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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)

The Third Quarterly Report of 2018

I. IMPORTANT NOTICE

- 1.1 The board of directors (the “Board”) and supervisory committee of Shenji Group Kunming Machine Tool Company Limited (the “Company”) and all members of the Board and supervisory committee, senior management officers warrant that there are no false representations, misleading statements and material omissions in this announcement, and are severally and jointly responsible for the truthfulness, accuracy and completeness of the content herein.
- 1.2 All Directors of the Company attended the Board meeting to consider the quarterly report.
- 1.3 Mr. Wang He, chairman of the Company and Ms. Xu Juan, the person in charge of accounting affairs and the head of the accounting department have declared that they assured for the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.
- 1.4 The financial statements of the third quarterly report were unaudited.

II. BASIC INFORMATION OF THE COMPANY

2.1 Major Financial Information

Unit: RMB

	Current period	As at the end of last year	Increase or decrease as at the end of the reporting period compared with the end of last year (%)
Total assets	1,504,651,137.44	1,691,638,201.32	-11.05
Net assets attributable to equity shareholders of the Company	-188,802,219.44	-38,221,029.07	393.97
	For the nine months ended 30 Sept 2018	For the nine months ended 30 Sept 2017	Increase or decrease as compared with the same period of last year (%)
Net Cash flows from operating activities	32,005,831.58	54,707,768.33	-41.50
	For the nine months ended 30 Sept 2018	For the nine months ended 30 Sept 2017	Increase or decrease as compared with the same period of last year (%)
Operating income	363,840,531.11	391,086,607.55	-6.97
Net profit attributable to equity shareholders of the Company	-150,581,190.36	-201,146,288.84	-25.14
Net profit attributable to equity shareholders of the Company excluding extraordinary gains or losses	-166,933,924.94	-210,120,786.37	-20.55
Weighted average return on net assets (%)	-	-63.34	-
Basic earnings per share (dollar/share)	-0.28	-0.38	-25.38
Diluted earnings per share (dollar/share)	-0.28	-0.38	-25.38

Extraordinary gains and losses and amounts

√Applicable □Not applicable

Unit: RMB

Items	Amount (July – Sept)	From the beginning of the year to the end of the reporting period (Jan – Sept)
Gains on disposal of non-current assets	394,855.41	595,258.81
Government grants recognized through profit or loss (excluding those having close relationship with the Group's operation and enjoyed in fixed amount or quantity according to uniform national standard)	14,352,185.60	14,787,697.58
Gains on debt restructuring		51,000
Other non-operating income and expenses besides the items above	2,408,492.86	752,537.5
Effect of non-controlling interests (after tax)	313,663.83	57,383.94
Effect of income tax	0	-223,624.63
Total	16,841,867.07	16,352,734.58

2.2 Total number of shareholders at the end of the reporting period, shareholdings held by top ten shareholders and shareholdings held by top ten holders with circulating shares (or selling unrestricted shares):

Unit: Share

Total number of Shareholders as at the end of the reporting period	2,481, including 111 holders of H Shares			
Shareholdings of the top ten shareholders				
Name of shareholders	Total number of shares held at the end of the period	Proportion (%)	Number of shares pledged or frozen	Nature of share holders
			Status of shares	
HKSCC NOMINEES LIMITED	134,354,498	25.3	Unknown	Unknown
Shenyang Machine Tool (Group) Co., Ltd.	133,222,774	25.08	None	State-owned legal person
Yunnan Industrial Investment Holding Group Co., Ltd.	34,153,444	6.43	None	State-owned legal person
Zhang Haiying	2,420,000	0.46	Unknown	Unknown
Zheng Haiyu	2,333,728	0.44	Unknown	Unknown
Zhang Shun	2,000,000	0.38	Unknown	Unknown
CHAN KUNG SUK YUEN	1,306,000	0.25	Unknown	Unknown
Zhu Yushu	1,230,000	0.23	Unknown	Unknown
CHAN EDA	1,098,000	0.21	Unknown	Unknown
CAI QINGSHAN	1,083,806	0.20	Unknown	Unknown

