

KraussMaffei Company Limited

Announcement on the Outstanding Loss Reaching One

Third of the Total Paid In Share Capital

The Company and all members of its Board of Directors hereby confirm that all information disclosed herein is true, accurate and complete with no false or misleading statement or material omission.

According to the 2020 audit report issued by PricewaterhouseCoopers Zhongtian Certified Public Accountants (special general partnership), the amount of outstanding losses in the consolidated statements of KraussMaffei Co., Ltd. (hereinafter referred to as "the Company") on December 31, 2020 exceeds one third of the total paid in share capital, The details are as follows:

1. Overview

According to the audit report of 2020 issued by PricewaterhouseCoopers Zhongtian Certified Public Accountants (special general partnership), the Company's consolidated statement on December 31, 2020 had an outstanding loss of RMB -763,971,258, and its paid in share capital was RMB 734,237,993, the outstanding loss exceeded one third of the total paid in share capital. According to the relevant provisions of the *Company Law* and the *Articles of Association*, this matter shall be submitted to the general meeting of shareholders for deliberation.

2. Main reasons for loss

The company's outstanding losses as of December 31, 2020 are accumulated from the operating results of the Company and its predecessor since 2006. In recent years, the Company has been actively transforming, increasing the adjustment of its main business, strengthening the measures of cost reduction and efficiency improvement, striving to improve the Company's total profits and make up for losses, and implemented major asset restructuring in 2013 and 2018 respectively.

3. Countermeasures

(1) Share repurchase instead of dividend

Due to the long-term failure to pay dividends because of large outstanding losses,

the Company voluntarily promised to replace the dividend by share repurchase from 2018, with the repurchase amount not less than 10% of the net profit of Tianhua Chemical Machinery and Automation Research and Design Institute Co., Ltd., a subsidiary of the Company. By the end of 2020, the Company has implemented share repurchase instead of dividend, with a total repurchase amount of 7.57 million yuan and a total repurchase of 1,114,400 shares. In 2020, the proposal of share repurchase instead of dividend has been deliberated and passed by the Board of Directors of the Company. After the deliberation of the general meeting of shareholders of the Company, the Company will handle the work of share repurchase and share cancellation as soon as possible.

(2) Further enhance the Company's profitability

1) We will further focus on technological innovation and product optimization, and expand our business distribution in emerging markets. Through the introduction of value based sales and clear market orientation, maintain customer-centric solutions and increase market share. By improving the agency network, optimizing and expanding sales channels, new thinking organization, and improving financing solutions with partners, we can increase total sales, market coverage and bid winning rate, especially in the market field other than automobile. Expand the product portfolio, especially to promote new products to medium technology market, and expand the sales area of medium technology products.

2) Implement the cost and efficiency plan to reduce personnel expenses by further reducing the number of personnel (especially in high cost areas), and control other expenses, including exhibition expenses, travel expenses, etc. Further adjust and optimize the internal organizational structure, improve management efficiency, labor productivity, customer proximity, innovation ability.

3) Implement the "China strategy", continuously improve the business growth of subsidiaries in the Chinese market, develop new products and applications suitable for the Chinese market, and make the Chinese market one of the main profit growth points of the Company.

4) To achieve scale effect. By expanding diversified application fields and product positioning, we can achieve high-speed revenue growth and bring scale effect, so as to reduce the average cost of products and improve profits. The Company believes that through a series of effective measures, it will continue to improve the Company's operating performance and protect the real interests of all shareholders.

It is hereby announced.

Board of Directors of KraussMaffei Company Limited
May 25, 2021