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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)

**EXERCISE OF SHARE DELIVERY OPTION/
OFF-MARKET REPURCHASE OF SHARES**

Reference is made to the circular of the Company dated 24 December 2009 (the “**Circular**”) and the announcements of the Company dated 6 November 2009 and 15 January 2010. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

The Board is pleased to announce that the Company has given notice to the Equity Swap Counterparty of its election of the Share Delivery Option as the settlement method in respect of the scheduled termination of the remaining equity swap in whole under the Amended and Restated Equity Swap.

Reference is made to the circular of the Company dated 24 December 2009 (the “**Circular**”) and the announcements of the Company dated 6 November 2009 and 15 January 2010. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

On 6 November 2009, the Company and the Equity Swap Counterparty entered into the Amended and Restated Equity Swap, pursuant to which, among other things, the Company was granted an option to require the Equity Swap Counterparty to settle a termination of the remaining equity swap, in whole or in part, by way of the Share Delivery Option as an alternative to cash settlement.

The Board is pleased to announce that the Company has given notice to the Equity Swap Counterparty of its election of Share Delivery Option as the settlement method in respect of the scheduled termination of the remaining Equity Swap in whole under the Amended and Restated Equity Swap.

The settlement of the Amended and Restated Equity Swap by way of the Share Delivery Option is subject to (a) provision of a written representation by the Company to the Equity Swap Counterparty that any requisite corporate approvals have been obtained and there are no applicable laws, regulations, rules or other similar requirements (including without limitation, any regulatory or stock exchange requirements) at such time that would make unlawful, or otherwise prohibit, any physical settlement, (b) the Company providing to the Equity Swap Counterparty, promptly upon request from the Equity Swap Counterparty, a confirmation letter from the Company's Hong Kong law counsel that no consents required to be obtained have not been obtained under the laws of Hong Kong, (c) the Company providing to the Equity Swap Counterparty, promptly upon request from the Equity Swap Counterparty, an opinion from the Company's Cayman Islands law counsel, in a form acceptable to the Equity Swap Counterparty, which, among other things, confirms that the Company's performance of its obligations under the Equity Swap does not conflict with or result in a breach of any law, public rule or regulation applicable to the Company in the Cayman Islands, and (d) the payment by the Company to the Equity Swap Counterparty of any Costs.

In order to settle the scheduled termination of the remaining Amended and Restated Equity Swap in whole following election of the Share Delivery Option by the Company, the Equity Swap Counterparty will deliver to the Company 12,612,707 Shares, whereupon the Equity Swap Counterparty's obligation to repay the remaining proportional amount of the Initial Exchange Amount (i.e. HK\$172,520,390.16) to the Company shall be extinguished. The Shares to be delivered by the Equity Swap Counterparty will be purchased and/or held by the Equity Swap Counterparty at the relevant time as principal on its own account prior to delivery to the Company, whereupon they will be promptly cancelled by the Company.

The repurchase of Shares by the Company under the Share Delivery Option will be made at a price equivalent to the Initial Price of HK\$13.6783 per Share (excluding Costs) for a total of 12,612,707 Shares.

Off-Market Repurchase of Shares

The exercise of the Share Delivery Option will constitute an off-market repurchase of up to 12,612,707 Shares under the Repurchase Code. In accordance with Rule 2 of the Repurchase Code, the share repurchase contemplated by the Share Delivery Option in the Amended and Restated Equity Swap has been approved by (i) the Executive; and (ii) disinterested shareholders by at least three-fourths of the votes cast on a poll at a general meeting of shareholders of the Company held on 15 January 2010.

Rationale for exercising the Share Delivery Option pursuant to the Amended and Restated Equity Swap

The Share Delivery Option provides the Company with an alternative to cash settlement when conditions make it attractive. The exercise of the Share Delivery Option by the Company for the settlement of the Amended And Restated Equity Swap will avoid the uncertainty connected with making an on-market share purchase, which would be subject to market conditions, the availability of its share repurchase mandate from shareholders and compliance with the Listing Rules and relevant law.

Although the original cash settled Equity Swap permits the Company to hedge against future share price increases (since the Equity Swap Counterparty is required to pay to the Company an amount in cash determined by reference to the difference between the Final Price and the Initial Price under the Equity Swap), there can be no assurance that the Company will be able to effect any on-market repurchase of its Shares at an average price equivalent to the Final Price. The Share Delivery Option will, however, allow the Company to determine the exact number of Shares which will be repurchased from the Equity Swap Counterparty.

In view of the above, the Company is of the view that the exercise of the Share Delivery Option is fair and reasonable and in the interests of the shareholders of the Company and the Company as a whole.

As explained in the Circular, the exercise of the Share Delivery Option will reduce the potential net dilution upon conversions of the Bonds and avoid the potential negative effect on the Share price if the holders of the Bonds were to dispose of their shareholding after the conversions in the market. In this regard, the Company notes that it intends to redeem the remaining Bonds yet to be converted in accordance with the terms and conditions of the Bonds on Monday, 16 May 2011 and none of the these Bonds are expected to be converted prior thereto.

