

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



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)

PROFIT WARNING

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).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment of the latest unaudited financial information, the Group is expected to record a consolidated net profit of not less than RMB120 million for the twelve months ended 31 December 2019 (“**FY2019**”), as compared to a consolidated net profit of RMB280 million for the twelve months ended 31 December 2018 (“**FY2018**”).

Such expected decrease in net profit is mainly attributable to certain one-off or non-recurrent items as set out below:

- (a) the Group, in November 2018, completed disposal of its entire equity interest in Shanghai General Bearing Company Limited, which was an associate of the Group and contributed RMB30.9 million (of which, RMB7.7 million was disposal gain recorded in FY2018) to the Group’s consolidated net profits for FY2018;
- (b) professional expenses totalled RMB15.0 million in relation to a potential acquisition transaction which was not proceeded;
- (c) write-off of the unamortised capitalized upfront fee amounting to RMB9.2 million as a result of early repayment of a Euro syndicated loan;
- (d) compensation expenses totalled RMB18.5 million (approximately EUR2.4 million) in relation to change of senior management of the Group’s European operations; and

(e) restructuring costs of RMB33.2 million (EUR4.3 million) incurred for FY2019 in relation to the close-down of a manufacturing plant in Berlin, Germany (Note: further restructuring costs of approximately RMB14.7 million (EUR1.9 million) is currently expected to be incurred in 2020).

In addition to the above, the Group's annual results for FY2019 were also negatively impacted by external factors including weaker customer demand in car markets in Europe and China; further reduction in demand for coal-fired power equipment in China; tension in the United States-China trade relations; and general slow-down in China's macro-economy.

Notwithstanding of the foregoing, the Group's bearing and cutting tool businesses continued to fare better in terms of profit for FY2019 compared to FY2018.

The Board wishes to emphasise that the annual results of the Company for FY2019 have not been finalized. The information contained in this announcement is only based on the preliminary assessment by the Board with reference to information currently available to the Board and the unaudited management accounts of the Group for FY2019, which have not been audited by the Company's independent auditors, and may be subject to further adjustments.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Shanghai, the PRC
7 February 2020

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.