Shareholdings held by top ten holders with selling unrestricted shares			
Name of shareholders	Number of selling unrestricted circulating shares held	Type and quantity of shares	
		Type	Quantity
HKSCC NOMINEES LIMITED	134,354,498	Overseas listed foreign shares	134,354,498
Shenyang Machine Tool (Group) Co., Ltd.	133,222,774	RMB ordinary shares	133,222,774
Yunnan Industrial Investment Holding Group Co., Ltd.	34,153,444	RMB ordinary shares	34,153,444
Zhang Haiying	2,420,000	RMB ordinary shares	2,420,000
Zheng Haiyu	2,333,728	RMB ordinary shares	2,333,728
Zhang Shun	2,000,000	RMB ordinary shares	2,000,000
CHAN KUNG SUK YUEN	1,306,000	Overseas listed foreign shares	1,306,000
Zhu Yushu	1,230,000	RMB ordinary shares	1,230,000
CHAN EDA	1,098,000	Overseas listed foreign shares	1,098,000
CAI QINGSHAN	1,083,806	Overseas listed foreign shares	1083806
Explanation of the connected relationship or acting in concert relationship among the above shareholders:			
<p>Except for no connected relationship between state-owned legal person shareholders, the Company was not notified of any connected relationship or acting in concert relationship regulated by “Measure for the Administration of Acquisition of Listed Company” among the top ten shareholders. Other than the substantial shareholders disclosed above, as at 30 September 2018, there were no other shareholders whose shareholdings exceeded the amount required to be disclosed under Article 60 of “Administration of the Issuing and Trading of Shares Provisional Regulations” of the PRC and Issue No.3 of “The Content and Format of Disclosure of Information of the Listed Companies” (amended in 2016); and under Section 16(1) of the Securities and Futures Ordinance under the Hong Kong Exchanges and Clearing Limited, the Company was not notified of any interests representing 10% or more of the issued share capital of the Company. Among top ten shareholders, there are three shareholders holding 5% or more of the Company’s shares. They are HKSCC Nominees Limited (hereinafter referred to as “HKSCC Nominees Limited”), which holds the overseas listed foreign shares; Shenyang Machine Tool (Group) Co., Ltd., which holds the state-owned legal person shares; and Yunnan Industrial Investment Holding Group Co., Ltd., which holds state-owned legal person shares. All shares held by these shareholders are not pledged, frozen, nor designated.</p>			
Explanation of preferred shareholders of recovery voting rights and shareholdings		None	

Note: Since the shares of the Company have been transferred to National Equities Exchange and Quotations (“NEEQ”), and the confirmation on the right to shares has not been completed, the above information is based on the registered shareholders in NEEQ and their shareholdings.

- 1) HKSCC (Nominees) Limited holds shares on behalf of clients. The Company neither received any notification that any H shareholder held more than 10% in total share capital of the Company, nor received any notification that any H shareholder held more than 5% of total H shares of Company.
- 2) Save as disclosed above, the Directors were not notified by any person (who is not a Director or a chief executive officer) who owns the interest or short position in the shares or underlying shares of the Company that shall be disclosed to the Company in compliance with the requirements contained in Divisions 2 and 3 of Part XV of Securities and Future Ordinance (“SFO”), or the interest or short position that shall be included in the prescribed register in accordance with Section 336 of SFO.
- 3) As at 30 September 2018, none of the Directors and the Supervisors had any interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests or short positions which the Directors or the Supervisors are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

2.3 As at the end of the reporting period, total number of preferred shareholders of the Company; shares of the Company held by top ten preferred shareholders, or top ten preferred shareholders with selling unrestricted shares

Applicable Not applicable

III. SIGNIFICANT EVENTS

3.1 Details and reasons for material changes in the major financial statement items and financial indicators of the Company

