



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

2008 Annual Results Announcement Presentation

20 April 2009



Forward Looking Statement

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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 Nov 11, 2008. 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.

Agenda

- 1 2008 Annual Results Review and Analysis
- 2 2008 Business Review
- 3 Industry Outlook
- 4 Future Prospect
- 5 Plants
- 6 Q & A

2008 Annual Results Review and Analysis



Financial Highlights

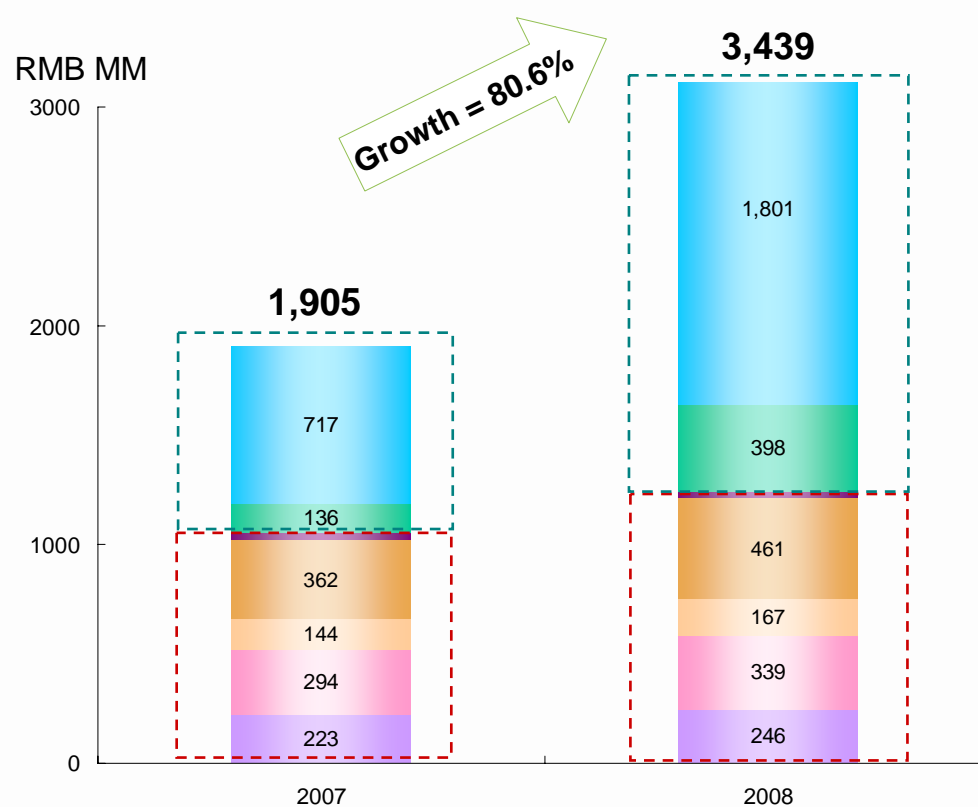
Sales revenue increased significantly by 80.6% to approximately RMB3.44 billion

RMB MM	2008	2007	Change
Sales Revenue	3,439.2	1,904.8	▲ 80.6%
Gross Profit	992.2	553.1	▲ 78.4%
Core EBITDA	773.9	355.7	▲ 117.6%
Core EBIT	613.1	262.4	▲ 133.7%
Net Profit Attributable to Equity Holders	692.4	306.7	▲ 125.8%
Adjusted Net Profit Attributable to Equity Holders (excl. extraordinary items*)	549.4	266.0	▲ 106.5%
Gross Profit Margin	28.8%	29.0%	▼ 0.2%
Core EBITDA Margin	22.5%	18.7%	▲ 3.8%
Core EBIT Margin	17.8%	13.8%	▲ 4.0%
Net Profit Margin	20.1%	16.1%	▲ 4.0%
Adjusted Net Profit Margin (excl. extraordinary items*)	16.0%	14.0%	▲ 2.0%
Earning per Share - Basic (RMB)	0.56	0.29	▲ 93.1%

*Including: (1) changes in fair values of derivative financial instruments (Equity Swap)
 (2) changes in fair value of convertible bonds
 (3) revenue from repurchase of convertible bond

Continuous Strong Demand for Gear Transmission Equipment As a Whole

Revenue Breakdown by Business Segment



Wind and Marine Gear Transmission Equipment

	2008 (% to total revenue)	2007 (% to total revenue)	change in revenue (%)
Wind Gear	52.4%	37.7%	▲ 151.0%
Marine Gear	11.6%	7.1%	▲ 193.4%

