

*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)**

### **ANNOUNCEMENT REGARDING THE SIGNING OF THE SHARE TRANSFER AGREEMENT BY THE CONTROLLING SHAREHOLDER OF THE COMPANY AND PROPOSED CHANGE IN THE CONTROL OVER THE COMPANY**

References are made to the announcements dated 24 August 2020, 26 August 2020, 9 November 2020, 21 December 2020 and 27 December 2020 of Zhengzhou Coal Mining Machinery Group Company Limited (the “**Company**”) in relation to the transfer of the shares of the Company held by Henan Machinery Investment Group Co., Ltd. (河南機械裝備投資集團有限責任公司) (“**HNMIC**”), the controlling shareholder of the Company, under agreement through public solicitation of transferees (the “**Share Transfer**”).

On 8 January 2021, the Company received a notification from HNMIC that HNMIC and Hong Yi Investment Management (Henan) Partnership (Limited Partnership) (泓羿投資管理(河南)合夥企業(有限合夥)) (“**Hong Yi Investment**”) signed the Share Transfer Agreement Regarding Zhengzhou Coal Mining Machinery Group Company Limited (the “**Share Transfer Agreement**”) on 8 January 2021. The related particulars are set out below:

#### **I. PARTICULARS OF THE SHARE TRANSFER AND THE CHANGE IN EQUITY**

Upon public solicitation according to law, the Company's controlling shareholder HNMIC and Hong Yi Investment signed the Share Transfer Agreement on 8 January 2021, agreeing that the 277,195,419 shares of the Company (representing 16% of the total share capital of the Company) held by HNMIC would be transferred to Hong Yi Investment at the price of RMB7.07 per share, with the total transfer consideration amounting to RMB1,959,771,612.33.

Below sets out the shareholdings of the parties to the transfer prior to and after the aforementioned change in equity:

Parties to the transaction	Prior to the change in equity		After the change in equity	
	Number of shares held (shares)	Percentage of shareholding	Number of shares held (shares)	Percentage of shareholding
<b>Transferor</b>				
HNMIC	521,087,800	30.08%	243,892,381	14.08%
<b>Transferee</b>				
Hong Yi Investment	–	–	277,195,419	16.00%

Prior to this transaction, HNMIC held 521,087,800 shares of the Company (representing 30.08% of the total share capital of the Company), and was the controlling shareholder of the Company. The de facto controller of the Company was the State-owned Assets Supervision and Administration Commission of Henan Provincial People’s Government (“**Henan SASAC**”).

After this transaction, HNMIC will hold 243,892,381 shares of the Company, representing 14.08% of the total share capital of the Company; Hong Yi Investment will hold 277,195,419 shares of the Company, representing 16% of the total share capital of the Company, while Henan Asset Management Co., Ltd. (“**Henan Asset**”), its party acting in concert, will hold 69,209,157 shares of the Company, representing 3.99% of the total share capital of the Company. Hong Yi Investment and Henan Asset will hold 19.99% of shares of the Company in aggregate. According to the Acting-in-Concert Agreement entered into by Hong Yi Investment and Henan Asset and the governance structure of Hong Yi Investment, after the completion of the transaction, Hong Yi Investment and Henan Asset will become the controlling shareholders of the Company, and the Company will not have a de facto controller.

## II. BASIC INFORMATION OF THE SHARE TRANSFER

### (I) Transferor

The basic information of the Transferor are as follows:

Name	Henan Machinery Investment Group Co., Ltd. (河南機械裝備投資集團有限責任公司)
Registered address	No. 105, Huashan Road, Zhongyuan District, Zhengzhou City, Henan Province
Legal representative	Zhang Yongxing (張永星)
Operation term	From 27 July 2015 onwards (no fixed term)
Registered capital	RMB5,500 million
Unified social credit code	91410000349519649C
Company type	Limited liability company (wholly state-owned)
Name of shareholder	State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government (100% shareholding)
Scope of operation	Investment and asset management; research and development of related technologies in the field of mechanical equipment; social and economic consultancy; sales of mechanical equipment and accessories; mechanical equipment leasing and technical services.

## (II) Transferee

### 1. Basic Information of the Transferee

Name	Hong Yi Investment Management (Henan) Partnership (Limited Partnership) (泓羿投資管理(河南)合夥企業(有限合夥))
Registered address	No. 164, Floor 10, Building No. 5, No. 26 Dong Qing Street, Development Zone for New and High Technology Industries, Zhengzhou City, Henan
Executive partner	Henan Asset Funding Management Limited (河南資產基金管理有限公司)
Subscribed capital contribution	RMB3,002,000,000.00 ( <i>Note</i> )
Unified social credit code	91410100MA9G4DKW4X
Company type	Partnership
Scope of operation	General projects: Investments in industries (such as advanced production, hi-tech machinery and smart equipment) with its own funding (deposit absorption, fund-raising, engagement in capital loan and financing businesses are prohibited)); business management consultancy (commencing operating activities independently with business permits according to laws, except for the activities required for approval in accordance with laws)
Operation term	From 7 December 2020 to 6 December 2027
General partners	Hong Qian Business Management (Henan) Limited (泓謙企業管理(河南)有限公司); Henan Asset Funding Management Limited (河南資產基金管理有限公司) (Executive partner)

*Note:* Pursuant to the description issued by Hong Yi Investment and according to the final consideration for transfer as determined in the Share Transfer Agreement, Hong Yi Investment will reduce the subscribed capital contribution subsequently, after which the subscribed capital contribution will be reduced to RMB1,966,051,608.88.

## 2. Control Relationship of the Transferee

As of the disclosure date of this announcement, the general partners of Hong Yi Investment are Hong Qian Business Management (Henan) Limited (泓謙企業管理(河南)有限公司) (“**Hong Qian Business Management**”) and Henan Asset Funding Management Limited (河南資產基金管理有限公司) (“**Henan Asset Funding**”), with Henan Asset Funding as the executive partner. Both Hong Yi Investment and Hong Qian Business Management, established on 7 December 2020 and 2 December 2020, respectively, are trading entities specially established for the transfer of the shares of the Company.

