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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 AND DISCLOSEABLE TRANSACTION HANDA LOAN AND LOAN ASSIGNMENT NON-COMPLIANCE WITH THE LISTING RULES

HANDA LOAN

On 18 March 2024, Nanjing Handa, a wholly-owned subsidiary of the Company, executed the Loan Agreement as lender, with Nanjing Fengsheng Kangju, Five Seasons and Fullshare as co-borrowers (the **“Co-Borrowers”**), pursuant to which Nanjing Handa agreed to extend a loan of RMB250 million to the Co-Borrowers (the **“Handa Loan”**) at an interest rate of 3% per annum for a term of 5 years.

LOAN ASSIGNMENT

On 28 June 2024, Nanjing Handa executed the Loan Assignment Agreement with Enkaiyi, pursuant to which Nanjing Handa assigned the Handa Loan to Enkaiyi (the **“Loan Assignment”**) at a consideration of RMB250 million.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of both the Handa Loan and the Loan Assignment exceed 5% but are less than 25%, the transactions constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but are exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As Five Seasons directly held 71.93% of the shares of the Company at the time of the transactions and Five Seasons is wholly-owned by Fullshare, Five Seasons and Fullshare are connected persons of the Company. As Fullshare held 75.2% of the equity interests in Nanjing Fengsheng Kangju at the time of the transactions, Nanjing Fengsheng Kangju is a connected person of the Company. The Handa Loan constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the Handa Loan exceeds 5%, pursuant to Chapter 14A of the Listing Rules, the Handa Loan is subject to the reporting, announcement, independent financial adviser's advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Given that the Handa Loan has been assigned as a result of the Loan Assignment, it is no longer feasible to submit the Handa Loan to the independent shareholders of the Company for approval. Accordingly, the Board will not be submitting the Handa Loan to the independent shareholders of the Company for approval.

I. HANDA LOAN

On 18 March 2024, Nanjing Handa, a wholly-owned subsidiary of the Company, executed the Loan Agreement as lender, with Nanjing Fengsheng Kangju, Five Seasons and Fullshare as the Co-Borrowers, pursuant to which Nanjing Handa agreed to extend a loan of RMB250 million to the Co-Borrowers at an interest rate of 3% per annum for a term of 5 years.

The principal terms of the Loan Agreement are summarised below:

Date

18 March 2024

Parties to the Agreement

- (1) Nanjing Handa as lender;
- (2) Nanjing Fengsheng Kangju as borrower;
- (3) Five Seasons as borrower; and
- (4) Fullshare as borrower.

Subject Matter

Nanjing Handa extended a loan of RMB250 million to the Co-Borrowers at an interest rate of 3% per annum, with the principal and interest to be repaid in one lump sum upon maturity. The loan was used solely to replenish the working capital of the Co-Borrowers.

Term

The term of the loan is 5 years, commencing from and including the date of the actual receipt of the loan funds. On the maturity date of the loan, Nanjing Handa has the right to decide whether to extend the term of the loan at its own discretion according to the status of the cooperation. In the event of extension, the parties shall enter into a separate written agreement or a supplementary agreement on the extension.

Grant of Loan

Upon fulfilment of the conditions precedent to the grant of the loan as stipulated in the Loan Agreement, Nanjing Handa would grant a one-off loan of RMB250 million to the Co-Borrowers.

Repayment

The Co-Borrowers undertook to repay the principal and interest of the loan in one lump sum upon maturity. In the event of late repayment, the Co-Borrowers shall be responsible for paying the loan principal, accrued interest, late repayment penalties and other expenses (if any) in accordance with the Loan Agreement.

Security

Five Seasons undertook to use dividends distributed to it by the Company as security to Nanjing Handa for the principal and interest of the loan and all the expenses to be borne as agreed in the Loan Agreement. The security was provided in the form of signing the “CHARGE OVER BANK ACCOUNT”, and the account receiving the dividend of Five Seasons shall be pledged to Nanjing Handa and jointly managed by Nanjing Handa.

Prior to the full repayment of the loan under the Loan Agreement, Five Seasons shall not, without the written consent of Nanjing Handa, withdraw, transfer or in any other way dispose of or use the funds in the above-mentioned jointly managed account to the extent of the principal and interest of the loan and all the expenses to be borne as agreed in the Loan Agreement. However, in respect of the disposal by the Co-Borrowers of less than 10% of the total shares of the Company held by them (see below), Nanjing Handa shall give its consent and assist with the relevant procedures.

