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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 FIRST QUARTERLY REPORT OF 2019

### I. IMPORTANT NOTICE

The board of directors (the “Board”), supervisory committee, Directors, Supervisors and senior management of Shenji Group Kunming Machine Tool Company Limited (the “Company”) warrant that there are no false representations, misleading statements and material omissions in the first quarterly report (“Report”) and are severally and jointly responsible for the truthfulness, accuracy and completeness of the information contained in the Report.

Wang He, Chairman, Xu Juan, the person in charge of accounting affairs, and Wang Jianfang, head of accounting department (Accounting Supervisor), have declared that they assured for the truthfulness, accuracy and completeness of the financial statements in the Report.

Item	Yes or No
Any disagreement with content of the Report among Directors, Supervisors and Senior Management or matters that cannot guarantee authenticity, accuracy and completeness	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Any Directors' not attendance of review of the Report	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Any exemption from disclosure	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

### 【Documents available for inspection】

Documents available for inspection at:	the office of the Board of the Company, 23 Ciba Road, Kunming City, Yunnan Province, the PRC.
Documents for inspection	1. Financial statements signed and sealed by the legal representative of the Company, the person in charge of accounting affairs and the head of the accounting department;
	2. Originals of all documents and manuscripts of announcements disclosed by the Company in designated information disclosure platform

## II. BASIC INFORMATION OF THE COMPANY

### (I) Basic information

Name of the Company (Chinese)	沈機集團昆明機床股份有限公司
Name of the Company (English)	Shenji Group Kunming Machine Tool Company Limited
Abbreviation	kmtcl
Short Name of domestic shares	KUNJI3
Stock Code	400068
Short name of H Shares	Kunming Machine
Stock code	0300
Time of listing on NEEQ	12 September 2018
Transfer mode of ordinary shares	Call auction
Hierarchical information	Sector of delisting companies and companies with shares trading in STAQ and NET systems
Legal Representative	Wang He
Secretary to the Board or the person in charge of information disclosure	He Xi
Whether have qualification of secretary to the board of National Equities Exchange and Quotations ("NEEQ")	Yes
Unified social credit code	91530000622602196M
Registered capital (RMB)	531,081,103
Registered address	23 Ciba Road, Kunming City, Yunnan Province
Telephone number	86-871-66119759
Business address and post code	23 Ciba Road, Kunming City, Yunnan Province 650203
Securities Agency	Pacific Securities Co., Ltd.
Appointed accounting firm	None
Signature of accountants	None

### (II) Principal financial data

Unit: RMB

	As at the end of the reporting 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	1,391,755,854.59	1,416,032,456.39	-1.71%
Net assets attributable to equity shareholders of the Company	-328,951,073.30	-289,030,488.75	13.81%
Gearing ratio (parent company)	119.07%	115.64%	-
Gearing ratio (consolidation)	123.59%	120.40%	-

	The reporting period	Same period of last year	Increase/Decrease (%)
Operating income	125,243,846.84	108,423,830.52	15.51%
Net profit attributable to equity shareholders of the Company	-39,920,584.54	-55,968,273.09	-28.67%
Net profit excluding extraordinary gains and losses attributable to equity shareholders of the Company	-35,192,950.97	-56,015,103.97	-37.17%
Net cash flows from operating activities	-105,460.16	5,617,827.22	-101.88%
Basic earnings per share (RMB/share)	-0.08	-0.11	-31.66%
Diluted earnings per share (RMB/share)	-0.08	-0.11	-31.04%
Return on net assets (weighted average) (%)	12.92%	83.58%	-
Return on net assets excluding extraordinary gains and losses (weighted average) (%)	11.48%	95.72%	-

### Reasons for significant changes in financial data

√Applicable      □Not applicable

Item	Amount for the period	Amount for the same period of last year	Change (%)
R&D expenses	3,540,934.74	6,926,732.30	-48.88%
Non-operating expenses	8,350,220.29	664,812.23	1156.03%
Net cash flows from operating activities	-105,460.16	5,617,827.22	-101.88%
Net cash flows from investing activities	-15,813,920.53	-17,386,224.10	-9.04%
Net cash flows from financing activities	-3,501,312.21	10,330,844.29	-133.89%

1. The decrease in R & D expenses was due to the decrease of R&D investment as well as controlling the costs and expenses during the period;
2. The increase in non-operating expenses was due to the compensation in the period;
3. The net amount of cash flow from operating activities decrease was due to the increase of payment for purchase of goods in cash during the period as compared with the last period;
4. The net amount of cash flow from investing activities decrease was due to decrease of investment in wealth management products;
5. The net amount of cash flow from financing activities decrease was due to more repayment of bank loans in the same period of last year resulting in cash outflow from financing activities during the same period of last year relatively large.