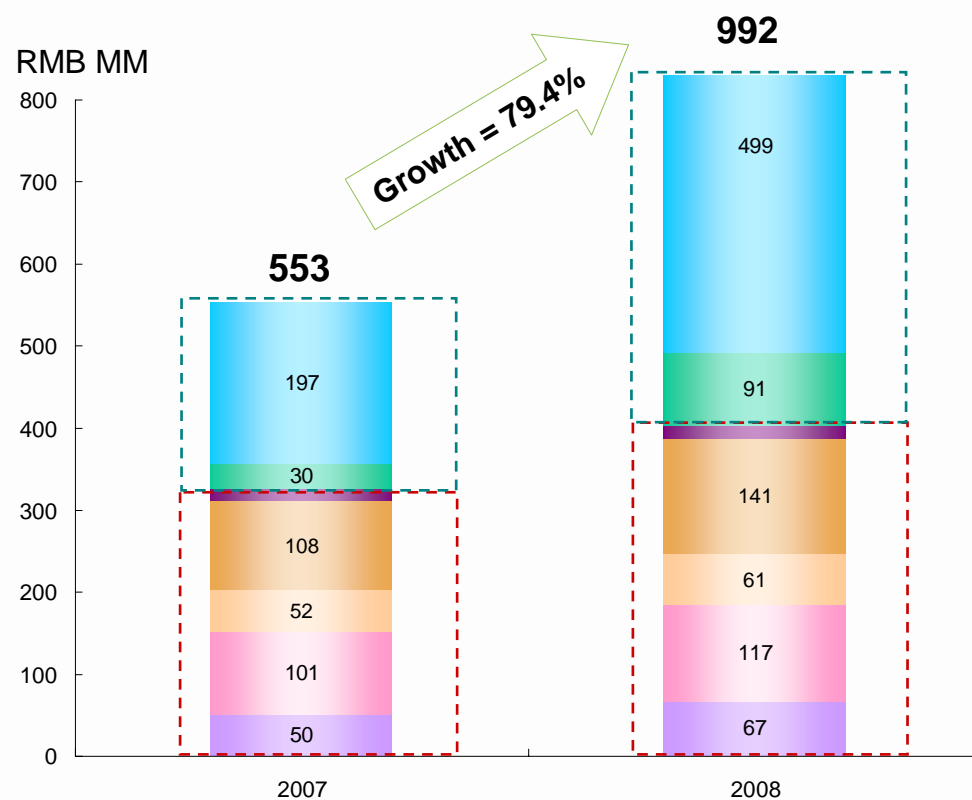
Traditional Gear Transmission Equipment

High-Speed Heavy Duty Gear	0.8%	1.5%	▲ 0.2%
Gear for Construction	13.4%	19.0%	▲ 27.3%
General Purpose Gear	4.8%	7.6%	▲ 15.7%
Gear for bar rolling, wire-rolling and plate-rolling mills	9.8%	15.4%	▲ 15.3%
Others	7.6%	11.7%	▲ 10.0%

Increased Consolidated Gross Profit

Succeeded in price transfer, cost control and enhancement in production efficiency

Gross Profit Breakdown by Business Segment



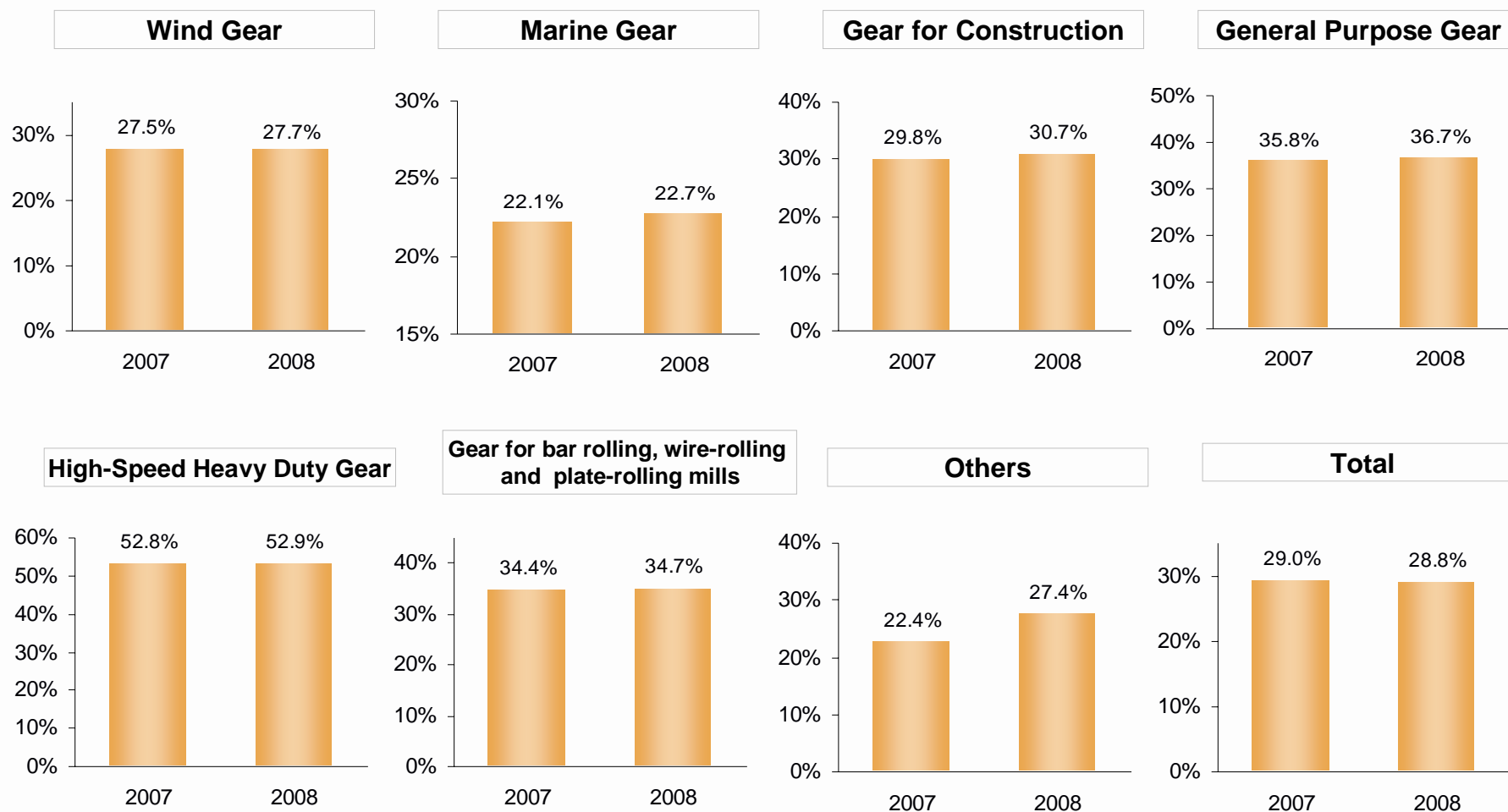
Wind and Marine Gear Transmission Equipment