Applicable Not applicable

Unit: RMB

Item	At the end of the reporting period	At the end of the same period last year	Increase or decrease (%)
Cash at bank and on hand	72,985,998.52	91,148,044.38	-19.9
Bills receivable	234,527,701.66	284,228,889.00	-17.5
Other receivables	27,307,515.98	19,794,921.53	39.1
Other payables	564,530,319.31	388,893,649.29	45.16
Operating income	363,840,531.11	391,086,607.55	-7
Operating costs	356,764,086.25	376,995,246.12	-5
Selling and distribution expenses	46,779,420.61	54,444,117.97	-14
General and administrative	86,640,095.78	112,756,818.92	-23

expenses			
Financial expenses	20,046,048.78	36,047,204.45	-44
Assets impairment losses	11,681,368.76	18,681,445.17	-37
Net cash flow from operating activities	32,005,831.58	54,707,768.33	-41
Net cash flow from investing activities	2,928,384.10	4,982,919.23	-41
Net cash flow from financing activities	-53,138,276.29	-283,053,431.86	-81

Note:

1. Cash at bank and on hand decreased due to Changsha Ser not consolidating.
2. The decrease of bills receivable and accounts receivable were due to increasing production input, increasing in payment for purchase of materials, increasing the proportion of shipment for machine tools in this year and increasing the collection of old accounts receivable. Other receivables increased due to increasing funds transfer between related parties.
3. Other receivables increased due to the cooperation between the Company and Shenyang Hong Kong Company, the paid technology license fee has not been transferred to assets and reclassified it into other receivables.
4. Other payables increased due to the party of loans from Export and Import Bank replaced by the substantial shareholder of the Company which led to the increase of funds transfer between the related parties.
5. Operating income decreased due the sales revenue of the subsidiary, Kunming TOS decreased as compared with the same period of last year/
6. Operation costs decreased due to operating income decrease, and controlling the costs of machine tools.
7. Selling and distribution expenses decreased due to controlling the expenses of the sales department restrictively. Some expenses have been decreased effectively.
8. General and administrative expenses decreased due to controlling the expenses of the departments restrictively. Some expenses have been decreased effectively.
9. Financial expenses decreased due to repaying some bank loans which led to decrease interest payment.
10. Assets impairment losses decreased due to the collection of old accounts receivable.
11. Net cash flow from operating activities decreased due to the payment was mainly based on acceptance bills, and payment on cash was reduced.
12. Net cash flow from investing activities decreased due to the input of purchasing fixed assets, intangible assets reduced.
13. Net cash flow from financing activities decreased due to repaying more bank loans in the same period of last year which led to a large cash flow out from financing activities during the same period of last year.

3.2 The progress of significant events and their effects, and explanation and analysis of solutions

√ Applicable □ Not applicable

1. On 22 May 2018, the Company received the Decision on Termination of Listing of the Shares of Shenji Group Kunming Machine Tool Company Limited issued by the Shanghai Stock Exchange. The Shanghai Stock Exchange decided to terminate the listing of the Shares of the Company.

According to the Rule 14.3.25 of the Shanghai Listing Rules and the arrangement of Shanghai Stock Exchange, on 13 July 2018, the Company's A Shares were delisted by Shanghai Stock Exchange and the Company's shares were terminated listing.

