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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)

**TOP-UP PLACING OF EXISTING SHARES
SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANDATE
AND
PLACING OF EXISTING SHARES**

Placing Agent

**Goldman
Sachs**

Goldman Sachs (Asia) L.L.C.

* *For identification purpose only*

THE TOP-UP PLACING AND SUBSCRIPTION

On 10 September 2010 (before the open of trading), the Vendor entered into the Top-up Placing Agreement with the Placing Agent and the Company. Pursuant to the Top-up Placing Agreement, the Vendor agreed to sell, or procure the sale of, the existing 130,000,000 Top-up Placing Shares and subject to satisfaction of certain conditions, the Placing Agent agreed, as agent of the Vendor, to procure purchasers to purchase, the Top-up Placing Shares or, failing which, to purchase the Top-up Placing Shares.

On the same day, the Vendor and the Company entered into the Top-up Subscription Agreement, pursuant to which, the Vendor conditionally agreed to subscribe for an aggregate of 130,000,000 Top-up Subscription Shares.

The Top-up Placing Price and the Top-up Subscription Price have been fixed at HK\$17.38 which represents (i) a discount of approximately 6.05% to the closing price of HK\$18.50 per Share as quoted on the Stock Exchange on the date of the Top-up Placing and the Top-up Subscription Agreements; (ii) a discount of approximately 4.48% to the average closing price per Share of approximately HK\$18.20 as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the date of the Top-up Placing and the Top-up Subscription Agreements; and (iii) a discount of approximately 1.99% to the average closing price per Share of HK\$17.73 as quoted on the Stock Exchange for the last ten consecutive trading days prior to and including the date of the Top-up Placing and the Top-up Subscription Agreements.

The 130,000,000 Top-up Placing Shares represent (i) approximately 10.44% of the existing issued share capital of the Company of 1,245,071,063 Shares as at the date of this announcement; and (ii) approximately 9.45% of the issued share capital of the Company of 1,375,071,063 Shares as enlarged by the Top-up Subscription.

The Top-up Subscription is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Top-up Subscription Shares; and (ii) completion of the Top-up Placing.

The gross proceeds from the Top-up Subscription will be approximately HK\$2,259 million. The net proceeds from the Top-up subscription will be approximately HK\$2,223 million. The Company intends to use the net proceeds of the Top-up Subscription to fund capital expenditure, investments in our existing products extension (including mechanical electrical integration), general corporate purposes, as well as to further strengthen the balance sheet and liquidity position of the Company. The net proceeds raised per Share upon completion of the Top-up Subscription will be approximately HK\$17.1 per Share.

PLACING OF EXISTING SHARES BY FORTUNE APEX

The Company has been informed by the Vendor that, on 10 September, 2010, it entered into a Placing Agreement with the Placing Agent, pursuant to which the Vendor agreed to sell, or procure the sale of, the existing 57,000,000 Placing Shares and subject to satisfaction of certain conditions, the Placing Agent agreed, as agent of the Vendor, to procure purchasers to purchase, the Placing Shares or, failing which, to purchase the Placing Shares. The price per Placing Share has been fixed at HK\$17.38.

THE TOP-UP PLACING AGREEMENT

Date

10 September 2010 (before the open of trading)

Parties involved

The Vendor, the Company and the Placing Agent

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Placing Agent is not a connected person of the Company.

Placees

Subject to the terms and conditions of the Top-up Placing Agreement, the Top-up Placing Shares will be placed to not fewer than six Placees who and whose ultimate beneficial owners (i) will be independent of and not acting in concert (as defined under the Takeovers Code) with any of the Vendor, parties acting in concert with it, or any of the Vendor's or the Company's or its subsidiaries' directors, chief executive or substantial shareholders (as defined in the Listing Rules), or any of their respective associates (as defined in the Listing Rules); and (ii) will not become connected persons of the Company after completion of the Placing.

No individual Placee is expected become a substantial Shareholder (as defined under the Listing Rules) immediately after completion of the Top-up Placing.

