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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)

CONNECTED TRANSACTION ENTERING INTO THE CAPITAL INCREASE AGREEMENT

In order to rapidly promote the intelligent transformation of the coal mining machinery business, support Electric Control Company, a subsidiary of the Company, to actively respond to industry competition and challenges, and achieve long-term high-quality development, on 9 September 2022, Electric Control Company entered into the capital increase agreement with the Company, the business partners and investors of the Group, the core shareholder of Electric Control Company and the Strategic Investors. The entering into and implementation of the capital increase agreement will broaden the financing channels of Electric Control Company and optimise the shareholding structure of Electric Control Company.

IMPLICATIONS UNDER THE LISTING RULES

Prior to the entering into and implementation of the capital increase agreement, the Company held 100% equity interest in Electric Control Company, and Electric Control Company was a wholly-owned subsidiary of the Company. After the Completion of the capital increase, the Company will hold 85.02% equity interest in Electric Control Company, and Electric Control Company will be a non-wholly-owned subsidiary of the Company. The entering into of the capital increase agreement and the transactions thereunder constitute a deemed disposal under Chapter 14 of the Listing Rules.

As Henan Transformation and Development Fund and Henan Hongsong are funds under de facto control of Henan Asset Management Co., Ltd. (河南資產管理有限公司), a Shareholder of the Company, and Henan Asset Management Co., Ltd. (河南資產管理有限公司) is a persons acting in concert with Hongyi Investment Management (Henan) Partnership (Limited Partnership) (泓羿投資管理(河南)合夥企業(有限合夥)), a substantial Shareholder of the Company, Henan Transformation and Development Fund and Henan Hongsong constitute connected persons of the Company, and the entering into of the capital increase agreement and the transactions thereunder constitute connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) of the capital increase agreement and the transactions thereunder is more than 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

BACKGROUND

In order to rapidly promote the intelligent transformation of the coal mining machinery business, support Electric Control Company, a subsidiary of the Company, to actively respond to industry competition and challenges, and achieve long-term high-quality development, on 9 September 2022, Electric Control Company entered into the capital increase agreement with the Company, the business partners and investors of the Group, the core shareholder of Electric Control Company and the Strategic Investors. The entering into and implementation of the capital increase agreement will broaden the financing channels of Electric Control Company and optimise the shareholding structure of Electric Control Company.

CAPITAL INCREASE AGREEMENT

The principal terms of the capital increase agreement are set out below:

Date

9 September 2022

Parties

- (i) Electric Control Company;
- (ii) the Company;
- (iii) the business partners and investors of the Group;
- (iv) the core shareholder of Electric Control Company; and
- (v) the Strategic Investors.

The Capital Increase

Pursuant to the capital increase agreement, the business partners and investors of the Group, the core shareholder of Electric Control Company and the Strategic Investors will contribute a total of RMB871.65 million, of which all parties will subscribe for the newly increased registered capital of the Company at the following agreed price:

No.	Name of the capital increase party	Capital increase amount (RMB10,000)	Committed capital contribution (RMB10,000)	Accounted for as capital reserve (RMB10,000)
1	JIAO Chengyao	1,000	18.9502	981.0498
2	XIANG Jiayu	800	15.1601	784.8399
3	JIA Hao	1,000	18.9502	981.0498
4	FU Zugang	800	15.1601	784.8399
5	LIU Qiang	500	9.4751	490.5249
6	FU Qi	500	9.4751	490.5249
7	ZHANG Haibin	500	9.4751	490.5249
8	HUANG Hua	500	9.4751	490.5249
9	LI Weiping	500	9.4751	490.5249
10	LUO Kaicheng	800	22.7402	777.2598
11	HU Wei	400	11.3701	388.6299
12	ZHANG Xingfu	400	11.3701	388.6299
13	CHANG Yajun	400	11.3701	388.6299
14	WANG Junfu	400	11.3701	388.6299
15	WANG Jingbo	400	11.3701	388.6299
16	Xian'an	12,860	243.6991	12,616.3009
17	Xianke	6,575	124.5973	6,450.4027
18	Fengheng	5,000	142.1262	4,857.8738
19	Qunda	3,830	108.8687	3,721.1313
20	Henan Transformation and Development Fund	10,000	189.5016	9,810.4984
21	Henan Hongsong	15,000	284.2524	14,715.7476
22	Wuhu Xinzheng	8,000	151.6013	7,848.3987
23	Jiaxing Shuntai	7,000	132.6511	6,867.3489
24	Zhongyuan Qianhai	5,000	94.7508	4,905.2492
25	Jiaxing Rongying	5,000	94.7508	4,905.2492
	Total	87,165	1,761.9861	85,403.0139

