THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zhengzhou Coal Mining Machinery Group Company Limited, you should at once hand this circular, the form of proxy and reply slip to the purchaser or the transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Zhengzhou Coal Mining Machinery Group Company Limited.

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)

(1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
(2) SPECIFIC MANDATE
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING
(4) NOTICE OF H SHAREHOLDERS CLASS MEETING

Capitalised terms used in this cover shall have the same meanings as those defined in the circular.

A letter from the Board is set out on pages 4 to 21 of this circular. Zhengzhou Coal Mining Machinery Group Company Limited will convene the EGM and H Shareholders Class Meeting at Convention Centre of Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC at 9:00 a.m. on Friday, 7 September 2018. Notices of the EGM and H Shareholders Class Meeting are set out in this circular. Reply slips and forms of proxy for the use at the EGM and H Shareholders Class Meeting are enclosed and also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.zzmj.com). If you intend to attend the EGM and H Shareholders Class Meeting in person or by proxy, please complete the enclosed reply slip in accordance with the instructions printed thereon and return the same on or before Saturday, 18 August 2018 by personal delivery, mail or facsimile, to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Any Shareholder who intends to appoint a proxy to attend the EGM and H Shareholders Class Meeting shall complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time fixed for holding such meeting or (if appropriate) any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending the EGM and H Shareholders Class Meeting and voting in person if you so wish.

18 August 2018

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

"A Share(s)"	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
"A Shareholder(s)"	holder(s) of A Share(s)
"A Shareholders Class Meeting"	the class meeting of the A Shareholders
"Announcement"	the announcement of the Company dated 23 July 2018 in relation to, among other things, (i) the Proposed Non-public Issuance of A Shares, and (ii) the Specific Mandate
"Articles of Association"	the articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of directors of the Company
"Cap"	346,494,274 A Shares
"Class Meetings"	the A Shareholders Class Meeting and the H Shareholders Class Meeting
"Company"	Zhengzhou Coal Mining Machinery Group Company Limited, a joint stock limited company established in the PRC, whose H shares and A shares are listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 564) and the Shanghai Stock Exchange (Stock Code: 601717), respectively
"connected person(s)"	has the meaning ascribed to it under the Listing Rules or the relevant PRC laws and regulations (as the case may be)
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Non-public Issue of A Shares and (ii) the Specific Mandate
"Group"	the Company and its subsidiaries as at the date of this circular
"H Share(s)"	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each and valued in Hong Kong dollar listed on Main Board of the Hong Kong Stock Exchange
"H Shareholder(s)"	holder(s) of H Share(s)
"H Shareholders Class Meeting"	the class meeting of the H Shareholders
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Implementation Rules for the Non-public Issuance of Shares by Listed Companies"	the Implementation Rules for the Non-public Issuance of Shares by Listed Companies《上市公司非公開發行股票實施細則》
"Latest Practicable Date"	15 August 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"New PRC Regulations"	the "Decision in Amending the Implementation Rules for the Non-public Issuance of Shares by Listed Companies" (《關於修改《上市公司非公開發行股票實施細則》的決定》) and the "Issuance Regulation Questions and Answers – Regulatory Requirements regarding Guiding and Regulating Financing Activities of Listed Companies" (《發行監管問答 – 關於引導規範上市公司融資行為的監管要求》) issued by the CSRC on 17 February 2017

"PRC"	the People's Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Price Determination Date"	the first day of the offering period of the Non-public Issue of A Shares
"Proposed Non-public Issuance of A Shares" or "Non-public Issue"	the non-public issue of not more than 346,494,274 new A Shares to the Targets by the Company pursuant to the resolution in relation to proposal of non-public issuance of A Shares by the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	A Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of Share(s)
"Specific Mandate"	the specific mandate to be sought from the Shareholders at the EGM and the Class Meetings to issue the A Shares under the Proposed Non-public Issuance of A Shares
"Supervisor(s)"	the supervisor(s) of the Company
"Targets"	institutional investors such as securities investment fund management firms, securities houses, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (including the self operating accounts and investment product accounts owned by or managed by the aforesaid investors) that comply with the requirements of CSRC, and other legal persons, natural persons or other legal organizations that comply with laws and regulations and the requirements of CSRC
"trading day(s)"	a day on which the Shanghai Stock Exchange or the Hong Kong Stock Exchange (as the case may be) is open for dealing or trading in securities
"%"	per cent

For identification purpose only.

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)

Members of the Board
Executive Directors:
Mr. JIAO Chengyao
Mr. JIA Hao
Mr. XIANG Jiayu
Mr. FU Zugang
Mr. WANG Xinying
Mr. WANG Bin

Independent Non-executive Directors
Ms. LIU Yao
Mr. JIANG Hua
Mr. LI Xudong

Registered Office
No. 167, 9th Street,
Econ-Tech Development Zone
Zhengzhou, Henan Province
PRC

Principal Place of Business in Hong Kong
18/F, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

18 August 2018

To the Shareholders

Dear Sir or Madam,

NON-PUBLIC ISSUANCE OF NEW A SHARES AND SPECIFIC MANDATE

I. INTRODUCTION

References are made to (i) the Announcement, (ii) the notice of the EGM dated 24 July 2018 and (iii) the notice of the H Shareholders Class Meeting dated 24 July 2018.

As disclosed in the Announcement, on 23 July 2018, the Board has approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue not more than 346,494,274 new A Shares (including 346,494,274 A Shares) to not more than 10 Targets, which would raise a gross proceeds of up to RMB1.8 billion.

The purpose of this circular is to provide you with further details of the Proposed Non-public Issuance of A Shares and the Specific Mandate.

II. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

On 17 February 2017, the CSRC issued the New PRC Regulations, being the "Decision in Amending the Implementation Rules for the Non-public Issuance of Shares by Listed Companies" (《關於修改《上市公司非公開發行股票實施細則》的決定》) and the "Issuance Regulation Questions and Answers – Regulatory Requirements regarding Guiding and Regulating Financing Activities of Listed Companies" (《發行監管問答 – 關於引導規範上市公司融資行為的監管要求》).

According to the New PRC Regulations, among other things, (i) the number of A shares proposed to be issued by a PRC listed company by way of non-public issuance shall not exceed 20% of the total number of the issued shares of the PRC listed company prior to the issuance of such A shares; and (ii) the price determination date for the non-public issuance of shares by a PRC listed company shall be the first day of the offering period of the non-public issuance of shares.

In light of the New PRC Regulations, on 23 July 2018, the Board has approved the Resolution in relation to the Proposed Non-public Issuance of A Shares by the Company, pursuant to which the Company will issue not more than 346,494,274 A Shares to not more than 10 Targets, which would raise a gross proceeds of up to RMB1.8 billion.

The revised details of the proposed Non-public Issuance of A Shares are set out below.

1. Details of the Non-public Issue

Class and denomination of shares to be issued	:	Shares to be issued pursuant to the Non-public Issue will be RMB-denominated ordinary shares to be listed in the PRC (A Shares), with a par value of RMB1.00 each.
Method of issue	:	The Non-public Issue is undertaken by way of non-public issuance to specific Targets. The Company will issue Shares at such time as appropriate within the validity period as prescribed in the approval document of the CSRC in connection with the Non-public Issue.

Target and method of subscription : The number of Targets under the Non-public Issue will be not more than 10 specific Targets, including institutional investors such as securities investment fund management firms, securities houses, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (including the self-operating accounts or investment product accounts owned by or managed by the aforesaid investors) that comply with the requirements of CSRC, and other legal persons, natural persons or other legal organizations that comply with laws and regulations and the requirements of CSRC. Securities investment fund management firms that subscribe through 2 or more of its funds will be regarded as one single Target. Trust investment companies as Targets can only subscribe with self-owned funds. If there are any other changes against the Targets by existing laws, administrative regulations, administrative rules and regulating documents of CSRC, the Targets shall comply with them.

Upon obtaining the approval documents from CSRC regarding the Non-public Issue by the Company, the Board of the Company and its authorized persons will, together with the sponsor (the main underwriter) negotiate and determine the final Targets by way of auction under the authorization granted at the general meeting in accordance with the relevant regulations under laws and regulations and requirements under the regulatory authority. The Directors and the Company will procure that the final Targets who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, and none of them will become substantial Shareholders upon completion of their respective subscriptions of the A Shares under the Non-public Issue.

All Targets will subscribe for Shares under the Non-public Issue by way of cash.

As at the Latest Practicable Date, the sponsor (the main underwriter) has not been engaged by the Company.

Price Determination Date, issue price and pricing principle : The Price Determination Date under the Non-public Issue will be the first day of the offering period.

The Non-public Issue will be priced not lower than (i) 90% of the average trading price of the A Shares during the 20 trading days prior to the Price Determination Date (Average trading price of the A Shares during the 20 trading days prior to the Price Determination Date = Total turnover of A Shares traded during the 20 trading days prior to the Price Determination Date divided by the total volume of A Shares traded during the 20 trading days prior to the Price Determination Date), or (ii) the latest audited net asset value per Share immediately before the issuance of A Shares under the Non-public Issue, whichever the higher. The latest audited net asset value per Share of the Company as of 31 December 2017 is approximately RMB6.23 per Share.

The final issue price of Non-public Issue will be negotiated and determined by way of auction by the Board and its authorized persons together with the sponsor (the main underwriter) under the authorization granted at the general meeting in accordance with relevant requirements under laws and regulations and requirements under the regulatory authority including the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》), upon obtaining approval document from CSRC regarding the Non-public Issue.

Where any ex-right and ex-dividend events such as distribution of dividend, bonus issue, capitalization of capital reserve, issue of new shares or rights issue occurs during the period from the Price Determination Date to the date of issue of A Shares, the minimum issue price shall be adjusted accordingly.

Number of shares to be issued : The number of A Shares to be issued under the Non-public Issue will not exceed 20% of the total share capital of the Company prior to the Non-public Issue, i.e. will not exceed 346,494,274 A Shares (including 346,494,274 A Shares). Subject to the aforesaid, the final number of Shares to be issued under the Non-public Issue will be negotiated and determined by the Board and its authorized persons together with the sponsor (the main underwriter) under the authorization granted at the general meeting in accordance with relevant requirements under laws and regulations and requirements under the regulatory authority, upon obtaining approval document from CSRC regarding the Non-public Issuance.

Where ex-right and ex-dividend events such as distribution of dividend, bonus issue, capitalization of capital reserve, issue of new shares or rights issue occurs for A Shares during the period from the Price Determination Date to the date of issue of A Shares, the number of Shares to be issued under the Non-public Issuance shall be adjusted according to the total proceeds and the issue price after ex-right and ex-dividend.

Amount and use of proceeds : Total proceeds from the Non-public Issue will not exceed RMB1.8 billion (including RMB1.8 billion). Netting off issue expenses of not more than 2% of the total proceeds, the proceeds are intended to be used in the following projects:

Order no.	Project name	Total investment *(in ten thousand RMB)*	Amounts to be invested from the proceeds *(in ten thousand RMB)*
1	Construction of smart factories for comprehensive coal mining equipment	102,780.00	85,000.00
2	Construction of R&D Centre for smart work surface	13,550.00	12,000.00
3	Phase 2 of ASIMCO Industrial Park	50,000.00	40,000.00
4	Smart processing of engine parts	25,659.59	23,000.00
5	Construction of centre for R&D of motors and generators that drive new energy vehicles	23,725.00	20,000.00
	Total	215,714.59	180,000.00

If the net proceeds raised by the Non-public Issue, after netting off issue expenses, is less than the aggregate proposed capital contribution raised for the abovementioned projects, the shortfall will be made up by the Company with its self-raised funds. Prior to the actual receipt of the proceeds to be raised under the Non- public Issue, the Company may, depending on the actual conditions of the progress of the investment projects to be invested, finance these projects using self-raised funds which will be replaced with the proceeds later raised according to the relevant requirements and procedures under laws and regulations. The Board and its authorized persons will adjust and determine the final specific investment projects, order of priority and the specific investment amounts of each project based on the actual amount of net proceeds and the priority of each project.

Lock-up period	:	Within 12 months from the date of completion of the Non-public Issue, none of the Shares subscribed for by the Targets may be transferred. Upon the expiry of the lock-up period, the exercise period is subject to the regulations from CSRC and the Shanghai Stock Exchange.
Place of listing	:	Application will be made by the Company for listing of the Shares to be issued under the Non-public Issue on the Shanghai Stock Exchange.
Arrangement for retained profits	:	The retained profits prior to the Non-public Issuance will be shared by the new and existing Shareholders in proportion to the number of Shares held upon completion of the Non- public Issue.
Effective date of resolution regarding the Non-public Issue	:	The resolutions in relation to the Non-public Issue will be effective for 12 months from the date of approval by the Shareholders at the EGM, A Shareholders Class Meeting and H Shareholders Class Meeting.
Whether it constitutes a connected transaction	:	None of the connected persons including the controlling shareholder, de facto controllers and its controlled entities will subscribe for the Shares under the Non-public Issue. The Non-public Issue does not constitute a connected transaction.

2. The resolution in relation to the Company satisfying the conditions precedent to the non-public issue of A shares

In accordance with relevant requirements under the Company Law (《公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Measures for Administration of Issue of Securities by Listed Company (《上市公司證券發行管理辦法》), the Detailed Rules on Implementation of Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) and other laws, regulations and normative documents, after earnest self-examination and discussion on the actual situation and related matters of the Company, the Board is of the view that the Company satisfies the conditions on non-public issue of A shares and is qualified for non-public issue of A shares.

The resolution in relation to the Company satisfying the conditions precedent to the non-public issue of A shares will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

3. The resolution in relation to the proposed non-public issue of A shares by the Company in 2018

The following 10 resolutions regarding Non-public Issuance of A Shares in 2018 will be proposed by the Board of the Company at the EGM, A Shareholders Class Meeting and H Shareholders Class Meeting as special resolutions for consideration and approval by Shareholders:

3.01 Type and denomination of shares to be issued;

3.02 Method of issue;

3.03 Target and method of subscription;

3.04 Pricing reference date, issue price and pricing principle;

3.05 Number of shares to be issued;

3.06 Amount and use of proceeds;

3.07 Lock-up period;

3.08 Place of listing;

3.09 Arrangement for retained profits;

3.10 Effective date of resolution regarding the Non-public Issue.

4. The resolution in relation to the planned non-public issue of A shares by the Company in 2018

The "Plan on the Non-public Issuance of A Shares by Zhengzhou Coal Mining Machinery Group Company Limited in 2018", which was prepared in the Chinese, was disclosed in the overseas regulatory announcement of the Company dated 23 July 2018. The full text of the English translation of the "Plan on the Non-public Issuance of A Shares by Zhengzhou Coal Mining Machinery Group Company Limited in 2018" is set out in Appendix I to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal in relation to the "Plan on the Non-public Issuance of A Shares by Zhengzhou Coal Mining Machinery Group Company Limited in 2018" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting.

5. The resolution in relation to the feasibility analysis report on the use of proceeds from the non-public issue of A shares by the Company in 2018

The Board of the Company has conducted prudent analysis on the feasibility of use of proceeds from the Non-public Issuance of A Shares and approves the Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares of Zhengzhou Coal Mining Machinery Group Company Limited in 2018 (《鄭州煤礦機械集團股份有限公司2018年度非公開發行A股股票募集資金使用的可行性分析報告》). For details, please refer to the Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares of Zhengzhou Coal Mining Machinery Group Company Limited in 2018 (《鄭州煤礦機械集團股份有限公司2018年度非公開發行A股股票募集資金使用的可行性分析報告》) as disclosed on the overseas regulatory announcement of the Company dated 23 July 2018. The resolution in relation to the feasibility analysis report on the use of proceeds from the non-public issue of A shares by the Company in 2018 will be subject to consideration and approval by Shareholders at the EGM by way of special resolution.

6. The resolution in relation to the report on the use of proceeds from the previous fund raising by the Company

In accordance with the relevant requirements under the Measures for Administration of Issue of Securities by Listed Company (《上市公司證券發行管理辦法》), the Detailed Rules on Implementation of Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》), the Provisions on Report on Use of Proceeds from the Previous Fund Raising (《關於前次募集資金使用情況報告的規定》) and other laws, regulations and normative documents, for the use of proceeds from the previous fund raising, the Company has prepared the Report on Use of Proceeds from the Previous Fund Raising as at 30 June 2018 of Zhengzhou

Coal Mining Machinery Group Company Limited (《鄭州煤礦機械集團股份有限公司截至2018年6月30日止的前次募集資金使用情況報告》). The report has been authenticated by BDO China Shu Lun Pan Certified Public Accountants LLP which has issued the Authentication Report on Use of Proceeds from the Previous Fund Raising (Xin Kuai Shi Bao Zi [2018] No. ZB11840) (《前次募集資金使用情況鑒證報告》(信會師報字[2018]第ZB11840號)). The Board of the Company has approved the abovementioned Report on Use of Proceeds from the Previous Fund Raising as at 30 June 2018 of Zhengzhou Coal Mining Machinery Group Company Limited (《鄭州煤礦機械集團股份有限公司截至2018年6月30日止的前次募集資金使用情況報告》) and the Authentication Report on Use of Proceeds from the Previous Fund Raising (《前次募集資金使用情況鑒證報告》). For details, please refer to the relevant announcement disclosed on the overseas regulatory announcement of the Company dated 23 July 2018.

The resolution in relation to the report on use of proceeds from the previous fund raising of the Company will be subject to consideration and approval by Shareholders at the EGM by way of special resolution.

7. The resolution in relation to seeking authorization from the shareholders of the Company in general meeting to be granted to the Board and/or persons designated by the Board for handling matters related to this Non-public Issuance of A Shares in its/ their full discretion

In order to ensure the smooth implementation of the Non-public Issue the Board of the Company proposes to seek authorization from the Shareholders of the Company in general meeting to be granted to the Board and/or persons designated by the Board for handling matters related to the Non-public Issuance of A Shares in its/ their full discretion, including but not limited to:

(1) To authorize the Board to formulate, adjust and implement the specific plan on the Non-public Issue depending on the specific circumstances, including but not limited to the timing of Issue, the number of Issue and the size of proceeds, the start and ending date of Issue, the Issue price, the specific subscription method, selection of Issue targets and other matters;

(2) To authorize the Board to approve, sign, amend, supplement, submit, report and execute the documents, agreements, contracts and other necessary documents related to the Non-public Issue, and all the documents related to the Non-public Issue, and make appropriate information disclosure for the Non-public Issue;

(3) To authorize the Board to make supplement, amendment and adjustment according to relevant laws and regulations, policy changes, market changes and the requirements on relevant application files and supporting documents of relevant departments;

(4) To authorize the Board to select and appoint qualified professional institutions, including but not limited to sponsors, underwriters, law firms, accounting firms, etc. to participate in the Non-public Issue, and to sign, modify, supplement, submit, and execute the agreements on employment of intermediaries, etc.;

(5) To authorize the Board to prepare, modify, and submit the application materials for the Non-public Issue, apply to relevant regulatory authorities for approval of the Non-public Issue and listing for trading, and base on the opinions (if any) of the regulatory authorities, make appropriate adjustments to the specific plan and application document (except for matters subject to re-voting at the general meeting under relevant laws, regulations and the Articles of Association), and reply to the feedbacks from the securities regulatory authorities and relevant government departments;

(6) To authorize the Board to adjust the specific arrangements of the Proceeds-funded Projects within the scope of the resolution of the general meeting according to the requirements of the regulatory authorities, the Company's own capital position and the situation of the projects, including but not limited to: adjustments to the amount of proceeds actually invested in the projects, the implementation entities, the implementation progress, and the implementation methods with the scope of projects as determined to be invested with proceeds; adjustments to the use of proceeds after the completion of the Non-public Issue; advance investment with the self-raised funds of the Company based on the actual situation and project needs prior to the receipt of proceeds from the Non-public Issue and replacement of such funds used for advance investment upon receipt of proceeds from the Non-public Issue; entering into material contracts involved in the process of implementation of the Proceeds-funded Projects; and reduction of Proceeds-funded Projects within the scope of Proceeds-funded Projects as considered and approved at the general meeting according to the actual situation or opinions of relevant government departments;

(7) To authorize the Board to, based on the results of the Non-public Issue, change the Company's registered capital, amend the relevant articles in the Company's corporate governance documents including the Articles of Association, and proceed with the relevant registration and filing procedures including change of industrial and commercial registration, and handle the matters such as registration, lock-up and listing of the Shares under the Non-public Issue on the Shanghai Stock Exchange and with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited;

(8) To authorize the Board to set up a special account for the proceeds from the Non-public Issue, and to handle other matters related to the Non-public Issue;

(9) In case of new requirements on non-public issuance policy under the laws and regulations and of securities regulatory authorities, and changes in market conditions, except for matters which shall be subject to re-voting at the general meeting under relevant laws and regulations and the Articles of Association, according to relevant national provisions and requirements (including review opinions and feedback on the application for the Non-public Issue) of relevant government departments and securities regulatory authorities, market conditions and actual operations of the Company, to adjust the plan on the Non-public Issue and the use of proceeds and further proceed with the Non-public Issue;

(10) To authorize the Board to decide whether to continue the Non-public Issue according to the actual situation in case of material changes in the market environment or policies and regulations;

(11) To decide and handle all other matters related to the Non-public Issue within the scope permitted by laws, regulations, normative documents and the Articles of Association;

(12) The authorization is valid within 12 months from the date of the approval of the resolution at the general meeting, A Shareholders Class Meeting and H Shareholders Class Meeting.

The resolution in relation to seeking authorization from the Shareholders of the Company in general meeting to be granted to the Board and/or persons designated by the Board for handling matters related to this Non-public Issue of A shares in its/ their full discretion will be tabled at the EGM, A Shareholders Class Meeting and H Shareholders Class Meeting for consideration and approval by Shareholders by way of special resolution. If the Proposed Non-Public Issuance of A Shares is not approved by the governing authorities within the term of the resolution, the Company will seek Shareholders' approval on the extension of the Specific Mandate if necessary.

8. The resolution in relation to the specific mandate for the non-public issue of A shares

The Board of the Company has agreed to, pursuant to the relevant requirements under Rules 13.36(1) and 19A.38 of the Listing Rules of the Stock Exchange of Hong Kong Limited, seek for grant of the following Specific Mandate to the Board at the general meeting of the Company: To issue not more than 346,494,274 A Shares (including 346,494,274 A Shares) under the Non-public Issue to not more than 10 specific Targets, including securities investment fund management

firms, securities houses, trust investment companies, finance companies, insurance institutional investors and qualified foreign institutional investors that comply with the requirements of CSRC, and other legal persons, natural persons or other legal organizations that comply with laws and regulations and the requirements of CSRC at the issue price not lower than (i) 90% of the average trading price of the A Shares during the 20 trading days prior to the Price Determination Date (Average trading price of the A Shares during the 20 trading days prior to the Price Determination Date = Total turnover of A Shares traded during the 20 trading days prior to the Price Determination Date divided by the total volume of A Shares traded during the 20 trading days prior to the Price Determination Date), or (ii) the latest audited net asset value per Share immediately before the issuance of A Shares under the Non-Public Issue, whichever is higher. The latest audited net asset value per Share of the Company as of 31 December 2017 is approximately RMB6.23 per Share.

The resolution in relation to seeking authorization from the Shareholders of the Company in general meeting to be granted to the Board and/or persons designated by the Board for handling matters related to this Non-public Issue of A Shares in its/ their full discretion will be tabled at the EGM, A Shareholders Class Meeting and H Shareholders Class Meeting for consideration and approval by Shareholders by way of special resolution.

9. The resolution in relation to the effect of the dilution of current returns as a result of the non-public issue of A shares on the key financial indicators of the Company and measures adopted by the Company

The Board accepts the analysis of the Company on the effect of the dilution of current returns as a result of the Non-public Issue on the key financial indicators of the Company and approves the relevant remedial measures for returns. For details, please refer to the Announcement of Zhengzhou Coal Mining Machinery Group Company Limited on the Effect of the Dilution of Current Returns as a Result of the Non-public Issuance of A Shares on the Key Financial Indicators of the Company and Measures Adopted by the Company (《鄭州煤礦機械集團股份有限公司關於非公開發行A股股票攤薄即期回報對公司主要財務指標的影響及公司採取措施的公告》) as disclosed on the overseas regulatory announcement of the Company dated 23 July 2018.

The resolution in relation to the effect of the dilution of current returns as a result of the Non-public Issuance of A Shares on the key financial indicators of the Company and measures adopted by the Company will be subject to consideration and approval by Shareholders at the EGM by way of special resolution.

10. The resolution in relation to the relevant committing entities making their commitment on ensuring that the remedial measures for current returns by the Company can be firmly implemented

In accordance with "Guiding opinions on matters relating to initial offering, re-financing, and amortization of current returns due to reorganization of substantial assets" and other related documents, the Board agreed with the relevant

guarantees made by the controlling shareholders, Directors and senior management of the Company for the due performance by the Company of remedial measures for its current returns, details of which were set out in the overseas regulatory announcement of the Company dated 23 July 2018, relating to the disclosure of "Henan Machinery Investment Group Co., Ltd. guaranteeing the due performance by Zhengzhou Coal Mining Machinery Group Company Limited of remedial measures for its current returns" and "Directors and senior management of Zhengzhou Coal Mining Machinery Group Company Limited guaranteeing the due performance by the Company of remedial measures for its current returns".

The resolution in relation to the relevant committing entities making their commitment on ensuring that the remedial measures for current returns by the Company can be firmly implemented will be proposed at the EGM by way of special resolution to the Shareholders for their consideration and approval.

11. The resolution in relation to the planned distributions to Shareholders for the next three years (2019 –2021)

The Board has approved the Shareholders' Dividend and Return Plan of Zhengzhou Coal Mining Machinery Group Company Limited for the Next Three Years (2019-2021) (《鄭州煤礦機械集團股份有限公司未來三年(2019年-2021年)股東分紅回報規劃》) by the Company. For details, please refer to the Shareholders' Dividend and Return Plan of Zhengzhou Coal Mining Machinery Group Company Limited for the Next Three Years (2019-2021) (《鄭州煤礦機械集團股份有限公司未來三年(2019年-2021年)股東分紅回報規劃》) as disclosed on the overseas regulatory announcement of the Company dated 23 July 2018.

The resolution in relation to the planned distributions to Shareholders for the next three years (2019 –2021) will be subject to consideration and approval by Shareholders at the EGM by way of ordinary special resolution.

12. The resolution in relation to amending the system of managing proceeds from fundraising

In order to further standardize the use and management of the proceeds of the Company and ensure that the use and management of the proceeds of the Company is consistent with requirements under relevant laws and regulations, in accordance with specific requirements under the Guidelines No. 2 on the Supervision and Administration of Listed Companies - Regulatory Requirements on the Management and Use of Proceeds of Listed Companies (《上市公司監管指引第2號 – 上市公司募集資金管理和使用的監管要求》), the Measures for Administration of Proceeds of Listed Companies of the Shanghai Stock Exchange (《上海證券交易所上市公司募集資金管理辦法》) and other relevant laws and administrative regulations and based on the actual conditions of the Company, the Board has agreed to conduct thorough amendments to the existing System of Managing Proceeds from Fundraising (《募集資金管理制度》). For details, please refer to the System of Managing Proceeds from Fundraising of Zhengzhou Coal Mining Machinery Group Company Limited (Revised in July 2018) (《鄭州煤礦機械集團股份有限公司募集資金管理制度(2018年7月修訂)) as disclosed on the overseas regulatory announcement of the Company dated 23 July 2018.

The resolution in relation to amending the system of managing proceeds from fundraising will be subject to consideration and approval by Shareholders at the EGM by way of ordinary resolution.

13. The resolution in relation to amending the procedural rules for Shareholders' general meetings

In order to further improve corporate governance and ensure that the general meeting of the Company exercises its powers according to laws, in accordance with the Rules Governing Shareholders' General Meetings of Listed Companies (Revised in 2016) (《上市公司股東大會規則(2016年修訂)》) and the Articles of Association and based on the actual conditions of the Company, the Board of the Company has agreed to make amendments to certain articles under the Procedural Rules for Shareholders' General Meetings (《股東大會議事規則》). For details, please refer to the Announcement on Amendments to Relevant Articles under the Procedural Rules for Shareholders' General Meetings and the Procedural Rules for Shareholders' General Meetings of Zhengzhou Coal Mining Machinery Group Company Limited (Revised in July 2018) (《鄭州煤礦機械集團股份有限公司股東大會議事規則(2018年7月修訂)》) as disclosed on the overseas regulatory announcement of the Company dated 23 July 2018.

