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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)

**VOLUNTARY ANNOUNCEMENT
UPDATE ON FORMATION OF JOINT VENTURE**

UPDATE ON FORMATION OF JOINT VENTURE

The Board hereby announces that on 24 October 2017, Nanjing High Accurate Drive, Nanjing Sanbao and Zhongbang held a shareholder's meeting, during which they revisited the funding required for the JV Company and unanimously agreed to adjust the total maximum capital contribution from RMB2 billion to RMB500 million. Pursuant to the Shareholders' Resolution, each of Nanjing High Accurate Drive, Nanjing Sanbao and Zhongbang shall reduce their respective capital contribution to the JV Company on a pro rata basis.

On 18 December 2017, the new business license which reflects the completion of registration of the Capital Contribution Reduction was issued by the relevant industrial and commerce authority in the PRC.

LISTING RULES IMPLICATIONS

The Capital Contribution Reduction does not constitute any notifiable transaction or connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively. This announcement is made by the Company on a voluntary basis to update the Shareholders and potential investors of the Company in relation to the joint venture arrangement.

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INTRODUCTION

Reference is made to the JV Announcement in relation to the formation of the JV Company. Subsequent to the JV Announcement, the JV Company was incorporated under the laws of the PRC on 23 December 2016 pursuant to the JV Agreement, with each of Nanjing High Accurate Drive, Nanjing Sanbao and Zhongbang having contributed RMB900 million, RMB900 million and RMB200 million, respectively.

The Board hereby announces that on 24 October 2017, Nanjing High Accurate Drive, Nanjing Sanbao and Zhongbang held a shareholder's meeting, during which they revisited the funding required for the JV Company and unanimously agreed to adjust the total maximum capital contribution to the JV Company from RMB2 billion to RMB50 million. Pursuant to the Shareholders' Resolution, each of Nanjing High Accurate Drive, Nanjing Sanbao and Zhongbang shall reduce their respective capital contribution to the JV Company on a pro rata basis.

After the Capital Contribution Reduction, the shareholding structure of the JV Company will remain the same. The JV Company will remain as an associate company of the Company after the Capital Contribution Reduction.

On 18 December 2017, the new business license which reflects the completion of registration of the Capital Contribution Reduction was issued by the relevant industrial and commerce authority in the PRC.

THE CAPITAL CONTRIBUTION REDUCTION

Pursuant to the Shareholders' Resolution, it is resolved that the capital contribution to the JV Company shall be reduced from RMB2 billion (as set out in the JV Agreement) to RMB50 million. Each of Nanjing High Accurate Drive, Nanjing Sanbao and Zhongbang shall reduce their capital contribution to the JV Company, on a pro rata basis, in accordance with their respective shareholdings.

Set out below is the shareholding structure of the JV Company (i) immediately before the Capital Contribution Reduction; and (ii) immediately after the Capital Contribution Reduction:

Shareholders	Immediately before the Capital Contribution Reduction		Immediately after the Capital Contribution Reduction	
	<i>Contributed amount (RMB)</i>	<i>%</i>	<i>Contributed amount (RMB)</i>	<i>%</i>
Nanjing High Accurate Drive	900 million	45	22.5 million	45
Nanjing Sanbao	900 million	45	22.5 million	45
Zhongbang	200 million	10	5 million	10
Total	2 billion	100	50 million	100

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Nanjing Sanbao, Zhongbang and its ultimate beneficial owner are independent third parties which are not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates.

Save as disclosed above, all the material terms and conditions of the JV Agreement shall remain unchanged and in full force and effect. The excessive capital contribution made pursuant to the JV Agreement will be returned to the respective shareholders of the JV Company in accordance with applicable laws and regulations in the PRC.

REASONS FOR AND EFFECT OF THE CAPITAL CONTRIBUTION REDUCTION

As disclosed in the JV Announcement, the main business scope of the JV Company is to invest in the manufacturing industry. Due to the unfavorable economic environment as a whole, the Capital Contribution Reduction can help retain resources for the development of other businesses of the Company and increase the effectiveness of use of funds.

The Capital Contribution Reduction will not change the equity structure of the JV Company. The JV Company will remain as an associate company of the Company after the Capital Contribution Reduction.

LISTING RULES IMPLICATIONS

The Capital Contribution Reduction does not constitute any notifiable transaction or connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively. This announcement is made by the Company on a voluntary basis to update the Shareholders and potential investors of the Company in relation to the joint venture arrangement.

DEFINITIONS

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

“associates”	has the meaning as defined under the Listing Rules
“Board”	the board of Directors
“Capital Contribution Reduction”	the pro rata reduction in capital contribution by each of Nanjing High Accurate Drive, Nanjing Sanbao and Zhongbang to the JV Company pursuant to the Shareholders' Resolution

“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 the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules and the word “connected” shall be construed accordingly
“Directors”	the director(s), including independent non-executive director(s), of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	third party(ies) independent of and not connected with the Company and connected persons of the Company
“JV Agreement”	the joint venture agreement dated 22 December 2016 entered into between Nanjing High Accurate Drive, Nanjing Sanbao and Zhongbang in relation to the formation of the JV Company
“JV Announcement”	the announcement of the Company dated 22 December 2016 in relation to the formation of the JV Company
“JV Company”	Nanjing Dongbang Equipment Limited* (南京動邦裝備有限公司), a limited liability company established pursuant to the JV Agreement and incorporated under the laws of the PRC on 23 December 2016
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing High Accurate 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 company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Nanjing Sanbao”	Nanjing Sanbao Technology Group Co., Ltd.* (南京三寶科技集團有限公司), a company incorporated in the PRC with limited liability

“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement
“RMB”	Renminbi, the lawful currency of PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Resolution”	the shareholders’ resolution approved unanimously by Nanjing High Accurate Drive, Nanjing Sanbao and Zhongbang on 24 October 2017 in relation to the Capital Contribution Reduction
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Zhongbang”	Zhongbang Jinkong Investment Co., Ltd.* (眾邦金控投資有限公司), a company incorporated in the PRC with limited liability
“%”	per cent

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

Hong Kong, 21 December 2017

As at the date of this announcement, the executive Directors are Mr. Chen Yongdao, Mr. Gou Jianhui, Mr. Wang Zhengbing, Mr. Zhou Zhijin, Mr. Hu Jichun and Ms. Zheng Qing; the non-executive Directors are Mr. Hu Yueming and Mr. Yuen Chi Ping; and the independent non-executive Directors are Dr. Chan Yau Ching, Bob, Ms. Jiang Jianhua, Mr. Jiang Xihe and Mr. Nathan Yu Li.

* *for identification purposes only*