

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.



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)

Announcement

References are made to the announcement dated 7 August 2017, the circular dated 27 October 2017 and the announcement dated 21 December 2017 of Zhengzhou Coal Mining Machinery Group Company Limited (the “**Company**”). On 15 March 2021, the board of directors of the Company (the “**Board**”) convened the 30th meeting of the fourth session of the Board, where the Resolution on Repurchase of Minority Interests in a Controlled Subsidiary was considered and approved and the corresponding partnership interest and equity assignment agreement was concluded with relevant parties. This announcement sets forth the details of the Resolution on Repurchase of Minority Interests in a Controlled Subsidiary, including the Company’s repurchase of 12% equity interest in Cayman Fund held by BDIL-SMG Feeder (the “**Repurchase of Cayman Fund**”) and 24.49% interest in Zhengzhou Shengji held by Zhongan Zhaoshang (the “**Repurchase of External Investment**”).

I. REPURCHASE OF CAYMAN FUND

Overview of Cayman Fund

Cayman Fund was jointly established by the Company, HK SMG, BDIL-SMG Feeder and SMG GP. At the time of its establishment, the parties signed the Amended and Restated Agreement of Exempted Limited Partnership of SMG Acquisition Fund, the L.P.A Cayman Islands Exempted Limited Partnership and other related ancillary agreements, the document (the “**Cayman Fund Partnership Agreement**”), the Deed of Put Option (the “**Deed of Put Option**”) and other related documents and agreements. Prior to the Repurchase of Cayman Fund, its partnership structure was as follows: SMG GP (as the general partner) contributed EUR1, BDIL-SMG Feeder, the Company and HK SMG (as limited partners) contributed EUR60 million, EUR130 million and EUR310 million, respectively.

Updates on the Repurchase of Cayman Fund

Recently, the Company has received a Put Option Notice (the “**Put Option Notice**”) from BDIL-SMG Feeder, pursuant to which BDIL-SMG Feeder intends to exercise the put option under the Deed of Put Option, requiring the Company to repurchase its 12% partnership interest in Cayman Fund. Subject to the terms of the Cayman Fund Partnership Agreement and the Deed of Put Option, the Company agreed on the said repurchase after negotiation. At the same time, pursuant to the Deed of Put Option, ZMJ International Trading (Hong Kong) Co., Ltd. (“**ZMJ International Trading**”) under the Company repurchased all the equity interests of SMGGP (the general partner of Cayman Fund) held by BDIL under CRCI (the “**Repurchase of Cayman Fund**”).

On 15 March 2021, the Company convened the 30th meeting of the fourth session of the Board, where the Proposal on Repurchase of Minority Interests in a Controlled Subsidiary was considered and approved and the corresponding partnership interest and equity assignment agreement was concluded with relevant parties.

Agreement on Repurchase of Cayman Fund

I. Deed of Adherence and Assignment

On 15 March 2021, BDIL-SMG Feeder (the Assigner), the Company (the Assignee) and SMG GP (on behalf of SMG GP and Cayman Fund) signed the Deed of Adherence and Assignment (the “**Assignment Deed**”).

1. Assignment of Target Interests

The Assigner agreed to assign and the Assignee agreed to be assigned from the Assigner, all the limited partner interests in Cayman Fund held by the Assigner (the “**Target Interests**”) (for the purposes of the Assignment Deed, the “**Assignment**”).

2. Conditions Precedent

The obligation of the Assigner and the Assignee to complete the Assignment, and the payment obligation of the Assignee, are subject to the satisfaction or waiver (if permitted by applicable laws) of each of the following conditions (the “**Conditions Precedent**”):

- (1) the Assignee having, under applicable laws, obtained all necessary approval, consent, permit from and completed registration or change of registration of overseas direct investment with relevant government authorities, including but not limited to, the National Development and Reform Commission or its local branches, the Ministry of Commerce of the People’s Republic of China or its local branches and banks designated by the State Administration of Foreign Exchange or its local branches to be responsible for foreign currency exchange and remittance, on or before the Target Date (as defined below);
- (2) Each of the representations and warranties made by the Assigner under the deed is true, correct, complete and not misleading and shall remain so on and as of the date from payment of consideration by the Assignee to the Assigner (the “**Closing Date**”).

3. *Payment of Consideration*

- (1) Notwithstanding any provision to the contrary in this deed, each party has decided not to appoint an expert for valuation of the Target Interests.
- (2) The Assignee shall pay or procure the payment of EUR81,566,597 (in proportion to its contribution of EUR60 million) to the Assigner as the consideration for the Target Interests as soon as possible but in any event not later than 5 business days from the date on which the Conditions Precedent are fulfilled or waived (if permitted by applicable laws).