The resolution in relation to amending the procedural rules for Shareholders' general meetings will be subject to consideration and approval by Shareholders at the EGM by way of ordinary resolution.

III. EFFECT ON THE CONTROL OF THE COMPANY

1. Change in control

As of the date of this circular, the Company is held as to 30.08% by Henan Machinery, the controlling shareholder of the Company, which is in turn held as to 100.00% by Henan SASAC, the de facto controller of the Company. Under the proposed Non-public Issuance, upon completion of the Non-public Issue, the shareholding proportion will change accordingly, but there will be no change in the control of the Company. Henan Machinery will remain the controlling shareholder of the Company. Henan SASAC will remain the de facto controller of the Company.

2. Fundraising activities in the past 12 months

The Company had not conducted any equity fundraising activities during a period of 12 months immediately preceding the date of this circular.

IV. REASONS FOR THE NON-PUBLIC ISSUE OF A SHARES

The Board is of the view that the projects into which the proceeds from the Non-public Issue will be invested are intended for the following purposes:

1. To uplift the level of automation, IT usage and smart elements in the Company's manufacturing processes, which in turn will uplift the stability of product quality, reduce reliance on individual workers in the producing process, and further uplift the production efficiency attained by comprehensive coal mining machinery, and in turn response time to customer orders and capability of product fabrication.

2. To uplift the production efficiency and the potential production capacity of the Company's hydraulic roof support used for comprehensive coal mining. ASIMCO NVH, a wholly-owned subsidiary of the Company, is a core supplier of renowned automobile original equipment manufacturers including SAIC-GM-Wuling Automobile, Chery Automobile, Geely Automobile and BYD Auto. With increasing consumer needs for comfort offered by their vehicles, the demand for upgrading products in the automobile market is expediting, while customer demand for the overall capacity of ASIMCO NVH as well as its ability to offer products with multiple types and variable quantity is on the rise. Market demand for the quality and quantity offered by NVH performance-related parts is also becoming increasingly strong. The projects into which the proceeds will be invested will expand the production capacity of ASIMCO NVH, stabilize the position of ASIMCO NVH in the auto parts industry as a key supplier, and uplift its competitiveness as an enterprise. ASIMCO Shanxi, a wholly-owned subsidiary of the Company, is one of the key enterprises in the PRC to produce casting units of engines. It is mainly engaged in the production of casting scrap materials for engine production plants in the PRC and overseas. With technological development and advancement of the industry, engine production plants are currently shifting processing steps for their casting scrap materials to casting plants, and it has become a requirement of downstream customers that suppliers have to provide products that have been processed in a casting machine. The projects into which proceeds will be invested will, by way of fine processing of casting units and collaborative R&D and so forth, extend the existing production chain of ASIMCO Shanxi, uplift the added value offered by products, create new profit centres, and achieve the sustainable development of the Company.

3. To invest in building two new R&D centres, to uplift the Company's capability in terms of technology research and development, and maintain its competitiveness. In particular, technology R&D related to unmanned surface will be conducive to achieving automation in coal mining and excavation surface, involving fewer people or achieving unmanned excavation, which will represent practical and strategic significance in securing safety in coal mining and fostering the sustainable development of coal resources. R&D

centres for motors and generators that drive new-energy vehicles will facilitate the extension of the Company's business from starter motors and generators to those that drive new-energy vehicles. This will be beneficial to the Company in conveying a pool of technology needed for its growth in the market of motors and generators that drive new-energy vehicles, in order to cater for the future trend of new energy development.

V. EGM AND CLASS MEETINGS

The Company proposes to convene the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting at the Convention Centre, Office Building of Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC at 9:00 a.m. on Friday, 7 September 2018.

The EGM will be convened to consider and, if thought fit, approve, among other things, the Non-public Issuance of A Shares and the Specific Mandate.

The Class Meetings will be convened to consider and, if thought fit, approve, among other things, the Non-public Issuance of A Shares and the Specific Mandate.

The Non-public Issuance of A Shares and the Specific Mandate will be proposed by way of special resolutions at the EGM and the Class Meetings to be approved by the Shareholders.

The voting in relation to the Non-public Issuance of A Shares and the Specific Mandate at the EGM and/or the Class Meetings will be conducted by way of poll.

A notice convening the EGM was despatched to the Shareholders on 24 July 2018, which is reproduced on pages EGM-1 to EGM-4 of this circular.

A notice convening the H Shareholders Class Meeting was despatched to the Shareholders on 24 July 2018, which is reproduced on pages HCM-1 to HCM-3 of this circular.

To the best knowledge, information and belief of the Directors, after making all reasonable enquiries, none of the Shareholders have any material interests in the Non-public Issue of A Shares or the Specific Mandate. Accordingly, none of the Shareholders are required to abstain from voting on the EGM and/or the Class Meetings.

If you intend to appoint a proxy to attend the EGM and the Class Meetings, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For the H Shareholders, the proxy forms should be returned to Computershare Hong Kong Investor Services Limited by hand or by post not less than 24 hours before the time appointed for holding the EGM and the Class Meetings or any adjourned meeting thereof.

Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM and the Class Meetings or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

If you intend to attend the EGM and the Class Meetings in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited not later than Saturday, 18 August 2018.

VI. RECOMMENDATION

The Directors (including the non-executive Directors) are of the view that the terms of the Non-public Issuance of A Shares and the Specific Mandate are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all the Shareholders to vote in favour of the resolutions to be proposed at the EGM and the Class Meetings.

VII. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

This English translation is for reference only. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

Stock Code: 601717 Abbreviation: ZMJ

Zhengzhou Coal Mining Machinery Group Company Limited

PLAN ON THE NON-PUBLIC ISSUE OF A SHARES IN 2018

July 2018

STATEMENT OF THE COMPANY

The Company and all members of the board of directors (the "Board") warrant the truthfulness, accuracy and completeness of the information herein without any false representations, misleading statements or material omissions.

The Company shall bear its own responsibility for any changes in its operations and income following the Non-public Issue of A Shares; investors shall bear their own investment risks arising from the Non-public Issue of A Shares.

This Plan represents the statement of the Board of the Company on the Non-public Issue of A Shares. Any representations to the contrary shall be deemed as untruthful statements.

If investors are in any doubt, they should consult their securities dealer, solicitor, professional accountant or other professional advisers.

Matters described in this Plan should not be deemed as specific judgments, confirmations, approvals of the approving authorities in respect of matters pertaining to the Non-public Issue of A Shares. The effectiveness and completion of matters pertaining to the Non-public Issue of A Shares described in this Plan is subject to the approvals of the general meeting of the Company and relevant approving authorities.

Notes on Material Matters

1. The Non-public Issue has been considered and approved at the fifth meeting of the fourth session of the Board of the Company held on 23 July 2018 and is still subject to approval by Henan SASAC, the general meeting of the Company, A Shareholders Class Meeting and H Shareholders Class Meeting and the CSRC.

2. The number of Targets under the Non-public Issue will be not more than 10 specific Targets, including institutional investors such as securities investment fund management firms, securities houses, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (including the self-operating accounts or investment product accounts owned by or managed by the aforesaid investors) that comply with the requirements of CSRC, and other legal persons, natural persons or other legal organizations that comply with laws and regulations and the requirements of CSRC. Securities investment fund management firms that subscribe through 2 or more of its funds will be regarded as one single Target. Trust investment companies as Targets can only subscribe with self-owned funds. In case of other provisions on the Targets under laws, administrative regulations, administrative rules of the CSRC or normative documents, such provisions shall prevail.

   Upon obtaining the approval documents from CSRC regarding the Non-public Issue, the Board of the Company under the authorization granted at the general meeting will together with the sponsor (the main underwriter) determine the final Targets by way of bidding in accordance with the relevant requirements of the CSRC.

3. The Non-public Issue will be priced not lower than (i) 90% of the average trading price of the A Shares during the 20 trading days prior to the Price Determination Date (Average trading price of the A Shares during the 20 trading days prior to the Price Determination Date = Total turnover of A Shares traded during the 20 trading days prior to the Price Determination Date divided by the total volume of A Shares traded during the 20 trading days prior to the Price Determination Date), or (ii) the latest audited net asset value per Share immediately before the issuance of A Shares under the Non-Public Issue, whichever is higher. The latest audited net asset value per Share of the Company as of 31 December 2017 is approximately RMB6.23 per Share. The Price Determination Date of the Non-public Issue is the first day of the offering period of the Non-public Issue.

4. The number of A Shares to be issued under the Non-public Issue will not exceed 20% of the total share capital of the Company prior to the Non-public Issue, i.e. will not exceed 346,494,274 Shares. Subject to the aforesaid, the final number of Shares to be issued under the Non-public Issue will be negotiated and determined by the Board and its authorized persons together with the sponsor (the main underwriter) under the authorization granted at the general meeting in accordance with relevant requirements under laws and regulations and requirements under the regulatory authority, upon obtaining approval document from CSRC regarding the Non-public Issue.

   Where ex-right and ex-dividend events such as distribution of dividend, bonus issue, capitalization of capital reserve, issue of new shares or rights issue occurs for A Shares during the period from the Price Determination Date to the date of issue of A Shares, the number of Shares to be issued under the Non-Public Issue shall be adjusted accordingly.

5. All specific Targets will subscribe for Shares under the Non-public Issue by way of cash. Within 12 months from the date of completion of the Non-public Issue, none of the Shares subscribed for by the specific Targets may be transferred. After the expiration of the lock-up period, any transfer shall be carried out in accordance with the relevant requirements of the CSRC and the SSE.

6. Total proceeds from the Non-public Issue will not exceed RMB1.8 billion. Netting off issue expenses, the proceeds are intended to be used in the following five projects:

Unit: RMB'0,000

Order no.	**Project name**	**Total investment**	**Amounts to be invested from the proceeds**
1	Construction of smart factories for comprehensive coal mining equipment	102,780.00	85,000.00
2	Construction of R&D Centre for smart work surface	13,550.00	12,000.00
3	Phase 2 of ASIMCO Industrial Park	50,000.00	40,000.00
4	Smart processing of engine parts	25,659.59	23,000.00
5	Construction of centre for R&D of motors and generators that drive new energy vehicles	23,725.00	20,000.00
Total		**215,714.59**	**180,000.00**

If the net proceeds raised by the Non-public Issue, after netting off issue expenses, is less than the aggregate proposed capital contribution raised for the abovementioned projects, the shortfall will be made up by the Company with its self-raised funds. Prior to the actual receipt of the proceeds to be raised under the Non-public Issue, the Company may, depending on the actual conditions of the progress of the investment projects to be invested, finance these projects using self-raised funds which will be replaced with the proceeds later raised according to the relevant requirements and procedures under laws and regulations. The Board and its authorized persons will adjust and determine the final specific investment projects, order of priority and the specific investment amounts of each project based on the actual amount of net proceeds and the priority of each project.

7. The Non-public Issue will not result in an allocation of the Company's shareholdings that does not conform to its listing conditions or a change in the controlling shareholder and de facto controller of the Company.

8. Upon completion of the Non-public Issue, the retained profits prior to the Non-public Issue will be shared by the new and existing Shareholders in proportion to the number of Shares held upon completion of the Non-public Issue.

9. In accordance with relevant provisions under the Guidelines No. 3 on the Supervision and Administration of Listed Companies — Distribution of Cash Dividends of Listed Companies (CSRC Announcement [2013] No. 43) (《上市公司監管指引第3號 — 上市公司現金分紅》(證監會公告〔2013〕43號)) and the Notice on Further Implementing Matters concerning Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37) (《關於進一步落實上市公司現金分紅有關事項的通知》(證監發〔2012〕37號)) issued by the CSRC, investors are advised to pay attention to the details on profit distribution policy of the Company, cash dividend of the Company for the recent three years, and the shareholders' return plan for the coming three years as set out in "Section IV Profit Distribution of the Company" in this plan.

10. Investors should give special consideration to relevant risk factors when evaluating the Company's plan on Non-public Issue. The specific content of the plan is set out in "VI Risks in Relation to the Issue of Shares" under "Section III Discussion and Analysis of Board on the Influence of the Issue on the Company".

11. In evaluating the Company's plan on Non-public Issue, investors should give special consideration to the current dilution of the Company's operating results due to the Issue. For details, please refer to "Section V Analysis on Dilution of Current Returns Arising from the Non-public Issue and Remedial Measures". The Company's remedial measures do not represent guarantee for the Company's future profits. Upon completion of the Issue, the Company will continue to disclose the completion of remedial measures for current returns and the fulfillment of the undertakings made by relevant parties in periodic reports.

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Definitions

In this Plan, the following terms shall have the meanings set out below, unless the context otherwise requires:

ASIMCO NVH	ASIMCO NVH Technologies Co., Ltd (Anhui)
ASIMCO Shanxi	ASIMCO International Casting Co., Ltd. (Shanxi)
Company Law	the Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
Germany-based BOSCH	Robert Bosch GmbH
Henan Machinery	Henan Machinery Investment Group Co., Ltd.
Henan SASAC	State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government
Hydraulic Control	Zhengzhou Coal Mining Machinery Hydraulic Electrical Control Co., Ltd.
Issue, Non-public Issue	the Non-public Issue of A Shares by ZMJ in 2018
NVH	Noise, vibration and harshness, NVH problem of vehicles is one of the main problems concerned by the major international automobile manufacturers and auto parts enterprises
Plan	the Plan on the Non-public Issue of A Shares by ZMJ in 2018
Proceeds-funded Projects	Construction of smart factories for comprehensive coal mining equipment; Construction of R&D Centre for smart work surface; Phase 2 of ASIMCO Industrial Park; Smart processing of engine parts; Construction of centre for R&D of motors and generators that drive new energy vehicles
RMB, RMB in ten thousand	Renminbi Yuan, ten thousand Renminbi Yuan
Scalable Batch Production	Scalable batch production is a new production mode that responds quickly to the changes in variety and batch of manufactured products.
Securities Law	the Securities Law of the People's Republic of China

SEG	SEG Automobile Germany GmbH
Shares or A Shares	the RMB-denominated shares of the Company with a par value of RMB1.00 each
SSE	The Shanghai Stock Exchange
ZMJ, Listed Company or Company	Zhengzhou Coal Mining Machinery Group Company Limited

Note: Unless otherwise stated, all the figures in the Plan are rounded off to 2 decimal places. The rounding off may result in the total amount of figures being different from the last digits of the summation amount.

Unless otherwise stated, the financial data and financial indicators referenced herein shall mean the financial data prepared on a consolidation basis and the financial indicators calculated based on such financial data, respectively.

SECTION I SUMMARY OF THE PLAN ON THE NON-PUBLIC ISSUE OF A SHARES

I. BASIC INFORMATION ON THE COMPANY

Chinese name: 鄭州煤礦機械集團股份有限公司

English name: Zhengzhou Coal Mining Machinery Group Company Limited

Date of incorporation: 6 November 2002

Date of listing: 3 August 2010

Registered capital: RMB1,732,471,370

Legal representative: Jiao Chengyao

Place of share listing: The Shanghai Stock Exchange, the Hong Kong Stock Exchange

Stock abbreviation: ZMJ

Stock code: 601717.SH, 0564.HK

Registered address: No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province

Office address: No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province

Postal code: 450016

Telephone: 86-371-67891026

Facsimile: 86-371-67891000

Company website: www.zzmj.com

E-mail: zmj@zzmj.com

Scope of business: design, processing, manufacturing of mining machinery and equipment, environmental protection equipment, general machinery, power station equipment, accessory, tool and die; sales of metal materials; corporation management consulting; imports and exports of cargo and technology with exception of cargo and technology prohibited by the state; real estate leasing, tangible property leasing, technology service. (For the items subject to approval under laws, the operation shall be carried out after approval from relevant departments).

II. BACKGROUND AND PURPOSE OF THE NON-PUBLIC ISSUE

(I) Background of the Non-public Issue

1. Promoting intelligent manufacturing is the main direction of promoting innovation and development of manufacturing industry

After decades of rapid development, China's manufacturing industry is at the world's leading level, and has established a complete, independent and integrated manufacturing system. However, compared with advanced countries, the problem of large size but poor strength is more prominent. As China's economic development enters a new normal, economic development faces multiple pressures and dilemmas arising from the rising cost of resources including labour and the tightening of energy conservation and emission reduction constraints. The advantages of traditional manufacturing industry are steadily weakened and the living space is shrinking. The extensive development model that relied mainly on resource element input and scale expansion has been difficult to sustain for a long time.

In May 2015, the State Council issued Made in China 2025 (《中國製造2025》) which proposed: "to promote intellectualization of manufacturing process, construct piloting intelligent factories/digital workshops in key areas, accelerate the application of technologies and equipment including human-machine intelligent interaction, industrial robots, intelligent logistics management, additive manufacturing and other technologies and equipment in the production process, and promote the simulation optimization, digital control, real-time monitoring of status information and self-adaptive control". Promoting intelligent manufacturing is the main direction of promoting innovation and development of manufacturing industry and is of great significance for cultivating new kinetic energy for economic growth, building a new manufacturing system, and promoting the development of manufacturing industry towards middle and high grade.

2. The recovery of the downstream coal industry and the replacement of advanced capacity in the coal industry stimulated the recovery of demand for coal mining machinery

Since 2016, the coal industry has achieved remarkable results in de-capacity, and the profitability of coal enterprises has continued to improve. According to data released by the National Development and Reform Commission, the de-capacity in the coal industry was over 290 million tonnes in 2016, overfulfilling the annual target and about 1,500 small coal mines with the capacity of less than 300,000 tonnes were closed. The State deepened the structural reform at the supply side of the coal industry and the de-capacity in respect of coal was proactively promoted, which resulted in the improvement of supply and demand in the coal industry and share rebound of coal price. According to the data of China National Coal Association, China's coal price

index rose from 124.9 in early 2016 to 165.2 in late June 2018. The rebound of coal price has promoted the recovery of coal enterprises. According to the 2017 Annual Report on Development of Coal Industry (《2017煤炭行業發展年度報告》) issued by China National Coal Association, the main business income of coal enterprises above designated size in China was RMB2.5 trillion in 2017, representing a year-on-year increase of 25.9%, and the total profit amounted to RMB295.93 billion, representing a year-on-year increase of 290.5%.

Meanwhile, the "Thirteenth Five-year" Plan on the Development of Coal Industry (《煤炭工業發展「十三五」規劃》) puts forward that an intensive, safe, efficient and green modern coal industrial system will be basically completed by 2020. The mechanization degree of coal mining should reach 85%, the contribution of scientific and technological innovation to the development of the industry will be further improved, new progress will be made in the informationization and intelligent construction of coal mines, and a number of advanced and efficient intelligent coal mines will be built.

In this context, the replacement of advanced capacity in the coal industry was continuously advanced, the mechanization degree of coal mining and the overall scientific and technological level of the coal industry continued to increase. Coal enterprises' demand for mechanization and intelligence of coal mining continued to rise, stimulating the recovery of demand for coal mining machinery.

3. The steady growth of the automobile industry brings space for the development of auto parts, and product upgrade fits market demand

From 2007 to 2017, the CAGR of China's automobile production and sales exceeded 12%. After years of development, the automobile industry has become a pillar industry of the national economy. At present, China's automobile industry is in the transition period from a growth period to a mature period. According to the statistics of China Association of Automobile Manufacturers, in 2017, the cumulative production and sales of China's autos reached 29,073,300 units and 28,941,400 units, respectively, representing a year-on-year increase of 3.80% and 3.59%, respectively, maintaining relatively steady growth. The production and sales have ranked the first in the world for 9 consecutive years. China's automobile industry market is large in size and stable in growth, which has brought a broad space for development of the auto parts industry.

With the increasing consumption level of residents, the requirements of modern consumers on vehicle comfort are gradually increasing. The noise, vibration and harshness (the "NVH") of vehicles has become an important performance of vehicles. The market demand for quality and quantity of NVH performance-related parts continues to increase. This trend has prompted NVH parts manufacturers to further improve their production capacity and R&D design capability to meet modern consumers' higher pursuit of comfort in vehicles.

Due to the advancement of technology in the industry and the higher requirements on specialized production, the complete machine manufacturers gradually move the processing procedures of rough casting to the upstream foundry works to reduce the investment of its own equipment. At present, thin-wall high-precision castings, low-cut high-precision cylinder blocks and heads and other products are gradually being applied in the engine manufacturing industry. The foundry works have to further improve the high-precision and high-quality manufacturing and processing capabilities to meet the needs of downstream complete machine manufacturers.

4. The new energy automobile industry develops at a high speed, and the demand for new energy-driven motor continues to increase

According to the "Thirteenth Five-year" Plan on Development of National Strategic Emerging Industries (《「十三五」國家戰略性新興產業發展規劃》) issued by the State Council, China will promote the realization of large-scale application of new energy vehicles, strengthen technological innovation, improve the industrial chain, optimize the supporting environment, and implement and improve supportive policies to enhance the industrialization level of battery electric vehicles and plug-in hybrid electric vehicles. By 2020, the production and sales will exceed 2 million vehicles, with an accumulated production and sales of more than 5 million vehicles. The overall technological level will keep pace with the international level, and a group of internationally competitive new energy vehicle vehicles and key parts enterprises will be established. Under the support of the State's policy on vigorously promoting the development of new energy vehicles, the new energy automobile industry has shown a booming development. According to the statistics of China Association of Automobile Manufacturers, in 2017, the production and sales of new energy vehicles reached 782,200 units and 768,800 units, respectively, representing a year-on-year increase of 65.54% and 53.03%, respectively, and the growth rate of production and sales increased by 13.61% and 0.49%, respectively. In the first half of 2018, the production and sales of new energy vehicles were 410,800 units and 408,900 units, respectively, representing a year-on-year increase of 94.52% and 112.12%, respectively.

The drive motor of new energy vehicles is one of the core components of new energy vehicles. In the context of the continuous rapid development in terms of production and sales of new energy vehicles, the market demand for supporting drive motors has increased, and the required technical standards have gradually improved. According to relevant data from the Prospective Industry Research Institute, in 2017, driven by the strong new energy vehicle market, the motor and electric control equipment for China's new energy vehicles exceeded 700,000 sets, and the industry market size reached RMB22.5 billion. It is expected that the development of the industry market will remain strong in the future, and the market size is expected to continue to rise.

5. The Company proactively promotes the steady growth of both main businesses and implements the development strategy of diversified business layout

At present, the Company has formed the industrial layout composed of two main businesses, i.e. coal mining machinery manufacturing and auto parts manufacturing, and has set diversification of its business layout as one of the Company's development strategies. It responds to the new round of scientific and technological revolution and industrial transformation with the industrial layout with multiple supporting points and diverse drives. In future, the coal mining machinery segment will move towards the direction of comprehensive, intelligent and international development. We will build up ourselves as a worldwide top-notch supplier and service provider in respect of comprehensive coal mining machinery equipment and foster the green, intelligent, efficient and safe development of comprehensive coal mining technology. Regarding our auto parts business segment, with ASIMCO and SEG as our main operating bodies, we will focus on intelligent, electrical and light-weight elements in our development, so as to build up an auto parts enterprise with global influence and contribute to environmental protection, energy conservation and emission reduction for the PRC as well as the whole world. The Company proactively fosters the steady growth of business segments, and supports the growth of those businesses under our coal mining machinery segment and auto parts segment with sound potentials in terms of size and strength.

(II) Purpose of the Non-public Issue

1. To enhance the degree of automation and intelligence of production process, and improve product quality and production efficiency

In recent years, the Company's manufacturing process has been continuously improved and a series of advanced technologies and high-end equipment have been put into use. However, it is still dominated by discrete manufacturing. The degree of automation and intelligence is not high and the production efficiency is low, and the manufacturing process has higher requirements on the skills of workers, which is not conducive to the improvement of product quality and production efficiency. The implementation of the Proceeds-funded Projects will uplift the level of automation, IT usage and smart elements in the Company's manufacturing processes, which in turn will uplift the stability of product quality, reduce reliance on individual workers, and further uplift the production efficiency attained by comprehensive coal mining machinery, and in turn response time to customer orders and capability of product fabrication.

2. ***To uplift the production capacity of hydraulic roof support and NVH performance-related parts and the processing capacity for engine castings***

The Company is a leading enterprise in the industry of hydraulic roof support used for comprehensive coal mining. Since 2017, the degree of mechanization of coal mining and the overall scientific and technological level of the coal industry have been continuously improved. The replacement of advanced production capacity has been continuously promoted, and the coal mining machinery enterprises have ushered in the rapid growth of demand. The projects into which the proceeds will uplift the production efficiency and the potential production capacity of the Company's hydraulic roof support used for comprehensive coal mining.

ASIMCO NVH, a wholly-owned subsidiary of the Company, is a core supplier of renowned automobile original equipment manufacturers including SAIC-GM-Wuling Automobile, Chery Automobile, Geely Automobile and BYD Auto. With increasing consumer needs for comfort offered by their vehicles, the demand for upgrading products in the automobile market is expediting, while customer demand for the overall capacity of ASIMCO NVH as well as its ability to offer products with multiple types and variable quantity is on the rise. Market demand for the quality and quantity offered by NVH performance-related parts is also becoming increasingly strong. The Proceeds-funded Projects will expand the production capacity of ASIMCO NVH, stabilize the position of ASIMCO NVH in the auto parts industry as a key supplier, and uplift its competitiveness as an enterprise.

ASIMCO Shanxi, a wholly-owned subsidiary of the Company, is one of the key enterprises in the PRC to produce casting units of engines. It is mainly engaged in the production of casting scrap materials for engine production plants in the PRC and overseas. With technological development and advancement of the industry, engine production plants are currently shifting processing procedures for their casting scrap materials to casting plants, and it has become a requirement of downstream customers that suppliers have to provide products that have been processed in a casting machine. The projects into which proceeds will be invested will, by way of fine processing of casting units and collaborative R&D and so forth, extend the existing production chain of ASIMCO Shanxi, uplift the added value offered by products, create new profit centres, and achieve the sustainable development of the Company.

3. To enhance the Company's research and development capability to reserve technologies for the upgrading and updating of products in the future

The proceeds from the Non-public Issue will be used to invest in building two new R&D centres, to uplift the company's capability in terms of technology research and development, and maintain its competitiveness. In particular, technology R&D related to unmanned surface will be conducive to achieving automation in coal mining and excavation surface, involving fewer people or achieving unmanned excavation, which will represent practical and strategic significance in securing safety in coal mining and fostering the sustainable development of coal resources. R&D centres for motors and generators that drive new-energy vehicles will facilitate the extension of the company's business from start motors and generators to those that drive new-energy vehicles. This will be beneficial to the Company in conveying a pool of technology needed for its growth in the market of motors and generators that drive new-energy vehicles, in order to cater for the future trend of new energy development.

III. ISSUE PRICE, PRICING PRINCIPLE, NUMBER OF ISSUE AND LOCK-UP PERIOD OF THE NON-PUBLIC ISSUE OF A SHARES

(I) Class and denomination of shares to be issued

Shares to be issued pursuant to the Non-public Issue will be RMB-denominated ordinary shares to be listed in the PRC (A Shares), with a par value of RMB1.00 each.

(II) Method of issue

The Non-public Issue is undertaken by way of non-public issue to specific Targets. The Company will issue Shares at such time as appropriate within the validity period as prescribed in the approval document of the CSRC in connection with the Non-public Issue.

(III) Issue price and pricing principle

The Price Determination Date under the Non-public Issue will be the first day of the offering period.

The Non-public Issue will be priced not lower than (i) 90% of the average trading price of the A Shares during the 20 trading days prior to the Price Determination Date (Average trading price of the A Shares during the 20 trading days prior to the Price Determination Date = Total turnover of A Shares traded during the 20 trading days prior to the Price Determination Date divided by the total volume of A Shares traded during the 20 trading days prior to the Price Determination Date), or (ii) the latest audited net asset value per Share immediately before the issuance of A Shares under the Non-Public Issue, whichever is higher. The latest audited net asset value per Share of the Company as of 31 December 2017 is approximately RMB6.23 per Share.

