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Fullshare Holdings Limited

豐盛控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00607)



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)

JOINT ANNOUNCEMENT

INSIDE INFORMATION UPDATE ON THE POSSIBLE TRANSACTION AND THE POSSIBLE MANDATORY OFFER

This joint announcement is made by the respective board of directors of Fullshare Holdings Limited (“**Fullshare**”) and China High Speed Transmission Equipment Group Co., Ltd. (“**CHS**”), pursuant to Rule 3.7 and Rule 8.1 of the Takeovers Code, Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

References are made to the joint announcements issued by Fullshare and CHS dated (i) 18 January 2018 and 14 February 2018 in relation to, among other things, the Proposed Offer and the Possible Disposal; (ii) 15 March 2018 in relation to, among other things, the possible change of transaction structure from a possible conditional voluntary partial cash offer for the issued shares of CHS to the Possible Transaction and the Possible Mandatory Offer; (iii) 16 April 2018, 25 May 2018 and 25 June 2018 in relation to the monthly update of the Possible Transaction and the Possible Mandatory Offer; and (iv) 25 April 2018 in relation to, among other things, the Earnest Money Agreement and the Supplemental MOU (collectively, the “**Joint Announcements**”). Capitalised terms used herein shall have the same meanings as those defined in the Joint Announcements unless specified otherwise.

* For identification purpose only

FRAMEWORK AGREEMENT

Fullshare and CHS (as informed by Fullshare) wish to announce that Fullshare and Five Seasons had entered into a framework agreement with the Potential Offeror on 30 June 2018 (the “**Framework Agreement**”) in relation to the possible sale and purchase of Five Seasons’ direct shareholding interests in CHS that would represent more than 51% but not exceeding 73.91% of the issued shares of CHS (the “**Possible Sale and Purchase**”) at a provisional transfer price range of RMB9.99 to RMB11.25 per share of CHS (the “**Provisional Price Range**”).

The terms and conditions of the Possible Sale and Purchase have not been concluded and are subject to further negotiations and the entering into of a formal sale and purchase agreement. Pursuant to the Framework Agreement, the Potential Offeror, Fullshare and Five Seasons will negotiate in good faith to enter into a possible sale and purchase agreement by 30 September 2018 and an announcement will be made to inform the market in accordance with the Takeovers Code whether or not a formal sale and purchase agreement has been entered into by them. Save for the MOU, the Supplemental MOU, the Earnest Money Agreement and the Framework Agreement, no commitment or any formal or legally binding agreement has been reached or entered into in respect of the material terms and conditions of the Possible Sale and Purchase.

Possible CHS Disposal

As set out in the Framework Agreement, the Potential Offeror expects CHS to dispose of the following subsidiaries, associates and investment of CHS (the “**Possible CHS Disposal**”) before completion of the Possible Sale and Purchase:

Subsidiaries

- (1) AE & E Nanjing Boiler Co., Ltd.* (南京奧能鍋爐有限公司), a company incorporated in the PRC with limited liability and is indirectly owned as to 90.0003% equity interest by CHS as at the date of this joint announcement;
- (2) Beijing Zhongchuan Shougao Metallurgical Engineering & Equipment Co., Ltd.* (北京中傳首高冶金成套設備有限公司), a company incorporated in the PRC with limited liability and is indirectly owned as to 75% equity interest by CHS as at the date of this joint announcement;
- (3) Nantong Diesel Engine Co., Ltd.* (南通柴油機股份有限公司), a company incorporated in the PRC with limited liability and is indirectly owned as to 89.36% equity interest by CHS as at the date of this joint announcement;

