

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 Re-Auditing the Annual Report of the Company for 2016 and Change in Auditors for the Year 2017**

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.

### **IMPORTANT INFORMATION**

- The Company proposed to appoint Da Hua Certified Public Accountants (Special General Partnership) to re-audit the annual report of the Company for 2016;
- Proposed to change to appoint Da Hua Certified Public Accountants (Special General Partnership) (“Da Hua”) as the auditor of the Company for the year 2017;
- The above issue should be submitted to the shareholders’ for consideration and approval.

The 57<sup>th</sup> Meeting of the 8<sup>th</sup> Term of the Board of Directors of the Company passed the following resolutions: 1) to appoint Da Hua Certified Public Accountants (Special General Partnership) to re-audit the annual report of the Company for 2016; 2) to appoint Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year 2017 and authorizing the Board to decide the audit fee. The relevant information is described as follows:

### **I. Information of re-auditing the annual report of the Company for 2016**

Given that the Company received auditors’ report with “disclaimer of opinion” for the annual report for 2016, and the Company was suspected of financial irregularities and is invested by China Securities Regulatory Commission (CSRC), according to relevant requirements, the Company must conduct re-auditing to the annual report of the Company for 2016. After the recent self-inspection and rectification, the Company considered that it has the basis for issuing financial reports and appointing auditors to conduct re-auditing to the annual report for 2016.

After a full assessment and communication, the Company decided to appoint Da Hua to re-audit the annual report of the Company for 2016.

## **II. Information of change in auditors**

According to the Company's business development and considering Ruihua Certified Public Accountants ("Ruihua") (Special General Partnership) has provided services to the Company for many years, in order to ensure the independence and objectivity of the Company's audit, the Company is going to change to appoint Da Hua who has securities, futures relevant business practice qualifications as the auditor of the Company for the year 2017.

Regarding the change in auditors, the Company has had prior communicated with Ruihua. Ruihua provided professional, rigorous and responsible audit services to the Company over the years, showing excellent professional capability and the diligent working spirit, which played a positive and promotive role to the Company's standard operation and healthy development. The Company expressed its gratitude to Ruihua for its long period of hard work.

## **III. Information of the proposed accounting firm**

Name: Da Hua Certified Public Accountants (Special General Partnership)  
Date of establishment: 9 February 2012  
Executive partner: Mr. Liang Chun  
Type of enterprise: Special General Partnership  
Address: Room 1101, 7<sup>th</sup> Building, No. 16, Xi Si Huan Zhong Road, HaiDian District, Beijing

Business scope:

Auditing the enterprise accounting statements and issuing audit reports; verifying corporate capital, issuing a capital verification report; handling audit business in corporate M & A , separation of enterprises, liquidation etc., and issuing relevant reports; capital construction annual financial audit; providing accounting, accounting advice, tax consulting, management consulting and accounting training; and other business regulated by laws and regulations.

Profile: Da Hua Certified Public Accountants (Special General Partnership)("DA Hua"), is one of China's top eight largest accounting firms, one of the first batch firms as approved to be engaged in and qualified for auditing the H-share listing in China, and also a pilot firm of the collectivization development of large-scale accounting firms proposed by the Ministry of Finance. Chinese member of Moore Stephens International. According to requirements under the documents issued by Ministry of Finance and State Administration for Industry and Commerce, the firm reformed to Da Hua Certified Public Accountants (Special General Partnership).

## **IV. Explanation on the implementation of the procedures for change in accounting firm**

1. On 14 September 2017, the 57<sup>th</sup> Meeting of the 8<sup>th</sup> Term of the Board of Directors of the Company passed the following resolutions: 1) to appoint Da Hua Certified Public Accountants (Special General Partnership) to re-audit the annual report of the Company for 2016; 2) to appoint Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year 2017 and authorizing the Board to decide the

audit fee. The above resolutions should be submitted to the third extraordinary general meeting of the Company (“the EGM”) for consideration and approval. The independent non-executive directors of the Company issued independent opinions.

2. The EGM will be held on 31 October 2017 to consider resolutions including 1) to appoint Da Hua to re-audit the annual report of the Company for 2016; 2) to appoint Da Hua as the auditor of the Company for the year 2017 and authorizing the Board to decide the audit fee. The above resolutions will be effective from the date of approval by the EGM.

#### **V. Opinions of the independent non-executive directors**

Except for independent non-executive director Mr. Yang Xiongsheng, other directors considered that the proposed change in auditors for the year 2017 and propose to appoint it to re-audit the annual report of the Company for 2016 complied with the supervisory requirements, the consideration procedures complied with relevant laws and regulations of the PRC and the Articles of Association of the Company. Da Hua has securities, futures relevant business practice qualifications, has experience and capability of providing audit services for listed companies for many years, is able to provide true and fair audit services to the Company and meets the requirements of the Company’s financial and internal control audit for 2017 and re-audit the annual report of the Company for 2016. To be changed in auditors and internal control auditors has no harm to the interests of Company and its shareholders. We unanimously agreed to engage Da Hua to re-audit the annual report of the Company for 2016 and appoint it as the auditor of the Company for 2017, and agreed to submit the above resolutions to the EGM.

Independent non-executive director Mr. Yang Xiongsheng earlier had expressed: In view of the previous two appointments of accounting firms and the consequences, under the conditions that the two prerequisites, the enterprise does not meet the basic audit requirements and whether the Company's basic management is able to guarantee the provision of basic quality assurance accounting information, were not resolved, simply change of the accounting firm, and for Da Hua accepted this audit business, I could not express my consent or objection. Moreover, I have resigned and the resolutions should be decided by new independent non-executive directors.

Board of Directors  
**Shenji Group Kunming Machine Tool Company Limited**

Kunming, PRC, 14 September 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.*