Based on the aforementioned minimum issue price, the final issue price will be determined by the Board together with the sponsor (the main underwriter) under the authorization granted at the general meeting of the Company based on investors' subscription quotation and principles including price priority in accordance with relevant requirements under the Implementation Rules for Non-public Issue of Shares by Listed Companies (《上市公司非公開發行股票實施細則》), upon obtaining approval from CSRC regarding the Non-public Issue.

Where any ex-right and ex-dividend events such as distribution of dividend, bonus issue, capitalization of capital reserve, issue of new shares or rights issue occurs during the period from the Price Determination Date to the date of issue of A Shares, the minimum issue price shall be adjusted accordingly.

(IV) Target and method of subscription

The number of Targets under the Non-public Issue will be not more than 10 specific Targets, including institutional investors such as securities investment fund management firms, securities houses, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (including the self-operating accounts or investment product accounts owned by or managed by the aforesaid investors) that comply with the requirements of CSRC, and other legal persons, natural persons or other legal organizations that comply with laws and regulations and the requirements of CSRC. Securities investment fund management firms that subscribe through 2 or more of its funds will be regarded as one single Target. Trust investment companies as Targets can only subscribe with self-owned funds.

Upon obtaining the approval documents from CSRC regarding the issue, the Board of the Company under the authorization granted at the general meeting will together with the sponsor (the main underwriter) determine the final Targets by way of bidding in accordance with the relevant requirements of the CSRC.

All specific Targets will subscribe for Shares under the Non-public Issue by way of cash.

(V) Number of shares to be issued

The number of A Shares to be issued under the Non-public Issue will not exceed 20% of the total share capital of the Company prior to the Non-public Issue, i.e. will not exceed 346,494,274 Shares. Subject to the aforesaid, the final number of Shares to be issued under the Non-public Issue will be negotiated and determined by the Board and its authorized persons together with the sponsor (the main underwriter) under the authorization granted at the general meeting in accordance with relevant requirements under laws and regulations and requirements under the regulatory authority, upon obtaining approval document from CSRC regarding the Non-public Issue.

Where ex-right and ex-dividend events such as distribution of dividend, bonus issue, capitalization of capital reserve, issue of new shares or rights issue occurs for A Shares during the period from the Price Determination Date to the date of issue of A Shares, the number of Shares to be issued under the Non-Public Issue shall be adjusted accordingly.

(VI) Lock-up period

Within 12 months from the date of completion of the Non-public Issue, none of the A Shares subscribed for by the specific Targets under the Non-public Issue may be transferred. After the expiration of the lock-up period, any transfer shall be carried out in accordance with the relevant requirements of the CSRC and the SSE.

(VII) Arrangement for retained profits

Upon completion of the Non-public Issue, the retained profits prior to the Non-public Issue will be shared by the new and existing Shareholders in proportion to the number of Shares held upon completion of the Non-public Issue.

(VIII) Effective date of resolution regarding the Issue

The resolutions in relation to the Non-public Issue will be effective for 12 months from the date of approval at the general meeting, A Shareholders Class Meeting and H Shareholders Class Meeting of the Company.

(IX) Place of listing

Application will be made by the Company for listing of the Shares to be issued under the Non-public Issue on the SSE.

IV. USE OF PROCEEDS

Total proceeds from the Non-public Issue of A Shares will not exceed RMB1.8 billion. Netting off issue expenses, the proceeds are intended to be used in the following five projects:

Unit: RMB'0,000

Order no.	Project name	Total investment	Amounts to be invested from the proceeds
1	Construction of smart factories for comprehensive coal mining equipment	102,780.00	85,000.00
2	Construction of R&D Centre for smart work surface	13,550.00	12,000.00
3	Phase 2 of ASIMCO Industrial Park	50,000.00	40,000.00
4	Smart processing of engine parts	25,659.59	23,000.00
5	Construction of centre for R&D of motors and generators that drive new energy vehicles	23,725.00	20,000.00
Total		**215,714.59**	**180,000.00**

If the net proceeds raised by the Non-public Issue, after netting off issue expenses, is less than the aggregate proposed capital contribution raised for the abovementioned projects, the shortfall will be made up by the Company with its self-raised funds. Prior to the actual receipt of the proceeds to be raised under the Non-public Issue, the Company may, depending on the actual conditions of the progress of the investment projects to be invested, finance these projects using self-raised funds which will be replaced with the proceeds later raised according to the relevant requirements and procedures under laws and regulations. The Board and its authorized persons will adjust and determine the final specific investment projects, order of priority and the specific investment amounts of each project based on the actual amount of net proceeds and the priority of each project.

V. WHETHER THE NON-PUBLIC ISSUE CONSTITUTES A CONNECTED TRANSACTION

None of the controlling shareholder, de facto controller and its controlled entities will subscribe for the Shares under the Non-public Issue. The Non-public Issue does not constitute a connected transaction.

VI. WHETHER THE NON-PUBLIC ISSUE WILL RESULT IN CHANGE IN CONTROL OF THE COMPANY

As of the date of issuing this plan, the Company is held as to 30.08% by Henan Machinery, the controlling shareholder of the Company, which is in turn held as to 100.00% by Henan SASAC, the de facto controller of the Company.

It is expected that, upon completion of the Non-public Issue, Henan Machinery will remain the controlling shareholder of the Company and Henan SASAC will remain the de facto controller of the Company.

VII. OUTSTANDING APPROVAL PROCEDURES TO BE FULFILLED IN RESPECT OF THE NON-PUBLIC ISSUE

The matters related to the Non-public Issue of A Shares have been considered and approved at the fifth meeting of the fourth session of the Board of the Company held on 23 July 2018. According to relevant laws and regulations, the Plan on the Non-public Issue is still subject to approval by Henan SASAC, consideration and approval at the general meeting, A Shareholders Class Meeting and H Shareholders Class Meeting of the Company and approval by the CSRC.

Upon obtaining the abovementioned approvals, the Company will proceed with the Issue, registration and listing in relation to the Non-public Issue of A Shares.

SECTION II FEASIBILITY ANALYSIS OF THE BOARD ON THE USE OF PROCEEDS

I. PLAN ON USE OF PROCEEDS

Total proceeds from the Non-public Issue of A Shares will not exceed RMB1.8 billion. Netting off issue expenses, the net proceeds are intended to be used in the following five projects:

Unit: RMB'0,000

Order no.	Project name	Total investment	Amounts to be invested from the proceeds
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4	Smart processing of engine parts	25,659.59	23,000.00
5	Construction of centre for R&D of motors and generators that drive new energy vehicles	23,725.00	20,000.00
Total		**215,714.59**	**180,000.00**

If the net proceeds raised by the Non-public Issue, after netting off issue expenses, is less than the aggregate proposed capital contribution raised for the abovementioned projects, the shortfall will be made up by the Company with its self-raised funds. Prior to the actual receipt of the proceeds to be raised under the Non-public Issue, the Company may, depending on the actual conditions of the progress of the investment projects to be invested, finance these projects using self-raised funds which will be replaced with the proceeds later raised according to the relevant requirements and procedures under laws and regulations. The Board and its authorized persons will adjust and determine the final specific investment projects, order of priority and the specific investment amounts of each project based on the actual amount of net proceeds and the priority of each project.

II. BASIC INFORMATION ON THE PROCEEDS-FUNDED PROJECTS

(I) Construction of smart factories for comprehensive coal mining equipment

1. Basic information on the project

The Company is a leading enterprise in respect of hydraulic roof support used for comprehensive coal mining. In order to further improve the degree of automation and intelligence for production of hydraulic roof support used for comprehensive coal mining, the Company plans to increase and transform the automated production lines while building MES and other information systems to build intelligent factories for manufacturing equipment used for comprehensive coal mining.

The total planned investment in the project is RMB1,027.8 million, of which RMB850 million will be from the proceeds. The entity to implement the project is Zhengzhou Coal Mining Machinery Group Company Limited.

2. Necessity of project construction

(1) Meeting the development needs of China's coal industry

On 4 February 2015, the National Energy Administration issued the Guidance of the National Energy Administration on Promotion of Scientific Development of the Coal Industry (《國家能源局關於促進煤炭工業科學發展的指導意見》) which proposed "to improve the recovery rate and utilization efficiency of coal resources, promote the comprehensive development and utilization of coal and associated resources". The equipment used for comprehensive coal mining to be produced in this project is an important guarantee for improving the recovery rate and utilization efficiency of coal resources.

The "Thirteenth Five-year" Plan on Development of the Coal Industry (《煤炭工業發展「十三五」規劃》) put forward "to speed up the research and development of equipment with advanced technologies including complete machines used for comprehensive coal mining with the capacity of ten million tones and coal washing dressing equipment with the capacity of ten million tones, solve problems with the reliability and stability of complete coal mining equipment and critical parts, and improve the digital control, automated production and remote operation capability of coal mining equipment". The construction of this project can improve the quality, reliability and stability of equipment used for comprehensive coal mining and meet the development needs of China's coal industry.

(2) Conducive to promoting the modernization of coal mining machinery manufacturing

Although China is a large country in respect of production of equipment used for comprehensive coal mining, it has been large but not strong in this respect for a long time. The level of process and equipment technology is relatively backward. The degree of automation and intelligence of production process is low, and the precise control ability is weak, which cannot meet the development requirements of high-end products and green production. This project is in line with the national policy on development of high-end equipment manufacturing industry, and promoting enterprises to optimize the process, eliminate backward processes, and improve the intelligent level of manufacturing process, to achieve transformation and upgrade. At the same time, this project is an important way and carrier to lead the transformation and upgrading of coal mining machinery industry including hydraulic roof support, improve the quality and efficiency of economic growth, and accelerate the pace of modernization of coal mining machinery manufacturing, and is in line with the State's strategic requirements on improvement of the intelligent level of manufacturing process.

(3) Beneficial to the improvement of the quality of enterprise development

In recent years, the manufacturing process of hydraulic roof support of ZMJ has achieved rapid development. A series of advanced technologies and high-end equipment have been put into use, but still cannot meet the manufacturing requirements of hydraulic roof support. The current technological equipment has the following shortcomings: all processing equipment is CNC equipment, but manufacturing is still dominated by discrete manufacturing. The level of automation and intelligence is not high, and the production efficiency is low; the assembly and welding of structural parts are mainly conducted manually and have higher requirements on the skills of workers. The unstable product quality of manual welding is not conducive to product quality improvement; despite of the introduction of advanced information software including ERP and PLM, the degree of informatization of manufacturing process is not high.

This project is conducive to improving the automation, informationization and intelligence level of the Company's manufacturing, improving product quality stability, reducing the dependence of manufacturing process on labour, and further improving the manufacturing efficiency of equipment used for comprehensive coal mining, speed of response to customer order and products production capacity.

3. Feasibility of project construction

(1) With the concentration of the coal industry, the utilization rate of coal mining equipment will be further increased

Along with coal de-capacity, the pattern composed of large production bases and large groups for coal production has gradually formed. The coal industry has integrated resource endowment, development intensity, market location, environmental capacity, transportation channel, de-capacity and other factors in accordance with the overall layout idea of coal development featured by "compression in the east, restriction in the central and northeast, and optimization in the west" to promote concentration of coal production to large coal bases, and cultivated several supergiant coal enterprise groups with the production capacity of one hundred million tonnes and a batch of modern coal enterprise groups with strong international competitiveness.

In February 2016, the State Council issued opinions that, on the basis of elimination of backward production capacity of coal in recent years, within 3 to 5 years from 2016, the production capacity of about 500 million tonnes shall be eliminated, and the production capacity of about 500 million tonnes shall be reduced or reorganized; meanwhile, the approval of new coal mine projects, etc. shall be ceased in principle within 3 years. With the strict implementation of policy, backward production capacity will be eliminated, which is mainly reflected in the closure of small coal mines with a capacity of less than 300,000 tonnes. In 2015, the mechanization rate of coal mining machinery was greater than 95% for large coal mines, greater than 70% for medium-sized coal mines and greater than 55% for small coal mines, of which small coal mines accounted for about 10% of production and less than 15% of production capacity. At the same time, the improvement of economic development and laws and regulations has also greatly increased labour costs and safe production costs. With the elimination of small coal mines, the concentration of coal enterprises will be higher and higher, and the utilization rate of coal mining machinery will be further improved.

(2) The Company has the strength and foundation to promote the implementation of intelligent factories

The Company is a professional manufacturer of equipment used for comprehensive coal mining integrating scientific research, development, design, manufacture and trade. The leading product is support equipment used for comprehensive coal mining and has a sales network covering almost all coal producing areas in China; and its products have been exported to Russia, the United States, Australia, Turkey, India, Vietnam and other countries.

The Company has a National Enterprise Technical Center, as well as academic research and development platforms including academician work stations, post-doctoral work stations and Henan Engineering Technology Research Center. At the same time, it has more advanced automatic production lines for sheet metal cutting, welding and spraying, automatic production lines for column jacks, and the world's largest assembly production line of hydraulic roof support. In recent years, the Company's hydraulic roof support manufacturing technology has achieved rapid development and a series of advanced technologies and high-end equipment have been put into use. The Company has the strength to build intelligent factories for equipment used for comprehensive coal mining and is capable of integrating informatization, automation and intelligence into the design and manufacturing processes, in order to achieve intelligent design process, intelligent manufacturing process and intelligent equipment manufacturing.

4. Particulars of project construction

(1) Location of construction site

The project implementation site is No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC.

(2) Main construction contents

In the project, it is planned to renovate certain of the original production lines and certain public facilities, and add some automated production lines. At the same time, it is proposed to build information-based systems including MES to build intelligent factories for equipment used for comprehensive coal mining.

5. Plan on investment in the project

The total investment in the project amounts to RMB1,027.80 million, of which RMB850 million will be from the proceeds and the rest shall be funded through self-financing by the Company. The specific composition of the total investment in the project is as follows:

Unit: RMB'0,000

Order no.	Investment composition	Amount of investment	Proportion
1	Equipment purchase and installation fee	83,968	81.70%
2	Other engineering expenses	1,920	1.87%
3	Reserves	4,292	4.18%
4	Initial working capital	12,600	12.26%
Total		**102,780**	**100.00%**

6. Economic evaluation on the project

The project's after-tax internal rate of return is 17.05% and the investment payback period is 7.2 years (after tax, including the construction period).

(II) Construction of R&D Centre for smart work surface

1. Basic information on the project

The Company will accelerate the research on the smart work surface of coal mining through construction of R&D Centre for smart work surface and on the basis of the application of existing automatic coal mining face technology, striving to make a major breakthrough in terms of intelligent product and technology of fully mechanized coal mining face.

The total planned investment in the project amounts to RMB135.50 million, of which RMB120 million will be from the proceeds. The entity to implement the project is Zhengzhou Coal Mining Machinery Hydraulic Electrical Control Co., Ltd., a wholly-owned subsidiary of the Company.

2. Necessity of project construction

(1) Satisfaction of the requirements of the State on the development of coal mining equipment

China's manufacturing industry is at the world's leading level, and some advantageous fields have reached or approached the world's advanced level. However, compared with developed countries, there is still a clear gap between in terms of manufacturing innovation capability, overall quality and competitiveness, and China has a large size but poor strength in this regard. Therefore, realizing the transition from a large manufacturing country to a powerful manufacturing country is a major strategic goal that China's manufacturing industry should strive to achieve in the new era. The Outline of the Plan on National Medium- and Long-Term Science and Technology Development (2006-2020) (《國家中長期科學和技術發展規劃綱要(2006-2020年)》) proposes "focusing on research and development of efficient coal mining technologies and supporting equipment"; and intelligent mining technology for unmanned work surfaces has been included in the Directory of Key Products and Services for Strategic Emerging Industries (《戰略性新興產業重點產品和服務指導目錄》).

In recent years, national and local governments have successively issued and formulated documents and policies that encourage the use of advanced technologies for coal mining, encourage technological research, and support the research of mining technologies excavation surface, involving fewer people or achieving unmanned excavation. The development of automated and intelligent coal mining technology is the need for safe, high-yield and efficient coal production in China and it is also the need for China to change from a large manufacturing country to a powerful manufacturing country.

(2) Conducive to improving coal mine safety and coal mining efficiency

With the rapid development of China's economy, the coal demand also increases rapidly and the coal industry has contributed to the invincible momentum for the rapid development of the national economy. However, at the same time, as the depth of mining increases, the mining difficulty becomes increasingly large, specifically in terms of the higher underground gas pressure, penetration of karst water, more complicated geological conditions, and significantly increased mine pressure, which result in a series of mine disasters including coal and gas outburst and water inrush.

With the intelligent identification technologies for complex coal and rock mass in thin coal seams and the dangerous areas with gas and water, research is conducted on mining equipment automation and remote monitoring technology and improvement of automation equipment in coal mines, to realize automation involving fewer people or achieving unmanned excavation at coal mining faces and promote the transformation of coal mining from traditional labor-intensive mode to equipment-intensive mode to improve efficiency of coal resource exploitation and reduce heavy casualties in underground coal mines, which is of great realistic and strategic significance for guaranteeing the safety of coal mines and promoting the sustainable development of coal resources.

3. Feasibility of project construction

(1) The Company has the strength to provide an effective carrier for the development of intelligent fully mechanized mining face

The Company is one of the largest R&D and manufacturing enterprises of hydraulic roof support used for comprehensive coal mining in the world. Its hydraulic roof support used for comprehensive coal mining is used by the major coal industry groups throughout the country and has been successively exported to Russia, the United States, Australia, Turkey, India, Vietnam, etc. Meanwhile, the Company has national enterprise technological centers, post-doctoral work stations, academician work stations and other scientific research institutions, and has successively undertaken the research and development of a number of national key comprehensive coal mining equipment projects, leading the development direction of China's coal mining equipment.

The Company has abundant capital, technology and production capacity, providing an effective carrier for the development of intelligent fully mechanized mining face.

(2) The Company has the technical reserves to develop intelligent fully mechanized mining face

The Company's hydraulic electronic control technology center has been engaged in the development of hydraulic systems and valves used for support for more than 20 years and the automatic development of the electronic control systems used for support and working faces for more than 10 years. It has successively developed 4 generations of electro-hydraulic control systems and more than 100 kinds of electrical and valve products used for mining, covering working face automation system, intelligent supply and distribution system, electro-hydraulic control system for support, valve for support, sensor, system software, intelligent mine APP, big data of mines, etc.

The Company's hydraulic electronic control technology center began research on automation of fully developed mining face in 2007. In June 2007, the electric hydraulic control R&D center set up a project for development "electro-hydraulic control system for hydraulic roof support used for comprehensive coal mining". In 2009, it developed the electronic control system for support with the complete proprietary intellectual property rights. According to the appraisal by academicians of the Chinese Academy of Sciences and Chinese Academy of Engineering as organized by the Department of Science and Technology of Henan Province, the result has reached the "international advanced level" and broken the monopoly position of similar foreign products. After more than ten years of development, the Company has reached the leading position in the fields of electro-hydraulic control of support and working face automation. In 2017, the first working face automation project of ZMJ was applied in Fucun Coal Mine of Zaozhuang Mining Group, making the Company one of the few manufacturers with the ability to automate the working face at home and abroad. The Company's existing technologies and talent pool can provide strong support for further research and development of intelligent working face.

4. Particulars of project construction

(1) Location of construction site

The project implementation site is No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC.

(2) Main construction contents

The main construction contents of the project include the construction and renovation of laboratories, addition of key laboratory equipment, purchase of software, and introduction of proprietary technologies.

5. Plan on investment in the project

The total investment in the project amounts to RMB135.50 million, of which RMB120 million will be from the proceeds and the rest shall be funded through self-financing by the Company. The specific composition of the total investment in the project is as follows:

Unit: RMB'0,000

Order no.	Investment composition	Amount of investment	Proportion
1	Construction and installation engineering costs	1,077	7.95%
2	Equipment purchase and installation fee	9,966	73.55%
3	Other engineering expenses	2,241	16.54%
4	Reserves	266	1.96%
Total		**13,550**	**100.00%**

6. Economic evaluation on the project

This project does not directly generate economic benefits. The implementation of this project will help to further enhance the intelligent R&D capability of the Company's coal mining face, enhance the competitiveness of the Company's products in the market, and indirectly have positive effects on the Company's financial position and operating results.

(III) Phase 2 of ASIMCO Industrial Park

1. Basic information on the project

NVH performance is an important indicator to measure the overall quality of automobile manufacturing. The improvement of NVH performance can improve vehicle performance, driving comfort and the comprehensive quality of automobile manufacturing, and meet customer needs.

In the project, it is planned to invest in the construction of Phase 2 of ASIMCO Industrial Park with an annual production capacity of 140 million high-end rubber sealing products for automobiles, 20 million coatings and 520 million miscellaneous products.

The total planned investment in the project amounts to RMB500 million, of which RMB400 million will be from the proceeds. The entity to implement the project is Anhui ASIMCO Hermetic Seal Technology Co., Ltd., a third-tier wholly-owned subsidiary of the Company.

2. Necessity of project construction

(1) This project is the need for China's manufacturing and industrial upgrading

At present, China's economic development has entered a new normal, and the development of the manufacturing industry is facing new challenges. It is imperative to adjust the structure, conduct transformation and upgrading, and improve quality and efficiency. To build a powerful manufacturing country, we must firmly grasp the current rare strategic opportunities, proactively respond to challenges, and strengthen overall planning. We have to highlight innovation driving and rely on Chinese equipment and Chinese brands to realize the transformation from Made in China to Created in China, transformation from Chinese speed to Chinese quality, transformation from Chinese products to Chinese brands and accomplish the strategic task of transformation from large size to powerful strength for China's manufacturing. For automobile industry as an important industry for the national economy, to raise the level of the automobile manufacturing industry is an important way to upgrade the manufacturing industry. Through the construction of this project, ASIMCO NVH will increase product research and development efforts and improve the production technology level, to better promote the cooperation between complete vehicle and auto parts industries in the automobile industry chain.

(2) The project is the need for improving the NVH characteristics and driving comfort of vehicles

With the improvement of people's consumption level, there is a higher requirement on the quality of vehicle, especially the NVH performance. NVH is the abbreviation of noise, vibration and harshness. It is used to measure the comprehensive problem of automobile manufacturing quality. The feeling brought by it to car users is the most direct and superficial. Therefore, NVH problem of vehicles has become one of the focuses of the major automobile manufacturers and parts enterprises in the international automobile industry. In the project, it is proposed to provide sealing products for major engine plants by increasing the production capacity of seals, provide customers with a full set of technologies to solve automobile noise and provide comfort, and improve NVH performance and driving comfort of vehicles.

(3) This project is the need for the Company to expand production capacity and enhance enterprise competitiveness

In recent years, with the acceleration of the update speed of products in the automobile market, automobile manufacturing has presents more and more new trends including multi-variety production, Scalable Batch Production and market demand-oriented production. Therefore, the manufacturing of auto parts is also progressing toward an efficient and flexible manufacturing method that is featured by multiple varieties, scalable batches, and low cost. In the project, it is proposed to build a modern production line with an annual output of 140 million seals, 20 million coatings and 520 million miscellaneous products. It is constructed with the investment by ASIMCO NVH on the basis of making full use of its own advantages, in order to meet market demands and to become bigger and stronger. Through the construction of this project, ASIMCO NVH can expand its production capacity and stabilize its position as a backbone enterprise in the field of auto parts, which will help enhance its competitiveness.

3. Feasibility of project construction

(1) The market for auto parts is vast

As the upstream of the automobile industry chain, most of the business of parts enterprises is supporting production of the automobile main engine factories, so the parts industry and the downstream vehicle industry basically keep the demand in sync. As an important component of the world automobile industry, China's automobile industry has completed the process from small to large, and is gradually achieving a leap from weak to strong. The global automobile industry is further shifting to China and some emerging economies. After years of development, China's automobile industry has become a pillar industry of the national economy. According to the statistics of China Association of Automobile Manufacturers, the production and sales of automobiles in January to June 2018 was 14,053,700 units and 14,063,000 units, respectively, representing a year-on-year increase of 3.91% and 5.31%, respectively. The sales growth rate was 1.04 percentage points higher than that for the same period of the previous year. As at 2017, China's automobile production and sales have ranked the first in the world for nine consecutive years. The downstream automobile market is large in scale and stable in growth, and the auto parts industry has a broad development space.

(2) The Company has strong technical reserves and production experience

After years of production accumulation, ASIMCO NVH has formed a mature rubber product production process with the advantages of advancement, high efficiency and precision. ASIMCO NVH has accumulated rich process parameters and optimized process flow for many years, which greatly improved production efficiency and product consistency. The Company also has a dedicated technology research and development center to provide strong technical support. In the meantime, ASIMCO NVH is a professional rubber product manufacturing enterprise with complete industrial chain and a full range of capabilities covering material preparation, product design, mold development, production and testing to final sales. Relying on the existing rich technical reserves and production experience, the Company can effectively guarantee the smooth implementation of this project.

(3) The Company has rich downstream customer resources

At present, automobile manufacturers have increasingly higher requirements on parts. After a large-scale restructuring, the entire parts supply market will be dominated by large parts suppliers. The parts enterprises required by the automobile manufacturers in the future are not purely parts suppliers in the traditional sense but suppliers that can provide system solutions for parts, and have very high requirements on the integration and innovation capabilities of supplier's systems. Therefore, parts enterprises are required to work closely with automobile manufacturers in the early stage of advanced technology development, and support each other in business development. At present, ASIMCO NVH's domestic sales manufacturers include Dongfeng Peugeot Citroen, Dongfeng Nissan, Brilliance, SAIC-GM-Wuling, Chery, Geely, BYD, Chongqing Qingling, Dongfeng Automobile, etc. The investment in the project to improve product production technology through increased product research and development efforts can better promote cooperation with automobile manufacturers. Relying on the Company's abundant downstream customer resources, the difficulty encountered by the Company in opening the market and expanding sales channels will be greatly reduced, and the Company can quickly win market opportunities.

4. Particulars of project construction

(1) Location of construction site

The project implementation site is ASIMCO Industrial Park, Heli Park, Anhui Ningguo Economic and Technological Development Zone.

(2) Main construction contents

In the project, it is proposed to invest in construction of Phase 2 of ASIMCO Industrial Park in the original factory area. Through the construction of new plants, R&D and training complex, storage workshops and supporting ancillary buildings, as well as purchase of vacuum flat vulcanizing machines, injection machines, open mills, and other main process equipment, the project will reach an annual production of 140 million high-end rubber seals for automobiles, 20 million coatings and 520 million miscellaneous products.

5. Plan on investment in the project

The total investment in the project amounts to RMB500 million, of which RMB400 million will be from the proceeds and the rest shall be funded through self-financing by the Company. The specific composition of the total investment in the project is as follows:

Unit: RMB'0,000

Order no.	Investment composition	Amount of investment	Proportion
1	Construction and installation engineering costs	18,310.00	36.62%
2	Equipment purchase and installation fee	23,519.00	47.04%
3	Other engineering expenses	1,028.00	2.06%
4	Reserves	2,143.00	4.29%
5	Initial working capital	5,000.00	10.00%
Total		**50,000.00**	**100.00%**

6. Economic evaluation on the project

The project's after-tax internal rate of return is 21.19% and the investment payback period is 6.91 years (after tax, including the construction period).

(IV) Smart processing of engine parts

1. Basic information on the project

ASIMCO Shanxi is one of the largest engine casting production bases in China. It is an important supplier of engine cylinder blocks and heads and ferrous castings in China. In the project, it is proposed to construct production lines for smart processing of engine parts in the Company's original factory area, in particular an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder blocks and an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder heads.

The total planned investment in the project amounts to RMB256.5959 million, of which RMB230 million will be from the proceeds. The entity to implement the project is ASIMCO International Casting Co., Ltd. (Shanxi), a second-tier wholly-owned subsidiary of the Company.

2. Necessity of project construction

(1) This project is an important means for the Company to improve quality and efficiency

Automobile industry is a basic industry of China. The quality and efficiency of the production of engine, as the core component of automobile, not only determine the quality of automobile products, but also determines the level of enterprise's efficiency. With the intensification of competition in the industry and the advancement of technology, high-quality products and efficient production capacity is the key to the future success of enterprises. The improvement of quality and efficiency can effectively maximize the benefits of enterprises. In the construction of production lines for smart processing of engine parts, the introduction of high-tech production equipment at home and abroad for intelligent, digital and networked production will help the Company to achieve lean production management, improve product quality and production efficiency, and enhance enterprise competitiveness and economic efficiency.

