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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Prime Machinery Company Limited, you should at once hand this circular and the accompanying form of proxy and the reply slip to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**REPORT OF THE BOARD FOR THE YEAR 2019
REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2019
REPORT OF THE INDEPENDENT AUDITORS AND THE COMPANY'S
AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2019
TO CONSIDER AND APPROVE THE PROFIT DISTRIBUTION PLAN
OF THE COMPANY FOR THE YEAR 2019
RE-APPOINTMENT OF DELOITTE TOUCHE TOHMATSU AS
THE COMPANY'S AUDITORS FOR THE FINANCIAL YEAR OF 2020
THE AUTHORISATION OF THE BOARD TO DETERMINE
THE AUDITORS' REMUNERATION
THE POLICY ON REMUNERATIONS OF
THE DIRECTORS AND SUPERVISORS
PROPOSED ELECTION AND RE-ELECTION OF DIRECTOR
AND SUPERVISORS
GENERAL MANDATE TO ISSUE DOMESTIC SHARES AND/OR H SHARES
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF THE 2019 ANNUAL GENERAL MEETING**

A notice of the 2019 Annual General Meeting (the "AGM") to be held at Meeting Center, North 6th Floor, 2747 Songhuajiang Road, Hongkou District, Shanghai, PRC on Friday, 19 June 2020, at 1:00 p.m. is set out on pages 25 to 29 of this circular.

A reply slip and a form of proxy for use at the AGM are enclosed herewith and also published on both the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.pmesh.com>). If you intend to appoint a proxy to attend the AGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM. Shareholders who intend to attend the meeting in person or by proxy should complete, sign and return the reply slip in accordance with the instructions printed thereon on or before Saturday, 30 May 2020.

16 April 2020

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DEFINITIONS

Unless the context otherwise requires, the following expressions in this circular shall have the following meanings:

“AGM”	the annual general meeting for the year 2019 of the Company to be held at Meeting Center, North 6th Floor, 2747 Songhuajiang Road, Hongkou District, Shanghai, PRC on Friday, 19 June 2020, at 1:00 p.m. and any adjournment thereof (as the case may be);
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time;
“Board”	the board of directors of the Company;
“Company”	Shanghai Prime Machinery Company Limited (上海集優機械股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and whose H Shares are listed on the Hong Kong Stock Exchange under the stock code of 02345;
“Director(s)”	the director(s) of the Company;
“Domestic Share(s)”	the ordinary domestic share(s) of the Company, with a par value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB;
“Executive Director(s)”	the executive director(s) of the Company;
“General Mandate”	the general mandate to issue Domestic Shares and/or H Shares (including but not limited to ordinary Shares, preference Shares, or other securities in compliance with applicable laws and regulations) representing up to the limit of 20% of each of the total number of the Domestic Shares and/or H Shares of the Company respectively in issue as at the date of passing such resolution to grant the general mandate;
“Group”	the Company and its subsidiaries;
“H Share(s)”	the ordinary share(s) of the Company, with a par value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Non-executive Director(s)”	the independent non-executive director(s) of the Company;

DEFINITIONS

“Latest Practicable Date”	7 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Non-executive Director”	the non-executive director of the Company;
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC;
“SEC”	Shanghai Electric Group Company Limited (上海電氣集團股份有限公司), a joint stock limited company incorporated in the PRC, whose A and H shares are listed on the Shanghai Stock Exchange under the stock code: 601727 and the Hong Kong Stock Exchange under the stock code: 02727, respectively, and a controlling shareholder of the Company holding approximately 55.06% equity interests in the total issued share capital of the Company as of the Latest Practicable Date;
“Share(s)”	Domestic Share(s) and/or H Share(s);
“Shareholder(s)”	holder(s) of the Company’s Share(s);
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supervisors”	the supervisors of the Company;
“Supervisory Committee”	the committee of supervisors of the Company; and
“%”	per cent.

Note: All times refers to Hong Kong local time, except as otherwise stated.



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)

Executive Directors:

Mr. Zhou Zhiyan (*Chairman*)
Mr. Zhang Mingjie
Mr. Si Wenpei
Mr. Xiao Yuman

Non-executive Director:

Mr. Dong Yeshun

Independent Non-executive Directors:

Mr. Ling Hong
Mr. Chan Oi Fat
Mr. Sun Zechang

Registered office:

Room 1501, Jidian Edifice
600 Heng Feng Road
Shanghai
The People's Republic of China

*Principal place of business
in Hong Kong:*

Room 901-903
Tower Two
Lippo Centre
No. 89 Queensway
Hong Kong

Dear Sir or Madam,

**REPORT OF THE BOARD FOR THE YEAR 2019
REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2019
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AND
NOTICE OF THE 2019 ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to give you a notice of the AGM, which is set out on pages 25 to 29 of this circular and to provide you with information reasonably necessary to enable you to consider and vote for or against certain of the resolutions to be proposed at the AGM as described below.

LETTER FROM THE BOARD OF DIRECTORS

At the AGM, resolutions will be proposed to (*inter alia*) (i) consider and approve the report of the Board for the year 2019; (ii) consider and approve the report of the Supervisory Committee for the year 2019; (iii) consider and approve the report of the independent auditors and the Company's audited financial statements for the year 2019; (iv) consider and approve the profit distribution plan of the Company for the year 2019; (v) consider and approve the re-appointment of Deloitte Touche Tohmatsu as the Company's auditors for the financial year of 2020 and the authorisation to the Board to determine the auditors' remunerations; (vi) consider and approve the policy on remunerations of the Directors and Supervisors; (vii) consider and approve the proposed election and re-election of Directors and Supervisors; (viii) consider and approve the general mandate to issue Domestic Shares and/or H Shares of the Company; and (ix) consider and approve the proposed amendments to the Articles of Association.

(i) Report of the Board of Directors for the year 2019

An ordinary resolution will be proposed at the AGM to approve the report of the Board for the year 2019. The full text of the report of the Board for the year 2019 is set out in the 2019 annual report of the Company which is despatched on the even date of this circular.

(ii) Report of the Supervisory Committee for the year 2019

An ordinary resolution will be proposed at the AGM to approve the report of the Supervisory Committee for the year 2019. The full text of the report of the Supervisory Committee for the year 2019 is set out in the 2019 annual report of the Company which is despatched on the even date of this circular.

(iii) Report of the Independent Auditors and the Company's Audited Financial Statements for the year 2019

An ordinary resolution will be proposed at the AGM to approve the report of the independent auditors and the audited financial statements of the Company for the year 2019. The full text of the report of the independent auditors and the audited financial statements are set out in the 2019 annual report of the Company which is despatched on the even date of this circular.

(iv) Profit Distribution Plan for the year 2019

Pursuant to the Articles of Association, an ordinary resolution will be proposed at the AGM to approve the profit distribution plan of the Company.

On 27 March 2020, the Board recommended to distribute the payment of final dividends of RMB3.80 cents per Share for the financial year 2019 to the Shareholders whose names appear on the register of members on Monday, 6 July 2020, equal to approximately 51% of the net profit attributable to owners of the Company which was approximately RMB127,371,000 as set out in the consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards (which includes all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations). The dividend distribution will be made based on the Company's entire issued share capital of 1,725,943,420 Shares, representing a dividend of RMB3.80 cents per Share. The profit distribution proposal is subject

LETTER FROM THE BOARD OF DIRECTORS

to the Shareholders' consideration and approval at the AGM to be convened on Friday, 19 June 2020. The dividends will be paid to the Shareholders whose names appear on the register of members on Monday, 6 July 2020. In addition, the Company's register of members will be closed from Friday, 26 June 2020 to Monday, 6 July 2020 (both dates inclusive) for the purpose of ascertaining the shareholders' entitlement to the proposed final dividend of the Company. In order to be qualified for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged at the Company's H Share Registrars, Tricor Investor Services Limited at 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 24 June 2020.

