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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)

Operational Update for June 2018 and Update on Progress of Fulfillment of Resumption Conditions

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.

The announcement is made pursuant to the rule 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and will be published on the website of The Stock Exchange of Hong Kong Limited. The following is the full text:

Reference is made to the announcements of the Company published 21 June 2017, 28 July 2017, 30 August 2017, 29 September 2017, 31 October 2017, 14 December 2017, 2 February 2018, 1 March 2018, 10 April 2018, 14 May 2018 and 16 June 2018.

OPERATIONAL UPDATE FOR JUNE 2018

Set out below is an update on the Company’s business operations for June 2018. The information set out below is based on the unaudited management accounts of the Company ended 30 June 2018 (The data below is the parent company's financial data).

As at 30 June 2018, the total sales revenue (excluding VAT) of the Company was about RMB217,102,000.

The bank balance of the Company amounted to about RMB51,669,000 as at 30 June 2018. The total amount of accounts receivable of the Company was about RMB289,857,000 and the bank

borrowings as at 30 June 2018 was about RMB242,000,000.

The Group has other assets and liabilities, and this update on its business and cash position should not be taken as an indicator of the financial performance of the Group, just for reference only.

RESUMPTION PROGRESS OF H SHARES

The Company's independent investigation committee has carried out its work on targeting the requirements of H Shares resumption conditions.

1. The Company's auditor, Da Hua Certified Public Accountants (Special General Partnership), has completed the audit of the Company for the year 2016 and 2017, and issued Special Audit Report on Involved Matters with Disclaimer of Opinion for the Year 2016 (Da Hua He Zi [2018] no. 003038) and standard unqualified Auditors' Report with emphasis paragraphs for the year 2017 (Da Hua Shen Zi [2018] no. 001105). For the details, please refer to the announcements of the Company.
2. The Company's internal control consultant, Moore Stephens Advisory Services Limited, has completed the on-site internal control review, and has carried out preliminary communication with the Company. The Company has convened a meeting on 6 July 2018 to conduct discussion and analysis on the several existing problems and rectification opinions. Currently, the Company has arranged relevant departments to sort out the internal control problems which had been discussed and required the departments to make practicable and feasible rectification plans at the end of July according to the communication opinions and recommendations with the internal control consultant.
3. The team of forensic audit has communicated with the Company for many times regarding the related issues of forensic audit. Currently, the team is conducting the coordination for provision of relevant information and the procedures. Meanwhile, the independent investigation committee of the Company has carried out discussion and analysis on the development of forensic audit work.
4. The Company's financial Adviser in relation to resumption, Alliance Capital Partners Limited, internal control consultant and the team of forensic audit have discussed and analyzed the related work on the resumption of the Company's H Shares. The Company is actively coordinating the teams to carry out the related work.

CONTINUED SUSPENSION OF TRADING

Trading in the Company's H shares on the Stock Exchange of Hong Kong Limited will continue to be suspended pending the fulfilment of the resumption conditions in the Company's announcement dated 21 June 2017.

Board of Directors
Shenji Group Kunming Machine Tool Company Limited

Kunming, the PRC, 13 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.