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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)

PROFIT WARNING

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 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 during this period

1. Estimated results period: 1 January 2012 to 31 December 2012;
2. Estimated results: Based on the Company’s preliminary estimates, it is estimated that the Company is expected to record a loss for the year end 31 December 2012;
3. The estimated results have not been audited.

II. Results for the year 2011 (audited)

1. Net profit: RMB54, 567,100 dollars;
2. Diluted earnings per share: RMB0.1 dollar.

III. Reasons for estimated decrease in results

The announcement dated 30 January 2012 has been made on expected decrease in the annual results of 2012. Based on the preliminary estimates by the Company, it is estimated that the

net profit attributable to equity holders of the Company for the period of 2012 may decrease by over 50% as compared to the corresponding period last year.

In the audit process, the auditors proposed that according to the requirements of the auditing standards, it is required to make adjustments to the accounts which affected the preliminary annual results of 2012, including: revenue recognition; part of unfinished products in the ending inventory not carried over to the operating costs; accounts receivable provision for bad debts; assets impairment loss formed by inventory valuation loss etc.. After analyzing some factors with the auditors, the Company has recognized the adjustments. However, some factors still need to be further analyzed and judged by the Company together with the audit committee.

According to the above situation, recognized adjusting events will cause increase product profitability decline than the original estimates, losses increase than the original prediction, therefore, the impact led to the loss of the annual results of 2012.

IV. Other information

The above estimated results for the year 2012 contained in this announcement are based on the Company's preliminary estimates, which have not been audited. Detailed audited financial information of the Company for the year 2012 will be disclosed in the Company's 2012 annual report. Investors are advised to pay attention to the investment risks.

Board of Directors

Shenji Group Kunming Machine Tool Company Limited

Kunming, PRC, 15 March, 2013

As at the date of this announcement, the Company's executive directors are Mr. Wang Xing, Mr. Zhang Xiaoyi, Ms. Li Shunzhen, Mr. Ye Nong; non-executive directors are Mr. Li Zhenxiong, Mr. Guan Xin, Mr. Gao Minghui, Mr. Zhang Tao; and the independent non-executive directors are Mr. Liu Minghui, Mr. Xiao Jianming, Ms. Li Dongru and Mr. Chen Fusheng.