Item	Closing balance of the period	Percentage of total assets of the period (%)	Closing balance of the same period of last year	Percentage of total assets of last period (%)	Change (%)
Cash at bank and on hand	70,439,738.37	5.06%	75,506,339.54	5.33%	-6.71%
Prepayments	29,396,894.62	2.11%	22,926,092.96	1.62%	28.22%
Other current assets	3,014,305.64	0.22%	5,686,355.64	0.40%	-46.99%

1. Cash at bank and on hand decrease was due to the promotion of R&D projects resulting in reducing funds in special account.
2. Prepayment increase was due to the payment of Yanglin base construction and the new orders of Kunming TOS;
3. The decrease in other current assets was mainly due to the decrease in reclassified taxes payable.

#### Retrospective adjustments or restatement due to the changes of accounting policies and corrections of accounting errors

Changes of accounting policies       Corrections of accounting errors     Not applicable

#### Extraordinary Gains and Losses and Amounts

Applicable       Not applicable

Unit: RMB

Item	Amount for the period
Gains on disposal of non-current assets	761,152.00
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)	1,305,050.19
Other non-operating income and expenses besides the items above	-8,289,900.29
<b>Total</b>	-6,223,698.10
Effect of income tax	59,860.00
Effect of non-controlling interests (after tax)	-1,555,924.53
<b>Net amount of extraordinary gains and losses</b>	-4,727,633.57

**(III) Share capital structure of ordinary shares and top ten shareholders with ordinary shares**

*Unit: share*

Share Capital Structure of Ordinary Shares							
Nature of shares		Opening balance		Changed	Closing balance		
		Number of shares	Proportion %		Number of shares	Proportion %	
Selling unrestricted shares	Total number of selling unrestricted shares	531,081,103	100%	0	531,081,103	100%	
	Of which: controlling shareholder, de facto Controller	133,222,774	25.08%	0	133,222,774	25.08%	
	Directors, supervisors and senior management officers	0	-	0	0	-	
	Core staff	0	-	0	0	-	
Selling restricted shares	Total number of selling restricted shares	0	-	0	0	-	
	Of which: controlling shareholder, de facto Controller	0	-	0	0	-	
	Directors, supervisors and senior management officers	0	-	0	0	-	
	Core staff	0	-	0	0	-	
<b>Total share capital</b>		531,081,103	-	0	531,081,103	-	
<b>Total number of shareholders with ordinary shares</b>							
Top Ten Shareholders with Ordinary Shares							
No.	Name of shareholders	Total number of shares held at the beginning of the period	Change of shareholdings	Total number of shares held at the end of the period	proportion of shareholdings at the end of the period %	Total number of selling restricted shares held at the end of the period	Total number of selling unrestricted shares held at the end of the period
1	HKSCC NOMINEES LIMITED	134,354,498	0	134,354,498	25.30%	0	134,354,498
2	Shenyang Machine Tool (Group) Co., Ltd.	133,222,774	0	133,222,774	25.08%	0	133,222,774
3	Yunnan Industrial Investment Holding Group Co., Ltd.	34,153,444	0	34,153,444	6.43%	0	34,153,444
4	Zhang Haiying	2,540,000	622,200	3,162,200	0.6%	0	3,162,200
5	Yu Chengmiao	2,011,000	450,900	2,461,900	0.46%	0	2,461,900
6	Zheng Haiyu	2,333,728	47	2,333,775	0.44%	0	2,333,775
7	Zhang Shun	2,000,000	0	2,000,000	0.38%	0	2,000,000
8	Cai Jianxiu	1,602,325	0	1,602,325	0.3%	0	1,602,325
9	CHAN KUNG SUK YUEN	1,306,000	0	1,306,000	0.25%	0	1,306,000

10	Lin Rong	0	1,238,900	1,238,900	0.23%	0	1,238,900
<b>Total</b>		313,523,769	2,312,047	315,835,816	59.47%	0	315,835,816

Explanation of the connected relationship among the top five holders of ordinary shares or shareholders holding 10% or more shares of the Company: 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 31 March 2019, 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.

