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沈機集團昆明機床股份有限公司
SHENJI GROUP KUNMING MACHINE TOOL COMPANY LIMITED
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0300)

Announcement on Correction of Accounting Errors of Prior Periods

The board of directors (the “Board”) of Shenji Group Kunming Machine Tool Company Limited (the “Company”) and all members of the Board warrant that there are no false representations, misleading statements and material omissions in this announcement, and are severally and jointly responsible for the authenticity, accuracy and completeness of the content herein.

I. Nature of correction of accounting errors and reasons therefor

Shenji Group Kunming Machine Tool Company Limited (the “Company”) published the Inside Information Announcement on Previous Years Possibly Suspected of Breach of Financial Regulations of Shenji Group Kunming Machine Tool Company Limited on 21 March 2017 to disclose that the Company may be suspected of breach of financial regulations in previous years. The Company has launched self-inspection according to requirements and conducted correction of accounting errors in 2013-2015. Details are as follows:

1. The failure of internal control and other reasons of the Company resulted in the Company's 2013, 2014, 2015 consolidated income statements and income statements accumulated overstatement of the main business income of RMB470,670,958.87, main business cost and bad debt provision by RMB190,267,128.61 and RMB36,094,476.58, respectively, as well as an overstatement of provisions relevant to main business income by RMB2,589,621.36, an overstatement of main business taxes and surcharges by RMB9,601,687.58 and an understatement of general and administrative expenses by RMB29,608,616.03.
2. For the consolidated balance sheets and balance sheets of the Company for 2013, 2014 and 2015, the accounting error caused an overstatement of accounts receivable by RMB121,372,590.31, RMB245,549,490.39 and RMB273,118,462.19 respectively, an understatement of advances from customers by RMB106,384,853.76, RMB110,776,847.05 and RMB213,952,083.23 respectively, an understatement of inventories of RMB119,028,963.45, RMB175,551,345.47 and RMB166,745,761.09 respectively and a difference of employee benefits payable by RMB373,823.75, RMB3,853,281.75 and RMB-29,608,616.03 respectively, an overstatement of taxes payable by RMB21,608,132.38, RMB4,298,191.70 and RMB85,617,118.23 respectively, and an understatement of other payables by RMB1,436,644.78, RMB4,166,719.42 and RMB2,589,621.36 respectively.

II. Effects of corrections on the financial status and operating results of the Company

Unit: RMB

Items affected	2015		2014		2013	
	Original amount in the statement	Amount in the statement after adjustment	Original amount in the statement	Amount in the statement after adjustment	Original amount in the statement	Amount in the statement after adjustment
Accounts receivable	502,055,775.50	228,937,313.31	583,768,014.65	338,218,524.26	388,303,316.56	266,930,726.25
Advances from customers	189,665,824.66	403,617,907.89	240,456,236.36	351,233,083.41	256,365,206.37	362,750,060.13
Inventories	914,209,060.05	1,080,954,821.14	896,675,761.83	1,072,227,107.30	838,202,834.59	957,231,798.04
Other non-current assets	15,704,457.06	100,504,857.14	1,724,042.72	57,480,456.80	71,326.31	16,280,562.09
Taxes payable	3,765,152.92	2,948,434.77	6,877,214.09	2,579,022.39	24,202,207.26	2,594,074.88
Other payables	170,573,524.53	167,983,903.17	144,228,412.53	140,061,693.11	122,009,581.95	120,572,937.17
Employee benefits payable	25,658,651.73	34,327,796.95	12,709,724.16	2,079,385.70	10,505,114.49	4,547,838.49
Long-term employee benefits payable	4,953,637.05	25,893,107.86	5,110,774.06	11,887,830.77	20,947,539.29	26,530,991.54
Main business income	776,594,761.09	621,336,648.49	867,889,305.64	751,097,092.09	1,029,488,879.74	830,868,247.02
Main business cost	659,881,483.14	645,165,700.00	702,862,972.16	646,340,590.13	802,498,075.25	683,469,111.79
Provision of impairment losses	67,139,035.29	43,751,251.27	36,349,437.09	28,271,440.47	-2,353,342.17	-6,982,038.11
General and administrative expenses	156,963,195.41	173,313,479.64	185,208,914.45	197,287,916.18	162,670,709.85	163,850,039.91
Selling and distribution expenses	95,638,144.61	97,215,242.67	116,018,784.59	113,288,709.95	81,664,578.30	80,227,933.53
Main business taxes and surcharges	7,913,379.51	4,746,113.98	7,066,020.66	4,683,459.49	7,286,164.47	3,234,303.59