Pursuant to the description issued by Hong Yi Investment and according to the final consideration for transfer as determined in the Share Transfer Agreement, Hong Yi Investment will reduce the subscribed capital contribution subsequently, after which the subscribed capital contribution will reduce to RMB1,966,051,608.88. Among which, the capital contribution subscribed by each partner will be as follows:

Name of the partner	Capacity	Subscribed capital contribution (RMB)	Percentage of capital contribution
Hong Qian Business Management	General partner	1,000,000.00	0.05%
Henan Asset Funding	General partner (executive partner)	1,000,000.00	0.05%
Henan Hong Pu Equity Interests Investment Funding (Limited Partnership) (河南泓樸股權投資基金(有限合夥)) (“ <b>Hong Pu Investment</b> ”)	Limited partner	489,658,781.20	24.91%
Yang Zhong City Xu Gong Industrial Investment Partnership (Limited Partnership) (揚中市徐工產業投資合夥企業(有限合夥)) (“ <b>Xu Gong Investment</b> ”)	Limited partner	29,379,526.87	1.50%
Shanghai Jing Shi Investment Management Centre (Limited Partnership) (上海經石投資管理中心(有限合夥)) (together with Xu Gong Investment, “ <b>Xu Gong Investment</b> ”)	Limited partner	460,279,254.33	23.41%
China Merchants Securities Asset Management Co., Ltd. (CMS Asset Management No. 3 Single Asset Management Scheme of Private Enterprise Development Support Series on behalf of the Securities Industry) (“ <b>CMS No. 3 Management Scheme</b> ”)	Limited partner	391,727,024.96	19.92%

Name of the partner	Capacity	Subscribed capital contribution (RMB)	Percentage of capital contribution
Han's Holding Group Co., Ltd. ("Han's Holding")	Limited partner	391,727,024.96	19.92%
Zhengzhou Qunxian Enterprise Management Consulting Partnership (Limited Partnership) (鄭州群賢企業管理諮詢合夥企業(有限合夥)) ("Zhengzhou Qunxian")	Limited partner	201,279,996.56	10.24%
<b>Total</b>	<b>–</b>	<b>1,966,051,608.88</b>	<b>100.00%</b>

*Note:* Pursuant to the supplemental agreement to the limited partner agreement of Hong Yi Investment, Hong Qian Business Management and Henan Asset Funding (as general partners) are not required to make actual capital contribution, shall not be responsible for the partnership fee of the partnership and shall not involve in the appropriation of the partnership.

Among the limited partners of Hong Yi Investment, Zhengzhou Qunxian is the shareholding platform for the total 186 staff of the Company and its subsidiaries, including core management and other core and key personnel.

Although Hong Qian Business Management neither acts as the executive partner nor executes external partnership matters on behalf of the partnership pursuant to the limited partner agreement and supplemental agreement of Hong Yi Investment, Hong Qian Business Management has the final decision-making power over major matters such as decisions on amending the partnership agreement, change in equity, divesting in and termination of the partnership, as well as management of the Company. Despite serving as the executive partner, Henan Asset Funding mainly works on engaging the partnership in the management of the Company and other daily affairs according to the resolution of Hong Qian Business Management.

Therefore, as a general partner of Hong Yi Investment instead of its executive partner, Hong Qian Business Management has the final decision-making power over related major matters of Hong Yi Investment, pursuant to which Hong Qian Business Management has de facto control over Hong Yi Investment.

### 3. *Control Relationship of Hong Qian Business Management*

As of the disclosure date of this announcement, the equity structure of Hong Qian Business Management is as follows:

<b>Name of shareholder</b>	<b>Subscribed capital contribution (RMB)</b>	<b>Percentage of capital contribution</b>
Hong Pu Investment	200,000	20%
Xu Gong Investment	200,000	20%
CMS No. 3 Management Scheme	200,000	20%
Han's Holding	200,000	20%
Zhengzhou Younaide Enterprise Management Consultancy Company Limited ("Younaide")	200,000	20%
<b>Total</b>	<b>1,000,000</b>	<b>100%</b>

*Note:* The amended articles of association after the introduction of Younaide is still in the process of completing industrial and commercial change registration.

The meeting of shareholders of Hong Qian Business Management is composed of all shareholders and is the highest authority of the company. At the meeting of shareholders, participating shareholders shall exercise their voting rights in proportion to their actual capital contributions. Among which, save for the resolutions on (1) increasing or reducing the subscribed registered capital of the company, (2) merger and spin-off of company, changing in form of company, dissolution and liquidation, etc., and (3) amending the articles of association shall be passed by all shareholders, the meeting of shareholders shall authorise the board of directors to resolve on other matters that should have been considered by the meeting of shareholders.

According to the articles of association and shareholders' agreement of Hong Qian Business Management, Hong Qian Business Management has established its board of directors comprising a total of seven members, of which, Younaide is entitled to nominate three members, and each of the remaining shareholders, being Hong Pu Investment, Xu Gong Investment, CMS No. 3 Asset Management Scheme and Han's Holding, is entitled to nominate one member. The directors are selected from the abovementioned nominees through election.

As for the matters considered by the board of directors, save for the internal affairs of Hong Qian Business Management, and the resolutions on determining candidates for the directors and supervisors of the Company by the partnership, on determining the specific voting opinion of the partnership as shareholder of the Company at the general meeting, and on determining the list of competitors of the Company shall be approved by more than half of the members of the board of directors of Hong Qian Business Management voting in favour, other matters shall be approved by all members of the board of directors of Hong Qian Business Management voting in favour.

If the board of directors fails to meet a quorum (with five or more directors present) or the number of directors voting in favour fails to meet the above-mentioned standard, which results in the failure to pass a valid resolution of the board of directors, Hong Qian Business Management shall re-convene a meeting of the board of directors for consideration. If a valid resolution is still not passed, the shareholders of Hong Qian Business Management shall otherwise negotiate to resolve on the matter and cause the directors nominated by them to pass the resolution of the board of directors. If the shareholders fail to reach a consensus through negotiation, it shall be submitted to the meeting of shareholders for approval by more than half of the voting rights.