Settlement procedure

Notice of election of the Share Delivery Option was given by the Company to the Equity Swap Counterparty on 11 May 2011 in accordance with the terms of the Amended and Restated Equity Swap. The scheduled termination date under the Amended and Restated Equity Swap is 14 May 2011. Settlement of the Share Delivery Option will take place on the Settlement Date.

Implications under the Takeovers Code

The off-market share repurchase and subsequent cancellation of Shares (pursuant to the Amended and Restated Equity Swap) will increase the percentage shareholding of the existing shareholder(s) of the Company such that a shareholder may become obliged to make an unconditional mandatory general offer in accordance with Rule 26 of the Takeovers Code, unless a whitewash waiver is obtained.

The number of Shares which will fall to be delivered physically by the Equity Swap Counterparty to the Company on physical settlement pursuant to the Share Delivery Option is 12,612,707 Shares, representing approximately 0.917% of the existing issued share capital of the Company. Such Shares delivered to the Company will be cancelled and the interest of the shareholders of the Company in the issued share capital of the Company will be increased proportionately.

Following cancellation of such Shares, the number of Shares in issue will be reduced from 1,375,307,063 Shares to 1,362,694,356 Shares, assuming no other changes in the issued share capital of the Company.

Fortune Apex Limited, being the single largest corporate shareholder (all of the shares of which are owned by the executive directors of the Company and certain other senior management members), has been ruled to be acting, in concert with Wiaearn Holdings Limited and Luckever Holdings Limited and their respective shareholders. However, Fortune Apex Limited and persons acting in concert with it will not be obligated to make an unconditional mandatory general offer under the Takeovers Code after the potential off-market share repurchase because (i) their aggregate shareholdings will not increase by more than 2% or (ii) their individual shareholding will not increase to 30% or more (assuming no further changes in the share capital since the date of this announcement). If there is any future change to the shareholding structure such that the general offer obligation on the part of Fortune Apex Limited and persons acting in concert with it will be triggered by the exercise of the Share Delivery Options, such concert group will be obligated to make a general offer in accordance with the Takeovers Code and accordingly, Fortune Apex Limited has confirmed to the Company that it will comply with the Takeovers Code in such event.

The following table summarises the shareholding structures of the Company (i) as at the date of this announcement, and (ii) immediately after full exercise of the Share Delivery Option and cancellation of the Shares.

Name of Shareholder	As at the date of this announcement		Upon full exercise of the Share Delivery Option ^(Note 1)	
	No. of Shares	Approximate % of issued share capital of the Company	No. of Shares	Approximate % of issued share capital of the Company
Fortune Apex Limited ^(Note 2)	211,474,024	15.38%	211,474,024	15.52%
Luckever Holdings Limited ^(Note 3)	60,338,151	4.39%	60,338,151	4.43%
Wiaearn Holdings Limited ^(Note 4)	60,284,023	4.38%	60,284,023	4.42%
<i>Fortune Apex Limited together with concert parties</i>	<i>332,096,198</i>	<i>24.15%</i>	<i>332,096,198</i>	<i>24.37%</i>
Other Existing Shareholders	<u>1,043,210,865</u>	<u>75.85%</u>	<u>1,030,598,158</u>	<u>75.63%</u>
Total:	<u>1,375,307,063</u>	<u>100%</u>	<u>1,362,694,356</u>	<u>100%</u>

Notes :

1. The above shareholding structures are based on the assumption that there has been and will be no change in the issued share capital of the Company and shareholding structures of the Company from the date of this announcement to the date of the Share Delivery Option (save the exercise of the Share Delivery Option) and that none of the Shares delivered under the Share Delivery Option will be purchased by the Equity Swap Counterparty from any of Fortune Apex Limited, Luckever Holdings Limited or Wiaearn Holdings Limited.
2. The shareholders of Fortune Apex Limited 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.
3. The shareholdings of Luckever Holdings Limited are based on its disclosure of interests form filed with the Company on 6 November 2008 pursuant to Part XV of the SFO. It is possible that its current shareholdings have changed since the relevant filing date. To the best knowledge and information of the Directors, Luckever Holdings Limited is wholly owned by Mr. Liu Xuezhong and his wife Li Yuelan. No filing of disclosure of interests form has been made by it since 6 November 2008.
4. The shareholdings of Wiaearn Holdings Limited are based on its disclosure of interests form filed with the Company on 10 July 2007 pursuant to Part XV of the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong). It is possible that its current shareholdings have changed since the relevant filing date. To the best knowledge and information of the Directors, the sole shareholder of Wiaearn Holdings Limited is Mr. Pan Jinhong. No filing of disclosure of interests form has been made by it since 10 July 2007.