Upon the Completion of the capital increase, the total registered capital of Electric Control Company will increase from RMB100 million to RMB117,619,861, and the shareholding structure will be as follows:

No.	Name of Shareholder	Committed capital contribution (RMB10,000)	Shareholding percentage
1	The Company	10,000.0000	85.02%
2	JIAO Chengyao	18.9502	0.16%
3	XIANG Jiayu	15.1601	0.13%
4	JIA Hao	18.9502	0.16%
5	FU Zugang	15.1601	0.13%
6	LIU Qiang	9.4751	0.08%
7	FU Qi	9.4751	0.08%
8	ZHANG Haibin	9.4751	0.08%
9	HUANG Hua	9.4751	0.08%
10	LI Weiping	9.4751	0.08%
11	LUO Kaicheng	22.7402	0.19%
12	HU Wei	11.3701	0.10%
13	ZHANG Xingfu	11.3701	0.10%
14	CHANG Yajun	11.3701	0.10%
15	WANG Junfu	11.3701	0.10%
16	WANG Jingbo	11.3701	0.10%
17	Xian'an	243.6991	2.07%
18	Xianke	124.5973	1.06%
19	Fengheng	142.1262	1.21%
20	Qunda	108.8687	0.92%
21	Henan Transformation and Development Fund	189.5016	1.61%
22	Henan Hongsong	284.2524	2.42%
23	Wuhu Xinzheng	151.6013	1.29%
24	Jiaxing Shuntai	132.6511	1.13%
25	Zhongyuan Qianhai	94.7508	0.80%
26	Jiaxing Rongying	94.7508	0.80%
	Total	11,761.9861	100.00%

The business partners and investors of the Group, the core shareholder of Electric Control Company and the Strategic Investors have agreed to pay the amounts to the bank account designated in advance within six working days from the date on which all the conditions precedent to the completion of the capital increase agreement are satisfied or the capital increase target has agreed in writing to waive the conditions precedent to the completion.

The Company unconditionally and irrevocably waives its pre-emptive rights under any laws or agreements for the capital increase.

Basis for Determining the Consideration under the Capital Increase Agreement

The subscription price of the capital increase determined by the personnel of the Company and its subsidiaries (excluding Electric Control Company and its subsidiaries) among the natural person Shareholders, Xian'an, Xianke and various Strategic Investors are jointly negotiated by the relevant parties of the capital increase based on the appraisal value of all shareholders' equity interest of Electric Control Company as at 30 April 2022 of RMB5,477 million and under the principles of willingness, fairness and impartiality as set out in the valuation report (the "**Valuation Report**") prepared by China United Assets Appraisal Group Company Limited (the "**Valuer**"), taking into account the impact of profit distribution. The subscription price is RMB52.77 per RMB1 registered capital of Electric Control Company.

The subscription price of the capital increase determined by Electric Control Company and its subsidiaries among the natural person Shareholders, Fengheng and Qunda are jointly negotiated by the relevant parties based on the appraisal value of all shareholders' equity interest of Electric Control Company as at 30 April 2022 of RMB5,477 million and under the principles of willingness, fairness and impartiality, taking into account the impact of profit distribution and for the purpose of strengthening incentives for the core employees of Electric Control Company, stimulating the innovation, entrepreneurship and creativity of the core employees of Electric Control Company, and activating the entrepreneurial spirit and independent innovation motivation of the team members. The subscription price for the employees of Electric Control Company to participate in the capital increase is RMB35.18 per RMB1 registered capital.

