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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)

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The board (the “**Board**”) of directors (the “**Director**”) of Shanghai Prime Machinery Company Limited (the “**Company**”) hereby announces that, on 5 March 2019, the Board has resolved to propose amendments to the articles of association of the Company (the “**Articles of Association**”). The proposed amendments to the Articles of Association are subject to the shareholder’s approval at the next annual general meeting of the Company for the year ended December 31, 2018 (“**AGM**”).

To protect the legitimate rights and interests of the Company, shareholders and creditors of the Company, and regulate the organization 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 “**Listing Rules**”), and other relevant requirements, and in consideration of the actual situation of the Company, details of which are as follows:

Comparison chart of amendments to the Articles of Association

Original articles

Article 8

The Company may invest in other limited liability companies and companies limited by shares and shall be liable for such invested companies to the extent of the amount of investment.

Subject to the approval by vetting authorities authorized by the State Council, the Company may, according to the needs of operation and management, operate as a holding company as described in the Rule 12(2) of the “Company Law”.

To be amended as

Article 8

The Company may invest in other limited liability companies and companies limited by shares and shall be liable for such invested companies to the extent of the amount of investment.

~~Subject to the approval by vetting authorities authorized by the State Council, the Company may, according to the needs of operation and management, operate as a holding company as described in the Rule 12(2) of the “Company Law”.~~

Article 9

The Company is an independent legal entity. All acts done by the Company shall be in compliance with the laws, administrative regulations of China and the listing rules of the stock exchange where the shares of the Company are listed and protect the legal rights and interests of its shareholders. The entire capital of the Company is divided into shares of equal par value. Shareholders shall be liable to the Company to the extent of the shares held whereas the Company shall be liable to its debt by all of its assets.

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Article 11

.....

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), labour services, industrial investment, import and export trade of goods and technology (the above-mentioned scope of business involves business operated with license).

.....

Article 9

The Company is an independent legal entity. All acts done by the Company shall be in compliance with the laws, administrative regulations of China and the listing rules of the stock exchange where the shares of the Company are listed and protect the legal rights and interests of its shareholders. The entire capital of the Company is divided into shares of equal par value. Shareholders shall be liable to the Company to the extent of the shares held whereas the Company shall be liable to its debt ~~by~~ to the extent of all of its assets.

.....

Article 11

.....

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), ~~labour services, industrial investment, import and export trade of goods and technology (the above-mentioned scope of business involves business operated with license),~~ and project-related services (items which shall be approved according to laws can only be operated upon obtaining approval from the competent authorities).

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Article 17

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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, all domestic shares of the Company held by Shanghai Electric Industrial Corporation, Shanghai Electric Assets Management Company Limited, Shanghai Electric Group Assets Operation Company Limited and Shanghai General Machinery (Group) Corporation respectively have been transferred to Shanghai Electric (Group) Corporation at nil consideration. The capital structure of the Company after the above transfer is as follows:

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, all domestic shares of the Company held by Shanghai Electric Industrial Corporation, Shanghai Electric Assets Management Company Limited, Shanghai Electric Group Assets Operation Company Limited and Shanghai General Machinery (Group) Corporation respectively have been transferred to Shanghai Electric (Group) Corporation at nil consideration. The capital structure of the Company after the above transfer is as follows:

Name of shareholders	Number of shares held	Percentage of total equity	Name of shareholders	Number of shares held	Percentage of total equity
Promoter shareholders			<i>Promoter</i>		
Shanghai Electric (Group) Corporation	<u>678,576,184</u>	<u>47.179%</u>	Shareholders		
H shares	<u>759,710,000</u>	<u>52.821%</u>	<i>of domestic shares</i>		
Total	<u>1,438,286,184</u>	<u>100%</u>	Shanghai Electric (Group) Corporation	<u>678,576,184</u>	<u>47.179%</u>
			H shares	<u>759,710,000</u>	<u>52.821%</u>
			Total	<u>1,438,286,184</u>	<u>100%</u>

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, all domestic shares of the Company held by Shanghai Electric (Group) Corporation have been transferred to Shanghai Electric Group Company Limited. The capital structure of the Company after the above transfer is as follows:

Name of shareholders	Number of shares held	Percentage of total equity
<u>Shareholders of domestic shares</u>		
<u>Shanghai Electric Group Company Limited</u>	678,576,184	47.179%
<u>H shares</u>	759,710,000	52.821%
<u>Total</u>	<u>1,438,286,184</u>	<u>100%</u>

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

Article 20

The registered capital of the Company is RMB1,438,286,184 yuan (Renminbi ONE BILLION FOUR HUNDRED AND THIRTY-EIGHT MILLION TWO HUNDRED AND EIGHTY-SIX THOUSAND ONE HUNDRED AND EIGHTY-FOUR). The registered capital of the Company shall be registered accordingly with the Company registration authority and be filed with the vetting authority authorized by the State Council and the securities regulatory authority of the State Council.

Article 21

According to its operational and development requirements, the Company may increase its capital in accordance with the relevant provisions of these Articles of Association. The Company may increase its capital in the following ways:

- (1) raise of new shares from non-specific investors;
- (2) placement of new shares to existing shareholders;
- (3) allotment of new shares to existing shareholders;
- (4) other methods permitted by laws and administrative regulations.

.....

Article 20

The registered capital of the Company is RMB~~1,438,286,184~~ 1,725,943,420 yuan (Renminbi ~~ONE BILLION FOUR HUNDRED AND THIRTY-EIGHT MILLION TWO HUNDRED AND EIGHTY-SIX THOUSAND ONE HUNDRED AND EIGHTY-FOUR ONE BILLION SEVERN HUNDRED AND TWENTY-FIVE MILLION NINE HUNDRED AND FORTY THREE THOUSAND FOUR HUNDRED AND TWENTY~~). The registered capital of the Company shall be registered accordingly with the Company registration authority and be filed with the vetting authority authorized by the State Council and the securities regulatory authority of the State Council.

Article 21

According to its operational and development requirements, the Company may increase its capital in accordance with the relevant provisions of these Articles of Association. The Company may increase its capital in the following ways:

- (1) raise of new shares from non-specific investors;
- (2) placement of new shares to existing shareholders;
- (3) allotment of new shares to existing shareholders;
- ~~(4) issuance of new shares to specific investors;~~
- (5) other methods permitted by laws and administrative regulations.

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Article 28

When the Company reduces its registered capital, it shall prepare a balance sheet and a list of assets. The Company shall notify its creditors within 10 days from the date on which the resolution for the reduction of registered capital has been passed and shall publish a notice to that effect at least three times in a newspaper within 30 days therefrom. The creditors who have received such notice shall, within 30 days thereafter, and those creditors who have not received such notice shall, within 90 days from the date on which the notice is first published, be entitled to require the Company to repay the debt or to provide appropriate corresponding guarantees for the debt.

.....

Article 28

When the Company reduces its registered capital, it shall prepare a balance sheet and a list of assets.

The Company shall notify its creditors within 10 days from the date on which the resolution for the reduction of registered capital has been passed and shall publish a notice to that effect ~~at least three times~~ in a newspaper within 30 days therefrom. The creditors who have received such notice shall, within 30 days thereafter, and those creditors who have not received such notice shall, within ~~90~~45 days from the date on which the notice is ~~first~~ published, be entitled to require the Company to repay the debt or to provide appropriate corresponding guarantees for the debt.

.....

Article 29

According to the procedures provided in these Articles of Association, the Company may repurchase its issued shares in the following circumstances:

- (1) cancellation of shares for the purpose of reduction of capital of the Company;
- (2) merger with other companies which hold shares of the Company;
- (3) other circumstances permitted by laws and administrative regulations.

Article 29

According to the procedures provided in these Articles of Association, the Company may buy-back its issued shares in the following circumstances:

- (1) cancellation of shares for the purpose of reduction of capital of the Company;
- (2) merger with other companies which hold shares of the Company;
- (3) allocation of shares for the purpose of employee stock ownership plan or equity incentive plan;
- (4) the Company is required to buy-back its shares due to any shareholder raising objection to the resolution in respect of the merger or division of the Company made by the shareholders' general meeting;
- (5) conversion of shares into the convertible bonds issued by the Company that may be converted into shares;
- (6) necessary for the Company to maintain its corporate value and the interest of the shareholders' equity;
- (7) other circumstances permitted by laws and administrative regulations.