2. In September, the Company received a letter from NEEQ which agreed the Company's shares listing on the NEEQ to transfer (GuZhuan Xitong Han [2018] no.3059). The commence date of transfer of the shares of the Company was 12 September 2018. The shares' transfer method is collective bidding. If investors would like to participate in the shares transfer, they should entrust the Pacific Securities Co., Ltd. or other sales offices of the brokers who can engage in brokerage business in the NEEQ to handle. The short name of the Company's shares in NEEQ is "Kunji 3", and the stock code is 400068.
3. Currently, the H Shares of the Company has been suspended. The Company disclosed the resumption conditions of H Shares of the Company required by the Hong Kong Stock Exchange on 21 June 2017. The Company is taking measures to achieve various conditions and strive for resumption as soon as possible. However, the Company cannot accurately predict the time of achieving the conditions and successfully resuming trading.
4. Kunming municipal government planned to resume 255 mu lands located in Kunming Machine Tool Factory area for subway project construction. The Company responded to the overall planning requirements of the Kunming municipal government, and therefore the Company planned to implement the relocation in recent years. As the Yanlin factory area is under construction, currently, the Company does not have the overall relocation conditions. Hence, the Company needs to lease the resumed land, buildings (structures) and fixtures erected thereon for about two years until the end of 2018.
5. Changsha Ser, a subsidiary of the Company's subsidiary, had difficulties in operation. The basic bank accounts and some general accounts of the company were judicially frozen due to lawsuits, and several bank loans were overdue. Changsha Ser has basically been in a semi-suspended position. In August 2018, the Company received relevant legal documents. According to the Civil Ruling Paper (2018) Xiang 01 Po Shen No .23 issued by Changsha Intermediate People's Court (the "Court"), according to article 2.2, 3, 7.1, 70.1 and 71 of the Enterprise Bankruptcy Law of the PRC, the Court accepted the application of Changsha Ser to have the company enter the

bankruptcy reorganization procedure. Changsha Ser entered the bankruptcy reorganization procedure. On 17 October 2018, Changsha Ser convened the first meeting of creditors. Based on the above information and Changsha Ser has been taken over by the asset manager, the Company has lost the actual control over it. Therefore, the financial statements of Changsha Ser did not include the scope of consolidation of the Company. The Company hereby prompts for significant uncertainty risk. This matter may cause negative impact on the financial status of the Company, Investors are advised to invest carefully and pay attention to risks.

6. The Company received notices of response to civil action with the reason of false statements of securities. The total amount involved is about RMB11,649,000 (not including litigation costs). The trial of the cases has not yet commenced and the Company belongs to the co-defendant in some cases. The division of ultimate responsibilities is subject to the judgement of the court. Therefore, the Company currently cannot predict the impact of the cases on the Company's profit and loss. Investors are advised to invest carefully and pay attention to risks.

3.3 Overdue unfulfilled commitments during the reporting period

Applicable Not applicable

3.4 Warning and explanation on the reasons for expectation of a possible loss in aggregate net profit from the beginning of the year to the end of next reporting period or substantial changes compared with the same period last year

Applicable Not applicable

Board of Directors

Shenji Group Kunming Machine Tool Company Limited

Kunming, the PRC, 31 October 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 and Ms. Wu Yu; and the independent non-executive directors are Mr. Na Chaohong, Mr. Chi Yilin, Ms. Jin Mei and Ms. Tian Ruihua.

Appendix:

4.1 Financial Statements

CONSOLIDATED BALANCE SHEET

As at 30 September 2018

By: Shenji Group Kunming Machine Tool Co., Ltd.

Unit: RMB, unaudited

Item	Closing balance	Opening balance
Current assets:		
Cash at bank and on hand	72,985,998.52	91,148,044.38
Bills receivable and accounts receivable	234,527,701.66	284,228,889.00
Prepayments	36,527,970.79	38,114,906.00
Other receivables	27,307,515.98	19,794,921.53
Inventories	459,809,046.98	561,821,346.40
Assets held for sale		
Non-current assets due within one year		
Other current assets	12,942,666.78	18,165,469.49
Total current assets	844,100,900.71	1,013,273,576.80
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	612,000.00	612,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	11,320,534.23	10,039,220.02
Investment properties	14,497,865.04	14,826,693.00
Fixed assets	366,486,674.96	409,396,449.93
Construction in progress	70,146,374.45	54,044,868.15
Productive biological assets		
Oil and gas assets		
Intangible assets	164,282,407.42	178,785,639.52
Development expenditures	24,218,380.02	4,150,415.13
Goodwill		
Long-term prepaid expenses	2,565,151.99	
Deferred tax assets	2,532,792.54	2,393,247.69
Other non-current assets	3,888,056.08	4,116,091.08
Total non-current assets	660,550,236.73	678,364,624.52
Total assets	1,504,651,137.44	1,691,638,201.32
Current liabilities:		
Short-term loans	242,000,000.00	363,683,036.94

