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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)

**INSIDE INFORMATION
STRATEGIC REVIEW INVOLVING THE BERLIN PLANT**

This announcement is made by Shanghai Prime Machinery Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

OVERVIEW

The board of directors (the “**Board**”) of the Company wishes to inform shareholders of the Company (the “**Shareholders**”) and potential investors that, after a strategic review conducted by the Board of the Group’s European business operations, the Company intends to close down a production plant located in Berlin, Germany (the “**Berlin Plant**”) (the “**Proposed Restructuring**”).

THE BERLIN PLANT

The Berlin Plant, which is the smaller one of the two plants owned and operated by Nedschroef Fraulautern GmbH, an indirect wholly-owned subsidiary of the Company, is principally engaged in the production of standard automotive fasteners predominately for the European market. The Berlin Plant's sister plant is located in Fraulautern, Germany (the "**Fraulautern Plant**"). As of the date of this announcement, the Berlin Plant has a workforce of 73 ("**Existing Staff**") and set out below is the key financial information of the Berlin Plant as extracted from the unaudited management accounts of Nedschroef Fraulautern GmbH:

<i>(EUR in millions)</i>	For the year ended		For the nine months ended	
	31 December		30 September	
	2017	2018	2018	2019
Revenue	38.2	38.1	29.2	27.4
Contribution margin <i>(Note)</i>	11.7	11.3	8.6	8.4

Note: Contribution margin is defined as revenue minus costs of direct materials and direct labour.

THE STRATEGIC REVIEW

The Board has conducted a strategic review and considered various factors including current business environment, location and prospect of the Berlin Plant and overall operation of the Group especially its European operations, noting in particular:

1. The automotive markets in Europe and China have suffered from a downturn which is expected to continue into 2020.
2. The Berlin Plant manufactures semi-finished standard fastener products which are transported to the Fraulautern Plant for further processing. The two plants are about 750km apart and this has generated extra transportation cost. In addition to that, the Berlin Plant's premises limit further improvement of production efficiency.
3. Certain other production plants under the European operations of the Group have enough free capacity to absorb the production volume of the Berlin Plant without significant investment in equipment and additional overhead costs.

THE PROPOSED RESTRUCTURING

The Proposed Restructuring will involve the permanent close down of the operations of the Berlin Plant, reduction of substantially all the Existing Staff, transfer of substantially all existing business and assets of the Berlin Plant (which primarily include machineries) to the Group's certain other production plants in Europe.

Based on preliminary assessment by the Board, the Group expects to incur one-off restructuring costs of approximately EUR6.2 million (representing approximately HK\$53.6 million), comprising of (a) EUR4.0 million (approximately HK\$34.6 million) staff reduction compensation, (b) EUR1.5 (approximately HK\$13.0 million) for reinstallation of certain machineries and (c) other professional and miscellaneous expenses in the year ending 31

December 2019. Nonetheless, the Board currently expects that the Group would benefit from recurrent saving, on an annual basis, of approximately EUR2.9 million (approximately HK\$24.9 million) staff, overhead and other operating costs. Save as disclosed above, the Board currently expects that the Proposed Restructuring will not have any material adverse impact on the business of the Group.

THE OPINION OF THE BOARD

In view of the above, the Board considers that it is in the best interest of the Company and the Shareholders as a whole to execute the Proposed Restructuring.

The Group expects to initiate the Proposed Restructuring (including communication with the Existing Staff and other internal and external stakeholders of the Berlin Plant) in November 2019 with the aim to complete the Proposed Structuring in the third quarter of 2020.

The information disclosed in this announcement is made solely on the basis of an initial assessment by the Board with reference to the information currently available to the Company and the Board; and such information has not been confirmed or audited by the Company's auditors and may be subject to adjustment after further internal review by the Board and/or review by the auditors of the Company.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. There is no certainty or assurance that the Proposed Restructuring will be implemented and completed as planned or that no changes will be made to the timing and substance of the Proposed Restructuring.

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

Shanghai, the PRC
8 November 2019

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