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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)

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Reference is made to the joint announcement (the “**Joint Announcement**”) issued by Shanghai Electric Group Company Limited (“**SEG**”), Shanghai Prime Mingyu Machinery Technology Co., Ltd. (the “**Offeror**”) and Shanghai Prime Machinery Company Limited (“**SPM**”) dated 15 October 2020 in relation to, among others, the proposed privatisation of SPM by the Offeror by way of merger by absorption. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the Joint Announcement.

SPM is pleased to announce that Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the Independent Financial Adviser of SPM to advise the Independent Board Committee and the Independent SPM H Shareholders in relation to, amongst others, the Merger.

Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

The letter of advice of Independent Financial Adviser in relation to the Merger will be included in the Composite Document to be jointly despatched by SEG, SPM and the Offeror.

WARNING: The Merger is conditional upon the satisfaction or (where applicable) waiver of the Pre-Condition, the Effectiveness Conditions and the Implementation Conditions. Neither the Offeror, SEG nor SPM provides any assurance that any or all Pre-Condition or Conditions will be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, the Merger may or may not be implemented.

Shareholders and potential investors in the securities of SEG and SPM should therefore exercise caution when dealing in the securities of SEG or SPM. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

By the order of the board of
Shanghai Prime Machinery Company Limited
Ng Kwong, Alexander
Company Secretary

Shanghai, the PRC
21 October 2020

As at the date of this announcement, the SPM 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.

The directors of SPM jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.