(2) This project is the need for technological advancement in the industry.

With the increasingly severe requirements under energy conservation, emission reduction and environmental protection laws and regulations, intensive integration technology of engine is the only way to respond to industry development and regulatory requirements. The application of advanced technologies including high-efficiency low-emission combustion technology, high-pressure common rail fuel supply technology, exhaust gas recirculation technology, exhaust gas

turbocharging technology, and NVH technology requires new processes and new materials for engine manufacturing. Thin-wall high-precision castings, low-cut high-precision cylinder blocks and heads and other products are gradually being applied in the engine manufacturing industry. The digital, networked and intelligent manufacturing process has become the main direction of high-efficiency, precision and high-quality manufacturing of major components including engine cylinder blocks and heads.

(3) This project is the need for the company's own development

ASIMCO Shanxi is one of the largest engine casting production bases in China. Currently, it mainly supplies casting blanks for domestic and foreign engine manufacturers. With the development and advancement of industry technology, the current automobile enterprises are gradually transferring the processing procedures of casting blanks to the foundry works and requiring suppliers to provide casting machines and finished parts. In order to enhance the market competitiveness of ASIMCO Shanxi and provide quality products to domestic and foreign customers, ASIMCO Shanxi intends to extend the existing industrial chain through the investment in and construction of this project and increase the added value of products, to create new profit growth points and realize its sustainable development.

3. Feasibility of project construction

(1) The company has the advantage of industrial chain

The main products of ASIMCO Shanxi are diesel engine cylinder blocks and heads. In order to extend the industrial chain and form a new profit growth point, the company plans to invest in the construction of this project. In the project, it is proposed to an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder blocks and an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder heads. Based on the company's production experience and technology advantages in respect of rough casting products, the company can provide different enterprise customers with personalized multi-level machining of engine parts, to achieve high value-added conversion of engine parts, and provide customers with whole value chain services from design to manufacturing.

(2) The company has technical advantages

ASIMCO Shanxi has a complete technology research and development system, product research and development methods and a complete range of equipment. The company has advanced technologies and technologies including melting, core making, sand processing and casting introduced from Caterpillar of the United States, advanced machines from Germany, Spain and Italy, and more than 30 professional technical research and development personnel. Meanwhile, with the preparation and construction of this project, ASIMCO Shanxi has set up a professional technical team, and has carried out pre-technical interaction and joint research and development with Perkins, Cummins, CAMC, Hino and other customers to complete analysis on product process and technology, consolidating the technical reserves for the implementation of the project.

(3) The company has brand advantages

ASIMCO Shanxi is a national backbone manufacturer of casting machine. Its products are exported to the United States, Japan, India and other countries, and it has a number of important Chinese customers, including Dongfeng Cummins, Chongqing Cummins, Foton Cummins, Hualing Heavy Duty Truck, Jiangling Heavy Duty Truck, Sany Heavy Industry, SFH. Especially in the fields of commercial vehicles and passenger vehicles, ASIMCO Shanxi has a good brand image and customer base advantages. The implementation of this project will give full play to the advantages of ASIMCO brand and provide good support and guarantee for the market sales of the project's products.

4. Particulars of project construction

(1) Location of construction site

The project implementation site is ASIMCO Shanxi in Jiangxian Economic Development Zone, Yuncheng City, Shanxi Province.

(2) Main construction contents

In the project, it is proposed to invest in construction of production lines for smart processing of engine parts. The company will build new plants, ancillary facilities and other buildings and purchase combined milling, high speed machining center, finishing machines and other major processing equipment to build an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder blocks and an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder heads.

5. Plan on investment in the project

The total investment in the project amounts to RMB256.5959 million, of which RMB230 million will be from the proceeds and the rest shall be funded through self-financing by the Company. The specific composition of the total investment in the project is as follows:

Unit: RMB'0,000

Order no.	Investment composition	Amount of investment	Proportion
1	Construction and installation engineering costs	1,880.00	7.33%
2	Equipment purchase and installation fee	21,056.00	82.06%
3	Other engineering expenses	603.23	2.35%
4	Reserves	1,412.35	5.50%
5	Initial working capital	708.00	2.76%
Total		**25,659.59**	**100.00%**

6. Economic evaluation on the project

The project's after-tax internal rate of return is 15.07% and the investment payback period is 7.25 years (after tax, including the construction period).

(V) Construction of centre for R&D of motors and generators that drive new energy vehicles

1. Basic information on the project

This project is a motor research and development center project of ZMJ. The construction contents include construction of a new R&D center, purchase of software and hardware for the development platform and R&D of the required rough processing, trial installation, testing and physical and chemical equipment.

The total planned investment in the project amounts to RMB237.25 million, of which RMB200 million will be from the proceeds. The entity to implement the project is Zhengzhou Coal Mining Machinery Group Company Limited.

2. Necessity of project construction

(1) This project is in line with the national policy on new energy automobile industry

In recent years, the State has issued a number of policies to support the development of new energy automobile industry, including the Development Plan for Energy-saving and New Energy Automobile Industry (2012–2020) (《節能與新能源汽車產業發展規劃(2012–2020年)》), the Guidance on Accelerating the Promotion and Application of New Energy Vehicles (《關於加快新能源汽車推廣應用的指導意見》), the Technology Roadmap of Energy-saving and New Energy Vehicles (《節能與新能源汽車技術路線圖》) and the "Thirteenth Five-year" Plan on Development of National Strategic Emerging Industries (《「十三五」國家戰略性新興產業發展規劃》). Driven by a series of policies and market demands, the sales of new energy passenger cars and commercial vehicles has shown rapid growth in recent years. As one of the three core components of new energy vehicles, the drive motor has also shown rapid growth with the growth of automobile market.

(2) This project is the need to protect the environment and promote the sustainable development of society.

The development of new energy industries will reduce the dependence on traditional energy sources represented by oil and have important strategic significance for the country's economic development and energy supply security. The development of new energy vehicles using electric energy will help reduce carbon emissions in the transportation sector and reduce the problems of exhaust gas, dust and noise caused by traditional transportation vehicles. Electric-powered vehicles make transportation energy diversified and recyclable, reduce the country's energy dependence on oil import and improve the national energy security level; the entire industrial chain of new energy vehicles, as an emerging industry, covers a wide range and can drive the progress of a series of industries including battery, energy storage, and power grid and promote the development of the automobile industry.

(3) This project is the need to improve the international competitiveness of China's automobile industry

Globally, the technological transformation of new energy vehicles with the focus on power electrification, structural lightweight, and vehicle intelligence is developing in depth. Focusing on the construction and strengthening of research and development of special motors and electric vehicle performance will help improve the competitiveness of the Chinese automobile industry, especially the electric vehicle industry. The key technologies of China's traditional automobile industry have always lagged behind the international advanced level. However, the development of electric vehicles has almost stood on the same starting line from the beginning. Before the world electric vehicle industry pattern has yet to be formed, China can give full play to its advantages. The transformation from traditional vehicles to electric vehicles presents a strategic opportunity for China's automobile industry to transform from a chaser to a leader.

(4) This project is the need for strategic development of enterprise

New energy vehicle's power battery system, drive motor system, and vehicle electronic control system have become key technologies for the development of new energy automobile industry. After acquisition of the starter and generator businesses of ASIMCO Group and Germany-based BOSCH, ZMJ has achieved breakthroughs in key core technologies including start motor and 48V low-voltage hybrid motors, and formed the strategy of development of two main businesses of coal mining machinery and auto parts. The implementation of this project is in line with the direction of development strategy of the auto parts manufacturing sector of the Listing Company. The company can rely on its strong technical strength and product research and development capabilities to enable it to master the core technologies of drive motor for new energy vehicle and achieve industrialization, so as to quickly seize the high-end domestic and international market of drive motor for new energy vehicles by virtue of its good product performance and sales network. Consolidating and enhancing the core competitiveness of the company's products is an important measure to implement the company's development strategy and has important practical significance and far-reaching strategic significance.

3. Feasibility of project construction

(1) Policy basis

In recent years, the State has introduced a number of policies to encourage the development of new energy vehicle-related industries. The Decision of the State Council on Accelerating the Cultivation and Development of Strategic Emerging Industries (Guo Fa [2010] No. 32) (《國務院關於加快培育和發展戰略性新興產業的決定》(國發[2010]32號)) identifies the new energy automobile industry as one of the seven strategic emerging industries; the Made in China 2025 (Guo Fa [2015] No. 28) (《中國製造2025》(國發[2015]28號)) regards the "energy-saving and new energy vehicle" as one of the top ten industries for key development; the Development Plan for Energy-saving and New Energy Automobile Industry (2012–2020)" (Guo Fa [2012] No. 223) (《節能與新能源汽車產業發展規劃(2012–2020年)》(國發[2012]223號)) makes it clear that the annual production and sales of new energy vehicles will exceed 5 million units by 2020, and the State proactively encourages the production of new energy vehicles; the Notice on Further Promotion and Application of New Energy Vehicles (Cai Jian [2014] No. 11) (《關於進一步做好新能源汽車推廣應用工作的通知》(財建[2014]11號)) further clarifies the development direction and goals of each stage of the new energy automobile industry and that new energy vehicle has become a strategic emerging industry as the focus of development support in China. In 2018, the Letter on Supporting the Construction of National New Energy Vehicle Technology Innovation Center (《關於支持建設國家新能源汽車技術創新中心的函》) issued by the Ministry of Science and Technology proposes to increase the supply of major key technologies to meet the major demands of new energy automobile industry, and to build the source of technological innovation for new energy vehicles in the world.

The project is in line with the national industrial orientation and local development needs, and the technical route and long-term goal are clear. The new energy automobile industry will become one of the most promising industries in the "Thirteenth Five-Year" period and a long period of time in the future.

(2) Market basis

The new energy automobile industry is developing rapidly. From January to June 2018, the production and sales of new energy vehicles was 413,000 units and 412,000 units, respectively, representing a year-on-year increase of 94.9% and 111.5%, respectively. In June 2018, the production and sales of new energy vehicles were 86,000 units and 84,000 units, respectively, representing a year-on-year increase of 31.7% and 42.9%, respectively.

The permanent magnet synchronous motor as the product developed in the project is the development mainstream of new energy drive motor. The biggest feature of permanent magnet synchronous motor is its very high power density and torque density. At present, there are few enterprises specialized in new energy-driven motor in China with small scale and weak competitiveness and they are far behind the international advanced enterprises including BOSCH, Continental, SKF, Hitachi, Fuji, and Mitsubishi Electric. The implementation of this project can accelerate the pace of high-end oriented development of drive motor. The target market is promising, and there is a large demand for import substitution, giving rise to a considerable market space.

(3) Technical basis

In 2016, the Company acquired six auto parts companies under the ASIMCO Group, and entered the auto parts industry from a high starting point to realize the operation of dual main businesses of coal mining machinery and auto parts. On 31 December 2017, the Company and its co-investors successfully acquired the motor business of Germany-based BOSCH and got access to the technologies of start motor and 48V low-voltage hybrid motors. At present, the Company has the foundation for research and development of new energy-driven motor. Based on the Company's strong research and development capabilities and technical strength in the field of automobile motor, the project is expected to achieve independent innovation and localization of high-end permanent magnet synchronous motor systems.

4. Particulars of project construction

(1) Location of construction site

The project implementation site is No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC.

(2) Main construction contents

In the project, it is proposed to build a complex factory of research and development center in the original factory area of the Company. Upon completion of the project, the Company will have the research and development capabilities for new energy passenger cars, commercial vehicles and special-purpose vehicle drive motors. The motor power coverage range is 50~90KW.

5. Plan on investment in the project

The total investment in the project amounts to RMB237.25 million, of which RMB200 million will be from the proceeds and the rest shall be funded through self-financing by the Company. The specific composition of the total investment in the project is as follows:

Unit: RMB'0,000

Order no.	Investment composition	Amount of investment	Proportion
1	Construction and installation engineering costs	4,429.00	18.67%
2	Equipment purchase and installation fee	17,028.00	71.77%
3	Other engineering expenses	1,148.00	4.84%
4	Reserves	1,120.00	4.72%
Total		**23,725.00**	**100.00%**

6. Economic evaluation on the project

This project does not directly generate economic benefits. The implementation of this project will help the Company to develop its own core technology of drive motor for new energy vehicles and realize the industrialized production of its products by capitalizing on its own strong technical strength and product development capability, and indirectly have positive effects on the Company's financial position and operating results.

III. EFFECTS OF THE PROCEEDS-FUNDED PROJECTS ON THE OPERATION MANAGEMENT AND FINANCIAL POSITION OF THE COMPANY

(I) Effects of the Proceeds-funded Projects on the Operation Management of the Company

The Company is a leading enterprise in the industry of hydraulic roof support used for comprehensive coal mining in China. The management of the Company has many years of management experience in the field of mechanical equipment manufacturing. Under the strategic transformation principle of "cross-industry instead of trans-discipline" as proposed by the Board, the Company completed the dual main businesses layout of the "coal mining machinery + auto parts" through the acquisition of 6 auto parts companies under the ASIMCO Group. The overall profit of the above six companies exceeded expectations in the year of acquisition. Upon completion of the acquisition of the businesses of ASIMCO, in order to expand and strengthen the auto parts segment, the Company seized opportunities of the industry by uniting investment institution to bid for the starter and generator

businesses of the Germany-based BOSCH. Upon completion of the acquisition, the Company led the world in terms of key core technologies including start motor and 48V low-voltage hybrid motors and possessed the global R&D platform for the core technologies of new energy motor and electronic control, laying a solid foundation for the Company to build a world-famous auto parts company.

According to the Company's overall business development strategy, the Company is committed to further promoting the operation of dual main businesses, seizing temporary opportunities brought about by the recovery of the coal industry and improvement amidst stabilization of commercial vehicles, to strengthen its industry position in the fields of coal mining machinery and auto parts and expand the market share. Relying on the advanced technical capabilities, it will continue to operate high-margin products to improve the Company's operating results and bring higher return on investment for shareholders.

The Proceeds-funded Projects are in line with the relevant national industrial policies and the overall strategic development direction of the Company in the future, and have good market development prospects and economic benefits. The implementation of these Proceeds-funded Projects will help the company to accelerate development and continuously enhance the competitiveness of existing superior products, and further consolidate the Company's overall strength and ability to withstand market risks, which is of strategic importance for the Company's sustainable development.

(II) Effects of the Proceeds-funded Projects on the Financial Position of the Company

Upon completion of the Non-public Issue, the Company's total assets and net assets will increase, and the asset-liability ratio is expected to decline, which is conducive to optimizing the capital structure and enhancing its ability to resist risks. Upon completion of the Issue, the Proceeds-funded Projects require a certain construction period. In the case of a large increase in the Company's total share capital and net assets, the Company's return on equity may be affected to a certain extent in the short term. The Proceeds-funded Projects are expected to have a good economic return. As the projects gradually produce benefits, the Company's revenue and profit will increase steadily, and the profitability and profitability stability will continue to increase.

IV. CONCLUSION

In sum, the Company's use of proceeds from the Non-public Issue of A Shares is in line with the relevant national industrial policies and industrial development trends with good economic returns, and is of great significance for enhancing the Company's profitability and core competitiveness. The implementation of the Proceeds-funded Projects can lay a solid foundation for the Company's sustained and stable growth, and is in the interests of all shareholders. It is feasible for the Company to use the proceeds from the Non-public Issue of A Shares.

SECTION III DISCUSSION AND ANALYSIS OF BOARD ON THE INFLUENCE OF THE ISSUE ON THE COMPANY

I. CHANGES IN THE BUSINESSES, ARTICLES OF ASSOCIATION, SHAREHOLDING STRUCTURE, SENIOR MANAGEMENT STRUCTURE AND BUSINESS REVENUE MIX OF THE COMPANY AFTER THE ISSUE

(I) Influence of the Issue on the business development of the Company

After the projects funded with the proceeds from the Non-public Issue is completed and put into production, they will help the Company to accelerate development and continuously enhance the competitiveness of existing superior products, further improve the Company's overall strength and ability to withstand market risks, and is of important strategic significance for the Company's business development plan of consolidating main businesses and developing new business fields.

The Issue will not result in material changes in the Company's main businesses and business revenue mix.

(II) Changes in the Company's Articles of Association after the Issue

The Company's share capital will be increased correspondingly after completion of the Non-public Issue. The Company will make necessary amendments to the terms with respect to the share capital under the Articles of Association based on the actual circumstances of the Issue and register the change thereof with the industry and business administration. As at the date of the Plan, the Company has no plan on adjustments to other matters in the Articles of Association.

(III) Changes in the shareholding structure of the Company after the Issue

Upon completion of the Non-public Issue, the controlling shareholder of the Company will still be Henan Machinery, and the de facto controller will still be Henan SASAC. The Non-public Issue will not cause changes in the controlling shareholder and de facto controller of the Company or material changes in shareholding structure of the Company.

(IV) Changes in senior management of the Company after the Issue

The Issue will not affect the Company's senior management structure. The Company does not have any plan on adjustments to the senior management and its structure due to the Non-public Issue.

(V) Effects of the Issue on the businesses and subsequent integration of assets of the Company

The Company temporarily does not have a clear business and asset integration plan after the completion of the Issue.

II. CHANGES IN THE COMPANY'S FINANCIAL POSITION, PROFITABILITY AND CASH FLOW

After the Issue, with the substantial increase in the Company's asset size and a more reasonable financial structure, the profitability will be further improved and the overall strength and risk resistance will be significantly enhanced.

(I) Changes in financial position

Upon receipt of proceeds from the Issue, the Company's total assets and net assets will increase accordingly, and the asset-liability ratio will decrease, which is favourable for the Company to improve the financial position, reduce financial risks and optimize the capital structure. In addition, as the Proceeds-funded Projects have a good market and profit prospects, the implementation of such projects will enhance the Company's profitability and risk resistance capability, and further improve the Company's financial position.

(II) Changes in profitability

The projects funded with the proceeds from the Non-public Issue are strategic measures based on relevant national industrial policies, industry background and development trend of the Company. The Proceeds-funded Projects closely focus on the Company's existing main businesses and will strengthen the sustainable development of the main businesses. The good economic and social benefits of such projects will facilitate the Company to fully develop and enhance its overall business strength. In the long run, the profitability of these Proceeds-funded Projects is expected to be good. The implementation of these Proceeds-funded Projects will bring sustained and stable income to the Company and help the Company to increase market share, improve its overall profitability, and maximize the interests of shareholders.

(III) Changes in cash flow

Upon completion of the Issue, the cash inflows from the Company's fundraising activities will increase substantially, and the cash outflows from investment activities used for the Proceeds-funded Projects will also increase significantly. When the Proceeds-funded Projects are put into operation or commence operation, the Company's operating cash inflows and outflows will increase greatly, and the operating net cash inflows will increase significantly as compared with the current conditions.

III. CHANGES IN THE BUSINESS RELATIONSHIPS, MANAGEMENT RELATIONSHIPS, CONNECTED TRANSACTIONS AND HORIZONTAL COMPETITIONS BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND CONNECTED PERSONS UPON THE COMPLETION OF THE ISSUE

Due to the complete operation management system and staffing and organization arrangement, the Company has completely independent operation capacity. After the Issue, the Company will operate independently in terms of business, personnel, assets, organization, finance, etc., and will not be affected by the controlling shareholder and its connected persons.

(I) Changes in the business relationships between the Company and its controlling shareholder and connected persons

Upon completion of the Issue, there will be no material changes in the business relationships between the Company and its controlling shareholder and connected persons due to the Issue.

(II) Changes in the management relationships between the Company and its controlling shareholder and connected persons

Upon completion of the Issue, there will be no material changes in the management relationships between the Company and its controlling shareholder and connected persons due to the Issue.

(III) Changes in the connected transactions between the Company and its controlling shareholder and connected persons

Upon completion of the Issue, there will be no increase in major continuing connected transactions between the Company and its controlling shareholder and connected persons due to the Issue.

(IV) Changes in the horizontal competitions between the Company and its controlling shareholder and connected persons

Upon completion of the Issue, there will be no increase in horizontal competitions between the Company and its controlling shareholder and connected persons due to the Issue.

IV. FUNDS, APPROPRIATION OF ASSETS AND CONNECTED GUARANTEES UPON COMPLETION OF THE ISSUE

As at the date of the Plan, there is no non-operating appropriation of the Company's funds or assets by the controlling shareholder and its connected persons or provision of guarantee by the Company for the controlling shareholder and its connected persons. There will be no non-operating appropriation of the Company's funds or assets by the controlling shareholder and its connected persons or provision of guarantee by the Company for the controlling shareholder and its connected persons due to the Issue.

V. EFFECTS OF THE ISSUE ON THE LIABILITIES OF THE COMPANY

Upon receipt of proceeds from the Issue, the Company's asset-liability ratio will further decline, and the financial strength and solvency will be further improved. The Company's liabilities (including contingent liabilities) do no increase and there is no excessively low debt ratio or unreasonable financial costs due to the Issue.

VI. RISKS IN RELATION TO THE ISSUE OF SHARES

(I) Risks in relation to implementation of the Proceeds-funded Projects

The Company carried out scientific and rigorous argumentation before determining the Proceeds-funded Projects. The Proceeds-funded Projects are in line with the national industrial policy and industry development trend and have good development prospects. However, in the process of project implementation and follow-up operations, due to the rapid changes in market conditions, the risk of project construction failing to achieve expected returns due to great changes in market demand and product prices and other unforeseen factors cannot be completely ruled out.

(II) Risk of macroeconomic fluctuation

With the implementation of the Company's strategy of dual main businesses, the company is also subject to the fluctuations of the coal industry and automobile industry, while the coal industry and automobile industry are greatly affected by macroeconomic fluctuations. In recent years, China's economy is in the stage of structural adjustment, and the economic growth rate is facing a downward pressure. The overall economic operation is gradually entering a "new normal". If the growth rate of the national economy drops in the future, or there are cyclical fluctuations in the economy, the coal industry or automobile industry will be affected, resulting in adverse impact on the Company's future profitability.

(III) Risk of intensified market competition

China's coal mining machinery market is picking up and the automobile market is developing at a high speed. Higher profit returns may attract new market competitors to enter the fields of coal mining machinery and auto parts. New competitors' entry into the field will further intensify competition in the coal mining machinery and auto parts markets. If it is unable to develop new products in a timely manner and focus on product quality improvement in the fierce market competition, to improve products' competitiveness in the market, the Company will face the risk of drop in market share of products.

(IV) Product quality risk

The main product of the Company's coal mining machinery segment is hydraulic roof support and the main products of the auto parts segment are critical components of automobile. The quality of hydraulic roof support products or auto parts products is directly related to the stability and safety of downstream coal mining and car driving. Therefore, downstream customers require the Company to provide products that meet the standards in accordance with relevant technical agreements, quality assurance requirements, and current international, national, and industry standards. If there is a quality problem with a product, the Company is responsible for repairing or replacing the defective product. The related expenses incurred shall be borne by the Company and may adversely affect the Company's brand, reputation, market expansion and operating results.

(V) Technological updating risk

With the significant improvement of market conditions, customers' standards on coal mining machinery products have gradually improved and new requirements have been placed on the reliability, intelligence and specialization of products. With the rapid development of automobile industry, automobile manufacturers have gradually increased the requirements in terms of safety, intelligence and energy saving of automobile products, thus proposing requirements on corresponding technological progress and products update for the parts manufacturing industry that matches with the automobile industry. If the Company cannot continuously develop new technologies and new products to meet the escalating needs of downstream customers, the Company's market expansion and profitability will be adversely affected.

(VI) Risk of raw material price fluctuations

The raw material cost of the Company's coal mining machinery segment and auto parts segment accounts for a high proportion of production costs. The fluctuation of raw material prices has a significant impact on the production cost, gross profit margin and customer's purchase price expectations of the Company's products. Affected by market supply and demand and other factors, the prices of major raw materials in domestic and international markets have fluctuated greatly in recent years. Although the Company has established long-term and stable cooperative relations with major suppliers, if the purchase price of raw materials rises sharply, it will result in greater effects on the Company's operating results.

(VII) Risk of a higher proportion of accounts receivable

As at the end of 2015, 2016 and 2017, the book balance of the Company's accounts receivable was RMB4,166,472,100, RMB3,293,960,900 and RMB3,495,064,300, respectively, representing 92.37%, 90.78% and 46.31% of the revenue for the same period, respectively. Although the proportion of book balance of accounts receivable in the revenue for the same period declines year by year, the absolute amount and proportion is still at a relatively high level. When the Proceeds-funded Projects are put into production, the Company's business scale will be further expanded, and the amount of accounts receivable may further increase. If the collection is poor or the customer encounters a financial crisis, there is a risk of bad debts.

(VIII) Risk of business integration of overseas market operation and management

In 2017, the Company and other investment institutions jointly acquired SEG of Germany. The production bases of SEG cover Germany, Mexico, China, India, Brazil, Spain, Hungary and other countries. The sales departments are also distributed in Germany, France, the United States, China, Japan, and other major automobile manufacturing regions in the world. Compared with the Company, SEG and its overseas operating entities have certain differences in terms of laws and regulations, accounting, taxation system, business practice, corporate culture and so on. At the same time, after the acquisition, it is still uncertain whether the Company can implement effective operation and management for SEG in terms of personnel, finance, production, operation, etc. Therefore, the Company is exposed to the risk of business integration in subsequent overseas operation and management.

(IX) Environmental protection risk

With the development of the economy, the people's awareness of environmental protection is increasing day by day, the State puts forward higher requirements on environmental protection, and the supervision and inspection of enterprises is becoming increasingly stricter. At present, the Company's production process, equipment and environmental protection are in line with national regulations. In the future, the Company will continue to increase capital investment to improve the technological level of equipment and ensure the stable operation of related facilities, to minimize the potential adverse effects brought about by strict environmental protection requirements. Nevertheless, if the State further raises relevant standards, the Company still objectively faces environmental protection risks.

(X) Safety production risk

The Company is a production-oriented enterprise. The continuous, safe and reliable operation of machinery and equipment is the fundamental guarantee for the Company to create benefits. However, in case of equipment accident due to natural disasters, improper operation and maintenance, etc., it will affect the normal production of the Company and cause certain economic losses. Although the Company is equipped with relatively complete safety facilities, it has prepared a relatively complete safety production management system, and increased safety education and skills training for employees. The possibility of a safety accident is small, but there is still possibility of an accident caused by improper operation in production or equipment failure.

(XI) Operation management risk

The Company has established a relatively standardized management system, and its production and operation are in good conditions. However, with the implementation of the Proceeds-funded Projects, it is expected that the Company's business scale will be further expanded, and the Company's difficulty in business decision-making, operation management and risk control will also increase. The Company has to make appropriate adjustments to management mode and operation mechanism according to the above conditions. If the Company fails to improve the management level and capability in a timely and effective manner, it will adversely affect the Company's production and operation.

(XII) Foreign exchange risk

Since the daily operations of the Company's overseas subsidiaries involve currencies including Euro and US dollar, the bookkeeping currency for the Listed Company's consolidated statements is RMB. The changing exchange rate of RMB against other currencies will likely bring exchange risk to the Company's future operations.

(XIII) Risk of dilution of earnings per share and return on equity in the short term

Upon implementation of the projects funded with the proceeds from Non-public Issue, the Company's total share capital, total assets and net assets will increase accordingly, but it requires a certain period for the Proceeds-funded Projects' construction and for such projects to reach design capacity and produce benefits. Therefore, before the benefits of the Proceeds-funded Projects are fully produced, the Company's net profit and net assets may not grow simultaneously in the short term, resulting in the risk of dilution of earnings per share and return on equity. However, with the gradual release of economic benefits after the Proceeds-funded Projects reach design capacity, it is expected that the risk will be gradually eliminated.

(XIV) Other risks

1. Approval risk

The Plan on the Non-public Issue is subject to consideration and approval at the general meeting, A Shareholders Class Meeting and H Shareholders Class Meeting of the Company. The Non-public Issue may not be approved at the general meeting, A Shareholders Class Meeting and H Shareholders Class Meeting of the Company; the Plan on the Non-public Issue is subject to approval by Henan SASAC and CSRC. There is uncertainty as to whether the approval can be obtained from the above departments and the time when final approval is obtained.