4. *Undertaking*

The Assignee shall, by commercially reasonable endeavors, procure the fulfillment of the Conditions Precedent on or before the ninetieth (90) day from the execution of this deed (the “**Target Date**”), provided that the Assigner and the Assignee may agree in writing to extend the Target Date to the one hundred and twentieth (120) day from the execution of this deed.

5. *Termination*

Where the Conditions Precedent are not satisfied or waived (if permitted by applicable laws) on or before the Target Date, either party shall be entitled to terminate this deed by written notice to the other party at any time subsequent to the Target Date. Upon termination of this deed under this clause:

- (a) this deed shall terminate and become invalid, except for any claim arising from any prior breach by either party and for all provisions relating to the interpretation and enforcement of this deed;
- (b) the Put Option Notice shall be deemed to be void ab initio and the rights and obligations of each party under the Deed of Put Option, including but not limited to, the right of the Assigner to exercise its put option by giving a new Put Option Notice, shall be preserved and shall not be impaired by this deed or its termination.

II. Share Sale and Purchase Agreement

On 15 March 2021, BDIL (the Vendor), ZMJ International Trading (the Purchaser), the Company and SMG GP entered into the Share Sale and Purchase Agreement (the “**Share Sale and Purchase Agreement**”). Its main contents are set out as follows:

1. The Vendor is the sole legal and beneficial owner of 3,500 ordinary shares of SMG GP (the general partner of Cayman Fund) (the “**Target Equity Interest**”). The Vendor is to sell and the Purchaser is to buy the Target Equity at a purchase price of US\$1 (the “**Purchase Consideration**”). The sale and purchase of the Target Equity shall take place on the closing date under the Assignment Deed and the Purchaser shall pay the Purchase Consideration to the Vendor.
2. Where the Assignment Deed is terminated pursuant to the terms thereunder, the Share Sale and Purchase Agreement shall automatically terminate and become invalid, except for any claim arising from any prior breach by either party and for all provisions relating to the interpretation and enforcement of the Share Sale and Purchase Agreement.

Reasons for and Benefits of the Repurchase of Cayman Fund

The Company received from BDIL-SMG Feeder a Put Option Notice, by which BDIL-SMG Feeder intends to exercise the put option under the Deed of Put Option, requiring the Company to repurchase its 12% partnership interest in Cayman Fund (in proportion to its contribution of EUR60 million). Subject to the terms of the Cayman Fund Partnership Agreement and the Deed of Put Option, the Company agreed to the said repurchase after negotiation.

The completion of the Repurchase of Cayman Fund is beneficial for the Company to improve the management and decision-making efficiency of SEG Automotive Germany GmbH (“**SEG**”), facilitate its subsequent implementation of business restructuring and enhance its sustainable development capability and comprehensive competitiveness.

The Directors of the Company (including the independent non-executive Directors) consider that the Repurchase of Cayman Fund was entered into on normal commercial terms that are fair and reasonable and the Repurchase of Cayman Fund is in the interests of the Company and the shareholders as a whole.

None of the Directors of the Company has a material interest in the Repurchase of Cayman Fund. Hence, none of the Directors is required to abstain from voting on the relevant Board resolution.

The following table sets forth the unaudited consolidated financial information of the Cayman Fund for the two years ended 31 December 2020

	For the year ended 31 December 2019 <i>RMB'000</i>	For the year ended 31 December 2020 <i>RMB'000</i>
Revenue	0	0
Net profit before tax	-350.71	-896.41
Net profit after tax	-350.71	-896.41

As at 31 December 2020, the Cayman Fund had unaudited net assets of approximately RMB4,010,434,978.67.

Listing Rules Implications

As BDIL-SMG Feeder owns 12% equity interest in Cayman Fund, a non-wholly owned subsidiary of the Company, BDIL-SMG Feeder shall become a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

As certain of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) applicable to the Company exceed 1% but all relevant percentage ratios are less than 5%, the Transaction shall only be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the requirement of independent shareholders' approval.

II. REPURCHASE OF EXTERNAL INVESTMENT

Overview of Foreign Investment

On 7 August 2017, the Company, Zhengzhou Shengji and Zhongan Zhaoshang entered into the Agreement on the Joint Investment in Zhengzhou Shengji Mechanical and Electrical Equipment Company Limited by Zhengzhou Coal Mining Machinery Group Company Limited and Chizhou Zhongan Zhaoshang Equity Investment LLP (Limited Partnership) (the “**Joint Investment Agreement**”) with conditions in effect, whereby the Company and Zhongan Zhaoshang jointly invested in Zhengzhou Shengji, of which Zhongan Zhaoshang invested RMB600,000,000 in Zhengzhou Shengji.

