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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 THE 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.

This announcement is made pursuant to the Rule 13.09 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to (1) the announcement of the Company dated 23 March 2017 on trading halt; (2) the announcement of the Company dated 27 March 2017 on suspension of trading; (3) the announcement of the Company dated 21 June 2017 in respect of the conditions of the resumption of trading of the shares of the Company; and (4) the amendments to the delisting framework under the Listing Rules which will come into effect on 1 August 2018 (the “Effective Date”).

THE AMENDMENTS TO THE DELISTING FRAMEWORK UNDER THE LISTING RULES

The Company’s shares have been suspended from trading since 23 March 2017. On 20 June 2017, the Stock Exchange issued the resumption conditions to the Company. As the Company’s shares will have been suspended from trading for more than 12 months as at the Effective Date, under Rule 6.01A(2)(b)(ii) the Stock Exchange may cancel the Company’s listing if trading in the Company’s shares has remained suspended for 12 continuous months from the Effective Date.

The 12-month period expires on 31 July 2019. If the Company fails to resume trading in its shares by 31 July 2019, the Listing Department will recommend the Listing Committee to proceed with the cancellation of the Company's listing. This is subject to the Stock Exchange's right to impose a shorter specific remedial period under Rule 6.10 where appropriate.

OPERATIONAL STATUS OF THE COMPANY

As at the date of this announcement, the production and operation of the Company is normal. According to the statistics of the marketing department, in the first half of this year, the contracts in hand amounted to RMB683,430,000. (The actual machines to be shipped from the factory and delivered may be affected by different elements such as production capital investment, production capacity, and delivery schedule and payment progress of the clients. The information is for reference only for the investors.)

As at 30 June 2018, the Company have sold, delivered and installed machine tools 213 and achieved revenue RMB212,710,000. The loss before tax was about RMB120,190,000.

The Company's operating cash flow is tight. From 1 January 2018 to 30 June 2018, net cash inflow from operating activities was about RMB18,621,000. (The information to be disclosed in the interim report of 2018 of the Company shall prevail). Some accounts of the Company were taken pre-litigation freeze and RMB2,000,000 had been frozen. The details will be disclosed after the Company receiving the relevant formal documents from the court.

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 according to the communication opinions and recommendations with the internal control consultant. As at the date of the announcement, the work still needs some time to complete.

According to the further requirements of the internal control consultant, Moore Stephens Advisory Services Limited, the Company also need to provide some information to cooperate with the internal control consultant to complete the related work of the internal control report. Currently, the Company is actively preparing the relevant information. After communication with the internal control consultant, the Company expects to provide all needed information before the beginning of September and finish the rectification plan. The Company and its internal control consultant, Moore Stephens Advisory Services Limited, expect to issue the draft of first stage internal report within September.

3. The team of forensic audit (the “Team“) 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. The Company expects the Team will enter the Company no later than mid-September. Before this, the Company will complete the provision of all materials required before the Team arrival according to the requirement of the Team.
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 with 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, 31 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.