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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 FIRST EXTRAORDINARY GENERAL MEETING OF 2012

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 NOTE

The related information of the first extraordinary general meeting of 2012 of the Company (the “EGM”) has been published in the Company’s announcements dated 18 November 2011 and 18 January 2012 respectively. For details, please visit the following websites: <http://www.sse.com.cn>, <http://www.hkex.com.hk>, and <http://kmtcl.com.cn>.

I. Basic information of the EGM

1. Time: Tuesday, 6 March 2012 at 9:00 a.m;
2. Venue: the Conference Room, 2nd Floor, Office Building, 23 Ciba Road, Kunming City, Yunnan Province, the People’s Republic of China (the “PRC”);
3. Convener: the Board of the Company
4. Mode of the EGM: On site voting by the way of poll

II. Resolutions for consideration and approval at the EGM

SPECIAL RESOLUTIONS:

1. To consider and approve the 2011 amendments to articles of association;
2. To consider and approve the 2012 amendments to articles of association;

ORDINARY RESOLUTION:

1. To consider and approve the resolution authorizing the management of the Company to deal with the bank financing not exceeding RMB500,000,000.

III. Attendees of the EGM

1. Holders of A Shares of the Company whose names appear on the register of members of the Company at the close of business of Shanghai Stock Exchange on Friday, 3 February 2012 are entitled to attend the EGM. Holders who cannot attend the EGM by him/her-self may appoint proxies to attend and vote on his or her behalf at the EGM, and the proxies need not be the shareholders of the Company.
2. Holders of H Shares of the Company whose names appear on the register of members of the Company at the close of business of the Stock Exchange of Hong Kong on Friday, 3 February 2012 are entitled to attend the EGM. Holders who cannot attend the EGM by him/her-self may appoint proxies to attend and vote on his or her behalf at the EGM, and the proxies need not be the shareholders of the Company.
3. Directors, supervisors and senior management officers;
4. The representative of the intermediaries appointed by the Company, guests invited by the directors of the Company and the witness lawyers appointed by the Company and other related persons.

IV. Registration procedures

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, 3 February 2012 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 Wednesday, 15 February 2012.. The register of members of H Shares of the Company will be closed from 3 February 2012 (Friday) to 5 March 2012 (Monday) (both days inclusive), during which time no transfer of H Shares will be effected. 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 3 February 2012..
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 information

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 venue of the EGM within five days. Then the EGM will be convened as scheduled.
2. The EGM is expected to last for half a day. Shareholders (or their proxies) attending the EGM are responsible for their own transportation and accommodation expenses.
3. Registered address of the Company:
23 Ciba Road, Kunming City, Yunnan Province, the PRC
Post Code: 650203
Facsimile: +86 871 6166623 or +86 871 6166288
Telephone: +86 871 6166612 or +86 871 6166623
Contact person: Ms. Wang Bihui and Ms. Meng Yanchao

By order of the Board
Shenji Group Kunming Machine Tool Company Limited
Luo Tao
Joint Company Secretary

Kunming, PRC, 18 January 2012

As at the date of this announcement, the Company's executive directors are Mr. Wang Xing, Mr. Zhang Xiaoyi, Ms. Li Shunzhen, Mr. Ye Nong; non-executive directors are Mr. Li Zhenxiong, Mr. Guan Xin, Mr. Gao Minghui, Mr. Zhang Tao; and the independent non-executive directors are Mr. Liu Minghui, Mr. Xiao Jianming, Ms Li Dongru and Mr. Chen Fusheng.