- (4) Nanjing Jingrui Semiconductor Company Limited* (南京晶瑞半導體有限公司) (“**Nanjing Jingrui**”) and Jiangsu Jingrui Semiconductor Company Limited* (江蘇晶瑞半導體有限公司) (“**Jiangsu Jingrui**”), both companies are incorporated in the PRC with limited liability. As at the date of this joint announcement, Nanjing Jingrui is indirectly owned as to 60.9705% equity interest by CHS and Jiangsu Jingrui is a wholly owned subsidiary of Nanjing Jingrui;
- (5) Nanjing Nanchuan Laser Equipment Company Limited* (南京南傳激光設備有限公司) (“**Nanchuan Laser**”) and Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd.* (南京高傳四開數控裝備製造有限公司) (“**Gaochuan Sky**”), both companies are incorporated in the PRC with limited liability. As at the date of this joint announcement, Gaochuan Sky is indirectly owned as to 99.15% equity interest by CHS. Nanchuan Laser is owned as to 5% equity interest by Gaochuan Sky and 72% equity interest by 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), an indirect wholly owned subsidiary of CHS;
- (6) Nantong Zhenhua Hongsheng Heavy Forgery Machine Corporation Ltd.* (南通市振華宏晟重型鍛壓有限公司), a company incorporated in the PRC with limited liability and is indirectly owned as to 95% equity interest by CHS as at the date of this joint announcement;
- (7) Zhong-Chuan Heavy Duty Machine Tool Corporation Ltd.* (中傳重型機床有限公司) (“**ZCHD**”) and Zhong-Chuan Heavy Duty Machine Tool (Nanjing) Company Limited* (中傳重型機床南京有限公司) (“**ZCHDNJ**”), both companies are incorporated in the PRC with limited liability. As at the date of this joint announcement, ZCHD is indirectly owned as to 90% equity interest by CHS. ZCHDNJ is owned as to 99.5% equity interest by ZCHD and 0.5% by Nanjing High Speed & Accurate Gear (Group) Co., Ltd.* (南京高精齒輪集團有限公司), an indirect wholly subsidiary of CHS;

Associates

- (8) Nantong Fulaiwei Agricultural Equipment Company Limited* (南通富來威農業裝備有限公司), a company incorporated in the PRC with limited liability and is indirectly owned as to 49.58% equity interest by CHS as at the date of this joint announcement;
- (9) Nanjing Yijing Energy Company Limited* (南京伊晶能源有限公司), a company incorporated in the PRC with limited liability and is indirectly owned as to 29.63% equity interest by CHS as at the date of this joint announcement;
- (10) Nanjing Yijing Optoelectronic Technology Company Limited* (南京依晶光電科技有限公司) (“**NYO**”) and Inner Mongolia Jingjing Optoelectronic Technology Company Limited* (內蒙古京晶光電科技有限公司) (“**IMYO**”), both companies are incorporated in the PRC with limited liability. As at the date of this joint announcement, NYO is indirectly owned as to 29.63% equity interest by CHS and IMYO is a wholly owned subsidiary of NYO; and

Investment

- (11) E'er Duo Si Shenchuan Mining Equipment Manufacturing Company Limited* (鄂爾多斯市神傳礦用設備製造有限公司), a company incorporated in the PRC with limited liability and is indirectly owned as to 15% equity interest by CHS as at the date of this joint announcement.

The above companies are principally engaged in non-gear businesses of CHS, including, development, production and sales of machine tools products, diesel engines, chips, boilers, metallurgical equipments, etc.

Pursuant to the Framework Agreement, Fullshare and Five Seasons have agreed to procure CHS to undertake the Possible CHS Disposal.

As at the date of this joint announcement, CHS has not yet entered into any definitive agreement in respect of the Possible CHS Disposal. CHS and Fullshare will comply with the relevant requirements under the Takeovers Code and the Listing Rules and also make an update announcement on a monthly basis as well as when any definitive agreement for the Possible CHS Disposal is entered into.

Conditions precedent

The Framework Agreement envisages that the completion of the Possible Sale and Purchase will be conditional upon, and subject to the fulfillment or waiver (where applicable) of certain conditions which shall include but are not limited to the following:

- (a) the execution of the formal sale and purchase agreement and such agreement having become effective;
- (b) the obtaining of clearance from the SFC and the Stock Exchange of the draft announcement in relation to the Possible Sale and Purchase and the Possible Mandatory Offer made pursuant to Rule 3.5 of the Takeovers Code;
- (c) filings having been submitted to and formally accepted by the relevant anti-monopoly authorities and the Possible Sale and Purchase and the Possible Mandatory Offer having been cleared or, through the expiration of the relevant statutory time periods for review by the relevant anti-monopoly authorities, having been deemed to have been cleared under the relevant anti-monopoly law, with or without conditions, on terms satisfactory to the Potential Offeror;