To conclude, none of shareholders of Hong Qian Business Management shall control the meeting of shareholders or the meeting of board of directors by itself, and there shall be no connected relationship nor acting in concert relationship among the shareholders, such that Hong Qian Business Management has no controlling shareholder nor de facto controller, and Hong Yi Investment has no de facto controller.

### **(III) Principal Content of the Share Transfer Agreement**

#### ***1. Subject Shares***

- 1.1. In accordance with the terms and conditions under the Agreement, both parties agree that, the Transferor shall transfer the 277,195,419 ordinary shares in RMB held by it in the Company to the Transferee, representing 16% of the total share capital of the Company (the “**Subject Shares**”).

From the date of signing the Agreement to the date that the Subject Shares are transferred and registered under the Transferee’s name (the “**Completion Date**”, the period referred to as the “**Transitional Period**”), where there are ex-rights matters in relation to scrip issues, conversion into share capital or allotment of shares by the Company, the number of the abovementioned Subject Shares shall be adjusted.

## **2. Consideration of Share Transfer and Way of Payment**

- 2.1 Based on the requirements of laws, regulations and authorities regulating securities and state-owned assets and upon negotiation, both parties confirmed the transfer price per share to be RMB7.07 (the “**Transfer Price Per Share**”), and the total consideration of the transfer of Subject Shares amounted to RMB1,959,771,612.33 (the “**Consideration of Share Transfer**”).

During the Transitional Period, where there are ex-rights matters in relation to scrip issues, conversion into share capital or allotment of shares by the Company, or where there are distribution of dividends or ex-dividends matters, the abovementioned Transfer Price Per Share shall be adjusted accordingly.

- 2.2 Payment of the Consideration of Share Transfer by the Transferee to the Transferor shall be made in instalments based on the following criteria:
- (1) Within five (5) working days from the date of signing this Agreement, the Transferee shall pay 30% of the Consideration of Share Transfer, being RMB587,931,483.70 to the Transferor as performance deposit (the “**Performance Deposit**”). The registration deposit (the “**Registration Deposit**”) paid by the Transferee to the Transferor on 21 December 2020 which amounted to RMB200,000,000.00 shall be automatically converted into part of the Performance Deposit, i.e., the Transferee shall further pay RMB387,931,483.70 to the Transferor;
  - (2) Within ten (10) working days from the date when this Agreement takes effect and the Shanghai Stock Exchange (“**SSE**”) has issued a share transfer confirmation comment regarding the Share Transfer, or within the prescribed earlier payment time for the fulfilment of the aforesaid confirmation comment issued by the SSE regarding the Share Transfer and the state-owned assets regulation the Transferee shall pay the remaining 70% of the Consideration of Share Transfer (the “**Remaining Consideration of Share Transfer**”) to the Transferor, i.e., the Transferee shall further pay RMB1,371,840,128.63 to the Transferor. Upon such payment, the Performance Deposit under Article 2.2(1) of the Agreement shall be automatically converted into the Consideration of Share Transfer.

### **3. *Delivery Arrangement for Subject Shares***

- 3.1. Both parties agree and confirm that the delivery (“**Delivery**”, referring to the transfer registration of the Subject Shares in the name of the Transferee) of the Share Transfer shall take place upon the satisfaction of all the following conditions (the “**Delivery Conditions**”):
- (1) The effective conditions of the Agreement have been satisfied;
  - (2) The SSE has issued the share transfer confirmation comment in respect of the Share Transfer;
  - (3) The Transferee has paid the Consideration of Share Transfer in full to the Transferor on time according to the provisions of the Agreement;
  - (4) For the participation in the Share Transfer through investing in the Transferee and its specific partner by platform including partnership and company established by the management and core in certain area of the Company (“**Staff Entity**”)(“**Staff Entity Investment**”), the Transferee and its existing partners and shareholders of the specific partners have signed partnership agreements with the Management Staff Entity, the articles of association and other documents relating to the transaction, and the Transferee and its specific partners have completed the corresponding industrial and commercial change registration procedures for the Staff Entity Investment.
- 3.2. Regarding the Share Transfer, both parties shall complete the delivery procedures including compliance confirmation and transfer registration according to the following steps:
- (1) Compliance confirmation: since the Transferee completes the payment of Performance Deposit and remaining consideration for the Share Transfer (for remaining consideration for the Share Transfer, if it is required by SSE to issue confirmation comment for the Share Transfer and/or according to the state-owned assets regulation) in accordance with Article 2.2 of the Agreement and within five (5) working days from the effective date of the Agreement, the Transferor and the Transferee shall submit the application for confirmation on the compliance of the Share Transfer to the SSE and submit the application document for the Share Transfer.

- (2) Transfer registration: within five (5) business days from the date of satisfaction of all the Delivery Conditions as agreed in the Article 3.1 of the Agreement, the Transferor and the Transferee shall submit the application for transfer registration to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (“**CSDCC Shanghai Branch**”) and complete the transfer registration of the Subject Shares.
- (3) Transfer of shareholders’ rights and obligations: on the Delivery Date, the Transferee shall become the shareholder of the Company and enjoys the shareholders’ rights conferred by the Company Law of the People’s Republic of China and the articles of association of the Company.

#### **4. Corporate Governance**

4.1. Both parties agree that within 90 days after the completion of the Delivery of the Share Transfer, they will jointly procure the Company to convene the board meeting and shareholders’ general meeting to complete the adjustment of directors, supervisors and senior management personnel. The specific arrangement of the adjustment is as follows:

- (1) The board of directors shall consist of 11 directors. The Transferor is entitled to nominate 3 directors, the Transferee is entitled to nominate 3 directors, 1 director is the employee representative of the Company, and the remaining 4 are independent directors. The director held by the employee representative of the Company shall be democratically elected by the employee representative meeting, employee meeting of the Company or otherwise. The chairman and vice chairman shall be elected by the board of directors.
- (2) The board of supervisors shall consist of 7 supervisors. The Transferor is entitled to nominate 2 supervisors, the Transferee is entitled to nominate 2 supervisors, and the remaining 3 supervisors are held by the employee representatives. The supervisors held by the employee representatives of the Company shall be democratically elected by the employee representative meeting, employee meeting of the Company or otherwise. The chairman of the board of supervisors shall be elected by the board of supervisors.