Progress in Repurchasing External Investment

The Company has recently received the Notice of Repurchase (the “**Notice of Repurchase**”) issued by Zhongan Zhaoshang, which requires the Company to acquire 24.49% equity interest in Zhengzhou Shengji (corresponding to the registered capital of Zhengzhou Shengji of RMB600,000,000) held by it as agreed under the Joint Investment Agreement. Based on the Joint Investment Agreement and upon negotiation between the Company and Zhongan Zhaoshang, the Company has agreed to repurchase the equity interests held by Zhongan Zhaoshang in Zhengzhou Shengji (the “**Repurchase of External Investment**”).

The Company held the 30th meeting of the fourth session of the Board on 15 March 2021 and considered and approved the Resolution on Repurchase of Minority Interests in a Controlled Subsidiary. On the same day, the Company and Zhongan Zhaoshang signed the Equity Transfer Agreement Regarding Zhengzhou Shengji Mechanical and Electrical Equipment Company Limited between Zhengzhou Coal Mining Machinery Group Company Limited and Chizhou Zhongan Zhaoshang Equity Investment LLP (Limited Partnership) (the “**Equity Transfer Agreement**”). Upon completion of the Repurchase of External Investment, Zhengzhou Shengji will become a wholly-owned subsidiary of the Company.

Agreement on the Repurchase of External Investment

1. *Parties to the Agreement*

Party A: The Company

Party B: Zhongan Zhaoshang

2. *Equity Transfer*

- (1) Based on the Joint Investment Agreement and the Notice of Repurchase issued by Party B, Party A agrees to transfer 24.49% equity interest held by Party B in Zhengzhou Shengji, corresponding to the registered capital of Zhengzhou Shengji of RMB600,000,000 (the “**Target Equity Interest**”) in accordance with this agreement.
- (2) Based on the Joint Investment Agreement and on the basis of the Notice of Repurchase issued by Party B and upon negotiation between the Company and Zhongan Zhaoshang, the price of the Repurchase of External Investment was calculated and determined according to the following formula, and the price of the Repurchase of External Investment (the “**Transfer Price**”, corresponding to the the “**Transfer Consideration**”) was calculated to be RMB794,301,369.86.

Transfer Price = Party B’s capital contribution corresponding to the Target Equity Interest $\times (1 + R \times N)$ – the dividends received by Party B corresponding to the Target Equity Interest. In the aforesaid formula: (a) “Party B’s capital contribution corresponding to the Target Equity Interest” is RMB(600,000,000); (b) “R” = 10%; (c) “N” = the number of natural days from the settlement date of the investment as agreed in the Joint Investment Agreement to the date of signing of this agreement (inclusive)/365.

3. Price Payment

- (1) The performance of obligation by Party A to pay the Transfer Consideration is subject to the satisfaction of all the following conditions precedent to settlement (the “**Payment Conditions Precedent**”) or waiver by Party A in writing. Any Payment Condition Precedent waived by Party A in writing shall be deemed to be an obligation of Party B to be performed by Party B in a timely manner within a period acceptable to Party A:
 - (a) This agreement has been duly considered by Party A and duly executed by both parties and delivered to Party A;
 - (b) The directors and supervisors appointed by Party B to Zhengzhou Shengji have resigned from their positions as directors and supervisors of Zhengzhou Shengji accordingly;
 - (c) Zhengzhou Shengji has completed the registration for all relevant changes and filing procedures with the competent market supervision authority in relation to the Repurchase of External Investment, change of directors and supervisors, and obtained a new business license (and the aforesaid competent market supervision authority has not required any material amendment to this agreement);
 - (d) All undertakings and warranties given by Party B under this agreement are (and shall remain) true, accurate, complete and not misleading as at the date of settlement, and Party B has fulfilled all the undertakings, covenants and obligations agreed in the Joint Investment Agreement and this agreement and has not breached the Joint Investment Agreement or this agreement.
- (2) Party A shall remit the Transfer Consideration in monetary form to Party B’s designated bank account within 10 working days from the date when all the Payment Conditions Precedent are met or waived by Party A in writing but no later than 20 working days from the date of signing this agreement (but Party B shall actively cooperate with Party A and Zhengzhou Shengji for the registration and filing procedures for the industrial and commercial changes concerning the Repurchase of External Investment).