Final dividend income tax withholding and payment

Enterprise income tax withholding and payment of non-resident enterprise shareholders

In accordance with "the Enterprise Income Tax Law of the People's Republic of China" (the "**Enterprise Income Tax Law**") and its implementation regulations and "The Notice on the Issues Concerning Enterprise Income Tax Withholding and Payment of Dividends Paid to Overseas Non-resident Enterprise Shareholders of H shares by Resident Enterprise in the PRC" (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation of the PRC, the Company shall be obligated to withhold and pay 10% enterprise income tax before it distributes the final dividends to non-resident enterprise shareholders as listed on the Company's register of members of H shares (the "**Register of Members of H Shares**") on Monday, 6 July 2020 (the "**Record Date**"). Any H shares registered in the name of non-individual shareholders are deemed as held by the non-resident enterprise shareholders. As such, the enterprise income tax shall be deducted from the dividend thereof. The non-resident enterprise shareholders shall apply to relevant tax authorities for refund in according to applicable tax arrangements (if any). After the legal opinion is provided by the resident enterprise shareholders within the stipulated time frame and upon the Company's confirmation of such opinion, the Company will not withhold and pay any enterprise income tax when it distributes the final dividends to resident enterprise shareholders of H shares as listed on the Company's Register of Members of H Shares on the Record Date. If any resident enterprise (the same meanings as defined in the Enterprise Income Tax Law) listed on the Register of Members of H Shares which is duly incorporated in the PRC or under the laws of a foreign country (region) but with a PRC-based de facto management body, does not desire the Company to withhold and pay the aforesaid 10% enterprise income tax, a legal opinion, issued by a PRC qualified lawyer (inscribed with the seal of the applicable law firm), that verifies its resident enterprise status shall be lodged at the Company's H Share Registrar, Tricor Investor Services Limited, at 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 1 July 2020.

LETTER FROM THE BOARD OF DIRECTORS

Individual income tax withholding and payment of overseas resident individual shareholders

“The Notice on the Issues Concerning Tax on the Earnings from Transfer of Stocks (Stock Rights) and on the Income Tax from Dividends Received by Enterprises with Foreign Investment, Foreign Enterprises and Individual Foreigners” (Guo Shui Fa [1993] No. 045) (《關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知》(國稅發 [1993]045號)) (the “**93 Notice**”) issued by the State Administration of Taxation of the PRC, where individual foreigners holding H Shares are exempted from paying individual income tax for dividends (bonuses) obtained from companies incorporated in the PRC that issue H Shares, was repealed under “The Announcement on the List of Fully and Partially Invalidated and Repealed Tax Regulatory Documents” (《關於公佈全文失效廢止、部分條款失效廢止的稅收規範性文件目錄的公告》) issued by the State Administration of Taxation of the PRC on 4 January 2011. On 28 June 2011, the State Administration of Taxation of the PRC issued “The Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045” (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發 [1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) (the “**2011 Notice**”). The 2011 Notice has clarified the issues concerning the collection of individual income tax arising from H share dividends received by individual foreigners following the repeal of the 93 Notice. Due to the recent change in the tax regulations of the PRC as mentioned above, a company, as the withholding agents, should withhold and pay the individual income tax for the overseas resident individual shareholders on the dividends income (bonus) of the shares issued in Hong Kong by the mainland enterprises with non-foreign investment under the item of “interests, dividend and bonus income” in accordance with the laws. After the Company’s repeated consultation with competent tax authorities, they confirmed that the Company should withhold and pay the individual income tax for the dividends or bonus income received by the overseas resident individual shareholders of the Company. However, the overseas resident individual shareholders holding the shares of the Company may be entitled to the relevant favourable tax treatments pursuant to the provisions in the tax treaties between the country(ies) in which they are domiciled and the PRC, and the tax arrangements between the mainland China and Hong Kong (Macau). As such, the Company will withhold and pay individual income tax for H share individual shareholders in accordance with the following rules:

- for the H share individual shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such shareholders in the distribution of final dividend;
- for the H share individual shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of such shareholders in the distribution of final dividend, while such shareholders may apply for rebate of the additional payment to the tax authorities in accordance with the actual tax rate under such tax treaties;

LETTER FROM THE BOARD OF DIRECTORS

- for the H share individual shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;
- for the H share individual shareholders whose country (region) of domicile is a country (region) which has not entered into any tax treaties with the PRC, or a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such shareholders in the distribution of final dividend. If a H share individual shareholder considers that his/her individual income tax withheld by the Company does not comply with the tax rate stipulated by the tax treaties between country(ies) or region(s) in which he/she is domiciled and the PRC, he/she should file an authorisation letter together with the reporting materials relating to him/her being a resident of the related country or region, to Tricor Investor Services Limited, the Company's H Share Registrar in Hong Kong by no later than 4:30 p.m. on Wednesday, 1 July 2020. The materials will be submitted to the competent tax authority by the Company, for subsequent taxation handling. Non-resident enterprise shareholders and overseas resident individual shareholders of the Company may seek advice from their tax advisor in relation to the tax impact of the mainland China, Hong Kong and other countries (regions) involved in owning and disposing of H shares of the Company if they have any doubts on the above arrangements.

All dividends to be distributed will be denominated and declared in Renminbi and will be paid to H Share Shareholders in Hong Kong dollars. The value of dividends payable in Hong Kong dollars shall be based on the average exchange rate of Renminbi and Hong Kong dollars announced by the People's Bank of China in the five business days before Friday, 19 June 2020, being the date of dividend declaration. The above dividends are expected to be paid on or about Monday, 10 August 2020.

(v) Re-appointment of Deloitte Touche Tohmatsu as the Company's Auditors for the Financial Year of 2020 and the Authorisation of the Board to Determine the Auditors' Remuneration

An ordinary resolution will be proposed at the AGM to approve the re-appointment of Deloitte Touche Tohmatsu as the Company's auditors for the financial year of 2020 and the authorisation to the Board to determine the auditors' remunerations.

(vi) Policy on Remunerations of the Directors and Supervisors

An ordinary resolution will be proposed at the AGM to approve the remuneration policy of the Directors and Supervisors (non-employee representatives) for the year ending 31 December 2020 and ratification of the remunerations paid to the Directors and Supervisors (non-employee representatives) during the year 2019, formulated in accordance with the Company's internal policy and relevant regulatory requirements.

LETTER FROM THE BOARD OF DIRECTORS

(vii) Proposed Election and Re-election of Director and Supervisors

Mr. Gou Jianhui tendering his resignation as an Executive Director and a member of the strategy committee and risk management committee of the Company with effect from 1 April 2020. Mr. Gou resigned of his own accord as he pursues new career development and other business opportunities.

The nomination committee of the Board has recommended Mr. Xia Sicheng to be appointed as an Executive Director of the Company.