.....

- 4.5 Both parties agree that within ninety (90) days after the completion of the Delivery of the Share Transfer, they will jointly procure the Company to convene the shareholders' general meeting to complete the amendment to the articles relating to corporate governance in the articles of association and the related mechanism. Both parties shall vote for the resolution in relation to such amendment in the shareholders' general meeting.

## **5. *Stabilisation of Control***

- 5.1 After the completion of the Share Transfer, the Transferee and Henan Asset, its parties acting in concert will jointly hold the Company, but the Company will not have a de facto controller. The Transferee undertakes to the Transferor that the Share Transfer does not seek to create a de facto controller of the Company.
- 5.2 Since the date of signing the Agreement, without the prior written consent of one party, neither the other party nor its parties acting in concert or related parties would seek to become the de facto controller of the Company by any means or include it into the scope of the consolidated statements of such party and/or its related parties, or assist any third parties except the Transferor to seek to become the de facto controller of the Company, including but not limited to actions such as increasing the shareholding in the Company, acting in concert with a third party, transferring the shares of the Company held to a third party or entrusting the voting rights to a third party, giving up the relevant voting rights and becoming the de facto controller of the Company by accepting the entrustment of voting rights of a third party. Both parties will jointly maintain and promote the stable operation of the Company. The aforesaid actions that are not taken for the purpose of seeking to become the de facto controller of the Company and/or including it into the scope of the consolidated statements of such party and/or its related parties shall not be restricted.
- 5.3 Upon the completion of the Share Transfer, except the adjustments to the composition of the board of directors and the board of supervisors of the Company in accordance with the provision of Article 4.1 of the Agreement, any change in the number of members of the board of directors and the board of supervisors of the Company shall be mutually agreed upon by both parties.

- 5.4 If, without mutual consent of both parties, a third party increases its shareholding in the Company and its shares after the increase reaches or exceeds 5%, both parties should negotiate measures to defend and deal with the third party's hostile takeover of the Company. If no agreement can be reached through negotiation, either party can take measures to maintain the control structure of the Company after the Share Transfer, provided that the measures taken shall not cause them to become the de facto controller of the Company, or cause the Company to be included into the scope of the consolidated statements of the party and/or its related parties.

## **6. *Guarantees and Undertakings***

### **6.1 Guarantees and Undertakings of the Transferee**

.....

- 6.1.6 The Transferee undertakes that the shares of the Company acquired as a result of the Share Transfer will not be transferred for thirty-six (36) months from the Delivery Date; if relevant laws and regulations require a lock-up period of the Subject Shares exceeding the aforementioned lock-up period, the Transferee undertakes to extend the lock-up period of the shares to the specified period. After completion of the Share Transfer, the Transferee shall also comply with the abovementioned share lock-up commitments for the shares arising from the bonus shares, increase and transfer of share capital of the Company, etc. as a result of the shares of the Company acquired by the Transferee in the Share Transfer.

- 6.1.7 The Transferee undertakes that the overall stability of operation and management team of the Company will be maintained within the scope of its authority, and the governance structure of the Company shall not change significantly (except for otherwise agreed in the Agreement) after completion of the Share Transfer.

.....

## **11. *Effectiveness, Modification and Termination of the Agreement***

- 11.1. The Agreement will be established on the date when it is signed and stamped with the company seal by legal representatives or authorised representatives of both parties, and will be effective on the date when the following conditions are fully fulfilled: the Share Transfer is approved by the Henan SASAC.

11.2. Unless otherwise provided in the Agreement, the termination, modification, amendment or supplement of the Agreement shall be separately negotiated and agreed in writing by both parties. Any modification, amendment and supplement to the Agreement shall form an integral part of the Agreement.

11.3. The Agreement shall be terminated under any of the following circumstances:

- (1) Both parties have decided to terminate the Agreement by mutual agreement;
- (2) The Transferee or the Transferor shall be entitled to terminate the Agreement upon the expiration of six (6) months after the establishment of the Agreement, if the Share Transfer was not agreed, approved or advanced by the state-owned assets supervision and administration department, the stock exchange, the securities supervision department or other competent government departments or authorities within six (6) months after the establishment of the Agreement which makes it impossible to continue the performance of the Agreement;
- (3) Either party terminates the Agreement in accordance with the clause relating to force majeure thereof;
- (4) In the event that the Transferee breaches or fails to comply with the requirements on the application of the transfer of shares (whether it occurs before or after the execution of the Agreement), the Transferor shall have the right to terminate the Agreement without any default liability;
- (5) The entitled party unilaterally terminates the Agreement in accordance with the clause relating to default liability thereof;
- (6) Except for the forgoing circumstance specified in (5) above, if any party fails to perform any other obligations or undertakings under the Agreement, or its guarantees under the Agreement are untrue, inaccurate or has any omissions which result in the failure of further performance of the transfer of the Subject Shares under the Agreement or the failure of completion of the arrangements agreed in the clause relating to stabilisation of control of the Agreement or cause significant losses to the Non-Defaulting Party, the Non-Defaulting Party shall have the right to terminate the Agreement.

.....

### ***13. Special Agreement on Profit or Loss for Year 2020 of the Company***

13.1. Given that the operating period for year 2020 of the Company has passed at the signing date of the Agreement, in order to safeguard and increase the value of the state-owned assets, the parties agreed on the following specific arrangements regarding the profit or loss for year 2020 of the Company that are corresponding to the Subject Shares after negotiation: the proportion equivalent to 50% bonus for year 2020 of the Company attributable to the Subject Shares shall be vested in the Transferor. The Transferee shall, within five (5) working days after receiving the bonus payments for year 2020 of the Company corresponding to the Subject Shares, pay in cash the said amounts that shall be vested in the Transferor to the account of the Transferor. For avoidance of doubt, the said “bonus for year 2020 of the Company” represents the bonus paid to the shareholders of the Company by the Company in accordance with the resolution at the general meeting held during year 2021.