- (d) the obtaining of authorization and approvals of, the making of the necessary filing and registration with, and notifications to, the National Development and Reform Committee of the PRC (or its authorised local agency), Zhejiang Bureau of Commerce of the PRC (or departments delegated by it), the Shenzhen Stock Exchange and qualified banks approved by the State Administration of Foreign Exchange of the PRC (or its authorised local agency) for foreign exchange and any other relevant authorities and third parties which may be required in connection with the Possible Sale and Purchase and the Possible Mandatory Offer, each on terms reasonably acceptable to the Potential Offeror and all such authorizations and approvals remaining in full force and effect at completion of the Possible Sale and Purchase, and there being no statement, notification or intimation of an intention to revoke or not to renew the same having been made by the relevant authorities or third parties;
- (e) the obtaining of the approval for the Possible Sale and Purchase and the Possible Mandatory Offer from the shareholders of the Potential Offeror;
- (f) the obtaining of the approval necessary for the Possible Sale and Purchase from shareholders and regulatory institution(s) by Fullshare;
- (g) the representations, warranties, undertakings and indemnity guarantees made by Fullshare and Five Seasons shall remain true, accurate and complete in material respects and not misleading upon completion, and there are no other matters the existence of which would make violation of any of the aforesaid representations, warranties and undertakings in material respects;
- (h) no party to the Framework Agreement has violated any of its obligations under the Framework Agreement;
- (i) no material adverse change occurred to the business, finance, operation or assets of CHS and its subsidiaries, save for the Possible CHS Disposal;
- (j) save for any suspension in trading of the shares of CHS in connection with the issue of any announcement regarding the Possible Sale and Purchase and the Possible Mandatory Offer which does not last for more than 10 consecutive trading days, the shares of CHS remaining listed on the Stock Exchange;
- (k) there being no indication from the Stock Exchange or the SFC in relation to delisting of the shares of CHS on the Stock Exchange or objection to the listing status of the shares of CHS and there having been no occurrence of any event which would result in an adverse effect on the listing status of the shares of CHS;
- (l) there not having been any indication from the Stock Exchange or the SFC to suspend, cancel or withdraw the listing of the shares of CHS on the Stock Exchange in connection with or as a result of the Possible Sale and Purchase and the Possible Mandatory Offer (save for any voluntary application made by the Potential Offeror);

- (m) no governmental action(s), court order(s), procedure(s), inquiry(ies) or investigation(s) which may make the Possible Sale and Purchase and the Possible Mandatory Offer illegal or being prohibited or restricted at any time prior to the completion; and
- (n) completion of the Possible CHS Disposal in accordance with terms and conditions to the reasonable satisfaction of the Potential Offeror.

The Framework Agreement shall terminate on the earlier of the following: (i) 30 September 2018; (ii) the date on which a formal sale and purchase agreement is entered into by the relevant parties; or (iii) the date on which the Potential Offeror terminates the Possible Sale and Purchase by notice in writing to Fullshare and Five Seasons.

PRELIMINARY RESTRUCTURING REPORT

In relation to the Possible Sale and Purchase, the Potential Offeror has published a preliminary major asset restructuring report (重大資產購買預案) (the “**Preliminary Restructuring Report**”) on the website of the Shenzhen Stock Exchange. **The Preliminary Restructuring Report is published in accordance with the relevant rules and regulations of the China Securities Regulatory Commission and the Shenzhen Stock Exchange.**

The Administrative Measures on Significant Asset Restructuring of Listed Companies and the Guidelines on the Format and Contents of the Information Disclosure by the Companies Public Offering Securities No.26 – Significant Asset Restructuring of Listed Companies (2017 Revision) (“**No.26 Guidelines**”) requires to disclose a provisional transaction price in relation to the Possible Sale and Purchase. Therefore, the parties to the Framework Agreement set out the Provisional Price Range in the Framework Agreement and such Provisional Price Range was also disclosed in the Preliminary Restructuring Report.

No.26 Guidelines also requires the disclosure of the Proforma CHS Net Profit (as defined below).

Provisional Price Range

The Provisional Price Range is based on (a) the negotiation between Fullshare and Five Seasons on one hand and the Potential Offeror on the other hand; (b) the assumption that the Possible CHS Disposal will be completed before the completion of the Possible Sale and Purchase; and (c) the prevailing market price of the shares of CHS. The Provisional Price Range was determined based on CHS’ market capitalisation after taking into account factors including, amongst others, the control premium, CHS’ asset quality, profitability, industry position, branding, channel value, business prospects, development potentials, synergies effect and events post last financial period. Because the circumstances on the relevant factors may change over time and the parties to the Framework Agreement are still negotiating on the final price for the Possible Sale and Purchase as at the date of this joint announcement, they consider it more appropriate to set a price range in the Framework Agreement. The final price for the Possible Sale and Purchase will be further negotiated and agreed upon between the parties to the Framework Agreement and set out in the formal sale and purchase agreement and announced to the public in Hong Kong Dollar.

