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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)

DAILY CONNECTED TRANSACTIONS

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 authenticity, accuracy and completeness of the content herein.

IMPORTANT CONTENTS:

- The daily connected transactions are regarding the proposed transactions of purchase of goods, receipt of services, sales of goods, provision of services in the year 2017 enter into between the Company and its joint venture TOS Kunming Machine Tool Manufacturing Company Limited (“Kunming TOS”) and its foreign shareholder TOS VARNSDORF a.s. in the ordinary business. The resolution should be submitted to the shareholders’ meeting for consideration and approval.
- The transactions (the “Transactions”) would not exist the risks including the risk of price fairness, the risk of assets value-added valuation, the risk of fluctuations on profitability, the risk of profit forecast, the risk of approval and the risk of assets owner-ship etc.;
- The completion of the Transactions has no adverse effects to the Company in terms of profit and loss, assets and whether the formation of new connected transactions, the competition within the industry and company governance etc.

I. DEFINITION

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| 1. the “Company” | - Shenji Group Kunming Machine Tool Company Limited; |
| 2. “Kunming TOS” | - TOS Kunming Machine Tool Manufacturing Company Limited; |
| 3. “TOS VARNSDORF” | - TOS VARNSDORF a.s.; |
| 4. the “Transactions” | - the transactions of purchase of goods, receipt of services, sales of goods, provision of services in the year 2017 with proposed annual cap of RMB23,000,000 enter into between the Company and Kunming TOS and its foreign shareholder TOS VARNSDORF a.s. in the ordinary business. |

II. GENERAL INFORMATION OF THE TRANSACTIONS

1. The procedure for consideration of the daily connected transactions

The 33rd meeting of the 8th Board of the Company (the “Meeting”) was held on 29 September 2016. Eleven of 12 eligible directors, one related directors abstained from voting and five supervisors of the Company attended the meeting,. The Meeting complied with the Company Law of People’s Republic of China and the Articles of Association of the Company. The Meeting considered and passed the proposed agreements (the “Agreements”) being entered into between the Company and its related parties –TOS Kunming Machine Tool Manufacturing Company Limited (“Kunming TOS”) and its foreign shareholder in the year 2017 (related directors abstained from voting). The resolution should be submitted to the shareholders’ meeting for approval. Connected party(ies) with interest in the Transactions will abstain from voting in the shareholders’ meeting. Independent non-executive directors of the Company have prior consented to such Transactions and issued independent opinions on the Board meeting.

2. The expected information of daily transactions of the prior and this time

Purchase of goods, receipt of services, sales of goods, provision of services etc. daily transactions in the 2016 daily operation have not been completely carried out. Comparing to the expected situation in 2016 and in the next year, wherein the difference is mainly due to decrease in sales of goods dealings by using sales channel:

Unit: RMB’0000

Related parties	The Company and TOS VARNSDORF a.s.	The Company and Kunming TOS	Total
Implementation in Jan. ~ August 2016	0	100.00	100.00
Proposed in 2017	300.00	2,000.00	2,300.00
Difference	300.00	1,900.00	2,200.00

3. The proposed total amount of the daily Transactions and type

The daily connected transactions are regarding the proposed transactions of purchase of goods, receipt of services, sales of goods, provision of services in the year 2017 enter into between the Company and its joint venture TOS Kunming Machine Tool Manufacturing Company Limited (“Kunming TOS”) and its foreign shareholder TOS VARNSDORF a.s. in the ordinary business.

- (1). the ordinary business framework agreement proposed to be entered into between the Company and TOS VARNSDORF a.s. regarding purchase of goods, receipt of services, sales of goods and provision of services etc. in the year 2017;
- (2). the ordinary business framework agreement proposed to be entered into between the Company and Kunming TOS regarding purchase of goods, receipt of services, sales of goods and provision of services etc. in the year 2017;

III. RELATED PARTIES

1. Related parties information

(1) Related party - TOS VARNSDORF a.s.

Place of registration: Varnsdorf, Ricni 1774, district Decin, Czech Republic, registration number: 646 51 142; registered capital: 300,000,000 Czech Koruna, registration date: 1st February 1996 (established in 1903); nature: stock company; chairman: Ing.Jan Rydl.

Business scope: metal processing, iron and non-ferrous metals casting, tools manufacturing, automatic processing, soft wares (sales of software packages and prepared soft wares by orders), sales of self-made products and other products, research and development of machinery and equipment products and natural sciences and social sciences.