#### **(IV) Major contents of the Acting-in-Concert Agreement**

Party A: Hong Yi Investment

Party B: Henan Asset

Signing Date: 8 January 2021

##### ***Clause 1 Contents of Acting-in-Concert***

1. From the effective date of the Agreement, Party A and Party B will engage in mutual negotiation and act-in-concert and express same meaning on the following:
  - (1) Exercise of shareholders' voting right at the general meeting of the Company;
  - (2) Exercise of Shareholder's proposal right at the general meeting of the Company;
  - (3) Exercise the right of nominating the candidates for directors and supervisors in the Company;
  - (4) Other circumstances where shareholders shall act to determine the affairs of the Company as required by laws and regulations or the articles of association of the Company;

2. In case there is any dispute between the parties over the exercise of shareholders' rights including proposal right and voting right in accordance with the Agreement, and subject to laws, regulations, normative documents and the articles of association of the Company, both parties shall compromise to some extent and exercise shareholders' rights including proposal right and voting right in accordance with their unanimous opinion after reaching mutual agreement. If both parties have a dispute over relevant determinations in the future, the parties shall undertake to resolve the dispute through friendly consultation, and ensure the effectiveness of the governance of the Company through the effective operation of governance bodies of the Company such as the general meeting, board of directors, operating management in accordance with the requirements under laws and regulations including the Company Law, the Securities Law, and the articles of associations of the Company.

### ***Clause 2 Effectiveness of the Agreement***

The agreement shall become effective upon and from the date when it is signed by both parties, and take effect since the completion date of the Share Transfer. For avoidance of doubt, the Agreement will automatically terminate if the aggregate shareholdings of the parties acting in concert to the Agreement no longer jointly control the Company or any of them cease to hold the shares of the Company.

## **III. RELEVANT MEASURES AND COOPERATION SCHEME TO MAINTAIN THE STABILITY OF THE MANAGEMENT FOR THIS TRANSACTION**

According to the public solicitation plan disclosed in the announcement of the Company dated 9 November 2020, the prospective transferee shall put forward the measures to maintain the stability of the management and the plans for future cooperation with the management in the application materials for transfer submitted to the Transferor. Based on the aforesaid requirements, Hong Yi Investment has put forward the measures to maintain the stability of the management and the plans for cooperation with the management in the application materials for transfer submitted to HNMIC.

After a review by the review committee of HNMIC, it has determined that Hong Yi Investment has met all basic requirements for the Transferee and is the only prospective transferee. Upon further negotiation, the management and core employees of the Company have agreed with Hong Yi Investment and related entities on the following proposals:

### **(I) Arrangement of the Equity of the Management of the Company by Hong Yi Investment and its Superstructure**

#### ***1. Hong Yi Investment (Introduction of Staff Shareholding Platform)***

All of the original limited partners of Hong Yi Investment will transfer part of the partnership equity (unpaid capital contribution) held respectively by them to the staff shareholding platform Zhengzhou Qunxian at nil

consideration according to their proportion of subscribed capital contribution in Hong Yi Investment. For particulars of the partners of Hong Yi Investment after the transfer, see “2. Control Relationship of the Transferee” under “(II) Transferee” in “I. Particulars of the Share Transfer and the change in equity” in this announcement.

**2. *Hong Qian Business Management (Introduction of Management Platform)***

Hong Pu Investment, Xuzhou Xu Gong Equity Investment Company Limited (徐州徐工股權投資有限公司) (hereinafter referred to as “**Xu Gong Investment**”), CMS No. 3 Asset Management Scheme and Han’s Holding, which originally held 25% equity interests in Hong Qian Business Management, respectively, (unpaid capital contribution), has transferred their respective 5% equity interests held in Hong Qian Business Management to Zhengzhou Younaide Enterprise Management Consultancy Company Limited (鄭州優耐德企業管理諮詢有限公司) (hereinafter referred to as “**Younaide**”), a management platform, at nil consideration. Upon completion of the transfer, the details of the shareholders of Hong Qian Business Management are set out in “3. Controlling Relationship of Hong Qian Business Management” under “(II) Transferee” in “I. Particulars of the Share Transfer and the change in equity” in this announcement.

**(II) OTHER RELATED ARRANGEMENTS**

**1. *The Governance Structure of the Transferee***

Being the general partner of Hong Yi Investment, Hong Qian Business Management has the effective control of Hong Yi Investment. Hong Qian Business Management has established its board of directors comprising a total of seven members, of which, Younaide is entitled to nominate three members, and each of the remaining shareholders, being Hong Pu Investment, Xu Gong Investment, CMS No. 3 Asset Management Scheme and Han’s Holding, is entitled to nominate one member. The directors are selected from the abovementioned nominees through election. The details of the governance structure of the Transferee are set out in “3. Controlling Relationship of Hong Qian Business Management” in “I. Particulars of the Share Transfer and the change in equity” in this announcement.

## **2. *The Nomination and Election of the Directors of the Company***

Hong Yi Investment is entitled to nominate three candidates of directors of the Company, of which, each of Younaide, Xu Gong Investment and Hong Pu Investment shall nominate one director, while Hong Yi Investment is entitled to nominate two candidates of supervisors of the Company, of which, each of CMS No. 3 Management Scheme and Han's Holding shall nominate one supervisor. The board of directors of Hong Qian Business Management should make resolution in accordance with the above arrangement accordingly, pass the resolution in respect of the nomination of candidates of directors and supervisors of the Company by Hong Yi Investment, and exercise the authorities of the shareholders to cause that such candidates of directors and supervisors being nominated are elected at a Shareholders' general meeting of the Company.