The term of office of the fifth session of the Board will expire on 19 June 2020. The Company was informed that the members of the fifth session of the Board Mr. Zhou Zhiyan, Mr. Zhang Mingjie, Mr. Si Wenpei, Mr. Xiao Yuman, Mr. Dong Yeshun, Mr. Ling Hong, Mr. Chan Oi Fat and Mr. Sun Zechang have offered themselves for re-election at the AGM. The nominated candidates for members of its sixth session are as follows:

(a) *Executive Directors*

Mr. Zhou Zhiyan, Mr. Zhang Mingjie, Mr. Si Wenpei, Mr. Xiao Yuman and Mr. Xia Sicheng

(b) *Non-executive Director*

Mr. Dong Yeshun

(c) *Independent non-executive Directors*

Mr. Ling Hong, Mr. Chan Oi Fat and Mr. Sun Zechang

The Independent Non-executive Directors recommended for re-election have confirmed that they have fulfilled the independent factors as stipulated in Rule 3.13 of the Listing Rules. The Company considered that they are independent pursuant to the guidelines on independence under the Listing Rules.

The biographical details of the candidates to the sixth session of the Board are set out in Appendix I to this circular.

The proposed re-election of Directors will be submitted to the AGM for Shareholders' consideration and approval.

The term of office of the fifth session of the Supervisory Committee will expire on 19 June 2020. The Company was informed that all members of the fifth session of the Supervisory Committee have offered themselves for re-election at the AGM. The nominated candidates for members of its sixth session are as follows:

(a) Ms. Zhang Yan

(b) Ms. Lu Haixing

LETTER FROM THE BOARD OF DIRECTORS

(c) Mr. Yu Yun (employee representative Supervisor)

The biographical details of the candidates to the sixth session of the Supervisory Committee are set out in Appendix I to this circular.

The proposed election and re-election of Supervisors (except Mr. Yu Yun) will be submitted to the AGM for Shareholders' consideration and approval.

The election and re-election of the Directors and the non-employee representative Supervisors shall be subject to Shareholders' approval at the AGM. The current employee representative Supervisor, Mr. Yu Yun, will be subject to election at the joint employee representative meeting of the Company as a member of next-term Supervisory Committee for a term of three years in accordance with the Articles of Association. Subject to being elected at the joint employee representative meeting of the Company, Mr. Yu Yun as the elected employee representative Supervisor will enter into a service contract with the Company for a term of three years commencing from the date of the AGM. For other candidates for Directors and Supervisors, each of the candidates for Directors/Supervisors will enter into a service contract with the Company respectively for a term of three years upon their respective due appointment at the AGM in accordance with the Articles of Association. Pursuant to the Articles of Association, each of the candidates for Directors/Supervisors will be subject to re-election upon the expiry of their terms of office.

(viii) General Mandate to Issue Domestic Shares and/or H Shares

To ensure that flexibility and discretion are given to the Directors to issue new Shares when they think desirable, the Company proposed to grant the General Mandate to the Directors to allot, issue and otherwise deal with additional Domestic Shares and/or H Shares of the Company representing up to the limit of 20% of each of the total number of the Domestic Shares and/or H Shares of the Company respectively in issue as at the date of passing such resolution to grant the General Mandate. Any exercise of the power by the Directors under the The General Mandate shall comply with the relevant requirements of the Listing Rules, the Articles of Association and the applicable laws and regulations of PRC. For details of the General Mandate, please refer to the notice of the AGM, which is included in this circular.

As at the Latest Practicable Date, the Company had in issue 814,291,420 Domestic Shares and 911,652,000 H Shares. Subject to the passing the resolution for the granting of the General Mandate, the Company would be allowed to allot, issue and deal with up to the maximum of 162,858,284 Domestic Shares and 182,330,400 H Shares on the basis that no further H Shares and Domestic Shares will be issued prior to the AGM.

LETTER FROM THE BOARD OF DIRECTORS

(ix) Proposed Amendments to Articles of Association

A special resolution will be proposed at the AGM to consider and, if thought fit, approve the proposed amendments to Articles of Association.

Reference is made to the announcement of the Company dated 27 March 2020 in relation to the proposed amendments to Articles of Association. On 27 March 2020, the Board has resolved to propose amendments to the Articles of Association. The proposed amendments to the Articles of Association are subject to the Shareholders' approval at the AGM.

To protect the legitimate rights and interests of the Company, shareholders and creditors of the Company, and regulate the organisation and behaviour of the Company, the Board proposed to amend the Articles of Association in accordance with the Company Law of the People's Republic of China (revised in 2018), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas (the "**Mandatory Provisions**"), the Approval and Reply of the State Council on the Adjustment of the Notice Period of the Shareholders' General Meeting and Other Matters Applicable to Overseas Listed Companies (Guohan [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019] 97號)) and other relevant requirements after taking into consideration of the actual situation and business need of the Company, details of which are as follows:

Comparison Table of Amendments to the Articles of Association

Original Articles	Amended Articles
<p>Article 11</p> <p>.....</p> <p>The business scope of the Company is: design, sale, technical consultancy and training of industrial turbine blades, precision bearings, high strength standard fasteners, numerical control machine, cutting tools systems, small and medium-sized special motor and other mechanical components, domestic trade (except specifically stipulated), industrial investment, import and export trade of goods and technology, and project related services (items which shall be approved according to laws can only be operated upon obtaining approval from the competent authorities).</p> <p>.....</p>	<p>Article 11</p> <p>.....</p> <p>The business scope of the Company is: design, sale, technical consultancy and training of industrial turbine blades, precision bearings, high strength standard fasteners, numerical control machine, cutting tools systems, small and medium-sized special motor and other mechanical components, domestic trade (except specifically stipulated), industrial investment, import and export trade of goods and technology, and project related services <u>property lease, enterprise management, investment management, and investment consultancy</u> (items which shall be approved according to laws can only be operated upon obtaining approval from the competent authorities).</p> <p>.....</p>

LETTER FROM THE BOARD OF DIRECTORS

Article 17

.....

Subject to the approval by the State-owned Assets Supervision and Administration Commission of the State Council and the vetting authorities authorized by the State Council, the capital structure of the Company after the completion of rights issue of domestic shares and H shares is as follows:

Name of shareholders	Number of shares held	Percentage of total equity
Shareholders of domestic shares		
Shanghai Electric Group Company Limited	814,291,420	47.179%
H shares	911,625,000	52.821%
Total	<u>1,725,943,420</u>	<u>100%</u>

Article 46

Within 30 days prior to a shareholders' general meeting or within five days prior to the date on which the Company decides the basis of distribution of dividends, no entry shall be made to the register of shareholders to record any changes resulting from any transfer of shares.

Article 17

.....

Subject to the approval by the State-owned Assets Supervision and Administration Commission of the State Council and the vetting authorities authorized by the State Council, the capital structure of the Company after the completion of rights issue of domestic shares and H shares is as follows:

Name of shareholders	Number of shares held	Percentage of total equity
Shareholders of domestic shares		
Shanghai Electric Group Company Limited	814,291,420	47.179%
H shares	911,625,000	52.821%
Total	<u>1,725,943,420</u>	<u>100%</u>

Article 46

~~Within 30 days prior to a shareholders' general meeting or within five days prior to the date on which the Company decides the basis of distribution of dividends, no entry shall be made to the register of shareholders to record any changes resulting from any transfer of shares.~~ Where the applicable laws, administrative regulations, departmental rules, regulatory documents, and the relevant stock exchanges or regulatory authorities at the place where the Company's shares are listed stipulate the period during which the share transfer registration formalities shall be suspended before the shareholders' general meeting or the benchmark date decided by the Company for distribution of dividends, such period shall prevail.

LETTER FROM THE BOARD OF DIRECTORS

Article 59

The shareholders' general meeting shall exercise the following powers:

.....