As Electric Control Company qualifies for the basis and requirements of continuance, while future profit and risks are predictable and quantifiable, and therefore the income method can be used for this valuation.

Pursuant to Rule 14.62(1) of the Listing Rules, the principal assumptions for preparation of the Valuation Report are set out below:

I. GENERAL ASSUMPTIONS

1. Trading Assumption

Trading assumption is to assume that all the assets to be appraised are in the process of transaction. The Valuer imitates the market to evaluate the price according to transaction conditions of the assets to be appraised. Trading Assumption is the basic pre-assumption for the appraisal of assets.

2. Open Market Assumption

Open market assumption is to assume that the assets traded in the market, or to be traded in the market, the transactions parties of the assets are equal to each other, both have opportunity and time to grasp enough marketing information, so as to make reasonable judgment on the function, application and trading price of the assets. The open market assumption is based on the fact that assets can be traded publicly in the market.

3. Asset Continuously Operated Assumption

Asset continuously operated assumption refers to that the appraisal should determine the appraisal method, parameter and foundation on the fact that the asset to be appraised will be continuously used according to the current application and the methods, scale and frequency of application, or to be used based on some changes.

4. Going Concern Assumption

Going concern assumption is to assume that the enterprise, as the operating entity, can operate on a going concern basis in accordance with its business objectives under the external environment where it exists after the valuation base date.

II. SPECIAL ASSUMPTIONS

1. Assuming that the outer economic environment concerning the country's current macro-economy, financial and industrial policy will not undergo unforeseeable material unfavourable changes after the valuation base date;
2. Electric Control Company acquired high-tech enterprise certificate on 3 December 2019, with valid period of 3 years. Assuming that after the expiration of high-tech enterprise certificate, Electric Control Company can still satisfy the standard of high-tech enterprises and therefore enjoy the income tax rate preference policy in the income period, the preferential tax rate is 15%;
3. Assuming that the social economic environment of Electric Control Company and the policies concerning tax and tax interest do not have material changes, debt policies, interest rate and exchange rate basically remain stable;
4. Assuming that Electric Control Company's future management perform with due diligence and will continue to operate within the current operation and management model;
5. Assuming that Electric Control Company will persist in its current situation without material changes concerning its major business structure, composition of revenue and cost, as well as the sales strategy and cost control of the business in the future. Without considering the changes in business structure resulted from the changes in the management, operating strategy and business environment;
6. According to the "Trademark License Use Contract" entered into by the Company and Electric Control Company, Electric Control Company was granted to a license by the Company to use its trademark within the scope of the license at nil consideration (the period of license at nil consideration is the period controlled by the Company or included in the scope of the consolidated statement), this assessment assumed that Electric Control Company shall use the trademark of the Company at nil consideration during the profit period;
7. Assuming that the operation business of Electric Control Company is lawful, and there will be no unforeseeable factors that cause it unable to continue as a going concern;

8. Assuming that the business in which Electric Control Company is engaging will not be affected by significant contingent liabilities which will lead to a significant increase in operation costs;
9. The prevailing market value was determined on the premise of continuous use and open market, without taking into account the impact of the possible future mortgages, guarantees, and the possible additional price to be paid by special transaction methods on its appraised value, and without considering the change in macroeconomic policies of the PRC and the impact of natural forces and other force majeure on asset prices;
10. Electric Control Company maintained the existing structure of share capital and total amount, the impact of change in the structure of share capital on the future of Hydraulic Electrical Control was not considered;
11. The gross profit margin, the fees incurred in the course of operation and management and others of Electric Control Company will not have material changes, and will remain the trends in recent years and will vary synchronously with the change of operation scale;
12. Assuming that the cash inflow of the appraised entity during the forecast period after the valuation base date is the average inflow, and the cash outflow is the average outflow, the after-tax discount rate used in this assessment is 12.8%;
13. Assuming that the basic information and financial information provided by the entrusting party and the appraised entity for this assessment are true, accurate and complete; and
14. The scale of the appraisal is only subject to the appraisal application form provided by the entrusting party and the appraised entity, taking no account of any potentially existing contingent assets or liabilities other than those on the list provided by the entrusting party and the appraised entity.