	2008 (% to total GP)	2007 (% to total GP)	change of GP (%)
Wind Gear	50.3%	35.7%	▲ 153.1%
Marine Gear	9.1%	5.4%	▲ 201.4%

Traditional Gear Transmission Equipment

High-Speed Heavy Duty Gear	1.5%	2.8%	▲ 0.3%
Gear for Construction	14.3%	19.5%	▲ 30.8%
General Purpose Gear	6.2%	9.3%	▲ 18.7%
Gear for bar rolling, wire-rolling and plate-rolling mills	11.8%	18.2%	▲ 16.3%
Others	6.8%	9.0%	▲ 34.5%

Gross Profit Margin Analysis (by products)

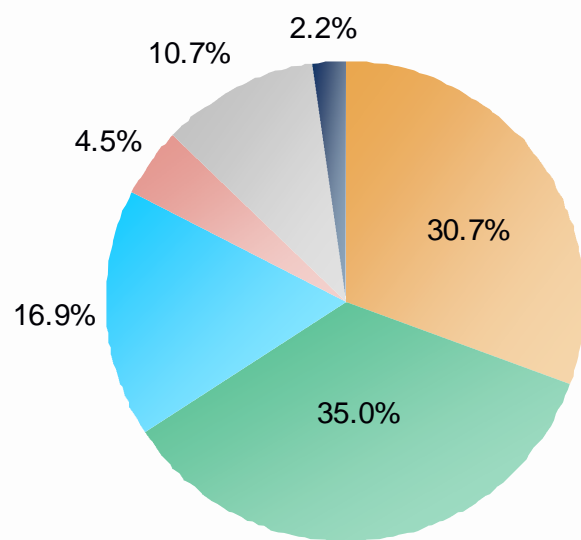


Cost Analysis

Breakdown of the Cost of Goods Sold

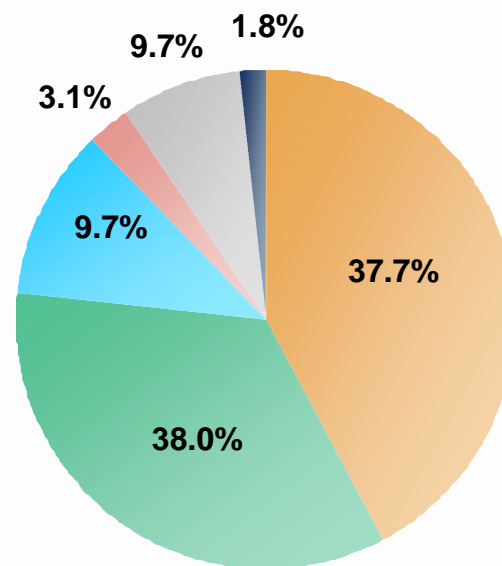
(RMB MM)

2007

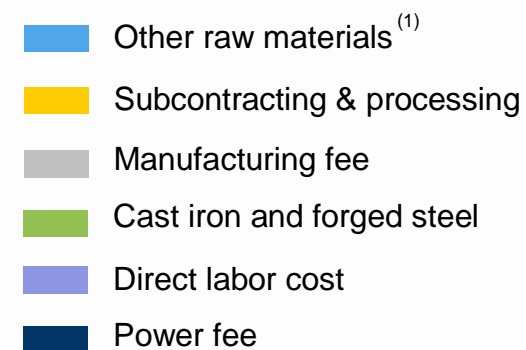


1,352

2008



2,447

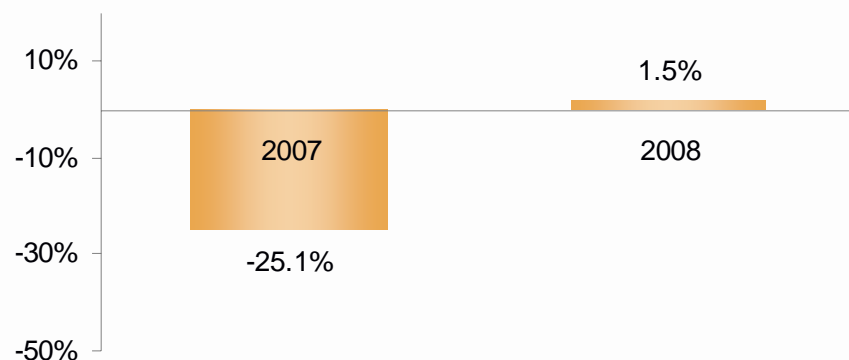


Note:

