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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**

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 truthfulness, accuracy and completeness of the content herein.

Reference is made to the Buildings and Land Lease Agreement ( the “Lease Agreement”) signed by the Kunming Rail Transit Group Company Limited (“Part A”) and the Company (“Part B”) in 2016. Both parties agreed that as the Yanlin Base of the Company was under construction, the Company did not have conditions for overall relocation, the Company needed to lease the land, buildings, structures and fixtures to be resumed under the Land and Buildings Resumption (i.e. the current location of the Company, 23 Ciba Road, Kunming City) until the end of 2018 (about two years). (For details , please refer to the relevant announcement).

According to the Lease Agreement, the lease period was effective from the date on which the Lease Agreement entered into force to 30 November 2018. Prior to the expiry of the lease period, Part A may elect to extend the lease period to a date not later than 31 December 2018 based on the progress of the construction of the railway line. If Part A elects not extend the lease period, Part B must surrender and effect delivery of possession of the Buildings and Fixtures to Part A before expiration of lease period. As at the date of the announcement, according to the Lease Agreement, the lease period expired.

Currently, heavy assembly plant, 110kv substation, pump house, water treatment station, bathroom and air compressor station and auxiliary plant projects of Yanlin Base have been Completed. Foundation engineering of heavy casting workshop (including equipment foundation) is nearing the end. Steel columns lifting were completed, upper steel structure lifting

is in progress and the engineering is ready capping. The foundation construction of model workshop and model library plant has been completed. 84 prefabricated columns have been completed and auxiliary building has been capped. Five-story concrete pouring of canteen and shift dormitory has been completed.

The Company's production and operation are normal in 2018. However, the cash flow can only support the basic operations and production inputs. The Company only invested RMB5.55 million in construction throughout the year and the construction funding gap was huge. As at the expiration of the longest lease period (i.e. 31 December 2018), the construction of Yanlin plant area has not been completed. The Company still does not have conditions for overall relocation. The specific relocation time cannot be determined.

Given the above situation, the Company cannot relocate on time. The Company will negotiate with the lessor on the extension of the lease as soon as possible. However, whether the lessor willing to renew the lease to the Company as operation location is still unable to judge. Investors are advised to pay attention to the investment risks.

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

Kunming, the PRC, 2 January 2019

*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, Ms. Wu Yu and Mr. Ding Side; and the independent non-executive directors are Mr. Na Chaohong, Mr. Chi Yilin, Ms. Jin Mei and Ms. Tian Ruihua.*