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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)
(Stock Code: 02345)

DISCLOSEABLE TRANSACTION

ACQUISITION OF 70% EQUITY INTEREST IN SHANGHAI TIANHONG

INTRODUCTION

The Board is pleased to announce that on 6 March 2015, the Company entered into the Investment Framework Agreement with the Individual Shareholders and Shanghai Tianhong, pursuant to which the Individual Shareholder Transferors, namely Xiao Zuguang, Fan Weimin, Zhou Yuru, Shi Zhengchang, Zhang Guangzhou, Dong Weikai and Zhang Weizhong, transferred 33.400%, 28.000%, 3.400%, 3.400%, 0.375%, 0.375% and 1.050% (70% in total) equity interest in Shanghai Tianhong to the Company, respectively, for considerations of RMB9,719,400, RMB8,148,000, RMB989,400, RMB989,400, RMB109,125, RMB109,125 and RMB305,550 (RMB20,370,000 in total), respectively.

LISTING RULES IMPLICATIONS

As the highest percentage ratio (as defined in Rule 14.07 of the Listing Rules) applicable to the Equity Transfer exceeds 5% but is less than 25%, the Equity Transfer constitutes a discloseable transaction of the Company under the Listing Rules, and is subject to reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

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INVESTMENT FRAMEWORK AGREEMENT

The principal terms of the Investment Framework Agreement are summarized as follows:

Date:	6 March 2015
Parties:	The Company The Individual Shareholders Shanghai Tianhong
Subject matter:	The acquisition of 70% equity interest in aggregate in Shanghai Tianhong by the Company from the Individual Shareholder Transferors, the entire equity interest of which was owned by the Individual Shareholders immediately before the Equity Transfer
Consideration:	RMB20,370,000 in total determined after arm's length negotiation between the Company and the Individual Shareholders on normal commercial terms, with reference to the appraisal of the entire shareholders' equity of Shanghai Tianhong as of 31 December 2014 prepared by Orient Appraisal Co., Ltd., a third party independent of the Company and its connected persons. Such appraisal is subject to the confirmation of the competent state-owned assets management regulators of the Company and the Consideration will be adjusted in line with the approved appraisal.
Payment:	The Consideration shall be paid by the Company in lump sum to the joint bank account opened by the representatives of the Company and the Individual Shareholders after the signing of the Equity Transfer Agreement. After the debts repayment of RMB25,500,000 to Ningbo Bensheng by Shanghai Tianhong, the Consideration (after tax) shall be paid to the designated account of each of the Individual Shareholder Transferors in proportion to their respective transferred interest under the Investment Framework Agreement.

Conditions precedent to the Equity Transfer:

- (i) During the period from the date of the Investment Framework Agreement to the Completion Date, Shanghai Tianhong shall not conduct any acts which are detrimental to the interests of Shanghai Tianhong and the Company, including substantial asset disposal, debt assumption or provision of guarantee or pledge for others; the Individual Shareholders shall promptly inform the Company of such acts and seek prior consent of the Company;
- (ii) the information, statements, guarantees and undertakings provided by the parties to the Investment Framework Agreement shall be true, complete and accurate;
- (iii) the Equity Transfer shall comply with the PRC laws, regulations and policies;
- (iv) the due diligence of Shanghai Tianhong shall be completed, with results on certain matters, including but not limited to financial information, business information and personnel information, being satisfactory to the Company;
- (v) the parties to the Investment Framework Agreement shall enter into the Equity Transfer Agreement;
- (vi) the parties to the Investment Framework Agreement shall have obtained all internal and external review, approval and authorization for signing agreements in respect of and the completion of the Equity Transfer;
- (vii) the Company may at its discretion wholly or partly exempt the conditions set out in the preceding paragraphs and inform Shanghai Tianhong in writing accordingly; and
- (viii) other conditions in the Equity Transfer Agreement or its supplemental agreement.

Other terms:

At the same time of the Equity Transfer, 0.2% and 0.6% equity interest in Shanghai Tianhong shall be transferred to Miao Jindi by Xiao Zuguang and Fan Weimin, at considerations of RMB58,200 and RMB174,600, respectively.

The Company and the Individual Shareholders shall provide a loan of RMB25,500,000 in total, in proportion to their respective equity interest in Shanghai Tianhong after completion of the Equity Transfer and the above equity transfer between Miao Jindi, Xiao Zuguang and Fan Weimin, to Shanghai Tianhong for the repayment of its outstanding debts to Ningbo Bensheng.