Where the Company buy-back its own shares under the circumstances set out in items (1) and (2) above, it shall be subject to the resolution of the shareholders' general meeting; where the Company buy-back its own shares under the circumstances set out in items (3), (5) and (6) above, it shall be subject to the resolution of the meeting of the Board of Directors with no less than two-thirds of all the Directors in attendance, as authorized by the shareholders' general meeting.

After the Company buy-back its own shares under the circumstances set out above, it shall cancel and destroy the documents relating to the ownership of such brought-back shares, and under the circumstance set out in item (1), the cancellation thereof shall be completed within ten days upon the buy-back; under the circumstance set out in item (2) or (4), the transfer or cancellation thereof shall be completed within six months upon the buy-back; under the circumstance set out in item (3), (5) or (6), the number of shares held by the Company in total shall not exceed ten percent of the total issued shares of the Company, which shall be transferred or cancelled within three years upon the buy-back.

Article 30

The Company may repurchase its shares in any one of the following manners:

- (1) by granting a repurchase offer to all shareholders in equal proportion to their shareholdings;
- (2) by repurchasing the shares through open trading on a stock exchange;
- (3) by repurchasing the shares by way of agreement other than through a stock exchange.

Article 34

Unless the Company is in the course of liquidation, it shall comply with the following provisions, where it repurchases its issued shares:

.....

(3) where the Company repurchases its redeemable shares which it is entitled to repurchase:

1. if repurchase is not made through the stock market or by way of tender, the price of the repurchased shares shall be subject to a certain maximum price; and
2. if repurchased by way of tender, the tender offer must be sent to all shareholders under the same conditions.

(4) payment by the Company for the following purposes shall be made out of the Company's distributable profits:

1. acquisition of rights to repurchase shares;
2. variation of any contract to repurchase shares;
3. release of any of the Company's obligations under a contract to repurchase shares.

(5) after the Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with relevant rules, the amount deducted from the distributable profits for paying up the par value portion of the repurchased shares shall be credited to the Company's share premium account or capital reserve fund account.

Article 30

The Company may buy-back its shares in any one of the following manners:

- (1) by granting a buy-back offer to all shareholders in equal proportion to their shareholdings;
- (2) by repurchasing the shares through open trading on a stock exchange;
- (3) by repurchasing the shares by way of agreement other than through a stock exchange;

(4) other circumstances permitted and approved by laws, administrative regulations and regulatory authorities.

Article 34

Unless the Company is in the course of liquidation, it shall comply with the following provisions, where it buy-back its issued shares:

.....

~~(3) where the Company repurchases its redeemable shares which it is entitled to repurchase:~~

- ~~1. if repurchase is not made through the stock market or by way of tender, the price of the repurchased shares shall be subject to a certain maximum price; and~~
- ~~2. if repurchased by way of tender, the tender offer must be sent to all shareholders under the same conditions.~~

~~(3) payment by the Company for the following purposes shall be made out of the Company's distributable profits:~~

- ~~1. acquisition of rights to buy-back shares;~~
- ~~2. variation of any contract to buy-back shares;~~
- ~~3. release of any of the Company's obligations under a contract to buy-back shares.~~

~~(4) after the Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with relevant rules, the amount deducted from the distributable profits for paying up the par value portion of the brought-back shares shall be credited to the Company's share premium account or capital reserve fund account.~~

Article 39

Share certificates shall be signed by the Chairman. If the stock exchange on which the shares of the Company are listed shall require other Senior Management Staff of the Company to sign thereon, such Senior Management Staff so required shall also sign on such certificates. The share certificates shall be made effective after the seal of the Company have been affixed thereto or the seal has been affixed thereto in a printed form. The affixing of the Company seal upon the share certificate shall be authorized by the Board of Directors. The signatures of the Chairman or other Senior Management Staff of the Company on the share certificates may also be made in a printed form.

Article 44

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The Directors, Supervisors, General Manager, Deputy General Manager and other Senior Management Staff of the Company shall apply to the Company for a record of the shares held by them and shall not transfer the same within their tenures.

Article 49

.....

The application for the issuance of replacement certificates by shareholders of the domestic shares who lost their share certificates shall be made in accordance with the provision of Article 150 under the “Company Law”.