2. Issue risk

The results of the Non-public Issue will be affected by various internal and external factors including the overall situation of the securities market, the trend of the Company's share price, and the degree of investors' recognition of the Plan on the Issue. There is risk of insufficient proceeds raised and even failure of Issue.

3. Risk of stock price fluctuations

Stock investment itself carries certain risks. The stock price depends not only on the Company's operating results and development prospects, but also on various factors including the international and domestic political and economic situation, economic cycle, inflation, supply and demand of the stock market, major natural disasters, and investors' psychological expectations. Therefore, there are certain uncertainties with the Company's stock price which may fluctuate due to the abovementioned risk factors.

SECTION IV PROFIT DISTRIBUTION OF THE COMPANY

I. PROFIT DISTRIBUTION POLICY OF THE COMPANY

In accordance with the Notice on Further Implementing Matters concerning Cash Dividends of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and the Guidelines No. 3 on the Supervision and Administration of Listed Companies — Distribution of Cash Dividends of Listed Companies (《上市公司監管指引第3號 — 上市公司現金分紅》) of the CSRC and based on the actual conditions of the Company, the Proposal Regarding the amendments to the Articles of Association of Zhengzhou Coal Mining Machinery Group Company Limited (《關於修改〈鄭州煤礦機械集團股份有限公司章程〉的議案》) was considered and approved at the thirteenth meeting of the third session of the Board, the 2015 annual general meeting, the 2016 first A Shareholders Class Meeting and the 2016 first H Shareholders Class Meeting of the Company. The details on profit distribution policy in the amended Articles of Association are as follows:

"Article 254 The profit distribution policies of the Company shall observe the following provisions:

(I) profit distribution of the Company shall reflect a reasonable investment return to the investors and, by giving considerations to the reasonable capital demands of the Company, work out a profit distribution plan in conformity with the sustainable development requirement and profit optimization principle of the Company by referring to factors such as the volume of stocks, development strategies, investment plans, profit growths and cash flows.

(II) the Company may pay dividends in the form of cash or shares and may conduct interim dividend distribution in the form of cash. If the cash flow allows, profit distribution should be conducted in the form of cash.

(III) The conditions of cash dividend of the Company: when the Company records a profit for the year and the cumulative undistributed profit for the year, after making up for losses in previous years and allocation to the common reserve fund in accordance with laws, is positive in value, and where the auditing firm issues a unqualified audit opinion on the financial report of the Company for the year, the Company may prioritize distribution of dividend in cash. If the Company distributes dividend in cash, it shall follow the rules below:

(1) if the Company is in a mature development stage without significant cash outlay arrangements, the minimum percentage of cash dividend in profit distribution shall be 80%;

(2) if the Company is in a mature development stage with significant cash outlay arrangements, the minimum percentage of cash dividend in profit distribution shall be 40%;

(3) if the Company is in a growth stage with significant cash outlay arrangements, the minimum percentage of cash dividend in profit distribution shall be 20%;

If it is difficult to determine the Company's stage of development while it has a significant capital expenditure plan, the profit distribution may be dealt with pursuant to the rules applied in the previous distribution. Major investment or significant cash expenditure refers to the proposed external investment by the Company within the next twelve months, asset acquisition (including land use rights) or facilities procurement with accumulated expenditure amounting to or exceeding 10% of the latest audited net assets of the Company.

(IV) Specific conditions for dividend distribution in shares: provided that the Company's business is in a sound condition and the reasonable scale of share capital of the Company is ensured, and the Board of the Company believes dividend payment in shares will be in the interests of all shareholders of the Company, the Company may propose to distribute dividends in shares and implement upon the consideration and approval at the general meeting.

(V) The profits of the Company to be distributed shall not go beyond the scope of cumulative distributable profits.

(VI) When profits are obtained in the current year and after the Company has sufficiently allocated to the statutory common reserve fund, the cumulative profits distributed in cash for the last three (3) years shall not be less than 30% of the average distributable profits realized for the last (3) years.

(VII) Where there is a change in the Company's control resulting from securities issuance, material asset reorganization, merger, division or acquisition, the Company shall disclose in details the cash dividend policy and relevant arrangements after such offering, issuance, reorganization or change in the control, as well as the Board's explanation of the aforesaid, in the prospectus, offering proposal, material asset reorganization report, report of change of interest or acquisition report.

(VIII) On the premise that the return to shareholders has been thoroughly considered and the legitimate rights and interests of the public shareholders are guaranteed, if the Company realizes profits at the current year, the Board of Directors shall bring forward scientific and reasonable profit distribution suggestions and proposal and submit them to the shareholders' general meeting for voting. The Company shall practically secure the right of public shareholders to attend the shareholders' general meeting, and the Board of Directors, independent Directors and shareholders meeting certain conditions may solicit the right to vote at the shareholders' general meeting from shareholders of the Company.

(IX) Decision-making processes and mechanisms for profit distribution of the Company

1. The Board of Directors of the Company shall devise a reasonable dividend distribution recommendation and proposal based on the profitability, capital requirements and shareholders' returns plan of the Company and implement after the consideration and approval at the general meeting upon the consideration and approval by the Board. Any adjustment thereof shall go through the procedures above again. The independent Directors of the Company shall examine the profit distribution proposal and issue independent opinions thereon; independent Directors may solicit opinions of minority shareholders and prepare a dividend distribution proposal and submit it directly to the Board for consideration;

2. The Company shall strictly implement its cash dividend policy as determined in the Articles of Association and the specific cash dividend proposal as considered and approved at the general meeting. If the Company needs to adjust or change the cash dividend policy as determined in the Articles of Association, it is required to satisfy the conditions under the Articles of Association and execute appropriate decision-making procedures after substantiation. The adjustment or changes shall be passed by shareholders representing not less than two-thirds of voting rights held by all shareholders present at the meeting; the independent Directors shall give explicit opinion on matters such as the truthfulness, adequacy and reasonableness of the reasons for adjustments and changes, truthfulness and validity of the approval procedures as well as its compliance with the conditions required in the Articles of Association, and communicate and exchange ideas with minority shareholders before the general meeting and give timely reply to issues that concern minority shareholders. Independent directors may collect opinions from shareholders through network voting system, if necessary;

3. ***Specific conditions for the Company to adjust the cash dividend policy:***

(1) the Company suffers from losses or has issued loss warning announcement;

(2) the balance of cash, excluding cash raised from capital markets and cash within special funding for special purposes or special account management funding such as a government special financial funds (including bank deposits and bonds with high liquidity), is not sufficient to pay the cash dividends within two months from the date of general meeting approving the profit distribution;

(3) the following established dividend policy will render if impossible for the material investment projects and material transactions approved by the general meeting or the Board of Directors of the Company to be implemented according to established transaction plans;

(4) the Board has reasonable grounds to believe that following the established dividend policy will have material adverse impact on the continuing operation and profitability of the Company.

(X) Mechanism for supervision and limitation on cash dividend

1. The board of supervisors shall supervise the implementation of dividend distribution policy by and shareholders' returns plan of the Board of Directors and the management, and the execution and decision-making procedures thereof;

2. The Board and the general meeting of the Company shall, in the decision-making and substantiation process in respect of profit distribution policy, fully consider the opinions of independent Directors and minority shareholders. When considering the specific plan on cash dividend distribution in the general meeting, active communication and exchange with shareholders, especially minority shareholders, shall be conducted via different channels, including but not limited to telephone, facsimile, e-mails, letters and the Internet, to thoroughly listen to the views and needs of minority shareholders, and reply to questions concerned by minority shareholders shall also be made in a timely manner;

3. If profit is recorded but the Board of Directors of the Company does not put forth a cash dividend distribution proposal, reasons therefor and the use of capital that may otherwise be used as dividends but has been retained by the Company shall be disclosed in its periodic report, and independent Directors shall express explicit independent opinions thereon;

4. The Company shall fully disclose the formulation and execution of the cash distribution policy in its periodical reports. The report shall explain: whether the profit distribution is in compliance with the Company's Articles of Association or with the general meeting resolution; whether the standard and proportion of profit distribution is precise and clear; whether the decision-making procedures and mechanisms are adequate; whether the independent Directors have fulfilled their responsibilities and played their role; whether the minority shareholders have the opportunity to fully express their views and needs; whether the legitimate rights and interests of minority shareholders are fully protected and so forth. In the event that adjustment or change of the cash distribution policy is carried out, full explanation shall also be given as to whether the conditions and procedures for the adjustment or change are compliant and transparent."

II. CASH DIVIDENDS FOR THE LAST THREE YEARS AND USE OF RETAINED PROFITS

(I) Cash dividends for the last three years of the Company

Details of cash dividends for the last three years of the Company are as follows:

Unit: RMB

Year	Amount of cash dividend (tax inclusive)	Net profit attributable to shareholders of the Listed Company as shown in the consolidated statements	Percentage of cash dividend for the current year in the net profit attributable to shareholders of the Listed Company
2017	86,623,568.50	284,250,827.45	30.47%
2016	19,057,185.07	61,997,356.40	30.74%
2015	12,968,976.00	42,198,585.09	30.73%
Average net profit attributable to shareholders of the Listed Company for the last three years			129,482,256.31
Percentage of cash dividends accumulated during the last three years in the average net profit for the last three years			91.63%

(II) Use of retained profit after deducting cash dividends from the profit realized for the current year in the last three years

The Company's retained profits are mainly used for the daily production and operation of the Company to support the implementation of development strategy and sustainable development of the Company.

III. SHAREHOLDERS' DIVIDEND AND RETURN PLAN FOR THE COMING THREE YEARS (2019–2021)

The Shareholders' Dividend and Return Plan for the Coming Three Years (2019-2021) of the Company has been considered and approved at the fifth meeting of the fourth session of the Board of the Company. The main contents are as follows:

"(I) Considerations in the formulation of the Plan

The Company is committed to achieving stable, healthy and sustainable development. After taking into account the Company's actual business conditions, strategic development goals, business planning, profitability, shareholders' wishes and requirements, external financing costs and financing environment, the Company's cash flow and other important factors and balancing the short-term interests and long-term returns of shareholders, the Company has established a sustainable, stable and scientific return plan and mechanism for investors and made institutional arrangements for profit distribution to ensure the continuity and stability of the profit distribution policy.

(II) Principles for formulation of the Plan

In the formulation of the Plan, subject to the Company Law of People's Republic of China" (the "Company Law") and other laws and regulations, normative documents and requirements on profit distribution under the Articles of Association of Zhengzhou Coal Mining Machinery Group Company Limited. (the "Articles of Association"), the Company shall give full consideration and listen to opinions of shareholders (particularly minority shareholders), independent directors and supervisors, attach importance to appropriate investment return to shareholders and take into account the Company's sustainable development needs, following the basic principle of proactive and scientific profit distribution, to maintain the continuity and stability of the Company's profit distribution policy.

(III) Shareholders' return plan of the company for the coming three years

1. Method of Profit Distribution

The Company may pay dividends in cash, in shares or in a combination of both cash and shares or as otherwise permitted by the laws and regulations. Subject to the satisfaction of the conditions for distribution of cash dividend, profit distribution in the form of cash dividend shall prevail. In case of profit distribution in the form of share dividends, the Company's development, the dilution of net assets per share, and other actual and reasonable factors shall be given consideration. The profit distribution of the Company shall not exceed the Company's accumulated distributable profits, and shall not impair the Company's ability to operate on a going concern basis.

2. Intervals of Profit Distribution

Under the premise of satisfying the conditions of profit distribution and ensuring the normal operation and sustainable development of the Company, the Company pays cash dividends once a year in principle. The Board of the Company may propose interim profit distribution based on the Company's profitability, cash flow and capital demand.

3. Conditions and Proportion of Cash Dividends of the Company

Unless in special circumstances, when the Company records a profit for the year and the cumulative undistributed profit for the year, after making up for losses in previous years and allocation to the common reserve fund in accordance with laws, is positive in value, and where the auditing firm issues a unqualified audit opinion on the financial report of the Company for the year, the Company may prioritize distribution of dividend in cash. Under the above premise and principle, the Company's accumulated profit distribution in cash in the last three years shall not be less than 30% of the annual average distributable profit realized in the last three years.

For distribution of dividends in cash, the Board of the Company shall take into overall consideration factors such as characteristics of the industry, stage of development, its business model, profitability level and whether or not major capital expenditure arrangements are needed, and propose the differentiated cash dividend policy in accordance with the procedures stipulated in the Articles of Associations and proceed with the distribution in accordance with the following requirements:

(1) If the Company is in a mature development stage without significant cash outlay arrangements, the minimum percentage of cash dividend in profit distribution shall be 80%;

(2) If the Company is in a mature development stage with significant cash outlay arrangements, the minimum percentage of cash dividend in profit distribution shall be 40%;

(3) If the Company is in a growth stage with significant cash outlay arrangements, the minimum percentage of cash dividend in profit distribution shall be 20%;

If it is difficult to determine the Company's stage of development while it has a significant capital expenditure plan, the profit distribution may be dealt with pursuant to the rules applied in the previous distribution. Major investment or significant cash expenditure refers to the proposed external investment by the Company within the next twelve months, asset acquisition (including land use rights) or investment in fixed assets (including facilities procurement) with accumulated expenditure amounting to or exceeding 10% of the latest audited net assets of the Company.

4. Specific conditions for dividend distribution in shares:

Provided that the Company's business is in a sound condition and the reasonable scale of share capital of the Company is ensured, and the Board of the Company believes dividend payment in shares will be in the interests of all shareholders of the Company, the Company may propose to distribute dividends in shares and implement upon the consideration and approval at the general meeting.

(IV) The cycle for formulating the shareholders' return plan and relevant decision-making mechanism

1. In formulating any specific dividend distribution proposal, the Board of the Company shall devise a reasonable dividend distribution proposal based on the profitability, capital requirements and shareholders' returns plan of the Company and implement after the consideration and approval at the general meeting upon the consideration and approval by the Board. The independent directors of the Company shall examine the profit distribution proposal and issue independent opinions thereon; independent directors may solicit opinions of minority shareholders and prepare a dividend distribution proposal and submit it directly to the Board for consideration. Any adjustment thereof shall go through the procedures above again.

2. In principle, the Board of the Company shall re-formulate a shareholders' return plan every three years and make adjustments thereto according to the national policy, and draw up the shareholders' return plan for the period based on the actual operations of the Company and opinions of shareholders (especially minority shareholders).

3. The Company shall strictly implement its cash dividend policy as determined in the Articles of Association and the specific cash dividend proposal as considered and approved at the general meeting. If the Company needs to adjust or change the abovementioned cash dividend policy and cash dividend proposal, it is required to execute appropriate decision-making procedures after substantiation. The adjustment or changes shall be passed by shareholders representing not less than two-thirds of voting rights held by all shareholders present at the meeting; the independent Directors shall give explicit opinion on matters such as the truthfulness, adequacy and reasonableness of the reasons for adjustments and changes, truthfulness and validity of the approval procedures as well as its compliance with the conditions required in the Articles of Association, and communicate and exchange ideas with minority shareholders before the general meeting and give timely reply to issues that concern minority shareholders. Independent directors may collect opinions from shareholders through network voting system, if necessary.

(V) Supplementary provisions

Any matters not covered herein will be taken in force according to the requirements of relevant laws and regulations, normative documents and the Articles of Association. The Board is responsible for the interpretation of the plan and the plan shall be implemented from the date of consideration and approval at the general meeting of the Company, and amendments herein shall be treated the same."

SECTION V ANALYSIS ON DILUTION OF CURRENT RETURNS ARISING FROM THE NON-PUBLIC ISSUE AND REMEDIAL MEASURES

Pursuant to the relevant requirements of the Opinions on Further Strengthening the Protection of Minority investors' Legitimate Interests in Capital Market (Guo Ban Fa [2013] No. 110) (《關於進一步加強資本市場中小投資者合法權益保護工作的意見》) and the Guidance on Matters Relating to the Dilution of Current Returns as a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), the Company has carefully analyzed the influence of the Non-public Issue of A Shares on dilution of current returns and introduced detailed remedial measures, and relevant entities have also made commitments to fulfill the remedial measures of the Company. The particulars are as follows:

I. ANALYSIS ON THE EFFECTS OF THE NON-PUBLIC ISSUE ON MAJOR FINANCIAL INDICATORS

Upon completion of the Issue, the net assets scale of the Company will increase. In the short-term, while the utility of the proceeds raised cannot yet be fully reflected, financial indicators of the Company such as the earnings per share, return on equity etc. will, to a certain extent, be affected. However, from a medium to long-term perspective, the proceeds raised from the Non-public Issue would augment the capital of the Company and effectively support the expansion of the business scale and enhance the business scale and profitability of the Company. The Company will actively adopt various measures to increase its net assets and enhance the capital utilization rate in order to achieve better earnings per share and return on equity.

(I) Main assumptions

1. The Company's net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2017 amounted to RMB387.0751 million. Assuming the net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2018 will increase by 0%, 10% and 20% over the aforementioned net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2017, respectively;

2. Assuming that the Issue will be completed on 30 November 2018 (such completion date is only for the evaluation of impact of the Non-Public Issue on the dilution of current returns, which is subject to the actual completion date);

3. Assuming that the number of the Issue is 346,494,274 shares, which is the cap of the Issue (not more than 20% of the Company's total share capital before the Non-public Issue). The number of the Issue is only estimated by the Company and is finally subject to the number of shares as approved by the CSRC and actually issued;

4. Before the completion of the Non-public Issue, the company may distribute dividends or conduct other financing activities to all shareholders. Since the amount of cash dividends distributed or the size and amount of other financing activities are uncertain, it is not possible to consider the effects of such cases on the Plan for the Issue;

5. The assumptions do not take into account the impact of other operating or non-operating factors, other than the proceeds from the Non-public Issue and net profits, on the assets and profitability of the Company;

6. The aforesaid assumptions are only used for the evaluation of the impact of the dilution of current returns as a result of the Issue on the principal financial indicators of the Company, and do not constitute any guarantee or forecast of the Company. Investors should not make their investment decisions based on it. The Company will not be liable for compensation of any losses suffered by investors due to any investment decisions made by them on such basis.

(II) Impact on the principal indicators of the Company

Based on the aforesaid assumptions, the Company evaluated the impact of the Non-public Issue on the earnings per Share, return on equity and other principal financial indicators of the Company as follows:

		2018/31 December 2018	
Item	**2017/ 31 December 2017**	**Assuming no new shares are issued**	**After the Issue**
Total share capital (share)	1,732,471,370	1,732,471,370	2,078,965,644
Scenario 1. Assuming that the net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2018 is flat with that for 2017, i.e. the net profit is RMB387,075,100			
Basic earnings per share (RMB/share)	0.227	0.223	0.220
Diluted earnings per share (RMB/share)	0.227	0.223	0.220

Item	2017/ 31 December 2017	2018/31 December 2018 Assuming no new shares are issued	2018/31 December 2018 After the Issue
Scenario 2. Assuming that the net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2018 increases by 10% over 2017, i.e. the net profit is RMB425,782,600			
Basic earnings per share (RMB/share)	0.227	0.246	0.242
Diluted earnings per share (RMB/share)	0.227	0.246	0.242
Scenario 3. Assuming that the net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2018 increases by 20% over 2017, i.e. the net profit is RMB464,490,100			
Basic earnings per share (RMB/share)	0.227	0.268	0.264
Diluted earnings per share (RMB/share)	0.227	0.268	0.264

Note: the earnings per share are calculated in accordance with the Compilation Rules for Information Disclosures by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings per Share (Revised in 2010) (《公開發行證券的公司信息披露編報規則第9號–淨資產收益率和每股收益的計算及披露》(2010年修訂)) and are net of the effects of non-recurring gains and losses.

II. THE NECESSITY AND REASONABLENESS OF THE FINANCING CHOSEN BY THE BOARD

The proceeds from the Company's Non-public Issue after deducting the issue expenses will be used for the construction of smart factories for comprehensive coal mining equipment, etc. The shortfall of net proceeds used for the Proceeds-funded Projects will be raised by the Company.

(I) The necessity of the financing chosen by the Board

1. Meeting the development trend of the coal industry and the requirements of intelligent manufacturing development

In recent years, the national policy proposes to improve the recovery rate and utilization efficiency of coal resources and promote the comprehensive development and utilization of coal and associated resources. The equipment used for comprehensive coal mining to be produced in the project of construction of smart factories for comprehensive coal mining equipment is an important guarantee for improvement of the recovery rate and utilization efficiency of coal resources.

With the continuous advancement of science and technology, the State has paid more and more attention to the safe production of coal mines, which has promoted the transformation of coal mining from traditional labor-intensive to equipment-intensive, in order to achieve automation of coal mining face involving fewer people or achieving unmanned excavation. The construction of R&D Centre for smart work surface meets the development requirements on the safety of the coal industry. The implementation of the Proceeds-funded Projects will promote the Company to optimize the process, eliminate backward process, and improve the intelligent level of manufacturing process. It meets the strategic requirements on the state enterprises' technological transformation and enhancement of intelligent level of the manufacturing process.

2. ***Meeting the growing market demand for auto parts and the market requirements on cleanliness, comfort, and refined manufacturing***

After years of development, the automobile industry has become a pillar industry of the national economy and the production and sales rank the first in the world. At present, China's automobile industry is in the transition period from a growth period to a mature period, with a steady growth rate, which brings broad development space for the auto parts industry.

With the increasing consumption level of residents, the requirements of modern consumers on vehicle comfort are gradually increasing. The Phase 2 of ASIMCO Industrial Park will improve the NVH performance and driving comfort of vehicles, and provide customers with a full set of technologies to solve noise problem and provide comfort for vehicles.

Due to the advancement of technology in the industry and the higher requirements on specialized production, the complete machine manufacturers gradually move the processing procedures of rough casting to the upstream foundry works to reduce the investment of its own equipment. The implementation of smart processing of engine parts will, through casting finishing and joint research and development, extend the existing industrial chain and achieve efficient, precision and high-quality manufacturing of engine cylinder blocks and heads and other major components to meet the needs of complete machine manufacturers.

Under the support of the State's policy on vigorously promoting the development of new energy vehicles, the entire new energy automobile industry is booming, and the demand for new energy-driven motors is constantly increasing. The construction of centre for R&D of motors and generators that drive new energy vehicles helps the Company to extend the company's business from start motor to new energy-driven motor, which is in line with the future development trend of the automobile industry towards new energy.

(II) Reasonableness of the financing chosen by the Board

1. Implementation of the Company's long-term development strategy to realize the strategic layout of the dual main businesses of coal mining machinery manufacturing and auto parts manufacturing

At present, the Company has formed the industrial layout composed of two main businesses, i.e. coal mining machinery manufacturing and auto parts manufacturing, and has set diversification of its business layout as one of the Company's development strategies. It responds to the new round of scientific and technological revolution and industrial transformation with the industrial layout with multiple supporting points and diverse drives. The projects funded with the proceeds from the Non-public Issue will further strengthen the Company's core competitiveness in terms of coal mining machinery business and auto parts business, enhance production capacity and production efficiency, and promote technological innovation, to propel the expansion and consolidation of coal mining machinery business and auto parts business.

2. The Company has certain advantages in terms of management system, technical strength and customer resources

After years of development, the Company has established a complete management process covering R&D, procurement, production, sales and quality control, and has trained a group of experienced technical and management personnel. The Company's mature production technologies and management experience will fully guarantee the smooth implementation of the projects funded with the proceeds from the Issue. The Company has operated the coal mining machinery business and auto parts business in the industry for many years and accumulated a wealth of customer resources and a relatively stable customer base. The Company's quality customer resources and sales capability will provide a powerful guarantee for the projects funded with the proceeds from the Issue to absorb production capacity.

3. The own funds are difficult to satisfy the high investment in the Proceeds-funded Projects

Since the industry of the Company is a heavy asset industry, the investment in projects is large, and it is insufficient to rely solely on its own financial strength to implement the Proceeds-funded Projects, the Company raises part of the funds needed for the projects through the Issue, and raises the remaining funds on its own. Based on its years of production experience, the Company can effectively guarantee the smooth implementation of projects.

If the projects are implemented smoothly, the Company's production equipment, product type, production capacity and technology research and development capability will be further optimized and upgraded. The implementation of the Proceeds-funded Projects will help improve the Company's competitiveness and sustainable development capability, thereby improving the Company's profitability and achieving a more lucrative return to shareholders.

III. THE RELATIONSHIP BETWEEN THE PROCEEDS-FUNDED PROJECTS AND THE EXISTING BUSINESS OF THE COMPANY, AND THE RESERVES OF THE COMPANY FOR THE PROCEEDS-FUNDED PROJECTS IN TERMS OF PERSONNEL, TECHNOLOGY AND MARKET

(I) The relationship between the Proceeds-funded Projects and the existing business of the Company

Through acquisition of 6 auto parts companies of the ASIMCO Group and the starter and generator businesses of the Germany-based BOSCH, the Company has successfully transformed into a listed company with dual main businesses, i.e. coal mining machinery manufacturing and auto parts manufacturing. The Proceeds-funded Projects are in line with the Company's own business objectives and business development plan.

In future, the coal mining machinery segment will move towards the direction of comprehensive, intelligent and international development. We will build up ourselves as a worldwide top-notch supplier and service provider in respect of comprehensive coal mining machinery equipment and foster the green, intelligent, efficient and safe development of comprehensive coal mining technology. The construction of smart factories for comprehensive coal mining equipment to be funded with the proceeds will help improve the automation, informationization and intelligence level of the Company's manufacturing, improve the manufacturing efficiency of equipment used for comprehensive coal mining, and enhance the speed of response to customer orders and product production capacity; the construction of R&D Centre for smart work surface will facilitate achieving automation in coal mining and excavation surface, involving fewer people or

achieving unmanned excavation and is of important practical and strategic significance for ensuring coal mine safety and promoting the sustainable development of coal resources in the coal industry.

For the Company's future auto parts business, ASIMCO and SEG will be the operating entities focusing on intelligent, electric and lightweight products. The Company aims at building an auto parts enterprise with influence in the world to make contributions to environmental protection, energy conservation and emission reduction of China and even the world. The Phase 2 of ASIMCO Industrial Park to be funded with the proceeds will be expand the production capacity of ASIMCO NVH, stabilize ASIMCO NVH's position as an important supplier in the auto parts industry and enhance its competitiveness; the smart processing of engine parts will, through casting finishing and joint research and development, extend the existing industrial chain of ASIMCO Shanxi to increase the added value of products; the construction of centre for R&D of motors and generators that drive new energy vehicles will help realize the extension of the Company's business from the start motor to the new energy drive motor and realization of necessary technical reserves, to conform to the future development trend of the automobile industry towards new energy.

(II) Reserves of the Company for the Proceeds-funded Projects in terms of personnel, technology and market

1. Personnel

After years of rapid development, ZMJ has formed its own talent training system, and has a talented team with rich R&D experience, high management level and deep understanding of customer needs. Adhering to the development strategy of human resources globalization, the Company sustainably optimizes the structure of existing human resources under a market-oriented mindset, creates a scientific system of talents incubation and development, has in place a clear path of career promotion, adopts a reasonable system of remuneration and, from a global perspective and under a market-oriented mechanism, recruits and retains people of high caliber under a human resources mechanism via both training and selective hiring.

2. Technology

In respect of coal mining machinery manufacturing, the Company has national enterprise technological centers, post-doctoral work stations, academician work stations, Henan Engineering Technology Research Center and other scientific research and development platforms. Meanwhile, it has the industry-leading automatic production lines for sheet metal cutting, welding and spraying, automatic production lines for column jacks, and the assembly production line with the world's largest production capacity of hydraulic roof support.

In terms of auto parts manufacturing, the Company's ASIMCO and SEG have been operating for many years, accumulated a wealth of process parameters, and continuously optimized the process flow, thus greatly improving production efficiency. ASIMCO NVH is a high-tech enterprise with a provincial-level enterprise technological center and two manufacturing bases; ASIMCO Shanxi's cylinder head core technology, 3mm wall thickness cylinder block casting technology, high elongation ferritic ductile iron production technology, and vermicular graphite cast iron material and process technology for cylinder blocks and heads which are in line with Euro 6 emission standard have reached the industry first-class level; through acquisition of motor business from Germany-based BOSCH, the Company got access to the technologies of start motor and 48V low-voltage hybrid motors. With the technical strength in the field of automobile motor, the Company can realize the independent innovative development and localization of high-end permanent magnet synchronous motor system.