After reviewing the Valuation Report and taking into account (i) the fact that the Valuer has prepared the Valuation Report based on procedures, standards, laws and regulations of the PRC on valuation; (ii) the Valuer has reviewed the financial data, operating data and other relevant data in relation to Electric Control Company to understand the company comprehensively; and (iii) the reasons for adoption of the income approach in the valuation, methods and assumptions adopted by the Valuer, valuation scope and valuation results, the Directors believe that the valuation results reflect the value of Electric Control Company and are fair and reasonable.

PricewaterhouseCoopers, as the auditor of the Company, has reported on the arithmetical calculation of the forecast of Electric Control Company contained in the Valuation Report prepared by the Valuer, which does not involve the adoption of accounting policies. The Board has confirmed that the profit forecast (including the assumptions) of Electric Control Company set out in the Valuation Report are made after due and careful enquiry. The report by PricewaterhouseCoopers on the arithmetic accuracy of the calculation of the discounted future estimated cash flow of the forecast and the letter from the Board in relation to the forecast are set out in Appendix I and Appendix II to this announcement, respectively.

INFORMATION ON THE PARTIES

Electric Control Company

Electric Control Company is a wholly-owned subsidiary of the Company, and mainly engaged in the research and development, manufacturing, sales and technical services of intelligent control systems and intelligent liquid supply systems for fully mechanized coal mines. It is the leading supplier of complete sets of equipment for automatic control technology of fully mechanized coal mining in China.

The Group

The Group 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.

Natural Person Shareholders

No.	Name	Title
1	JIAO Chengyao	the Chairman and the secretary of the Party Committee of the Company
2	XIANG Jiayu	the deputy Chairman and the deputy secretary of the Party Committee of the Company
3	JIA Hao	The executive Director and the general manager of the Company
4	FU Zugang	The executive director and the general manager (coal mining machinery section) of the Company
5	LIU Qiang	The secretary of the Disciplinary Committee, the chairman of the Labor Union, the chairman of the Supervisory Committee of the Company
6	FU Qi	The vice general manager of the Company
7	ZHANG Haibin	The secretary to the Board of the Company
8	HUANG Hua	The Chief Financial Officer of the Company
9	LI Weiping	The vice general manager of the Company
10	LUO Kaicheng	The Chairman and the general manager of Electronic Control Company
11	HU Wei	The vice general manager of Electric Control Company
12	ZHANG Xingfu	The Director, vice general manager of Electric Control Company
13	CHANG Yajun	The vice general manager of Electric Control Company
14	WANG Junfu	The vice general manager of Electric Control Company
15	WANG Jingbo	The financial director of Electric Control Company

Xian'an

Zhengzhou Xian'an Enterprise Management Partnership (Limited Partnership) (鄭州賢安企業管理合夥企業(有限合夥)) is a partnership legally established and validly subsisting under the PRC law, with its unified social credit code of 91410100MA9LM3GB2T, its domicile of Suites 1205-33, 12th Floor, Building 5, 26 Dongqing Street, High-tech Industrial Development Zone, Zhengzhou City, Henan Province, and its executive partner of Zhengzhou Youke Aoda Enterprise Management Co., Ltd. (鄭州優科奧達企業管理有限公司). Xian'an is an employee shareholding platform of the Company, which includes the management and core employees (but excluding the Directors, supervisors and members of the senior management of the Company) of the Company and the Company's subsidiaries (excluding Electric Control Company and its subsidiaries). Having made all reasonable enquiries, to the best knowledge of the Company, the ultimate beneficial owner of Xian'an is Lan Feng.