Reasons for and Benefits of the Repurchase of External Investment

The Company has recently received the Notice of Repurchase issued by Zhongan Zhaoshang, which requires the Company to acquire 24.49% equity interest in Zhengzhou Shengji (corresponding to the registered capital of Zhengzhou Shengji of RMB600,000,000) held by it as agreed under the Joint Investment Agreement. Based on the Joint Investment Agreement and upon negotiation between the Company and Zhongan Zhaoshang, the Company has agreed on the repurchase.

After completion of the Repurchase of External Investment, Zhengzhou Shengji will become a wholly-owned subsidiary of the Company, which is beneficial for the Company to improve the efficiency of its management decisions on SEG, facilitate its subsequent implementation of business restructuring and enhance its sustainable development capability and comprehensive competitiveness.

The Directors of the Company (including the independent non-executive Directors) consider that the Repurchase of External Investment was entered into on normal commercial terms that are fair and reasonable and the Repurchase of External Investment is in the interests of the Company and the shareholders as a whole.

None of the Directors of the Company has a material interest in the Repurchase of External Investment. Hence, none of the Directors is required to abstain from voting on the relevant Board resolution.

The following table sets forth the unaudited consolidated financial information of Zhengzhou Shengji for the two years ended 31 December 2020

	For the year ended 31 December 2019 <i>RMB'000</i>	For the year ended 31 December 2020 <i>RMB'000</i>
Revenue	0	0
Net profit before tax	-98,476.17	-83,721.57
Net profit after tax	-98,476.17	-83,712.06

As at 31 December 2020, Zhengzhou Shengji had unaudited net assets of approximately RMB2,266,731,091.42.

Listing Rules Implications

As Zhongan Zhaoshang owns 15.184% equity interest in Zhengzhou Shengji, a non-wholly owned subsidiary of the Company, Zhongan Zhaoshang shall become a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

As certain of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) applicable to the Company exceed 1% but all relevant percentage ratios are less than 5%, the Transaction shall only be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the requirement of independent shareholders' approval.

INFORMATION ON THE PARTIES

The Company is principally engaged in the manufacturing and sales of automotive components 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.

CRCI is a company incorporated under the laws of the Cayman Islands with limited liability and is principally engaged in investment management and investment consultancy. To the reasonable knowledge of the Company, the ultimate beneficial owner of CRCI is Mark QIU.

BDIL-SMG Feeder is a subsidiary of CRCI and is principally engaged in equity investment. To the reasonable knowledge of the Company, the ultimate beneficial owner of BDIL-SMG Feeder is Mark QIU.

Zhengzhou Shengji is a wholly-owned subsidiary of the Company and is principally engaged in the sale of mechanical and electrical equipment and components; and repair of mechanical and electrical equipment. To the reasonable knowledge of the Company, the ultimate beneficial owner of Zhengzhou Shengji is the Company.

Zhongan Zhaoshang is principally engaged in equity investment, and provision of management consulting, investment consulting and investment advisory services to corporations. To the reasonable knowledge of the Company, the ultimate beneficial owner of Zhongan Zhaoshang is China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司).

DEFINITIONS

BDIL	Blissful Day Investment Limited, a subsidiary of CRCI
BDIL-SMG Feeder	BDIL-SMG Feeder Fund, L.P.
Board	the board of directors of the Company
Cayman Fund	SMG Acquisition Fund, L.P., an exempted limited partnership incorporated under the laws of the Cayman Islands
CRCI	China Renaissance Capital Investment Inc., a limited liability company incorporated under the laws of the Cayman Islands
Directors	the directors of the Company
EUR	Euro, the lawful currency of Europe
HK SMG	Hong Kong SMG International Co., Limited (香港聖吉國際有限公司), a company incorporated under the laws of Hong Kong with limited liability, and a wholly-owned subsidiary of Zhengzhou Shengji

Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
PRC	the People's Republic of China, which for the purposes of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
RMB	Renminbi, the lawful currency of the PRC
SMGGP	SMG Acquisition GP
Stock Exchange	The Stock Exchange of Hong Kong Limited
Zhengzhou Shengji	Zhengzhou Shengji Mechanical and Electrical Equipment Company Limited (鄭州聖吉機電設備有限公司), a company established in the People's Republic of China with limited liability, and as at the date of this announcement, a wholly-owned subsidiary of the Company
Zhongan Zhaoshang	Chizhou Zhongan Zhaoshang Equity Investment LLP (Limited Partnership) (池州中安招商股權投資合夥企業(有限合夥)), a partnership established in the PRC with limited liability

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

Zhengzhou, PRC, 30 April 2021

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. YANG Dongsheng and the independent non-executive Directors are Mr. CHENG Jinglei, Mr. JI Feng, Ms. GUO Wenqing and Mr. FANG Yuan.