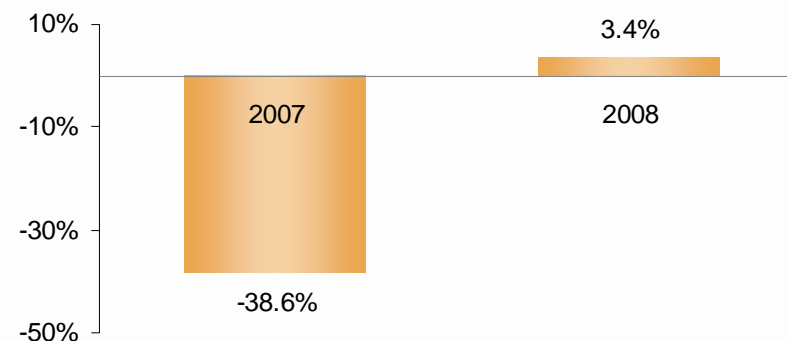
(1) Including bearing and steel plates

Balance Sheet

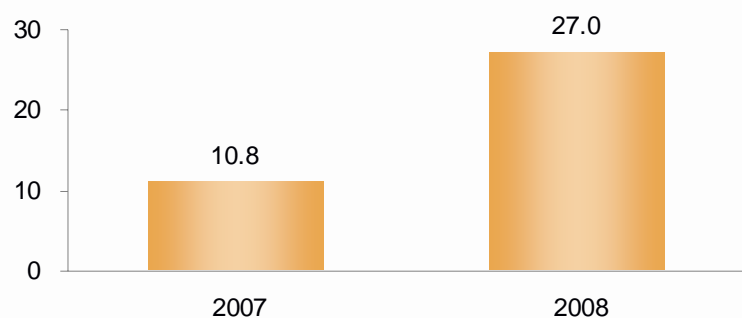
Net Debt / Total Asset



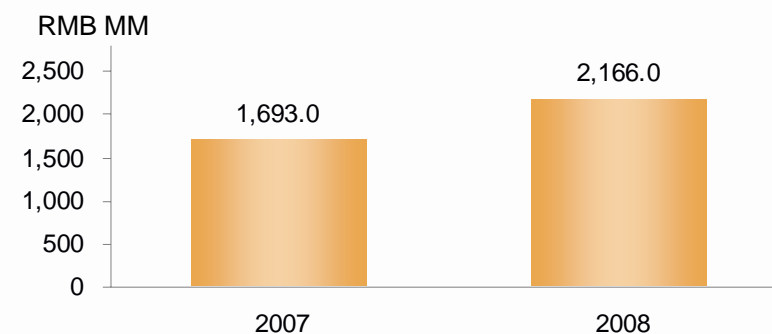
Net Debt / Shareholder's Equity



Interest Coverage Ratio⁽¹⁾



Cash⁽²⁾



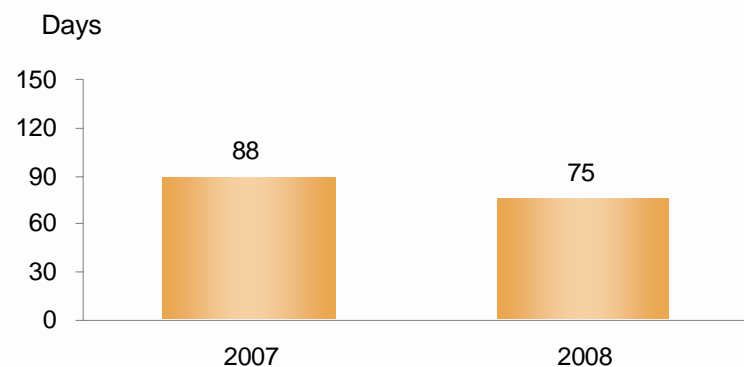
Note

(1) EBITDA / Interest Expenses

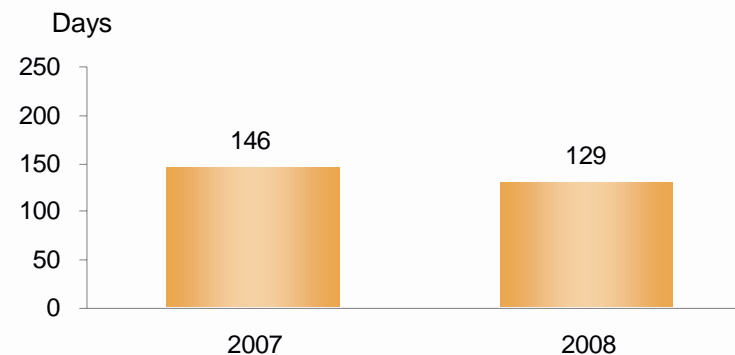
(2) Amount of 981,566,000 in cash on hand are restricted cash