INFORMATION OF SHANGHAI TIANHONG

Shanghai Tianhong is principally engaged in the research and development, production and sales of aerospace bearings, with a registered capital of RMB1,000,000.

FINANCIAL INFORMATION OF SHANGHAI TIANHONG

As of 31 December 2014, the net asset value of Shanghai Tianhong was approximately RMB27,153,596. Set out below is the financial information of Shanghai Tianhong for each of the two years ended 31 December 2014 prepared in accordance with the PRC generally accepted accounting principles:

	For the year ended 31 December 2013 (RMB'000)	For the year ended 31 December 2014 (RMB'000)
Revenue	31,677	31,175
Net profit before tax	10,187	19,073
Net profit after tax	8,457	17,948

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

Shanghai Tianhong enjoys significant market advantages in aerospace, medical equipment and other businesses, with key technology in the production and design of high-precision bearings. Through the acquisition of Shanghai Tianhong, the Company can share its technology and market resources. The acquisition of Shanghai Tianhong can facilitate the exploration of medical equipment market and the expansion of market coverage of the Group. The on-site production engineering, after-sales technical services and future profitability of the Group will also be improved.

The Directors believe that the terms of the Investment Framework Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

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GENERAL INFORMATION

The Group is principally engaged in designing, manufacturing and selling turbine blades, bearings, fasteners and cutting tools.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Individual Shareholders is an independent third party of the Company and its connected persons.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“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, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 02345)
“Completion Date”	the date on which the business registration in relation to the Equity Transfer is completed and the certificate of change of registration is issued by the competent administrative authorities of industry and commerce
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration payable to the Individual Shareholder Transferors by the Company under the Investment Framework Agreement
“Directors”	the directors of the Company
“Equity Transfer”	the acquisition of an aggregate of 70% equity interest in Shanghai Tianhong by the Company from Individual Shareholder Transferors under the Investment Framework Agreement
“Equity Transfer Agreement”	the final agreement to be entered into between the Company, the Individual Shareholders and Shanghai Tianhong in respect of the equity transfer pursuant to the Investment Framework Agreement
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares with a par value of RMB1 each in the share capital of the Company, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Individual Shareholders”	Xiao Zuguang, Fan Weimin, Zhou Yuru, Shi Zhengchang, Zhang Guangzhou, Dong Weikai, Zhang Weizhong and Miao Jindi, holding 39.600%, 34.000%, 8.800%, 7.000%, 3.375%, 3.375%, 2.250% and 1.600% equity interest, respectively, (100% in total) in Shanghai Tianhong before the Equity Transfer

“Individual Shareholder Transferors”	Xiao Zuguang, Fan Weimin, Zhou Yuru, Shi Zhengchang, Zhang Guangzhou, Dong Weikai and Zhang Weizhong, transferring 33.400%, 28.000%, 3.400%, 3.400%, 0.375%, 0.375% and 1.050% (70% in total) in Shanghai Tianhong under the Investment Framework Agreement
“Investment Framework Agreement”	the investment framework agreement dated 6 March 2015 entered into between the Company, the Individual Shareholders and Shanghai Tianhong in respect of the acquisition of an aggregate of 70% equity interest in Shanghai Tianhong by the Company from the Individual Shareholder Transferors
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ningbo Bensheng”	Ningbo Zhenhai Bensheng Micro-Finance Co., Ltd. (寧波市鎮海本盛小額貸款股份有限公司), a company incorporated in the PRC and a third party independent of the Company and its connected persons
“PRC”	the People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Tianhong”	上海天虹微型軸承有限公司 (Shanghai Tianhong Miniature Bearing CO., Ltd.), a company incorporated in the PRC and 70% of its equity interest is owned by the Company immediately after the Equity Transfer

By order of the Board of
Shanghai Prime Machinery Company Limited
Wang Qiang
Chairman

Shanghai, the PRC
6 March 2015

As at the date of this announcement, the Board consists of executive directors, namely Mr. Wang Qiang, Mr. Zhou Zhiyan, Mr. Zhang Jianping, Ms. Zhu Xi, Mr. Sun Wei, Mr. Chen Hui and independent non-executive directors, namely Mr. Chan Oi Fat, Mr. Ling Hong and Mr. Li Yin.