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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)

ANNOUNCEMENT MEETING THE CONDITIONS OF EXERCISE FOR THE FIRST EXERCISE PERIOD OF THE 2019 SHARE OPTION INCENTIVE SCHEME

References are made to the announcements dated 28 July 2019, 9 August 2019, 21 October 2019, 4 November 2019, 31 July 2020 and 3 August 2021, and the circular dated 23 September 2019 of Zhengzhou Coal Mining Machinery Group Company Limited (the “**Company**”) in relation to, among others, the 2019 A share option incentive scheme of the Company.

On 15 December 2021, the ninth meeting of the fifth session of the board of directors and the eighth meeting of the fifth session of the supervisory committee were convened by the Company to consider and approve the “Resolution in relation to Meeting the Conditions of Exercise for the First Exercise Period of 2019 Share Option Incentive Scheme”.

I. EXPLANATION OF MEETING THE CONDITIONS OF EXERCISE FOR THE FIRST EXERCISE PERIOD OF THIS OPTION INCENTIVE SCHEME

(I) Explanation of the expiry of the vesting period for share options granted

According to the requirements under the 2019 Share Option Incentive Scheme (Revised Draft) of Zhengzhou Coal Mining Machinery Group Company Limited (the “**Option Incentive Scheme**”), this option incentive scheme has a vesting period of 24 months from the registration date for the grant of share options to the first exercise date. After the vesting period, the participants can start exercising their share options granted. The first exercise period of the share options granted under the option incentive scheme shall commence on the first trading day after expiry of the 24-month period from the grant registration date, and end on the last trading day of the 36-month period from the grant registration date, with 33% of all granted share options to be exercisable.

The grant registration date for the share options under this option incentive scheme is 19 December 2019, with the vesting period of the share options granted due on 18 December 2021.

(II) Explanation of meeting the conditions of exercise for the first exercise period of the share options granted

The exercise conditions for the first exercise period of the Company's share options have been met, which are specified as follows:

No.	Conditions of Exercise for the First Exercise Period of Share Options	Completion of Conditions of Exercise for the First Exercise Period
1	<p>None of the following circumstances has occurred to the Company:</p> <p>(1) a certified public accountant issues an audit report containing an adverse opinion or indicating the inability to give an opinion over the financial and accounting report for the most recent accounting year;</p> <p>(2) a certified public accountant issues an audit report containing an adverse opinion or indicating the inability to give an opinion over the internal control in the financial report for the most recent accounting year;</p> <p>(3) failure to conduct profit distribution in accordance with laws and regulations, the articles of association and public commitments in the past 36 months after the Listing;</p> <p>(4) equity incentives shall not be given under laws and regulations;</p> <p>(5) other circumstances as determined by CSRC.</p>	<p>None of such circumstances has occurred to the Company, thus meeting this condition of exercise</p>

No.	Conditions of Exercise for the First Exercise Period of Share Options	Completion of Conditions of Exercise for the First Exercise Period
2	<p>None of the following circumstances has occurred to the participant:</p> <ul style="list-style-type: none"> (1) he/she has been declared an inappropriate candidate by the stock exchange in the past 12 months; (2) he/she has been declared an inappropriate candidate by CSRC and its local bureaus in the past 12 months; (3) he/she has been imposed with administrative penalties or prohibited from market entry by CSRC and its local bureaus in the past 12 months due to material violations of laws and regulations; (4) he/she has been prohibited from serving as a director or a member of the senior management of the Company under the Company Law; (5) participation in the equity incentives of listed companies is prohibited by laws and regulations; (6) other circumstances as determined by CSRC. 	None of such circumstances has occurred to the participant after the adjustment, thus meeting this condition of exercise

No.	Conditions of Exercise for the First Exercise Period of Share Options	Completion of Conditions of Exercise for the First Exercise Period
3	<p>Company performance evaluation requirements for the first exercise period:</p> <ol style="list-style-type: none"> 1. ΔEVA for the year 2020 shall be positive; 2. with the year 2018 as the basis, the growth rate of net profits attributable to shareholders after deducting non-recurring gains or losses for the year 2020 shall not be lower than 20% or rank below 75th percentile of the performance of peer benchmark enterprises; 3. for the year 2020, prime operating income shall account for no less than 85% of operating income 	<p>The performance of the Company:</p> <ol style="list-style-type: none"> 1. ΔEVA of the Company for the year 2020 is positive, thus meeting the exercise condition; 2. with the year 2018 as the basis, the growth rate of net profits attributable to shareholders after deducting non-recurring gains or losses of the Company was 189.14% for the year 2020, which was higher than 20% and 75th percentile of the performance of peer benchmark enterprises, thus meeting the exercise condition; 3. for the year 2020, prime operating income accounted for 97.35% of operating income, which was higher than 85%, thus meeting the exercise condition

No.	Conditions of Exercise for the First Exercise Period of Share Options	Completion of Conditions of Exercise for the First Exercise Period								
4	<p>Performance evaluation requirements for individual participants:</p> <p>The Company will evaluate the individual performance of the participants based on its relevant evaluation measures. To exercise share options for the period, the participant shall in principle reach a “Pass” or above in the evaluation, subject to his/her individual performance evaluation result for the previous year as preconditions.</p> <table><tr><td>Evaluation Result</td><td>Merit (80-100 marks)</td><td>Pass (60-80 marks)</td><td>Fail (Below 60 marks)</td></tr><tr><td>Coefficient of the Exercisable Ratio</td><td>1.0</td><td>0.8</td><td>0</td></tr></table>	Evaluation Result	Merit (80-100 marks)	Pass (60-80 marks)	Fail (Below 60 marks)	Coefficient of the Exercisable Ratio	1.0	0.8	0	<p>As indicated by the results of individual performance evaluation for the year 2020, all 301 participants received the evaluation result of “Merit” for the first exercise period after adjustment, meeting the exercise conditions for 100% of the share options granted for the first exercise period (7 participants shall exercise options according to their adjusted levels of position after changing their positions)</p>
Evaluation Result	Merit (80-100 marks)	Pass (60-80 marks)	Fail (Below 60 marks)							
Coefficient of the Exercisable Ratio	1.0	0.8	0							

