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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)

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING 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.

IMPORTANT INFORMATION

- The date of the third extraordinary general meeting of 2017 (the “EGM”) will be 31 October 2017;
- The adopted online voting system of the EGM: the shareholders' meeting online voting system by Shanghai Stock Exchange.

I. CONVENING INFORMATION OF THE EGM

1. Shareholders' meeting assembly session times: the third extraordinary general meeting of 2017;
2. Convener: the board of directors of the Company;
3. Voting manner: combination of on-site voting by way of poll and internet voting;
4. Date, time and venue of the on-site meeting
Date and time of the EGM: 31 October 2017 at 9:30 a.m.;
Venue: Conference Room, 2nd Floor, Office Building, 23 Ciba Road, Kunming City, Yunnan Province, the People's Republic of China, (the “PRC”)
5. Internet voting system, voting date and time
Online voting system: the shareholders' meeting online voting system by Shanghai Stock Exchange
Date of online voting: 31 October 2017

The Company will adopt online voting system by Shanghai Stock Exchange to holders of A Shares of the Company: time for voting platform through Shanghai Stock Exchange trading system will be the trading hours of the date of the EGM being held, e.g. 9:15-9:25, 9:30-11:30, 13:00-15:00; time for voting platform through internet will be 9:15-15:00 of the date of the EGM being held.

6. The voting procedures for business accounts of margin, refinancing, agreed repurchase and investors of SH-HK stock connect

Voting related to business accounts of margin, refinancing, agreed repurchase and investors of SH-HK stock connect should be carried out in accordance with relevant regulations of Shanghai Stock Exchange listed company shareholders' meeting online voting implementation details and so on.

7. Involving public solicitation of shareholders voting rights

None

II. RESOLUTIONS FOR CONSIDERATION AND APPROVAL AT THE EGM

Resolutions for consideration and type of voting shareholders at the EGM:

No.:	Ordinary resolutions	Type of voting shareholders
		Holders of A Shares/H Shares of the Company
1	To consider and approve Mr. Na Chaohong as an independent non-executive director of the 9th Board of Directors of the Company;	√
2	To consider and approve Mr. Chi Yilin as an independent non-executive director of the 9th Board of Directors of the Company;	√
3	To consider and approve Ms. Jin Mei as an independent non-executive director of the 9th Board of Directors of the Company;	√
4	To consider and approve Ms. Tian Ruihua as an independent non-executive director of the 9th Board of Directors of the Company;	√
5	To consider and approve the remuneration standards for directors and supervisors of the 9th term of board of directors of the Company (note D.)	√
6	To appoint Da Hua Certified Public Accountants (Special General Partnership) to conduct a re-audit to the annual report of the Company for 2016;	√
7	To appoint Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year 2017 and authorizing the Board to decide the audit fee.	√

Note:

- A. According to the Company Law of the PRC and the regulations under Rules of Shareholders' General Meeting of Listed Companies issued by China Securities Regulatory Commission, shareholders holding more than 3% (including 3%) of the Company's issued shares may submit a written notice of the intention of the nominated directors and supervisors (including the candidate's personal information) and the candidate's willingness to accept the nomination to the office of the board of directors of the Company before 17:30 on Friday, 20 October, 2017.
- B. After the election, the Company will enter into service contracts with the directors and supervisors. The term of office of the 9th term of directors and supervisors of the Company will be three years, from the end of this extraordinary general meeting to 31 October, 2020.
- C. The 9th term of independent non-executive directors of the Company are newly appointed independent non-executive directors. Save as proposed to be independent non-executive directors of the Company, they do not hold any other positions in the Company and its subsidiaries, have no relationship with any director, senior management or substantial shareholder of the Company, and do not have any interest or short position in the shares of the Company or any of its associated companies within the meaning of Part XV of the Securities and Futures Ordinance of laws of Hong Kong. Save as disclosed above, as at the date of this announcement, there are no other matters related to the newly appointed independent non-executive directors that need to be brought to the attention of the Shareholders, and disclosed pursuant to any of requirements under paragraphs 13.51(2)(h)-(v) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.
- D. The remuneration standards for directors and supervisors of the 9th term of board of directors of the Company

Position	The standards (after taxed)
Chairman	6000 dollars/month
Vice chairman	5000 dollars/month
Independent non-executive director	6000 dollars/month
Other directors	4000 dollars/month
Chairman of supervisory committee	4000 dollars/month
supervisor	3000 dollars/month

(1) Disclosure time and media of resolutions

The resolutions for considering at the EGM have been published on China Securities Daily, Shanghai Securities News and Securities Times on 15 September 2017 as well as published on the following websites:

<http://www.sse.com.cn>, <http://www.hkex.com.hk> and <http://www.kmtcl.com.cn>.

