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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)

**PROPOSED ISSUANCE OF CNY 650,000,000 8.30 PER CENT.
GUARANTEED BONDS DUE 2017**

Reference is made to the announcement of the Company dated 7 November 2014 in relation to the proposed Bonds Issue.

On 12 November 2014, the Company and the Subsidiary Guarantors entered into the Subscription Agreement with BNP Paribas, CCB International, ANZ, Morgan Stanley and Haitong International in relation to the issue of the Bonds. The Bonds will be issued by the Company and guaranteed by the Subsidiary Guarantors. BNP Paribas, CCB International, ANZ, Morgan Stanley and Haitong International are the Joint Lead Managers in relation to the Bonds Issue.

The estimated net proceeds of the Bonds Issue will be approximately CNY633 million. The Company intends to use the majority of the net proceeds to repay certain existing debt. The remaining proceeds will be used by the Group for general working capital.

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Bonds by way of a debt issue to professional investors only, and such permission is expected to become effective on or about 19 November 2014. There is no guarantee that an approval of listing of the Bonds on the Stock Exchange will be obtained. Approval of the listing of the Bonds on the Stock Exchange is not to be taken as an indication of the merits of the Company or the Bonds.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein respectively. In addition, the Subscription Agreement may be terminated in certain circumstances. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

Reference is made to the announcement of the Company dated 7 November 2014 in relation to the proposed Bonds Issue.

The Directors are pleased to announce that on 12 November 2014, the Company and the Subsidiary Guarantors entered into the Subscription Agreement with BNP Paribas, CCB International, ANZ, Morgan Stanley and Haitong International in relation to the issue of the Bonds.

THE SUBSCRIPTION AGREEMENT

Date

12 November 2014

Parties to the Subscription Agreement

- (a) The Company, as the issuer of the Bonds
- (b) the Subsidiary Guarantors
- (c) BNP Paribas, CCB International, ANZ, Morgan Stanley and Haitong International as the Joint Lead Managers

Pursuant to the Subscription Agreement, the Joint Lead Managers will subscribe and pay for, or procure subscribers to subscribe and pay for the Bonds.

BNP Paribas, CCB International, ANZ, Morgan Stanley and Haitong International are the Joint Lead Managers in relation to the Bonds Issue. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of BNP Paribas, CCB International, ANZ, Morgan Stanley and Haitong International is an independent third party not connected with the Company or its connected persons.

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States. The Bonds will be offered and sold only outside of the United States in offshore transactions in reliance on Regulation S. None of the Bonds will be offered to the public in Hong Kong, the United States or any other jurisdiction and none of the Bonds will be placed to any connected person of the Company.

Principal terms of the Bonds

The following is a summary of certain provisions of the terms and conditions of the Bonds. This summary is not complete and is qualified in its entirety by reference to provisions of the terms and conditions of the Bonds.

Issuer:	the Company
Notes offered:	subject to the fulfillment of certain conditions precedents set out in the Subscription Agreement, the Company will issue the Bonds in the aggregate principal amount of CNY650,000,000, which will mature on 19 November 2017, unless earlier redeemed pursuant to the terms thereof
Offering price:	99.479 per cent. of the principal amount of the Bonds
Settlement date:	19 November 2014
Interest:	the Bonds will bear interest from and including 19 November 2014 at the rate of 8.30 per cent. per annum, payable semi-annually in arrear on 19 November and 19 May of each year, commencing on 19 May 2015

Ranking of the Bonds

The Bonds constitute direct, unconditional, unsubordinated and (subject to conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves.

The payment obligations of the Issuer under the Bonds will, save for certain exceptions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Subsidiary Guarantees

Each of the Subsidiary Guarantors will unconditionally and irrevocably guarantee, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The initial Subsidiary Guarantors are Goodgain Group Limited and China Transmission Holdings Limited. The Company may also be required to cause additional offshore subsidiaries to give guarantees in the future under certain circumstances in accordance with the conditions of the Bonds.

Covenants

The Bonds, the Trust Deed and the Subsidiary Guarantees will limit the Company's ability and the ability of certain of its subsidiaries to, among other things:

- (a) incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- (b) declare dividends on its capital stock or purchase or redeem capital stock;
- (c) make investments or other specified restricted payments; and
- (d) incur, assume or permit to exist certain encumbrances.

Events of Default

The events of defaults under the Bonds consist of the following:

- (1) the Company and any of the Subsidiary Guarantors each fail to pay the principal of or any interest on any of the Bonds when due;
- (2) the Company or any of the Subsidiary Guarantors do not perform or comply with any one or more of their respective obligations in the Bonds or the Trust Deed, which default is incapable of remedy or, if capable of remedy, is not remedied within thirty days after written notice of such default shall have been given to the Company by the Trustee;
- (3) (i) any other present or future indebtedness of the Company, any of the Subsidiary Guarantors or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Company, the Subsidiary Guarantors or any

of their Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (3) have occurred equals or exceeds CNY60.0 million or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollars as quoted by any leading bank on the day on which this paragraph (3) operates);

