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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 2014

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.

IMPORTANT INFORMATION: The Company would have a loss in the annual results of 2014. Since the current estimated results have not been recognized by the auditors of the Company, the head of the finance department and directors of the Company did not have comments on this issue. And since the audit is still in progress, investors are advised cautiously and pay attention to the risks.

I. Estimated results for the current period

1. Period of estimated results: 1 January 2014 to 31 December 2014.
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 2014. The net profit attributable to equity holders of the Company for the period of 2014 is expected to negative RMB100 million.
3. Certified public accountants did not issue specific instructions on the Company’s forecast in the annual results of 2014.

Since the estimated results have not been audited and the audit is still in progress, the Company

will communicate with the auditors actively and speed up the audit progress.

II. Profit results for the same period of last year

1. Net profit attributable to equity shareholders of the Company: RMB7,440,200.00 dollars;
2. Earnings per share: RMB0.014 dollar.

III. Reasons for the loss

In the year 2014, the sales scale of the company declined. Even though the Company increased communication with customers and agents in the ordinary course of business to promote cash collection, the results were limited. Moreover, because of the fierce market competition, product sales prices decreased resulting a serious decline in the gross margin. In terms of cost, although increasing control, personnel costs and other fixed costs remained high, the company is having heavier burden. All above elements lead to the losses.

IV. Other explanations

1. Since the workloads on final approach of the Company's annual results are large, major issues are still in progress. In previous years, major issues should be completed in early March. The presently made annual results forecast preliminarily calculation is based on the current information. Therefore, the head of the finance department of the Company did not confirmed the estimated results and directors of the Company did not have comments on this issue.
2. Uncertainties affecting the accuracy of the performance forecast: Audit has not been completed. The Company is communicating with the auditors, accounts receivable bad debt provision, impairment losses on assets and amortization etc. have not been confirmed which would affect the results.
3. The above forecast information is based on preliminarily calculation. Detail and accurate financial information will be subject to the disclosed information in the audited annual report 2014 by the Company. Investors are advised to invest cautiously and pay attention to risks!
4. The related procedures of the results forecast complied with the relevant requirements.

Board of Directors

Shenji Group Kunming Machine Tool Company Limited

Kunming, PRC, 30 January, 2015

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