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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 Receiving the Enquiry Letter of
Securities Regulatory Bureau of Yunnan Province on
the Commitment Matters of Shenyang Machine Tool (Group) Company Limited**

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.

On 10 July 2018, the Company received the Enquiry Letter of the Securities Regulatory Bureau of Yunnan Province on the Commitment Matters of Shenyang Machine Tool (Group) Company Limited issued by the Securities Regulatory Bureau of Yunnan Province (No. 220 [2018] Yun Zheng Jian Han). The original text is as follows:

Shenyang Machine Tool (Group) Company Limited (“Shenyang Group”), Shenji Group Kunming Machine Tool Company Limited (the “Company”):

We noted that the Company disclosed in its 2016 annual report and 2017 annual report that Shenyang Group committed that it would “eliminate the industry competition between the Company and Shenyang Machine Tool Co., Ltd (“Shenyang Machine Tool”) within 60 months from 1 January 2013. Shenyang Group currently has no specific transfer plan and will legally transfer the equity of the Company at the time permitted by laws and regulations.” Shenyang Group, as the controlling shareholder of the Company, issued Commitment Letter on Avoiding Industry Competition (“Commitment Letter”) to Shenyang Machine Tool on 24 October 2017 which claimed that it would strive to settle the industry competition problem between the Company and the Shenyang Machine Tool by proper methods within 36 months after the Commitment Letter taking effect. On 16 November 2017, Shenyang Machine Tool convened the sixth EGM which considered and approved the Commitment Letter, and the implementation

period of the commitment of avoiding industry competition (the “Commitment”) was postponed to 11 November 2020.

Shenyang Group and the Company, please explain the decision making and disclosure process for the commitment of industry competition between Shenyang Machine Tool and the Company respectively. Both companies should conduct self-inspection on whether the commitment, which disclosed in the Company’s periodic report, expired but was not implemented; whether the change procedure of the Commitment of Shenyang Group was legal and valid; whether the change of Commitment should fulfill the relevant procedure by the Company; and whether the Commitment matter violated relevant regulations of information disclosure. The results of self-inspection should be disclosed. Both companies should appoint legal adviser(s) to issue legal opinions on the above matters. The Company should publish the contents of the enquiry letter according to the regulations within 3 working days after receiving the letter. The results of self-inspection and special legal opinions should be sent to us within 10 working days after receiving the letter and should be published. We will take further regulatory measures according to the circumstance.

The above is the original text of the Enquiry Letter of the Securities Regulatory Bureau of Yunnan Province on the Commitment Matters of Shenyang Machine Tool (Group) Company Limited.

The Company has published announcements of risk warning for many times. Investors are advised to pay attention to the investment risk.

Shenji Group Kunming Machine Tool Company Limited

Kunming, the PRC, 11 July 2018

As at the date of this announcement, the Company’s executive directors are Mr. Wang He, Mr. Zhang Xiaoyi, Mr. Peng Liangfeng and Ms. Xu Juan; non-executive directors are Mr. Liu Chunshi, Mr. Xia Changtao, Mr. Kang Jun and Ms. Wu Yu; and the independent non-executive directors are Mr. Na Chaohong, Mr. Chi Yilin, Ms. Jin Mei and Ms. Tian Ruihua.