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**上海集优**  
SHANGHAI PRIME

上海集優機械股份有限公司

**Shanghai Prime Machinery Company Limited**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 02345)**

## **ANNOUNCEMENT CHANGE IN USE OF PROCEEDS**

Reference is made to the prospectus (the “**Prospectus**”) of Shanghai Prime Machinery Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 16 November 2018 in relation to the rights issue (“**Rights Issue**”); the annual report of the Company for the year ended 31 December 2019 published on 16 April 2020 and the interim results announcement of the Company for the six months ended 30 June 2020 published on 14 August 2020 (“**2020 Interim Results Announcement**”) in relation to the update regarding use of proceeds of the Rights Issue. Unless otherwise specified, capitalized term used herein shall have the same meanings as those defined in the Prospectus.

### **PLANNED USE OF THE NET PROCEEDS**

On 7 December 2018, the Company completed the Rights Issue comprising of 151,942,000 H shares of the Company at HKD1.30 per share and 135,715,236 domestic shares of the Company at RMB1.07 per share. The net proceeds (the “**Net Proceeds**”) raised from the Rights Issue (after deducting all incidental expenses) were approximately HKD355 million. As disclosed in the Prospectus, the Net Proceeds would be applied to (i) partial repayment of the shareholder’s loan, (ii) capital expenditure and potential investments, and (iii) general working capital. As disclosed in the 2020 Interim Results Announcement, the Company had utilized HKD289 million as of 30 June 2020. The unutilised balance of the Net Proceeds amounting to HKD66 million was originally intended to be fully utilised for potential investments by the end of 2020.

### **CHANGE IN USE OF THE NET PROCEEDS**

For reasons set out in the paragraph headed “Reasons for and Benefit of the Change in Use of the Net Proceeds” of this announcement, the board of directors of the Company (the “**Board**”) has resolved to change the use of the Net Proceeds as follows: approximately 18.6% of the Net Proceeds amounting to HKD66 million, which were originally allocated for potential investments, will be reallocated for the use of general working capital.

The revised allocation of the Net Proceeds is set out as follows:

Use of the Net Proceeds	Original allocation of the Net Proceeds	Amount of Net Proceeds utilised as of the date of this announcement <i>(HKD million)</i>	Unutilised balance of the Net Proceeds as at the date of this announcement before the reallocation	Revised allocation of the unutilised balance of the Net Proceeds
(i) Partial repayment of the shareholders' loan	178	178	—	N/A
(ii) Investments	142	76	66	—
— capital expenditure	56	56	—	N/A
— potential investment	86	20	66	—
(iii) General working capital	35	35	—	66
Total	355	289	66	66

## REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF THE NET PROCEEDS

The first half of 2020 was a very challenging period for humanity as the world has experienced a global health crisis coupled with deep economic recession. Various measures were enforced by governments around the world to curb the spread and impact of COVID-19, which has evolved into a pandemic unseen in decades. In response to the uncertainties and disruptions brought by the on-going pandemic, the Group has strived to preserve cash by limiting unnecessary capital expenditure, project spending and certain business activities. Against this backdrop, the Board expects that the Company would not be able to utilise in full the unutilised balance of the Net Proceeds originally intended for investments by end of 2020. The Board considers that it would be in the best interest of the Company and its shareholders to reallocate the unutilised balance of the Net Proceeds to be used in general working capital of the Group.

By order of the Board of  
**Shanghai Prime Machinery Company Limited**  
**Zhou Zhiyan**  
*Chairman*

Shanghai, the PRC  
14 August 2020

*As at the date of this announcement, the Board consists of Executive Directors, namely Mr. Zhou Zhiyan, Mr. Zhang Mingjie, Mr. Si Wenpei, Mr. Xiao Yuman and Mr. Xia Sicheng; Non-executive Director, namely Mr. Dong Yeshun; and Independent Non-executive Directors, namely Mr. Ling Hong, Mr. Chan Oi Fat and Mr. Sun Zechang.*