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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 Resumption of H Shares and Operational Update**

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 (the “Stock Exchange”) on 7 August 2019. The following is the full text:

Reference is made to the announcements of the Company published on 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, 8 November 2018, 1 February 2019 and 1 May 2019.

### **THE STOCK EXCHANGE IMPOSED THE FOLLOWING RESUMPTION CONDITIONS ON THE COMPANY:**

According to the first disclosure on the Company's announcement dated 21 June 2017, the Stock Exchange imposed the following resumption conditions (“Resumption Conditions”) on the Company:

1. publishing all outstanding financial results under the Listing Rules and addressing any audit qualifications;
2. engaging an independent forensic specialist acceptable to the Stock Exchange to conduct a forensic investigation on the Issues, disclosing the findings and taking any remedial action to

- address the findings; and
3. demonstrating that the Company has put in place adequate internal control systems to meet the obligations under the Listing Rules; and
  4. informing the market of all material information.

### **RESUMPTION PROGRESS OF H SHARES**

The team of forensic audit (the “Team”) has completed most of the on-site forensic audit work and issued the forensic review phase work report on 4 July 2019. However, the forensic work has not been completed before 31 July 2019 and the final report has not been submitted.

The Company is communicating with the auditors of the Company to conduct the re-auditing to the annual report 2016 and review the interim report 2017 of the Company, and expects to disclose the audited annual report 2016 and interim report 2017 which had not yet issued in accordance with the rules after the auditors of the Company completion of the work and submitting the auditors’ report. The expected completion time of the work can be determined only after the completion of the forensic audit.

In respect of internal control review and rectification, the Company is conducting the rectification according to the opinions and suggestions of the internal control consultant. On 24 June 2019, the first phase internal control review report was issued by the internal control consultant. However, the Company has not completed the full rectification. The rectification still needs some time.

The Company could not complete the resumption work by 31 July 2019 and it has not obtained any extension arrangement.

### **OPERATIONAL UPDATE FOR JUNE 2019**

Set out below is an update on the Company’s business operations for June 2019. The information set out below is based on the unaudited management accounts of the Company ended 30 June 2019. Meanwhile, the data below is the parent company's financial data, special description will be made on the financial statements on a consolidated basis.

As at 30 June 2019, the total sales revenue of the Company was about RMB266,464,000 and the consolidated operating income was about RMB246,117,000. The bank balance of the Company amounted to about RMB30,837,000 as at 30 June 2019. The total amount of accounts receivable of the Company was about RMB290,517,000 and the bank borrowings was about RMB239,000,000 as at 30 June 2019.

The controlling shareholder of the Company, Shenyang Machine Tool (Group) Company Limited (“Shenyang Group”), was accepted by the court to enter the bankruptcy procedure. Certain bank loans of the Company are secured loans provided by Shenyang Group. Whether such loans of the Company can be renewed existed great uncertainty. Meanwhile, some bank accounts of the

Company, including basic accounts, were frozen. The Company's operation is facing great difficulties and the financial risk of the Company was huge.

### **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, 7 August 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 Ruihu*