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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)

CONNECTED TRANSACTION DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

SHARE TRANSFER AGREEMENT

The Board is pleased to announce that on 28 September 2017, Nanjing High Accurate, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with Fullshare Dazu Technology and Jiangsu Lipu (an Independent Third Party), pursuant to which Nanjing High Accurate agreed to transfer 40% and 30% equity interest in the Target Company to Fullshare Dazu Technology and Jiangsu Lipu, at a consideration (subject to adjustment of the Compensation) of RMB101,432,000 and RMB76,074,000, respectively. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

Fullshare Dazu Technology is a wholly-owned subsidiary of Fullshare Holdings, which is the controlling shareholder of the Company interested in approximately 73.91% of all the issued Shares and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Share Transfer Agreement will constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) in respect of the transactions contemplated under the Share Transfer Agreement will be more than 0.1% but less than 5%, the entering into of the Share Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 28 September 2017, Nanjing High Accurate, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with Fullshare Dazu Technology and Jiangsu Lipu (an Independent Third Party), pursuant to which Nanjing High Accurate agreed to transfer 40% and 30% equity interest in the Target Company to Fullshare Dazu Technology and Jiangsu Lipu, at a consideration (subject to adjustment of the Compensation, as described below) of RMB101,432,000 and RMB76,074,000, respectively. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

SHARE TRANSFER AGREEMENT

The principal terms of the Share Transfer Agreement are set out below:

Date

28 September 2017

Parties

- (i) Nanjing High Accurate, an indirect wholly-owned subsidiary of the Company, as the vendor;
- (ii) Fullshare Dazu Technology, as one of the purchasers; and
- (iii) Jiangsu Lipu, as another purchaser.

Equity interest to be transferred

70% equity interest in the Target Company, in which Fullshare Dazu Technology and Jiangsu Lipu will acquire 40% and 30% equity interest in the Target Company, respectively.

The asset of the Target Company will mainly be composed of the Property upon the completion of transfer of the Property from Nanjing High Accurate (the sole owner of the Property as at the date of this announcement) to the Target Company. The Property comprises of the land use rights of the land and the factory erected thereon which is situated at No.3, Youjiaao, Yuhuatai, Nanjing (南京市雨花區臺尤家凹3號), of which the land has an area of approximately 100,000 square metres and the factory has a gross floor area of approximately 70,000 square metres.

Consideration

Subject to the adjustment of the Compensation, as described below, the Aggregate Consideration for the Transfer is RMB177,506,000, in which Fullshare Dazu Technology and Jiangsu Lipu shall pay to Nanjing High Accurate RMB101,432,000 and RMB76,074,000, respectively.

The Aggregate Consideration is payable by Fullshare Dazu Technology and Jiangsu Lipu according to the following schedule in cash:

- (i) RMB14,000,000, representing approximately 7.9% of the Aggregate Consideration, shall be paid within 5 working days from the date of signing the Share Transfer Agreement, where Fullshare Dazu Technology shall pay RMB8,000,000 and Jiangsu Lipu shall pay RMB6,000,000;
- (ii) RMB56,000,000 (the “**Second Installment**”), representing approximately 31.5% of the Aggregate Consideration, shall be paid within 5 working days upon the registration of change of ownership of the Property from Nanjing High Accurate to the Target Company and the obtainment by the Target Company of relevant ownership certificate, where Fullshare Dazu Technology shall pay RMB32,000,000 and Jiangsu Lipu shall pay RMB24,000,000; and
- (iii) the remaining balance of the Aggregate Consideration (the “**Last Installment**”) shall be paid within 5 working days upon the receipt of the written notification for payment of Last Installment (given by Nanjing High Accurate) by Fullshare Dazu Technology and Jiangsu Lipu. Such written notification for payment of Last Installment shall be given by Nanjing High Accurate within 3 months from the date of Completion.

As a portion of the Property may be subject to land resumption by the local government authorities due to the construction of municipal roads (the “**Land Resumption**”), the size of the Property may be reduced. As such, the Parties agreed that the Last Installment will be adjusted in proportion to their respective shareholdings in the Target Company after the Completion in light of the amount of compensation obtained by Nanjing High Accurate from the local government authorities as a result of the Land Resumption (the “**Compensation**”), if any. For illustration purpose, as at the date of this announcement, it is estimated that the market value of the Property will be approximately RMB253,580,000 after the Land Resumption. As such, the Last Installment will be RMB107,506,000, where Fullshare Dazu Technology shall pay RMB61,432,000 and Jiangsu Lip shall pay RMB46,074,000.