Xianke

Zhengzhou Xianke Enterprise Management Partnership (Limited Partnership) (鄭州賢科企業管理合夥企業(有限合夥)) is a partnership legally established and validly subsisting under the PRC law, with its unified social credit code of 91410100MA9LLY3337, its domicile of Suites 1205-34, 12th Floor, Building 5, 26 Dongqing Street, High-tech Industrial Development Zone, Zhengzhou City, Henan Province, and its executive partner of Zhengzhou Youke Aoda Enterprise Management Co., Ltd. (鄭州優科奧達企業管理有限公司). Xianke is an employee shareholding platform of the Company, which includes the management and core employees (but excluding the Directors, supervisors and members of the senior management of the Company) of the Company and the Company's subsidiaries (excluding Electric Control Company and its subsidiaries). Having made all reasonable enquiries, to the best knowledge of the Company, the ultimate beneficial owner of Xianke is Lan Feng.

Fengheng

Zhengzhou Fengheng Enterprise Management Partnership (Limited Partnership) (鄭州峰恒企業管理合夥企業(有限合夥)) is a partnership legally established and validly subsisting under the PRC law, with its unified social credit code of 91410100MA9LLJ3H7B, its domicile of Suites 1205-29, 12th Floor, Building 5, 26 Dongqing Street, High-tech Industrial Development Zone, Zhengzhou City, Henan Province, and its executive partner of Zhengzhou Hengjun Youke Enterprise Management Co., Ltd. (鄭州恒俊優科企業管理有限公司). Fengheng is an employee shareholding platform of Electric Control Company, which includes the management and core employees of Electric Control Company and its subsidiaries. Having made all reasonable enquiries, to the best knowledge of the Company, the ultimate beneficial owner of Fengheng is Lian Donghui.

Qunda

Zhengzhou Qunda Enterprise Management Partnership (Limited Partnership) (鄭州群達企業管理合夥企業(有限合夥)) is a partnership legally established and validly subsisting under the PRC law, with its unified social credit code of 91410100MA9LL8WW43, its domicile of Suites 1205-31, 12th Floor, Building 5, 26 Dongqing Street, High-tech Industrial Development Zone, Zhengzhou City, Henan Province, and its executive partner of Zhengzhou Youke Anda Enterprise Management Co., Ltd. (鄭州優科安達企業管理有限公司). Qunda is an employee shareholding platform of Electric Control Company, which includes the management and core employees of Electric Control Company and its subsidiaries. Having made all reasonable enquiries, to the best knowledge of the Company, the ultimate beneficial owner of Qunda is Guan Yonghen.

Henan Transformation and Development Fund

Henan Assets Enterprise Transformation and Development Fund (Limited Partnership) (河南資產企業轉型發展基金(有限合夥)) is a partnership legally established and validly subsisting under the PRC law, with its unified social credit code of 91410100MA47Y0GAXW, its domicile of Suites 310-16, Building 3, Zhengshang Muhua Plaza, Mingli Road, Zhengdong New District, Zhengzhou City, and a fund actually controlled by Henan Asset Management Co., Ltd., the shareholder of the Company, and its executive partner of Henan Asset Fund Management Co., Ltd. (河南資產基金管理有限公司). It is mainly engaged in equity investment activities (non-securities) and providing related consulting services. Having made all reasonable enquiries, to the best knowledge of the Company, the ultimate beneficial owner of Henan Transformation and Development Fund is Henan Provincial Finance Department.

Henan Hongsong

Henan Hongsong Equity Investment Fund Partnership (Limited Partnership) (河南泓松股權投資基金合夥企業(有限合夥)) is a partnership legally established and validly subsisting under the PRC law, with its unified social credit code of 91410100MA9KE2KC9J, its domicile of Suite 185, 10th Floor, Building 5, 26 Dongqing Street, Zhengzhou High-tech Industrial Development Zone, Zhengzhou City, Henan Province, and its executive partner of Henan Asset Fund Management Co., Ltd. (河南資產基金管理有限公司). It is mainly engaged in equity investment, investment management, asset management and other activities with private funds. Having made all reasonable enquiries, to the best knowledge of the Company, the ultimate beneficial owner of Henan Hongsong is Henan Provincial Finance Department.