## **3. *Other Undertakings***

Hong Yi Investment has, at the time of submitting the Letter of Intent on Accepting Transfer, also given the Undertaking Letter Regarding the Maintaining of the Stability of the Management Team of the Company (《關於保持本公司管理團隊穩定的承諾函》), which undertakes the overall stability of the operation and management team of the Company within its scope of authority, such that no material changes shall occur to the governance structure of the Company. Meanwhile, Hong Yi Investment has also given the Undertaking Letter Regarding the Maintaining the Independence of the Company (《關於保持本公司獨立性的承諾函》), which undertakes the lawful procedures of the selection of the candidates of the directors, supervisors and senior management members recommended to the Company, and which shall not go beyond the decision on appointment and removal made at the board meeting and Shareholders' general meeting of the Company.

# **IV. THE CHANGE IN THE CONTROL OF THE COMPANY UPON THE COMPLETION OF THE SHARE TRANSFER**

## **(I) Change of Controlling Shareholder and de facto controller of the Company after the completion of the Share Transfer**

### **1. *The Change of Controlling Shareholder***

Prior to the change in the equity, the controlling shareholder was HNMIC.

After the change in the equity, HNMIC shall hold 14.08% of shares in the Company, Hong Yi Investment shall hold 16.00% of shares in the Company, and Henan Asset shall hold 3.99% of shares in the Company. Hong Yi Investment has entered into the Acting-in-Concert Agreement with Henan Asset, pursuant to which, they hold an aggregate of 19.99% of shares in the Company, both becoming the shareholder of the Company with the largest voting rights.

The attendance at the Shareholders' general meeting of the Company for the last three years:

<b>Date of Meeting</b>	<b>Number of Shareholders Attended</b>	<b>Shares Being Represented (Shares)</b>	<b>Percentage of Shares</b>
15 June 2020	60	583,479,326	33.68%
20 June 2019	92	597,047,514	34.46%
15 May 2019	29	580,550,998	33.51%
7 September 2018	30	567,556,790	32.76%
20 June 2018	30	570,128,276	32.91%
12 February 2018	32	573,639,932	33.11%

Considering the past attendance of the Shareholders' general meetings of the Company, the voting rights ratio of the shares of the Company held by either Hong Yi Investment or Henan Asset does not reach half of the past attendance of the Shareholders' general meetings of the Company for the last three years. However, the total voting rights ratio of 19.99% of shares in the Company held by Hong Yi Investment and Henan Asset has already exceeded the half of the past attendance of the Shareholders' general meetings of the Company for the last three years. Therefore, upon the completion of the Share Transfer, the Controlling Shareholders of the Company will change to Hong Yi Investment and Henan Asset, which is in line with the circumstances stated in "(IV) Investors shall have material impact on the resolution at the Shareholders' general meetings by the voting rights effectively exercised by them in respect of the shares of the Company" (投資者依其可實際支配的本公司股份表決權足以對公司股東大會的決議產生重大影響) in respect of the control of the Company as mentioned in Article 84 in the Measures for the Administration of Acquisition of Listed Companies (《上市公司收購管理辦法》).

To conclude, upon the completion of the Share Transfer, the Controlling Shareholders of the Company will change to Hong Yi Investment and Henan Asset.

## 2. *The Change of the De facto Controller*

Prior to the change in the equity, the de facto controller of the Company was Henan SASAC.

After the change in equity, the Controlling Shareholder of the Company will change to Hong Yi Investment and Henan Asset. However, there will be no de facto controller, with major analysis as follows:

1. According to the Acting-in-Concert Agreement signed by Hong Yi Investment and Henan Asset, from the effective date of the agreement, both parties shall mutually negotiate and act in concert in respect of matters such as the exercise of voting rights by the shareholders at the Shareholders' general meeting of the Company. Meanwhile, where both parties shall not reach an agreement in respect of the matters such as right of proposal and voting right exercised by the Shareholders pursuant to the agreement, both parties should make compromise as appropriate until an agreement is reached in respect of the matters such as right of proposal and voting right exercised by the Shareholders in accordance with the opinions as agreed, subject to the laws, regulations, regulatory documents and the articles of association the Company. Should there be disagreement over the relevant decisions among both parties in the future, both parties undertake that they shall resolve it through mutual negotiation. Even though there shall be no circumstances in which one party is led by another party on matters such as voting rights exercised by the shareholders at the Shareholders' general meetings of the Company, Hong Yi Investment and Henan Asset shall exercise the voting rights by the shareholders based on mutual and amicable negotiation.
2. According to the limited partnership agreement of Hong Yi Investment and its supplemental agreement, Hong Qian Business Management, being the general partner of Hong Yi Investment, instead of the executive partner, it still has final decision over the relevant material matters of Hong Yi Investment, as such, Hong Qian Business Management has effective control over Hong Yi Investment. Meanwhile, according to the articles of association and the shareholders' agreement of Hong Qian Business Management, none of shareholders of Hong Qian Business Management shall control the meeting of shareholders or the meeting of board of directors by itself, and there shall be no connected relationship nor acting in concert relationship among the shareholders, such that Hong Qian Business Management has no controlling shareholder and de facto controller, and Hong Yi Investment has no de facto controller.
3. Henan Asset shall only holds 3.99% of shares in the Company, and Henan Asset shall no longer be able to control the Company by itself, such that Henan Asset shall have no control over the Company.

To conclude, upon the completion of this transaction, there shall be no de facto controller in the Company.

## **(II) No control by the management of the Company**

### **1. *The change in equity is the mixed ownership reform led by state-owned asset***

The change in equity is an important attempt for mixed ownership explored by HNMIC. It aims at assisting the Company to explore the modern enterprise system with Chinese features by introduction of strategic investors, which is based on the post-reform diversified shareholding structure and market-oriented board of directors, establishing a more market-oriented legal-person governance structure, in order to facilitate the sustainable development of the Company.

In order to optimize the governance structure of the Company and maintain the stability of the management, Hong Yi Investment has laid out the specific measures to stabilize the management and the specific plans to cooperate with the future management in the application material in respect of the acceptance of the transfer. In which, the Company's core and key personnel are invited to accept the transfer of the partnership interests of Hong Yi Investment and the shareholding of Hong Qian Business Management, so as to profoundly align Hong Yi Investment and its core and key personnel with the sustainable development of the Company. Once agreement is made among the relevant parties of the transaction, the Company's core and key personnel will indirectly participate in this transaction on the level of Hong Yi Investment through Zhengzhou Qunxian and Younaide.