3. Market

After long-term development, ZMJ has become the leader in China's coal mining machinery industry and been widely recognized by customers. ASIMCO Group has become one of the largest independent auto parts manufacturing groups in China, with good brand image and customer base advantages in the field of commercial and passenger vehicles; SEG has accumulated high-quality customer resources and a sound global production and sales network in the long-term operation. The Company has accumulated a batch of high-quality customer resources for the coal mining machinery manufacturing business and auto parts manufacturing business, and formed a relatively stable cooperative relationship with major customers.

In summary, the projects funded with the proceeds from the Issue are based on the existing business layout of the Company and will further improve production efficiency, production capacity and technological research and development. The projects funded with the proceeds from the Issue enjoy a good foundation in terms of personnel,

technology and market. With the advancement of the Proceeds-funded Projects and the gradual expansion of business fields, the Company will proactively improve the reserves of personnel, technology and market to meet the needs of continuous business development and transformation and upgrading.

IV. REMEDIAL MEASURES FOR DILUTION OF CURRENT RETURNS OF THE LISTED COMPANY

In order to protect the interests of investors, the Company will take various measures to ensure the effective use of the proceeds, effectively prevent the risk of dilution of current returns and improve future returns. Specific measures include:

(I) Strengthen the management of proceeds to ensure the standardized and effective use of proceeds

In accordance with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Guidelines No. 3 on the Supervision and Administration of Listed Companies — Regulatory Requirements on the Management and Use of Proceeds of Listed Companies (《上市公司監管指引第2號 — 上市公司募集資金管理和使用的監管要求》), the Measures for Administration of Proceeds of Listed Companies of the Shanghai Stock Exchange (Revised in 2013) (《上海證券交易所上市公司募集資金管理辦法(2013年修訂)》), and the Measures for the Management of Proceeds (《募集資金管理辦法》) formulated by the Company, the Company will strengthen the storage, use, management and supervision of proceeds, standardize the management and use of proceeds, and raise the use efficiency and effectiveness of proceeds, to prevent risks with the use of proceeds and protect the interests of investors.

(II) Proactively and steadily promote the use of proceeds in accordance with the promised use and amount

The projects funded with the proceeds from the Non-public Issue are strategic measures based on relevant national industrial policies, industry background and development trend of the Company. The Proceeds-funded Projects closely focus on the Company's existing main businesses and will further enrich and improve the existing main business system and strengthen the sustainable development of the main businesses. The good economic and social benefits of such projects will facilitate the Company's integrated development. In the long run, the profitability of these Proceeds-funded Projects is expected to be good. The implementation of these Proceeds-funded Projects will bring sustained and stable income to the Company and help the Company to improve its overall profitability and maximize the interests of shareholders.

(III) Strengthen the dual main businesses of coal mining machinery and core auto parts, and promote the Company's business upgrade

Through two major asset restructurings, the Company has completed the transformation of the dual main businesses of coal mining machinery and auto parts and formed an industrial pattern with multiple supports and diverse drives. In future, the coal mining machinery segment will move towards the direction of comprehensive, intelligent and international development. We will build up ourselves as a worldwide top-notch supplier and service provider in respect of coal mining machinery equipment and foster the green, intelligent, efficient and safe development of comprehensive coal mining technology; for the Company's auto parts business, ASIMCO and SEG will be the operating entities focusing on intelligent, electric and lightweight products. The Company aims at building an auto parts enterprise with influence in the world to realize two-wheel drive by coal mining machinery and core automobile parts, which will greatly enhance the Company's ability to resist risks.

(IV) Further strengthen operation management and internal control to enhance operating results

The Company will strictly follow the requirements of laws, regulations and regulatory documents including the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), and the Corporate Governance Guidelines for Listed Companies (《上市公司治理準則》), and further optimize the governance structure, strengthen internal control, and improve the investment decision-making process. Various financing tools and channels will be utilized in a rational way to control the cost of funds and improve the use efficiency of funds. Under the premise of ensuring liquidity demand for rapid development of the Company's business, the Company will save various expenses and comprehensively and effectively control the Company's operations and funds control risks, and safeguard the overall interests of the Company, in particular the legitimate rights and interests of minority shareholders, to provide institutional guarantee for the future healthy development of the Company.

(V) Further improve the profit distribution policy to increase returns to shareholders

In order to improve the Company's profit distribution system and promote the Company to establish a more scientific and reasonable profit distribution and decision-making mechanism to better safeguard the interests of shareholders and investors, the Company, according to the Notice on Further Implementing Matters concerning Cash Dividends of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and the Guidelines No. 3 on the Supervision and Administration of Listed Companies

— Distribution of Cash Dividends of Listed Companies (《上市公司監管指引第3號 — 上市公司現金分紅》) of the CSRC, and other relevant laws, regulations and normative documents and based on the actual conditions of the Company, has clear requirements on profit distribution policy in the Articles of Association. In the future, if there is any discrepancy between the above-mentioned systems and the applicable laws, regulations and normative documents, the Listed Company will promptly amend the relevant systems of the Company in accordance with the relevant laws and regulations and the internal normative documents including the Articles of Association.

Meanwhile, the Listed Company has prepared the Shareholders' Dividend and Return Plan for the Next Three Years (2019-2021) (《未來三年(2019年-2021年)股東分紅回報規劃》) which clearly stipulates the shareholders' return plan for the next three years and the decision-making, supervision and adjustment mechanism of the shareholders' return plan. The Company will strictly implement relevant provisions to effectively protect the interests of shareholders of the Company, in particular minority investors.

Upon completion of the Issue, the Company will follow the arrangements under the Articles of Association (《公司章程》) and the Shareholders' Dividend and Return Plan for the Next Three Years (2019-2021) (《未來三年(2019年-2021年)股東分紅回報規劃》) to proactively implement profit distribution to shareholders of the Company when the conditions of profit distribution are satisfied to improve returns to shareholders.

Investors are advised to note that the abovementioned remedial measures prepared by the Listed Company do not represent guarantee for the Company's future profits.

V. UNDERTAKINGS FOR GUARANTEEING THE DUE PERFORMANCE BY THE COMPANY OF REMEDIAL MEASURES FOR ITS CURRENT RETURNS

(I) Undertakings by the directors and senior management

The undertakings by all directors and senior management of the Company are as follows:

1. I undertake to perform duties faithfully and diligently and to safeguard the legitimate rights and interests of the Company and all of its shareholders.

2. I undertake not to transfer benefits to other units or individuals at nil consideration or on unfair conditions, nor to damage the interests of the Company by other means.

3. I undertake to impose restrictions on duty consumption acts of directors and senior management.

4. I undertake not to apply any assets of the Company for investment and consumption activities that are irrelevant to the duties performed.

5. I undertake that the remuneration system set up by the Board or the remuneration committee will be linked with the implementation of remedial measures for returns of the Company.

6. if the Company subsequently launches a share incentive scheme, I undertake that the conditions for exercising the rights in respect of the incentive shares to be announced by the Company will be linked with the implementation of remedial measures for returns of the Company.

7. Upon publication of relevant opinions and detailed implementation rules on the remedial measures for dilution of current returns by China Securities Regulatory Commission and the Shanghai Stock Exchange, in case of discrepancy between the relevant provisions of the Company and my undertakings and such requirements, I undertake to issue supplemental undertakings in accordance with the requirements of China Securities Regulatory Commission and the Shanghai Stock Exchange, and proactively promote the Company to prepare new provisions to satisfy the requirements of China Securities Regulatory Commission and the Shanghai Stock Exchange.

(II) Undertakings by the controlling shareholder

Henan Machinery Investment Group Co., Ltd. as the controlling shareholder of the Company undertakes:

Not to intervene the operation and management activities of the Company or unlawfully occupy the Company's interests in the period when it is the controlling shareholder of Zhengzhou Coal Mining Machinery Group Company Limited.

Upon publication of relevant opinions and detailed implementation rules on the remedial measures for dilution of current returns by China Securities Regulatory Commission and the Shanghai Stock Exchange, in case of discrepancy between the relevant provisions of the Company and its undertaking and such requirements, it undertakes to issue supplemental undertakings in accordance with the requirements of China Securities Regulatory Commission and the Shanghai Stock Exchange, and proactively promote the Company to prepare new provisions to satisfy the requirements of China Securities Regulatory Commission and the Shanghai Stock Exchange.

VI. PROCEDURES FOR CONSIDERATION OF THE REMEDIAL MEASURES FOR THE DILUTION OF CURRENT RETURNS ARISING FROM THE ISSUE

All directors, senior management and the controlling shareholder of the Company have made undertakings on the remedial measures for dilution of current returns arising from the Non-public Issue of A Shares of the Company. The analysis by the Board of the Company on dilution of current returns arising from the Issue and the remedial measures for current returns have been considered and approved at the fifth meeting of the fourth session of the Board of the Company and are subject to consideration at the general meeting of the Company. The Company will disclose the completion of remedial measures for current returns and the fulfillment of the undertakings made by relevant parties in periodic reports.

The Board of Directors of Zhengzhou Coal Mining Machinery Group Company Limited
23 July 2018

Stock Code: 601717 Abbreviation: ZMJ

Zhengzhou Coal Mining Machinery Group Company Limited

FEASIBILITY STUDY REPORT ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUE OF A SHARES IN 2018

July 2018

Definitions

In this Report, the following terms shall have the meanings set out below, unless the context otherwise requires:

ASIMCO NVH	ASIMCO NVH Technologies Co., Ltd (Anhui)
ASIMCO Shanxi	ASIMCO International Casting Co., Ltd. (Shanxi)
Germany-based BOSCH	Robert Bosch GmbH
Hydraulic Control	Zhengzhou Coal Mining Machinery Hydraulic Electrical Control Co., Ltd.
Issue, Non-public Issue	the Non-public Issue of A Shares by ZMJ in 2018
NVH	Noise, vibration and harshness, NVH problem of vehicles is one of the main problems concerned by the major international automobile manufacturers and auto parts enterprises
Proceeds-funded Projects	Construction of smart factories for comprehensive coal mining equipment; Construction of R&D Centre for smart work surface; Phase 2 of ASIMCO Industrial Park; Smart processing of engine parts; Construction of centre for R&D of motors and generators that drive new energy vehicles
Report	the Feasibility Study Report on the Use of Proceeds from the Non-Public Issue of A Shares by ZMJ in 2018
RMB, RMB in ten thousand	Renminbi Yuan, ten thousand Renminbi Yuan
Scalable Batch Production	Scalable batch production is a new production mode that responds quickly to the changes in variety and batch of manufactured products
SEG	SEG Automotive Germany GmbH
Shares or A Shares	the RMB-denominated shares of the Company with a par value of RMB1.00 each
ZMJ, Listed Company or Company	Zhengzhou Coal Mining Machinery Group Company Limited

Note: Unless otherwise stated, all the figures in the Report are rounded off to 2 decimal places. The rounding off may result in the total amount of figures being different from the last digits of the summation amount.

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I. PLAN ON USE OF PROCEEDS

Total proceeds from the Non-public Issue of A Shares will not exceed RMB1.8 billion. Netting off issue expenses, the net proceeds are intended to be used in the following five projects:

Unit: RMB'0,000

Order no.	Project name	Total investment	Amounts to be invested from the proceeds
1	Construction of smart factories for comprehensive coal mining equipment	102,780.00	85,000.00
2	Construction of R&D Centre for smart work surface	13,550.00	12,000.00
3	Phase 2 of ASIMCO Industrial Park	50,000.00	40,000.00
4	Smart processing of engine parts	25,659.59	23,000.00
5	Construction of centre for R&D of motors and generators that drive new energy vehicles	23,725.00	20,000.00
Total		**215,714.59**	**180,000.00**

If the net proceeds raised by the Non-public Issue, after netting off issue expenses, is less than the aggregate proposed capital contribution raised for the abovementioned projects, the shortfall will be made up by the Company with its self-raised funds. Prior to the actual receipt of the proceeds to be raised under the Non-public Issue, the Company may, depending on the actual conditions of the progress of the investment projects to be invested, finance these projects using self-raised funds which will be replaced with the proceeds later raised according to the relevant requirements and procedures under laws and regulations. The Board and its authorized persons will adjust and determine the final specific investment projects, order of priority and the specific investment amounts of each project based on the actual amount of net proceeds and the priority of each project.

II. BASIC INFORMATION ON THE PROCEEDS-FUNDED PROJECTS

(I) Construction of smart factories for comprehensive coal mining equipment

1. Basic information on the project

The Company is a leading enterprise in respect of hydraulic roof support used for comprehensive coal mining. In order to further improve the degree of automation and intelligence for production of hydraulic roof support used for comprehensive coal mining, the Company plans to increase

and transform the automated production lines while building MES and other information systems to build intelligent factories for manufacturing equipment used for comprehensive coal mining.

The total planned investment in the project is RMB1,027.8 million, of which RMB850 million will be from the proceeds. The entity to implement the project is Zhengzhou Coal Mining Machinery Group Company Limited.

2. *Necessity of project construction*

(1) Meeting the development needs of China's coal industry

On 4 February 2015, the National Energy Administration issued the Guidance of the National Energy Administration on Promotion of Scientific Development of the Coal Industry (《國家能源局關於促進煤炭工業科學發展的指導意見》) which proposed "to improve the recovery rate and utilization efficiency of coal resources, promote the comprehensive development and utilization of coal and associated resources". The equipment used for comprehensive coal mining to be produced in this project is an important guarantee for improving the recovery rate and utilization efficiency of coal resources.

The "Thirteenth Five-year" Plan on Development of the Coal Industry (《煤炭工業發展「十三五」規劃》) put forward "to speed up the research and development of equipment with advanced technologies including complete machines used for comprehensive coal mining with the capacity of ten million tones and coal washing dressing equipment with the capacity of ten million tones, solve problems with the reliability and stability of complete coal mining equipment and critical parts, and improve the digital control, automated production and remote operation capability of coal mining equipment". The construction of this project can improve the quality, reliability and stability of equipment used for comprehensive coal mining and meet the development needs of China's coal industry.

(2) Conducive to promoting the modernization of coal mining machinery manufacturing

Although China is a large country in respect of production of equipment used for comprehensive coal mining, it has been large but not strong in this respect for a long time. The level of process and equipment technology is relatively backward. The degree of automation and intelligence of production process is low, and the precise control ability is weak, which cannot meet the development requirements of high-end products and green production. This project is in line with the national policy on development of high-end equipment manufacturing industry, and promoting enterprises to optimize the process, eliminate

backward processes, and improve the intelligent level of manufacturing process, to achieve transformation and upgrade. At the same time, this project is an important way and carrier to lead the transformation and upgrading of coal mining machinery industry including hydraulic roof support, improve the quality and efficiency of economic growth, and accelerate the pace of modernization of coal mining machinery manufacturing, and is in line with the State's strategic requirements on improvement of the intelligent level of manufacturing process.

(3) Beneficial to the improvement of the quality of enterprise development

In recent years, the manufacturing process of hydraulic roof support of ZMJ has achieved rapid development. A series of advanced technologies and high-end equipment have been put into use, but still cannot meet the manufacturing requirements of hydraulic roof support. The current technological equipment has the following shortcomings: all processing equipment is CNC equipment, but manufacturing is still dominated by discrete manufacturing. The level of automation and intelligence is not high, and the production efficiency is low; the assembly and welding of structural parts are mainly conducted manually and have higher requirements on the skills of workers. The unstable product quality of manual welding is not conducive to product quality improvement; despite of the introduction of advanced information software including ERP and PLM, the degree of informatization of manufacturing process is not high.

This project is conducive to improving the automation, informationization and intelligence level of the Company's manufacturing, improving product quality stability, reducing the dependence of manufacturing process on labour, and further improving the manufacturing efficiency of equipment used for comprehensive coal mining, speed of response to customer order and products production capacity.

3. Feasibility of project construction

(1) With the concentration of the coal industry, the utilization rate of coal mining equipment will be further increased

Along with coal de-capacity, the pattern composed of large production bases and large groups for coal production has gradually formed. The coal industry has integrated resource endowment, development intensity, market location, environmental capacity, transportation channel, de-capacity and other factors in accordance with the overall layout idea of coal development featured by "compression in the east, restriction in the central and northeast, and optimization in the west" to promote concentration of coal production

to large coal bases, and cultivated several supergiant coal enterprise groups with the production capacity of one hundred million tonnes and a batch of modern coal enterprise groups with strong international competitiveness.

In February 2016, the State Council issued opinions that, on the basis of elimination of backward production capacity of coal in recent years, within 3 to 5 years from 2016, the production capacity of about 500 million tonnes shall be eliminated, and the production capacity of about 500 million tonnes shall be reduced or reorganized; meanwhile, the approval of new coal mine projects, etc. shall be ceased in principle within 3 years. With the strict implementation of policy, backward production capacity will be eliminated, which is mainly reflected in the closure of small coal mines with a capacity of less than 300,000 tonnes. In 2015, the mechanization rate of coal mining machinery was greater than 95% for large coal mines, greater than 70% for medium-sized coal mines and greater than 55% for small coal mines, of which small coal mines accounted for about 10% of production and less than 15% of production capacity. At the same time, the improvement of economic development and laws and regulations has also greatly increased labour costs and safe production costs. With the elimination of small coal mines, the concentration of coal enterprises will be higher and higher, and the utilization rate of coal mining machinery will be further improved.

(2) The Company has the strength and foundation to promote the implementation of intelligent factories

The Company is a professional manufacturer of equipment used for comprehensive coal mining integrating scientific research, development, design, manufacture and trade. The leading product is support equipment used for comprehensive coal mining and has a sales network covering almost all coal producing areas in China; and its products have been exported to Russia, the United States, Australia, Turkey, India, Vietnam and other countries.

The Company has a National Enterprise Technical Center, as well as academic research and development platforms including academician work stations, post-doctoral work stations and Henan Engineering Technology Research Center. At the same time, it has more advanced automatic production lines for sheet metal cutting, welding and spraying, automatic production lines for column jacks, and the world's largest assembly production line of hydraulic roof support. In recent years, the Company's hydraulic roof support manufacturing technology has achieved rapid development and a series of advanced technologies and high-end equipment have been put into use. The Company has the strength to build intelligent factories for equipment

used for comprehensive coal mining and is capable of integrating informatization, automation and intelligence into the design and manufacturing processes, in order to achieve intelligent design process, intelligent manufacturing process and intelligent equipment manufacturing.

4. Particulars of project construction

(1) Location of construction site

The project implementation site is No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC.

(2) Main construction contents

In the project, it is planned to renovate certain of the original production lines and certain public facilities, and add some automated production lines. At the same time, it is proposed to build information-based systems including MES to build intelligent factories for equipment used for comprehensive coal mining.

5. Plan on investment in the project

The total investment in the project amounts to RMB1,027.80 million, of which RMB850 million will be from the proceeds and the rest shall be funded through self-financing by the Company. The specific composition of the total investment in the project is as follows:

Unit: RMB'0,000

Order no.	**Investment composition**	**Amount of investment**	**Proportion**
1	Equipment purchase and installation fee	83,968	81.70%
2	Other engineering expenses	1,920	1.87%
3	Reserves	4,292	4.18%
4	Initial working capital	12,600	12.26%
Total		**102,780**	**100.00%**

6. Economic evaluation on the project

The project's after-tax internal rate of return is 17.05% and the investment payback period is 7.2 years (after tax, including the construction period).

(II) Construction of R&D Centre for smart work surface

1. Basic information on the project

The Company will accelerate the research on the smart work surface of coal mining through construction of R&D Centre for smart work surface and on the basis of the application of existing automatic coal mining face technology, striving to make a major breakthrough in terms of intelligent product and technology of fully mechanized coal mining face.

The total planned investment in the project amounts to RMB135.50 million, of which RMB120 million will be from the proceeds. The entity to implement the project is Zhengzhou Coal Mining Machinery Hydraulic Electrical Control Co., Ltd., a wholly-owned subsidiary of the Company.

2. Necessity of project construction

(1) Satisfaction of the requirements of the State on the development of coal mining equipment

China's manufacturing industry is at the world's leading level, and some advantageous fields have reached or approached the world's advanced level. However, compared with developed countries, there is still a clear gap between in terms of manufacturing innovation capability, overall quality and competitiveness, and China has a large size but poor strength in this regard. Therefore, realizing the transition from a large manufacturing country to a powerful manufacturing country is a major strategic goal that China's manufacturing industry should strive to achieve in the new era. The Outline of the Plan on National Medium- and Long-Term Science and Technology Development (2006-2020) (《國家中長期科學和技術發展規劃綱要(2006-2020年)》) proposes "focusing on research and development of efficient coal mining technologies and supporting equipment"; and intelligent mining technology for unmanned work surfaces has been included in the Directory of Key Products and Services for Strategic Emerging Industries (《戰略性新興產業重點產品和服務指導目錄》).

In recent years, national and local governments have successively issued and formulated documents and policies that encourage the use of advanced technologies for coal mining, encourage technological research, and support the research of mining technologies excavation surface, involving fewer people or achieving unmanned excavation. The development of automated and intelligent coal mining technology is the need for safe, high-yield and efficient coal production in China and it is also the need for China to change from a large manufacturing country to a powerful manufacturing country.

(2) Conducive to improving coal mine safety and coal mining efficiency

With the rapid development of China's economy, the coal demand also increases rapidly and the coal industry has contributed to the invincible momentum for the rapid development of the national economy. However, at the same time, as the depth of mining increases, the mining difficulty becomes increasingly large, specifically in terms of the higher underground gas pressure, penetration of karst water, more complicated geological conditions, and significantly increased mine pressure, which result in a series of mine disasters including coal and gas outburst and water inrush.

With the intelligent identification technologies for complex coal and rock mass in thin coal seams and the dangerous areas with gas and water, research is conducted on mining equipment automation and remote monitoring technology and improvement of automation equipment in coal mines, to realize automation involving fewer people or achieving unmanned excavation at coal mining faces and promote the transformation of coal mining from traditional labor-intensive mode to equipment-intensive mode to improve efficiency of coal resource exploitation and reduce heavy casualties in underground coal mines, which is of great realistic and strategic significance for guaranteeing the safety of coal mines and promoting the sustainable development of coal resources.

3. Feasibility of project construction

(1) The Company has the strength to provide an effective carrier for the development of intelligent fully mechanized mining face

The Company is one of the largest R&D and manufacturing enterprises of hydraulic roof support used for comprehensive coal mining in the world. Its hydraulic roof support used for comprehensive coal mining is used by the major coal industry groups throughout the country and has been successively exported to Russia, the United States, Australia, Turkey, India, Vietnam, etc. Meanwhile, the Company has national enterprise technological centers, post-doctoral work stations, academician work stations and other scientific research institutions, and has successively undertaken the research and development of a number of national key comprehensive coal mining equipment projects, leading the development direction of China's coal mining equipment.

The Company has abundant capital, technology and production capacity, providing an effective carrier for the development of intelligent fully mechanized mining face.

(2) The Company has the technical reserves to develop intelligent fully mechanized mining face

The Company's hydraulic electronic control technology center has been engaged in the development of hydraulic systems and valves used for support for more than 20 years and the automatic development of the electronic control systems used for support and working faces for more than 10 years. It has successively developed 4 generations of electro-hydraulic control systems and more than 100 kinds of electrical and valve products used for mining, covering working face automation system, intelligent supply and distribution system, electro-hydraulic control system for support, valve for support, sensor, system software, intelligent mine APP, big data of mines, etc.

The Company's hydraulic electronic control technology center began research on automation of fully developed mining face in 2007. In June 2007, the electric hydraulic control R&D center set up a project for development "electro-hydraulic control system for hydraulic roof support used for comprehensive coal mining". In 2009, it developed the electronic control system for support with the complete proprietary intellectual property rights. According to the appraisal by academicians of the Chinese Academy of Sciences and Chinese Academy of Engineering as organized by the Department of Science and Technology of Henan Province, the result has reached the "international advanced level" and broken the monopoly position of similar foreign products. After more than ten years of development, the Company has reached the leading position in the fields of electro-hydraulic control of support and working face automation. In 2017, the first working face automation project of ZMJ was applied in Fucun Coal Mine of Zaozhuang Mining Group, making the Company one of the few manufacturers with the ability to automate the working face at home and abroad. The Company's existing technologies and talent pool can provide strong support for further research and development of intelligent working face.

4. Particulars of project construction

(1) Location of construction site

The project implementation site is No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC.

(2) Main construction contents

The main construction contents of the project include the construction and renovation of laboratories, addition of key laboratory equipment, purchase of software, and introduction of proprietary technologies.

5. Plan on investment in the project

The total investment in the project amounts to RMB135.50 million, of which RMB120 million will be from the proceeds and the rest shall be funded through self-financing by the Company. The specific composition of the total investment in the project is as follows:

Unit: RMB'0,000

Order no.	Investment composition	Amount of investment	Proportion
1	Construction and installation engineering costs	1,077	7.95%
2	Equipment purchase and installation fee	9,966	73.55%
3	Other engineering expenses	2,241	16.54%
4	Reserves	266	1.96%
Total		**13,550**	**100.00%**

6. Economic evaluation on the project

This project does not directly generate economic benefits. The implementation of this project will help to further enhance the intelligent R&D capability of the Company's coal mining face, enhance the competitiveness of the Company's products in the market, and indirectly have positive effects on the Company's financial position and operating results.

(III) Phase 2 of ASIMCO Industrial Park

1. Basic information on the project

NVH performance is an important indicator to measure the overall quality of automobile manufacturing. The improvement of NVH performance can improve vehicle performance, driving comfort and the comprehensive quality of automobile manufacturing, and meet customer needs.

In the project, it is planned to invest in the construction of Phase 2 of ASIMCO Industrial Park with an annual production capacity of 140 million high-end rubber sealing products for automobiles, 20 million coatings and 520 million miscellaneous products.

The total planned investment in the project amounts to RMB500 million, of which RMB400 million will be from the proceeds. The entity to implement the project is Anhui ASIMCO Hermetic Seal Technology Co., Ltd., a third-tier wholly-owned subsidiary of the Company.

2. Necessity of project construction

(1) This project is the need for China's manufacturing and industrial upgrading

At present, China's economic development has entered a new normal, and the development of the manufacturing industry is facing new challenges. It is imperative to adjust the structure, conduct transformation and upgrading, and improve quality and efficiency. To build a powerful manufacturing country, we must firmly grasp the current rare strategic opportunities, proactively respond to challenges, and strengthen overall planning. We have to highlight innovation driving and rely on Chinese equipment and Chinese brands to realize the transformation from Made in China to Created in China, transformation from Chinese speed to Chinese quality, transformation from Chinese products to Chinese brands and accomplish the strategic task of transformation from large size to powerful strength for China's manufacturing. For automobile industry as an important industry for the national economy, to raise the level of the automobile manufacturing industry is an important way to upgrade the manufacturing industry. Through the construction of this project, ASIMCO NVH will increase product research and development efforts and improve the production technology level, to better promote the cooperation between complete vehicle and auto parts industries in the automobile industry chain.

(2) The project is the need for improving the NVH characteristics and driving comfort of vehicles

With the improvement of people's consumption level, there is a higher requirement on the quality of vehicle, especially the NVH performance. NVH is the abbreviation of noise, vibration and harshness. It is used to measure the comprehensive problem of automobile manufacturing quality. The feeling brought by it to car users is the most direct and superficial. Therefore, NVH problem of vehicles has become one of the focuses of the major automobile manufacturers and parts enterprises in the international automobile industry. In the

project, it is proposed to provide sealing products for major engine plants by increasing the production capacity of seals, provide customers with a full set of technologies to solve automobile noise and provide comfort, and improve NVH performance and driving comfort of vehicles.