Bills payable and Accounts payable	312,547,841.01	320,626,464.70
Advances from customers	285,017,292.88	282,852,805.07
Financial assets sold under repurchase agreements		
Fees and commissions payable		
Employee benefits payable	51,368,245.22	39,039,042.73
Taxes payable	11,157,268.11	11,643,532.84
Other payables	564,530,319.31	388,893,649.29
Including: Interests payable		
Dividends payable		
Non-current liabilities due within one year		45,000,000.00
Other current liabilities		390,593.75
Total current liabilities	1,466,620,966.53	1,452,129,125.32
Non-current liabilities:		
Long-term loans		1,665,275.66
Long-term payables	51,954,488.48	62,637,101.73
Long-term employee benefits payable		
Provisions	2,891,372.16	10,513,913.91
Deferred income	176,868,425.80	195,202,914.02
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	231,714,286.44	270,019,205.32
Total liabilities	1,698,335,252.97	1,722,148,330.64
Shareholders' equity:		
Share capital	531,081,103.00	531,081,103.00
Capital reserve	19,765,031.17	19,765,031.17
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserve	117,077,019.33	117,077,019.33
General risk reserves		
Retained earnings	-856,725,372.94	-706,144,182.57
Total equity attributable to shareholders of the Company	-188,802,219.44	-38,221,029.07
Non-controlling interests	-4,881,896.09	7,710,899.75
Total shareholders' equity	-193,684,115.53	-30,510,129.32
Total liabilities and shareholders' equity	1,504,651,137.44	1,691,638,201.32

Legal representative of the Company: Wang He

The person in charge of accounting affairs: Xu Jun

The head of the accounting department: Xu Jun

BALANCE SHEET

As at 30 September 2018

By: Shenji Group Kunming Machine Tool Co., Ltd.

Unit: RMB, unaudited

Item	Closing balance	Opening balance
Current assets:		
Cash at bank and on hand	45,688,640.00	53,738,819.88
Bills receivable and accounts receivable	280,247,734.20	319,276,644.26
Prepayments	30,265,926.02	22,473,939.73
Other receivables	34,857,339.00	64,709,323.75
including : Interests payable		
Dividends receivable		
Inventories	348,553,808.78	395,361,175.05
Assets held for sale		
Non-current assets due within		
Other current assets	12,612,519.28	17,386,311.22
Total current assets	752,225,967.28	872,946,213.89
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	55,600,690.76	56,472,191.03
Investment properties	14,497,865.04	14,826,693.00
Fixed assets	349,749,240.60	369,864,949.39
Construction in progress	70,146,374.45	54,044,868.15
Productive biological assets		
Oil and gas assets		
Intangible assets	164,244,276.84	168,324,633.19
Development expenditures	24,218,380.02	4,150,415.13
Goodwill		
Long-term prepaid expenses	2,565,151.99	
Deferred tax assets		
Other non-current assets	4,116,091.08	4,116,091.08
Total non-current assets	685,138,070.78	671,799,840.97
Total assets	1,437,364,038.06	1,544,746,054.86
Current liabilities:		
Short-term loans	242,000,000.00	340,000,000.00
Bills payable and accounts payable	243,123,625.66	250,156,983.11
Advances from customers	224,958,731.82	185,644,384.34
Employee benefits payable	45,127,849.33	37,892,556.89