(13) to examine any motion put forward by shareholders representing 5% or more of the Company's total voting shares;

.....

Article 62

A shareholders' general meeting shall be convened by a written notice served on the shareholders registered as such in the register of shareholders 45 days prior to the meeting specifying the matters to be considered and the time and place of the meeting. Shareholders who intend to attend the shareholders' general meeting shall serve on the Company a written reply 20 days before the date of the meeting.

Article 59

The shareholders' general meeting shall exercise the following powers:

.....

(13) to examine any motion put forward by shareholders ~~representing 5% or more of the Company's total voting shares~~ which individually or aggregately hold 3% or more (including 3%) of the shares of the Company according to provisions of the Articles of Association hereof;

.....

Article 62

~~A shareholders' general meeting shall be convened by a written notice served on the shareholders registered as such in the register of shareholders 45 days prior to the meeting specifying the matters to be considered and the time and place of the meeting. Shareholders who intend to attend the shareholders' general meeting shall serve on the Company a written reply 20 days before the date of the meeting.~~ When the Company is to hold a shareholders' general meeting, shareholders shall be notified no less than 20 days in advance of a shareholders' general meeting of the time and place and the matters to be considered at the meeting. When the Company is to hold an extraordinary general meeting, shareholders shall be notified no less than 15 days in advance of an extraordinary general meeting. For the issuance of unregistered shares, the time, place and the matters to be considered at the meeting shall be notified by way of public announcement no less than 30 days in advance of the meeting. Shareholders of the unregistered shares who attend the shareholders' general meeting shall have their shares deposited in the Company during the period from five days prior to the meeting until the meeting is closed. Shareholders who intend to attend the shareholders' general meeting shall serve on the Company a written reply 20 days before the date of the meeting.

LETTER FROM THE BOARD OF DIRECTORS

Article 63

When the Company is to hold an annual shareholders' general meeting, shareholders holding 5% or more of the total number of the Company's voting shares shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda for such meeting the matters in the motions that fall within the scope of duties of the shareholders' general meeting.

Article 63

~~When the Company is to hold an annual shareholders' general meeting, shareholders holding 5% or more of the total number of the Company's voting shares shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda for such meeting the matters in the motions that fall within the scope of duties of the shareholders' general meeting.~~
shareholder(s) who individually or aggregately hold 3% or more (including 3%) of the shares of the Company may deliver a written interim motion to the Board of Directors 10 days in advance of a shareholders' general meeting. The Board of Directors shall notify other shareholders of the interim motion within 2 days as of the receipt thereof and submit the motion to the shareholders' general meeting for consideration. Any interim motion put forward shall fall within the purview of the shareholders' general meeting and shall have specific theme and detailed matters to be considered. The shareholders' general meeting shall not make any resolution on any matter that is not listed in Article 62 and Article 63 hereof.

LETTER FROM THE BOARD OF DIRECTORS

Article 65

Pursuant to the written replies received 20 days prior to the shareholders' general meeting, the Company shall calculate the number of shares which carry the right to vote held by those shareholders who intend to attend the meeting. If the number of shares which carry the right to vote held by those shareholders who intend to attend the meeting is more than half of the total number of shares of the Company which carry the right to vote, the Company may convene a shareholders' general meeting; otherwise, the Company shall within 5 days thereof give a further notice to the shareholders specifying the matters to be considered and the date and place of the meeting by way of announcement. After giving such notice, the Company may convene the shareholders' general meeting.

An extraordinary general meeting may not decide on matters not specified in the notice.

Article 65

Pursuant to the written replies received 20 days prior to the shareholders' general meeting, the Company shall calculate the number of shares which carry the right to vote held by those shareholders who intend to attend the meeting. If the number of shares which carry the right to vote held by those shareholders who intend to attend the meeting is more than half of the total number of shares of the Company which carry the right to vote, the Company may convene a shareholders' general meeting; otherwise, the Company shall within 5 days thereof give a further notice to the shareholders specifying the matters to be considered and the date and place of the meeting by way of announcement. After giving such notice, the Company may convene the shareholders' general meeting. Where the Board of Directors is unable or fails to fulfill his/her obligations to convene a shareholders' general meeting, the Board of Supervisors shall convene and preside over such meeting. Where the Board of Supervisors does not convene or preside over such meeting, shareholder(s) who individually or aggregately hold 10% or more of the Company's shares for 90 consecutive days or more may convene and preside over the meeting on his or their own initiative.

An extraordinary general meeting may not decide on matters not specified in the notice.

LETTER FROM THE BOARD OF DIRECTORS

Article 67

A notice of shareholders' general meeting shall be served on the shareholders (whether entitled to vote at the meeting or not) in the way specified in Article 199 of this Articles of Association.

For holders of domestic shares, the notice of the shareholders' general meeting may be made through announcement. For holders of domestic shares, the notice of the shareholders' general meeting shall be published 45 days to 50 days prior to the date of the meeting in one or more national newspapers designated by the securities regulatory authority of the State Council. Once such announcement is made, all holders of domestic shares shall be deemed to have received the notice of such shareholder's general meeting.

Article 73

The Company is entitled to demand an attorney appointed to attend the meeting on behalf the individual shareholder to present his own identification card and the relevant power of attorney executed by such appointer or its authorized representative.

Where a legal person representative is appointed by a legal shareholder to attend the meeting, the Company shall be entitled to demand such legal person representative to present his own identification card and the instrument for appointing the legal person representative executed by the Board of Directors of the institutional shareholder (except recognized clearing house or its nominee) or other governing body, and a notarially certified copy of resolution or power of attorney.

Article 67

A notice of shareholders' general meeting shall be served on the shareholders (whether entitled to vote at the meeting or not) in the way specified in Article 199 of this Articles of Association.

For holders of domestic shares, the notice of the shareholders' general meeting may be made through announcement. For holders of domestic shares, the notice of the shareholders' general meeting shall be published ~~45 days to 50 days~~ prior to the date of the meeting in one or more national newspapers designated by the securities regulatory authority of the State Council. Once such announcement is made, all holders of domestic shares shall be deemed to have received the notice of such shareholder's general meeting.

Article 73

The Company is entitled to demand an attorney appointed to attend the meeting on behalf the individual shareholder to present his own identification card and the relevant power of attorney executed by such appointer or its authorized representative. The attorney appointed shall exercise the voting rights within the scope of authorization.

Where a legal person representative is appointed by a legal shareholder to attend the meeting, the Company shall be entitled to demand such legal person representative to present his own identification card and the instrument for appointing the legal person representative executed by the Board of Directors of the institutional shareholder (except recognized clearing house or its nominee) or other governing body, and a notarially certified copy of resolution or power of attorney.

LETTER FROM THE BOARD OF DIRECTORS

Article 96

If the Company convenes a class shareholders' meeting, it shall issue a written notice 45 days prior to the meeting to all shareholders of such class who are on the register of shareholders, specifying the business to be considered and the date and place of the meeting. The shareholders who intend to attend the meeting shall serve on the Company written replies of their intention to attend 20 days prior to the meeting.

If the number of shares which carry the right to vote at such meeting held by those shareholders who intend to attend such meeting is more than half of the total number of that class of shares, the Company may convene such meeting of class shareholders; if this cannot be attained, the Company shall further notify the shareholders by way of announcement within 5 days thereof specifying the business to be considered and the date and place of the meeting. After the giving of such notice, the Company may convene the class shareholders' meeting.