- (2) Special resolutions for considering at the EGM: none
- (3) Resolution to small and medium investors for separate counting: none
- (4) Resolution involved connected shareholders avoiding voting: none
- (5) Resolution involved holders of preferred shares voting: none

III. QUALIFIED ATTENDANCE

1. Holders of A Shares of the Company whose names appear on the register of members of the Company at the close of business on Friday, 22 September 2017 are entitled to attend the EGM; or their appointed proxy(ies) who need not be a shareholder of the Company are entitled to attend the EGM;

Holders of H Shares of the Company whose names appear on the register of members of the Company at the close of business on Friday, 22 September 2017 are entitled to attend the EGM; or their appointed proxy(ies) who need not be a shareholder of the Company are entitled to attend the EGM;

Class of shares	Stock code	Short name	Record date
A Shares	600806	*ST Kunming Machine	2017/09/22
H Shares	0300	Kunming Machine	2017/09/22

2. Directors, supervisors and the senior management officers of the Company;
3. The lawyers appointed by the Company, etc.
4. Other people

IV. REGISTRATION METHOD

1. Holders of H Shares of the Company whose names appear on the register of members of the Company at the close of business on Friday, 22 September 2017 are entitled to attend the EGM by presenting their identity cards or passports. Holders of H Shares intend to attend the EGM are required to fax or mail their copies of identity cards or relevant page of their passport bearing their names, power of attorney (if applicable) and copies of identity cards of proxies together with reply slip for attending the EGM to the secretary office of the Company's Board by Tuesday, 10 October 2017. The register of members of H Shares of the Company will be closed on 25 September 2017 (Monday) to 31 October 2017 (Tuesday) (both days inclusive), during which time no transfer of H Shares will be registered. People who buy H Shares of the Company during the book closure period are not entitled to attend the EGM.
2. Each shareholder who is entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his or her behalf at the EGM (A proxy need not be a member of the Company).
3. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing, or in the case of a legal person, must either be executed under its seal or under the hand of a legal representative or other attorney duly authorised to sign the same. If that instrument is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified. To be valid, for holders of A Shares, the notarially certified power of attorney, or other document of authorisation, and the form of proxy must be delivered to the registered address of the Company no later than 24 hours before the time appointed for the holding of the EGM. In order to be valid, for holders of H shares, the above documents must be delivered to Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

within the same period of time.

4. Proxies of A Shares shall attend the EGM by presenting shareholder's cards, proxy forms (if applicable) and identity cards of proxies. Proxies of H Shares shall attend the EGM by presenting instrument (if applicable) and their identity cards or passports.

V. OTHER MATTERS

1. According to the replies received before 20 days convening the EGM, the number of shares represented by the shareholders intending to attend the EGM carrying voting right will be calculated. If the calculated number is more than half of total number of shares of the Company carrying voting rights, the EGM will be held. Otherwise, the Company should announce another notice of EGM includes the resolutions, the date and address of EGM within five days. Then the EGM will be convened as scheduled.
2. The EGM is expected to last for half day. Shareholders (or their proxies) attending the EGM are responsible for their own transportation and accommodation expenses.
3. Contact information

Registered address of the Company:

23 Ciba Road, Kunming City, Yunnan Province, the PRC; Post Code: 650203

Facsimile: +86 871 66166623 or +86 871 66166288

Telephone: +86 871 66119759 or +86 871 66166623

Contact person: Mr. He Xi and Ms. Wang Bihui

Board of Directors

Shenji Group Kunming Machine Tool Company Limited

Kunming, PRC, 14 September 2017

As at the date of this announcement, the Company's executive directors are Mr. Wang He, Mr. Zhang Xiaoyi, Mr. Peng Liangfeng and Mr. Jin Xiaofeng; non-executive directors are Mr. Zhang Tao, Mr. Liu Yan, Ms. Liu Haijie and Mr. Zhang Zeshun; and the independent non-executive directors are Mr. Yang Xiongsheng, Mr. Tang Chunsheng, Mr. Chen Fusheng and Mr. Liu Qiang.

