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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)

**VERY SUBSTANTIAL ACQUISITION
AND
CONNECTED TRANSACTION**

Reference is made to the announcement of Zhengzhou Coal Mining Machinery Group Company Limited (the “**Company**”) dated 24 March 2016, regarding the very substantial acquisition and connected transaction (the “**Announcement**”). Unless otherwise defined herein or the context otherwise requires, all capitalized terms used herein shall have the same meanings as defined in the Announcement.

China United Assets Appraisal Group Company Limited, the appraiser engaged by the Purchaser in connection with the Material Asset Reorganization, issued Asset Evaluation Reports, dated 13 April 2016 based on the Appraisal Reference Date of 31 December 2015 for each Target Companies, and the Purchaser has filed such Asset Evaluation Reports with the State-owned Assets Supervision and Administration Commission of Henan Province. Therefore, the Purchaser and the Sellers, based on the evaluation results of the Asset Evaluation Report, entered into a supplemental agreement of the Equity Transfer Agreement on 28 April 2016 and confirmed the Purchase Price of the Target Equity Interests in the Equity Transfer Agreement.

The parties agree that, based on the appraised value of each Target Equity Interest in the Asset Evaluation Report (as the same appraised value set forth against the relevant Target Equity Interest in Appendix I), the Purchase Price for each Target Equity Interest shall be the purchase price as set forth against the relevant Target Equity Interest in Appendix I, or an aggregate of RMB2,200,000,000, payable by the Purchaser to the Sellers with a combination of cash in the USD equivalent after applying the Applicable Exchange Rate and the Consideration Shares issued by the Purchaser in accordance with the Equity Transfer Agreement.

The parties agree that the Applicable Exchange Rate shall be 6.54825, being the average of (i) 6.515, the midpoint of the buying and selling rates of RMB/USD set by the People's Bank of China on 24 March 2016 and (ii) 6.5815, the exchange rate of RMB/USD based on the forward exchange settlement and sale arrangement made by the Purchaser and Bank of China Henan Branch on 30 March 2016.

The parties agree that the portion of the aggregate Purchase Price of RMB1,650,000,000 payable in USD cash shall be USD251,975,718.7 after applying the Applicable Exchange Rate.

Given that the appraisal of all the Target Companies involves the use of income approach (except that the appraisal of CACG I adopted asset-based approach, while the appraisal of ASIMCO Electric Motor, held by CACG I of 51%, adopted income approach), such valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules and the Company thus has fully complied with Rule 14.62 of the Listing Rules. PricewaterhouseCoopers has reviewed the calculation method of income approach used in the Asset Evaluation Report issued on 13 April 2016 by China United Assets Appraisal Group Company Limited and the Directors have also confirmed that the forecast has been made after due and careful enquiry.

PRINCIPAL ASSUMPTIONS ADOPTED FOR INCOME APPROACH

The value of equity interests of the Target Companies contained in the Asset Evaluation Report has been prepared on the following principal bases and assumptions:

(I) General Assumptions

1. Trading assumption

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

2. Open Market Assumption

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

3. Asset Continuously Operated Assumption

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

(II) Special Assumptions

1. Assuming that the outer economic environment concerning the country's current macro-economy, financial and industrial policy will not undergo unforeseeable material unfavourable changes after the valuation base date;
2. Assuming that the social economic environment of the corporation and the policies concerning tax and tax interest do not have material changes, debt policies, interest rate and exchange rate basically remain stable;
3. Assuming that the Target Companies' future management perform with due diligence and will continue to operate within the current operation and management model;
4. Assuming that the Target Companies will persist in its current situation without material changes concerning its major business structure, composition of revenue and cost, as well as the sales strategy and cost control of the business in the future. Without considering the changes in business structure resulted from the changes in the management, operating strategy and business environment;
5. Assuming that the operation business of the Target Companies is lawful, and there will be no unforeseeable factors that cause it unable to continue as a going concern;
6. Assuming that the business in which the Target Companies is engaging will not be affected by significant contingent liabilities which will lead to a significant increase in operation costs;
7. Assuming that the present market value, determined on the premises of continuous use and open market, takes no account of potential mortgages or guarantees in the future, the effect on evaluation exerted by special transaction method with potential additional price, the change of macro-economic policies of the country, or any influence on asset price caused by a natural force or other force majeure;
8. Assuming that the Target Companies remains the current shareholding structure and total amount, taking no account of the future effect on the Target Companies exerted by the change of shareholding structure;
9. Assuming that fees occurred in the course of operation, management or others will not have material changes and will remain the trends for the recent years and vary synchronously with the change of operation scale;
10. Assuming that the basic information and financial information provided by the entrusting party and the appraised entity are true, accurate and complete;

