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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 Operational Update and the Timeframe of the Progress of Resumption of H Shares

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.

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 publishes on the website of The Stock Exchange of Hong Kong Limited on 1 February 2019. 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, 16 June 2018, 31 July 2018, 8 August 2018, 6 November 2018 and 8 November 2018.

OPERATIONAL UPDATE FOR DECEMBER 2018

Set out below is an update on the Company’s business operations for December 2018. The information set out below is based on the unaudited management accounts of the Company for the year ended 31 December 2018. Subject to audit, the final results are yet to be confirmed.

For the year ended 31 December 2018, the total sales revenue (excluding VAT) of the Company was about RMB430,743,600 and the consolidated operating income is expected to be RMB495,610,000. The bank balance of the Company amounted to about RMB38,689,300 as at 31 December 2018.

The total amount of accounts receivable of the Company as at 31 December 2018 was about RMB217,831,100 and the bank borrowings as at 31 December 2018 was about RMB241,000,000.

It is expected that the Company will continue to lose in the year 2018. However, the magnitude of losses is reduced as compared to that of the year 2017. It is expected that the Company's consolidated net loss attributable to the shareholders in 2018 will be RMB251,129,000.

RESUMPTION PROGRESS OF H SHARES

The team of forensic audit (the "Team") was originally expected to commence field work at the beginning of September 2018 and the investigation was originally expected to be completed in November 2018. However, the field work was delayed as the Company was late in settlement of the installment payment to the Team. The Company paid the said installment payment in November 2018 and the Team commenced the field work at the end of November 2018. The issuance of relevant forensic audit report is delayed. Given that the Company is expecting to publish 2016 annual report and 2017 interim report by end of May 2019, and it will be within 2 months after disclosure of the forensic report, the Company is currently working towards the schedule for the forensic report to be released in March 2019.

It was originally expected that the internal control consultant could issue the first stage report in September 2018. Since the relevant work is still being carried out, it is expected that the work will be completed in March 2019. Thereafter, the Company will make the rectification plans according to the recommendations of the internal control consultant and it is currently expected that the rectification measures can be fully implemented in April 2019. The internal control consultant will carry out follow-up review on the implementation of rectification measures in May 2019. It is expected that the internal control report can be issued in June 2019.

The Company is making efforts to conduct the aforesaid forensic investigation and internal control review work according to the above timeframe to fulfill the various conditions of resumption as soon as possible. The above timeframe is an expectation of the Company's working time based on latest available information and does not constitute a commitment. The actual working progress will be based on the actual completion time. At that time, the Company will disclose the information according to the actual completion time.

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, 1 February 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.