Appendix: Independent Non-Executive Directors' Resumes:

1. **Na Chaohong**, born in May 1977, national accounting academic leader (reserve) personnel, doctor of financial management, professor of school accountancy of Yunnan University of Finance and Economics, director of the institute of corporate finance, deputy director of Yunnan enterprise development and research center, master tutor, member of PhD tutor group. Mr. Na was a former deputy director of MBA center, assistant to the Faculty of Business, part-time researcher of China Europe International Business School (CEIBS), visiting scholar of Aarhus University, Denmark, Chinese University of Hong Kong, Fudan University and Shanghai Jiao Tong University. He worked as a securities brokerage and investment analyst, assistant to general manager of a foreign trade company, general manager of a consulting firm, member of investment decision committee of a fund company, independent non-executive director of a listed company (300142). He presided many management projects and financial related research under Ministry of Education of the PRC, Provincial Science and Technology Planning, and he participated over 30 national level, provincial level and ministerial level research projects and enterprise commissioned projects, such as Kunming Zhong Tie, Huangneng Lancang Jiang, Yunnan Power Grid etc.. His major research were group governance and corporate finance, senior management incentives and salary, M & A, corporate social responsibility. The research results were published in "Journal of Economic Behavior and Organization", "Management and Organization Review", "Harvard Business Review" and "Accounting Research" etc. domestic and international first-class publications. He provided corporate financial management, financial statements analysis, corporate mergers and acquisitions, group financial control, corporate valuation, PE / VC operations etc. curriculums for many groups, listed companies, banks and tax bureaus etc.
2. **Chi Yilin**, male, born in April 1953, professor of Kunming University of Science and Technology, PhD Tutor. Mr. Chi graduated in 1982 at Kunming Engineering Institute with major of Machinery manufacturing, holding bachelor degree in engineering. In June 1986, Mr. Chi graduated at Wuhan University of Science and Technology with major of mechanical design and obtained the master of engineering. From July to December 1995, he conducted cooperative research at Universität Karlsruhe (TH), Germany. He was the dean of School of Mechanical and Electrical Engineering of Kunming University of Science and Technology, doctoral and master tutor in the major of mechanical design and theory, head of Mechanical and Electrical Product Development and Technology Innovation Institute... Professor Chi has long been engaged in mechanical engineering and automation professional teaching, teaching reform, disciplines construction, team building and scientific research. His granted courses included "Advanced Manufacturing Technology", "Elastic Mechanics and Finite Element" and "Introduction to Machinery" etc. He presided and completed "The training mode for large machinery talents in the new century - teaching reform and practice of multi - characteristic module under large platform" which won the 2005 national teaching achievement second prize and Yunnan Province teaching achievement first prize... He edited three textbooks, including

Foundation of Computer Aided Design Technology which was rated as excellent teaching materials for ordinary colleges and universities. He obtained one national invention patent and three utility model patents, published over 30 papers in domestic and foreign publications, of which, 4 were included in the EI. Mr. Chi presided, completed or participated in over 20 projects which under National Natural Science Foundation, or cooperated with provincial government or enterprise commissioned. The accumulated project funds were more than RMB10 million. His presided over the development of nickel, cobalt, copper non-ferrous metal automated production lines have been put into use, running in good condition which played a promoting role for the introduction of foreign advanced technology to achieve localization and integration development of non-ferrous metal smelting equipment.

3. **Jin Mei**, female, born in November 1977, holding a bachelor degree, has professional qualifications for Certified Tax Agent, Certified Public Valuer, Chinese Certified Public Accountant, Secondary Registered Tax Accountant, National Senior Accountant and Mergers and Acquisitions. From January 1998 to November 2002, Ms. Jin engaged in asset assessment, financial audit at Yunnan Jingwei Certified Public Accountants, and served as the person in charge of the assessment projects. From December 2002 to December 2004, she engaged in asset evaluation and served as project manager at Yunnan Hua Kun Certified Public Accountants. From 2005 up to now, she organized and set up Kunming Qingying Tax Affairs Co., Ltd. and served as general manager of the company. She served as the general manager of Yunnan Zhong He Hong Rui Certified Public Accountants Co., Ltd. In 2016.
4. **Tian Ruihua**, female, born in April 1963, associate professor of School of Law, Yunnan University. From September 1981 to July 1985, she studied law at Faculty of Law, Yunnan University and has a bachelor degree in law. From February 2000 to July 2000, she was a visiting scholar of Tsinghua University; from February 2004 to May 2004, she was a visiting scholar of Hong Kong University. From July 1985 up to now, she was a lecturer and has been an associate professor at Faculty of Law, Yunnan University, mainly teaching civil and commercial law, contract law, civil law, tort liability law, property law etc. From September 2009 up to now, she served as director of teaching affairs office at School of Law. She passed the lawyer qualification exam in 1992 and now she is a part-time lawyer of Hiways Law Firm (Kunming).