During the term of the Loan Agreement, prior to the full repayment of all the principal and interest and related expenses by the Co-Borrowers, if the Co-Borrowers need to dispose of more than 10% of the total shares of the Company held by them, it shall be subject to the consent of Nanjing Handa. If the Co-Borrowers fail to perform the aforesaid obligations, the Co-Borrowers shall be deemed to be in default and Nanjing Handa shall have the right to recover the loan in advance.

Effectiveness

The Loan Agreement shall become effective upon due execution by the parties.

II. LOAN ASSIGNMENT

On 28 June 2024, Nanjing Handa executed the Loan Assignment Agreement with Enkaiyi, pursuant to which Nanjing Handa assigned the Handa Loan to Enkaiyi at a consideration of RMB250 million.

The principal terms of the Loan Assignment Agreement are summarised below:

Date

28 June 2024

Parties to the Agreement

- (1) Nanjing Handa as assignor; and
- (2) Enkaiyi as assignee.

Each of Enkaiyi and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

Subject Matter

Both parties agreed that Nanjing Handa shall assign its creditor's right of RMB250 million against the Co-Borrowers to Enkaiyi. With effect from the execution of the Loan Assignment Agreement, Enkaiyi shall become the creditor of the aforesaid loan, and Nanjing Handa has no right to assert its rights against the Co-Borrowers under the Loan Agreement.

Consideration and Payment Arrangements

The consideration for the Loan Assignment was RMB250 million, which shall be fully paid by Enkaiyi to the account designated by Nanjing Handa within one year from the date of the execution of the Loan Assignment Agreement.

Effectiveness

The Loan Assignment Agreement shall become effective on the date on which it is sealed by the parties.

III. INFORMATION ON THE PARTIES TO THE TRANSACTIONS

The Company is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 658). It is principally engaged in the research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment widely used in wind power and industrial applications.

Nanjing Handa is a company established in the PRC with limited liability and is principally engaged in trading business. As at the date of this announcement, Nanjing Handa is a wholly-owned subsidiary of the Company.

Nanjing Fengsheng Kangju is a company established in the PRC with limited liability and, according to public information, its business scope includes network technology development; internet information services; real estate development and operation; property management; tourism project development; tourism management; information technology consultancy services; engineering management services; business management; business management consultancy; marketing planning; graphic design and production; interior and exterior decoration engineering design and construction. As at the date of this announcement, Nanjing Fengsheng Kangju is held as to 75.2% by Fullshare and is a connected person of the Company.

Five Seasons is a company incorporated in the British Virgin Islands and the holding company of the Company. As at the date of this announcement, Five Seasons is a wholly-owned subsidiary of Fullshare.

Fullshare is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 607). According to public information, Fullshare and its group companies are principally engaged in (a) property development and investment, (b) tourism, (c) investment and financial services, (d) provision of healthcare and educational products and services, and (e) new energy business.

Enkaiyi is a company incorporated in the PRC with limited liability and, according to public information, its business scope includes sales of bearings, gears and transmission parts; sales of bearings; sales of high-speed precision heavy-duty bearings; sales of mechanical equipment; sales of special equipment, key systems and components for rail transit; sales of wind turbines units and components; sales of lubricating oil; sales of high-speed rail equipment and accessories; sales of generators and generator sets; sales of graphite and carbon products; sales of gears and gear reduction and transmissions; sales of hydraulic power machinery and components; sales of metal tools; sales of electrical instruments; sales of mechanical and electrical equipment; sales of special chemical products (excluding hazardous chemicals); sales of instruments and meters; provision of technical services, technical development, technical consultation, technical exchange, technology transfer, and technology promotion; general equipment repair; sales of rail transit engineering machinery and parts; sales of building materials; sales of building decoration materials. As at the date of this announcement, Enkaiyi is held as to 90% by Wang Taohua (王桃花) and 10% by Zhang Yu (張宇) respectively, and its ultimate beneficial owner is Wang Taohua.

IV. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of both the Handa Loan and the Loan Assignment exceed 5% but are less than 25%, the transactions constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but are exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As Five Seasons directly held 71.93% of the shares of the Company at the time of the transactions and Five Seasons is wholly-owned by Fullshare, Five Seasons and Fullshare are connected persons of the Company. As Fullshare held 75.2% of the equity interests in Nanjing Fengsheng Kangju at the time of the transactions, Nanjing Fengsheng Kangju is a connected person of the Company. The Handa Loan constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the Handa Loan exceeds 5%, pursuant to Chapter 14A of the Listing Rules, the Handa Loan is subject to the reporting, announcement, independent financial adviser's advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Given that the Handa Loan has been assigned as a result of the Loan Assignment, it is no longer feasible to submit the Handa Loan to the independent shareholders of the Company for approval. Accordingly, the Board will not be submitting the Handa Loan to the independent shareholders of the Company for approval.