Basis of the Consideration

The Aggregate Consideration was determined to be 70% of the sum arrived with reference to the valuation of the market value of the Property as at 2 May 2017 of RMB269,970,000 made by Nanjing Kaibeili Real Estate Assets Evaluation Consulting Co., Ltd. (南京凱彼利土地房地產資產評估造價諮詢有限公司), an independent firm of valuers, after deducting the Compensation (estimated to be approximately RMB16,390,000 as at the date of this announcement) due to the Land Resumption. The Aggregate Consideration was also arrived at based on normal commercial terms after arm's length negotiations between the Parties.

Conditions precedent

Completion is conditional upon the following conditions precedent being satisfied or waived:-

- (i) the Company and Fullshare Holdings shall fully comply with the relevant Listing Rules in relation to the Transfer (if applicable);
- (ii) the representations and warranties given by Nanjing High Accurate in the Share Transfer Agreement remain to be true, accurate and not misleading at Completion;
- (iii) the Transfer is not subject to any restrictions, prohibitions or invalidations from government authorities; and
- (iv) the Parties fulfill their respective obligations under the Share Transfer Agreement.

Completion

The Parties undertake that, within 5 working days upon the payment of the Second Installment, they will handle the procedures of Transfer in accordance with the relevant rules and regulations in the PRC, and register the transfer of the Sale Interest with the relevant industrial and commerce authority in the PRC (the “**Registration of the Transfer**”). Completion shall take place on the date of completion of Registration of the Transfer, which shall be on the same date on which the Target Company obtains its new business licence.

Other term

Within 5 working days from the date of Completion, Fullshare Dazu Technology and Jiangsu Lipu undertake to pledge their respective shareholdings in the Target Company in favor of Nanjing High Accurate (the “**Pledges**”) in order to secure their

payment obligations of the Last Installment under the Share Transfer Agreement. Within 5 working days after the payment of Last Installment to Nanjing High Accurate by Fullshare Dazu Technology and Jiangsu Lipu, Nanjing High Accurate shall release the Pledges.

LISTING RULES IMPLICATIONS

Fullshare Dazu Technology is a wholly-owned subsidiary of Fullshare Holdings, which is the controlling shareholder of the Company interested in approximately 73.91% of all the issued Shares and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Share Transfer Agreement will constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) in respect of the transactions contemplated under the Share Transfer Agreement will be more than 0.1% but less than 5%, the entering into of the Share Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

Information on the Group

The Group is principally engaged in the research, design, development, manufacture and distribution of various types of mechanical transmission equipment for a broad range of applications in wind power generation and industrial use.

Information on Fullshare Group and Fullshare Dazu Technology

Fullshare Group is principally engaged in property development and investment, tourism, investment and financial services, provision of healthcare and education products and services, and new energy business. Fullshare Dazu Technology is a wholly-owned subsidiary of Fullshare Holdings and is a joint stock limited liability company incorporated in the PRC. Fullshare Dazu Technology is principally engaged in real estate development, sale and management.

Information on Jiangsu Lipu

Jiangsu Lipu was incorporated in accordance with the laws of the PRC on 15 May 2017. So far as the Company is aware, it is principally engaged in real estate development and management, property management, elderly maintenance services, and nutrition and health advisory services.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, Jiangsu Lipu and its ultimate beneficial owners are Independent Third Parties.

Information on the Target Company

The Target Company is a company incorporated in the PRC with limited liability on 19 May 2017 and is principally engaged in health care industry development, nutrition and health consulting services, property management, computer network technology research and development, technical services, and technical advice.

As the Target Company was established on 19 May 2017 and is in the preliminary stage of the business development, the Target Company has not recorded any revenue and profits up to the date of this announcement. Upon completion of transfer of the Property from Nanjing High Accurate to the Target Company, the major asset of the Target Company will be composed of the Property.