Working Capital

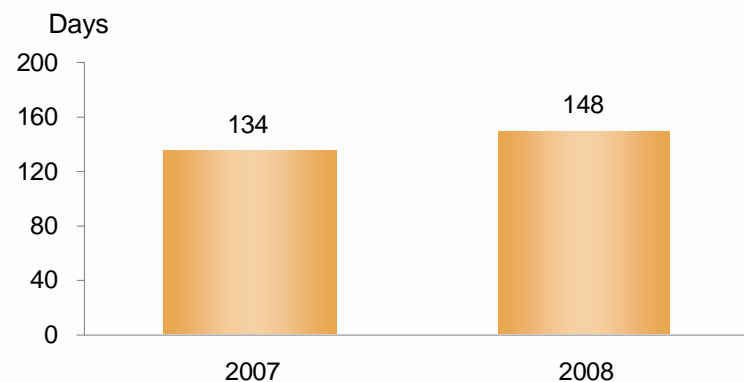
A/R Days



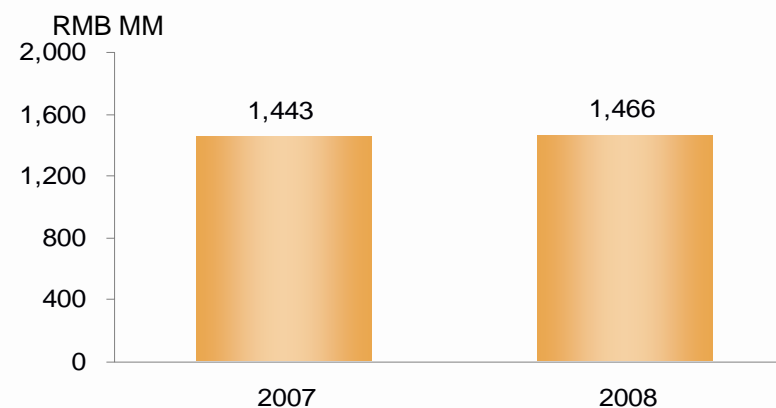
A/P Days



Inventory Days



Net Working Capital⁽¹⁾



Note

(1) Net working capital=current assets-current liabilities

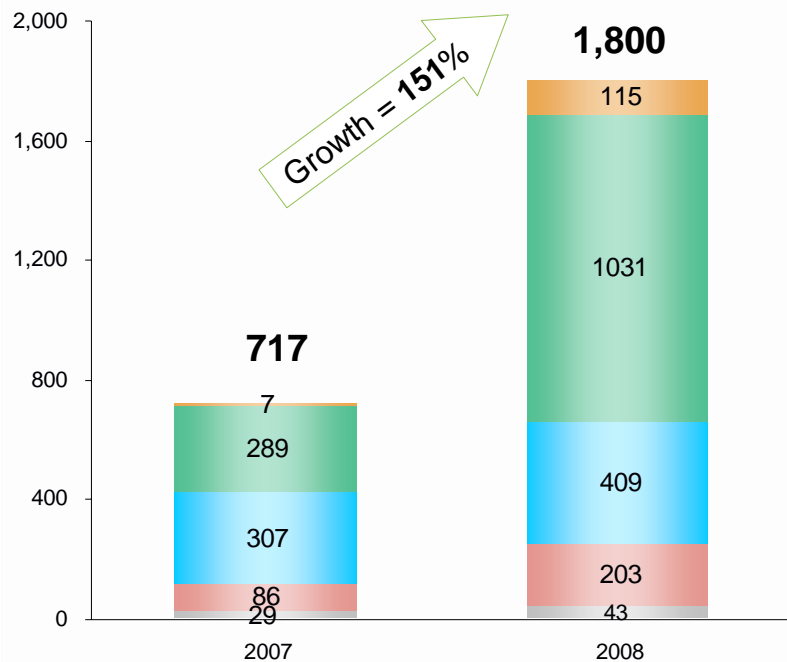
2008 Business Review



Significant Growth in Sales of Wind Gear Transmission Equipment

Revenue Breakdown by Products

RMB MM



	unit 2008	2007	% to total revenue 2008	2007	change in revenue (%)
2MW Gearbox	94	6	6.4%	1.0%	▲ 1,446%
1.0, 1.3, 1.5MW Gearbox	1,458	451	57.2%	40.3%	▲ 257%
750kW Gearbox	1,114	834	22.7%	42.8%	▲ 33%
Yaw Motor and Drive	9,678	4,545	11.3%	12.0%	▲ 137%
Pitch	5,573	3,985	2.4%	4.0%	▲ 47%

Strong Client Portfolio for Wind Gear Transmission Equipment

Overseas Customers



Vestas



富士重工業株式会社

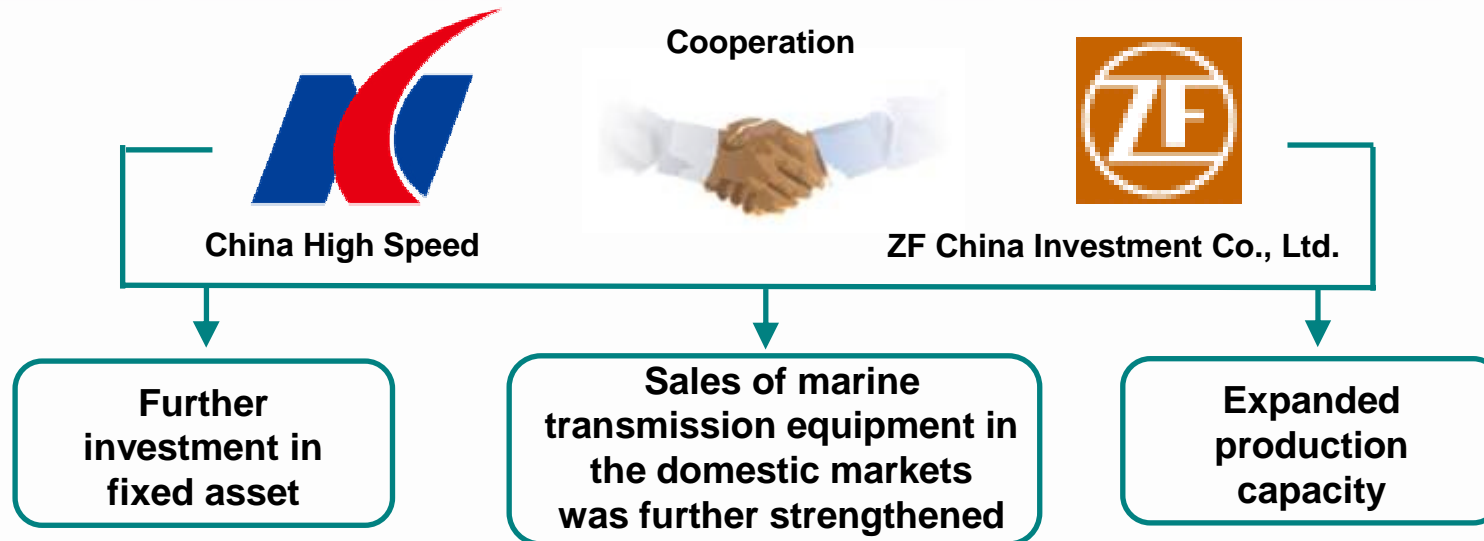
Location	USA	Denmark	Germany	Germany	Japan
Cooperating since:	2005	2008	2007	2007	2006

