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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 Changsha Ser, the Wholly-Owned Subsidiary of
the Company's Subsidiary, Xi'an Ser, Entering the Bankruptcy Procedure**

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.

Special Notes:

- The bankruptcy reorganization application of Changsha Ser Turbine Machinery Co., Ltd ("Changsha Ser") was accepted by Changsha Intermediate People's Court, Hunan Province.

The Company holds 45% shareholdings of Xi'an Ser Turbo Machinery Manufacturing Co., Ltd. ("Xi'an Ser"). Changsha Ser is a wholly owned subsidiary of Xi'an Ser, and the general manager Mr. Tian Guoguang is the entrusted representative of the Company.

Recently, the Company received relevant legal documents. According to the Civil Ruling Paper (2018) Xiang 01 Po Shen No.23 issued by Changsha Intermediate People's Court, Hunan Province (the "Court"), the Court found out that Changsha Ser was established on 16 January 2004 through registration in Changsha Administrative Bureau for Industry and Commerce, Economic and Technology Development Zone branch. Changsha Ser is a limited liability company with registered capital RMB10 million. The business address of the company is No.5 Dong Er Road, Changsha Economic and Technology Development Zone, the legal representative of the company is Mr. Zhang Xiaoyi, and Xi'an Ser is the shareholder of the company. Business scope of Changsha Ser: development, design, production and sales of compressor series products and accessories, providing maintenance service for

electromechanical equipment (projects subject to approval according to law should be carried out after approval by relevant departments). Changsha Ser provided audit report to the Court, which included balance sheet, income statement and profit distribution table and cash flow statement, and also provided employee placement plan and reorganization feasibility report to the Court. According to the information provided to the Court by Changsha Ser, the Court preliminary identified: 1. as at 31 May 2018, the company's total assets was RMB115,266,348.69, total liabilities was RMB125,998,086.09, total shareholders' equity was negative RMB10,731,737.40 and retained earnings was negative RMB27,185,532.97. The company has 118 employees, including 95 employees on the job and 23 employees on vocation. Changsha Ser intended to priority place all the employees to the reorganization company and employees can have two-way selection. 2. The creditor of the Changsha Ser, Bank of Changsha, Xingcheng Branch submitted application to Intermediate People's Court of Changsha County to carry out auction of building, land and equipment owned by Changsha Ser (Chang Guo Yong (2012) No. 3400 Land, and property certificate Xing Zi No. 712044736、712044728、712044729). Since Changsha Ser disputed to the court, the intermediate court of Changsha County has suspended the auction. 3. Changsha Ser disclosed its potential strategic investor to the Court.

The Court considered that: Changsha Ser was established through registration in Changsha Administrative Bureau for Industry and Commerce, Economic and Technology Development Zone branch. The business address of the company is No.5 Dong Er Road, Changsha Economic and Technology Development Zone. According to the regulation of article 3 of Enterprise Bankruptcy Law of the PRC ("Bankruptcy Law"), the Court has jurisdiction to the case. According to the information provided by Changsha Ser, the company could not pay off the debts due and its assets are insufficient to pay off all debts. This circumstance has been met the requirement of article 2 of the Bankruptcy Law. Changsha Ser belongs to the reorganization subject, and Changsha Ser disclosed its strategic investor to the Court. Therefore, Changsha Ser already has a reason for restructure. In summary, according to the requirements of article 2, article 3, article 70.1 and article 71 of Bankruptcy Law, the Court ruled that: accepted the application of Changsha Ser to have the company enter the bankruptcy reorganization procedure.

Changsha Ser had difficulties in operation. The basic bank accounts and some general accounts of the company were judicially frozen due to lawsuits, and several bank loans were overdue. Changsha Ser has basically been in a semi-suspended position. The Company has disclosed that Changsha Ser might have risks of bankruptcy liquidation in its 2017 annual report. Through the efforts of the Company's management, Changsha Ser expected that with the participation of investor(s), the company would avoid the bankruptcy liquidation results to complete bankruptcy reorganization successfully, and to achieve sustainable operation. However, whether complete the reorganization successfully exists huge uncertainty. The Company hereby prompts the significant uncertainty. This matter may have negative impact on the financial status of the Company. Investors are advised to invest cautiously and pay attention to the investment risk.

As the actual controller of Changsha Ser, the Company will properly handle the bankruptcy reorganization matters of Changsha Ser and cooperate with the Court to do the relevant work well, and will disclose the progress of the bankruptcy reorganization of Changsha Ser in time.

Board of Directors
Shenji Group Kunming Machine Tool Company Limited

Kunming, the PRC, 30 August 2018

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