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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)

**DISCLOSEABLE TRANSACTION
RELATING TO
DISPOSAL OF EQUITY INTEREST IN
Zhong-Chuan Heavy Duty Equipment Co., Ltd.
AND
Nanjing Gaote Gear Box Manufacturing Co., Ltd.**

The Board is pleased to announce that on 20 January 2015, the Company's wholly-owned subsidiary, Nanjing Drive entered into the Disposal Agreement with the Purchaser, pursuant to which Nanjing Drive agreed to sell or procure the sale to the Purchaser's nominee and the Purchaser agreed to procure purchase of the ZC Heavy Equipment Sale Interest and Gaote Sale Interest for an aggregate consideration of RMB500 million.

In addition, the Purchaser shall repay or procure repayment of the Relevant Debt of RMB1,000 million to Nanjing Drive.

As the applicable percentage ratio as defined in Chapter 14 of the Listing Rules for the Disposal is higher than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and accordingly, is subject to disclosure requirement set out in the Listing Rules.

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In addition, the Purchaser shall repay or procure repayment of the Relevant Debt of RMB1,000 million to Nanjing Drive.

Set out below are the principal terms of the Disposal Agreement:

PRINCIPAL TERMS OF THE DISPOSAL AGREEMENT

PARTIES

- (1) Nanjing Drive, a wholly owned subsidiary of the Company; and
- (2) The Purchaser. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, each of the Purchaser, its nominee and its ultimate beneficial owners is an Independent Third Party. The Purchaser is principally engaged in, among other things, equity investment.

DATE

20 January 2015

THE DISPOSAL

The Disposal Agreement involves:

A. The disposal of 80% interest in ZC Heavy Equipment:

1. Before the Disposal, Nanjing Drive owned 68% equity interest in ZC Heavy Equipment and the remaining 32% interest was owned by four Independent Third Parties. Nanjing Drive agreed to transfer and procure transfer of its 60% interest in ZC Heavy Equipment together with another 20% interest owned by three out of four minority shareholders to the Purchaser's nominee. The three minority shareholders authorized Nanjing Drive to enter into the Disposal Agreement on their behalf to dispose of their 20% interest in ZC Heavy Equipment in aggregate.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, each of the said three minority shareholders and their respective ultimate beneficial owners is an Independent Third Party.

2. Before the disposal, ZC Heavy Equipment is the Company's non-wholly owned subsidiary. After the disposal, the Purchaser's nominee and the remaining one minority shareholder will hold 80% interest and 12% interest in ZC Heavy Equipment, respectively while the Company will hold 8% interest in ZC Heavy Equipment which will no longer be a subsidiary of the Company.
3. Consideration: RMB200 million, among which RMB150 million will belong to Nanjing Drive and the remaining RMB50 million will belong to the said three minority shareholders.
4. Basis for determining the consideration: the consideration was arrived at after arm's length negotiations between the parties thereto and by reference to the net asset value of ZC Heavy Equipment as at 31 December 2014.
5. Information about ZC Heavy Equipment: ZC Heavy Equipment is principally engaged in research, development and sale of coal machinery and equipment and supporting product.

For each of the two years ended 31 December 2013 and 2014, the net loss before tax of ZC Heavy Equipment was RMB19 million and RMB16 million and the net loss after tax was RMB14 million and RMB16 million respectively under the PRC GAAP. As at 31 December 2014, the total amount of assets of ZC Heavy Equipment was approximately RMB1,008 million and the total net asset value was approximately RMB240 million under the PRC GAAP.

B. The disposal of 100% interest in Gaote:

1. Nanjing Drive agreed to transfer and procure transfer of the Group's 100% interest in Gaote to the Purchaser's nominee.
2. Before the disposal, Gaote is the Company's wholly owned subsidiary. After the disposal, the Company will cease to hold any interest in Gaote which will no longer be a subsidiary of the Company.
3. Consideration: RMB300 million.
4. Basis for determining the consideration: the consideration was arrived at after arm's length negotiations between the parties thereto and by reference to the net asset value of Gaote as at 31 December 2014.

5. Information about Gaote: Gaote is principally engaged in research, development and production of gears, gearboxes, worm gear boxes, and relevant technical support widely used in various industries including metallurgical industry, construction industry, power generating industry and mining industry.

For each of the two years ended 31 December 2013 and 2014, the net loss before tax of Gaote was RMB81 million and RMB107 million and the net loss after tax was RMB75 million and RMB107 million respectively under the PRC GAAP. As at 31 December 2014, the total amount of assets of Gaote was approximately RMB1,549 million and the total net asset value was approximately RMB311 million under the PRC GAAP.