- (4) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company, any of the Subsidiary Guarantors or any of the material Subsidiaries and is not discharged or stayed within sixty days;
- (5) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any of the Subsidiary Guarantors over all or a material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver manager or other similar person) and is not discharged within thirty days;
- (6) the Company or any of the Subsidiary Guarantors is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of the Company, any of the Subsidiary Guarantors or any of the Subsidiaries;
- (7) an order is made or an effective resolution passed for the winding-up or dissolution of the Company or any of the Subsidiary Guarantors, or the Company or any of the Subsidiary Guarantors ceases or threatens to cease to carry on all or a material part of its business or operations, except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) by an extraordinary resolution of the holders of the Bonds, or (B) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Company or another Subsidiary, or (ii) a disposal on an arm's length basis where the assets resulting from such disposal are vested in the Company or any of the Subsidiaries;

- (8) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Company and the Subsidiary Guarantors lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done;
- (9) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of the Subsidiary Guarantors;
- (10) it is or will become unlawful for the Company or any of the Subsidiary Guarantors to perform or comply with any one or more of its obligations under any of the Bonds and the Trust Deed;
- (11) any of the Subsidiary Guarantees become unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by any of the Subsidiary Guarantors; and
- (12) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of paragraphs (1) to (11) (both inclusive).

Redemption

Unless previously redeemed, or purchased and cancelled in accordance with the conditions of the Bonds, the Bonds will be redeemed at their principal amount on the Maturity Date.

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, in the event of certain changes in tax laws, in accordance with the conditions of the Bonds.

Following the occurrence of certain events as provided in the conditions of the Bonds, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds at 101% (subject to certain conditions) of their principal amount, together in each case with accrued interest, in accordance with the conditions of the Bonds.

At any time and from time to time prior to 19 November 2017, the Issuer may redeem up to 35% of the aggregate principal amount of the Bonds, at a redemption price of 108.30% of the principal amount of the Bonds redeemed, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock, and the Issuer may redeem the Bonds at any time prior to 19 November 2017, in whole but not in part, at a price equal to 100% of the principal amount of the Bonds redeemed plus (i) accrued and unpaid interest (if any) to (but not including) the redemption date and (ii) a premium as of the redemption date in accordance with the conditions of the Bonds.

Use of proceeds and effect of the proposed issue of the Bonds

The net proceeds of the issue of the Bonds will be approximately CNY633 million after deducting underwriting commissions and offering expenses payable by the Company. The Company intends to use the majority of the net proceeds to repay certain existing debt. The remaining proceeds will be used by the Group for general working capital.

Listing

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Bonds by way of a debt issue to professional investors only, and such permission is expected to become effective on or about 19 November 2014. There is no guarantee that an approval of listing of the Bonds on the Stock Exchange will be obtained. Approval of the listing of the Bonds on the Stock Exchange is not to be taken as an indication of the merits of the Company or the Subsidiary Guarantors or the Bonds.

The Company

The Group is one of the leading mechanical transmission equipment producers in the PRC with a history dating back to 1969. The Group is principally engaged in the research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that are used in a wide range of industrial applications including wind power generation, marine vessels, rail transport, aerospace, metallurgy, petrochemicals, construction and mining.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein respectively. In addition, the Subscription Agreement may be terminated in certain circumstances. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“ANZ”	Australia and New Zealand Banking Group Limited
“BNP Paribas”	BNP Paribas, acting through its Hong Kong branch
“Board”	the board of Directors
“Bonds”	CNY650,000,000 8.30 per cent. Guaranteed Bonds due 2017 to be issued by the Issuer
“Bonds Issue”	issue of the Bonds under the Subscription Agreement
“CCB International”	CCB International Capital Limited
“China” or “PRC”	the People’s Republic of China and, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“CNY”	Renminbi, the lawful currency of the PRC
“Company”	China High Speed Transmission Equipment Group Co., Ltd. (中國高速傳動設備集團有限公司)*, a company incorporated in Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Haitong International”	Haitong International Securities Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issuer”	the Company
“Joint Lead Managers”	BNP Paribas, CCB International, ANZ, Morgan Stanley and Haitong International
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Maturity Date”	19 November 2017
“Morgan Stanley”	Morgan Stanley & Co. International plc
“Regulation S”	Regulation S under the Securities Act
“Securities Act”	the United States Securities Act of 1933, as amended
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 12 November 2014 between the Company, the Subsidiary Guarantors and the Joint Lead Managers in relation to the Bonds Issue
“Subsidiary”	with respect to any person, any corporation, association or other business entity of which more than 50 per cent. of the voting power of the outstanding voting stock is owned, directly or indirectly, by such person and one or more other subsidiaries of such person
“Subsidiary Guarantors”	certain non-PRC subsidiaries of the Company that on the issue date of the Bonds will provide guarantees to secure the Company’s obligations under the Bonds
“Trust Deed”	the trust deed to be entered into by and between the Company, the Subsidiary Guarantors and the Trustee, constituting the Bonds
“Trustee”	DB Trustees (Hong Kong) Limited
“United States” or “US”	the United States of America

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

Hong Kong, 13 November 2014

As at the date of this announcement, the executive directors of the Company are Mr. Hu Yueming, Mr. Chen Yongdao, Mr. Lu Xun, Mr. Li Shengqiang, Mr. Liu Jianguo, Mr. Liao Enrong and Mr. Jin Maoji; and the independent non-executive directors are Mr. Zhu Junsheng, Mr. Jiang Xihe, Mr. Chen Shimin and Ms. Jiang Jianhua.

* *For identification purposes only*