Except for the shareholder Shenyang Machine Tool (Group) Co., Ltd. who pledged 66,597,570 shares of the Company, the Company was not notified that the shares held by others shareholders were incurred change, pledge, freezing, or escrow.

- 1) HKSCC (Nominees) Limited holds shares on behalf of clients. The Company did not receive any notification that any H shareholder held more than 10% in total share capital of the Company, neither 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 31 March 2019, 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.

This issue was announced in accordance with the requirements of Notice of Supervising the Shareholders of Listed Companies Implementing the Rules on Lessening Terminated Selling Restricted Shareholding issued by Shanghai Stock Exchange.

#### **(IV) Information of preferred shares as at the end of the period**

Applicable      Not applicable

**(V) Information of bond issuance as at the end of the period**

Applicable      Not applicable

**Bond defaults:**

Applicable      Not applicable

**III.SIGNIFICANT EVENTS****(I) Significant events compliance**

Applicable      Not applicable

Item	Whether existed during the period	Whether underwent the internal review procedure	Whether fulfilled the disclosure obligation in time	Query index of provisional announcement
Major lawsuits or arbitrations	Yes	Not applicable	Yes	Lin 2019-004
External guarantees	Yes	Fulfilled in time before happened	Yes	Lin 2018-26
Appropriation or transferring of the Company's funds by the controlling shareholder, de facto controller or their related parties	No	Not applicable	Not applicable	None
External loans provided	No	Not applicable	Not applicable	None
Daily related transactions	Yes	Not applicable	Not applicable	None
Occasional connected transactions	No	Not applicable	Not applicable	None
Acquisitions, sales of assets, investment matters that had been considered by the shareholders' meeting or corporate mergers that occurred during the quarter	No	Not applicable	Not applicable	None
Equity incentives	No	Not applicable	Not applicable	None
Share repurchases	No	Not applicable	Not applicable	None
Disclosed commitments	Yes	Not applicable	Yes	Annual report
Cases where assets were attached, seized, frozen or mortgaged Or pledged	No	Not applicable	Not applicable	None
Matters of being investigated and punished	No	Not applicable	Not applicable	None
Situations of dishonesty	No	Not applicable	Not applicable	None



## Details of significant events or other significant events of voluntary disclosure

√Applicable      □Not applicable

1. Kunming municipal government planned to resume 255mu 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.

The Land and Buildings Lease Agreement entered into between the Company and Kunming Rail Transit was approved by the 38th meeting of the 8th Board of the Company. According to the Agreement, the Company is going to lease the land located in Railway Line No. 8 Huayugou Kunji Land project of Ciba Street Office of the Panlong People's Government with a site area of approximately 418.4834 mu (畝) together with the buildings, structures and fixtures erected thereon. The lease term is from the effective date of the Agreement to 30 November 2018, the longest extension to 31 December 2018. The total rental of land and buildings during the leasing period is RMB60.92 million (including tax).

Currently, the Company did not have the conditions of relocation, and are negotiating with the Kunming Rail Transit on lease and relocation problems.

2. Changsha Ser is a wholly owned subsidiary of Xi'an Ser, a majority-owned subsidiary of the Company. The Company holds 45% shareholdings of Xi'an Ser. Changsha Ser 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. Recently, 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"), the Court accepted the application of Changsha Ser to have the company enter the bankruptcy reorganization procedure.

As the de facto controller of Changsha Ser, the Company will properly handle the bankruptcy reorganization matters of Changsha Ser and cooperate with the Court to do the relevant work well, and will disclose the progress of the bankruptcy reorganization of Changsha Ser in time.

3. The first largest shareholder, Shenyang Group, (holds 133,222,774 shares of the Company, representing 25.08% of issued shares of the Company) pledge its 66,597,570 shares of the Company (representing 12.54% of issued shares of the Company). Date of pledge registration: 23 November 2018. Name of pledgee: Shenyang International Technology Development Company Limited.
4. Mr. Ye Nong held the position of senior management from 30 December 2006. On 24 January 2019, Mr. Ye submitted the written resignation report to the Company to resign his vice president position of the Company officially (please refer to provision announcement no. 2019-006).
5. The time limit of the resumption of trading of the Company's H Shares is about to expired (31 July 2019).If the Company fails to complete the relevant resumption work before this



deadline, the Company's H shares will probably be delisted by the Hong Kong Stock Exchange.