Top-up Placing Price

The Top-up Placing Price (and the Top-up Subscription Price) have been fixed at HK\$17.38 which represents (i) a discount of approximately 6.05% to the closing price of HK\$18.50 per Share as quoted on the Stock Exchange on the date of the Top-up Placing and the Top-up Subscription Agreements; (ii) a discount of approximately 4.48% to the average closing price per Share of approximately HK\$18.20 as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the date of the Top-up Placing and the Top-up Subscription Agreements; and (iii) a discount of approximately 1.99% to the average closing price per Share of HK\$17.73 as quoted on the Stock Exchange for the last ten consecutive trading days prior to and including the date of the Top-up Placing and the Top-up Subscription Agreements.

The Top-up Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent on 10 September 2010. The Directors consider that the terms of the Top-up Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Number of the Top-up Placing Shares

The 130,000,000 Top-up Placing Shares represent (i) approximately 10.44% of the existing issued share capital of the Company of 1,245,071,063 Shares as at the date of this announcement; and (ii) approximately 9.45% of the issued share capital of the Company of 1,375,071,063 Shares as enlarged by the Top-up Subscription.

Ranking of Top-up Placing Shares

The Top-up Placing Shares rank *pari passu* among themselves and with Shares in issue as at the date of this announcement.

Conditions to the completion of the Top-up Placing

The completion of the Top-up Placing is conditional, among others, upon:

- (a) the Top-up Subscription Agreement having been entered into by the parties thereto;
- (b) the Placing Agreement having become unconditional;
- (c) the Placing Agent having received:
 - (1) from the Vendor and the Company certified board resolutions approving the Top-up Placing and the entering into of the Top-up Placing Agreement; and
 - (2) the originals of the Cayman Islands legal opinion, in a form satisfactory to the Placing Agent.
- (d) there not having come to the attention of the Placing Agent at any time prior to Completion (i) any breach of, or any event rendering untrue, incorrect or breached, any of the representations, warranties or undertakings referred to in the Top Up Placing Agreement or (ii) any breach of, or failure to perform, any of the other agreements, conditions and/or obligations of the Company and/or the Vendor which are required to be performed at or before Completion; and
- (e) there not having come to the attention of the Placing Agent at any time prior to Completion any (i) outbreak or escalation of hostilities or another emergency or crisis involving any of the United Kingdom, the United States, Hong Kong or the People's Republic of China (the ***Relevant Countries***) or the declaration by any of the Relevant Countries of a national emergency or war, (ii) development involving a prospective change in, or any event or series of events resulting in any change in, financial, political, military, economic, industry, fiscal, regulatory or market (including stock market) conditions or currency exchange rates or exchange controls in any of the Relevant Countries or elsewhere or internationally, (iii) suspension or material limitation of dealings in the Shares

for any period whatsoever (even if such suspension is subsequently lifted prior to Completion), other than as a result of the Placing, cancellation of the listing of the Shares on the Stock Exchange or suspension or material limitation in trading of securities generally on any of the Stock Exchange, the London Stock Exchange or the New York Stock Exchange, (iv) general moratorium on commercial banking activities declared by the relevant authorities of, or disruption in securities settlement, payment or clearance services in, any of the Relevant Countries or elsewhere or (v) adverse announcement, determination or ruling of any governmental or other regulatory body (including delay in approval of this announcement or any other relevant announcement by any relevant stock exchange), which would (in any case mentioned in (i) to (v) above), in the sole opinion of the Placing Agent, be likely to prejudice materially the success of the Placing or make it otherwise impracticable or inadvisable to proceed with the Top-up Placing.

Completion

Subject to the satisfaction of the above conditions, the Top-up Placing is expected to be completed on or before 10:00am of 14 September 2010.

