Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Zhengzhou Coal Mining Machinery Group Company Limited
鄭州煤礦機械集團股份有限公司
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 00564)

DISCLOSEABLE TRANSACTION
CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that, on 28 May 2018 (after trading hours), the Company and the Cayman Fund entered into the Capital Increase Agreement, pursuant to which the Company agreed to contribute to a Capital Increase of the Cayman Fund in the amount of EUR60 million. Upon Completion, the registered capital of the Cayman Fund will be increased from EUR440 million to EUR500 million. The Cayman Fund will be owned as to 26% by the Company, 62% by HK SMG and 12% by CRCI.

LISTING RULES IMPLICATION

As an applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) of the total amount under the Capital Increase exceeds 5% but is less than 25%, the transaction contemplated under the Capital Increase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 2 May 2017 regarding the proposal for the Acquisition of Robert Bosch Starter Motors Generators Holding GmbH (now known as SEG Automotive Germany GmbH) by New Neckar Autoparts Holdings and Operations GmbH & Co. KG, which is an indirectly wholly-owned subsidiary of the Cayman Fund. The Cayman Fund is an exempted limited partnership incorporated under the laws of the Cayman Islands for the purpose of carrying out the Acquisition.

In November 2017, the Company and HK SMG (limited partners of the Cayman Fund) entered into a fund establishment agreement with SMG GP (the general partner of the Cayman Fund), pursuant to which, the Company, HK SMG and SMG GP will jointly invest in the Cayman Fund, with a contribution of EUR70 million, EUR310 million and EUR1, respectively. In particular, the shareholders of SMG GP are ZMJ International Trading (a subsidiary of the Company) and BDIL (a subsidiary of CRCI). SMG GP is held as to 65% by ZMJ International Trading and as to 35% by BDIL.

On 20 December 2017, as a limited partner, CRCI's subsidiary BDIL-SMG Feeder entered into the First Amended Agreement of the Cayman Fund Partnership and contributed EUR60 million to the Cayman Fund, representing 13.636% of the limited partner interest of the Cayman Fund.

As of the date of this announcement, the Cayman Fund was owned as to 70.45% by HK SMG, 15.91% by the Company and 13.64% by CRCI.

The Board is pleased to announce that, on 28 May 2018 (after trading hours), the Company and the Cayman Fund entered into the Capital Increase Agreement, pursuant to which the Company agreed to contribute to a Capital Increase of the Cayman Fund in the amount of EUR60 million. Upon Completion, the registered capital of the Cayman Fund will be increased from EUR440 million to EUR500 million. The total registered capital of the Cayman Fund will be owned as to 26% by the Company, 62% by HK SMG and 12% by CRCI.

THE CAPITAL INCREASE AGREEMENT

Salient terms of the Capital Increase Agreement are set out below:

Date

28 May 2018 (after trading hours)

Parties

(i) The Company; and

(ii) The Cayman Fund.

To the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, the Cayman Fund and HK SMG are subsidiaries of the Company.

Given that (i) CRCI is indirectly interested in 35% of equity interest of the Cayman Fund; and (ii) CRCI is indirectly interested in 13.636% limited partner interest of the Cayman Fund, CRCI is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

SUBJECT MATTER

Pursuant to the Capital Increase Agreement, the Company agreed to contribute to a Capital Increase to the Cayman Fund in the amount of EUR60 million. Upon Completion, the registered capital of the Cayman Fund will be increased from EUR440 million to EUR500 million, and the Cayman Fund will be owned as to 26% by the Company, 62% by HK SMG and 12% by CRCI. It will be an indirectly non-wholly-owned subsidiary of the Company.

CAPITAL INCREASE

Pursuant to the Capital Increase Agreement, the Company shall contribute EUR60 million in cash to the Cayman Fund within 6 months of the signing date of the Capital Increase Agreement subject to the satisfaction of the condition, i.e., obtaining the necessary consent and approval from the Shareholders, financial institutions, competent governmental authorities, self-regulating bodies or regulators required to be obtained in respect of the Capital Increase Agreement. As at the date of this announcement, the condition has not been satisfied.

INFORMATION OF THE CAYMAN FUND

The Cayman Fund is an exempted limited partnership incorporated under the laws of the Cayman Islands for the purpose of carrying out the Acquisition.

OTHER DOCUMENTS

On 28 May 2018, the Company, ZMJ International Trading, BDIL and SMG GP (on behalf of SMG GP and the Cayman Fund) entered into the Mutual Agreement as the limited partners of the Cayman Fund, pursuant to which, the parties agreed to the Capital Increase.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE AGREEMENT

The Capital Contribution under the Capital Increase Agreement was arrived at after arm's length negotiation among the parties thereto, taking into consideration, among others, that the Capital Increase is necessary and feasible for reasons including but not limited to: (i) the need to replenish the working capital of SG Group; (ii) the need for SG Group to research on and develop new technologies and products that cater to the future; (iii) the need for the Cayman Fund to maintain its operation; (iv) the need to respond to the future reform of the auto electric motor industry; (v) it complies with the long-term development strategies of SG Group; and (vi) it complies with the development strategies of the Company. It is intended that the amount under the Capital Contribution will be financed by the internal resources of the Group.