## (II) Information of corporate social responsibility during the period

Applicable    Not applicable

The Company continues to take “making strong enterprise, making fine products, enlarging market and building strong brand” as its corporate mission, to take “people-oriented, fair and just, daring to challenge, engaging in innovation and daring to take responsibilities” as its core value, and to take “rewarding shareholders, benefiting employees and contributing to the society” as its purpose to achieve the interests of all stakeholders of the Company through fulfilling the vision of the Company.

The Company is responsible for the environment, the society, the employees, and the stakeholders. In the production and operation activities, the Company fulfills the resource and energy conservation standards to provide the most basic products and service quality assurance for the society without damaging the legitimate rights and interests of the communities which the Company located and affecting the interests of other social groups. The Company also handles all kinds basic insurance for employees, including maternity insurance, unemployment insurance, pensions and medical insurance, and fulfills various duties such as payment of taxes.

## (III) Profit distribution and capitalization of capital reserve

### 1. Profit distribution and capitalization of capital reserve during the reporting period

Applicable    Not applicable

### 2. Equity distribution plan during the reporting period

Applicable    Not applicable

## (IV) Explanation on changes in the secretary to the Board and qualification

Applicable    Not applicable

## IV. FINANCIAL REPORT

### (I) Financial report auditing information

Whether audited	No
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### (II) Financial statements

#### 1. Consolidated Balance Sheet

*Unit: RMB*

Item	Note	Closing balance	Opening balance
<b>Current assets:</b>			
Cash at bank and on hand		70,439,738.37	75,506,339.54
Settlement provisions			
Lending funds			
Financial assets held for trading			

Financial assets measured at fair value and its changes included in the current profits and losses			
Derivative financial assets			
Bills receivable and Accounts receivable		210,950,639.55	221,468,560.85
Including: Bills receivable			
Accounts receivable			
Prepayments		29,396,894.62	22,926,092.96
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve			
Other receivables		14,277,579.62	12,398,524.76
Including: interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories		389,352,755.51	401,945,580.88
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		3,014,305.64	5,686,355.64
<b>Total current assets</b>		<b>717,431,913.31</b>	<b>739,931,454.63</b>
<b>Non-current assets:</b>			
Entrusted loans and advances			
Debt investments			
Available-for-sale <b>Financial assets</b>		612,000.00	612,000.00
Other debt investments			
Held to maturity investments			
Long-term receivables			
Long-term equity investments		8,747,249.21	8,747,249.21
Other equity instrument investment			
Other non-current financial assets			
Investment properties		14,278,646.40	14,388,255.72
Fixed assets		364,023,809.50	373,161,637.67
Construction in progress		73,365,568.39	70,645,813.07
Productive biological assets			
Oil and gas assets			
Intangible assets		156,859,529.06	159,087,181.40
Development expenditure		42,864,913.63	38,116,809.77
Goodwill			
Long-term deferred expenses		6,923,128.30	4,692,958.13
Deferred tax assets		2,533,005.71	2,533,005.71
Other non-current assets		4,116,091.08	4,116,091.08

<b>Total non-current assets</b>		674,323,941.28	676,101,001.76
<b>Total assets</b>		1,391,755,854.59	1,416,032,456.39
<b>Current liabilities:</b>			
Short-term loans		241,000,000.00	241,000,000.00
Borrowings from central bank			
Deposits and interbank deposit			
Borrowing funds			
Financial liabilities held for trading			
Financial liabilities measured at fair value and its changes included in the current profits and losses			
Derivative financial liabilities			
Bills payable and accounts payable		308,700,700.88	303,528,115.97
Including: Bills payable			
Accounts payable			
Advances from customers		287,225,399.93	310,370,448.64
Contract liabilities			
Financial assets sold under repurchase agreements			
Fees and commissions payable			
Employee benefits payable		47,130,914.10	47,242,378.23
Taxes payable		11,167,236.11	12,335,198.36
Other payables		572,150,548.41	536,839,983.54
Including: interest payables			
Dividends payable			
Reinsurance payables			
Insurance contract reserve			
Payables to brokerage			
Acting underwriting securities			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>		1,467,374,799.43	1,451,316,124.74
<b>Non-current liabilities:</b>			
Long-term loans			
Debentures payable			
Including: Preferred shares			
Perpetual debt			
Long-term payables		58,191,656.20	58,191,656.20
Long-term employee benefits payable			
Estimated liabilities		7,670,289.38	8,933,077.54
Deferred income		186,808,825.59	186,432,525.78

Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		252,670,771.17	253,557,259.52
<b>Total liabilities</b>		1,720,045,570.60	1704873384.26
<b>Shareholders' equity:</b>			
Share capital		531,081,103.00	531,081,103.00
Other equity instruments			
Including: Preferred shares			
Perpetual debt			
Capital reserve		19,765,031.17	19,765,031.17
Less: Treasury stock			
Other comprehensive income			
Specific reserve			
Surplus reserve		117,077,019.33	117,077,019.33
General risk provisions			
Retained earnings		-996,874,226.80	-956,953,642.25
Total equity attributable to shareholders of the Company		-328,951,073.30	-289,030,488.75
Non-controlling interests		661,357.29	189,560.88
<b>Total shareholders' equity</b>		-328,289,716.01	-288,840,927.87
<b>Total liabilities and shareholders' equity</b>		1,391,755,854.59	1,416,032,456.39

Legal representative of the Company: Wang He  
The person in charge of accounting affairs: Xu Juan  
The head of the accounting department: Wang Jianfang

## 2. Balance Sheet

*Unit: RMB*

Item	Note	Closing balance	Opening balance
<b>Current assets:</b>			
Cash at bank and on hand		39,662,515.47	40,842,195.14
Financial assets held for trading			
Financial assets measured at fair value and its changes included in the current profits and losses			
Derivative financial assets			
Bills receivable and Accounts receivable		258,840,568.84	273,292,119.98
Including: Bills receivable			
Accounts receivable			
Prepayments		23,326,034.64	20,162,130.66
Other receivables		35,380,993.47	33,102,096.26

Including: Interest receivables			
Dividends receivable			
Inventories		212,873,457.57	239,918,892.96
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		3,013,456.58	4,513,907.37
<b>Total current assets</b>		573,097,026.57	611,831,342.37
<b>Non-current assets:</b>			
Debt investments			
Available for sale financial assets			
Other debt investments			
Held to maturity investments			
Long-term receivables			
Long-term equity investments		103,979,583.41	103,979,583.41
Other equity instrument investment			
Other non-current financial assets			
Investment properties		14,278,646.40	14,388,255.72
Fixed assets		348,433,018.17	357,006,767.27
Construction in progress		73,365,568.39	70,645,813.07
Productive biological assets			
Oil and gas assets			
Intangible assets		156,832,292.92	159,054,498.04
Development expenditure		42,864,913.63	38,116,809.77
Goodwill			
Long-term deferred expenses		6,831,174.28	4,692,958.13
Deferred tax assets			
Other non-current assets		4,116,091.08	4,116,091.08
<b>Total non-current assets</b>		750,701,288.28	752,000,776.49
<b>Total assets</b>		1,323,798,314.85	1,363,832,118.86
<b>Current liabilities:</b>			
Short-term loans		241,000,000.00	241,000,000.00
Financial liabilities held for trading			
Financial liabilities measured at fair value and its changes included in the current profits and losses			
Derivative financial liabilities			
Bills payable and Accounts payable		248,292,917.27	256,933,327.47
Including: Bills payable			
Accounts payable			
Advances from customers			
Contract liabilities		209,434,341.71	242,990,427.57
Employee benefits payable		45,565,707.79	46,152,574.33

Taxes payable		8,214,733.27	9,663,574.62
Other payables		572,607,330.52	528,062,865.64
Including: Interest payables			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>		<b>1,325,115,030.56</b>	<b>1,324,802,769.63</b>
<b>Non-current liabilities:</b>			
Long-term loans			
Debentures payable			
Including: Preferred shares			
Perpetual debt			
Long-term payables		57,951,656.20	57,951,656.20
Long-term employee benefits payable			
Estimated liabilities		6,359,940.54	7,918,925.33
Deferred income		186,808,825.59	186,432,525.78
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>251,120,422.33</b>	<b>252,303,107.31</b>
<b>Total liabilities</b>		<b>1,576,235,452.89</b>	<b>1,577,105,876.94</b>
<b>Shareholders' equity:</b>			
Share capital		531,081,103.00	531,081,103.00
Other equity instruments			
Including: Preferred shares			
Perpetual debt			
Capital reserve		27,303,321.72	27,303,321.72
Less: Treasury stock			
Other comprehensive income			
Specific reserve			
Surplus reserve		117,077,019.33	117,077,019.33
General risk provisions			
Retained earnings		-927,898,582.09	-888,735,202.13
<b>Total shareholders' equity</b>		<b>-252,437,138.04</b>	<b>-213,273,758.08</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,323,798,314.85</b>	<b>1,363,832,118.86</b>

