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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent

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橋
BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

On 6 December 2013 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 272,548,000 Placing Shares at a Placing Price of HK\$3.98 per Placing Share. The Placing is subject to various conditions set out below under the heading “Conditions of the Placing”.

The Placing Price of HK\$3.98 represents (i) a discount of approximately 1.73% to the closing price of HK\$4.05 per Share as quoted on the Stock Exchange on 6 December 2013, being the date of the Placing Agreement; (ii) a premium of 0.45% over the average closing price of HK\$3.962 as quoted on the Stock Exchange for the five trading days prior to the date of the Placing Agreement; and (iii) a premium of approximately 1.32% over the average closing price of HK\$3.928 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to the date of the Placing Agreement.

* *for identification purposes only*

The maximum number of 272,548,000 Placing Shares represents (i) approximately 20.00% of the existing issued share capital of the Company of 1,362,743,556 Shares as at the date of this announcement; and (ii) approximately 16.67 % of the then issued share capital of the Company of 1,635,291,556 Shares as enlarged by the issue of the Placing Shares. The Placing Shares will be allotted and issued under the General Mandate.

Application will be made to the Listing Committee of the Stock Exchange for the approval for the listing of and permission to deal in the Placing Shares.

The maximum gross proceeds from the Placing will be approximately HK\$1,084,741,040. The maximum net proceeds, after deducting the placing commission and other related expenses, are estimated to be approximately HK\$1,081,741,040. The Company intends to apply the net proceeds from the Placing for general working capital purposes.

Shareholders and potential investors should note that completion of the Placing is subject to the fulfilment of the conditions precedents under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PLACING AGREEMENT

Date: 6 December 2013

Parties

- (1) the Company; and
- (2) the Placing Agent.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placing Shares

As at the date of this announcement, the Company has 1,362,743,556 Shares in issue. The maximum number of 272,548,000 Placing Shares represents (i) approximately 20.00% of the existing issued share capital of the Company of 1,362,743,556 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company of 1,635,291,556 Shares as enlarged by the allotment and issue of the Placing Shares.

General Mandate

The Placing Shares will be allotted and issued under the General Mandate.

As at the date of this announcement, the General Mandate has not been utilised since it was granted at the AGM and the number of new Shares that could be issued by the Company under the General Mandate is 272,548,711 Shares.

Placee(s)

Pursuant to the Placing Agreement, the Placing Agent has agreed to place the Placing Shares, on a best effort basis, to not less than six Placee(s) who are Independent Third Party(ies).

Placing Price

The Placing Price of HK\$3.98 per Placing Share represents:

- (a) a discount of approximately 1.73% to the closing price of HK\$4.05 per Share as quoted on the Stock Exchange on 6 December 2013, being the date of the Placing Agreement;
- (b) a premium of approximately 0.45% over the average closing price of HK\$3.962 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing Agreement; and
- (c) a premium of approximately 1.32% over the average closing price of HK\$3.928 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Placing Agreement.

The net price per Placing Share will be approximately HK\$3.97.

Rights of the Placing Shares

The Placing Shares will rank upon pari passu in all aspects among themselves and with existing Shares in issue as at the date of this announcement.

Placing Commission

The Placing Agent will be entitled to receive a placing commission of 0.25% of the amount equal to the Placing Price multiplied by the number of the Placing Shares placed by the Placing Agent. Such commission was negotiated on an arm's length basis among the Company and the Placing Agent and determined with reference to, amongst other things, the prevailing commission rate charged by other placing agents.

Conditions of the Placing

The Placing is conditional upon:

1. the Listing Committee of the Stock Exchange granting the listing or and permission to deal in the Placing Shares under the Placing;
2. all necessary consents and approvals required to be obtained (if any) by the Company in respect of the Placing Agreement and the transactions contemplated thereby, including but not limited to the Placing, having been obtained.

In the event of the conditions referred to in above conditions not having been fulfilled within sixty days from the date of the Placing Agreement (or such later date as may be agreed by the Placing Agent and the Company) all rights, obligations and liabilities of the parties hereunder in relation to the Placing shall cease and determine and none of the parties hereto shall have any claim against any other in respect of the Placing.

Application will be made to the Listing Committee of the Stock Exchange for the approval for the listing of and permission to deal in the Placing Shares.