.....

Article 39

Share certificates shall be signed by the Chairman. If the stock exchange on which the shares of the Company are listed shall require other Senior Management Staff of the Company to sign thereon, such Senior Management Staff so required shall also sign on such certificates. The share certificates shall be made effective after the seal of the Company have been affixed thereto or the seal has been affixed thereto in a printed form. The affixing of the Company seal upon the share certificate shall be authorized by the Board of Directors. The signatures of the Chairman or other Senior Management Staff of the Company on the share certificates may also be made in a printed form.

Subject to the paperless issuance and trade of shares of the Company, the separate provisions of the securities regulatory authority or the stock exchange where the shares of the Company are listed shall apply.

Article 44

.....

The Directors, Supervisors, General Manager, Deputy General Manager and other Senior Management Staff of the Company shall apply to the Company for a record of the shares held by them and the changes thereof, and shall not transfer ~~the same within their tenures~~ more than 25% of total shares held by them in each year within their tenures. Each of the above-mentioned officers shall not transfer any shares of the Company held by him within half a year commencing from the termination of his service.

Article 49

.....

The application for the issuance of replacement certificates by shareholders of the domestic shares who lost their share certificates shall be made in accordance with the relevant provision of ~~Article 150 under~~ the “Company Law”.

.....

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;

(14) to arrive at resolution on other matters in the shareholders’ general meeting in accordance with the requirements provided by the laws, administrative regulations and these Articles of Association;

(15) to authorize or appoint the Board of Directors to deal with the matters authorized or entrusted by the shareholders’ general meeting.

Article 61

.....

Upon the occurrence of any of the following events, the Board of Directors shall convene an extraordinary general meeting within two months thereof:

.....

(5) two or more Independent Directors propose to convene the same.

.....

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;

~~(14) to examine and to approve the buy-back of shares by the Company;~~

(15) to arrive at resolution on other matters in the shareholders’ general meeting in accordance with the requirements provided by the laws, administrative regulations and these Articles of Association;

(16) to authorize or appoint the Board of Directors to deal with the matters authorized or entrusted by the shareholders’ general meeting.

Article 61

.....

Upon the occurrence of any of the following events, the Board of Directors shall convene an extraordinary general meeting within two months thereof:

.....

(5) two or more Independent Directors propose to convene the same;

~~(6) other circumstances set out in laws, administrative regulations, departmental rules, or the listing rules of the stock exchange where the shares of the Company are listed or these Articles of Association.~~

.....

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 197 of this Articles of Association.

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 publication is made, all holders of domestic shares shall be deemed to have received the notice of such shareholder’s general meeting.

Article 83

The following matters shall be passed by special resolution at the shareholders’ general meeting:

.....

(4) amendments to these Articles of Association;

(5) other matters which are passed by ordinary resolution at the shareholders’ general meeting to be of material effect on the Company, which are required to be passed by special resolutions.

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 ~~197~~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 ~~publication~~ announcement is made, all holders of domestic shares shall be deemed to have received the notice of such shareholder’s general meeting.

Article 83

The following matters shall be passed by special resolution at the shareholders’ general meeting:

.....

(4) amendments to these Articles of Association;

(5) consideration and approval of repurchase of its own shares by the Company;

~~(6)~~ other matters which are passed by ordinary resolution at the shareholders’ general meeting to be of material effect on the Company, which are required to be passed by special resolutions.

Article 101

The Board of Directors shall be accountable to the shareholders' general meeting and shall exercise the following duties and powers:

.....

(11) to formulate proposals for amendments to the Articles of Association of the Company; (12) to exercise any other powers provided by these Articles of Association or conferred by the shareholders' general meeting. Resolutions of preceding matters made and voted by the Board of Directors shall be passed by more than half of the Directors, except (6), (7) and (11) which may be passed by more than two-thirds of the Directors.

Article 106

Meetings of the Board of Directors shall be held at least twice a year. Meetings of the Board of the Directors shall be convened by the Chairman of the Board of Directors by giving a notice to all Directors 10 days before the meetings are held. In case of emergency, by a proposal made by more than one third of Directors or by at least two (including two) Independent Directors or the General Manager of the company, an extraordinary meeting of the Board of Directors shall be convened, and without being subject to the restriction of the notice of the meeting in Article 107 of this Articles of Association.

