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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 ANNUAL GENERAL MEETING

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

For details of 2011 Annual Report and Summary, please visit <http://www.sse.com.cn> of Shanghai Stock Exchange, <http://www.hkex.com.hk> of The Stock Exchange of Hong Kong Limited, and <http://www.kmtcl.com.cn> of the Company.

NOTICE IS HEREBY GIVEN that the 2011 annual general meeting of Shenji Group Kunming Machine Tool Company Limited will be held on **Tuesday 15 May 2012 at 9:30 a.m.** at the Conference Room, 2nd Floor, Office Building, 23 Ciba Road, Kunming City, Yunnan Province, the People’s Republic of China, (the “PRC”) for considering the following resolutions:

I. SPECIAL RESOLUTIONS

1. To consider and approve the 2012 Amendments to the Rules of Procedure of the Board of the Company;

II. ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors of the Company for the year 2011;
2. To consider and approve the report of the supervisory committee of the Company for the year 2011;
3. To consider and approve the annual report of the Company for the year 2011;
4. To consider and approve the proposal of profit distribution of the Company for the year ended 31 December 2011;

In accordance with the China Accounting Standards, in 2011, the Group recorded a net profit of RMB54,567,000. After deducting the transferring of RMB7,483,000 to surplus reserves, the distribution profit realized by the Group in 2011 was RMB47,084,000, and the accumulated profit available for distribution amounted to RMB727,246,000. In particular, the Company recorded a net profit of RMB74,832,000. After deducting the transfer of RMB7,483,000 to surplus reserves, the Company realized a net profit of RMB67,349,000 and accumulated profit available for distribution amounted to RMB694,712,000.

Proposal on profit distribution of the Company for the year ended 31 December 2011 would be: a cash dividend of RMB0.2 (tax inclusive) is proposed for every 10 shares held by Shareholders of the Company based on the existing total issued share capital of 531,081,103 shares (comprising 390,186,291 A Shares and 140,894,812 H Shares), totaling RMB10,621,622.06. The actual cash dividend after tax to be distributed to shareholders would be RMB0.18 for every 10 shares held by Shareholders of the Company.

5. To consider and approve the financial budget for the year ended 31 December 2012. operating income objective for 2012 is RMB2 billion and the objective of net profit for 2012 is RMB120 million
6. To consider and approve the proposal on using RMB58,935,900 for the general technological renovation projects for the year 2012, of which:
 - (a).RMB33,910,000 is planning for 64 projects for renewing 96 equipments and instruments;
 - (b).RMB6,650,000 is planning for 13 projects for equipment technological renovation;
 - (c).RMB1,310,000 is planning for 3 projects for equipments repair;
 - (d).RMB17,065,900 is planning for 11 construction projects.
7. To consider and approve the motion regarding changing of the member of the 7th audit committee of the Company to elect Mr. Guan Xin as the member of the audit committee to the replace Mr. Wang Xing;
8. To consider and approve re-appointing KPMG Huazhen as the auditor of the Company for the year 2012 and authorize the Board to decided the audit fee;
9. To consider and approve the independent non-executive directors' work report for the year 2011.

Notes:

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, 13 April 2012** are entitled to attend the AGM by presenting their identity cards or passports. Holders of H Shares intend to attend the AGM 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 AGM to the secretary office of the Company's Board by **Wednesday, 25 April 2012**. The register of members of H Shares of the Company will be closed from **16 April 2012 (Monday) to 15 May 2012 (Tuesday)** (both days inclusive), during which time no transfer of H Shares will be effected. **To qualify for**

receiving the cash dividend for the year 2011, all transfers of H Shares accompanied by the relevant shares certificates must be lodged with the branch share registrar of the Company's in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. by 4:30 p.m. on 13 April 2012.

2. Each shareholder who is entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on his or her behalf at the AGM (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 AGM. 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 AGM by presenting shareholder's cards, proxy forms (if applicable) and identity cards of proxies. Proxies of H Shares shall attend the AGM by presenting instrument (if applicable) and their identity cards or passports.
5. According to the replies received before 20 days convening the AGM, the number of shares represented by the shareholders intending to attend the AGM 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 AGM will be held. Otherwise, the Company should announce another notice of AGM include the resolutions, the date and address of AGM. Then AGM will be convened as scheduled.
6. The AGM is expected to last for half a day. Shareholders (or their proxies) attending the AGM are responsible for their own transportation and accommodation expenses.
7. 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, Ms. Meng Yanchao

Board of Directors

Shenji Group Kunming Machine Tool Company Limited

Kunming, PRC, 29 March 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.