Domestic Customers

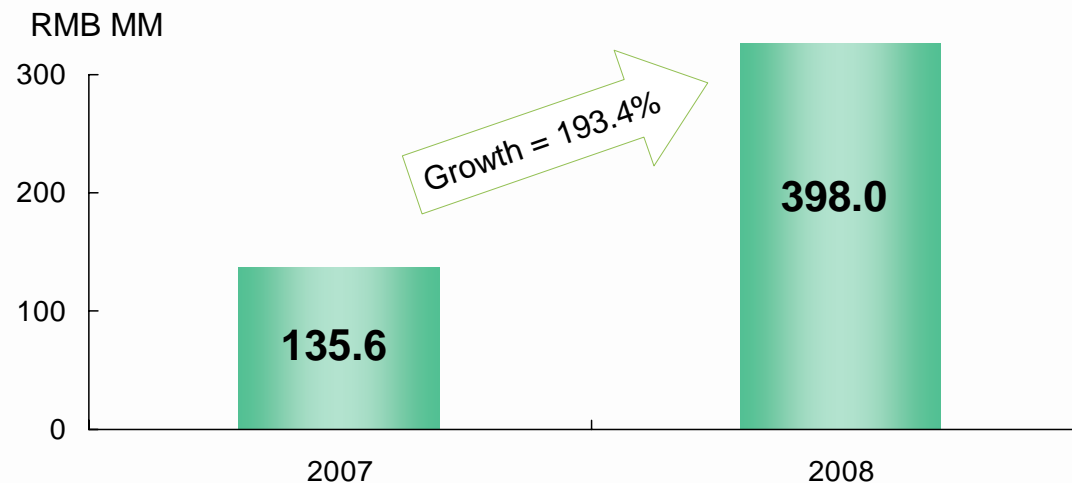


Location	China	China	China	China	China
Cooperating since:	2004	2006	2005	2006	2008

Rapidly Increasing Sales of Marine Transmission Equipment



Revenue From Marine Gear Business



Success in R&D of Transmission Equipment for High-speed Locomotive and Urban Light Rails

The Group's transmission equipment passed the product quality certification conducted by **ALSTOM** in April 2008.

Such equipment has been installed in the high-speed trains in places such as Beijing, Shanghai and Nanjing for field testing



Development of inter-city transport in the PRC, one of the most heavily populated countries in the world, will provide tremendous market for high speed locomotive and urban light rail transportation



European high speed rail network is expected to treble by 2020



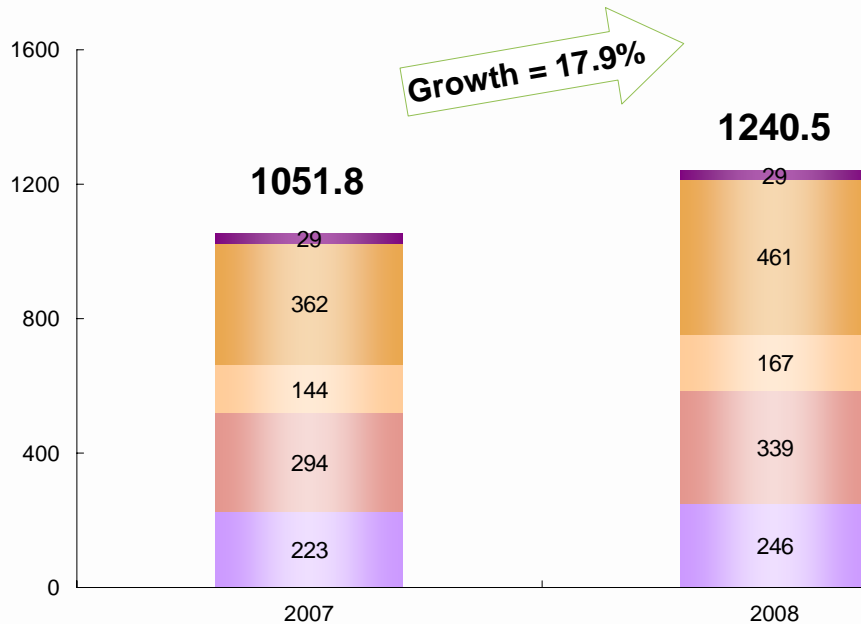
Further progress in domestic and overseas markets will bring new growth points

Strong Sales of Traditional Gear Transmission Equipment

Vertical roller press grinding mills developed by the Group sells well in the market. Sales of cold-rolled, hot-rolled, strip and bar-rolling, wire-rolling and plate-rolling mills, proactively developed by the Group, have also been excellent.

