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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)

**INSIDE INFORMATION ANNOUNCEMENT
POTENTIAL INVESTMENT**

This announcement is made by the board of directors of Shanghai Prime Machinery Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company is pleased to announce that, on 23 June 2017, the Board approved the resolutions regarding the potential investment of EUR5.3 million into CP Tech GmbH (“**CP Tech**”) by Nedschroef Altena GmbH, an indirect wholly-owned subsidiary of the Company, involving the acquisition of a 90% equity interest in CP Tech and the provision of a shareholder loan to CP Tech (the “**Proposed Investment**”). Upon consummation of the Proposed Investment, CP Tech will be owned as to 90% by Nedschroef Altena GmbH and 10% by Mr. Thomas Casey, one of the founders and current chief executive officer of CP Tech.

PROPOSED INVESTMENT

The principal terms of the Proposed Investment are summarized as follows:

- Parties:
- (1) Nedschroef Altena GmbH as the purchaser
 - (2) Mr. Thomas Casey, a shareholder of CP Tech who currently owns 50% equity interest in CP Tech as of the date of the announcement and shall sell 40% equity interest in CP Tech to Nedschroef Altena GmbH
 - (3) Popp Capital GmbH, a shareholder of CP Tech who currently owns 50% equity interest in CP Tech as of the date of the announcement and shall sell all of its equity interest in CP Tech to Nedschroef Altena GmbH

Subject matter and consideration:

The total amount of the Proposed Investment is EUR5.3 million, involving the acquisition of 90% equity interest in CP Tech from its existing shareholders, Mr. Thomas Casey and Popp Capital GmbH, and the recapitalization of CP Tech by provision of a shareholder loan to support its operations. Upon consummation of the Proposed Investment, CP Tech will be owned as to 90% by Nedschroef Altena GmbH and 10% by Thomas Casey, one of the founders and current chief executive officer of CP Tech.

INFORMATION ABOUT CP TECH

Founded in 2006, CP Tech is currently owned by Thomas Casey and Popp Capital GmbH, each of whom owns a 50% equity interest in CP Tech as of the date of this announcement.

Based in Büren, Germany, CP Tech is a high-tech engineering company with expertise in processing of metallic materials and lightweight/functionality design for the automotive and motorsport industry. In connection with this, CP Tech designs, develops and manufactures innovative and high-performance components, and provides engineering solutions including complete vehicle design primarily for automobile manufacturers and motorsport teams. CP Tech has a strategic positioning in future mobility and high-tech automotive business fields. In addition to the above, CP Tech also trades high-performance materials (e.g., high-strength steel) for the production of components for aviation and motorsport use. In recent years, CP Tech's top customers included Porsche, Audi, Volkswagen, Bugatti, Skoda, BMW and Lamborghini.

CP Tech's headquarters and its 11,000-sqm manufacturing facilities are located in the airport industrial zone near the Paderborn Airport of Büren, Germany. It has approximately 175 employees led by a senior management team that has a track record of over 20 years of experience in motor racing and automotive industry.

REASON FOR AND THE BENEFITS OF THE PROPOSED INVESTMENT

The changing dynamics of automotive industry in response to global trends and customers' needs such as connectivity, sustainability and autonomous driving require new vehicle concepts and incorporation of innovative product functionality at an early-stage into the designing and manufacturing process of vehicles. Moreover, electric vehicles are becoming viable and competitive as compared with vehicles with internal combustion engine and powered by traditional fuel. This has created new business opportunities as electric vehicles are manufactured with new and more complex engineered parts including special fasteners.

It is part of Nedschroef's strategy, therefore, to develop functionality knowledge and technical know-how relating to future vehicle concepts and be recognized by customers as a development partner for integrated, assembled functional systems. To this end, the proposed investment into CP Tech will enable Nedschroef to take a significant step in developing itself from a specialist manufacturer of automotive fasteners to a high-end engineering company capable of engaging in the development of early-stage automotive projects working jointly with its customers.

IMPLICATIONS UNDER THE LISTING RULES

As each of the applicable percentage ratios of the Proposed Investment is less than 5%, the transaction does not constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As the Proposed Investment may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Shanghai, the PRC, 23 June 2017

As at the date of this announcement, the Board consists of Executive Directors, namely Mr. Zhou Zhiyan, Mr. Mao Yizhong, Mr. Zhang Jie, Mr. Xiao Yuman and Mr. Chen Hui, Non-executive Director, namely Mr. Dong Yeshun, and Independent Non-executive Directors, namely Mr. Ling Hong, Mr. Chan Oi Fat and Mr. Sun Zechang.