In addition, pursuant to the Disposal Agreement, the Purchaser shall repay or procure repayment through ZC Heavy Equipment, Gaote and Jiuyi of the Relevant Debt of RMB1,000 million to Nanjing Drive in accordance with the following schedules:

Payment Deadline (on or before)	Repayment amount
31 March 2015	RMB200 million
30 June 2015	RMB200 million
30 September 2015	RMB300 million
31 December 2015	RMB300 million

The Consideration

The aggregate consideration for the Disposal is RMB500 million which comprises:

- (i) the consideration for the ZC Heavy Equipment Sale Interest of RMB200 million, among which RMB150 million will belong to Nanjing Drive and the remaining RMB50 million will belong to the said three minority shareholders; and
- (ii) the consideration for the Gaote Sale Interest of RMB300 million.

The total consideration for the Disposal is payable by the Purchasers in the following manner:

Payment Deadline (on or before)	Repayment amount
Within two working days from the date of the Disposal Agreement	RMB50 million
31 March 2015	RMB150 million
30 June 2015	RMB300 million

The net proceeds from the Disposal will be used as general working capital of the Group, which will further enhance and strengthen the financial position and cash flow of the Group.

Subject to final audit, the Group is expected to recognise a loss of approximately RMB5 million as a result of the above Disposal, which is calculated based on the above consideration after considering the carrying value of the ZC Heavy Equipment Sale Interest and the Gaote Sale Interest owned by the Group as at 31 December 2014 of approximately RMB455 million . The actual amount of the gain or loss on the Disposal to be recognised by the Group will depend on their carrying value as at completion and therefore may be different from the amount mentioned above.

REASONS FOR THE DISPOSAL

The Group is principally engaged in research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that are used in a wide range of industrial applications. The Disposal provides the Group with a good opportunity to realize, at a prevailing market price, its investment in ZC Heavy Equipment and Gaote which are loss making.

Based on the above, the Directors are of the view that the terms of the Disposal Agreement are fair and reasonable and in the interest of the Company and its shareholder as a whole.

GENERAL

As the applicable percentage ratio as defined in Chapter 14 of the Listing Rules for the Disposal is higher than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and accordingly, is subject to disclosure requirement set out in the Listing Rules.

Investors and shareholders are advised by the Board to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meaning set out below:

“Board”	the board of Directors
“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 Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the ZC Heavy Equipment Sale Interest and Gaote Sale Interest pursuant to the Disposal Agreement
“Disposal Agreement”	an agreement dated 20 January 2015 between Nanjing Drive and the Purchaser setting out the detailed terms of the Disposal
“Gaote”	南京高特齒輪箱製造有限公司 (Nanjing Gaote Gear Box Manufacturing Co., Ltd.)* a limited liability company incorporated under the laws of the PRC
“Gaote Sale Interest”	100% equity interest in Gaote to be sold to the Purchaser’s nominee pursuant to the Disposal Agreement
“Group”	the Company and its subsidiaries
“Independent Third Party”	third party independent of the Company and its connected persons
“Jiuyi”	南京九一重型齒輪箱製造有限公司 (Nanjing Jiuyi Heavy Duty Gear Box Manufacturing Co., Ltd.)*, a limited liability company incorporated under the laws of the PRC. It is owned by ZC Heavy Equipment as to 99.4% and Gaote as to 0.6%.
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Nanjing Drive”	南京高精傳動設備製造集團有限公司 (Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd.)*, a company incorporated in PRC with limited liability and is a wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, Macau SAR and Taiwan
“PRC GAAP”	generally accepted accounting principles in the PRC
“Purchaser”	南京金果投資合夥企業 (Nanjing Jinguo Investment Partnership)*, a limited partnership established in PRC
“Relevant Debt”	the aggregate amount of the debt owing by ZC Heavy Equipment, Gaote and Jiuyi to the Nanjing Drive, of which the Purchaser shall procure the repayment to Nanjing Drive pursuant to the Disposal Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ZC Heavy Equipment”	中傳重型裝備有限公司 (Zhong-Chuan Heavy Duty Equipment Co., Ltd.)*, a limited liability company incorporated under the laws of the PRC
“ZC Heavy Equipment Sale Interest”	80% equity interest in ZC Heavy Equipment to be sold to the Purchaser’s nominee pursuant to the Disposal Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Hong Kong, 21 January 2015

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*