.....

Article 101

The Board of Directors shall be accountable to the shareholders' general meeting and shall exercise the following duties and powers:

.....

(11) to formulate proposals for amendments to the Articles of Association of the Company;

~~(12) to formulate proposals for buy-back of its own shares by the Company;~~

~~(13) to exercise any other powers provided by these Articles of Association or conferred by the shareholders' general meeting.~~

Resolutions of preceding matters made and voted by the Board of Directors shall be passed by more than half of the Directors, except (6), (7) ~~and~~ (11) ~~and (12)~~ which may be passed by more than two-thirds of the Directors.

Article 106

Meetings of the Board of Directors shall be held at least ~~twice~~ four times a year. Meetings of the Board of the Directors shall be convened by the Chairman of the Board of Directors by giving a notice to all Directors ~~10~~ at least 14 days before the meetings are held. In case of emergency, by a proposal made by shareholders representing more than one tenth of voting rights, more than one third of Directors or by at least two (including two) Independent Directors, ~~the Board of Supervisors~~ or the General Manager of the company, an extraordinary meeting of the Board of Directors shall be convened, ~~and without being subject to the restriction of the notice of the meeting in Article 107 of this Articles of Association.~~ by the Chairman of the Board of Directors within 5 days upon receipt of such proposal.

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Article 107

Meetings and extraordinary meetings of the Board of Directors shall be noticed by ways as follows:

.....

(2) If the Board of Directors has not specified the time and place of the board meeting in advance, the Chairman of the board shall, at least 10 days in advance, inform the Directors and Supervisors the time and place of the board meeting by way of telegraph, telex, facsimile, courier, and registered mail or by specially designated persons.

(3) If there is a need to hold a board meeting in case of emergency, the Chairman of the Board of Directors shall ask the secretary to the Board of Directors to, not less than 5 days and not more than 10 days prior to the date when the extraordinary board meeting is held, inform the Directors and Supervisors the time, place and way of the board meeting by telegraph, telex, facsimile, courier, registered mail or by specially designated person, subject to otherwise provided in Article 106.

.....

Article 125

The Board of Supervisors shall hold meetings at least once every year, and the Chairman of the Board of Supervisors shall be accountable to convene the meeting. In case of an emergency situation, an extraordinary meeting of the Board of Supervisors may be convened at the request of at least one third of or more Supervisors without being subject to the restriction of the notice of the meeting in Article 127 of these Articles of Association.

Article 107

Meetings and extraordinary meetings of the Board of Directors shall be noticed by ways as follows:

.....

(2) If the Board of Directors has not specified the time and place of the board meeting in advance, the Chairman of the board shall, at least ~~10-14~~ days in advance, inform the Directors and Supervisors the time and place of the board meeting by way of telegraph, telex, facsimile, courier, and registered mail or by specially designated persons.

(3) If there is a need to hold a board meeting in case of emergency, the Chairman of the Board of Directors shall ask the secretary to the Board of Directors to, not less than 5 days and not more than 10 days prior to the date when the extraordinary board meeting is held, inform the Directors and Supervisors the time, place and way of the board meeting by telegraph, telex, facsimile, courier, registered mail or by specially designated person, ~~subject to otherwise provided in Article 106.~~

.....

Article 125

The Board of Supervisors shall hold meetings at least once every ~~year~~ six month, and the Chairman of the Board of Supervisors shall be accountable to convene the meeting. In case of an emergency situation, an extraordinary meeting of the Board of Supervisors may be convened at the request of at least one third of or more Supervisors without being subject to the restriction of the notice of the meeting in Article 127 of these Articles of Association.

Article 131

None of the following persons may serve as a Director, Supervisor, General Manager, Deputy General Manager or other Senior Management Staff of the Company:

.....

(3) the person is a director or factory manager or manager of a company or an enterprise which has become insolvent as a result of improper operation and management and such person is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of completion of liquidation for insolvency of such company or enterprise;

(4) the person was the legal representative of a company or an enterprise whose business license has been revoked as a result of the violation of the laws and who is personally liable, where less than three years have elapsed since the date of revocation of the business license of such company or enterprise;

.....

