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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 Expected Loss in the Annual Results of 2016

This announcement is made pursuant to the Rule 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance for simultaneous release of information in Shanghai and Hong Kong.

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.

I. Estimated results for the current period

1. Period of estimated results: 1 January 2016 to 31 December 2016.
2. Estimated Results: Based on the preliminary estimates by the finance department of Company, it is estimated that the Company would have a loss in the annual results of 2016. The net profit attributable to equity holders of the Company for the period of 2016 is expected to about negative RMB375 million.
3. Certified public accountants did not issue specific instructions on the Company’s forecast in the annual results of 2016.

II. Profit results for the same period of last year

1. Net profit attributable to equity shareholders of the Company: negative RMB196,385,200 dollars;
2. Earnings per share: negative RMB0.37 dollar.

III. Reasons for the loss

In 2016, the overall economy growth of China slowed down, resulting in excess capacity in a number of industries, and shrinking size and weaker profitability in traditional manufacturing businesses. The Company's machine tool business continued to decline, daily business activities was difficult, the later stage markets lacked of momentum, payment collection was unsatisfactory, cash flows continued tight, the collecting receivables was in heightened pressure and the operating results of the holding subsidiaries of the Company decreased etc.. After preliminary calculation by the finance department of Company, it is estimated that the Company would have a loss in the annual results of 2016. The net profit attributable to equity holders of the Company for the period of 2016 is expected to negative RMB375 million.

IV. Other explanations

1. The above forecast information is based on preliminary calculation. The audit has not been completed. Detail and accurate financial information will be subject to the disclosed information in the audited annual report 2016 by the Company.
2. A delisting risk warning on the A Shares had been issued by the Shanghai Stock Exchange since 1 April 2016 pursuant to the Shanghai Listing Rules in view of the Company sustained an audited net loss for each of the two most recent consecutive financial years ended 31 December 2014 and 31 December 2015. Under the rule 14.1.1.1 of Listing Rules of Shanghai Stock Exchange, if the Company's audited net profit in 2016 is still negative, the Company's A Shares will be suspended from listing after the disclosure of the annual report 2016 of the Company.

The Company has published announcements on risk warning for several times. Investors are advised to pay attention to risks!

Board of Directors
Shenji Group Kunming Machine Tool Company Limited

Kunming, PRC, 23 January 2017

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