

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**RESUMPTION OF TRADING AND REPURCHASE OF  
RMB1,996,300,000 US DOLLAR SETTLED ZERO COUPON  
CONVERTIBLE BONDS DUE 2011  
AND  
ADDITIONAL OPTIONAL EARLY TERMINATION RIGHT  
UNDER THE EQUITY SWAP**

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

Reference is made to the announcements of China High Speed Transmission Equipment Group Co., Ltd. (the “Company” or the “Issuer”) dated 24 April 2008 and 14 May 2008 (the “Announcements”) in respect of the issue of RMB denominated US Dollar settled zero coupon convertible bonds due 2011 and cash settled share swap transaction. Unless the context otherwise requires, capitalised terms and expressions used herein shall have the same meanings as those used in the Announcements.

The Company would like to announce the repurchase of the Bonds pursuant to the Bond Conditions (the principal terms of which were set out in the Announcements), particulars of which are set out in this announcement.

Pursuant to an amendment confirmation entered into between the Company and Equity Swap Counterparty dated as of 24 October 2008 and subject to the provisions contained therein, the Company has an additional optional early termination right in respect of 10,393,800 Shares under the Equity Swap by giving irrevocable notice to the Equity Swap Counterparty. The Company has not yet exercised such additional optional early termination right.

The Company is also in preliminary discussions with the Equity Swap Counterparty to provide to the Company the early termination right in respect to the remaining Shares under the Equity Swap at any time at the option of the Company. There is no assurance that these discussions will result in any agreement, or if agreement is reached, what the terms of the agreement will be.

Trading in the Shares was suspended at the request of the Company with effect from 2.51 p.m. on 24 October 2008 pending release of this announcement. An application has been made by the Company to the Hong Kong Stock Exchange for the resumption of trading in Shares to resume from 9:30 a.m. on 31 October 2008.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

Reference is made to the Announcements. Unless the context otherwise requires, capitalised terms and expressions used herein shall have the same meaning of those used in the Announcements.

The Company would like to announce the following repurchase of the Bonds, particulars of which are set out as follows:

1. Trading day: 24 October 2008
2. Amount of Bonds purchased: RMB255,000,000
3. Method of purchase: Trading through over-the-counter market
4. Highest price paid: RMB68,000 per unit (being a face value of RMB100,000)
5. Lowest price paid: RMB58,000 per unit (being a face value of RMB100,000)
6. Total paid: USD22,293,997.20

The Bonds are being repurchased pursuant to Condition 8(E) which states that “The Issuer or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise.” The amount of the Bonds repurchased by the Company represented approximately 12.77% of the total outstanding principal amount of the Bonds. The repurchase has been financed by the Company through its internal resources.

The Company may repurchase further Bonds from the open market if the Board considers the market price of the Bonds is attractive. The Company believes that it is in the best interest of the Company and the shareholders as a whole to repurchase the Bonds under such conditions. The Company will announce the amount of the Bonds repurchased in accordance with the Listing Rules from time to time.

### **Additional optional early termination right**

As disclosed in the Announcement dated 24 April 2008, under the original terms of the Equity Swap, termination in part or in full of the Equity Swap was permitted by either party following the occurrence of an Optional Early Termination Event (as defined below):

- Optional Early Termination Event :
- (a) any holder of the Bonds validly exercises all or part of its conversion rights;
  - (b) the Issuer validly exercises its option to mandatorily convert all or some only of the Bonds under the Bond Conditions; or
  - (c) any Bonds become repayable prior to the Maturity Date by reason of the exercise by the Issuer of its call options or by reason of exercise by any holder of the Bonds of its put options under the Bond Conditions.

Pursuant to an amendment confirmation between the Company and Equity Swap Counterparty dated 24 October 2008 and subject to the provisions contained therein, the Company has an additional optional early termination right in respect of 10,393,800 Shares under the Equity Swap by giving irrevocable notice to the Equity Swap Counterparty. Such additional optional early termination right is not subject to the occurrence of any of the Optional Early Termination Events and the Company (and only the Company) may terminate the Equity Swap with respect to 10,393,800 Shares by exercising such additional optional early termination right. Furthermore, so long as no termination event or event of default has occurred and is then continuing with respect to either the Company or the Equity Swap Counterparty under the Equity Swap, such additional optional early termination right is exercisable at the option of the Company at any time prior to the termination of the Equity Swap when the Company considers it beneficial and in the interest of the shareholders as

a whole to do so. Such right will, subject to the provisions of the Equity Swap, permit the Company to terminate such portion of the Equity Swap at a time when the share price is beneficial to the Company to do so. The Company has not yet exercised such additional optional early termination right.

The Company is also in preliminary discussions with the Equity Swap Counterparty to provide to the Company the early termination right in respect to the remaining Shares under the Equity Swap at any time at the option of the Company. There is no assurance that these discussions will result in any agreement, or if agreement is reached, what the terms of the agreement will be.

Reference is also made to the announcement of the Company dated 23 October 2008. The fair values of the Equity Swap and the Bonds are determined by the valuer, Greater China Appraisal Limited, at the end of interim and annual accounting periods, as set out in the Company's 2008 interim report on pages 36-37. The next valuation period will therefore end on 31 December 2008. Prior to such time there will be no effect on the financial condition or financial statements of the Company as no gain or loss will be either realized or entered on the books of the Company. On 31 December 2008 an evaluation will be performed, and any gain or loss relating to the Bonds and the Equity Swap will be entered onto the income statement of the Company. Although the effects from the changes in value of the Bonds and the Equity Swap tend to offset each other to a certain degree, to the extent that the termination of the Equity Swap relating to the repurchased Bonds will be exercised at a later date for reasons outlined above, the net effects of the reduction in liability in relation to the repurchased Bonds, the change in cash position from the funds used to repurchase the Bonds, and the presently uncertain liability arising from the terminable (but non-terminated) portion of the Equity Swap, is impossible to predict.

During the effective period of the Equity Swap, the Company has put up collateral in the amount of HK\$1,113,012,941.55 (the "**Collateral**"). Prior to the termination of the Equity Swap, the change in fair value of the Equity Swap caused by fluctuation in the share price shall not pose any effect on the cash flow or normal operation of the Company. As at the termination of the Equity Swap, the maximum loss caused by the Equity Swap due to decrease in the share price shall not exceed the Collateral value, being HK\$1,113,012,941.55.

Trading in the Shares was suspended at the request of the Company with effect from 2.51 p.m. on 24 October 2008 pending release of this announcement. An application has been made by the Company to the Hong Kong Stock Exchange for the resumption of trading in Shares to resume from 9:30 a.m. on 31 October 2008.

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

Hong Kong, 30 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*