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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 SECOND EXTRAORDINARY GENERAL MEETING OF 2018

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.

IMPORTANT INFORMATION

- The date of the second extraordinary general meeting of 2018 (the “EGM”) will be 28 December 2018
- The adopted online voting system of the EGM: the holders' meeting online voting system by China Securities Depository and Clearing Co., Ltd. (the “CSDC”) (www.inv.chinaclear.cn) or concerned official WeChat public numbers of CSDC (“Business Hall of CSDC”).

I. CONVENING INFORMATION OF THE EGM

1. Shareholders' meeting assembly session times: the second extraordinary general meeting of 2018;
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: 28 December 2018 at 9:30 a.m.;
Venue: Conference Room of the Office Building of the Company, 23 Ciba Road, Kunming City, Yunnan Province, the People's Republic of China, (the “PRC”)
5. Internet voting system, commencing and ending date and voting time
Online voting system: the holders' meeting online voting system by CSDC or concerned

official WeChat public numbers of CSDC (“Business Hall of CSDC”).

Commencing and ending date of online voting: from 26 December 2018
to 28 December 2018

Voting time for adopted the holders’ meeting online voting system by CSDC or concerned official WeChat public numbers of CSDC: from 15:00, 26 December 2018 to 15:00, 28 December 2018.

6. 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.:	Resolutions	Type of voting shareholders
		Shareholders of the Company
Special resolution		
1.	Amendments to articles of association of the Company	√
Ordinary resolutions		
2.	Amendments to Rules of Procedures for the Shareholders’ General Meeting	√
3.	To consider and approve Mr. Ding Side as a director of the 9 th board of directors of the Company, his tenure of appointment of director is the same as the tenure of the 9 th board of directors of the Company	√

Note: According to relevant provisions of the Company Law of the People’s Republic of China, shareholders holding more than 3% (including 3%) issued shares of the Company can submit the intention to nominate candidate for director (including the personal information of the candidate) by 17:30, Monday, 17 December 2018 and the written notice of candidate’s indicating willingness to accept nomination to the office of the board of directors of the Company.

- (1) Disclosure time and media of resolutions

The resolutions for considering at the EGM have been published on the following websites; www.neeq.com.cn, <http://www.hkex.com.hk> and <http://www.kmtcl.com.cn> on 12 November 2018.

- (2) Special resolution for considering at the EGM: 1 resolution, amendments to articles of association of the Company;
- (3) Resolutions to small and medium investors for separate counting: all resolutions
- (4) Resolutions involved connected shareholders avoiding voting: none
- (5) Resolutions involved holders of preferred shares voting: none

III. QUALIFIED ATTENDANCE

1. Holders of shares of Kunji 3 (the Company) whose names appear on the register of members of CSDC, Beijing branch at the close of business on Monday, 26 November 2018 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 Monday, 26 November 2018 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
Domestic Shares	400806	Kunji 3	2018/11/26
H Shares	0300	Kunming Machine	2018/11/26

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 Monday, 26 November 2018 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 office of the board of directors of the Company by Friday, 7 December 2018. The register of members of H Shares of the Company will be closed on 27 November (Tuesday) to 28 December 2018 (Friday) (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 Shareholders 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 including 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, the PRC, 12 November 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.

Appendix:

1. Amendments to articles of association of the Company;
2. Amendments to Rules of Procedures for the Shareholders' General Meeting;
3. Resume of Ding Side

Appendix 1:

Amendments to the Articles of Association

No.	Before amendments	After amendments
1	<p>Chapter 1 General</p> <p>Article 1 To protect the legal interests of the Company, its shareholders and creditors and to regulate the constitution and act of the Company, the Articles of Association are drawn up in accordance with “Company Law of the People’s Republic of China” (the “Company Law”), “Securities Law of the People’s Republic of China” (the “Securities Law”) and other relevant regulations.</p>	<p>Article 1 To protect the legal interests of the Company, its shareholders and creditors and to regulate the constitution and act of the Company, the Articles of Association are drawn up in accordance with “Company Law of the People’s Republic of China” (the “Company Law”), “Securities Law of the People’s Republic of China” (the “Securities Law”), Guideline No. 3 for the Supervision of Unlisted Public Companies - Mandatory Provisions for the Articles of Associations (the “Guideline No. 3”), Administrative Measures for the Supervision of Unlisted Public Companies (the “Administrative Measures”), Business Rules of the National Equities Exchange and Quotations System (NEEQ) (Trial) (Announcement of NEEQ [2013] No. 40) (the “Business Rules”), the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “HKEx Listing Rules”) and other relevant regulations.</p>
2	<p>Article 3 Under approval of “Reviewing Opinion on Application of Issuing Shares in public by Kunming Machine Tool Company Limited” by Securities Committee under State Council on 26 November 1993, the Company issued 60,000,000 shares in public in Shanghai Stock Exchange on 3rd January 1994 and issued 65,000,000 overseas shares for overseas investors in overseas market in the Stock Exchange of Hong Kong Limited on 7th December 1993.</p>	<p>Article 3 Under approval of “Reviewing Opinion on Application of Issuing Shares in public by Kunming Machine Tool Company Limited” by Securities Committee under State Council on 26 November 1993, the Company issued 60,000,000 shares in public in Shanghai Stock Exchange on 3rd January 1994 and issued 65,000,000 overseas shares for overseas investors in overseas market in the Stock Exchange of Hong Kong Limited on 7th December 1993. After the Shanghai Stock Exchange issued the Decision on Termination of Listing of the Shares of Shenji Group Kunming Machine Tool Company Limited ([2018] No. 73) on 22 May 2018, the Company’s Shares had entered into the delisting and finishing period, which lasted for 30 trading days, since 30 May 2018. As of 11 July 2018, the delisting and finishing period had ended. The Company’s Shares had been delisted by the Shanghai Stock Exchange on 13 July 2018 (Announcement of the Shanghai Stock Exchange “Delisting of Shares of Company” [2018] No. 2), and had been terminated listing since 13 July 2018. After delisted, the original A Shares of the Company have been switched to the National Equities Exchange and Quotations. The stock abbreviation of the Company is verified as</p>