Article 96

If the Company convenes a class shareholders' meeting, ~~it shall issue a written notice 45 days prior to the meeting~~ the time limit for the Company to issue a written notice prior to such class shareholders' meeting shall be the same as that for the non-class shareholders' meeting to be convened together with such class shareholders' meeting. ~~The Company shall issue a written notice~~ to all shareholders of such class who are on the register of shareholders, specifying the business to be considered and the date and place of the meeting. The shareholders who intend to attend the meeting shall serve on the Company written replies of their intention to attend 20 days prior to the meeting.

If the number of shares which carry the right to vote at such meeting held by those shareholders who intend to attend such meeting is more than half of the total number of that class of shares, the Company may convene such meeting of class shareholders; if this cannot be attained, the Company shall further notify the shareholders by way of announcement within 5 days thereof specifying the business to be considered and the date and place of the meeting. After the giving of such notice, the Company may convene the class shareholders' meeting.

Except for the proposed amendments as set out above, other articles in the Articles of Association remain unchanged.

The above proposed amendments to the Articles of Association will come into effect after being considered and approved by the shareholders at the AGM.

The Board has further resolved to propose a special resolution at the AGM to authorise the Board to grant authorisation to the management of the Company to handle the approval and filing procedures with relevant regulatory authorities involved in such amendments, and to make adjustments to such amendments to the Articles of Association according to opinions of regulatory authorities.

LETTER FROM THE BOARD OF DIRECTORS

2019 ANNUAL GENERAL MEETING

A notice of the AGM to be held at Meeting Center, North 6th Floor, 2747 Songhuajiang Road, Hongkou District, Shanghai, PRC on Friday, 19 June 2020 at 1:00 p.m., is set out on pages 25 to 29 of this circular.

In order to determine the Shareholders who are entitled to attend the AGM, the Company's register of members will be closed from Thursday, 21 May 2020 to Friday, 19 June 2020 (both days inclusive), during which period no transfer of H Shares will be effected. Holders of H Shares whose names appear on the Company's register of members on Friday, 19 June 2020 are entitled to attend the AGM. In order to be eligible to attend and vote at the AGM, holders of H Shares whose transfers have not been registered must deposit the transfer documents together with the relevant share certificates at the office of the H Share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 20 May 2020.

A reply slip and a form of proxy for use at the AGM are enclosed herewith and also published on both the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.pmcs.com>). If you intend to appoint a proxy to attend the AGM, you are requested to complete, sign and not less than the enclosed form of proxy in accordance with the instructions printed thereon the latest 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM. Shareholders who intend to attend the meeting in person or by proxy should complete, sign and return the reply slip in accordance with the instructions printed thereon on or before Saturday, 30 May 2020.

LISTING RULES REQUIREMENT

According to Rule 13.39(4) of the Listing Rules, apart from certain exceptions, any vote of shareholders at a general meeting must be taken by poll. All resolutions at the AGM will be taken by way of poll. An announcement on the poll vote results will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.pmcs.com>) respectively by the Company after the AGM in the manner prescribed under the Listing Rules.

RECOMMENDATION

The Board believes that the proposals mentioned above are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders should vote in favour of the relevant resolutions to be proposed at the AGM as set out in the notice of the AGM.

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

The biographies of the candidate of Directors and Supervisors proposed to be elected and re-elected at the AGM are set out as follows:

DIRECTORS

Executive Directors

Mr. Zhou Zhiyan, aged 56, is the chairman and an executive director of the Company and services as the President of the Company since 1 April 2020. Mr. Zhou joined the Company in 2005. From 2005 to 2007, he served as the chairman and executive director of the Company. He has served as the vice chairman, executive director and president of the Company since 2013 as well as the chairman, executive director and president of the Company since 2015. Mr. Zhou joined Shanghai Electric (Group) Corporation in August 1983. He served as chief financial officer for the business department of Shanghai Electric (Group) Corporation, deputy chief accountant of Shanghai Electric (Group) Corporation, president of Shanghai Electric Industrial Corporation, head of investment management department, investment director and chief financial officer of Shanghai Electric Assets Management Company Limited, executive deputy head of overseas business department and head of financial budget department of Shanghai Electric (Group) Corporation. Mr. Zhou graduated from the School of Accounting of Shanghai Industry and Commerce Institute in 1988 majoring in finance and accounting and obtained a MBA degree from Shanghai Jiao Tong University in 1992. He is a senior accountant.

As of the Latest Practicable Date, Mr. Zhou is interested in 156,800 ordinary shares of the Company, representing in aggregate 0.02% of the issued voting shares of the Company, within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

The Company proposes to re-appoint Mr. Zhou as an Executive Director with a term of three years. Remuneration of Mr. Zhou will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Upon due appointment, Mr. Zhou will enter into a service contract for a term of three years commencing from the date of the AGM.

Mr. Zhang Mingjie, aged 57, is an executive director of the Company, director of department of industry development of Shanghai Electric Group Company Limited, the vice-chairman of Shanghai Highly (Group) Co., Ltd. (listed on the Shanghai Stock Exchange with a stock code of 600619, 900910 (B share)) and dean of central research institute of Shanghai Electric Group Company Limited and party secretary. Mr. Zhang joined Shanghai Electric in September 1985, and worked at Shanghai Transformer Factory (上海變壓器廠), Shanghai Voltage Regulator Factory (上海電壓調整器廠), Shanghai Electric Co., Ltd. (上海電器股份有限公司), Shanghai Huatong Switch Factory (上海華通開關廠), Shanghai Power Transmission and Distribution Co., Ltd. (上海輸配電股份有限公司), Shanghai Electric Group Company Limited, Shanghai Electric (Group) Corporation, Shanghai Mechanical & Electrical Industry Co., Ltd. (上海機電股份有限公司) and the central research institute of Shanghai Electric Group Company Limited respectively. He used to be party secretary and deputy general manager of Shanghai Power Transmission and Distribution Co., Ltd. from June 2007 to July 2008, director of wind power department of Shanghai Electric (Group) Corporation from

December 2008 to March 2014 and director of Shanghai Mechanical & Electrical Industry Co., Ltd. from October 2010 to March 2012. Mr. Zhang graduated from Shanghai Jiao Tong University in July 1985 with a bachelor degree of high voltage technology, and obtained MBA from Shanghai Jiao Tong University in July 2002. He was awarded the title of senior engineer with professorship in December 2008.

The Company proposes to re-appoint Mr. Zhang as an Executive Director with a term of three years. Remuneration of Mr. Zhang will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Upon due appointment, Mr. Zhang will enter into a service contract for a term of three years commencing from the date of the AGM.

Mr. Si Wenpei, aged 56, is an executive director of the Company, and has been the head of the assets and finance department of Shanghai Electric Group Company Limited since November 2017. Since July 1986, Mr. Si has served at the Shanghai Electric (Group) Corporation and/or its subsidiaries in various positions, including the secretary to the board, financial director and chief accountant of Shanghai Mechanical & Electrical Industry Co., Ltd. (上海機電股份有限公司) from August 2003 to August 2016 and the deputy head of the assets and finance department of Shanghai Electric Group Company Limited from August 2016 to November 2017. He served as a supervisor of the Company from June 2017 to June 2019. Mr. Si has served as a supervisor of Shanghai Mechanical & Electrical Industry Co., Ltd. since April 2017 and the chairman of the board of the director in Suzhou Thvow Technology Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002564) since February 2019. Mr. Si graduated from the Communist Party of China Party School Correspondence College (中共中央黨校函授學院) in December 1997 with an undergraduate degree in economics and management by correspondence. Mr. Si subsequently obtained an executive master's degree in business administration from China Europe International Business School in April 2006. He is an accountant.