### **2. *No control of the Company by the management after the completion of the transaction***

According to the governance structure of Hong Yi Investment, the important decision-making of Hong Yi Investment to be made by Hong Qian Business Management, and Zhengzhou Qunxian has no material impact on the decision-making of daily operations of Hong Yi Investment. According to the governance structure of Hong Qian Business Management, none of shareholders of Hong Qian Business Management shall control the meeting of shareholders or the meeting of board of directors of Hong Qian Business Management by itself, and there shall be no connected relationship nor acting in concert relationship among the shareholders. Therefore, the management of the Company cannot control Hong Qian Business Management, nor can it control the Company through Hong Yi Investment.

According to the Share Transfer Agreement, the board of directors of the Company will be adjusted to comprise 11 directors, of which, the Transferor is entitled to nominate 3 directors, and the Transferee is entitled to nominate 3 directors, 1 director shall be taken by an employee representative of the Company, and the remaining 4 directors are independent directors. According to the relevant agreement of Hong Yi Investment, the three directors as nominated to the Company by the Transferee shall comprise one director as nominated by each of Xu Gong Investment, Hong Pu Investment and Younaide. Therefore, the management of the Company shall have the right to nominate only one director of the Company, and there shall be no control of the board of directors of the Company.

**(III) No joint control of the Company by certain shareholders after the completion of the transaction**

The Acting-in-Concert Agreement has been signed by Hong Yi Investment and Henan Asset. After the completion of the transaction, Hong Yi Investment and Henan Asset will constitute persons acting-in-concert, and become the controlling shareholders of the Company. However, save for Henan Asset and the entities controlled by it, no party can control another among all class of shareholders of Hong Pu Investment, Xu Gong Investment, CMS No. 3 Asset Management Scheme, Han's Holding and Zhengzhou Qunxian, all being the major contributors of Hong Yi Investment, and the ultimate contributor, nor the connected relationship of jointly controlled by two parties or more. As for the Hong Yi Investment established for investment and participation in the acceptance of transfer of 16% of shares in the Company, each of which is contributed independently with independent decision-making, and no agreement or arrangement has been made among the parties. None of the directors, supervisors and management members assigned/recommended to Hong Qian Business Management by each party has any connected relationship among themselves. None of shareholders of Hong Qian Business Management shall control the meeting of shareholders or the meeting of board of directors of Hong Qian Business Management by itself, and each party shall have no joint control over Hong Yi Investment.

Pursuant to the description issued by Hong Yi Investment and Henan Asset, no acting-in-concert agreement has been entered into between Hong Yi Investment and Henan Asset and other shareholders the Company, nor is there any share trust and voting rights entrust, or other agreement or arrangement that would result in acting in concert.

Therefore, after the completion of the transaction, the Company shall have controlling shareholder, but there shall be no joint control by certain contributors of controlling shareholders.

**(IV) There shall be no joint control over the Company by the management and shareholders**

**1. *No joint control over the Company by the its management with Hong Yi Investment and Henan Asset***

In the transaction, Zhengzhou Qunxian (limited partner of Hong Yi Investment) and Younaide (a shareholder of Hong Qian Business Management) are the shareholding platform for core management and other core and key employees of the Company and its subsidiaries. Under the governance structure of Hong Yi Investment, all significant operating decisions of Hong Yi Investment are made by Hong Qian Business Management and Zhengzhou Qunxian does not have material influence on the decision making in the daily operations of Hong Yi Investment. Under the governance structure of Hong Qian Business Management, none of the shareholders of Hong Qian Business Management shall control the meeting of shareholders or the meeting of board of directors by itself, and there shall be no connected relationship nor acting in concert relationship among the shareholders, such that Hong Qian Business Management has no controlling shareholder and de facto controller. Therefore, the Company has no control over Hong Qian Business Management and cannot control Hong Yi Investment through Hong Qian Business Management.

Meanwhile, there is no shareholding and control relationship between the management of the Company and Henan Asset. In addition, pursuant to the description issued by Hong Yi Investment and Henan Asset, no acting-in-concert agreement has been entered into between Hong Yi Investment and Henan Asset and the Company, nor is there any share trust and voting rights entrust or other agreement or arrangement that would result in acting in concert.

To conclude, the change in equity would not result in joint control over the Company by its management with Hong Yi Investment and Henan Asset.

**2. *No joint control over the Company by the its management with HNMIC***

As of the date of this announcement, the management of the Company does not have shareholding or position in HNMIC, nor is there any share trust and voting rights entrust or other agreement or arrangement that would result in acting in concert.

Therefore, the change in equity will not result in joint control over the Company by its management with HNMIC.

**3. *The board of the Company is elected at the shareholders' general meeting while the management is appointed by the board***

According to the Articles of Association of Zhengzhou Coal Mining Machinery Group Company Limited, board of the Company is elected at the shareholders' general meeting, and regarding the board adjustment after the completion of the transaction, the Transferor and Transferee state that both the Transferor and the Transferee have independence in decision making and that none of the directors nominated by the shareholders shall be able to pass the board resolutions at board level by means of his voting rights. Management of the Company shall be appointed or removed by the board and none of the shareholders or director nominated by such shareholder shall be able to decide the candidates of the senior management by means of his voting rights.

To conclude, there shall be no joint control over the Company by its management with other major shareholders.

**V. OTHER IMPORTANT ARRANGEMENTS OF THE TRANSFEEE**

**(I) Restriction on the Transfer of Partnership Equity by each Limited Partner of Hong Yi Investment to Others**

According to the limited partnership agreement and its supplementary agreement of Hong Yi Investment, within 36 months from the day following the date of acquiring the Subject Shares, each of the limited partners of Hong Yi Investment shall not transfer the partnership equity of Hong Yi Investment (except for the transfer under the same control) to others.