### 3. Consolidated Income Statement

Unit: RMB

Item	Note	Current period	Last period
<b>1. Operating income</b>		125,243,846.84	108,423,830.52
Including: Operating income		125,243,846.84	108,423,830.52
Interest income			
Earned premium			
Fee and commission income			
<b>2. Operating costs</b>		158,519,936.86	165,838,013.90
Including: Operating costs		112,142,011.50	104,663,631.64
Interest expenses			
Fee and commission expenses			
Premium refunded			
Net compensation expenses			
Withdrawal of net insurance contract reserve			
Premium bonus expenses			
Reinsurance expenses			
Business tax and surcharges		2,273,475.81	2,734,205.83
Selling and distribution expenses		13,271,812.91	15,934,497.52
General and administrative expenses		26,275,455.01	34,686,750.14
R & D expenses		3,540,934.74	
Financial expenses		1,016,545.61	7,818,928.77
Including: interest expenses			
Interest income			
Assets impairment losses		-298.72	
Credit impairment losses			
Add: Other income		1,305,050.19	
Investment income (“-” for loss)			
Including: investment income from Associates and joint ventures			
Gains from net exposure hedges (“-” for loss)			
Gains from changes in fair values (“-” for loss)			
Gain on disposal of assets (“-” for loss)		761,152.00	
Exchange gain (“-” for loss)			
<b>3. Operating profit (“-” for loss)</b>		-31,209,887.83	-57,414,183.38
Add: Non-operating income		111,320.00	608,460.51
Less: Non-operating expenses		8,350,220.29	664,812.23
<b>4. Profit before income tax (“-” for loss)</b>		-39,448,788.12	-57,470,535.10



Less: Income tax expense			
<b>5. Net Profit for the year</b> (“-” for loss)		-39,448,788.12	-57,470,535.10
Including: the net profit realized by the combined party before the business combination			
(I) Classified by operating continuity	-	-	-
(1) Net profit from continuing operations (“-” for net loss)		-39,448,788.12	-57,470,535.1
(2) Net profit of discontinued operation (“-” for net loss)			
(II) Classified by ownership	-	-	-
Net profit attributable to		471,796.42	-1,502,262.01
1. Non-controlling interests			
2. Shareholders of the Company		-39,920,584.54	-55,968,273.09
<b>6. Other comprehensive income, net of tax</b>			
Other comprehensive income, net of tax attributable to the shareholders of parent company			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
(1) Changes in net liabilities or net assets arising from the remeasurement of defined benefit plans			
(2) Other comprehensive income cannot be transferred to income or loss under equity method			
(3) Changes in fair value other equity instruments investment			
(4) Changes in the fair value of the company's credit risk			
(II) Other comprehensive income that can be reclassified into profit or loss			
(1) Other comprehensive income that can be reclassified to profit or loss			
(2) Changes in fair value of other debt investment			
(3) Gains from changes in fair value of available-for-sale financial assets			
(4) The amount of financial assets reclassified into other comprehensive income			
(5) Gains on held-to maturity investments reclassified as available-for-sale financial assets			
(6) Credit impairment provision for other debt investment			
(7) Cash flow hedging reserve			
(8) Exchange differences from			

translation of financial statements			
(9) Others			
Other comprehensive income, net after tax attributable to non-controlling interests			
<b>7. Total comprehensive income</b>		-39,448,788.12	-57,470,535.10
Attributable to: Shareholders of the Company		-39,920,584.54	-55,968,273.09
Non-controlling interests		471,796.42	-1,502,262.01
<b>8. Earnings per share:</b>			
(I) basic earnings per share (RMB/share)		-0.08	-0.11
(II) diluted earnings per share (RMB/share)		-0.08	-0.11

Legal representative of the Company: Wang He  
The person in charge of accounting affairs: Xu Juan  
The head of the accounting department: Wang Jianfang