Taxes payable	10,454,723.02	8,535,984.19
Other receivables	553,432,706.60	383,363,172.19
Liabilities classified as held for sale		
Non-current liabilities due within one year		45,000,000.00
Other current liabilities		390,593.75
Total current liabilities	1,319,097,636.43	1,250,983,674.47
Non-current liabilities:		
Long-term borrowings		1,665,275.66
Long-term payables	51,714,488.48	62,637,101.73
Long-term employee benefits payables		
Provisions	1,633,974.71	9,286,536.28
Deferred income	176,868,425.80	193,562,914.02
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	230,216,888.99	267,151,827.69
Total liabilities	1,549,314,525.42	1,518,135,502.16
Shareholders' equity:		
Share capital	531,081,103.00	531,081,103.00
Other equity instruments		
Including: Preference shares		
Perpetual bond		
Capital reserves	27,303,321.72	27,303,321.72
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	117,077,019.33	117,077,019.33
Retained earnings	-787,411,931.41	-648,850,891.35
Total shareholders' equity	-111,950,487.36	26,610,552.70
Total liabilities and shareholders' equity	1,437,364,038.06	1,544,746,054.86

Legal representative of the Company: Wang He

The person in charge of accounting affairs: Xu Jun

The head of the accounting department: Xu Jun

CONSOLIDATED INCOME STATEMENT

For the January – September 2018

By: Shenji Group Kunming Machine Tool Co., Ltd.

Unit: RMB, unaudited

Item	Current period (July - Sept)	Same period of last year (July - Sept)	From the beginning of the year to the end of the period (Jan - Sept)	From the beginning of last year to the end of the same of last year (Jan - Sept)
1. Operating income	100,885,184.08	116,240,460.95	363,840,531.11	391,086,607.55
Including: Operating income	100,885,184.08	116,240,460.95	363,840,531.11	391,086,607.55
2. Operating costs	154,853,715.38	170,558,116.10	537,435,439.72	604,899,516.97
Including: Operating costs	102,556,454.99	103,344,390.32	356,764,086.25	376,995,246.12
Business taxes and surcharges	2,851,332.00	2,436,738.70	7,425,843.83	5,974,684.34
Selling and distribution expenses	14,176,756.90	14,577,035.81	46,779,420.61	54,444,117.97
General and administrative expenses	20,617,673.62	39,414,646.75	86,640,095.78	112,756,818.92
R & D expenses	8,098,575.71		8,098,575.71	
Financial expenses	5,315,410.63	11,086,742.60	20,046,048.78	36,047,204.45
Assets impairment losses	1,237,511.53	-301,438.08	11,681,368.76	18,681,445.17
add : other income	14,647,697.60		14,787,697.58	
Investment income (“-” for loss)	0	-289,153.17	-871,500.27	-1,986,266.69
Gain on disposal of assets (“-” for loss)	394,855.41		595,258.81	
3. Operating income (“-” for loss)	-38,925,978.29	-54,606,808.32	-159,083,452.49	-215,799,176.11
Add: Non-operating income	2,147,443.13	8,311,780.28	3,220,547.68	10,131,634.40
Less: Non-operating expenses	68,078.33	106,604.70	2,450,626.24	226,742.33
4. Income before income tax (“-” for loss)	-36,846,613.49	-46,401,632.74	-158,313,531.05	-205,894,284.04
Less: Income tax expenses		320,520.83	-139,544.85	306,867.84
5. Net income for the	-36,846,613.49	-46,722,153.57	-158,173,986.20	-206,201,151.88

period (“-” for net loss)				
1. Net profit attributable to shareholders of the Company	-32,572,568.85	-46,479,786.58	-150,581,190.36	-201,146,288.84
2. Non-controlling interests	-4,274,044.64	-242,366.99	-7,592,795.84	-5,054,863.04
8. Earnings per share:				
– basic (dollar/share)	-0.22	-0.09	-0.28	-0.38
– diluted (dollar/share)	-0.22	-0.09	-0.28	-0.38

Legal representative of the Company: Wang He

The person in charge of accounting affairs: Xu Jun

The head of the accounting department: Xu Jun

INCOME STATEMENT

For January – September 2018

By: Shenji Group Kunming Machine Tool Co., Ltd.

