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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 2017

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 2017 to 31 December 2017.
2. Estimated Results:
 - A. 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 2017. The net profit attributable to equity shareholders of the Company for the period of 2017 is expected to about negative RMB340 million to 360 million.
 - B. The net profit excluding extraordinary gains and losses attributable to equity shareholders of the Company for the period of 2017 is expected to about negative RMB330 million to 350 million.

II. Profit results for the same period of last year

1. Net profit attributable to equity shareholders of the Company: negative RMB209,284,400 dollars;
The net profit excluding extraordinary gains and losses attributable to equity shareholders of the Company: negative RMB448,798,300.
2. Earnings per share: negative RMB0.39 dollar.

III. Reasons for the loss

In 2017, 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 2017. The net profit attributable to equity holders of the Company for the period of 2017 is expected to negative RMB340 million to 360 million.

IV. Risk warning

Daily inventory valuation and corresponding impairment of the Company of the balance sheet at the end of 2016,2017 have not been completed. Since the valuation has not completed, even the Company's performance forecast has covered preliminary estimates, however, because of the choice of the inventory stocktaking and actual valuation method, it may exist actual confirmed impairment higher than the Company expected.

V. Other explanations

As the Company had a loss for the three consecutive years of 2014, 2015 and 2016, according to relevant regulations of Shanghai Stock Exchange Listing Rules, the Company's A Shares has been suspended listing after it published its 2016 annual report. During the suspension of listing the Company violated regulations on information disclosure and it received the investigation notification from CSRC on 22 March 2017, and it also received the Prior Notice of Administrative Penalties and Prohibition of Entering the Market from CSRC on 14 November 2017. On 21 December 2017, relevant defendants have already held a hearing in China Securities Regulatory Commission, and delivered the corresponding appeal comments. According to the final investigation results, if the Company trigger the material illegal compulsory delisting conditions, the Company's A Shares may be forced delisting. If the Company also touch on significant information disclosure illegal resulting in suspension of listing, only the Company satisfy the conditions of restoration of listing for financial indicators and significant violations respectively can it apply for restoration of listing of A Shares of the Company. Otherwise, the Company's A Shares will be terminated of listing.

Based on the current situation of the Company, the Company estimates that the audited net profit in 2017 will still be a loss. If the Company's audited net profit in 2017 eventually to be recognized as a loss, the Company's A shares may be forced to delisting.

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, 30 January 2018

As at the date of this announcement, the Company's executive directors are Mr. Wang He, Mr. Zhang Xiaoyi and Mr. Peng Liangfeng; non-executive directors are Mr. Liu Chunshi, Mr. Xia Changtao, Mr. Kang Jun and Ms. Wu Yu; and the independent non-executive directors are Mr. Na Chaohong, Mr. Chi Yilin, Ms. Jin Mei and Ms. Tian Ruihua.