#### 4. Income Statement

*Unit: RMB*

Item	Note	Current period	Last period
<b>1. Operating income</b>		126,394,289.32	88,961,868.27
Less: Operating costs		118,308,171.88	88,231,108.00
Business taxes and surcharges		1,755,537.71	2,504,040.17
Selling and distribution expenses		11,486,969.82	12,735,582.49
General and administrative expenses		23,021,875.01	29,444,044.28
R & D expenses		3,540,934.74	
Financial expenses		1,157,810.74	7,403,584.85
Including: interest expenses			
interest income			
Assets impairment losses		-298.72	
Credit impairment losses			
Add: Other income		1,305,050.19	
Investment income (“-” for loss)			
Including: investment income from associates and joint ventures			
Gains from net exposure hedges (“-” for loss)			
Gains from changes in fair values (“-” for loss)			
Gain on disposal of assets (“-” for loss)		758,502.00	
Exchange gain (“-” for loss)			
<b>2. Operating profit (“-” for loss)</b>		-30,813,159.67	-51,356,491.52

Add: Non-operating income			586,859.39
Less: Non-operating expenses		8,350,220.29	648,219.35
<b>3. Profit before income tax (“-” for loss)</b>		-39,163,379.96	-51,417,851.48
Less: Income tax expense			
<b>4. Net Profit (“-” for loss)</b>		-39,163,379.96	-51,417,851.48
(1) Net profit from continuing operations		-39,163,379.96	-51,417,851.48
(2) Net profit of discontinued operation			
<b>5. Other comprehensive income, net of tax</b>			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
(1) Changes in net liabilities or net assets arising from the remeasurement of defined benefit plans			
(2) Other comprehensive income cannot be transferred to income or loss under equity method			
(3) Changes in fair value of other equity instruments investment			
(4) Changes in the fair value of the company's credit risk			
(II) Other comprehensive income that can be reclassified into profit or loss			
(1) Other comprehensive income that can be converted into profit and loss under equity method			
(2) Changes in fair value of other debt investment			
(3) Gains from changes in fair value of available-for-sale financial assets			
(4) The amount of financial assets reclassified into other comprehensive income			
(5) Gains on held-to maturity investments reclassified as available-for-sale financial assets			
(6) Credit impairment provision for other debt investment			
(7) Cash flow hedging reserve			
(8) Exchange differences from translation of financial statemen			
(9) Others			
<b>6. Total comprehensive income</b>		-39,163,379.96	-51,417,851.48
<b>7. Earnings per share:</b>			
(I) basic earnings per share		-0.074	-0.097
(II) diluted earnings per share		-0.074	-0.097

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	Note	Current period	Last period
<b>1. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		84,066,703.32	54,490,895.65
Net increase of deposits and interbank deposits			
Net increase of borrowing from central bank			
Net increase of borrowings from other financial institutions			
Cash received from premiums of original contracts			
Net cash received from reinsurance business			
Net increase in policyholders' reserve and investment			
Net increase of financial assets measured at fair value and its changes included in the current profits and losses			
Cash received from interest, processing fees and commissions			
Net increase of borrowing funds			
Net increase of funds from repurchase business			
Received taxes and fees returned			2,339,437.42
Cash received relating to other operating activities		31,611,094.68	8,896,251.41
<b>Sub-total of cash inflows from operating activities</b>		<b>115,677,798.00</b>	<b>65,726,584.48</b>
Payment for goods and services		35,273,034.39	12,848,245.89
Net increase in customer loans and advances			
Net increase of deposits in central bank and interbank deposits			
Payment of original insurance contracts' claims			
Cash paid for interest, commission and commission			
Cash paid for policy dividends			
Payment to and for employees		27,774,444.55	29,905,273.86
Payment for all types of taxes		4,557,981.78	5,722,092.47
Payment relating to other operating activities		48,177,797.44	11,633,145.04
<b>Sub-total of cash outflows from operating activities</b>		<b>115,783,258.16</b>	<b>60,108,757.26</b>