Disclosure of interest in the Company's Shares

The Shares to be delivered by the Equity Swap Counterparty pursuant to the exercise of the Share Delivery Option will be such Shares purchased and/or held by the Equity Swap Counterparty at the relevant time as principal on its own account. Save for the Bonds and the Equity Swap and the options granted under the employees' share option scheme adopted by the Company on 8 June 2007, the Company does not hold any other outstanding options, derivatives or other arrangements to deal in securities of the Company.

Public Float Requirement

Settlement under the Share Delivery Option will not result in failure to meet the public float requirement set out under Rule 8.08 of the Listing Rules (assuming no further changes in the share capital since the date of this announcement).

Definitions

In this announcement, unless the context otherwise requires, the following terms will have the following meaning:

acting in concert :	has the meaning ascribed thereto under the Takeovers Code
Amended and Restated Equity Swap :	an amended and restated confirmation between the Company and the Equity Swap Counterparty dated 6 November 2009 and an ISDA master agreement (multicurrency cross-border) signed between the Company and the Equity Swap Counterparty, the particulars of which are set out in detail in the Circular
Averaging Date :	in respect of scheduled termination of the entire outstanding notional amount of the Amended and Restated Equity Swap transaction, 30 consecutive Scheduled Trading Days, starting on and including the Scheduled Termination Date, subject to averaging date disruption as referred to in the Equity Swap
Averaging Period :	the period commencing on the First Averaging Date and ending on the Valuation Date (inclusive)
Board :	board of directors of the Company
Bonds :	the RMB denominated USD Settled Zero Coupon Convertible Bonds due 2011 in an aggregate principal amount of RMB1,996.3 million (equivalent to approximately US\$286 million)

Calculation Agent :	Morgan Stanley & Co. International plc
CCASS :	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
Clearance System Business Days :	in respect of CCASS, any day on which CCASS is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions
Company :	China High Speed Transmission Equipment Group Co., Ltd., an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Hong Kong Stock Exchange
Costs :	for purposes of physical settlement, any stamp duty, exchange levy and any similar costs, fees, taxes, duties or charges, as applicable, incurred by the Equity Swap Counterparty in effecting the settlement of transactions contemplated by the Equity Swap. For the avoidance of doubt, no brokerage fees will be paid by the Company to the Equity Swap Counterparty in respect of physical settlement
Directors :	directors of the Company
Equity Swap Counterparty :	Morgan Stanley & Co. International plc
Executive :	executive director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
First Averaging Date :	the Scheduled Termination Date, or in respect of any Optional Early Termination, the relevant Optional Early Termination Date
Hong Kong :	the Hong Kong Special Administrative Region of the PRC
HK\$:	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region
Hong Kong Stock Exchange :	The Stock Exchange of Hong Kong Limited

Initial Price :	HK\$13.6783
Listing Rules :	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Repurchase Code :	the Hong Kong Code on Share Repurchases
RMB :	Renminbi, the lawful currency of PRC
Scheduled Termination Date :	14 May 2011
Scheduled Trading Day :	any day in which (i) the Hong Kong Stock Exchange and (ii) each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or option contracts relating to the Shares, are scheduled to be open for trading for their respective regular trading sessions
Settlement Cycle :	in respect of Shares, the period of Clearance System Business Days following a trade in such Shares on the Hong Kong Stock Exchange in which settlement will customarily occur according to the rules of the Hong Kong Stock Exchange
Settlement Date :	on (or around) 16 May 2011 or any such other date as to be mutually agreed between the Company and the Equity Swap Counterparty.
Settlement Disruption Event :	in respect of a Share, an event beyond the control of the parties to the Equity Swap as a result of which CCASS cannot clear the transfer of such Share
SFO :	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
Share Delivery Option :	an option to elect for physical delivery of Shares pursuant to the terms of the amended and restated Equity Swap
Shares :	ordinary shares of US\$0.01 each in the issued share capital of the Company
Takeovers Code :	the Hong Kong Code on Takeovers and Mergers
United States :	the United States of America

US\$ or USD or US Dollar : United States dollars, the lawful currency of the United States

Valuation Date : the final Averaging Date of the relevant Averaging Period

% : per cent.

In this announcement, unless stated otherwise, amounts denominated in RMB have been converted into HK\$ at the rate of RMB1.00 = HK\$1.1151; and amounts denominated in US\$ have been converted into HK\$ at the rate of US\$1.00 = HK\$7.7957.

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

Hong Kong, 11 May 2011

As at the date of this notice, the board of Directors comprises ten Directors, of which Mr. Hu Yueming, Mr. Chen Yongdao, Mr. Lu Xun, Mr. Li Shengqiang, Mr. Liu Jianguo, Mr. Liao Enrong and Mr. Jin Maoji are Executive Directors, Mr. Zhu Junsheng, Mr. Jiang Xihe and Mr. Chen Shimin are Independent Non-Executive Directors.

* *For identification purposes only*