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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 Establishment of A Wholly-Owned Subsidiary

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 truthfulness, accuracy and completeness of the content herein.

I. Overview of the investment

1. In order to revitalize the fixed assets of the Company to better promote the development of the Company’s business, the Company is going to establish a wholly-owned subsidiary by contribution of part of properties of the Company as equity. The name of the subsidiary is proposed as “Shenzhen Wardstone Technology Management Company Limited” (“Wholly-owned subsidiary”). Thereafter, the Company will confirm and evaluate the capital contribution assets. The final confirmed and evaluated capital contribution assets will not exceed the decision-making authority of the board of directors.
2. Consideration of the Board meeting
On 3 December 2018, the Proposal on Establishment of a Wholly-owned Subsidiary by Contribution of Part of Properties of the Company as Equity was considered and passed at the 15th meeting of the 9th board of directors of the Company. (Please refer to the Announcement on Resolutions Passed at the 15th meeting of the 9th Board of Directors). The Company will strictly implement the relevant procedures for the capital contribution of state-owned assets.
3. The matter of establishment of subsidiary is within decision-making authority of the board of directors of the Company and does not need to be submitted to the shareholders’ meeting for consideration. The investment does not constitute a connection transaction, nor does it

constitute major assets restructuring as stipulated in the Measures for the Administration of Major Assets Restructuring of Unlisted Public Companies.

II. Basic information of the investment subject

1. Company name: Shenzhen Wardstone Technology Management Company Limited (temporary)
2. Registration place: Shenzhen
3. Legal representative: Wang Junming
4. Registered capital: not more than RMB10 million

III. Risks

The establishment of wholly-owned subsidiary in Shenzhen by contribution of part of properties of the Company as equity is based on the needs of the Company's local business development. It will not affect the Company's financial status and production operations adversely.

After establishing the wholly-owned subsidiary, the Company will continue to pay attention to the market changes, to improve its ability to resist risks through continuously optimizing management to ensure the smooth running of the Company's business.

Investors are advised to pay attention to the investment risks.

Board of Directors
Shenji Group Kunming Machine Tool Company Limited

Kunming, the PRC, 10 December 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 and Ms. Wu Yu; and the independent non-executive directors are Mr. Na Chaohong, Mr. Chi Yilin, Ms. Jin Mei and Ms. Tian Ruihua.