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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 Supplemental Reply for the Enquiry Letter of SSE on Suspected of Breach of Financial Regulations and, Significant Risk Warning**

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.

### **Significant risk warning:**

- Pursuant to relevant regulations of Shanghai Stock Exchange Listing Rules and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, after conducting a full communication and assessment with the audit institute, in order to ensure the quality of the annual report and the accuracy of the information disclosure, the Company decided to not disclose the 2016 annual report according as scheduled on 30 March 2017. The disclosure date of 2016 annual report will be postponed to 25 April 2017. It is judged that the Company will still have a loss in 2016 and there is no possibility of profit. Under the relevant regulations of Shanghai Stock Exchange Listing Rules, the Company's A Shares will be suspended after the disclosure of the 2016 annual report. The Shanghai Stock Exchange will make a decision on whether suspend the listing of the A Shares of the Company within 15 trading days after the date of suspension. If the Company fails to comply with the deadline (30 April 2017) set by the Shanghai Stock Exchange Listing Rules to disclose the 2016 annual report, the Company's A Shares will be suspended until the Company disclose its annual report, then, the Company's A Shares will be directly into the suspension of listing procedures.
- The Company is suspected of breach of financial regulations and it received the investigation notification from CSRC on 22 March 2017. According to the investigation results of CSRC, if the Company touch on the regulation of significant illegal delisting standards under the

Shanghai Stock Exchange Listing Rules, the Company's A Shares would be terminated listing. Investors are advised to pay attention to the investment risk.

- A delisting risk warning on the A Shares of the Company had been implemented in 2016 due to the Company have had a loss for the two most recent consecutive years of 2014 and 2015. If the Company's audited net profit in 2016 is still negative, the Company's A Shares will be suspended listing. Up to now, it is judged that the Company will still have a loss in 2016 and there is no possibility of profit. Under the relevant regulations of Shanghai Stock Exchange Listing Rules, the Company's A Shares will be suspended listing after the disclosure of the 2016 annual report.

According to the requirements of the Shanghai Stock Exchange, the Company published the Announcement on the Reply for the Enquiry Letter of SSE on Suspected of Breach of Financial Regulations on 22 March 2017. Hereby, the Company supplement a reply to the following enquiry:

*II. The Announcement claimed whether the Company would disclose the annual report on schedule exist uncertainty. Your company should be strictly in accordance with the requirements of the laws and regulations to disclose the 2016 annual report within the specified time. Please supplement disclose the current 2016 annual report preparation work and the audit progress to indicate the measures taken or to be taken by the Company to ensure the annual report to be disclosed on time. Please ask the Company's auditors to express their views on whether the audit of the Company's 2016 annual report can be completed on schedule.*

**1. Matters of supplementary reply**

The Company originally plan to disclose the 2016 annual report on 30 March 2017. However, according to fully communication between the Company and the audit institution, Ruihua Certified Public Accountants ("Ruihua"), and after assessing cautiously, it is expected that the Company's 2016 annual report cannot be disclosed in accordance with the original scheduled date. In order to ensure the quality of the annual report and the accuracy of the information disclosure, the Company decided to postpone the date of disclosure of the 2016 annual report to 25 April 2017. The Company is sorry for the inconvenience caused to investors.

**2. Reasons for postponement of disclosure of the 2016 annual report**

As at the date of this announcement, the Company has not yet fully master the accurate impact on the Company's previous annual financial statements, still cannot assess whether the major matters (the inside information) are relatively independent matters, or the Company's internal control exists serious problems. In order to ensure the quality of the annual report and the accuracy of the information disclosure, the Company decided to postpone the date of disclosure of the 2016 annual report to 25 April 2017.

### **3. Explanation on the performance of annual report of Company**

After preliminary calculation by the financial department of the 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 year 2016 is expected to about negative RMB375 million. The Company has published the Announcement on the Risk of Suspension of Listing of the A Shares of the Company on 5 January, 11 January, 18 January, 16 February, 18 February, 4 March and 15 March 2017 respectively, and published the Announcement on Expected Loss in the Annual Results of 2016 on 23 January 2017.

### **4. The arrangement of trading halt and resumption of trading of A Share and H Shares of the Company for the annual report postponed disclosure**

- (1) Up to now, it is judged that the Company will still have a loss in 2016 and there is no possibility of profit. Under the relevant regulations of Listing Rules of Shanghai Stock Exchange, the Company's A Shares will be suspended after the disclosure of the 2016 annual report. The Shanghai Stock Exchange will make a decision on whether suspend the listing of the A Shares of the Company within 15 trading days after the date of suspension.
- (2) Pursuant to the relevant rules of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Company must publish the annual results not later than three months (e.g. 31 March 2017) after the end of the financial year. As the Company could not publish the annual results after three months of the end of the financial year, H Shares of the Company will be suspended with effective from 9:00 a.m. on 3 April 2017 until after the close of business on 24 April the annual results disclosed in the evening. Trading of H Shares of the Company will be resumed with effective from 9:00 a.m. on 25 April 2017.

### **5. Risk warning**

The Company is suspected of breach of financial regulations and it received the investigation notification from CSRC on 22 March 2017. According to investigation results of the CSRC, if the Company touch on the regulation of significant illegal delisting standards under the Shanghai Stock Exchange Listing Rules, the Company's A Shares would be terminated listing. Investors are advised to pay attention to the investment risk.

A delisting risk warning on the A Shares had been implemented in 2016 due to the Company have had a loss for the two most recent consecutive years of 2014 and 2015. If the Company's audited net profit in 2016 is still negative, the Company's A Shares will be suspended listing. Up to now, it is judged that the Company will still have a loss in 2016 and there is no possibility of profit. Under the relevant regulations of Listing Rules of Shanghai Stock Exchange, the Company's A Shares will be suspended after the disclosure of the 2016 annual report. Shanghai Stock Exchange will make a decision on whether suspend the listing of the A Shares of the Company within 15 trading days after the date of suspension. Investors are advised to pay attention to the investment risks!

The Company's designated information disclosure media are China Securities Daily, Shanghai Securities News and Securities Times and the following websites: [www.sse.com.cn](http://www.sse.com.cn), [www.hex.com.hk](http://www.hex.com.hk), and [www.kmtcl.com.cn](http://www.kmtcl.com.cn).

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

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

Kunming, PRC, 23 March 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.*