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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 Receiving the
Written Decision of Administrative Penalty of China Securities Regulatory Commission**

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.

On 22 September 2016, the Company published the announcement on China Securities Daily, Shanghai Securities News and Securities Times and the website <http://www.sse.com.cn> of Shanghai Stock Exchange, the website <http://www.hkex.com.hk> of the Stock Exchange of Hong Kong Limited and the website <http://www.kmtcl.com.cn> of the Company that the Company, the chairman of the Board of the Company, Mr. Wang Xing and the then secretary to the Board, Mr. Luo Tao received the Prior Notification of Administrative Penalty (the “Notification”) issued by China Securities Regulatory Commission (“CSRC”).

On 16 February 2017, the Company, the then chairman of the Board of the Company, Mr. Wang Xing and the then secretary to the Board, Mr. Luo Tao received the Written Decision of Administrative Penalty from CSRC (Chufa Zi [2017] no. 18). According to the relevant regulations of the Securities Law of the People’s Republic of China (the “Securities Law”), CSRC has conducted an investigation and hearing a case to the Company’s illegal acts of information disclosure, according to the law informed the parties the facts, reasons, basis for making administrative penalty and the rights enjoyed by the parties in accordance with the law. The parties, the Company, Wang Xing and Luo Tao did not make statements and defense nor request for hearing. The case has been investigated and end of hearing. According to the provision of 193.1 under Securities Law, CSRC decided to:

1. Give a warning to the Company, and impose a fine of RMB400,000;
2. Give a warning to Wang Xing and Luo Tao, and impose a fine of RMB150,000 respectively.

After receiving the Written Decision of Administrative Penalty, the Company and the individuals will remit the fines to the designated account of CSRC upon request. The Company and individuals will take this as a warning, conscientiously draw the lessons to further improve the standard operation consciousness, strengthen internal management and to improve the quality of information disclosure.

Board of Directors
Shenji Group Kunming Machine Tool Company Limited

Kunming, PRC, 16 February 2017

As at the date of this announcement, the Company's executive directors are Mr. Wang He, Mr. Zhang Xiaoyi, Mr. Peng Liangfeng 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.