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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 Resolution Passed
at the 26th Meeting of the 9th Board of Directors**

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:

- All directors of the Company attended the Meeting
- The resolution has been passed at the Meeting

I. CONVENING OF THE MEETING

1. The 26th meeting of the 9th board of directors of the Company (the “Meeting”) complied with the relevant laws, administrative regulations, departmental regulations, regulatory documents and the Articles of Association of the Company.
2. The information of the Meeting was sent to directors on 31 July 2019.
3. All 12 eligible directors attended the Meeting.

II. CONSIDERATION AND VOTING RESULTS OF THE MEETING

1. **Based on the valuation and not less than RMB27.0314 million, disposal of 100% equity of Shenzhen Wardstone Technology Management Company Limited which held by the Company to cover the amount owed by the Company to Shenyang Jin Hui Investment Management Company Limited, totaling RMB27.0314 million. Should relevant equity transfer is involved and the consideration is in line with the resolution,**

the resolution is also used as the basis of implementation for the equity change registration, and authorizing the senior management of the Company to handle such matter.

If implementing relevant repayment procedures are required to be filed or approved by the State-owned Assets Supervision and Administration Commission, the repayment should be implemented after approval or filing in accordance with the procedures.

6 affirmative votes, 6 dissenting votes and 0 abstaining vote. According to the Article 173 of the Articles of Association of the Company, the chairman of the Board casted an additional vote in favour of the resolution. The resolution was passed at the Meeting.

Opinions of the chairman: the consideration of the transaction is higher than the original public listing transfer price. The consideration is fair and beneficial to the Company without any compromise to the interest of the Company and its shareholders. The counter party of the transaction is an enterprise under the State-owned Assets Supervision and Administration Commission of Shenyang. In the current situation of the Company, in order to maintain the normal operation of the Company, the management of the Company should judge reasonably and make decisions in response to priorities of creditor's rights and debts. The matter considered was in order to safeguard the interests of the largest number of creditors.

Reasons for opposition:

Wu Yu, Ding Side: according to the latest audit report, the Company has been insolvent. Considering from the perspective of protecting the interests of all shareholders and creditors, I believe that the Company's handling of repayment debts by assets to specific creditors is not appropriate and therefore, I opposed.

Jin Mei: it is not in line with the principle of fair compensation to creditors.

Tian Ruihua: the transaction may be harmful to the interests of the minority shareholders of the Company.

Chi Yilin: the transaction implies a related relationship, which seems to be unfair to all shareholders and creditors. It is recommended not to conduct the transaction.

Na Chaohong: the total assets of the first quarter of the Company was RMB1.392 billion, and the liabilities was RMB1.72 billion, assets could not offset liabilities. The book value of creditors was loss 20%. If the cost of debt restructuring and bankruptcy liquidation is considered, the estimated creditors' rights will lose more than 30%. The repayment by book

value is not beneficial to protect the interests of other creditors and small and medium shareholders. Meanwhile, it will lead to unfavorable behavior of other creditors which will affect the Company's operation seriously. The substance of the transaction is suspected of related transaction. It is recommended to set up a creditors' meeting. Debts repayment must be approved by the creditors' meeting.

The announcement will be published on the websites of the National Equities Exchanges and Quotations (<http://www.neeq.com.cn>), the Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>) and the Company (<http://www.kmtcl.com.cn>).

Board of Directors
Shenji Group Kunming Machine Tool Company Limited

Kunming, the PRC, 13 August 2019

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, Ms. Wu Yu and Mr. Ding Side; and the independent non-executive directors are Mr. Na Chaohong, Mr. Chi Yilin, Ms. Jin Mei and Ms. Tian Ruihua.