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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)

**ANNOUNCEMENT
UNUSUAL MOVEMENT IN PRICE AND VOLUME**

This announcement is made at the request of The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of the Company dated 24 April 2008 (“Announcement”). Unless otherwise indicated, capitalized terms and expressions used herein shall have the same meaning of those used in the Announcement.

The board of directors (the “Board”) of China High Speed Transmission Equipment Group Co., Ltd. (the “Company”) notes the recent concern on the effect of the Equity Swap on the Company and the recent unusual movement in the price and trading volume of the shares of the Company.

In relation to the Equity Swap, the terms and the possible exposures of the Equity Swap were disclosed in the Announcement. For details, please refer to the Announcement. The Board takes the view that notwithstanding the substantial decrease in the price, the Equity Swap does not pose any effect on the cash flow or normal operation of the Company as at the date hereof. The Equity Swap will only be settled on the Schedule Termination Date of the Equity Swap being 14 May 2011 or the Optional Early Termination Date of the Equity Swap. Except for the Equity Swap, the Company has not entered into any other derivative contracts.

In addition, the Board wishes to state that we are not aware of any reasons for unusual movement in the price and trading volume of the shares of the Company. There are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Listing Rule 13.23, neither is the Board aware of any matter discloseable under the general obligation imposed by Listing Rule 13.09, which is or may be of a price-sensitive nature, save that the following matters (if conducted or implemented) may or may not constitute price-sensitive information, depending on the finalized terms and size:

- (i) the preliminary discussion with Morgan Stanley & Co. International plc in respect of the proposed amendments to the terms of the Equity Swap to the effect that the Company shall have an option to require the Equity Swap Counterparty to settle by way of physical delivery of shares as an alternative to cash settlement as currently permitted under the Equity Swap (“Potential Transaction”).

Please note that the Company has not approved the Potential Transaction, nor executed any definitive agreements for the Potential Transaction. Negotiations in respect of the Potential Transaction are at a preliminary stage and terms thereof are subject to finalization. The Company may or may not proceed with the Potential Transaction. Further announcement will be made by the Company in respect of any further material development of the Proposed Transaction in accordance with the Listing Rules.

Shareholders and investors of the Company should exercise caution when dealing in the Company’s securities.

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

Hong Kong, 23 October 2008

As at the date of this announcement, the executive directors of the Company are Mr. Hu Yueming, Mr. Chen Yongdao, Mr. Lu Xun, Mr. Li Shengqiang, Mr. Liu Jianguo and Mr. Liao Enrong; the non-executive directors are Mr. Zhu Keming and Mr. Zhang Wei; and the independent non-executive directors are Mr. Zhu Junsheng, Mr. Jiang Xihe and Mr. Chen Shimin.

** For identification purposes only*