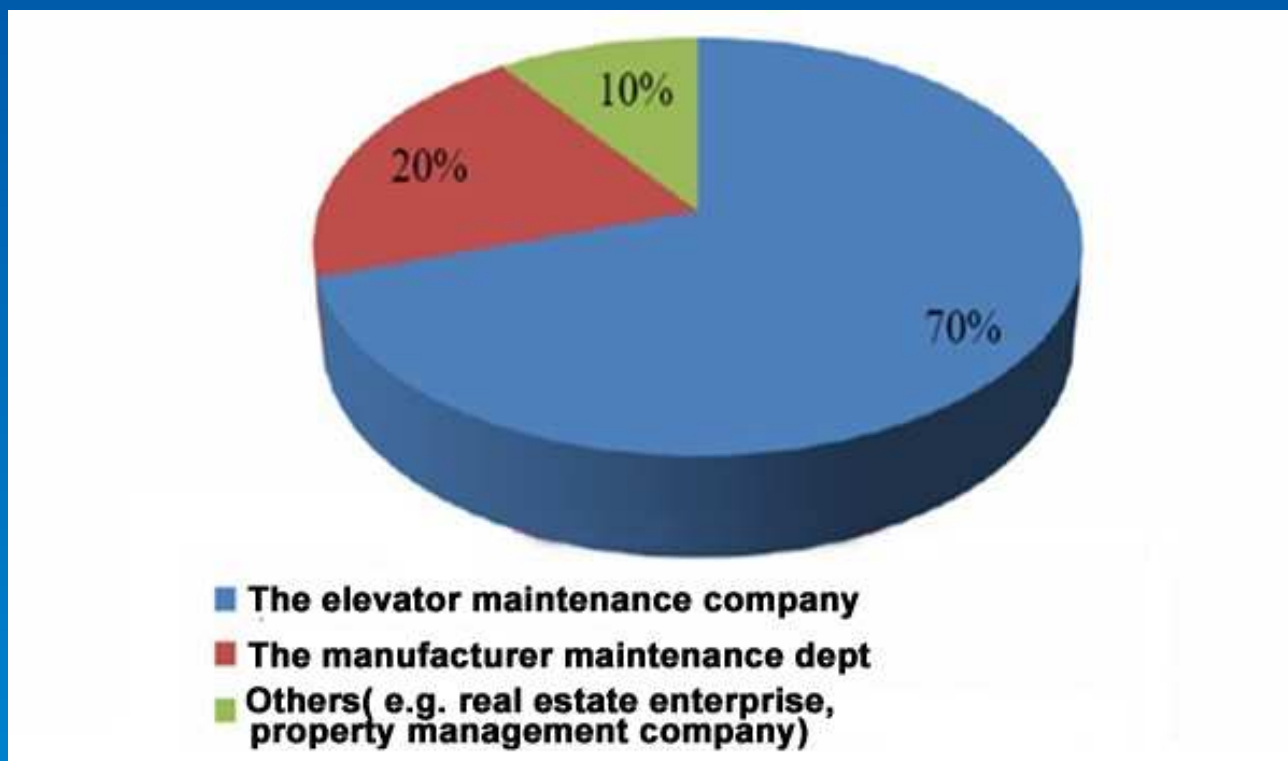
Difficulties and challenges



- The design, configuration and marketing of elevator products of different companies are extremely similar, which leads to customers' choosing products for no good reason.
- Most companies did not identify their own brand. Different brands, similar products.
- Customers have not set up the concept to minimize the cost of the entire circle yet.
- The incorrect understanding of the elevator standard.
- The primary means of lift sales is the low prices and relationships, which requires attention to legal risks.
- Marketing costs is high.
- The price of elevators in China is competitive. and cost control has become the core competitive power of enterprises.

- An extreme shortage of installing technical workers
- To strengthen the training of installers and improve the treatment of installation personnel
 - To develop the technologies to reduce the workload of installation and maintenance.
 - To reduce on-site installation labor

- **Difficult to expand the business of maintenance**
 - More than 80% of existing elevators was installed in the past 10 years
 - Great improvement in system reliability. Application of free maintenance technology
 - The price of maintenance under the contract is low. The marketing of maintenance is disrupted and the operation is not standardized.



-The maintenance by third-party and owners has become the main form. And the factory only share less than 20% of the maintenance business.

- Advertising Time

About Us



- Rhein Aufzug GmbH is a wholly owned subsidiary by Sicher Elevator Co., Ltd. In China, it relies on Sicher Elevator Co., Ltd. as the manufacturing base, provides most kind of elevator. Rhein Aufzug GmbH is also committed to export high-quality elevator equipment to China by cooperating with the first-class complete machine and accessories manufacturing factories of Germany.

- Sicer Elevator Co., Ltd. covers an area of 147,600 square meters, with overall floorage about 170,000 square meters, owns product manufacturing center, R&D center, customer service center, along with elevator testing tower about 108 meters height, 8.0 m/s running speed. The company has a manufacturing capacity about 40,000 sets as annual output.

- Sicher Elevator co., Ltd. always take the science innovation and technological innovation as the major strategic measure to promote the development of the enterprise.
- By establishing the leadership groups of production, study and research, increasing input in science and technology and developing new products, the company has reduced the energy consumption, shortened development cycle and improved the product value with technology innovation.

A comprehensive platform of combination of production, study & research

- Enterprise Technology Center
- Doctor Scientific Research Work Station
- Academician Work Station
- Zhejiang Province New High-tech Enterprise R&D Center
- Set up Sicheer Academy cooperation with famous University
- The Elevator Safety New-tech Research Platform

Strategic Planning for Next Five Years (2012-2016)

- **55335 Strategic Planning**
- In the next five years(2012-2016), carrying out the 5 strategies: Human resource strategy, Brand strategy, Capital strategy, Market strategy, and Information strategy.
- Achievement of 3 innovations including: Technological Innovation, Marketing and Service Innovation, and Core Value Innovation
- Striving for listing in 3 years and for realizing the grand goal of output value breakthrough 5 billion by 2016

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