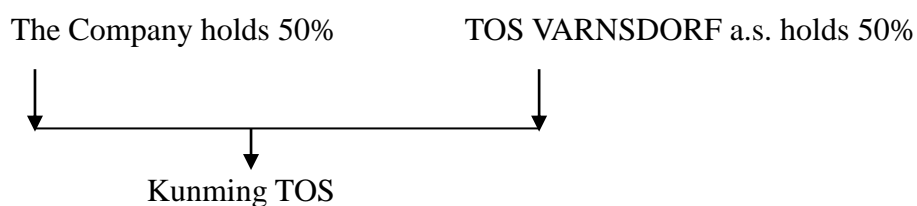
(2) Related Party –Kunming TOS

Kunming TOS is a joint venture by the Company and TOS VARNSDORF a.s. with joint investment 5,000,000 Euro and was established on 7 April 2005. Investment proportion of both sides is 50% each. The chairman of Kunming TOS is JAN RYDL (Czech).

Business scope: development design, production and sales of self-produced machine tool series products and accessories; development of high-tech products, transfer of self-developed technology, provision of technical services and technical advisory, provision of repairs and processing of machine tool products for third parties.

According to Kunming TOS's 2013 Amendments to Articles of Association signed on 25 December 2013, there are 7 seats in the board of directors of Kunming TOS, of which, 4 directors are appointed by the Company. The Company accounts for the majority seats of the board of directors of Kunming TOS. From 15 May 2014, the Company has included Kunming TOS in the Company's consolidated financial statements.

Relationship diagram:



The Transactions should be disclosed subject to the rule 10.1.3 of Listing Rules of Shanghai Stock Exchange.

2. Implementation of the previous similar transaction and contractual capacity analysis

Since 2005 the establishment of the joint venture Kunming TOS to present, such transactions have been being performed well. Major financial indicators and operation of each side are normal and the contractual capacity are also well. According to the cooperation, each side intended to contain and increase the product cooperation areas to jointly promote the healthy development.

IV. SUBJECT OF THE TRANSACTIONS AND PRICING POLICIES

The Transactions are in accordance with normal commercial terms in the ordinary and usual course of business. Pricing principles and basis, consideration, payment arrangement and

settlement are referred to the conventional manners using in the market. The obtained market prices of purchase of goods, receipt of services, sales of goods, provision of services are majorly through understanding of the relevant market changes and market trends in China and Czech. The Transactions are valid for the year 2016.

1. The Company has proposed intention of sales goods of RMB3,000,000 to TOS VARNSDORF a.s.;
2. The Company has proposed intention of purchase of goods, receipt of services, sales of goods and provision of services of RMB20,000,000 to Kunming TOS;

According to the reached targets of purchase and sales, the amount of the Transactions will not exceed the annual caps approved by the shareholders' meeting during the valid period. Presently, the Company did not enter into any sales or purchase agreements with the above related companies.

V. PURPOSE OF THE TRANSACTIONS AND THEIR EFFECTS TO THE COMPANY

The necessity and persistency of the continuing connected transactions reflects the original intention of the establishment of the joint venture Kunming TOS. By China and Czech both sides efforts in machine tool area, through deeply cooperation in respect of technology, market and management to achieve the common values. Viewing the prior cooperation, the pricing of connected transactions, settlement time and manner are fair and reasonable and have recognized and accepted by each side.

The Company's needed products are produced by the related parties. Purchase such products from related parties or provide such products or services to related parties enable the Company to increase product performance, quality control, after sales etc. to ensure these products' performance and quality meet the Company and market requirements, and will help the Group's business and operation development in the long run.

The Transactions are beneficial for the Company and its shareholders, especially its medium and small shareholders and will not have adverse effects to the independence of the listed company. The Company's major business or income and profit did not rely on such transactions.

Board of Directors
Shenji Group Kunming Machine Tool Company Limited

Kunming, PRC, 29 September 2016

As at the date of this announcement, the Company's executive directors are Mr. Wang Xing, Mr. Chang Baoqiang, Mr. Zhang Xiaoyi, Mr. Zhang Zeshun and Mr. Jin Xiaofeng; non-executive directors are Mr. Zhang Tao, Mr. Liu Yan and Ms. Liu Haijie; and the independent non-executive directors are Mr. Yang Xiongsheng, Mr. Tang Chunsheng, Mr. Chen Fusheng and Mr. Liu Qiang.