In conclusion, with the vesting period set in this option incentive scheme due on 18 December 2021, the exercise conditions involved in the first exercise period have been met, such as company performance indicators and individual performance evaluation indicators of participants. Except that the Company has considered the cancellation of the share options held by some participants in accordance with the prescribed procedures, the existing participants have legal and valid exercise qualification under this option incentive scheme of the Company.

According to the authorization of the Second Extraordinary General Meeting of 2019, the First A Shareholders Class Meeting of 2019 and the First H Shareholders Class Meeting of 2019 of the Company, the board of directors agreed to process the matters related to the exercise of share options for the 301 eligible participants in accordance with the relevant provisions of the Option Incentive Scheme.

II. EXERCISE ARRANGEMENTS FOR THE FIRST EXERCISE PERIOD OF THIS OPTION INCENTIVE SCHEME

- | | | |
|-------|-----------------------------------|---|
| (I) | Date of grant: | 4 November 2019 |
| (II) | Number of shares to be exercised: | 4,722,300 |
| (III) | Number of persons with exercise: | 301 |
| (IV) | Exercise price: | RMB5.5851/share |
| (V) | Method of exercise: | Bulk exercise |
| (VI) | Source of shares: | ordinary A Shares in RMB directly issued by the Company to the participants |
| (VII) | Exercise arrangement: | The first exercise period shall commence on the first trading day after expiry of the 24-month period from the grant registration date, and end on the last trading day of the 36-month period from the grant registration date, i.e., from 19 December 2021 to 18 December 2022 (both dates inclusive). The Board of Directors authorizes the management to uniformly process the exercise of share options by participants and the related registration procedures of the exercised share options within the exercise window period stipulated under the policy, and to process the industrial and commercial change registration and other related procedures after the exercise of share options. |

(VIII) List of participants and number of share options exercisable for the first exercise period:

Name	Position	Number of Share Options Exercisable for the First Exercise Period	Percentage of All Share Options Initially Granted under this Option Incentive Scheme	Percentage of Total Share Capital of the Company upon the Grant
JIA Hao	Director and General Manager	231,000	1.441%	0.013%
FU Zugang	Director	198,000	1.235%	0.011%
FU Qi	Deputy General Manager	115,500	0.721%	0.007%
ZHANG Haibin	Secretary to the Board	115,500	0.721%	0.007%
HUANG Hua	Chief Financial Officer	115,500	0.721%	0.007%
LI Weiping	Deputy General Manager	115,500	0.721%	0.007%
Core Management and Core Personnel (295 persons in total)		3,831,300	23.901%	0.221%
Total		4,722,300	29.459%	0.273%

III. EXERCISE DATE AND EXPLANATION OF TRADING IN THE COMPANY'S SHARES

(I) Exercise date

The Company shall uniformly process the exercise of share options by participants and the related registration procedures for the exercised share options during the exercise window period stipulated by the policy, and determine the exercise date to be the date when China Securities Depository and Clearing Company Limited Shanghai Branch completes the registration procedures for share change. The exercise date must be a trading day, which is within the permitted period by the relevant rules governing the securities, and shall not fall within the periods including but not limited to the following:

- (1) within 30 days prior to the publication of periodic reports of the Company, or in the event of a delay in publishing such reports due to special reasons, the period commencing from 30 days prior to the original date of publication and ending on one day preceding the publication date;
- (2) within 10 days prior to the publication of results forecast and preliminary results of the Company;

- (3) from the date of occurrence of significant events with a material impact on the trading prices of the shares and their derivatives of the Company, or the date on which the decision-making procedures start, to two trading days after the disclosure thereof in accordance with law;
- (4) other periods prescribed by the CSRC and the stock exchange.

(II) Trading in the Company's shares by the Company's directors and senior managers as participants in previous six months

Ms. LI Weiping, deputy general manager of the Company, purchased 1,000 A shares of the Company through the secondary market on 27 July 2021, at the price of RMB10.05 per share. Save for this, there was no other trading of the shares of the Company in the previous six months by directors and senior management of the Company.

IV. CALCULATION AND EXPLANATION OF FEES RELATING TO INCENTIVE SHARE OPTIONS

Pursuant to relevant provisions under the Accounting Standards for Business Enterprises No. 11 – Share-based Payments and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, on the date of grant, the Company opted for the Black-Scholes Model (B-S Model) to calculate the fair value of share options. After the date of grant, the Company will amortize the relevant fees for the exercise of share options accordingly under the accounting standards during the corresponding vesting periods, and include such amortization in the relevant costs or expenses and capital reserves. On the exercise date, the Company will recognize the share capital and share premium with reference to the actual exercise of the share options, with the specific amounts subject to the annual auditing report issued by the accountant firm. This exercise of share options will not have a material impact on the financial position and operating results of the Company.

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

Zhengzhou, PRC, 15 December 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. FEI Guangsheng and the independent non-executive Directors are Mr. CHENG Jinglei, Mr. JI Feng, Ms. GUO Wenqing and Mr. FANG Yuan.