Unit: RMB, unaudited

Item	Current period (July - Sept)	Same period of last year (July - Sept)	From the beginning of the year to the end of the period (Jan - Sept)	From the beginning of last year to the end of the same of last year (Jan - Sept)
1. Operating income	88,734,645.33	97,451,271.67	304,526,885.91	309,913,665.83
Less: Operating costs	94,799,981.95	92,982,764.79	312,213,789.14	314,182,604.89
Business taxes and surcharges	2,436,672.38	2,261,293.82	6,408,089.83	5,081,963.76
Selling and distribution expenses	12,555,746.84	11,529,158.65	39,551,385.87	45,378,465.23
General and administrative expenses	11,173,243.67	33,386,487.90	66,597,310.07	96,463,676.15
R & D expenses	8,098,575.71		8,098,575.71	
Financial expenses	5,098,921.45	10,393,151.35	19,186,708.23	34,114,129.66
Assets			11,242,681.62	15,108,918.67

impairment losses				
Add: Other income	14,647,697.60		14,787,697.58	
Investment income (“-” for loss)	0	-289,153.17	4,128,499.73	513,733.31
Gain on disposal of assets (“-” for loss)	394,855.40		581,238.52	
2. Operating income (“-” for loss)	-30,385,943.67	-53,390,738.01	-139,274,218.73	-199,902,359.22
Add: Non-operating income	1,293,340.02	7,310,319.85	2,235,941.09	8,424,821.20
Less: Non-operating expenses	67,424.56	102,744.28	1,522,762.42	217,536.86
3. Income before income tax (“-” for loss)	-29,160,028.21	-46,183,162.44	-138,561,040.06	-191,695,074.88
Less: Income tax expenses				
4. Net income (“-” for loss)	-29,160,028.21	-46,183,162.44	-138,561,040.06	-191,695,074.88
5. Total comprehensive income	-29,160,028.21	-46,183,162.44	-138,561,040.06	-191,695,074.88
6. Earnings per share:				
– basic (dollar/share)	-0.05	-0.09	-0.26	-0.36
– diluted (dollar/share)	-0.05	-0.09	-0.26	-0.36

Legal representative of the Company: Wang He

The person in charge of accounting affairs: Xu Jun

The head of the accounting department: Xu Jun

CONSOLIDATED CASH FLOW STATEMENT

For January – September 2018

By: Shenji Group Kunming Machine Tool Co., Ltd.

Unit: RMB, unaudited

Item	From the beginning of the year to the end of the period (Jan - Sept)	From the beginning of last year to the end of the same of last year (Jan - Sept)
1. Cash flows from operating activities:		
Proceeds from sale of goods and rendering of services	211,551,852.76	313,365,312.24
Cash received from taxes refund	3,385,983.05	782,368.09
Proceeds relating to other operating activities	76,367,125.56	357,388,996.75
Sub-total of cash inflows from operating activities	291,304,961.37	671,536,677.08
Payment for goods and services	64,372,119.15	162,509,513.75
Payment to and for employees	105,685,954.30	140,009,651.99
Payment for all types of taxes	22,000,897.80	23,333,517.18
Payment relating to other operating activities	67,240,158.54	290,976,225.83
Sub-total of cash outflows from operating activities	259,299,129.79	616,828,908.75
Net cash flows from operating activities	32,005,831.58	54,707,768.33
2. Cash flows from investing activities:		
Cash received from return of investments	157,000,000.00	188,000,000
Cash received from investments income	2,960,273.99	456,161.63
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,000.00	1,689,111.41
Cash received relating to other investing activities	22,000.00	41,597,863.18
Sub-total of cash inflows from investing activities	159,983,273.99	231,743,136.22
Cash paid to acquire fixed assets, intangible assets and other long-term assets	54,889.89	14,547,521.87
Cash paid for investments	157,000,000.00	188,000,000.00
Cash paid relating to other investing activities		24,212,695.12
Sub-total of cash outflow from investing activities	157,054,889.89	226,760,216.99
Net cash flows from investing activities	2,928,384.10	4,982,919.23
3. Cash flows from financing activities:		
Cash received from loans	356,665,275.66	147,250,000.00