11. The scale of the appraisal is only subject to the appraisal application form provided by the entrusting party and the appraised entity, taking no account of any potentially existing contingent assets or liabilities other than those on the list provided by the entrusting party and the appraised entity;
12. Assuming that the financing ability of the corporation after the valuation base date can satisfy the requirement of anticipated interest debt according to the current technological advancement and profitability of ASIMCO Camshaft;
13. CACG I's subsidiary, ASIMCO Electric Motor, acquired high-tech enterprise certificate on 16 December 2013, with valid period of 3 years. Assuming that after the expiration of high-tech enterprise certificate, ASIMCO Electric Motor can still satisfy the standard of high-tech enterprises and therefore enjoy the income tax rate preference policy in the anticipated period;
14. ASIMCO Shanxi earned high-tech enterprise recognition in September 2014 (Certificate No. GR201414000139). According to the Enterprise Income Tax Law of the People's Republic of China, from 2014 to 2016, ASIMCO Shanxi pays enterprise income tax at 15% rate. Assuming that after the expiration of high-tech enterprise certificate, ASIMCO Shanxi can still satisfy the standard of high-tech enterprises and therefore enjoy the income tax rate preference policy;
15. Assuming that ASIMCO Shuanghuan can still satisfy the standard of high-tech enterprises and therefore enjoy the income tax rate preference policy after the expiration of high-tech enterprise certificate;
16. ASIMCO NVH acquired high-tech enterprise certificate on 20 November 2014, with valid period of 3 years. Assuming that after the expiration of high-tech enterprise certificate, ASIMCO NVH can still satisfy the standard of high-tech enterprises and therefore enjoy the income tax rate preference policy in the anticipated period;
17. Assuming that the financing ability of the corporation after the valuation base date can satisfy the requirement of anticipated interest debt according to the current technological advancement and profitability of ASIMCO NVH;

In general, when the aforementioned conditions change, the result of the appraisal would become invalid.

PricewaterhouseCoopers, the auditor of the Company has reviewed the income approach adopted in the Asset Evaluation Report. The Board has reviewed major assumptions upon which the income approach was based, and are of the view that the profit forecast has been made after due and careful enquiry. According to Rule 14.62 of the Listing Rules, Letter from PricewaterhouseCoopers and Letter from the Board will be set out in the circular of 2015 annual general meeting of the Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, China United Assets Appraisal Group Company Limited and PricewaterhouseCoopers are Independent Third Parties. As at the date of this announcement, China United Assets Appraisal Group Company Limited and PricewaterhouseCoopers have no equity interests in the Company and any subsidiaries of the Company (the “**Group**”), and have no rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

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

Zhengzhou, PRC, 28 April 2016

As at the date of this announcement, the executive directors of the Company are Mr. JIAO Chengyao, Mr. XIANG Jiayu, Mr. WANG Xinying, Mr. GUO Haofeng and Mr. LIU Qiang and the independent non-executive directors are Ms. LIU Yao, Mr. JIANG Hua, Mr. LI Xudong and Mr. WU Guangming.

APPENDIX I

TARGET COMPANIES AND TARGET EQUITY INTERESTS

Sellers	Target Companies	Target Equity Interests	Appraised Value	Purchase Price (cash portion payable in USD after applying the Applicable Exchange Rate)
Axle ATL	ASIMCO Shuanghuan Piston Ring (Yizheng) Co., Ltd. (“ASIMCO Shuanghuan”)	63% of the equity interest in ASIMCO Shuanghuan	RMB454,770,981	RMB454,700,000
Axle ATL	ASIMCO Foundry (Yizheng) Co., Ltd. (“ASIMCO Foundry”)	70% of the equity interest in ASIMCO Foundry	RMB6,852,440	RMB6,800,000
Axle ATL	ASIMCO Camshaft (Yizheng) Co., Ltd (“ASIMCO Camshaft”)	63% of the equity interest in ASIMCO Camshaft	RMB117,539,541	RMB117,450,000
ASIMCO China and ASIMCO HK	ASIMCO NVH Technologies Co., Ltd (Anhui) (“ASIMCO NVH”)	100% of the equity interest in ASIMCO NVH	RMB622,782,500	RMB622,050,000
ASIMCO Technologies	CACG LTD. I (“CACG I”)	100% of the equity interest in CACG I	RMB499,314,000	RMB499,200,000
ASIMCO China	ASIMCO International Casting Co., Ltd. (Shanxi) (“ASIMCO Shanxi”)	100% of the equity interest in ASIMCO Shanxi	RMB528,692,300	RMB499,800,000