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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 Estimated Decrease in Annual Results of 2011

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 the period

1. Period of estimated results: 1 January 2011 to 31 December 2011
2. Estimated results: based on the preliminary estimates by the Finance Department of the Company, net profit attributable to equity shareholders of the Company for the year 2011 is expected to decrease by over 50% as compared to the corresponding period of the previous year.
3. The estimated results have not been reviewed or audited by certified public accountants.

II. Profit results for the same period of last year

1. Net profit: RMB178,324,800 dollars;
2. Diluted earnings per share: RMB0.34 dollar.

III. Reasons for the profit decrease

In 2011, the sales of conventional machine tool products were in the trend of rise. However, the demand of large and heavy machine tool products was decreased. The sales structure has been changed and the competition of the market has been fiercer. The competition of the market price was further intense. The cost of raw material, labor cost has been increased; and the manufacturing expenses, the cost of good sold and provision for bad debts during the period have been increased as compared to the same period of last year. Such matters led to the decrease of the comprehensive profit margin, and net cash flow from operating activities decreased accordingly, therefore, the profitability of the Company decreased.

IV. Other explanations

The estimated profit for the year 2011 of the Company is based on the preliminary calculation by the financial department of the Company. Detail financial information will be disclosed in the annual report 2011 by the Company. Investors are advised to invest cautiously and pay attention to risks!

Board of Directors

Shenji Group Kunming Machine Tool Company Limited

Kunming, PRC, 18 January 2012

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.