<b>Net cash flows from operating activities</b>		-105,460.16	5,617,827.22
<b>2. Cash flows from investing activities:</b>			
Cash received from recovery of investment		49,500,000.00	57,000,000.00
Investment returns received		139,336.31	-2,338,904.10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		762,064.14	1,000.00
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
<b>Sub-total of cash inflows from investing activities</b>		50,401,400.45	54,662,095.90
Payment for acquisition of fixed assets, intangible assets and other long-term assets		715,320.98	48,320.00
Cash paid for investment		65,500,000.00	72,000,000.00
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Payment relating to other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		66,215,320.98	72,048,320.00
<b>Net cash flows from investing activities</b>		-15,813,920.53	-17,386,224.10
<b>3. Cash flows from financing activities:</b>			
Cash received from investments			
Including: cash received by subsidiaries absorbing non-controlling shareholders' investments			
Cash received from borrowings			154,665,275.66
Cash received from issuing of bonds			
Cash received relating to other financing activities			
<b>Sub-total of cash inflows from financing activities</b>			154,665,275.66
Repayments of borrowings			141,967,332.66
Payment for distribution of dividends, profit or repayment of interest		3,501,312.21	2,367,098.71
Including: dividends, profits paid to non-controlling shareholders by subsidiaries			
Payment relating to other financing activities			
Sub-total of cash outflows from financing activities		3,501,312.21	144,334,431.37
Net cash flows from financing activities		-3,501,312.21	10,330,844.29
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		-40,854.70	-48,452.85
<b>5. Net Increase in cash and cash equivalents</b>		-19,461,547.60	-1,486,005.44

Add: Cash and cash equivalents at the beginning of the period		61,607,187.06	90,263,315.47
<b>6. Cash and cash equivalents at the end of the period</b>		42,145,639.46	88,777,310.03

Legal representative of the Company: Wang He  
The person in charge of accounting affairs: Xu Juan  
The head of the accounting department: Wang Jianfang

## 6. Cash Flow Statement

*Unit: RMB*

Item	Note	Current period	Last period
<b>1. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		49,268,458.80	39,889,940.15
Received taxes and fees returned			2,339,437.42
Cash received relating to other operating activities		32,502,257.80	4,306,298.42
<b>Sub-total of cash inflows from operating activities</b>		81,770,716.60	46,535,675.99
Payment for goods and services		9,143,585.00	12,408,765.98
Payment to and for employees		15,250,915.12	23,594,623.80
Payment for all types of taxes		2,744,556.60	2,749,468.24
Payment relating to other operating activities		52,327,592.14	19,742,619.57
<b>Sub-total of cash outflows from operating activities</b>		79,466,648.86	58,495,477.59
<b>Net cash flows from operating activities</b>		2,304,067.74	-11,959,801.60
<b>2. Cash flows from investing activities:</b>			
Cash received from recovery of investment			
Investment returns received			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		758,502.00	1,000.00
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
<b>Sub-total of cash inflows from investing activities</b>		758,502.00	1,000.00
Payment for acquisition of fixed assets, intangible assets and other long-term assets		701,520.98	
Cash paid for investment			
Net cash paid for acquisition of subsidiaries and other business units			
Payment relating to other investing activities			

<b>Sub-total of cash outflows from investing activities</b>		701,520.98	
<b>Net cash flows from investing activities</b>		56,981.02	1,000.00
<b>3. Cash flows from financing activities:</b>			
Cash received from investments			
Cash received from borrowings			154,665,275.66
Cash received from issuing of bonds			
Cash received relating to other financing activities			
<b>Sub-total of cash inflows from financing activities</b>			154,665,275.66
Repayments of borrowings			141,665,275.66
Payment for distribution of dividends, profit or repayment of interest		3,500,812.21	4,457,023.71
Payment relating to other financing activities			
<b>Sub-total of cash outflows from financing activities</b>		3,500,812.21	146,122,299.37
<b>Net cash flows from financing activities</b>		-3,500,812.21	8,542,976.29
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		-39,916.22	-48,235.03
<b>5. Net Increase in cash and cash equivalents</b>		-1,179,679.67	-3,464,060.34
Add: Cash and cash equivalents at the beginning of the period		52,854,090.97	52,854,090.97
<b>6. Cash and cash equivalents at the end of the period</b>		51,674,411.30	49,390,030.63

## DEFINITION

Item	Meaning
“The Company”, “Company”, “Parent”, “Kunji”	Shenji Group Kunming Machine Tool Company Limited
“Shenyang Group”	Shenyang Machine Tool (Group) Company Limited
“Shenyang Machine Tool”	Shenyang Machine Tool Company Limited
“Industry”	the machine tool industry in the PRC
“Horizontal machine”	horizontal boring and milling machine tool
“Floor-type machine”	floor-type boring and milling machine tool
“Machining center”	horizontal products machining center
“Gantry machine”	gantry boring and milling machine tool
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China



“Accounting Law”		the Accounting Law of the People’s Republic of China
“RMB”, “RMB’000” and “RMB’0000”		RMB, RMB thousand and RMB ten thousands

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

Kunming, the PRC, 30 April 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.*