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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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shenji Group Kunming Machine Tool Company Limited (the “**Company**”) will be held at 9:30 a.m. on Monday, 18 July 2011 at Conference Room, 2nd Floor, Office Building, 23 Ciba Road, Kunming City, Yunnan Province, the PRC for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the conditional technologies licence agreement comprising a main contract and a supplemental agreement both dated 20 May 2011 (the “**Technologies Licence Agreement**”) entered into between SCHIESS GmbH as licensor and the Company as licensee in relation to the grant of an exclusive and non-transferable licence of technologies, provision of technical service and technical training and prototype machines (a copy of each of which is produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts and things and to sign and execute all documents and deeds they consider necessary, appropriate or expedient to implement and give effect to the Technologies Licence Agreement and all transactions contemplated thereunder and to waive compliance from, or make or agree to such amendments and/or modifications to, any of the terms and conditions of the Technologies Licence Agreement which are of a non-material nature as are in the opinion of the Directors consider desirable and are in the interest of the Company and its shareholders as a whole.”

By order of the Board
Shenji Group Kunming Machine Tool Company Limited
Gao Minghui
Chairman

Kunming, the PRC, 26 May 2011

Registered office:

23 Ciba Road
Kunming City
Yunnan Province
The People's Republic of China

Notes:

1. Shareholders whose names appear on the register of members of the Company at the close of business on 17 June 2011 are entitled to attend the EGM after completing the relevant registration procedures. Holders of the H Shares should note that the register of members of the Company will be closed for H Shares transfer procedures from 4:30 p.m. on 17 June 2011 to 4:30 p.m. on 18 July 2011, both days inclusive, during which period no transfer of H Shares will be registered. In order to qualify for attending the EGM or any adjournment thereof, all transfer of H Shares accompanied by the relevant share certificates must be lodged for registration with the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Company Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on 17 June 2011.
2. Each shareholder who is entitled to attend and vote at the EGM may appoint one or more proxies (whether a member or not) to attend and vote on his behalf at the EGM.
3. The instrument appointing a proxy must be in writing under the hand of the appointor 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 appointor, 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 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. 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. Delivery of the instrument appointing a proxy will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof, and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Shareholders or their proxies who attend the EGM shall present their power of attorney (if applicable) and their identity cards or passports.
6. Shareholders of the Company who intend to attend the EGM in person or by proxy should return the attached reply slip for attending the EGM to the registered address of the Company at 23 Ciba Road, Kunming City, Yunnan Province, the People's Republic of China for the attention of the office of the Board of Directors not less than 20 days before the time appointed for holding the EGM (that is, by 27 June 2011) by hand or by mail or by fax.

7. According to the replies received 20 days prior to the date appointed for holding the EGM, the number of shares represented by the Shareholders intending to attend the EGM carrying voting right will be ascertained. If the number of shares represented by the Shareholders intending to attend the EGM carrying voting right is more than half of the total number of shares of the Company carrying voting rights, the EGM will be held as scheduled. Otherwise, further notice of EGM will be despatched by the Company to the Shareholders with the proposed resolution together with the fresh date and venue of the EGM included. The EGM will then be convened as scheduled.
8. Shareholders (or their proxies) attending the EGM shall bear their own travelling and accommodation expenses.
9. Shenyang Machine Tool (Group) Company Limited and its associates will abstain from voting in respect of the ordinary resolution proposed to be considered and, if thought fit, approved at the EGM.
10. For the avoidance of doubt, the ordinary resolution nos. (a) and (b) proposed to be considered and, if thought fit, approved at the EGM shall be voted as a single resolution only.
11. The contact details of the Company are as follows:
 - (a) Registered address: 23 Ciba Road, Kunming City, Yunnan Province, the PRC,
 - (b) Postcode: 650203
 - (c) Facsimile nos.: +86 871 6166623 or +86 871 6166288
 - (d) Telephone nos.: +86 871 6166612 or +86 871 6166623
 - (e) Contact persons: Mr. Luo Tao

As at the date of this notice, the Company's executive Directors are Mr. Gao Minghui, Mr. Zhang Xiaoyi, Mr. Pi Jianguo and Mr. Ye Nong; non-executive Directors are Mr. Li Zhenxiong, Mr. Guan Xin, Mr. Wang Xing and Mr. Zhang Tao; and the independent non-executive Directors are Mr. Wayne Yu, Mr. Liu Minghui, Mr. Chen Ying and Ms Li Dongru.