Article 152

The financial reports of the Company shall be made available for inspection by shareholders 20 days prior to the annual general meeting. Each shareholder of the Company shall be entitled to obtain the financial reports mentioned in this Chapter. The Directors’ report, together with aforesaid financial reports, shall be sent by the way as provided in Article 203 of these Articles of Association to each holder of overseas listed foreign shares at least 21 days prior to the annual general meeting.

Article 131

None of the following persons may serve as a Director, Supervisor, General Manager, Deputy General Manager or other Senior Management Staff of the Company:

.....

(3) the person is a director or factory manager or manager of a company or an enterprise which has become insolvent ~~as a result of improper operation and management~~ and such person is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of completion of liquidation for insolvency of such company or enterprise;

(4) the person was the legal representative of a company or an enterprise whose business license has been revoked and which was ordered to close down as a result of the violation of the laws and who is personally liable, where less than three years have elapsed since the date of revocation of the business license of such company or enterprise;

.....

Article 152

The financial reports of the Company shall be made available for inspection by shareholders 20 days prior to the annual general meeting. Each shareholder of the Company shall be entitled to obtain the financial reports mentioned in this Chapter. The Directors’ report, together with aforesaid financial reports, shall be sent by the way as provided in Article ~~203-199~~ of these Articles of Association to each holder of overseas listed foreign shares at least 21 days prior to the annual general meeting.

Article 157

The after-tax profits of the Company shall be used according to the following sequence:

- (1) making up losses;
- (2) allocation to the statutory surplus reserve;
- (3) allocation to the statutory public welfare fund;
- (4) allocation to other surplus reserve upon resolved by shareholders' general meeting;
- (5) payment of dividends of ordinary shares.

The Company may not distribute dividends or otherwise distribute profits through bonus before making up losses and making allocations to the statutory surplus reserve and statutory public welfare fund.

Article 157

The after-tax profits of the Company shall be used according to the following sequence:

- (1) making up losses;
- (2) allocation to the statutory surplus reserve;
- ~~(3) allocation to the statutory public welfare fund;~~
- (3) allocation to other surplus reserve upon resolved by shareholders' general meeting;
- (4) payment of dividends of ordinary shares.

The Company may not distribute dividends or otherwise distribute profits through bonus before making up losses and making allocations to the statutory surplus reserve ~~and statutory public welfare fund.~~

Article 158

When distributing the after-tax profits of the current year, the Company shall allocate 10 percent of its profits to the statutory surplus reserve and allocate 5 percent to 10 percent of its profits to the statutory public welfare fund. The Company is not required to allocate further amount if the accumulated amount of the statutory surplus reserve is over 50% of the registered capital.

In the event that the statutory surplus reserve of the Company is insufficient to make up losses of the previous year, the Company shall first make up losses by profits of the current year before making allocations to the statutory surplus reserve and statutory public welfare fund in accordance with the provisions of the preceding paragraph.

After making allocation to the statutory surplus reserve out of the after-tax profits of the Company, the Company can make allocation to other surplus reserve according to the resolution of the shareholders' general meeting.

The remainder of the profits may, after making up losses and making allocations to the surplus reserve and statutory public welfare fund, be distributed by the Company to the shareholders pro rata to their shareholdings.

If the shareholders' general meeting or the Board of Directors violates the preceding paragraph by distributing profits to the shareholders before the Company makes up losses and allocates the statutory surplus reserve and statutory public welfare fund, then the profits so distributed must be returned to the Company.

Article 158

When distributing the after-tax profits of the current year, the Company shall allocate 10 percent of its profits to the statutory surplus reserve ~~and allocate 5 percent to 10 percent of its profits to the statutory public welfare fund~~. The Company is not required to allocate further amount if the accumulated amount of the statutory surplus reserve is over 50% of the registered capital.

In the event that the statutory surplus reserve of the Company is insufficient to make up losses of the previous year, the Company shall first make up losses by profits of the current year before making allocations to the statutory surplus reserve ~~and statutory public welfare fund~~ in accordance with the provisions of the preceding paragraph.

After making allocation to the statutory surplus reserve out of the after-tax profits of the Company, the Company can make allocation to other surplus reserve according to the resolution of the shareholders' general meeting.