(3) This project is the need for the Company to expand production capacity and enhance enterprise competitiveness

In recent years, with the acceleration of the update speed of products in the automobile market, automobile manufacturing has presents more and more new trends including multi-variety production, Scalable Batch Production and market demand-oriented production. Therefore, the manufacturing of auto parts is also progressing toward an efficient and flexible manufacturing method that is featured by multiple varieties, scalable batches, and low cost. In the project, it is proposed to build a modern production line with an annual output of 140 million seals, 20 million coatings and 520 million miscellaneous products. It is constructed with the investment by ASIMCO NVH on the basis of making full use of its own advantages, in order to meet market demands and to become bigger and stronger. Through the construction of this project, ASIMCO NVH can expand its production capacity and stabilize its position as a backbone enterprise in the field of auto parts, which will help enhance its competitiveness.

3. Feasibility of project construction

(1) The market for auto parts is vast

As the upstream of the automobile industry chain, most of the business of parts enterprises is supporting production of the automobile main engine factories, so the parts industry and the downstream vehicle industry basically keep the demand in sync. As an important component of the world automobile industry, China's automobile industry has completed the process from small to large, and is gradually achieving a leap from weak to strong. The global automobile industry is further shifting to China and some emerging economies. After years of development, China's automobile industry has become a pillar industry of the national economy. According to the statistics of China Association of Automobile Manufacturers, the production and sales of automobiles in January to June 2018 was 14,053,700 units and 14,063,000 units, respectively, representing a year-on-year increase of 3.91% and 5.31%, respectively. The sales growth rate was 1.04 percentage points higher than that for the same period of the previous year. As at 2017, China's automobile production and sales have ranked the first in the world for nine consecutive years. The downstream automobile market is large in scale and stable in growth, and the auto parts industry has a broad development space.

(2) The Company has strong technical reserves and production experience

After years of production accumulation, ASIMCO NVH has formed a mature rubber product production process with the advantages of advancement, high efficiency and precision. ASIMCO NVH has accumulated rich process parameters and optimized process flow for many years, which greatly improved production efficiency and product consistency. The Company also has a dedicated technology research and development center to provide strong technical support. In the meantime, ASIMCO NVH is a professional rubber product manufacturing enterprise with complete industrial chain and a full range of capabilities covering material preparation, product design, mold development, production and testing to final sales. Relying on the existing rich technical reserves and production experience, the Company can effectively guarantee the smooth implementation of this project.

(3) The Company has rich downstream customer resources

At present, automobile manufacturers have increasingly higher requirements on parts. After a large-scale restructuring, the entire parts supply market will be dominated by large parts suppliers. The parts enterprises required by the automobile manufacturers in the future are not purely parts suppliers in the traditional sense but suppliers that can provide system solutions for parts, and have very high requirements on the integration and innovation capabilities of supplier's systems. Therefore, parts enterprises are required to work closely with automobile manufacturers in the early stage of advanced technology development, and support each other in business development. At present, ASIMCO NVH's domestic sales manufacturers include Dongfeng Peugeot Citroen, Dongfeng Nissan, Brilliance, SAIC-GM-Wuling, Chery, Geely, BYD, Chongqing Qingling, Dongfeng Automobile, etc. The investment in the project to improve product production technology through increased product research and development efforts can better promote cooperation with automobile manufacturers. Relying on the Company's abundant downstream customer resources, the difficulty encountered by the Company in opening the market and expanding sales channels will be greatly reduced, and the Company can quickly win market opportunities.

4. Particulars of project construction

(1) Location of construction site

The project implementation site is ASIMCO Industrial Park, Heli Park, Anhui Ningguo Economic and Technological Development Zone.

(2) Main construction contents

In the project, it is proposed to invest in construction of Phase 2 of ASIMCO Industrial Park in the original factory area. Through the construction of new plants, R&D and training complex, storage workshops and supporting ancillary buildings, as well as purchase of vacuum flat vulcanizing machines, injection machines, open mills, and other main process equipment, the project will reach an annual production of 140 million high-end rubber seals for automobiles, 20 million coatings and 520 million miscellaneous products.

5. Plan on investment in the project

The total investment in the project amounts to RMB500 million, of which RMB400 million will be from the proceeds and the rest shall be funded through self-financing by the Company. The specific composition of the total investment in the project is as follows:

Unit: RMB'0,000

Order no.	Investment composition	Amount of investment	Proportion
1	Construction and installation engineering costs	18,310.00	36.62%
2	Equipment purchase and installation fee	23,519.00	47.04%
3	Other engineering expenses	1,028.00	2.06%
4	Reserves	2,143.00	4.29%
5	Initial working capital	5,000.00	10.00%
Total		**50,000.00**	**100.00%**

6. Economic evaluation on the project

The project's after-tax internal rate of return is 21.19% and the investment payback period is 6.91 years (after tax, including the construction period).

(IV) Smart processing of engine parts

1. Basic information on the project

ASIMCO Shanxi is one of the largest engine casting production bases in China. It is an important supplier of engine cylinder blocks and heads and ferrous castings in China. In the project, it is proposed to construct production lines for smart processing of engine parts in the Company's original factory area, in particular an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder blocks and an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder heads.

The total planned investment in the project amounts to RMB256.5959 million, of which RMB230 million will be from the proceeds. The entity to implement the project is ASIMCO International Casting Co., Ltd. (Shanxi), a second-tier wholly-owned subsidiary of the Company.

2. Necessity of project construction

(1) This project is an important means for the Company to improve quality and efficiency

Automobile industry is a basic industry of China. The quality and efficiency of the production of engine, as the core component of automobile, not only determine the quality of automobile products, but also determines the level of enterprise's efficiency. With the intensification of competition in the industry and the advancement of technology, high-quality products and efficient production capacity is the key to the future success of enterprises. The improvement of quality and efficiency can effectively maximize the benefits of enterprises. In the construction of production lines for smart processing of engine parts, the introduction of high-tech production equipment at home and abroad for intelligent, digital and networked production will help the Company to achieve lean production management, improve product quality and production efficiency, and enhance enterprise competitiveness and economic efficiency.

(2) This project is the need for technological advancement in the industry

With the increasingly severe requirements under energy conservation, emission reduction and environmental protection laws and regulations, intensive integration technology of engine is the only way to respond to industry development and regulatory requirements. The application of advanced technologies including high-efficiency low-emission combustion technology, high-pressure common rail fuel supply technology, exhaust gas recirculation technology, exhaust gas

turbocharging technology, and NVH technology requires new processes and new materials for engine manufacturing. Thin-wall high-precision castings, low-cut high-precision cylinder blocks and heads and other products are gradually being applied in the engine manufacturing industry. The digital, networked and intelligent manufacturing process has become the main direction of high-efficiency, precision and high-quality manufacturing of major components including engine cylinder blocks and heads.

(3) This project is the need for the company's own development

ASIMCO Shanxi is one of the largest engine casting production bases in China. Currently, it mainly supplies casting blanks for domestic and foreign engine manufacturers. With the development and advancement of industry technology, the current automobile enterprises are gradually transferring the processing procedures of casting blanks to the foundry works and requiring suppliers to provide casting machines and finished parts. In order to enhance the market competitiveness of ASIMCO Shanxi and provide quality products to domestic and foreign customers, ASIMCO Shanxi intends to extend the existing industrial chain through the investment in and construction of this project and increase the added value of products, to create new profit growth points and realize its sustainable development.

3. Feasibility of project construction

(1) The company has the advantage of industrial chain

The main products of ASIMCO Shanxi are diesel engine cylinder blocks and heads. In order to extend the industrial chain and form a new profit growth point, the company plans to invest in the construction of this project. In the project, it is proposed to an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder blocks and an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder heads. Based on the company's production experience and technology advantages in respect of rough casting products, the company can provide different enterprise customers with personalized multi-level machining of engine parts, to achieve high value-added conversion of engine parts, and provide customers with whole value chain services from design to manufacturing.

(2) The company has technical advantages

ASIMCO Shanxi has a complete technology research and development system, product research and development methods and a complete range of equipment. The company has advanced technologies

and technologies including melting, core making, sand processing and casting introduced from Caterpillar of the United States, advanced machines from Germany, Spain and Italy, and more than 30 professional technical research and development personnel. Meanwhile, with the preparation and construction of this project, ASIMCO Shanxi has set up a professional technical team, and has carried out pre-technical interaction and joint research and development with Perkins, Cummins, CAMC, Hino and other customers to complete analysis on product process and technology, consolidating the technical reserves for the implementation of the project.

(3) The company has brand advantages

ASIMCO Shanxi is a national backbone manufacturer of casting machine. Its products are exported to the United States, Japan, India and other countries, and it has a number of important Chinese customers, including Dongfeng Cummins, Chongqing Cummins, Foton Cummins, Hualing Heavy Duty Truck, Jiangling Heavy Duty Truck, Sany Heavy Industry, SFH. Especially in the fields of commercial vehicles and passenger vehicles, ASIMCO Shanxi has a good brand image and customer base advantages. The implementation of this project will give full play to the advantages of ASIMCO brand and provide good support and guarantee for the market sales of the project's products.

4. Particulars of project construction

(1) Location of construction site

The project implementation site is ASIMCO Shanxi in Jiangxian Economic Development Zone, Yuncheng City, Shanxi Province.

(2) Main construction contents

In the project, it is proposed to invest in construction of production lines for smart processing of engine parts. The company will build new plants, ancillary facilities and other buildings and purchase combined milling, high speed machining center, finishing machines and other major processing equipment to build an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder blocks and an intelligent production line with the annual processing capacity of 20,000 heavy-duty engine cylinder heads.

5. Plan on investment in the project

The total investment in the project amounts to RMB256.5959 million, of which RMB230 million will be from the proceeds and the rest shall be funded through self-financing by the Company. The specific composition of the total investment in the project is as follows:

Unit: RMB'0,000

Order no.	Investment composition	Amount of investment	Proportion
1	Construction and installation engineering costs	1,880.00	7.33%
2	Equipment purchase and installation fee	21,056.00	82.06%
3	Other engineering expenses	603.23	2.35%
4	Reserves	1,412.35	5.50%
5	Initial working capital	708.00	2.76%
Total		**25,659.59**	**100.00%**

6. Economic evaluation on the project

The project's after-tax internal rate of return is 15.07% and the investment payback period is 7.25 years (after tax, including the construction period).

(V) Construction of centre for R&D of motors and generators that drive new energy vehicles

1. Basic information on the project

This project is a motor research and development center project of ZMJ. The construction contents include construction of a new R&D center, purchase of software and hardware for the development platform and R&D of the required rough processing, trial installation, testing and physical and chemical equipment.

The total planned investment in the project amounts to RMB237.25 million, of which RMB200 million will be from the proceeds. The entity to implement the project is Zhengzhou Coal Mining Machinery Group Company Limited.

2. Necessity of project construction

(1) This project is in line with the national policy on new energy automobile industry

In recent years, the State has issued a number of policies to support the development of new energy automobile industry, including the Development Plan for Energy-saving and New Energy Automobile Industry (2012–2020) (《節能與新能源汽車產業發展規劃(2012–2020年)》), the Guidance on Accelerating the Promotion and Application of New Energy Vehicles (《關於加快新能源汽車推廣應用的指導意見》), the Technology Roadmap of Energy-saving and New Energy Vehicles (《節能與新能源汽車技術路線圖》) and the "Thirteenth Five-year" Plan on Development of National Strategic Emerging Industries (《「十三五」國家戰略性新興產業發展規劃》). Driven by a series of policies and market demands, the sales of new energy passenger cars and commercial vehicles has shown rapid growth in recent years. As one of the three core components of new energy vehicles, the drive motor has also shown rapid growth with the growth of automobile market.

(2) This project is the need to protect the environment and promote the sustainable development of society

The development of new energy industries will reduce the dependence on traditional energy sources represented by oil and have important strategic significance for the country's economic development and energy supply security. The development of new energy vehicles using electric energy will help reduce carbon emissions in the transportation sector and reduce the problems of exhaust gas, dust and noise caused by traditional transportation vehicles. Electric-powered vehicles make transportation energy diversified and recyclable, reduce the country's energy dependence on oil import and improve the national energy security level; the entire industrial chain of new energy vehicles, as an emerging industry, covers a wide range and can drive the progress of a series of industries including battery, energy storage, and power grid and promote the development of the automobile industry.

(3) This project is the need to improve the international competitiveness of China's automobile industry

Globally, the technological transformation of new energy vehicles with the focus on power electrification, structural lightweight, and vehicle intelligence is developing in depth. Focusing on the construction and strengthening of research and development of special motors and electric vehicle performance will help improve the competitiveness of the Chinese automobile industry, especially the electric vehicle industry. The key technologies of China's traditional automobile industry have always lagged behind the international advanced level. However, the development of electric vehicles has almost stood on the same starting line from the beginning. Before the world electric vehicle industry pattern has yet to be formed, China can give full play to its advantages. The transformation from traditional vehicles to electric vehicles presents a strategic opportunity for China's automobile industry to transform from a chaser to a leader.

(4) This project is the need for strategic development of enterprise

New energy vehicle's power battery system, drive motor system, and vehicle electronic control system have become key technologies for the development of new energy automobile industry. After acquisition of the starter and generator businesses of ASIMCO Group and Germany-based BOSCH, ZMJ has achieved breakthroughs in key core technologies including start motor and 48V low-voltage hybrid motors, and formed the strategy of development of two main businesses of coal mining machinery and auto parts. The implementation of this project is in line with the direction of development strategy of the auto parts manufacturing sector of the Listing Company. The company can rely on its strong technical strength and product research and development capabilities to enable it to master the core technologies of drive motor for new energy vehicle and achieve industrialization, so as to quickly seize the high-end domestic and international market of drive motor for new energy vehicles by virtue of its good product performance and sales network. Consolidating and enhancing the core competitiveness of the company's products is an important measure to implement the company's development strategy and has important practical significance and far-reaching strategic significance.

3. Feasibility of project construction

(1) Policy basis

In recent years, the State has introduced a number of policies to encourage the development of new energy vehicle-related industries. The Decision of the State Council on Accelerating the Cultivation and Development of Strategic Emerging Industries (Guo Fa [2010] No. 32) (《國務院關於加快培育和發展戰略性新興產業的決定》(國發[2010]32號)) identifies the new energy automobile industry as one of the seven strategic emerging industries; the Made in China 2025 (Guo Fa [2015] No. 28) (《中國製造2025》(國發[2015]28號)) regards the "energy-saving and new energy vehicle" as one of the top ten industries for key development; the Development Plan for Energy-saving and New Energy Automobile Industry (2012 - 2020)" (Guo Fa [2012] No. 223) (《節能與新能源汽車產業發展規劃(2012–2020年)》(國發[2012]223號)) makes it clear that the production and sales of new energy vehicles will exceed 5 million units by 2020, and the State proactively encourages the production of new energy vehicles; the Notice on Further Promotion and Application of New Energy Vehicles (Cai Jian [2014] No. 11) (《關於進一步做好新能源汽車推廣應用工作的通知》(財建[2014]11號)) further clarifies the development direction and goals of each stage of the new energy automobile industry and that new energy vehicle has become a strategic emerging industry as the focus of development support in China. In 2018, the Letter on Supporting the Construction of National New Energy Vehicle Technology Innovation Center (《關於支持建設國家新能源汽車技術創新中心的函》) issued by the Ministry of Science and Technology proposes to increase the supply of major key technologies to meet the major demands of new energy automobile industry, and to build the source of technological innovation for new energy vehicles in the world.

The project is in line with the national industrial orientation and local development needs, and the technical route and long-term goal are clear. The new energy automobile industry will become one of the most promising industries in the "Thirteenth Five-Year" period and a long period of time in the future.

(2) Market basis

The new energy automobile industry is developing rapidly. From January to June 2018, the production and sales of new energy vehicles were 413,000 units and 412,000 units, respectively, representing a year-on-year increase of 94.9% and 111.5%, respectively. In June 2018, the production and sales of new energy vehicles were 86,000 units and 84,000 units, respectively, representing a year-on-year increase of 31.7% and 42.9%, respectively.

The permanent magnet synchronous motor as the product developed in the project is the development mainstream of new energy drive motor. The biggest feature of permanent magnet synchronous motor is its very high power density and torque density. At present, there are few enterprises specialized in new energy-driven motor in China with small scale and weak competitiveness and they are far behind the international advanced enterprises including BOSCH, Continental, SKF, Hitachi, Fuji, and Mitsubishi Electric. The implementation of this project can accelerate the pace of high-end oriented development of new energy vehicle drive motor. The target market is promising, and there is a large demand for import substitution, giving rise to a considerable market space.

(3) Technical basis

In 2016, the Company acquired six auto parts companies under the ASIMCO Group, and entered the auto parts industry from a high starting point to realize the operation of dual main businesses of coal mining machinery and auto parts. On 31 December 2017, the Company and its co-investors successfully acquired the motor business of BOSCH and got access to the technologies of start motor and 48V low-voltage hybrid motors. At present, the Company has the foundation for research and development of new energy-driven motor. Based on the Company's strong research and development capabilities and technical strength in the field of automobile motor, the project is expected to achieve independent innovation and localization of high-end permanent magnet synchronous motor systems.

4. Particulars of project construction

(1) Location of construction site

The project implementation site is No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC.

(2) Main construction contents

In the project, it is proposed to build a complex factory of research and development center in the original factory area of the Company. Upon completion of the project, the Company will have the research and development capabilities for new energy passenger cars, commercial vehicles and special-purpose vehicle drive motors. The motor power coverage range is 50~90KW.

5. Plan on investment in the project

The total investment in the project amounts to RMB237.25 million, of which RMB200 million will be from the proceeds and the rest shall be funded through self-financing by the Company. The specific composition of the total investment in the project is as follows:

Unit: RMB'0,000

Order no.	Investment composition	Amount of investment	Proportion
1	Construction and installation engineering costs	4,429.00	18.67%
2	Equipment purchase and installation fee	17,028.00	71.77%
3	Other engineering expenses	1,148.00	4.84%
4	Reserves	1,120.00	4.72%
Total		**23,725.00**	**100.00%**

6. Economic evaluation on the project

This project does not directly generate economic benefits. The implementation of this project will help the Company to develop its own core technology of drive motor for new energy vehicles and realize the industrialized production of its products by capitalizing on its own strong technical strength and product development capability, and indirectly have positive effects on the Company's financial position and operating results.

III. EFFECTS OF THE PROCEEDS-FUNDED PROJECTS ON THE OPERATION MANAGEMENT AND FINANCIAL POSITION OF THE COMPANY

(I) Effects of the Proceeds-funded Projects on the Operation Management of the Company

The Company is a leading enterprise in the industry of hydraulic roof support used for comprehensive coal mining in China. The management of the Company has many years of management experience in the field of mechanical equipment manufacturing. Under the strategic transformation principle of "cross-industry instead of trans-discipline" as proposed by the Board, the Company completed the dual main businesses layout of the "coal mining machinery + auto parts" through the acquisition of 6 auto parts companies under the ASIMCO Group. The overall profit of the above six companies exceeded expectations in the year of acquisition. Upon completion of the acquisition of the businesses of ASIMCO, in order to expand and strengthen the auto parts segment, the Company seized opportunities of the industry by uniting investment institution to bid for the acquisition of the starter and generator businesses of the Germany-based BOSCH. Upon completion of the acquisition, the Company led the world in terms of key core technologies including start motor and 48V low-voltage hybrid motors and possessed the global R&D platform for the core technologies of new energy motor and electronic control, laying a solid foundation for the Company to build a world-famous auto parts company.

According to the Company's overall business development strategy, the Company is committed to further promoting the operation of dual main businesses, seizing temporary opportunities brought about by the recovery of the coal industry and improvement amidst stabilization of commercial vehicles, to strengthen its industry position in the fields of coal mining machinery and auto parts and expand the market share. Relying on the advanced technical capabilities, it will continue to operate high-margin products to improve the Company's operating results and bring higher return on investment for shareholders.

The Proceeds-funded Projects are in line with the relevant national industrial policies and the overall strategic development direction of the Company in the future, and have good market development prospects and economic benefits. The implementation of these Proceeds-funded Projects will help the Company to accelerate development and continuously enhance the competitiveness of existing superior products, and further consolidate the Company's overall strength and ability to withstand market risks, which is of strategic importance for the Company's sustainable development.

(II) Effects of the Proceeds-funded Projects on the Financial Position of the Company

Upon completion of the Non-public Issue, the Company's total assets and net assets will increase, and the asset-liability ratio is expected to decline, which is conducive to optimizing the capital structure and enhancing its ability to resist risks. Upon completion of the Issue, the Proceeds-funded Projects require a certain construction period. In the case of a large increase in the Company's total share capital and net assets, the Company's return on equity may be affected to a certain extent in the short term. The Proceeds-funded Projects are expected to have a good economic return. As the projects gradually produce benefits, the Company's revenue and profit will increase steadily, and the profitability and profitability stability will continue to increase.

IV. CONCLUSION

In sum, the Company's use of proceeds from the Non-public Issue of A Shares is in line with the relevant national industrial policies and industrial development trends with good economic returns, and is of great significance for enhancing the Company's profitability and core competitiveness. The implementation of the Proceeds-funded Projects can lay a solid foundation for the Company's sustained and stable growth, and is in the interests of all shareholders. It is feasible for the Company to use the proceeds from the Non-public Issue of A Shares.

The Board of Directors of Zhengzhou Coal Mining Machinery Group Company Limited
23 July 2018

Important notice:

The assumptions on the effects of the Non-public Issuance on major financial indicators of the Company after the issue described below does not constitute a profit forecast. Investors shall not make any investment decision based on such assumptions, and the Company disclaims any liability for any losses incurred by investors arising from any investment decisions made based on them. The Company hereby notices investors that the remedial measures for returns does not guarantee the future profit of the Company.

Pursuant to the relevant requirements of the Opinions on Further Strengthening the Protection of Minority investors' Legitimate Interests in Capital Market (Guo Ban Fa [2013] No. 110) (《關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013] 110 號)) and the Guidance on Matters Relating to the Dilution of Current Returns as a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015] 31號)), Zhengzhou Coal Mining Machinery Group Company Limited (the "Company") has carefully analyzed the influence of the Non-public Issue of A Shares on dilution of current returns and introduced detailed remedial measures, and relevant entities have also made commitments to fulfill the remedial measures of the Company. The particulars are as follows:

I. ANALYSIS ON THE EFFECTS OF THE NON-PUBLIC ISSUE ON MAJOR FINANCIAL INDICATORS

Upon completion of the Issue, the net assets scale of the Company will increase. In the short-term, while the utility of the proceeds raised cannot yet be fully reflected, financial indicators of the Company such as the earnings per share, return on equity etc. will, to a certain extent, be affected. However, from a medium to long-term perspective, the proceeds raised from the Non-public Issue would augment the capital of the Company and effectively support the expansion of the business scale and enhance the business scale and profitability of the Company. The Company will actively adopt various measures to increase its net assets and enhance the capital utilization rate in order to achieve better earnings per share and return on equity.

(I) Main assumptions

1. The Company's net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2017 amounted to RMB387.0751 million. Assuming the Company's net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2018 will increase by 0%, 10% and 20% over the aforementioned net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2017, respectively;

2. Assuming that the Issue will be completed on 30 November 2018 (such completion date is only for the calculation of impact of the Non-Public Issue on the dilution of current returns, which is subject to the actual Issue completion date);

3. Assuming that the number of the Issue is 346,494,274 shares, which is the cap of the Issue (not more than 20% of the Company's total share capital before the Non-public Issue). The number of the Issue is only estimated by the Company and is finally subject to the number of shares as approved by the CSRC and actually issued;

4. Before the completion of the Non-public Issue, the Company may distribute dividends or conduct other financing activities to all shareholders. Since the amount of cash dividends distributed or the size and amount of other financing activities are uncertain, it is not possible to consider the effects of such cases on the Plan for the Issue;

5. The assumptions do not take into account the impact of other operating or non-operating factors, other than the proceeds from the Non-public Issue and net profits, on the assets and profitability of the Company;

6. The aforesaid assumptions are only used for the evaluation of the impact of the dilution of current returns as a result of the Issue on the principal financial indicators of the Company, and do not constitute any guarantee or forecast of the Company. Investors should not make their investment decisions based on it. The Company will not be liable for compensation of any losses suffered by investors due to any investment decisions made by them on such basis.

(II) Impact on the principal indicators of the Company

Based on the aforesaid assumptions, the Company evaluated the impact of the Non-public Issue on the earnings per share, return on equity and other principal financial indicators of the Company as follows:

		2018/31 December 2018	
Item	2017/ 31 December 2017	Assuming no new shares are issued	After the Issue
Total share capital (share)	1,732,471,370	1,732,471,370	2,078,965,644
Scenario 1. Assuming that the Company's net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2018 is flat with that for 2017, i.e. the net profit is RMB387,075,100			
Basic earnings per share (RMB/share)	0.227	0.223	0.220
Diluted earnings per share (RMB/share)	0.227	0.223	0.220
Scenario 2. Assuming that the Company's net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2018 increases by 10% over 2017, i.e. the net profit is RMB425,782,600			
Basic earnings per share (RMB/share)	0.227	0.246	0.242
Diluted earnings per share (RMB/share)	0.227	0.246	0.242
Scenario 3. Assuming that the Company's net profit attributable to shareholders of the Listed Company after non-recurring gains and losses for 2018 increases by 20% over 2017, i.e. the net profit is RMB464,490,100			
Basic earnings per share (RMB/share)	0.227	0.268	0.264
Diluted earnings per share (RMB/share)	0.227	0.268	0.264

Note: the earnings per share are calculated in accordance with the Compilation Rules for Information Disclosures by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings per Share (Revised in 2010) (《公開發行證券的公司信息披露編報規則第9號–淨資產收益率和每股收益的計算及披露》(2010年修訂)) and are net of the effects of non-recurring gains and losses.

II. THE NECESSITY AND REASONABLENESS OF THE FINANCING CHOSEN BY THE BOARD

The proceeds from the Company's Non-public Issue after deducting the issue expenses will be used for the construction of smart factories for comprehensive coal mining equipment, etc. The shortfall of net proceeds used for the Proceeds-funded Projects will be raised by the Company.

(I) The necessity of the financing chosen by the Board

1. Meeting the development trend of the coal industry and the requirements of intelligent manufacturing development

In recent years, the national policy proposes to improve the recovery rate and utilization efficiency of coal resources and promote the comprehensive development and utilization of coal and associated resources. The equipment used for comprehensive coal mining to be produced in the project of construction of smart factories for comprehensive coal mining equipment is an important guarantee for improvement of the recovery rate and utilization efficiency of coal resources.

With the continuous advancement of science and technology, the State has paid more and more attention to the safe production of coal mines, which has promoted the transformation of coal mining from traditional labor-intensive to equipment-intensive, in order to achieve automation of coal mining face involving fewer people or achieving unmanned excavation. The construction of R&D Centre for smart work surface meets the development requirements on the safety of the coal industry. The implementation of the Proceeds-funded Projects will promote the Company to optimize the process, eliminate backward process, and improve the intelligent level of manufacturing process. It meets the strategic requirements on the state enterprises' technological transformation and enhancement of intelligent level of the manufacturing process.

2. Meeting the growing market demand for auto parts and the market requirements on auto cleanliness, comfort, and refined manufacturing

After years of development, the automobile industry has become a pillar industry of the national economy and the production and sales rank the first in the world. At present, China's automobile industry is in the transition period from a growth period to a mature period, with a

steady growth rate, which brings broad development space for the auto parts industry.

With the increasing consumption level of residents, the requirements of modern consumers on vehicle comfort are gradually increasing. The Phase 2 of ASIMCO Industrial Park will improve the NVH performance and driving comfort of vehicles, and provide customers with a full set of technologies to solve noise problem and provide comfort for vehicles.

Due to the advancement of technology in the industry and the higher requirements on specialized production, the complete machine manufacturers gradually move the processing procedures of rough casting to the upstream foundry works to reduce the investment of its own equipment. The implementation of smart processing of engine parts will, through casting finishing and joint research and development, extend the existing industrial chain and achieve efficient, precision and high-quality manufacturing of engine cylinder blocks and heads and other major components to meet the needs of complete machine manufacturers.

Under the support of the State's policy on vigorously promoting the development of new energy vehicles, the entire new energy automobile industry is booming, and the demand for new energy-driven motors is constantly increasing. The construction of centre for R&D of motors and generators that drive new energy vehicles helps the Company to extend the Company's business from start motor to new energy-driven motor, which is in line with the future development trend of the automobile industry towards new energy.

