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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 658)**

## **CONNECTED TRANSACTION TRANSFER OF EQUITY INTEREST**

The Board announces that on 24 December 2015, China Transmission Holdings, a wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with Decan New Energy. Pursuant to the Equity Transfer Agreement, China Transmission Holdings has agreed to sell, and Decan New Energy has agreed to purchase the 83.61% equity interest in NGEM at a total consideration of approximately RMB77,500,000.

As at the date hereof, Mr. Liao is the executive director of the Company whilst Decan New Energy is wholly-owned by Mr. Liao and is therefore an associate of Mr. Liao. Accordingly, Decan New Energy is regarded as a connected person of the Company pursuant to the Listing Rules. The Disposal contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company.

As the total consideration for the Disposal, being approximately RMB77,500,000, represents more than 0.1% but less than 5% of the applicable percentage ratios, the Equity Transfer Agreement is subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Board announces that on 24 December 2015, China Transmission Holdings, a wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with Decan New Energy. Pursuant to the Equity Transfer Agreement, China Transmission Holdings has agreed to sell, and Decan New Energy has agreed to purchase its 83.61% equity interest in NGEM.

## **EQUITY TRANSFER AGREEMENT**

Date: 24 December 2015

Parties: (1) China Transmission Holdings  
(2) Decan New Energy

## **EQUITY INTEREST TO BE TRANSFERRED**

Pursuant to the Equity Transfer Agreement, Decan New Energy will acquire 83.61% equity interest in NGEM from China Transmission Holdings.

Upon completion of the equity transfer, NGEM will be owned as to 8.14% and 8.25% by China Transmission Holdings and Nanjing Drive, both wholly owned subsidiaries of the Company, respectively, and 83.61% by Decan New Energy.

## **CONSIDERATION**

Pursuant to the Equity Transfer Agreement, the consideration of the Target Interests was approximately RMB77,500,000. The consideration will be settled by Decan New Energy in cash.

As the consideration of the Target Interests was determined with reference to the net asset value attributable to the Target Interests as appraised by an independent valuer of NGEM after the capital reduction as disclosed in the announcement of the Company dated 20 October 2015, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Payment Terms**

The consideration shall be paid by Decan New Energy to China Transmission Holdings in accordance with the following manners:

- (1) 20% of the consideration to be paid within 30 days upon the effective date of the Equity Transfer Agreement; and
- (2) balance of the consideration to be paid within 4 months after completion of the industrial and commercial registration procedures of NGEM.

## CONDITIONS PRECEDENT

The Equity Transfer Agreement is effective upon:

- (1) the Equity Transfer Agreement having been signed by the legal representative or authorized representative of each parties with the company seal affixed; and
- (2) the approval(s) by the relevant PRC governmental commercial departments which are in charge of it.

Completion of the Equity Transfer Agreement will take place on the effective date.

## INFORMATION OF THE GROUP, CHINA TRANSMISSION HOLDINGS, DECAN NEW ENERGY, NGEM AND MR. LIAO

The Group is principally engaged in research, design, development, manufacture and distribution of a broad range of mechanical, transmission equipment that are used in wind power and a wide range of industrial applications.

China Transmission Holdings is an investment holding company which is wholly owned by the Company.

Mr. Liao is an executive director of the Company, and holds 5.34% equity interest in Fortune Apex Limited, which in turn holds 28.01% equity interest in the Company.

Decan New Energy is an investment holding company which is wholly owned by Mr. Liao.

NGEM is principally engaged in design, manufacturing and sale of mechanical and electrical equipment and automatic control systems (“**Mechanical Electrical Business**”).

A summary of the unaudited financial information of NGEM for the financial years ended 31 December 2013 and 2014 is set out below:

	<b>For the year ended 31 December 2014</b> <i>(RMB)</i>	<b>For the year ended 31 December 2013</b> <i>(RMB)</i>
Net loss before taxation and extraordinary items	14,700,000	12,600,000
Net loss after taxation and extraordinary items	14,700,000	12,600,000

NGEM will no longer be a subsidiary of the Company upon completion of the Disposal, but the Company will continue to hold 16.39% interest in NGEM.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

As NGEM mainly invests in capital intensive industry with comparably higher debt ratio and was loss-making, the Company considers it is in the Company's interest to dispose of the Target interests, which allows the Group to devote more resources to its core business, namely the manufacturing and distribution of a broad range of mechanical transmission equipment used in wind power and a wide range of industrial applications.