Completion of the Placing

Completion of the Placing shall take place on the third Business Day following the day on which all the conditions precedents are fulfilled or at such other time as the parties may mutually agree,

Termination

The Placing Agreement may be terminated prior to Completion, if, in the opinion of either the Company or the Placing Agent, the success of the Placing or the business or financial prospects of the Group would or is likely to be materially and adversely affected by :

- a) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- b) any suspension in dealings in or the listing of the Shares on the Stock Exchange for a period of more than 5 trading days (other than in connection with the Placing); or
- c) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or

- d) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
- e) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- f) a change or development involving a prospective change in taxation in Hong Kong, the Cayman Islands or the PRC or the implementation of exchange controls which shall or might materially and adversely affect the Group or its present or prospective shareholders in their capacity as such; or
- g) any change or deterioration in the conditions of local, national or international securities markets.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company before and after the Placing (assuming all the Placing Shares are placed) is summarised as follows:

Shareholder	As at the date of this announcement		Immediately after completion of the Placing (Note 3)	
	Number of Shares	Approximate shareholding percentage (%)	Number of Shares	Approximate shareholding percentage (%)
Fortune Apex Limited (Note 1)	348,073,024	25.54	348,073,024	21.29
The Capital Group Companies, Inc. (Note 2)	123,038,730	9.03	123,038,730	7.52
Zhang Yunlong	82,818,000	6.08	82,818,000	5.06
Placees	—	—	272,548,000	16.67
Other shareholders	<u>808,813,802</u>	<u>59.35</u>	<u>808,813,802</u>	<u>49.46</u>
Total	<u>1,362,743,556</u>	<u>100.00</u>	<u>1,635,291,556</u>	<u>100.00</u>

Note:

- (1) Fortune Apex Limited held 25.54% interest in the issued share capital of the Company. Messrs. Hu Yueming, Liu Jianguo, Lu Xun, Chen Yongdao, Li Cunzhang, Li Shengqiang, Liao Enrong, Jin Maoji, Yao Jingsheng, Chen Zhenxing, Zhang Xueyong, Xu Yong, Wang Zhengrong and Chen Ligu (collectively, the “**Management Shareholders**”) together own 100% interest in the issued share capital of Fortune Apex Limited. However, none of them singly controls more than one-third of the voting power at general meetings of Fortune Apex Limited and neither Fortune Apex Limited nor its directors are accustomed or obliged to act in accordance with directions or instructions of any single member of the Management Shareholders.
- (2) The Capital Group Companies Inc. held 9.03% interest of the Company through several controlled corporations, including Capital Group International, Inc., Capital Guardian Trust Company, Capital International, Inc., Capital International Limited and Capital International Sarl.
- (3) The above table does not take into account the number of Shares that may be dealt with by the shareholders named above after the date of this announcement.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors consider various ways of raising funds and consider that the Placing represents 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 Placing is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The maximum gross proceeds from the Placing will be approximately HK\$1,084,741,040. The maximum net proceeds, after deducting the placing commission and other related expenses, are estimated to be approximately HK\$1,081,741,040. The Company intends to apply the net proceeds from the Placing for general working capital purposes.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Group has not conducted any equity fundraising activities involving the issue of its securities in the past 12 months from the date of the announcement.

GENERAL

The Placing is not subject to Shareholders’ approval as the Placing Shares will be issued under the General Mandate.

Shareholders and potential investors should note that completion of the Placing is subject to the fulfilment of the conditions precedents under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“acting in concert”	has the meaning given to it under the Codes on Takeovers and Mergers and Share Repurchases;
“AGM”	the annual general meeting of the Company held on 21 June 2013;
“associate(s)”	has the meaning given to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Business Day”	means any day (excluding Saturday and Sunday) on which licensed banks in Hong Kong are open to the general public for business;
“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 Date”	the third Business Day following the date on which all the conditions precedent in the Placing Agreement are fulfilled or at such other time as the parties may mutually agree;
“connected person(s)”	has the meaning given to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to new Shares, representing 20.00% of the then issued share capital of the Company as at the date of the AGM
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Third Party(ies)”	party(ies) who is/are independent of and not connected nor acting in concert with the Company or any member of the Group, their respective directors, chief executive or substantial shareholders, or any of their respective associates, and otherwise not connected persons of the Company;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Placees”	not less than six professional, institutional or individual investor which is an Independent Third Party, whom the Placing Agent and/or any of its agent(s) have procured to subscribe for the Placing Shares;
“Placing”	the placing of the Placing Shares by the Placing Agent pursuant to the Placing Agreement;
“Placing Agent”	Bridge Partners Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 6 December 2013 entered into among the Company and the Placing Agent in respect of the Placing;
“Placing Price”	HK\$3.98 per Placing Share;
“Placing Share(s)”	means a maximum of 272,548,000 new Shares to be allotted and issued to the Placees by the Company through the Placing procured by the Placing Agent;
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning given to it under the Listing Rules;

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong;
and

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

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

6 December 2013

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