**(II) Prohibition of Change in Control of the Company**

After the completion of the Share Transfer, Hong Yi Investment and Henan Asset will jointly control the Company. According to the limited partnership agreement and its supplementary agreement of Hong Yi Investment, and the shareholders' agreement of Hong Qian Business Management, each of the limited partners of Hong Yi Investment and its related parties, and Hong Yi Investment shall not seek the status as the de facto controller of the Company. At the same time, if the limited partners intend to transfer the partnership equity in Hong Yi Investment to one another, the consent of all partners must be obtained, and it shall not result in the Company to have de facto controller; if the prospective transfer of the equity interest in the limited partnership by the limited partners of the partnership or sales of shares of the Company indirectly held through the partnership would cause the partnership holds less than 10% of the Shares in the Company or would result in the Company to have de facto controller, it shall be reviewed and approved by the board of directors of Hong Qian Business Management and the prior consent of the director nominated by Younaide shall be obtained.

### **(III) Other Restrictions**

According to the supplemental agreement to the partnership agreement of Hong Yi Investment's limited partners, to the best of their knowledge, limited partners of Hong Yi Investment are not allowed to transfer their partnership equity and shares of the Company held indirectly through the partnership to competitors of the Company (the specific list is subject to the determination and update by Hong Qian Business Management from time to time).

## **VI. IMPACT ON THE COMPANY**

The transaction is an important attempt by Henan SASAC to explore the state-owned assets regulation that targets mainly on capital. The transaction helps the Company to form a more market-oriented corporate governance structure based on the mixed and diversified shareholding structure and market-oriented board composition after the reform, which further improve the corporate governance structure of the Company and further enhance the vitality of the enterprise. At the same time, by introducing key strategic investors, the transaction will empower the Company with strategic resources such as technology, market and industry synergy, which shall be beneficial to the Company in enhancing its competitiveness in the international market and further increase the profitability and investment value of the Company.

The purpose of participation by Hong Yi Investment in the transaction does not serve to become the de facto controller of the Company. Hong Yi Investment will strictly follow the relevant laws, regulations and the articles of association of the Company to exercise shareholder's rights in accordance with the law through the shareholders' meeting, and at the same time assumes corresponding shareholder obligations. After the completion of the transaction, Hong Yi Investment and Henan Asset will become the controlling shareholders of the Company, and the Company will not have a de facto controller.

## **VII. RESTRICTION ON THE SHARES PROPOSED TO TRANSFER BY THE TRANSFEROR**

As of the disclosure date of this announcement, the Subject Shares involved in the Share Transfer are not subject to any pledge, seizure, freezing or other restriction of rights.

## VIII. VIEWS OF THE INDEPENDENT DIRECTORS

Regarding the lack of de facto controller in the Company upon completion of the transaction, independent directors of the Company express their independent views as below based on independent judgement:

1. In relation to the determination of the controlling shareholder and de facto controller of the Company according to provisions under the Company Law of the People's Republic of China (《中華人民共和國公司法》), Measures for the Administration of Acquisition of Listed Companies (《上市公司收購管理辦法》) and Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the controlling shareholder of the Company was HNMIC while the de facto controller was Henan SASAC before the completion date of the transaction; after the completion of the transaction, Hong Yi Investment and Henan Asset will become the controlling shareholders of the Company, and the Company will not have a de facto controller. The above determination of the lack of de facto controller in the Company after the transaction has a sufficient basis and is in line with actual situation.
2. The transaction is initiated by way of public solicitation of transferees by HNMIC. The management's participation of the transaction has been stated in the prospective acceptance of transfer documents issued by Hong Yi Investment, in order to optimize the governance structure of the Company and maintain the stability of management, and upon the acquisition of shares by the management of the Company, they will not obtain the control of Hong Yi Investment. Therefore, there shall be no control by the management.
3. Save for the acting in concert relationship formed between Hong Yi Investment and Henan Asset, there is no acting in concert relationship among Hong Yi Investment, Henan Asset and other shareholders of the Company, such that there shall be no joint control over the Company by Hong Yi Investment and Henan Asset with other major shareholders of the Company..
4. The management of the Company does not acquire control over Hong Qian Business Management, hence does not acquire control over Hong Yi Investment; there is no shareholding relationship between the management of the Company and Henan Asset. Pursuant to the description issued by Hong Yi Investment and Henan Asset, no acting-in-concert agreement has been entered into between Hong Yi Investment and Henan Asset and the Company, nor is there any share trust and voting rights entrust or other agreement or arrangement that would result in acting in concert. Meanwhile, the management of the Company does not have shareholding or position in HNMIC, nor is there any share trust and voting rights entrust or other agreement or arrangement that would result in acting in concert. The board of the Company is elected at the shareholders' general meeting while the management is appointed by the board. Therefore, there shall be no joint control over the Company by its management with other major shareholders.

## IX. OTHERS

The Share Transfer of HNMIC does not violate the Company Law of the People's Republic of China (《中華人民共和國公司法》), Securities Law of the People's Republic of China (《中華人民共和國證券法》), Measures for the Administration of Acquisition of Listed Companies, Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), Measures for the Supervision and Administration of State-owned Shares of Listed Companies (《上市公司國有股權監督管理辦法》), Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other relevant laws and regulations and the articles of association, and there is no violation of the relevant commitments of shareholders.

The Share Transfer is subject to the approval or confirmation from Henan SASAC, the SSE and other relevant authorities. Relevant procedures of agreement transfer registration will take place with CSDCC Shanghai Branch until approval or confirmation are obtained for the abovementioned issues. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

The Company will pay close attention to the progress of the Share Transfer and will fulfill the obligation of information disclosure in a timely manner in accordance with relevant regulations. China Securities Journal, Shanghai Securities News, the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and the website of HKEX news of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk/>) are the Company's designated newspapers and websites for information disclosure. As to the information of the Company, the announcements published in the above designated media and websites shall prevail.

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

Zhengzhou, PRC, 10 January 2021

*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 are Mr. JIANG Hua, Mr. LI Xudong and Mr. CHENG Jinglei.*