The Directors, including the independent non-executive Directors, are of the view that terms of the Capital Increase Agreement are on normal commercial terms and are fair and reasonable, and that transaction contemplated under the Capital Increase Agreement is in the interests of the Company and its Shareholders as a whole.

None of the Directors have a material interest in the transaction contemplated under the Capital Increase Agreement. Accordingly, no Director is required to abstain from voting on the Board resolution(s) in respect of the Capital Increase Agreement.

INFORMATION OF THE GROUP

The Company is principally engaged in the manufacturing and sales of auto parts and hydraulic roof supports and related components for comprehensive coal mining and provision of related services. Products of the Company are manufactured according to sales orders and tailor-made to suit customers' specific requirements. Research and development, design, procurement, production and sales of the major products of the Company are all completed internally.

LISTING RULES IMPLICATION

As an applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) of the total amount under the Capital Increase exceeds 5% but is less than 25%, the transaction contemplated under the Capital Increase Agreement constitutes a discloseable transaction under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall be defined as follows:

"Acquisition"	the acquisition of Robert Bosch Starter Motors Generators Holding GmbH (now known as SEG Automotive Germany GmbH) by New Neckar Autoparts Holdings and Operations GmbH & Co. KG, which is an indirectly wholly-owned subsidiary of the Cayman Fund
"BDIL"	Blissful Day Investment Limited, a subsidiary of CRCI
"Board"	the board of directors of the Company
"Capital Contribution"	the contribution to be made by the Company in the total amount of EUR60 million pursuant to the Capital Increase Agreement
"Capital Increase"	the proposed increase of the paid-up registered capital of Cayman Fund in the amount of EUR60 million to be made by the Company pursuant to the Capital Increase Agreement
"Capital Increase Agreement"	the capital increase agreement dated 28 May 2018 entered into between the Company and the Cayman Fund

"Cayman Fund"	SMG Acquisition Fund, L.P., an exempted limited partnership incorporated under the laws of the Cayman Islands
"Company"	Zhengzhou Coal Mining Machinery Group Company Limited, a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the main board of the Stock Exchange (Stock Code: 00564)
"Completion"	the completion of the Capital Increase under the terms and conditions of the Capital Increase Agreement
"connected person(s)"	shall have the meaning ascribed to it under the Listing Rules
"CRCI"	China Renaissance Capital Investment Inc., a limited liability company incorporated under the laws of the Cayman Islands
"Directors"	the directors of the Company
"EUR"	Euro, the lawful currency of Europe
"First Amended Agreement of the Cayman Fund Partnership"	the Amended and Restated Agreement of Exempted Limited Partnership of SMG Acquisition Fund, L.P. and other related ancillary agreements and documents in relation to the Cayman Fund dated 20 December 2017
"Group"	the Company and its subsidiaries
"HK SMG"	Hong Kong SMG International Co., Limited (香港聖吉國際有限公司), a company incorporated under the laws of Hong Kong with limited liability, and a wholly-owned subsidiary of Zhengzhou Shengji
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mutual Agreement"	the Deed of Mutual Agreement dated 28 May 2018 entered into among the Company, ZMJ International Trading, BDIL and SMG GP (on behalf of SMG GP and the Cayman Fund)
"PRC"	the People's Republic of China, which for the purposes of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan

"SG Group"	collectively, SEG Automotive Germany GmbH (formerly known as Robert Bosch Starter Motors Generators Holding GmbH), a limited liability company incorporated under the laws of Germany, and its subsidiaries
"Share(s)"	the ordinary share(s) of RMB1.00 each in the share capital of the Company
"Shareholder(s)"	holders of the Share(s)
"SMG GP"	SMG Acquisition GP, an exempted limited partnership incorporated under the laws of the Cayman Islands, which is held as to 65% by ZMJ International Trading and as to 35% by BDIL
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Zhengzhou Shengji"	Zhengzhou Shengji Mechanical and Electrical Equipment Company Limited (鄭州聖吉機電設備有限公司), a company established in the PRC with limited liability, and a subsidiary of the Company
"ZMJ International Trading"	ZMJ International Trading (Hong Kong) Co., Limited, a limited company incorporated under the laws of Hong Kong, which is also a subsidiary of the Company
"%"	per cent

By order of the Board
Zhengzhou Coal Mining Machinery Group Company Limited
Jiao Chengyao
Chairman

Zhengzhou, PRC, 28 May 2018

As at the date of this announcement, the executive directors of the Company are Mr. JIAO Chengyao, Mr. JIA Hao, Mr. XIANG Jiayu, Mr. FU Zugang, Mr. WANG Xinying and Mr. WANG Bin and the independent non-executive directors of the Company are Ms. LIU Yao, Mr. JIANG Hua and Mr. LI Xudong.