Lock-Up Undertaking

In order to induce the Placing Agent to enter into the Top-up Placing Agreement and in consideration of the obligations of the Placing Agent hereunder:

- (a) the Vendor undertakes to the Placing Agent that (except for the sale of the Top-up Placing Shares pursuant to the Top-up Placing Agreement and the Placing Shares as described below) from the date of the Top-up Placing Agreement and on or prior to the date being one year after the date of Completion it will not and will procure that none of its nominees, companies controlled by it and/or trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise), any Shares (including the new Shares to be issued under the Top-up Subscription Agreement but excluding the Top-up Placing Shares and the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interests in Shares or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of any Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above; and

- (b) the Company undertakes to the Placing Agent that (except for (i) the new Shares to be allotted and issued to the subscribers named in the Top-up Subscription Agreement, (ii) any new Shares or options to be issued pursuant to any existing or previous employee share option schemes of the Company, (iii) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with its Articles of Association or on the exercise of rights existing at the date of the Top-up Placing Agreement, and (iv) any Shares to be issued upon the conversion of the Bonds) from the date of the Top-up Placing Agreement and on and prior to the date being six months after the date of Completion it will not (without the prior written consent of the Placing Agent) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interests in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

THE TOP-UP SUBSCRIPTION AGREEMENT

Date

10 September 2010

Parties involved

The Company and the Vendor

The Top-up Subscription Price

The Top-up Subscription Price is HK\$17.38 per Share which is the same as the Top-up Placing Price.

Number of Top-up Subscription Shares

The number of Top-up Subscription Shares is equivalent to the number of Top-up Placing Shares, being 130,000,000 Shares.

Ranking of Top-up Subscription Shares

The Top-up Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with the Shares in issue at the time of issue and allotment of the Top-up Subscription Shares.

The Top-up Subscription Shares

The Top-up Subscription Shares are to be issued under the General Mandate. The total number of issued Shares as at the date of the AGM was 1,245,064,497 Shares. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to allot and issue are 249,012,899 Shares (up to 20% of the then issued share capital of the Company). Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

Conditions of the Top-up Subscription

The Top-up Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Top-up Subscription Shares; and
- (ii) completion of the Top-up Placing.

Completion of the Top-up Subscription

Under Rule 14A.31(3)(d) of the Listing Rules, the Top-up Subscription must be completed within 14 days from the date of the Top-up Placing Agreement, that is, on or before 24 September 2010.

In the event that the conditions to the Top-up Placing and Subscription Agreement are not fulfilled by 24 September 2010, or such later date as may be agreed between the Company and the Vendor, the Company and the Vendor may elect, subject to compliance with all requirements in relation to connected transactions under the Listing Rules (including the Shareholder's approval), to postpone completion of the Top-up Subscription to a later date to be agreed between the Company and the Vendor. In the event that the Company and the Vendor elects not to postpone completion, the Top-up Subscription shall be null and void.

REASON FOR THE TOP-UP PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider various ways of raising funds and consider that the Top-up Placing and the Top-up Subscription represent an opportunity to raise capital for the Company while broadening the Shareholders' base and capital base of the Company. Accordingly, the Directors (including the independent non-executive directors) consider the Top-up Placing and Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

The Company intends to use the net proceeds of the Top-up Subscription to fund capital expenditure, investments in our existing products extension (including mechanical electrical integration), general corporate purposes, as well as to further strengthen the balance sheet and liquidity position of the Company.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

No fund raising activities have been conducted by the Company in the last 12 months immediately before the date of this announcement.

GENERAL

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.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Top-up Subscription Shares.

Further announcement will be made by the Company upon completion of the Top-up Placing and Subscription Agreement.

PLACING OF EXISTING SHARES BY FORTUNE APEX

The Company has been informed by the Vendor that, on 10 September, 2010, it entered into a Placing Agreement with the Placing Agent, pursuant to which the Vendor agreed to sell, or procure the sale of, the existing 57,000,000 Placing Shares and subject to satisfaction of certain conditions, the Placing Agent agreed, as agent of the Vendor, to procure purchasers to purchase, the Placing Shares or, failing which, to purchase the Placing Shares. The price per Placing Share has been fixed at HK\$17.38.

The placing by the Vendor pursuant to such Placing Agreement and the Top-up Placing by the Vendor pursuant to the terms of the Top-up Placing Agreement are inter-conditional to each other.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing authorised share capital of the Company consists of 3,000,000,000 Shares out of which 1,245,071,063 Shares are issued and fully paid up.