		Kunming Machine 3, and its stock code is 400068.
3	Article 13 is newly added, and the provisions thereafter shall be re-numbered sequentially.	Article 13 In accordance with the Constitution of the Communist Party of China (the "Party"), the Company shall establish Party organizations. The Party Committee at different levels of the Company shall perform functions in accordance with the provisions of the Constitution of the Party. The Company shall set up the working organs of the Party, and maintain an adequate level of staffing to handle Party affairs as well as sufficient funding necessary for the activities of the Party organizations.
4	Chapter 2 Objects and Scope of Business Article 14 The Company's scope of business is limited to matters approved by the Company's registration authorities. The scope of business of the Company is mainly in development, design, production and sales of machine tool series and accessories, computer information products, energy efficient products and electromechanical integration products; development of high-tech products, conducting business such as transfer of self-own technology, providing technology services and technology consultation etc., and moving, repair and re-manufacture of domestic and foreign large-scale machine tools.	Article 15 The Company's scope of business is limited to matters approved by the Company's registration authorities. The scope of business of the Company is mainly in development, design, production and sales of machine tool series and accessories, computer information products, energy efficient products and electromechanical integration products; development of high-tech products, conducting business such as transfer of self-own technology, providing technology services and technology consultation etc., and moving, repair and re-manufacture of domestic and foreign large-scale machine tools. (For projects which shall be approved according to the law, business can be conducted upon approval by relevant authorities)
5	Article 65 The shareholders' general meeting is the authority organisation of the Company and shall exercise its functions and powers in accordance with the laws. (12). to consider and approve the external guarantee under Articles 63.	Article 66 The shareholders' general meeting is the authority organisation of the Company and shall exercise its functions and powers in accordance with the laws. (12). to consider and approve the external guarantee under Articles 67.
6	Article 69 The venue of shareholders' general meeting: Conference Room, Office Building, 23 Ciba Road, Kunming City, Yunnan Province, the PRC	Article 70 The venue of shareholders' general meeting is where the Company is domiciled.
7	Article 157 Except for the matters in paragraphs (6), (7), (8), (11), (15) which require the consent of at least two-thirds of all directors; other matters may be decided upon by more than half of all directors.	Article 157 Except for the matters in paragraphs (6), (7), (8), (11), (15) which require the consent of at least two-thirds of all directors; other matters may be decided upon by more than half of all directors. Prior to making decisions on material issues of the Company, the Board of Directors shall first seek advice from the Party Committee of the Company.