The Company proposes to re-appoint Mr. Si as an Executive Director with a term of three years. Remuneration of Mr. Si will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Upon due appointment, Mr. Si will enter into a service contract for a term of three years commencing from the date of the AGM.

Mr. Xiao Yuman, aged 48, is an executive director, the secretary of Party Committee, the secretary of Disciplinary Committee and the leader of Trade Union of the Company. Mr. Xiao joined Shanghai Electric in 1995, and worked at Shanghai No. 1 Nut Factory (上海螺帽一廠), Shanghai Shang Biao (Group) Co., Ltd., Shanghai Electric (Group) Corporation and Shanghai Electric Group Company Limited. He served as the deputy director of the General Office and deputy director, executive deputy director, director of the Research Office of Shanghai Electric (Group) Corporation and office manager of Shanghai Electric Group Company Limited. Mr. Xiao obtained a Master's degree in Business Administration from Antai College of Economics & Management, Shanghai Jiao Tong University in 2007. He is also an engineer and a senior economist.

The Company proposes to re-appoint Mr. Xiao as an Executive Director with a term of three years. Remuneration of Mr. Xiao will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Upon due appointment, Mr. Xiao will enter into a service contract for a term of three years commencing from the date of the AGM.

Mr. Xia Sicheng, aged 56, currently serves as a Party Committee Member of the Company and the executive director of Wuxi Turbine Blade Company Limited. Mr. Xia joined Shanghai Electric (Group) Corporation in 1982. He served as the executive director of Shanghai Tool Works Company Limited from 2003 to 2010, an Executive Director of the Company from 2005 to 2007, a Vice President of the Company from 2005 to 2010, the president and deputy secretary of the C.P.C. branch of Pacific Mechatronic (Group) Co., Ltd. as well as the chairman of Shanghai Erfangji Co., Ltd. from 2010 to 2012, the deputy director of the strategic planning department of Shanghai Electric (Group) Corporation from 2012 to 2014 and a Vice President of the Company in 2014. From 2014 to 2019, he successively served as an executive director, secretary of C.P.C. branch and the general manager of Wuxi Turbine Blade Company Limited. Mr. Xia graduated from the Central Party School of the C.P.C. in 2002 with a bachelor's degree in economic management.

The Company proposes to appoint Mr. Xia as an Executive Director with a term of three years. Remuneration of Mr. Xia will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Upon due appointment, Mr. Xia will enter into a service contract for a term of three years commencing from the date of the AGM.

Non-executive Director

Mr. Dong Yeshun, aged 58, is a non-executive director of the Company. Mr. Dong currently acts as an independent director of AXA SPDB Investment Managers Co., Ltd. (浦銀安盛基金管理有限公司), the chairman of IMS Automotive Electronic System Co., Ltd. (上海艾銘思汽車電子系統有限公司), an independent director of Shanghai Xintonglian Packing Co., Ltd. (上海新通聯包裝股份有限公司) (listed on Shanghai Stock Exchange, stock code: 603022) and the co-founder of Shanghai Volcanic Stone Investment Management Co., Ltd. (上海火山石投資管理有限公司). Mr. Dong served as a partner of IDG Capital, the general manager of Shanghai Shenya Seal Components Co., Ltd. (上海申雅密封件系統有限公司), the general manager of United Automobile Electronic Systems Co., Ltd. (聯合汽車電子有限公司), the deputy general manager of Shanghai Alliance Investment Ltd. (上海聯和投資有限公司), the chairman and chief executive officer of Shanghai Grace Semiconductor Manufacturing Corporation (上海宏力半導體製造有限公司), the chairman of Shanghai Lianchuang Investment Fund Management Corporation (上海聯創投資基金管理公司), the chairman of MSN China Co., Ltd. (MSN (中國)有限公司) and the chairman of Nantong Nanya Lianke Pharmaceutical Co., Ltd. (南通南亞聯科藥業有限公司) and the secretary of CPC Party Committee of Yanfeng Visteon Automotive Trim Systems Co., Ltd. (延鋒偉世通汽車飾件系統有限公司). He obtained a bachelor's degree from Shanghai Institute of Mechanics in 1988 and an EMBA degree from China Europe International Business School in 2001. He is a senior engineer.

The Company proposes to re-appoint Mr. Dong as a Non-executive Director with a term of three years. Remuneration of Mr. Dong will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Upon due appointment, Mr. Dong will enter into a service contract for a term of three years commencing from the date of the AGM.

Independent Non-executive Directors

Mr. Ling Hong, aged 59, is an independent non-executive director of the Company as well as an independent director of Goldcard Smart Group Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 300349) since December 2018, the head, professor and tutor of doctoral students of information management and information system department of the School of Management in Fudan University, honourable guest professor of the Faculty of Business and Economics in the University of Hong Kong, an executive member of the council of China Information Economics Society (CIES) and a council member of the China Association for Information Systems, ISWorld (CNA IS). He has been appointed as an independent non-executive director of the Company since 2010. Mr. Ling is currently a tutor at the School of Management in Fudan University since 1984. From August 2001 to December 2001, he was a visiting scholar at the MIT Sloan School of Management in the United States. From August 1998 to February 1999, he was an associate researcher of information systems at the City University of Hong Kong. Mr. Ling graduated from the Department of Computer Science and Engineering of Tsinghua University in Beijing and obtained a bachelor's degree in Computer Applications in 1984 and graduated from the Department of Management Science and Engineering of Fudan University and obtained a doctoral degree in Management in 2000.

Mr. Ling has served as the Independent Non-executive Director of the Company for more than nine years, however given that (i) Mr. Ling is able to confirm his independence in respect of each of the factors set out in Rule 3.13 of the Listing Rules; (ii) Mr. Ling has not had any executive or management role within the Group; (iii) apart from Director's fees, Mr. Ling does not receive any remuneration, allowance or pension scheme contributions from the Group and does not participate in any incentive scheme; (iv) Mr. Ling does not serve as a director or employee of a significant competitor of the Company; and (v) Mr. Ling has demonstrated his integrity, rich insight and experience and in-depth knowledge of the Company's business and the long services of Mr. Ling to the Company would not affect his exercises of independent judgments, therefore the nomination committee and the Board of the Company consider that Mr. Ling is still independent to the Company and it is in the best interests of the Company and its shareholders for him to continue to serve as an Independent Non-executive Director of the Company.

The Company proposes to re-appoint Mr. Ling as an Independent Non-executive Director with a term of three years. Remuneration of Mr. Ling will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Upon due appointment, Mr. Ling will enter into a service contract for a term of three years commencing from the date of the AGM.

Mr. Chan Oi Fat, aged 41, is an independent non-executive director of the Company, the company secretary of China Leon Inspection Holding Limited (listed on Hong Kong Stock Exchange, stock code: 01586) and the chief financial officer of an international enterprise. He has been appointed as an independent non-executive director of the Company since 2014. Mr. Chan has held position in Deloitte Touche Tohmatsu for over eight years. He graduated from the City University of Hong Kong with a bachelor's degree in accounting. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has extensive experience in professional accounting, auditing and corporate financial services.

The Company proposes to re-appoint Mr. Chan as an Independent Non-executive Director with a term of three years. Remuneration of Mr. Chan will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Upon due appointment, Mr. Chan will enter into a service contract for a term of three years commencing from the date of the AGM.