	As at the date of this announcement		Immediately after the Top-up Placing but before the Top-up Subscription and the Placing		Immediately after the Top-up Placing and Subscription but before the Placing		Immediately after the Top-up Placing and Subscription and after the Placing	
	Approximate		Approximate		Approximate		Approximate	
	Shares	%	Shares	%	Shares	%	Shares	%
The Vendor (<i>Note 1</i>)	268,474,024	21.56%	138,474,024	11.12%	268,474,024	19.52%	211,474,024	15.38%
Placees	—	—	130,000,000	10.44%	130,000,000	9.45%	187,000,000	13.60%
Other Shareholders	976,597,039	78.44%	976,597,039	78.44%	976,597,039	71.02%	976,597,039	71.02%
Total	<u>1,245,071,063</u>	<u>100.00%</u>	<u>1,245,071,063</u>	<u>100.00%</u>	<u>1,375,071,063</u>	<u>100.00%</u>	<u>1,375,071,063</u>	<u>100.00%</u>

Notes

1. The shareholders of Fortune Apex being the Vendor are Messrs. Hu Yueming, Liu Jianguo, Lu Xun, Chen Yongdao, Li Cunzhang (passed away on 10 August 2007), Li Shengqiang, Liao Enrong, Jin Maoji, Yao Jingsheng, Chen Zhenxing, Zhang Xueyong, Xu Yong, Wang Zhengrong and Chen Ligu. Neither Fortune Apex Limited nor any of its shareholders hold any Bonds nor any other securities of the Company, nor any options, derivatives or other arrangements to purchase or sell securities of the Company.
2. The above table assumes no Shares are issued pursuant to the employee share option scheme of the Company or exercise of the conversion right attaching to the Bonds between the date of this announcement and completion of the transaction (both days inclusive). As at the date of this announcement, there were (i) outstanding options issued pursuant to the share option scheme of the Company which entitle the holders thereof to receive 12,000,000 Shares upon full exercise of such options and (ii) outstanding Bonds which entitle the holders thereof to receive 75,315,897 Shares upon full exercise of the conversion rights attaching to the Bonds.

Terms and definitions

“AGM”	the annual general meeting of the Company held on 18 June 2010
“Board”	the board of Directors
“Bonds”	the RMB1,996,300,000 US dollar settled zero coupon convertible bonds due 2011

“Company”	China High Speed Transmission Equipment Group Co., Ltd. (中國高速傳動設備集團有限公司*), an exempted company incorporated in Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the obligations of the parties under the Top-up Placing Agreement
“Director(s)”	the director(s) of the Board
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under Top-up Placing Agreement
“Placing”	the placing of 57,000,000 existing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Goldman Sachs (Asia) L.L.C.
“Placing Agreement”	the agreement dated 10 September 2010 entered into between the Vendor and the Placing Agent in relation to the Placing
“Placing Price”	HK\$17.38 per Placing Share
“Placing Share(s)”	a total of 57,000,000 existing Shares, beneficially owned by the Vendor and to be placed pursuant to the Placing Agreement

“PRC”	The People’s Republic of China
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Top-up Placing”	the placing of 130,000,000 existing Shares pursuant to the terms of the Top-up Placing Agreement
“Top-up Placing Agreement”	the agreement dated 10 September 2010 entered into between the Vendor, the Company and the Placing Agent in relation to the Top-up Placing
“Top-up Placing Price”	HK\$17.38 per Top-up Placing Share
“Top-up Placing Share(s)”	a total of 130,000,000 existing Shares, beneficially owned by the Vendor and to be placed pursuant to the Top-up Placing Agreement
“Top-up Subscription”	the subscription of 130,000,000 new Shares pursuant to the terms of the Top-up Subscription Agreement
“Top-up Subscription Agreement”	the agreement dated 10 September 2010 entered into between the Vendor and the Company in relation to the Top-up Subscription
“Top-up Subscription Price”	HK\$17.38 per Top-up Subscription Share
“Top-up Subscription Share(s)”	a total of 130,000,000 new Shares to be subscribed for by the Vendor pursuant to the Top-up Subscription Agreement
“Vendor”	Fortune Apex Limited, a company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“US\$” United States dollar(s), the lawful currency of the United States

“%” per cent.

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

Hong Kong, 10 September 2010

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 and Mr. Chen Shimin.