<p>8</p>	<p>Chapter 9 Party Committee is newly added after Chapter 8, and Article 225 and Article 226 are newly added thereunder, and the chapters and provisions thereafter shall be re-numbered sequentially.</p>	<p>Chapter 9 Party Committee</p> <p>Article 225 The Company shall set up the Party Committee consisting of one secretary and several other members. A deputy secretary shall be designated to be responsible for the Party construction works. Eligible members of the Party Committee are allowed to join the Board, the board of supervisors and senior management through legal procedures. Eligible members in the Board, the board of supervisors and senior management are allowed to join the Party Committee in accordance with relevant provisions and procedures. Meanwhile, the Commission for Discipline Inspection shall be established in accordance with the provisions.</p> <p>Article 226 The Party Committee of the Company shall discharge its duties in accordance with the provisions under the Constitution of the Communist Party of China and other provisions:</p> <p>(1). Guarantee and supervise the implementation of policies and guidelines of the Party and the State in the Company, and implement major strategic decisions of the Central Committee of the Party and the State Council, as well as make deployment for the relevant material works of the Party committee of the SASAC and the higher-level Party organizations.</p> <p>(2). Insist on the integration of the principle that the Party manages the officials with the function of the Board in the lawful selection of the management and with the lawful exercise of authority of appointment, promotion and demotion of personnel by the management. The Party Committee shall consider and propose opinions and suggestions on the candidates as nominated by the Board of Directors or the general manager, or nominate candidates to the Board of Directors or the general manager; and, together with the Board of Directors, conduct investigations on the candidates to be appointed and collectively research to raise opinions and suggestions.</p> <p>(3). Study and discuss reform, development and stability of the Company, material operation and management issues and material issues concerning employees' immediate interests, and propose opinions and suggestions thereon.</p> <p>(4). Assume the primary responsibility to run the Party comprehensively with strict disciplines, lead the Company's ideological and political work, the United Front work, the cultural and</p>
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		ethical progress, corporate culture cultivation as well as the work of groups such as the Labor Union of the Company and the Communist Youth League, lead the construction of the Party's working style and its clean and honest administration, and support the Commission for Discipline Inspection in earnestly performing its supervisory responsibilities.
9	Article 274 The Company shall observe the following dispute resolution provisions: (1). Whenever any disputes or claims (a) between a holder of overseas listed foreign invested shares and the Company, (b) between a holder of overseas listed foreign invested shares and a director, supervisor, general manager or other senior management officer of the Company, or (c) between a holder of overseas listed foreign invested shares and a holder of domestic invested shares, arise from these Articles, the Company Law and any other relevant laws and administrative regulations concerning their rights and obligations, and the affairs of the Company, the parties concerned shall refer the disputes or claims to arbitration.	Article 277 The Company shall observe the following dispute resolution provisions: (1). Whenever any disputes or claims (a) between a holder of overseas listed foreign invested shares and the Company, (b) between a holder of overseas listed foreign invested shares and a director, supervisor, general manager or other senior management officer of the Company, or (c) between a holder of overseas listed foreign invested shares and a holder of domestic invested shares, arise from these Articles, the Company Law and any other relevant laws and administrative regulations concerning their rights and obligations, and the affairs of the Company, the parties concerned shall first settle such disputes or claims through negotiation, and where such disputes or claims cannot be settled through negotiation, the parties concerned shall then refer such disputes or claims to arbitration.

Note: Upon inclusion of new provisions in the amended Articles of Association, the corresponding provisions shall be re-numbered sequentially; and the numbering of the articles with cross-reference in the original Articles of Association shall also be revised accordingly

Appendix 2:

Amendments to the Rules of Procedures for the Shareholders' General Meeting

No.	Before amendments	After amendments
1	Chapter 1 General Article 3 The board of directors shall convene an extraordinary general meeting within two months after the occurrence of any of the following circumstances: (Note: Article 68 of the Articles of Association)	Article 3 The board of directors shall convene an extraordinary general meeting within two months after the occurrence of any of the following circumstances: (Note: Article 69 of the Articles of Association)

2	Article 6 Lawyer shall be appointed by the board of directors to attend the shareholders' general meetings to give opinions on the following matters and the opinions shall be announced: (Note: Article 70 of the Articles of Association)	Article 6 Lawyer shall be appointed by the board of directors to attend the shareholders' general meetings to give opinions on the following matters and the opinions shall be announced: (Note: Article 71 of the Articles of Association)
3	Chapter 2 Shareholders' General Meeting Article 9 The shareholders' general meeting shall exercise the following functions and powers in accordance with the laws: (12) . to consider and approve the external guarantee under Articles 63; (Note: Article 65 of the Articles of Association)	Article 9 The shareholders' general meeting shall exercise the following functions and powers in accordance with the laws: (12). to consider and approve the external guarantee under Articles 67; (Note: Article 66 of the Articles of Association)
4	Chapter 7 Extraordinary General Meeting Article 44 The board of directors shall convene an extraordinary general meeting within two months after the occurrence of any of the following circumstances: (Note: Article 68 of the Articles of Association)	Article 44 The board of directors shall convene an extraordinary general meeting within two months after the occurrence of any of the following circumstances: (Note: Article 69 of the Articles of Association)
5	Chapter 8 Resolution of Shareholders' General Meeting Article 56 The following matters will be passed by ordinary resolutions in shareholders' general meeting: (Note: Article 107 of the Articles of Association)	Article 56 The following matters will be passed by ordinary resolutions in shareholders' general meeting: (Note: Article 108 of the Articles of Association)
6	Article 57 The following matters will be passed by special resolutions in shareholders' general meeting: (Note: Article 108 of the Articles of Association)	Article 57 The following matters will be passed by special resolutions in shareholders' general meeting: (Note: Article 109 of the Articles of Association)

Appendix 3:

Resume of Ding Side

Ding Side, male, born in 1984, master of Economics. From July 2007 to March 2009, Mr. Ding was an industry researcher in TX investment Consulting Co., Ltd.; from March 2009 to March 2010, he was an industry researcher in Beijing Zhi Ying Yi He Financial Consultant Co., Ltd.; from August 2010 to June 2015, he was a senior industry researcher in Lianxun Securities Co., Ltd.; from June 2015 to June 2018, he was a senior industry researcher in Huarong Securities Co., Ltd.; and from July 2018 up to now, he has been vice general manager of Equity Operations Department of Yunnan Industrial Investment Holding Group Co., Ltd ..