Sales Breakdown by Products

RMB MM

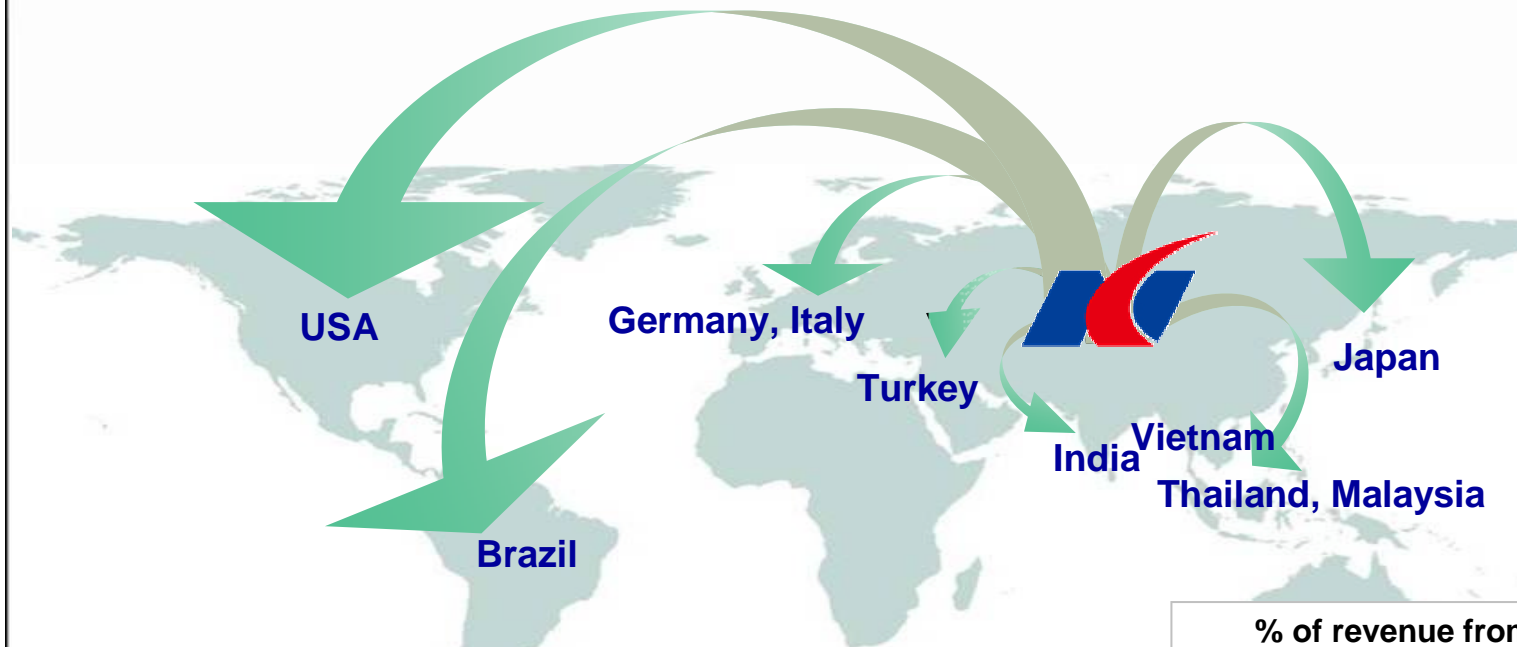


Change YoY

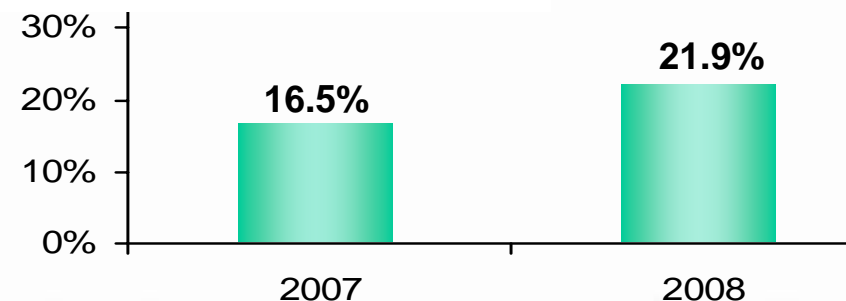
High-speed Heavy Duty Gear	▲ 0.2%
Gear for Construction	▲ 27.3%
General Purpose Gear	▲ 15.7%
Gear for bar rolling, wire-rolling and plate-rolling mills	▲ 15.3%
Others	▲ 10.0%

Increased Overseas Sales driven by Wind and Marine Gear Transmission Equipment

Overseas clients of the Group spread over USA, India, Japan, Europe, etc



% of revenue from overseas market in total revenue



China High Speed Transmission Equipment Group Co., Ltd.

Industry Outlook

Gearbox – a key part in wind turbines

Gearboxes is one of the most critical parts in manufacturing wind turbines

Spare parts



Gearbox



Wind Turbine



Wind Farm



- ➔ Wind power generates reliable and clean energy. Wind turbines worldwide generated 260TWh in 2008, representing more than 1.5% of the global electricity consumption
- ➔ Rapidly increasing demand for wind power has driven the rapid increase of wind turbine capacity

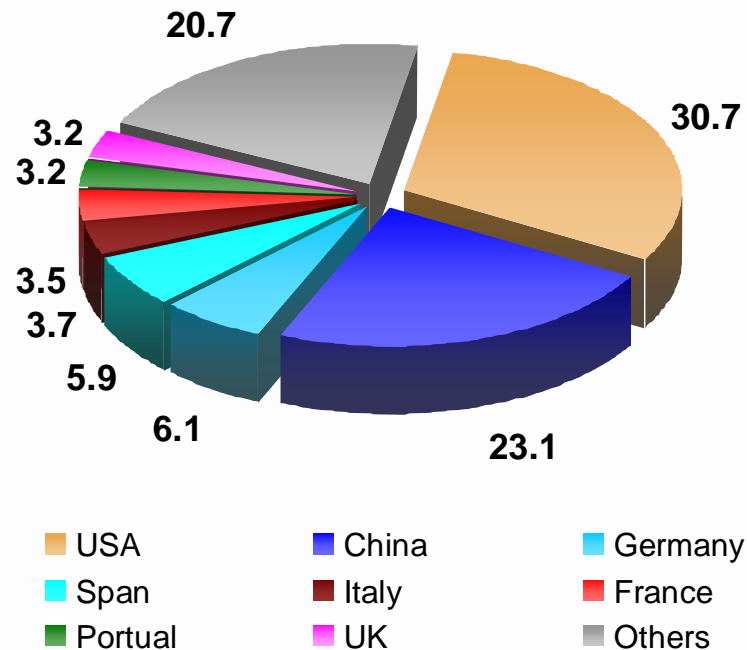
Promising Future for Wind Energy



- Total installed capacity of wind turbines worldwide increased by 27,261 MW to 121,188MW in 2008
- By 2020, wind energy will contribute at least 12% of the world's total energy consumption, and a global capacity of wind turbines worldwide over 1,500,000 MW is expected