Apart from the minority interest in NGEM, the Group has no present intention to make other investment in the Mechanical Electrical Business.

Subject to final audit, the Group is expected to recognize a gain of approximately RMB40,500,000 as a result of the above Disposal, which is calculated based on the above consideration after considering the carrying value of the Target Interests owned by the Group as at 30 November 2015 of approximately RMB37,000,000 (after taking into account the effect of the aforesaid capital reduction). The actual amount of the gain or loss on the Disposal to be recognized by the Group will depend on their carrying value as at completion and therefore may be different from the amount mentioned above.

The Group intends to apply the sales proceeds as its general working capital.

The terms of the Equity Transfer Agreement have been determined after arm's length negotiations between China Transmission Holdings and Decan New Energy. The Directors (including the independent non-executive Directors) consider that the Equity Transfer Agreement was on normal commercial terms and the respective terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **RELATIONSHIP BETWEEN PARTIES AND THE LISTING RULES IMPLICATIONS**

As mentioned above, Mr. Liao is an executive director of the Company whilst Decan New Energy is a wholly-owned subsidiary of Mr. Liao and therefore Decan New Energy is an associate of Mr. Liao. Accordingly, Decan New Energy is regarded as a connected person of the Company pursuant to the Listing Rules. The disposal contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company.

As the consideration for the Disposal represents more than 0.1% but less than 5% of the applicable percentage ratios, the Equity Transfer Agreement is subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules..

As Mr. Liao is an executive director of the Company, according to the articles of association of the Company, Mr. Liao has abstained from voting on the Board resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate(s)”	has the same meaning as ascribed to this term under the Listing Rules
“Board”	the board of Directors
“China Transmission Holdings”	China Transmission Holdings Limited* (中傳控股有限公司), a limited liability company incorporated under the laws of Hong Kong
“Company”	China High Speed Transmission Equipment Group Co., Ltd., an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Hong Kong Stock Exchange
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules

“Decan New Energy”	Decan New Energy Industry Investment Limited (達勤新能源產業投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands
“Directors”	the directors of the Company, including the independent non-executive directors
“Disposal”	the disposal of the Target Interests by China Transmission Holdings to Decan New Energy pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	an equity transfer agreement dated 24 December 2015 entered into between China Transmission Holdings and Decan New Energy pursuant to which China Transmission Holdings agreed to sell its 83.61% equity interest in NGEM to Decan New Energy
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liao”	Mr. Liao Enrong, an executive director of the Company and holding 5.34% equity interest in Fortune Apex Limited, which in turn holds 28.01% equity interest in the Company.
“Nanjing Drive”	Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. (南京高精傳動設備製造集團有限公司), a limited liability company incorporated under the laws of the PRC
“NGEM”	Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd* (南京高傳機電自動控制設備有限公司), a limited liability company incorporated under the laws of the PRC
“percentage ratio(s)”	has the same meaning as ascribed to this term under the Listing Rules, as applicable to a transaction

“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong and the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Interests”	83.61% equity interest in NGEM, being the subjects under the Equity Transfer Agreement
“%”	per cent.

By order of the Board  
**China High Speed Transmission Equipment Group Co., Ltd.**  
**HU YUEMING**  
*Chairman*

Hong Kong, 27 December 2015

*As at the date of this announcement, the executive directors of the Company are Mr. Hu Yueming, Mr. Chen Yongdao, Mr. Liao Enrong, Mr. Gou Jianhui, Mr. Wang Zhengbing, Mr. Zhou Zhijin and Mr. Hu Jichun; and the independent non-executive directors are Mr. Jiang Xihe, Mr. Zhu Junsheng, Mr. Chen Shimin and Ms. Jiang Jianhua.*

*\* For identification purposes only*