Net profit attributable to shareholders of the Company	-196,385,215.66	-328,299,877.86	-204,091,306.53	-263,249,507.37	8,521,796.32	-62,132,001.41
Net profit attributable to shareholders of the Company excluding extraordinary gains and losses	-218,582,693.59	-350,497,355.79	-224,165,737.61	-283,323,938.45	-24,012,543.98	-94,666,341.71
Total share capital at the end of the period	531,081,103.00	531,081,103.00	531,081,103.00	531,081,103.00	531,081,103.00	531,081,103.00
Basic earnings per share (RMB/share)	-0.37	-0.62	-0.38	-0.50	0.02	-0.12
Diluted earnings per share (RMB/share)	-0.37	-0.62	-0.38	-0.50	0.02	-0.12
Basic earnings per share excluding extraordinary gains and losses (RMB/share)	-0.41	-0.66	-0.42	-0.53	-0.05	-0.18
Return on net assets (weighted average) (%)	-19.89%	-11.90%	-17.13%	-9.54%	0.66%	-2.35%
Return on net assets based on net profit excluding extraordinary gains and losses (weighted average) (%)	-22.14%	-12.70%	-18.82%	-10.27%	-1.86%	-3.58%

The Company received a letter from KPMG Huazhen (Special General Partnership) on 24 April 2017 which mentioned that : “according to the progress of the investigation by Yunnan Securities Regulatory Bureau with assistance of KPMG at the present stage, we understood that the work of the self-inspection of suspected financial irregularities has not yet been completed by your Company. As at the date of this letter, your company's supporting documents and other documents on the adjustment of the financial statements for 2013 and 2014 have not yet been sort out completely, some documents were missing, and the documents have not yet been fully matched and verification mutually. Therefore, the above-mentioned material accounting errors adjustment in 2013 and 2014 (including the affected amounts) lacked of sufficient evidence and documents support at this stage, and its overall rationality has not yet been verified. The authenticity, accuracy and completeness of the adjusted financial information of your Company for 2013 and 2014 at this stage are needed to be further verified.”

On the other hand, in accordance with relevant requirements under the Rules on Disclosure, Preparation and Report on the Information of Companies with Publicly Issued Securities No.19 - Correction and Relevant Disclosure of Financial Information (《公開發行證券的公司信息披露編報規則第 19 號-財務信息的更正及相關披露》), “any company to correct the annual financial report for previous year(s) that has been published is required to engage an accounting firm with qualifications for dealing with securities and futures to conduct audit on the amended annual report.” As, in accordance with the requirements of securities regulator, the Company is required to disclose the audited annual reports and financial statements for 2013, 2014 and 2015 after adjustments, which involve a heavy workload, and the Company still has to conduct rectification based on the violations to be finally affirmed by China Securities Regulatory Commission, the corrected and audited annual financial statements and the relevant notes thereto are not promptly disclosed.

The Company will continue to communicate with the accountants on the matters of correction of accounting errors and disclose the corrected annual reports for 2013, 2014 and 2015 as audited by the accounting firm with qualifications for dealing with securities and futures. The final data in the correction shall be subject to the data as audited by the accounting firm. Investors are advised to pay attention to the investment risk.

Board of Directors
Shenji Group Kunming Machine Tool Company Limited

Kunming, PRC, 24 April 2017

As at the date of this announcement, the Company's executive directors are Mr. Wang He, Mr. Zhang Xiaoyi, Mr. Peng Liangfeng and Mr. Jin Xiaofeng; non-executive directors are Mr. Zhang Tao, Mr. Liu Yan, Ms. Liu Haijie and Mr. Zhang Zeshun; and the independent non-executive directors are Mr. Yang Xiongsheng, Mr. Tang Chunsheng, Mr. Chen Fusheng and Mr. Liu Qiang.