Mr. Sun Zechang, aged 66, is an independent non-executive director of the Company as well as the professor and the doctoral tutor of the School of Automotive Studies of Tongji University and the vice chairman of the Automotive Electronics Committee of China Society of Automotive Engineers. Mr. Sun has over twenty years of experience in the automobile engineering industry, who is a well-known expert in the field of automobile and automotive electronics in China. He served as the head of the automotive engineering teaching and research section, the vice dean of the School of Automotive Studies of Tongji University, the deputy head of the new energy automobile engineering center, the chief professor of automotive electronics of the School of Automotive Studies, the head of the institute of automotive electronics of Tongji University, the chair professor for automotive electronics of the Sino-German School of Tongji University and the chair professor for new energy automobile of the Sino-German School of Tongji University. Mr. Sun graduated from Harbin Institute of Technology in 1976, and obtained a master's degree in engineering majoring in industrial automation from Harbin Institute of Technology in 1981 and a doctor's degree in engineering majoring in control theory and control engineering from Tongji University in 1999.

The Company proposes to re-appoint Mr. Sun as an Independent Non-executive Director with a term of three years. Remuneration of Mr. Sun will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Upon due appointment, Mr. Sun will enter into a service contract for a term of three years commencing from the date of the AGM.

SUPERVISORS (INCLUDING EMPLOYEE REPRESENTATIVE SUPERVISOR)

Ms. Zhang Yan, aged 44, is the chairman of the supervisory committee of the Company and the chief of the risk management department, the chief of audit department and the officer of the office of supervisory committee of Shanghai Electric Group Company Limited. Ms. Zhang joined Shanghai Electric (Group) Corporation in July 1997, and has served at Shanghai Electric (Group) Corporation and/or its subsidiaries, including Shanghai Mechanical &

Electrical Industry Company Limited (上海機電股份有限公司) (formerly known as Shanghai Shangling Electric Appliances Co., Ltd. (上海上菱電器股份有限公司), Shanghai Electric Development Co., Ltd. (上海電氣企業發展有限公司) and Shanghai Electric Assets Management Company Limited (上海電氣資產管理有限公司). From June 2008 to November 2009, she served as the deputy chief of financial budget department of Shanghai Electric (Group) Corporation. From December 2009 to May 2018, she served as the deputy chief of secretariat office of Shanghai Electric Group Company Limited. She has been a non-executive director of Shanghai Mechanical & Electrical Industry Company Limited since June 2014; from December 2018 to now, she serves as the chief of the risk management department of Shanghai Electric Group Company Limited; from February 2019 to now, she serves as the chairman of the supervisory committee of Suzhou Thvow Technology. Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002564); and from May 2019 to now, she serves as employee representative supervisor of Shanghai Electric Group Company Limited (listed on Shanghai Stock Exchange, stock code: 601727; and The Stock Exchange of Hong Kong Limited, stock code: 02727). She graduated from the Law Department of East China University of Political Science and Law in June 1997, majoring in law. In June 2012, she graduated from Shanghai National Accounting Institute and Arizona State University in the United States with EM BA degrees.

The Company proposes to re-appoint Ms. Zhang as a Supervisor with a term of three years. Remuneration of Ms. Zhang will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Upon due appointment, Ms. Zhang will enter into a service contract for a term of three years commencing from the date of the AGM.

Ms. Lu Haixing, aged 53, is a supervisor of the Company and the secretary of CPC General Branch of Shanghai High Strength Bolt Factory Company Limited (上海高強度螺栓廠有限公司). Ms. Lu joined Shanghai Electric (Group) Corporation in October 1985, and has served at Shanghai No.3 Standard Parts Plant Company Limited (上海標準件三廠), Shanghai High Strength Bolt Factory Company Limited (上海高強度螺栓廠) and Shanghai Electric Hydraulics and Pneumatics Co., Ltd. (上海液壓氣動總公司). From December 2015 to March 2018, she served as the general manager and secretary of CPC General Branch of Shanghai High Strength Bolt Factory Company Limited (上海高強度螺栓廠有限公司), and served as the director and general manager of Shanghai Premier Tension Control Bolts Co., Ltd. (上海集優張力控制螺栓有限公司) from February 2016 to September 2016. She graduated from the School of Continuing Education of Fudan University in June 2005, majoring in accounting. She is a senior political engineer (高級政工師).

The Company proposes to re-appoint Ms. Lu as a Supervisor with a term of three years. Remuneration of Ms. Lu will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Upon due appointment, Ms. Lu will enter into a service contract for a term of three years commencing from the date of the AGM.

Mr. Yu Yun, aged 51, is a supervisor of the Company as well as the deputy secretary of Communist Party, secretary of the disciplinary committee of the Party and chairman of the labour union of Shanghai Tian An Bearing Company Limited. He has been appointed as a supervisor of the Company since 2012. From 1986 to 2001, he worked as deputy head of the training division, deputy secretary of the Youth League and vice chairman of the labour union of Shanghai Huatong Switch Factory. From 2003 to 2005, he worked as director of the GM office, vice chairman of the labour union and manager of the human resources department of Shanghai Huatong Switch Co., Ltd. He has been deputy secretary of Communist Party, secretary of the disciplinary committee of the Party and chairman of the labour union of Shanghai Tian An Bearing Company Limited since 2005. Mr. Yu obtained a master degree in Business Administration from Asia International Open University (Macau) in 2007. He is a political engineer.

Mr. Yu will be subject to election at the joint employee representative meeting of the Company as an employee representative Supervisor for a term of three years in accordance with the Articles of Association. Remuneration of Mr. Yu will be determined with reference to the remuneration plan for directors and supervisors of the Company for the year ending 31 December 2020 to be approved at the AGM. Subject to Mr. Yu being elected as an employee representative Supervisor in accordance with the Articles of Association, Mr. Yu will enter into a service contract for a term of three years commencing from the date of the AGM.

As at the date of this circular, save as disclosed above, each of the candidates for Directors and Supervisors confirms that (i) he/she did not hold any directorship of any listed companies in the past three years; (ii) he/she does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company (as defined in the Listing Rules); (iii) as of the date of this circular, he/she does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Hong Kong Laws); (iv) as far as the Board is aware, there is no other information which is required to be disclosed pursuant to paragraph 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor he/she is involved in any of the matters required to be disclosed pursuant to the Listing Rules; and (v) there are no other matters that need to be brought to the attention of the Shareholders.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2019

NOTICE IS HEREBY GIVEN that the annual general meeting for the year 2019 (the “**AGM**”) of Shanghai Prime Machinery Company Limited (the “**Company**”) will be held at 1:00 p.m. on Friday, 19 June 2020 at Meeting Center, North 6th Floor, 2747 Songhuajiang Road, Hongkou District, Shanghai, PRC to consider and, if thought fit, to pass the following resolutions:

AS ORDINARY RESOLUTIONS:

- (1) to consider and approve the report of the board (“**Board**”) of directors of the Company (“**Directors**”) for the year ended 31 December 2019;
- (2) to consider and approve the report of the supervisory committee of the Company (“**Supervisory Committee**”) for the year ended 31 December 2019;
- (3) to consider and approve the report of the independent auditors and the audited financial statements of the Company for the year ended 31 December 2019;
- (4) to consider and approve the profit distribution plan of the Company for the year 2019 and the recommendation for dividend of the Company for the year ended 31 December 2019;
- (5) to consider and approve the re-appointment of Deloitte Touche Tohmatsu as the auditors of the Company for the financial year of 2020 and to authorise the board of directors of the Company to fix the auditors’ remunerations;
- (6) to consider and approve the policy on remunerations of the directors and supervisors (non-employee representatives) of the Company for the year ending 31 December 2020 and to ratify the remunerations paid to the directors and supervisors (non-employee representative) of the Company during the year 2019;