Wuhu Xinzheng

Wuhu Xinzheng Investment Partnership (Limited Partnership) (蕪湖信鄭投資合夥企業(有限合夥)) is a partnership legally established and validly subsisting under the PRC law, with its unified social credit code of 91340202MA8PEH074A, its domicile of Suites 317-91, 3rd Floor, Neisi Building, Yugengshan Cultural and Creative Industry Park, 92 Changjiang Middle Road, Jinghu District, Wuhu City, Anhui Province, and its executive partner of Xinda Capital Management Co., Ltd. (信達資本管理有限公司). It is mainly engaged in investment activities with own funds. Having made all reasonable enquiries, to the best knowledge of the Company, the ultimate beneficial owner of Wuhu Xinzheng is China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (listed on the main board of the Stock Exchange, stock code: 1359), an independent third party of the Company.

Jiaxing Shuntai

Jiaxing Shuntai Equity Investment Partnership (Limited Partnership) (嘉興順泰股權投資合夥企業(有限合夥)) is a partnership legally established and validly subsisting under the PRC law, with its unified social credit code of 91330402MA2CYQG937, its domicile of Room 157-29, Jijinxiaozhen Building 1, 1856 Nanjiang Road, Dongzha Street, Nanhu District, Jiaxing City, Zhejiang Province, and its executive partner of Tianjin Jushun Investment Management Co., Ltd. (天津聚順投資管理有限公司). It is mainly engaged in equity investment. Having made all reasonable enquiries, to the best knowledge of the Company, the executive partner of Tianjin Jushun Investment Management Co., Ltd. is controlled by CITIC Limited, and the general partners of Jiaxing Shuntai are China Securities Investment Limited and CITIC Trust Co., Ltd, all of which are the independent third parties of the Company.

Zhongyuan Qianhai

Zhongyuan Qianhai Equity Investment Fund (Limited Partnership) (中原前海股權投資基金(有限合夥)) is a partnership legally established and validly subsisting under the PRC law, with its unified social credit code of 91410100MA46270C8A, its domicile of Suites 310-5, Building 3, Zhengshang Muhua Plaza, Mingli Road, Longzihu, Zhengdong New District, Zhengzhou City, and its executive partner of Qianhai Fangzhou (Zhengzhou) Venture Capital Management Enterprise (Limited Partnership) (前海方舟(鄭州)創業投資管理企業(有限合夥)). It is mainly engaged in equity investment activities (non-securities) and related consulting services. Having made all reasonable enquiries, to the best knowledge of the Company, the ultimate beneficial owner of Zhongyuan Qianhai is Jin Haitao, an independent third party of the Company.

Jiaxing Rongying

Jiaxing Rongying Equity Investment Partnership (Limited Partnership) (嘉興榮盈股權投資合夥企業(有限合夥)) is a partnership legally established and validly subsisting under the PRC law, with its unified social credit code of 91330402MABX35ME1U, its domicile of Room 182-69, Jijinxiaozhen Building 1, 1856 Nanjiang Road, Dongzha Street, Nanhu District, Jiaxing City, Zhejiang Province, and its executive partner of Xinjin Shunzhi Investment Management (Ningbo) Co., Ltd. (信金順致投資管理(寧波)有限公司). Its main business is equity investment. Having made all reasonable enquiries, to the best knowledge of the Company, the ultimate beneficial owner of Jiaxing Rongying is HU Bin, an independent third party of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The entering into of the capital increase agreement will help the Company and Electric Control Company adapt to the development trend of smart coal mines, promote the transformation and upgrading of the coal industry, further improve the market-oriented system and mechanism, respond to challenges arising from industry competition, and implement the corporate development strategy of the Company, thereby helping Electric Control Company grow in scale, strength and quality and achieve long-term high-quality development.