The full version of the Preliminary Restructuring Report (in simplified Chinese) has been published by the Potential Offeror on the website of the Shenzhen Stock Exchange (<http://disclosure.szse.cn/m/drgg.htm>) in compliance with the relevant rules and regulations of the Shenzhen Stock Exchange.

Proforma CHS Net Profit

As disclosed in the Preliminary Restructuring Report, the unaudited proforma net profit attributable to owners of CHS for the year ended 31 December 2017 as if the Possible CHS Disposal had been completed on 1 January 2017 is approximately RMB943,979,000 (the “**Proforma CHS Net Profit**”).

The Proforma CHS Net Profit is made in compliance with No.26 Guidelines. Pursuant to Rule 10 of the Takeovers Code, the Proforma CHS Net Profit constitutes a profit estimate and is required to be reported on by CHS’s financial advisers and its auditor or accountant in accordance with Rule 10.4 and Practice Note 2 of the Takeovers Code. Since this joint announcement is made as a result of entering into the Framework Agreement and the publication of the Preliminary Restructuring Report which is required by the relevant rules and regulations of the China Securities Regulatory Commission and the Shenzhen Stock Exchange, given the time constraints, CHS has encountered genuine practical difficulties (time-wise or otherwise) in meeting the requirements set out in Rule 10.4 of the Takeovers Code.

Based on the confirmation made on behalf of the Potential Offeror, Fullshare and CHS confirmed that save as disclosed in this joint announcement, there is no material new information or significant new opinion contained in the Preliminary Restructuring Report in relation to Fullshare or CHS which had not been previously disclosed by Fullshare or CHS.

WARNING

Fullshare and CHS would like to draw the attention of their respective shareholders and potential investors that the Proforma CHS Net Profit has not been reported on in accordance with the requirements under Rule 10.4 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code and that their shareholders and potential investors should exercise caution in placing reliance on the Proforma CHS Net Profit in assessing the merits and demerits of the Possible Mandatory Offer contemplated under the Joint Announcements and when dealing in the securities of Fullshare or the securities of CHS. Persons who are in doubt as to the action should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

The Proforma CHS Net Profit will be reported on in accordance with Rule 10 of the Takeovers Code and such reports will be included in the next document to be issued by Fullshare and CHS to their shareholders when a definitive agreement for the Possible CHS Disposal is entered into.

POSSIBLE MANDATORY OFFER

Subject to the entering into the formal sale and purchase agreement, if the Possible Sale and Purchase materialises and is completed, it will result in a change in control of CHS and the Possible Mandatory Offer to be made under Rule 26.1 of the Takeovers Code.

MONTHLY ANNOUNCEMENTS

Further announcement(s) setting out the progress of the Possible Sale and Purchase and the Possible Mandatory Offer will be made by Fullshare and CHS as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be) and in any event on a monthly basis until announcement of firm intention to make the offers under Rule 3.5 of the Takeovers Code or of a decision not to proceed with the offers is made.

CAUTION

There is no assurance that the Possible Sale and Purchase will materialise. If the completion of the Possible Sale and Purchase takes place, the Potential Offeror will make a Possible Mandatory Offer pursuant to Rule 26.1 of Takeovers Code for the securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of CHS. Even if a formal sale and purchase agreement is entered into among Fullshare, Five Seasons and the Potential Offeror, but if the conditions set out therein cannot be satisfied, the formal sale and purchase agreement may or may not be consummated. As at the date of this joint announcement, there is no assurance that there will be a general offer under Rule 26.1 of Takeovers Code for the securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of CHS.

Shareholders and potential investors of Fullshare and CHS should exercise caution when dealing in the securities of Fullshare or of CHS, and if they are in any doubt about their position, they should consult their professional adviser(s).

By Order of the Board
Fullshare Holdings Limited
JI CHANGQUN
Chairman

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

Hong Kong, 30 June 2018

As at the date of this joint announcement, the executive directors of Fullshare are Mr. Ji Changqun, Mr. Shi Zhiqiang, and Mr. Wang Bo; and the independent non-executive directors of Fullshare are Mr. Lau Chi Keung, Mr. Chow Siu Lui and Mr. Tsang Sai Chung.

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

The directors of Fullshare jointly and severally accept full responsibility for accuracy of the information contained in this joint announcement (other than information relating to CHS) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by CHS) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

The directors of CHS jointly and severally accept full responsibility for accuracy of the information contained in this joint announcement (other than information relating to Fullshare) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by Fullshare) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

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