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- (7) to consider and approve the resolutions in respect of the members of the sixth session of the Board:
- (7.1) to consider and approve the re-election of Mr. Zhou Zhiyan as an executive director of the Company for a term of three years with immediate effect;
 - (7.2) to consider and approve the re-election of Mr. Zhang Mingjie as an executive director of the Company for a term of three years with immediate effect;
 - (7.3) to consider and approve the re-election of Mr. Si Wenpei as an executive director of the Company for a term of three years with immediate effect;
 - (7.4) to consider and approve the re-election of Mr. Xiao Yuman as an executive director of the Company for a term of three years with immediate effect;
 - (7.5) to consider and approve the election of Mr. Xia Sicheng as an executive director of the Company for a term of three years with immediate effect;
 - (7.6) to consider and approve the re-election of Mr. Dong Yeshun as a non-executive director of the Company for a term of three years with immediate effect;
 - (7.7) to consider and approve the re-election of Mr. Ling Hong as an independent non-executive director of the Company for a term of three years with immediate effect;
 - (7.8) to consider and approve the re-election of Mr. Chan Oi Fat as an independent non-executive director of the Company for a term of three years with immediate effect;
 - (7.9) to consider and approve the re-election of Mr. Sun Zechang as an independent non-executive director of the Company for a term of three years with immediate effect;
- (8) to consider and approve the resolutions in respect of the members of the sixth session of the Supervisory Committee:
- (8.1) to consider and approve the re-election of Ms. Zhang Yan as a supervisor of the Company (non-employee representative) for a term of three years with immediate effect;
 - (8.2) to consider and approve the re-election of Ms. Lu Haixing as a supervisor of the Company (non-employee representative) for a term of three years with immediate effect; and

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AS SPECIAL RESOLUTION:

- (9) to grant a general mandate to the Directors to issue, allot and deal with additional Domestic Shares and additional H Shares respectively (including but not limited to ordinary share, preference shares, or other securities in compliance with applicable laws and regulations) not exceeding 20% of each of the total number of the Domestic Shares in issue and H Shares in issue of the Company as at the date of this resolution:
- (a) subject to paragraph (c) below and in accordance with the relevant requirements of the Listing Rules, the Articles of Association and the applicable laws and regulations of the PRC, the exercise by the Board during the Relevant Period of all the powers of the Company to authorise, allot, issue and deal with, either separately or concurrently, additional Domestic Shares and/or H Shares (including but not limited to ordinary Shares, preference Shares, or other securities in compliance with applicable laws and regulations) and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Board during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
 - (c) each of the total number of Domestic Shares and/or H Shares (including but not limited to ordinary shares, preference shares, or other securities in compliance with applicable laws and regulations) authorised, allotted, issued and dealt with or agreed conditionally or unconditionally to be authorised, allotted or issued and dealt with (whether pursuant to an option or otherwise) by the Board, either separately or concurrently once every twelve months, pursuant to the approval granted in paragraph (a) shall not exceed 20% of each of the total number of Domestic Shares and/or H Shares in issue as at the date of passing this resolution;
 - (d) for the purposes of this resolution:
 - “**Relevant Period**” means the period from (and including) the date of passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or other applicable laws to be held;
 - (iii) the date when it is twelve months from the date of passing of this resolution; or

NOTICE OF ANNUAL GENERAL MEETING

- (iv) the revocation or variation of the authority given under this resolution by a special resolution of the Company in a general meeting; and
 - (e) the Board is authorised to make corresponding amendments to the articles of association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares as provided in this resolution;
- (10) to consider and, if thought fit, to approve the resolution on the proposed amendments to the Articles of Association of the Company and authorise the Board to grant authorisation to the management of the Company to handle the approval and filing procedures with relevant regulatory authorities involved in such amendments, and to make wording adjustments to such amendments according to opinions of regulatory authorities.

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

Shanghai, the PRC

16 April 2020

As at the date of this notice, the Board consists of executive Directors, namely Mr. Zhou Zhiyan, Mr. Zhang Mingjie, Mr. Si Wenpei, Mr. Xiao Yuman; non-executive Director, namely Mr. Dong Yeshun; and independent non-executive Directors, namely Mr. Ling Hong, Mr. Chan Oi Fat and Mr. Sun Zechang.

Notes:

1. For the details of the Directors proposed for election, please refer to the circular of the Company dated 16 April 2020.
2. Holders of the Company's H shares ("**H Shares**") and domestic shares ("**Domestic Shares**") whose names appear on the register of members of the Company on Friday, 19 June 2020 are entitled to attend and vote at the AGM. The register of members of the Company will be closed from Thursday, 21 May 2020 to Friday, 19 June 2020 (both days inclusive), during which period no transfer of H Shares will be effected. In order to be eligible to attend and vote at the AGM, any holders of H Shares whose transfers have not been registered must deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Tricor Investor Services Limited, not later than 4:30 p.m. on Wednesday, 20 May 2020.
3. Holders of H Shares and Domestic Shares ("**Shareholders**") who intend to attend the AGM in person or by proxy should complete and sign the reply slip accompanying the notice of the AGM and return it to the Company's H Share registrar, applicable for the holders of H Shares on or before Saturday, 30 May 2020, or to the address of the company secretary of the Company (the "**Company Secretary**"), applicable for holders of Domestic Shares on or before Saturday, 30 May 2020 by hand, by post or by fax. Completion and return of the reply slip do not affect the right of a Shareholder to attend the AGM. However, the failure to return the reply slip may result in adjournment of the AGM, if the number of shares carrying right to vote represented by the Shareholders proposing to attend the AGM by reply slip does not reach more than half of total number of shares of the Company carrying right to vote at the AGM.

NOTICE OF ANNUAL GENERAL MEETING

4. Any Shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote at the meeting on his/her behalf. A proxy needs not be a shareholder of the Company. Each Shareholder who wishes to appoint proxy should first review the annual report of the Company for the year 2019 and the circular, which are despatched to Shareholders on Thursday, 16 April 2020.
5. A proxy shall be appointed by an instrument in writing (including the proxy form). Such instrument shall be signed by the appointer or his attorney duly authorised in writing. If the appointer is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. The instrument appointing the proxy shall be deposited at the Company's H Share registrar for holders of H Shares or at the address of the company secretary for holders of Domestic Shares not less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof (as the case may be). If the instrument appointing the proxy is signed by a person authorised by the appointer, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H Share registrar or the address of the company secretary (as may be applicable).
6. Shareholders or their proxies are required to produce their identification documents when attending the AGM.
7. All times refer to Hong Kong local time, except as otherwise stated.
8. Miscellaneous
 - i. It is expected that the AGM will last for half a day. All attending Shareholders shall arrange for their transportation and accommodation and shall bear all their own expenses in connection with their attendance.
 - ii. The address of the Company Secretary:

Company Secretary
Shanghai Prime Machinery Company Limited
2747 Songhuajiang Road, Hongkou District
Shanghai, The People's Republic of China
Postal code: 200437

Tel: (8621) 64729900
Fax: (8621) 64729889
Contact Person: Mr. Ng Kwong, Alexander
 - iii. The address of the Company's H Share registrar:

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Tel: (852) 2980 1333
Fax: (852) 2810 8185