The Directors of the Company (including independent non-executive Directors) consider that the terms of the capital increase agreement are on normal commercial terms and are fair and reasonable, and the transactions contemplated under the capital increase agreement are in the interests of the Company and the Shareholders as a whole. Mr. JIAO Chengyao, Mr. XIANG Jiayu, Mr. JIA Hao, Mr. FU Zugang and Mr. CUI Kai, all being the Directors of the Company, have abstained from voting on the relevant resolutions at the Board meeting due to their interests in the capital increase agreement. Save for the above, none of the Directors have material interests in the transactions contemplated under the capital increase agreement and are required to abstain from voting on Board resolutions in relation to the capital increase agreement.

IMPLICATIONS UNDER THE LISTING RULES

Prior to the entering into and implementation of the capital increase agreement, the Company held 100% equity interest in Electric Control Company, and Electric Control Company was a wholly-owned subsidiary of the Company. After the Completion of the capital increase, the Company will hold 85.02% equity interest in Electric Control Company, and Electric Control Company will be a non-wholly-owned subsidiary of the Company. The entering into of the capital increase agreement and the transactions thereunder constitute a deemed disposal under Chapter 14 of the Listing Rules.

As Henan Transformation and Development Fund and Henan Hongsong are funds under de facto control of Henan Asset Management Co., Ltd. (河南資產管理有限公司), a Shareholder of the Company, and Henan Asset Management Co., Ltd. (河南資產管理有限公司) is a persons acting in concert with Hongyi Investment Management (Henan) Partnership (Limited Partnership) (泓羿投資管理(河南)合夥企業(有限合夥)), a substantial Shareholder of the Company, Henan Transformation and Development Fund and Henan Hongsong constitute connected persons of the Company, and the entering into of the capital increase agreement and the transactions thereunder constitute connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) of the capital increase agreement and the transactions thereunder is more than 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors of the Company
“Business Partners and Investors of the Group”	JIAO Chengyao, XIANG Jiayu, JIA Hao, FU Zugang, LIU Qiang, FU Qi, ZHANG Haibin, HUANG Hua, LI Weiping, Xian’an and Xianke
“The Core Shareholder of Electric Control Company”	Luo Kaicheng, Hu Wei, Zhang Xingfu, Chang Yajun, Wang Junfu, Wang Jingbo, Fengheng, Qunda
“Company”	Zhengzhou Coal Mining Machinery Group Company Limited (鄭州煤礦機械集團股份有限公司), a company incorporated in the PRC with limited liability, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange (stock codes: 00564 and 601717)
“Completion”	completion of the capital increase in accordance with the terms and conditions of the capital increase agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Electric Control Company”	Zhengzhou Coal Mining Machinery Hydraulic Electric Control Co., Ltd. (鄭州煤機液壓電控有限公司), a wholly-owned subsidiary of the Company
“Fengheng”	Zhengzhou Fengheng Enterprise Management Partnership (Limited Partnership) (鄭州峰恒企業管理合夥企業(有限合夥))
“Group”	the Company and its subsidiaries
“Henan Hongsong”	Henan Hongsong Equity Investment Fund Partnership (Limited Partnership) (河南泓松股權投資基金合夥企業(有限合夥))
“Henan Transformation and Development Fund”	Henan Assets Enterprise Transformation and Development Fund (Limited Partnership) (河南資產企業轉型發展基金(有限合夥))