REASONS AND BENEFITS OF ENTERING INTO THE SHARE TRANSFER AGREEMENT

The Property is currently designated for industrial purpose and houses the production factory of Nanjing High Accurate. Given the Land Resumption, the Directors are of the view that the Property is no longer able to satisfy the needs of large-scale industrial production of Nanjing High Accurate. As such, the Group intends to apply to change the land use of the Property from industrial use to commercial use. However, it is difficult for the Group to develop the Property independently due to the lack of professional experience in property development, operation and management, not to mention the subsequent commercial real estate construction, sales, maintenance and operation. On the other hand, Fullshare Dazu Technology and Jiangsu Lipu possess the expertise and experience on property development, operation and management. Taking into account the amount of funds required for land development, the expertise required for future operations and the risks involved, the Directors believe that the cooperation between the Group and Fullshare Dazu Technology will enable the Group to capitalize and realize gains on its investment in the Property, while at the same time, generate more revenue at a relatively lower cost in the future through leveraging on the comparative advantages in property development, operation and management of Fullshare Dazu Technology.

As a result of the Transfer, it is expected that there will be a pre-tax gain of approximately RMB56,000,000 (subject to audit), being the premium of the Aggregate Consideration for the Transfer over 70% of the sum of carrying value of the Property and transaction taxes and charges.

Since Mr. Yuen Chi Ping, a non-executive Director, is a member of senior management of Fullshare Holdings, he may be deemed as having an interest in the Share Transfer Agreement. Mr. Yuen Chi Ping has abstained from voting on the Board resolution approving the transactions contemplated under the Share Transfer Agreement. Save for the above, none of the Directors is materially interested in the transactions contemplated under the Share Transfer Agreement requiring them to abstain from voting on the Board resolution for considering and approving the same.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Transfer Agreement have been negotiated on an arm's length basis and entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE TRANSFER

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. The financial results and financial positions of the Target Company are consolidated into the financial statements of the Group. Immediately upon Completion, Nanjing High Accurate's shareholdings in the Target Company will be reduced from 100% to 30%. Therefore, upon Completion, the Target Company will cease to be a subsidiary of the Company.

USE OF PROCEEDS

The proceeds from the Transfer are intended to be used for general working capital purposes of the Group.

DEFINITIONS

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

“Aggregate Consideration”	the aggregate consideration for the Transfer, being the total amount of RMB177,506,000 payable by the Fullshare Dazhu Technology and Jiangsu Lipu to Nanjing High Accurate (subject to adjustment of the Compensation)
“Board”	the board of Directors
“Company”	China High Speed Transmission Equipment Group Co., Ltd., a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Transfer in accordance with the terms of the Share Transfer Agreement, i.e. the date of completion of Registration of the Transfer, which shall be on the same date on which the Target Company obtains its new business licence
“connected person(s)”	has the meaning ascribed to it under the Listing Rules and the word “connected” shall be construed accordingly
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Fullshare Dazhu Technology”	Nanjing Fullshare Dazhu Technology Company Limited* (南京豐盛大族科技股份有限公司), a joint stock limited liability company incorporated in the PRC and a wholly-owned subsidiary of Fullshare Holdings
“Fullshare Group”	Fullshare Holdings and its subsidiaries
“Fullshare Holdings”	Fullshare Holdings Limited (豐盛控股有限公司), a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Stock Exchange (Stock Code: 607)

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties independent of the Company and the connected persons of the Company
“Jiangsu Lipu”	Jiangsu Lipu Health Technology Co., Ltd.* (江蘇立譜健康科技有限公司), a company incorporated in the PRC with limited liability and is an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing High Accurate”	Nanjing High Speed & Accurate Gear (Group) Co., Ltd.* (南京高精齒輪集團有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Parties”	Nanjing High Accurate, Fullshare Dazuo Technology and Jiangsu Lipu
“percentage ratio(s)”	has the meaning ascribed thereto under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	the land use rights of the land and the factory erected thereon which is situated at No.3, Youjiaao, Yuhuatai, Nanjing (南京市雨花區臺尤家凹3號), of which the land has an area of approximately 100,000 square metres and the factory has a gross floor area of approximately 70,000 square metres
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	70% equity interest in the Target Company
“Share(s)”	ordinary share(s) of the Company

“Share Transfer Agreement”	the agreement dated 28 September 2017 entered into between Nanjing High Accurate, Fullshare Dazu Technology and Jiangsu Lipu in relation to the Transfer
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Company”	Jiangsu Anlangda Health Industry Development Co., Ltd.* (江蘇安朗達健康產業發展有限公司), a company incorporated in the PRC with limited liability, and a direct wholly-owned subsidiary of Nanjing High Accurate as at the date of this announcement
“Transfer”	the transfer of the Sale Interest by Nanjing High Accurate to Fullshare Dazu Technology and Jiangsu Lipu pursuant to the Share Transfer Agreement
“%”	per cent

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

Hong Kong, 28 September 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*