China as one of the internationally leading markets for wind power in 2008

Countries' Share in New Installed Capacity of Wind Turbines in 2008



International Ranking of Installed Capacity of Wind Turbines

Ranking in 2008	Country	Total Installed Capacity of Wind Turbines in 2008 (MW)	2008 New Installed Capacity (MW)	Growth rate in 2008 (%)	Ranking in 2007	Total Installed Capacity of Wind Turbines in 2007 (MW)
1	USA	25,170	8,351	49.7	2	16,819
2	Germany	23,903	1,655	7.4	1	22,247
3	Spain	16,740	1,595	10.5	3	15,145
4	China	12,210	6,298	106.5	5	5,912
5	India	9,587	1,737	22.1	4	7,850
6	Italy	3,736	1,010	37.0	7	2,726
7	France	3,404	949	38.7	8	2,455
8	UK	3,288	899	37.6	9	2,389
9	Denmark	3,160	35	1.1	6	3,125
10	Portugal	2,862	732	34.4	10	2,130
Others		17,128	3,999	30.5	--	13,129
World Total		121,188	27,261	--	--	93,927

Source : World Wind Energy Report 2008

Favourable Policies To Accelerate Wind Power Development

China

- The PRC government expects to increase the installed capacity of wind power with a CAGR of 49% from 2007 to 2010
- The PRC government will provide capital support for crucial R&D of heavy equipments and basic spare parts, and will offer favourable tax policies to enterprises that purchase environmental-friendly equipments or domestic machineries
- The State Council executive meeting has principally approved the plan to support the equipment manufacturing industry. Enterprises with certain investing capability, technical advantages and contribution to environment will be beneficiaries
- China's investment in electricity amounted to RMB 580 billion the year, significantly speeded up development of new energies like nuclear and wind power



USA

- Obama plans to adjust the energy policy in USA, and invest US\$ 150 billion in 10 years to boost the development of renewable energy
- Obama guarantees that 10% of electricity consumption of USA will be generated from renewable energy in 2010 which will be 25% in 2050
- A 5-year production tax credit extension to encourage the production of renewable energy like wind power
- Construction of interstate highway high-voltage power transmission system for renewable energies



Promising future for High-speed Locomotive and Urban Light Rails Market

- ➔ With increasing population in Chinese cities, the national railway construction has entered into a rapidly developing period
- ➔ the Chinese government will proactively facilitate the construction of high-speed passenger transport network between cities pursuant to the Eleventh Five-year Plan, which is beneficial to the development of the light rail and high-speed rail gear equipment business of the Group
- ➔ China will invest approximately USD 750 million to build 1,600 km of urban light rail by 2015, allowing the circulation to reach a record high.



Outlook



Company's future prospects

- ➔ Increase products mix to increase the growth points of business revenue, in addition to taking a firm stand in the wind gear transmission equipment market
- ➔ Maintain industrial competitiveness by enhancing technological research and development and strengthening product qualities
- ➔ Increase production capacity to improve economies of scale
- ➔ Proactively increase sales at home and abroad. Overseas cooperation agreements will also be targeted for market expansion.
- ➔ Adjust the supply quota for overseas and domestic customers when necessary to cope with the rising domestic demand for wind gear equipment
- ➔ Expansion to upstream business will be set as a direction for long term development. Investment on production facilities for production of raw materials is planned to be made through joint ventures or other means, so as to reduce reliance on suppliers and target on upstream supply chain for maximized economies of scales

Breakthrough in Research & Development

Wind Gear Transmission Equipment



- ➔ the 1.5MW gearbox, jointly developed with GE, has passed the technical tests in one go, which outperformed similar products produced by European competitors; it has now entered the stage of mass production
- ➔ the 2.5MW gearbox entered into an experiment stage, and is planned to commence commercial production in 2010 upon success in experiment



- ➔ The testing of the 3.0MW gear box jointly developed with Goldwind is expected to be completed by the end of 2009

Plants



Production Base of Wind Gear Transmission Equipment

Size : 258 acreage
(~ 172,000 sq. m)

Capacity : To be completed in
2009 (4,000MW)

Main Products :

➔ Wind Gear Box



Production Flow:



Spare parts
processing



Heat treatment



Measuring



Assembling



Finished
products

Production Base of Wind Gear Transmission Equipment

Size : 400 acreage
(~266,000 sq. m)

Capacity : To possess a capacity
of 6,000MW by the
end of 2009

Main Products :

➡ Wind Gear Box



Plant perspective

Production will commence in July 2009

Production Base of Traditional Gear Transmission Equipment

Size: 163 acreage
(~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



Exterior



Interior



Size: 103 acreage
(~69,000 sp. m)

Main Products:

- ➔ General Purpose Gearbox
- ➔ Standard Gearbox



Exterior

China High Speed Transmission Equipment Group Co., Ltd.

Production Base of Marine Gear Transmission Equipment

Size: 100 acreage
(~67,000 sq. m)

Main Products:

- ➔ Controllable Pitch Propeller (CPP)



Exterior



Interior



Q&A



Thank You!!

Investor Relations:

Website : www.chste.com

Email : ir@chste.com

Tel : (86) 25 5241 5583

Fax : (86) 25 5241 2731