The remainder of the profits may, after making up losses and making allocations to the surplus reserve ~~and statutory public welfare fund~~, be distributed by the Company to the shareholders pro rata to their shareholdings according to the resolution of the shareholders' general meeting.

If the shareholders' general meeting or the Board of Directors violates the preceding paragraph by distributing profits to the shareholders before the Company makes up losses and allocates the statutory surplus reserve ~~and statutory public welfare fund~~, then the profits so distributed must be returned to the Company.

Article 160

The surplus reserve of the Company shall be used only for the following purposes:

- (1) to make up losses;
- (2) to expand the business and operation of the Company;
- (3) to be converted into the capital of the Company. With the approval of the shareholders' general meeting, the Company may convert its surplus reserve into capital, and issue new shares to shareholders pro rata to their existing shareholders or increase the par value. However, when the statutory surplus reserve is converted into share capital, the amount remaining in such surplus reserve shall not be less than 25% of the registered capital.

Article 185

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In the event of merger of the Company, all the parties involved in the merger shall execute a merger agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within 10 days from the date on which the merger resolution is passed and within 30 days thereof publish announcement at least three times in newspapers required by relevant provisions.

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Article 186

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In the event of a division of the Company, the parties involved shall execute a division agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within 10 days from the date on which the division resolution is passed and within 30 days thereof publish announcement at least three times in newspapers required by relevant provisions.

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Article 160

The surplus reserve of the Company shall be used only for the following purposes:

- (1) to make up losses;
- (2) to expand the business and operation of the Company;
- (3) to be converted into the capital of the Company.

Provided that the surplus reserve shall not be used to make up the losses of the Company.

~~*With the approval of the shareholders' general meeting, the Company may convert its surplus reserve into capital, and issue new shares to shareholders pro rata to their existing shareholders or increase the par value.*~~ *When* the statutory surplus reserve is converted into share capital, the amount remaining in such surplus reserve shall not be less than 25% of the registered capital *of the Company before such conversion.*

Article 185

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In the event of merger of the Company, all the parties involved in the merger shall execute a merger agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within 10 days from the date on which the merger resolution is passed and within 30 days thereof publish announcement ~~*at least three times*~~ in newspapers required by relevant provisions.

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Article 186

.....

In the event of a division of the Company, the parties involved shall execute a division agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within 10 days from the date on which the division resolution is passed and within 30 days thereof publish announcement ~~*at least three times*~~ in newspapers required by relevant provisions.

.....

Article 188

The Company shall dissolve and proceed with liquidation in accordance with the laws upon occurrence of any of the following circumstances:

- (1) a resolution is passed by the shareholders' general meeting to dissolve the Company;
- (2) dissolution is necessary due to a merger or division of the Company;
- (3) the Company is declared insolvent in accordance with the laws as a result of its inability to pay debts when due;
- (4) the Company is ordered to close down for its contravention of the laws or administrative regulations.

Article 188

The Company shall dissolve and proceed with liquidation in accordance with the laws upon occurrence of any of the following circumstances:

- (1) a resolution is passed by the shareholders' general meeting to dissolve the Company;
- (2) dissolution is necessary due to a merger or division of the Company;
- (3) ~~the Company is declared insolvent in accordance with the laws as a result of its inability to pay debts when due~~ the business license of the Company is revoked, or the Company is ordered to close down or deregister, according to laws;
- (4) the Company is ordered to close down for its contravention of the laws or administrative regulations;
- (5) where the Company has serious difficulty in its operation and management and its continual existence would cause material losses to the interests of the shareholders, and such difficulties cannot be resolved through other means, shareholders who hold 10 percent or more of all the voting rights of the shareholders of the Company may request the people's court to dissolve the company.

Article 189

In the event that the Company is dissolved under the requirement in (1) of the preceding Article, a liquidation group shall be established within 15 days and the members of which shall be determined by way of ordinary resolution of the shareholders' general meeting.

In the event that the Company is dissolved under the condition in (2) of the preceding Article of this section, all the parties involved in the merger or division shall, according to the agreements signed at the time of merger or division, proceed with the liquidation.

