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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)

PROPOSED CHANGE OF AUDITORS

This announcement is made by Shanghai Prime Machinery Company Limited (the “**Company**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of the Company dated 19 June 2020 in relation to, among other things, the approval by the shareholders of the Company (the “**Shareholders**”) of the re-appointment of Deloitte Touche Tohmatsu (“**Deloitte**”) as the auditors of the Company for the financial year of 2020 and the authorization of the board of directors (the “**Board**”) of the Company to fix the auditors’ remunerations at the annual general meeting of the Company held on 19 June 2020 (the “**AGM**”).

The Board hereby announces that the Board has received a written notification from Deloitte tendering their resignation as the auditors of the Company with effect from 8 September 2020 since the Board has been unable to reach a consensus with Deloitte on their proposed audit fee for the financial year of 2020 subsequent to the AGM. The Board has resolved, with recommendation of the Audit Committee of the Company, to propose the appointment of PricewaterhouseCoopers (“**PwC**”) as the new auditors of the Company for the financial year of 2020. Accordingly, an ordinary resolution will be proposed and tabled for approval by the Shareholders at an extraordinary general meeting of the Company to be scheduled prior to the end of 2020.

Deloitte has confirmed that there is no disagreement between the Company and Deloitte. Deloitte has further confirmed in writing that there are no matters in connection with their resignation that need to be brought to the attention of the Shareholders or creditors of the Company. The Board has also confirmed that there are no matters in connection with the change of auditors of the Company that need to be brought to the attention of the Shareholders or creditors of the Company.

The Board expects that the proposed appointment of PwC, if approved by the Shareholders, will reduce the Company's audit fee for the financial year ending 31 December 2020 and will enhance audit efficiency. PwC is also the auditors of the Company's controlling shareholder Shanghai Electric Group Company Limited (a company listed on The Stock Exchange of Hong Kong Limited under the stock code: 02727; and Shanghai Stock Exchange under the stock code: 601727), and has confirmed in writing to the Board their independence to the Company.

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

Shanghai, the PRC
8 September 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.