Cash received from issue of bonds		
Cash received relating to other financing activities		91,000,000.00
Sub-total of cash inflows from financing activities	356,665,275.66	238,250,000.00
Cash paid for settlement of borrowings	386,108,408.05	430,250,000.00
Cash paid for dividends, profits appropriation or payments of interest	23,695,143.90	26,153,431.86
Including: Dividends and profits paid to minority interests		
Cash paid relating to other financing activities		64,900,000.00
Sub-total of cash outflows from financing activities	409,803,551.95	521,303,431.86
Net cash flows from financing activities	-53,138,276.29	-283,053,431.86
4. Effect of changes in foreign exchange rate on cash and cash equivalents	42,014.75	-103,492.90
5. Net increase in cash and cash equivalents	-18,162,045.86	-223,466,237.20
Add: Cash and cash equivalents at the beginning of the reporting period	91,148,044.38	321,022,741.20
6. Cash and cash equivalents at the end of the reporting period	72,985,998.52	97,556,504

Legal representative of the Company: Wang He

The person in charge of accounting affairs: Xu Jun

The head of the accounting department: Xu Jun

CASH FLOW STATEMENT

For January – September 2018

By: Shenji Group Kunming Machine Tool Co., Ltd.

Unit: RMB, unaudited

Item	From the beginning of the year to the end of the period (Jan - Sept)	From the beginning of last year to the end of the same of last year (Jan - Sept)
1. Cash flows from operating activities:		
Proceeds from sale of goods and rendering of services	161,544,787.19	209,563,419.90
Cash received from taxes refund	3,385,983.05	782,368.09
Proceeds relating to other operating activities	47,476,285.79	150,322,079.87

Sub-total of cash inflows from operating activities	212,407,056.03	360,667,867.86
Payment for goods and services	51,691,356.49	112,587,699.89
Payment to and for employees	81,301,719.03	119,745,211.82
Payment for all types of taxes	15,257,321.38	14,435,093.90
Payment relating to other operating activities	33,159,511.43	72,498,075.99
Sub-total of cash outflows from operating activities	181,409,908.33	319,266,081.60
Net cash flows from operating activities	30,997,147.70	41,401,786.26
2. Cash flows from investing activities:		
Cash received from return of investments		
Cash received from investments income	5,000,000.00	2,500,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,000.00	1,689,111.41
Cash received relating to other investing activities		33,334,793.4
Sub-total of cash inflows from investing activities	5,001,000.00	37,523,904.81
Cash paid to acquire fixed assets, intangible assets and other long-term assets	3,880.00	14,515,408.88
Cash paid relating to other investing activities		20,118,434.74
Sub-total of cash outflow from investing activities	3,880.00	34,633,843.62
Net cash flows from investing activities	4,997,120.00	2,890,061.19
3. Cash flows from financing activities:		
Cash received from investment absorption		
Cash received from loans granted	356,665,275.66	130,000,000.00
Cash received from issue of bonds		
Cash received relating to other financing activities		91,000,000.00
Sub-total of cash inflows from financing activities	356,665,275.66	221,000,000.00
Cash paid for settlement of borrowings	385,606,350.67	400,300,000.00
Cash paid for dividends, profits appropriation or payments of interest	15,144,693.38	21,975,564.28
Cash paid relating to other financing		64,900,000.00

activities		
Sub-total of cash outflows from financing activities	400,751,044.05	487,175,564.28
Net cash flows from financing activities	-44,085,768.39	-266,175,564.28
4. Effect of changes in foreign exchange rate on cash and cash equivalents	41,320.81	-106,692.05
5. Net increase in cash and cash equivalents	-8,050,179.88	-221,990,408.88
Add: Cash and cash equivalents at the beginning of the reporting period	53,738,819.88	282,881,420.24
6. Cash and cash equivalents at the end of the reporting period	45,688,640.00	60,891,011.36

Legal representative of the Company: Wang He

The person in charge of accounting affairs: Xu Jun

The head of the accounting department: Xu Jun

4.2 Audit report

Applicable Not applicable