In the event that the Company is dissolved under the requirement in (3) of the preceding Article, the People's Court shall, in accordance with provisions of relevant laws, organize the shareholders, relevant authorities and professionals to establish a liquidation group to proceed with the liquidation.

In the event that the Company is dissolved under the requirement in (4) of the preceding Article, the relevant competent authorities shall organize the shareholders, relevant authorities and professionals to establish a liquidation group to proceed with the liquidation.

Article 189

In the event that the Company is dissolved under the requirement in (1) ~~, (3) or (5)~~ of the preceding Article, a liquidation group shall be established within 15 days ~~and the members of which shall be determined by way of ordinary resolution of the shareholders' general meeting~~ upon the occurrence of cause of dissolution to commence the liquidation. The liquidation group consists of the candidates determined by the directors or the shareholders' general meeting through ordinary resolution. If the Company fails to establish the liquidation group within such period, the creditors may apply to the people's court for appointment of relevant persons to form the liquidation group to conduct the liquidation.

In the event that the Company is dissolved under the condition in (2) of the preceding Article ~~of this section~~, all the parties involved in the merger or division shall, according to the agreements signed at the time of merger or division, proceed with the liquidation.

~~In the event that the Company is dissolved under the requirement in (3) of the preceding Article, the People's Court shall, in accordance with provisions of relevant laws, organize the shareholders, relevant authorities and professionals to establish a liquidation group to proceed with the liquidation.~~

~~In the event that the Company is dissolved under the requirement in (4) of the preceding Article, the relevant competent authorities shall organize the shareholders, relevant authorities and professionals to establish a liquidation group to proceed with the liquidation.~~

Article 191

The liquidation group shall notify the creditors within 10 days of its establishment and announce the same in the newspapers at least three times within 60 days. Those creditors shall make any claims to the liquidation group within 30 days upon the receipt of such notification or within 90 days of the first announcement in case of not receiving in person the written notification and those who fail to declare their claims in due term shall be deemed to have relinquished their rights. When creditors make claims, they shall describe the relevant matters in respect of their claims and provide evidence thereof. The liquidation group shall register the creditors' claims.

Article 192

During the liquidation period, the liquidation group shall exercise the following duties and powers:

.....

(4) to settle outstanding taxes;

.....

Article 205

All the numbers contained in these Articles of Association shall include the base number.

Article 191

The liquidation group shall notify the creditors within 10 days of its establishment and announce the same in the newspapers ~~at least three times~~ within 60 days.

Those creditors shall make any claims to the liquidation group within 30 days upon the receipt of such notification or within ~~90~~ 45 days ~~of the first from the~~ announcement in case of not receiving ~~in person the written~~ such notification and those who fail to declare their claims in due term shall be deemed to have relinquished their rights. When creditors make claims, they shall describe the relevant matters in respect of their claims and provide evidence thereof. The liquidation group shall register the creditors' claims.

Article 192

During the liquidation period, the liquidation group shall exercise the following duties and powers:

.....

(4) to settle and pay outstanding taxes and the taxes incurred during the liquidation;

.....

Article 205

~~All the numbers contained in these Articles of Association shall include the base number. The references to "more than", "within" or "less than" herein shall include the given figure; the references to "over", "exceed" or "beyond" herein shall not include the given figure.~~

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

After the above proposed amendments to the Articles of Association, the numbering of the relevant articles in the Article of Association will also be amended, with corresponding amendments of cross references to relevant article numbers in the Article of Association accordingly.

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.

The Board currently has no intention to conduct any on-market purchases of its shares. If, in the event that the Company shall conduct any on-market purchase of its Shares, notwithstanding Article 29 of the Articles of Association, the Company will comply with relevant rules of the Listing Rules, including but not limited to Rule 10.06 of the Listing Rules requiring the Company to cancel and destroy the documents of title of purchased shares as soon as reasonably practicable.

A circular containing, among other things, details of the proposed amendments to the Articles of Association, together with notice of the AGM, will be despatched to the H shareholders of the Company in due course.

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

Shanghai, the PRC
15 March 2019

As at the date of this announcement, the Board consists of Executive Directors, namely Mr. Zhou Zhiyan, Mr. Xiao Yuman, Mr. Zhang Mingjie, Mr. Zhang Jie 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.