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Jiaxing Rongying”	Jiaxing Rongying Equity Investment Partnership (Limited Partnership) (嘉興榮盈股權投資合夥企業(有限合夥))
“Jiaxing Shuntai”	Jiaxing Shuntai Equity Investment Partnership (Limited Partnership) (嘉興順泰股權投資合夥企業(有限合夥))
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Qunda”	Zhengzhou Qunda Enterprise Management Partnership (Limited Partnership) (鄭州群達企業管理合夥企業(有限合夥))
“Share(s)”	ordinary share(s) of RMB1.00 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Investors”	Henan Transformation and Development Fund, Henan Hongsong, Wuhu Xinzheng, Jiaxing Shuntai, Zhongyuan Qianhai, Jiaxing Rongying
“Wuhu Xinzheng”	Wuhu Xinzheng Investment Partnership (Limited Partnership) (蕪湖信鄭投資合夥企業(有限合夥))
“Xian’an”	Zhengzhou Xian’an Enterprise Management Partnership (Limited Partnership) (鄭州賢安企業管理合夥企業(有限合夥))
“Xianke”	Zhengzhou Xianke Enterprise Management Partnership (Limited Partnership) (鄭州賢科企業管理合夥企業(有限合夥))

“Zhongyuan Qianhai”

Zhongyuan Qianhai Equity Investment Fund (Limited Partnership) (中原前海股權投資基金(有限合夥))

“%”

Percentage

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

Zhengzhou, the PRC, 9 September 2022

As at the date of this announcement, the executive Directors of the Company are Mr. JIAO Chengyao, Mr. XIANG Jiayu, Mr. JIA Hao, Mr. FU Zugang and Mr. WANG Xinying, the non-executive Directors are Mr. CUI Kai and Mr. FEI Guangsheng and the independent non-executive Directors are Mr. CHENG Jinglei, Mr. JI Feng, Ms. GUO Wenqing and Mr. FANG Yuan.

APPENDIX I

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.



羅兵咸永道

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF ZHENGZHOU COAL MINING MACHINERY HYDRAULIC ELECTRICAL CONTROL CO., LTD.

TO THE BOARD OF DIRECTORS OF ZHENGZHOU COAL MINING MACHINERY GROUP CO., LTD.

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “**Valuation**”) dated 18 July 2022 prepared by China United Assets Appraisal Group Company Limited in respect of the appraisal of the fair value of the 100% equity interests in Zhengzhou Coal Mining Machinery Hydraulic Electrical Control Co., Ltd (the “**Deemed Disposal Company**”) is based. The Valuation is set out in the announcement of Zhengzhou Coal Mining Machinery Group Co., Ltd. (the “**Company**”) dated 9 September 2022 (the “**Announcement**”) in connection with the connected transactions entering into the capital increase agreement. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows, including the bases and assumptions set on pages 5 to 7 of the Announcement on which the discounted future estimated cash flows are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Auditor's Responsibilities

It is our responsibility, pursuant to paragraph 14.62(2) of the Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out on pages 5 to 7 of the Announcement. The extent of procedures selected depends on the auditor's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Deemed Disposal Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out on pages 5 to 7 of the Announcement.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 September 2022

**APPENDIX II LETTER FROM THE BOARD OF THE COMPANY ON THE PROFIT
FORECAST OF ELECTRIC CONTROL COMPANY**



ZMJ

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)

Dear Sirs/Madams,

**TRANSACTION CONTEMPLATED UNDER
THE CAPITAL INCREASE AGREEMENT**

We refer to the valuation report (the “**Valuation Report**”) prepared by China United Assets Appraisal Group Company Limited (the “**Valuer**”) in relation to the entire equity interest of Zhengzhou Coal Mining Machinery Hydraulic Electric Control Co., Ltd. (鄭州煤機液壓電控有限公司) as at the valuation base date (i.e. 30 April 2022). The valuation adopted the income approach, and therefore is deemed as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have considered various aspects of the valuation, including the bases and assumptions of preparation of the valuation, and have reviewed the valuation responsible by the Valuer. We have also considered the letter dated 9 September 2022 issued by PricewaterhouseCoopers, the auditor, in relation to the arithmetical calculation of the forecast contained in the Valuation Report prepared by the Valuer. We have noticed that the calculations of the Forecast in the valuation are accurate and comply with the bases and assumptions set out in the Valuation Report.

Based on the above, we believe that the forecast has been made after due and careful enquiry.

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

Zhengzhou, the PRC, 9 September 2022