V. NON-COMPLIANCE WITH LISTING RULES

The Handa Loan and Loan Assignment took place between 18 March 2024 and 28 June 2024. During this period, no approval was sought from the Board or the general meeting by the relevant personnel. The Board was only informed by the auditor of the Company of the circumstances in relation to the connected transaction in the course of preparing the 2024 annual report of the Company. The Board noted that according to the Loan Agreement of the Handa Loan, the Handa Loan was made to address the production and operation needs of the Co-Borrowers and the Co-Borrowers undertook that the Handa Loans would only be used to replenish the working capital of the Co-Borrowers.

The Board is of the view that the transactions have not complied with the applicable requirements of Chapter 14 and Chapter 14A of the Listing Rules, including the requirements of Rules 14.34(2), 14A.35 and 14A.36 of the Listing Rules. The Board also notes that the Handa Loan only lasted for around three months, as the loan was assigned on 28 June 2024, with the subject loan having been assigned to an independent third party and an equivalent amount recognised as the Group's consideration receivable. As at the date of this announcement, the Handa Loan and the Loan Assignment have been completed without material adverse impact on the interests of the shareholders of the Company. Nevertheless, the Board recognises that this incident may indicate potential internal control issues of the Group. Therefore, the Board takes this matter seriously, and is in the process of re-assessing the internal control of the Group to improve the procedures for identifying, handling and disclosing connected/discloseable transactions to ensure compliance with the relevant requirements and regulations, including the Listing Rules.

In addition, the Board will take the following measures by 30 June 2025 with a view to enhancing the internal control of the Group and preventing the recurrence of similar incidents:

- (1) providing additional guidance materials and training to the Directors and all senior management of the Group to enhance their existing knowledge on the compliance requirements relating to connected transactions under the Listing Rules;
- (2) issuing an internal memorandum to all Directors and all senior management of the Group, stating that they must strictly comply with the requirements relating to connected transactions under Chapter 14A of the Listing Rules and the requirements relating to notifiable transactions under Chapter 14 of the Listing Rules, and they shall inform the Board of any transactions which may involve connected persons of the Company; and
- (3) consulting with the Stock Exchange and/or professional legal advisers in relevant fields (by its staff or through its advisers) if the Company is in doubt as to any requirement under the Listing Rules.

Going forward, the Company will continue to comply with the requirements under the Listing Rules by performing the relevant corporate governance procedures and making appropriate disclosures in a timely manner to ensure compliance with the Listing Rules.

VI. DEFINITIONS

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

“Board”	the board of Directors;
“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, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 658);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Loan Assignment Agreement”	the loan assignment agreement entered into between Nanjing Handa and Enkaiyi on 28 June 2024;
“Director(s)”	the director(s) of the Company;
“Enkaiyi”	Jiangsu Enkaiyi Machinery Technology Co., Ltd. (江蘇恩凱益機械科技有限公司), a company established in the PRC with limited liability. As at the date of this announcement, Enkaiyi is held as to 90% by Wang Taohua (王桃花) and 10% by Zhang Yu (張宇), respectively;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Loan Agreement”	the loan agreement entered into between Nanjing Handa, Nanjing Fengsheng Kangju, Five Seasons and Fullshare on 18 March 2024;
“Nanjing Handa”	Nanjing Handa Import and Export Trading Co., Ltd. (南京翰達進出口貿易有限公司), a company established in the PRC with limited liability. As at the date of this announcement, Nanjing Handa is a wholly-owned subsidiary of the Company;
“Nanjing Fengsheng Kangju”	Nanjing Fengsheng Kangju Technology Co., Ltd. (南京豐盛康居科技有限公司), a company established in the PRC with limited liability. As at the date of this announcement, Nanjing Fengsheng Kangju is held as to 75.2% by Fullshare and is a connected person of the Company;

“Five Seasons”	Five Seasons XVI Limited, a company incorporated in the British Virgin Islands. As at the date of this announcement, Five Seasons is a wholly-owned subsidiary of Fullshare;
“Fullshare”	Fullshare Holdings Limited (豐盛控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 607);
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

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

Hong Kong, 26 May 2025

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

* *For identification purposes only*