(II) Reasonableness of the financing chosen by the Board

1. Implementation of the Company's long-term development strategy to realize the strategic layout of the dual main businesses of coal mining machinery manufacturing and auto parts manufacturing

At present, the Company has formed the industrial layout composed of two main businesses, i.e. coal mining machinery manufacturing and auto parts manufacturing, and has set diversification of its business layout as one of the Company's development strategies. It responds to the new round of scientific and technological revolution and industrial transformation with the industrial layout with multiple supporting points and diverse drives. The projects funded with the proceeds from the Non-public Issue will further strengthen the Company's core competitiveness in terms of coal

mining machinery business and auto parts business, enhance production capacity and production efficiency, and promote technological innovation, to propel the expansion and consolidation of coal mining machinery business and auto parts business.

2. The Company has certain advantages in terms of management system, technical strength and customer resources

After years of development, the Company has established a complete management process covering R&D, procurement, production, sales and quality control, and has trained a group of experienced technical and management personnel. The Company's mature production technologies and management experience will fully guarantee the smooth implementation of the projects funded with the proceeds from the Issue. The Company has operated the coal mining machinery business and auto parts business in the industry for many years and accumulated a wealth of customer resources and a relatively stable customer base. The Company's quality customer resources and sales capability will provide a powerful guarantee for the projects funded with the proceeds from the Issue to absorb production capacity.

3. The own funds are difficult to satisfy the high investment in the Proceeds-funded Projects

Since the industry of the Company is a heavy asset industry, the investment in projects is large, and it is insufficient to rely solely on its own financial strength to implement the Proceeds-funded Projects, the Company raises part of the funds needed for the projects through the Issue, and raises the remaining funds on its own. Based on its years of production experience, the Company can effectively guarantee the smooth implementation of projects.

If the projects are implemented smoothly, the Company's production equipment, product type, production capacity and technology research and development capability will be further optimized and upgraded. The implementation of the Proceeds-funded Projects will help improve the Company's competitiveness and sustainable development capability, thereby improving the Company's profitability and achieving a more lucrative return to shareholders.

III. THE RELATIONSHIP BETWEEN THE PROCEEDS-FUNDED PROJECTS AND THE EXISTING BUSINESS OF THE COMPANY, AND THE RESERVES OF THE COMPANY FOR THE PROCEEDS-FUNDED PROJECTS IN TERMS OF PERSONNEL, TECHNOLOGY AND MARKET

(I) The relationship between the Proceeds-funded Projects and the existing business of the Company

Through acquisition of 6 auto parts companies of the ASIMCO Group and the starter and generator businesses of the Germany-based BOSCH, the Company has successfully transformed into a listed company with dual main businesses, i.e. coal mining machinery manufacturing and auto parts manufacturing. The Proceeds-funded Projects are in line with the Company's own business objectives and business development plan.

In future, the Company's coal mining machinery segment will move towards the direction of comprehensive, intelligent and international development. We will build up ourselves as a worldwide top-notch supplier and service provider in respect of comprehensive coal mining machinery equipment and foster the green, intelligent, efficient and safe development of comprehensive coal mining technology. The construction of smart factories for comprehensive coal mining equipment to be funded with the proceeds will help improve the automation, informationization and intelligence level of the Company's manufacturing, improve the manufacturing efficiency of equipment used for comprehensive coal mining, and enhance the speed of response to customer orders and product production capacity; the construction of R&D Centre for smart work surface will facilitate achieving automation in coal mining and excavation surface, involving fewer people or achieving unmanned excavation and is of important practical and strategic significance for ensuring coal mine safety and promoting the sustainable development of coal resources in the coal industry.

For the Company's future auto parts business, ASIMCO and SEG will be the operating entities focusing on intelligent, electric and lightweight products. The Company aims at building an auto parts enterprise with influence in the world to make contributions to environmental protection, energy conservation and emission reduction of China and even the world. The Phase 2 of ASIMCO Industrial Park to be funded with the proceeds will be expand the production capacity of ASIMCO NVH, stabilize ASIMCO NVH's position as an important supplier in the auto parts industry and enhance its competitiveness; the smart processing of engine parts will, through casting finishing and joint research and development, extend the existing industrial chain of ASIMCO Shanxi to increase the added value of products; the construction of centre for R&D of motors and generators that drive new energy vehicles will help realize the extension of the Company's business from the start motor to the new energy drive motor and realization of necessary technical reserves, to conform to the future development trend of the automobile industry towards new energy.

(II) Reserves of the Company for the Proceeds-funded Projects in terms of personnel, technology and market

1. Personnel

After years of rapid development, ZMJ has formed its own talent training system, and has a talented team with rich R&D experience, high management level and deep understanding of customer needs. Adhering to the development strategy of human resources globalization, the Company sustainably optimizes the structure of existing human resources under a market-oriented mindset, creates a scientific system of talents incubation and development, has in place a clear path of career promotion, adopts a reasonable system of remuneration and, from a global perspective and under a market-oriented mechanism, recruits and retains people of high caliber under a human resources mechanism via both training and selective hiring.

2. Technology

In respect of coal mining machinery manufacturing, the Company has national enterprise technological centers, post-doctoral work stations, academician work stations, Henan Engineering Technology Research Center and other scientific research and development platforms. Meanwhile, it has the industry-leading automatic production lines for sheet metal cutting, welding and spraying, automatic production lines for column jacks, and the assembly production line with the world's largest production capacity of hydraulic roof support.

In terms of auto parts manufacturing, the Company's ASIMCO and SEG have been operating for many years, accumulated a wealth of process parameters, and continuously optimized the process flow, thus greatly improving production efficiency. ASIMCO NVH is a high-tech enterprise with a provincial-level enterprise technological center and two manufacturing bases; ASIMCO Shanxi's cylinder head core technology, 3mm wall thickness cylinder block casting technology, high elongation ferritic ductile iron production technology, and vermicular graphite cast iron material and process technology for cylinder blocks and heads which are in line with Euro 6 emission standard have reached the industry first-class level; through acquisition of motor business from Germany-based BOSCH, the Company got access to the technologies of start motor and 48V low-voltage hybrid motors. With the technical strength in the field of automobile motor, the Company can realize the independent innovative development and localization of high-end permanent magnet synchronous motor system.

3. Market

After long-term development, ZMJ has become the leader in China's coal mining machinery industry and been widely recognized by customers. ASIMCO Group has become one of the largest independent auto parts manufacturing groups in China, with good brand image and customer base advantages in the field of commercial and passenger vehicles; SEG has accumulated high-quality customer resources and a sound global production and sales network in the long-term operation. The Company has accumulated a batch of high-quality customer resources for the coal mining machinery manufacturing business and auto parts manufacturing business, and formed a relatively stable cooperative relationship with major customers.

In summary, the projects funded with the proceeds from the Issue are based on the existing business layout of the Company and will further improve production efficiency, production capacity and technological research and development. The projects funded with the proceeds from the Issue enjoy a good foundation in terms of personnel, technology and market. With the advancement of the Proceeds-funded Projects and the gradual expansion of business fields, the Company will proactively improve the reserves of personnel, technology and market to meet the needs of continuous business development and transformation and upgrading.

IV. REMEDIAL MEASURES FOR DILUTION OF CURRENT RETURNS OF THE LISTED COMPANY

In order to protect the interests of investors, the Company will take various measures to ensure the effective use of the proceeds, effectively prevent the risk of dilution of current returns and improve future returns. Specific measures include:

(I) Strengthen the management of proceeds to ensure the standardized and effective use of proceeds

In accordance with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Guidelines No. 2 on the Supervision and Administration of Listed Companies — Regulatory Requirements on the Management and Use of Proceeds of Listed Companies (《上市公司監管指引第2號—上市公司募集資金管理和使用的監管要求》), Rules Governing the Listing of Stocks on Shanghai Stock Exchange(《上海證券交易所股票上市規則》), the Measures for Administration of Proceeds of Listed Companies of the Shanghai Stock Exchange (Revised in 2013) (《上海證券交易所上市公司募集資金管理辦法(2013年修訂)》), and the Measures for the Management of Proceeds (《募集資金

管理辦法》) formulated by the Company, the Company will strengthen the storage, use, management and supervision of proceeds, standardize the management and use of proceeds, and raise the use efficiency and effectiveness of proceeds, to prevent risks with the use of proceeds and protect the interests of investors.

(II) Proactively and steadily promote the use of proceeds in accordance with the promised use and amount

The projects funded with the proceeds from the Non-public Issue are strategic measures based on relevant national industrial policies, industry background and development trend of the Company. The Proceeds-funded Projects closely focus on the Company's existing main businesses and will further enrich and improve the existing main business system and strengthen the sustainable development of the main businesses. The good economic and social benefits of such projects will facilitate the Company's integrated development. In the long run, the profitability of these Proceeds-funded Projects is expected to be good. The implementation of these Proceeds-funded Projects will bring sustained and stable income to the Company and help the Company to improve its overall profitability and maximize the interests of shareholders.

(III) Strengthen the dual main businesses of coal mining machinery and core auto parts, and promote the Company's business upgrade

Through two major asset restructurings, the Company has completed the transformation of the dual main businesses of coal mining machinery and auto parts and formed an industrial pattern with multiple supports and diverse drives. In future, the coal mining machinery segment will move towards the direction of comprehensive, intelligent and international development. We will build up ourselves as a worldwide top-notch supplier and service provider in respect of coal mining machinery equipment and foster the green, intelligent, efficient and safe development of comprehensive coal mining technology; for the Company's auto parts business, ASIMCO and SEG will be the operating entities focusing on intelligent, electric and lightweight products. The Company aims at building an auto parts enterprise with influence in the world to realize two-wheel drive by coal mining machinery and core automobile parts, which will greatly enhance the Company's ability to resist risks.

(IV) Further strengthen operation management and internal control to enhance operating results

The Company will strictly follow the requirements of laws, regulations and regulatory documents including the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the

People's Republic of China (《中華人民共和國證券法》), and the Corporate Governance Guidelines for Listed Companies (《上市公司治理準則》), and further optimize the governance structure, strengthen internal control, and improve the investment decision-making process. Various financing tools and channels will be utilized in a rational way to control the cost of funds and improve the use efficiency of funds. Under the premise of ensuring liquidity demand for rapid development of the Company's business, the Company will save various expenses and comprehensively and effectively control the Company's operations and funds control risks, and safeguard the overall interests of the Company, in particular the legitimate rights and interests of minority shareholders, to provide institutional guarantee for the future healthy development of the Company.

(V) Further improve the profit distribution policy to increase returns to shareholders

In order to improve the Company's profit distribution system and promote the Company to establish a more scientific and reasonable profit distribution and decision-making mechanism to better safeguard the interests of shareholders and investors, the Company, according to the Notice on Further Implementing Matters concerning Cash Dividends of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and the Guidelines No. 3 on the Supervision and Administration of Listed Companies — Distribution of Cash Dividends of Listed Companies (《上市公司監管指引第3號 — 上市公司現金分紅》) of the CSRC, and other relevant laws, regulations and normative documents and based on the actual conditions of the Company, has clear requirements on profit distribution policy in the Articles of Association. In the future, if there is any discrepancy between the above-mentioned systems and the applicable laws, regulations and normative documents, the Listed Company will promptly amend the relevant systems of the Company in accordance with the relevant laws and regulations and the internal normative documents including the Articles of Association.

Meanwhile, the Listed Company has prepared the Shareholders' Dividend and Return Plan for the Coming Three Years (2019-2021) (《未來三年(2019年-2021年)股東分紅回報規劃》) which clearly stipulates the shareholders' return plan for the coming three years and the decision-making, supervision and adjustment mechanism of the shareholders' return plan. The Company will strictly implement relevant provisions to effectively protect the interests of shareholders of the Company, in particular minority investors.

Upon completion of the Issue, the Company will follow the arrangements under the Articles of Association and the Shareholders' Dividend and Return Plan for the Coming Three Years (2019-2021) (《未來三年(2019年-2021年)股東分紅回報規劃》) to proactively implement profit distribution to shareholders of the Company when the conditions of profit distribution are satisfied to improve returns to shareholders.

Investors are advised to note that the abovementioned remedial measures prepared by the Listed Company do not represent guarantee for the Company's future profits.

V. UNDERTAKINGS FOR GUARANTEEING THE DUE PERFORMANCE BY THE COMPANY OF REMEDIAL MEASURES FOR ITS CURRENT RETURNS

(I) Undertakings by the directors and senior management

The undertakings by all directors and senior management of the Company are as follows:

1. I undertake to perform duties faithfully and diligently and to safeguard the legitimate rights and interests of the Company and all of its shareholders.

2. I undertake not to transfer benefits to other units or individuals at nil consideration or on unfair conditions, nor to damage the interests of the Company by other means.

3. I undertake to impose restrictions on duty consumption acts of directors and senior management.

4. I undertake not to apply any assets of the Company for investment and consumption activities that are irrelevant to the duties performed.

5. I undertake that the remuneration system set up by the Board or the remuneration committee will be linked with the implementation of remedial measures for returns of the Company.

6. if the Company subsequently launches a share incentive scheme, I undertake that the conditions for exercising the rights in respect of the incentive shares to be announced by the Company will be linked with the implementation of remedial measures for returns of the Company.

7. Upon publication of relevant opinions and detailed implementation rules on the remedial measures for dilution of current returns by China Securities Regulatory Commission and the Shanghai Stock Exchange, in case of discrepancy between the relevant provisions of the Company and my undertakings and such requirements, I undertake to issue supplemental undertakings in accordance with the requirements of China Securities Regulatory Commission and the Shanghai Stock

Exchange, and proactively promote the Company to prepare new provisions to satisfy the requirements of China Securities Regulatory Commission and the Shanghai Stock Exchange.

(II) Undertakings by the controlling shareholder

Henan Machinery Investment Group Co., Ltd. as the controlling shareholder of the Company undertakes:

Not to intervene the operation and management activities of the Company or unlawfully occupy the Company's interests in the period when it is the controlling shareholder of Zhengzhou Coal Mining Machinery Group Company Limited.

Upon publication of relevant opinions and detailed implementation rules on the remedial measures for dilution of current returns by China Securities Regulatory Commission and the Shanghai Stock Exchange, in case of discrepancy between the relevant provisions of the Company and its undertaking and such requirements, it undertakes to issue supplemental undertakings in accordance with the requirements of China Securities Regulatory Commission and the Shanghai Stock Exchange, and proactively promote the Company to prepare new provisions to satisfy the requirements of China Securities Regulatory Commission and the Shanghai Stock Exchange.

VI. PROCEDURES FOR CONSIDERATION OF THE REMEDIAL MEASURES FOR THE DILUTION OF CURRENT RETURNS ARISING FROM THE ISSUE

All directors, senior management and the controlling shareholder of the Company have made undertakings on the remedial measures for dilution of current returns arising from the Non-public Issue of A Shares of the Company. The analysis by the Board of the Company on dilution of current returns arising from the Issue and the remedial measures for current returns have been considered and approved at the fifth meeting of the fourth session of the Board of the Company and are subject to consideration at the general meeting of the Company. The Company will disclose the completion of remedial measures for current returns and the fulfillment of the undertakings made by relevant parties in periodic reports.

Zhengzhou Coal Mining Machinery Group Company Limited
23 July 2018

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other matters the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the total share capital of the Company was RMB1,732,471,370 divided into 1,732,471,370 Shares of RMB1.00 each.

Immediately following the Non-public Issue of A Shares, the total share capital of the Company may increase to a figure to be determined.

All the Shares in issue rank pari passu in all respects with each other including as regards to dividends, voting rights and return of capital.

3. DISCLOSURE OF INTERESTS

Interests and short positions of Directors, Supervisors and chief executives

To the best knowledge of the Directors, as at the Latest Practicable Date, the Directors, the Supervisors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the Securities and Futures Ordinance (the "**SFO**") of Hong Kong) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under relevant provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein (including interests and short positions which they are taken or deemed to have under relevant provisions of the SFO); or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for

Securities Transactions by Directors of Listed Companies under the Listing Rules as follows:

Name	Director/ Supervisor/ Chief Executive	Capacity/ Nature of interest	Class of shares	Number of shares	Approximate percentage of the relevant class of shares %	Approximate percentage of the total number of shares %	Long position/ Short position/ Lending pool
Jiao Chengyao	Director	Beneficial owner	A Share	2,901,964	0.19	0.17	Long position
Xiang Jiayu	Director	Beneficial owner	A Share	1,895,120	0.13	0.11	Long position
Fu Zugang	Director	Beneficial owner	A Share	2,526,720	0.17	0.15	Long position
		Interest of spouse	A Share	200,000	0.01	0.01	Long position
Wang Xinying	Director	Beneficial owner	A Share	1,895,040	0.13	0.11	Long position
Liu Qiang	Supervisor	Beneficial owner	A Share	11,500	0.00	0.00	Long position
Zhou Rong	Supervisor	Beneficial owner	A Share	40,000	0.00	0.00	Long position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the Supervisors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed to have); or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.

Interests of substantial Shareholders

As at the Latest Practicable Date, so far as the Directors were aware, the following Shareholders (other than the Directors, Supervisors or chief executives) had interests or short positions in any Shares and the underlying Shares of the Company which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company, or which were required to be notified to the Company or Hong Kong Stock Exchange:

Name	Capacity/ Nature of interest	Class of shares	Number of shares	Approximate percentage of the relevant class of shares %	Approximate percentage of the total number of shares %	Long position/ Short position/ Lending pool
State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government[(1)]	Beneficial owner	A Share	521,087,800	34.99	30.08	Long position
Henan Machinery Investment Group Co., Ltd.[(1)]	Beneficial owner	A Share	521,087,800	34.99	30.08	Long position
Bain Capital Asia Fund, L.P.[(2)]	Interest of controlled corporation	A Share	93,220,338	6.26	5.38	Long position
Bain Capital Fund X, L.P.[(2)]	Interest of controlled corporation	A Share	93,220,338	6.26	5.38	Long position
Bain Capital Asia Integral Investors, L.P.[(2)]	Interest of controlled corporation	A Share	93,220,338	6.26	5.38	Long position

Name	Capacity/ Nature of interest	Class of shares	Number of shares	Approximate percentage of the relevant class of shares %	Approximate percentage of the total number of shares %	Long position/ Short position/ Lending pool
ASIMCO Technologies Group Limited[(2)]	Interest of controlled corporation	A Share	93,220,338	6.26	5.38	Long position
Axle ATL Cayman Limited[(2)]	Interest of controlled corporation	A Share	93,220,338	6.26	5.38	Long position
ASIMCO Technologies Hong Kong Limited[(2)]	Interest of controlled corporation	A Share	93,220,338	6.26	5.38	Long position
ASIMCO (China) Limited[(2)]	Beneficial owner	A Share	93,220,338	6.26	5.38	Long position
National Council for Social Security Fund	Beneficial owner	H Share	23,709,400	9.75	1.37	Long position

Notes:

(1) Henan Machinery Investment Group Co., Ltd. directly held 521,087,800 Shares in the A Shares of the Company. Henan Machinery Investment Group Co., Ltd. was a wholly-owned subsidiary of State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government. By virtue of the SFO, State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government was deemed to own 521,087,800 Shares in the A Shares of the Company which were in the same block directly held by Henan Machinery Investment Group Co., Ltd.

(2) ASIMCO (China) Limited directly held 93,220,338 Shares in the A Shares of the Company. ASIMCO (China) Limited was a wholly-owned subsidiary of ASIMCO Technologies Hong Kong Limited, which was wholly-owned by Axle ATL Cayman Limited, which was in turn wholly-owned by ASIMCO Technologies Group Limited, which was in turn wholly-owned by Bain Capital Asia Integral Investors, L.P. Bain Capital Asia Fund, L.P. and Bain Capital Fund X, L.P. held 54.04% and 44.32% shares in Bain Capital Asia Integral Investors, L.P. By virtue of the SFO, ASIMCO Technologies Hong Kong Limited, Axle ATL Cayman Limited, ASIMCO Technologies Group Limited, Bain Capital Asia Integral Investors, L.P., Bain Capital Fund X, L.P. and Bain Capital Asia Fund, L.P. were deemed to own 93,220,338 Shares in the A Shares of the Company which were in the same block directly held by ASIMCO (China) Limited.

Save as disclosed above and so far as the Directors, Supervisors and senior management of the Company were aware, as at the Latest Practicable Date, no substantial Shareholder of the Company or other person held any interest or short position in the Shares or underlying Shares (as the case may be) which was required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in ten percent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

4. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group subsequent to 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies in force which (i) including both continuous and fixed term contracts, had been entered into or amended within 6 months before the date of this circular; (ii) were continuous contracts with a notice period of 12 months or more; or (iii) were not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, the Company or any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

7. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competed or was likely to compete with the business of the Company.

8. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be ongoing, pending or threatened against any member of the Company.

9. MATERIAL CONTRACTS

The following contract (being contract not entered into in the ordinary course of business) has been entered into by the Company within the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date.

The Company, Chizhou Zhongan Zhaoshang Equity Investment LLP ("**Zhongan Zhaoshang**") and Zhengzhou Shengji Mechanical and Electrical Equipment Company Limited ("**Zhengzhou Shengji**"), entered into the investment agreement dated 7 August 2017, pursuant to which each of the Company and Zhongan Zhaoshang agreed to increase the capital of Zhengzhou Shengji, of which the Company shall contribute RMB1,370 million and Zhongan Zhaoshang shall contribute RMB600 million. Upon completion of the capital increase, the registered capital of Zhengzhou Shengji will be changed from RMB480 million to RMB2,450 million.

10. OTHERS

The company secretary of the Company is Mr. Zhang Haibin. Since February 2015, he has been the secretary to the Board of the Company. Ms. Chan Yin Wah is the assistant to the company secretary, and an associate director of SWCS Corporate Services Group (Hong Kong) Limited. She is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, and a fellow member of the Association of Chartered Certified Accountants.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the office of Clifford Chance at 27th Floor, Jardine House, One Connaught Place, Hong Kong during normal business hours on any weekday, except public holidays, and (ii) on the Company's website (www.zzmj.com) from the date of this circular up to and including 7 September 2018, being the date of the first H Shareholders Class Meeting of 2018 and the second EGM of 2018:

(a) the Articles of Association;

(b) the letter from the Board, the text of which is set out on pages 4 to 21 of this circular;

(c) the material contract referred to in the paragraph headed "Material Contracts" in this Appendix;

(d) the annual reports of the Company for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively; and

(e) this circular.

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)

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2018

NOTICE IS HEREBY GIVEN THAT the second extraordinary general meeting of 2018 (the "**EGM**") of Zhengzhou Coal Mining Machinery Group Company Limited (鄭州煤礦機械集團股份有限公司) (the "**Company**") will be held at the Convention Centre, Office Building of Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC at 9:00 a.m. on Friday, 7 September 2018 for the following purposes:

SPECIAL RESOLUTIONS

1 The resolution in relation to the Company satisfying the conditions precedent to the non-public issue of A shares;

2 The resolution in relation to the proposed non-public issue of A shares by the Company in 2018;

2.01 Type and denomination of shares to be issued

2.02 Method of issue

2.03 Target and method of subscription

2.04 Pricing reference date, issue price and pricing principle

2.05 Number of shares to be issued

2.06 Amount and use of proceeds

2.07 Lock-up period

2.08 Place of listing

2.09 Arrangement for retained profits

2.10 Effective date of resolution regarding the Non-public Issue

3 The resolution in relation to the planned non-public issue of A shares by the Company in 2018;

4 The resolution in relation to the feasibility analysis report on the use of proceeds from the non-public issue of A shares by the Company in 2018;

5 The resolution in relation to the report on the use of proceeds from the previous fund raising by the Company;

6 The resolution in relation to seeking authorization from the shareholders of the Company in general meeting to be granted to the Board and/or persons designated by the Board for handling matters related to this non-public issue of A shares in its/their full discretion;

7 The resolution in relation to the specific mandate for the non-public issue of A shares;

8 The resolution in relation to the effect of the dilution of current returns as a result of the non-public issue of A shares on the key financial indicators of the Company and measures adopted by the Company;

9 The resolution in relation to the relevant committing entities making their commitment on ensuring that the remedial measures for current returns by the Company can be firmly implemented; and

10 The resolution in relation to the planned distributions to shareholders for the next three years (2019 – 2021).

ORDINARY RESOLUTIONS

11 The resolution in relation to amending the system of managing proceeds from fundraising; and

12 The resolution in relation to amending the procedural rules for shareholders' general meetings.

Closure of the Register of Members

The register of members of the Company will be closed from Wednesday, 8 August 2018 to Friday, 7 September 2018 (both days inclusive), during which period no transfer of shares of the Company will be effected. Any H shareholders of the Company who intend to attend the EGM but have not yet registered are required to deposit the share certificates together with the relevant transfer documents at the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 7 August 2018. H shareholders whose names appear on the register of members of the Company on Friday, 7 September 2018, shall be entitled to attend and vote at the EGM.

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

Zhengzhou, PRC, 24 July 2018

As at the date hereof, 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 of the Company are Ms. LIU Yao, Mr. JIANG Hua and Mr. LI Xudong.

Notes:

(1) All votes of resolutions at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.zzmj.com) in accordance with the Listing Rules.

(2) Any shareholders entitled to attend and vote at the EGM can appoint one or more proxies to attend and vote at the EGM on his/her behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and type of shares in respect of which each proxy is so appointed.

(3) Shareholders shall appoint their proxies in writing. The form of proxy shall be signed by the shareholder or his/her/its attorney who has been authorized in writing. If the shareholder is a corporation, the form of proxy shall be affixed with the corporation's seal or signed by its director, or its attorney duly authorized in writing. If the form of proxy is signed by the attorney of the shareholder, the power of attorney or other authorization document shall be notarized. For shareholders of H shares, the aforementioned documents must be lodged with the H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for holding the EGM (i.e. 9:00 a.m. on Thursday, 6 September 2018 (Hong Kong time)) or any adjournment thereof in order for such documents to be valid. Completion and delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) Shareholders who intend to attend the EGM (in person or by proxy) shall complete and deliver the reply slip of EGM to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by personal delivery, mail or fax on or before Saturday, 18 August 2018.

(5) Shareholders shall produce their identification documents when attending the EGM.

(6) If a proxy attends the EGM on behalf of a shareholder, he/she should produce his/her identification document and the power of attorney or other documents signed by the appointer or his/her attorney, which specifies the date of its issuance. If a representative of a corporate shareholder attends the EGM, such representative shall produce his/her identification document and the notarized copy of the resolution passed by the board of directors or other authority or other notarized copy of any authorization documents issued by such corporate shareholder.

(7) The EGM is expected to last for half a day. Shareholders who attend the EGM (in person or by proxy) shall bear their own travelling, accommodation and other expenses.

(8) The contact of the Company:

Address:	Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, PRC
Postal Code:	450016
Telephone:	86-371-6789 1017
Contact Person:	Mr. XI Zhipeng
Facsimile:	86-371-6789 1000

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)

NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING OF 2018

NOTICE IS HEREBY GIVEN THAT the first H Shareholders Class Meeting of 2018 (the "**Meeting**") of Zhengzhou Coal Mining Machinery Group Company Limited (鄭州煤礦機械集團股份有限公司) (the "**Company**") will be held at the Convention Centre, Office Building of Zhengzhou Coal Mining Machinery Group Company Limited, No. 167, 9th Street, Econ-Tech Development Zone, Zhengzhou, Henan Province, the PRC at 9:00 a.m. on Friday, 7 September 2018 for the following purposes:

SPECIAL RESOLUTIONS

1 The resolution in relation to the proposed non-public issue of A shares by the Company in 2018;

1.01 Type and denomination of shares to be issued

1.02 Method of issue

1.03 Target and method of subscription

1.04 Pricing reference date, issue price and pricing principle

1.05 Number of shares to be issued

1.06 Amount and use of proceeds

1.07 Lock-up period

1.08 Place of listing

1.09 Arrangement for retained profits

1.10 Effective date of resolution regarding the Non-public Issue

2 The resolution in relation to the planned non-public issue of A shares by the Company in 2018;

3 The resolution in relation to seeking authorization from the shareholders of the Company in general meeting to be granted to the Board and/or persons designated by the Board for handling matters related to this non-public issue of A shares in its/their full discretion; and

4 The resolution in relation to the specific mandate for the non-public issue of A shares.

Closure of the Register of Members

The register of members of the Company will be closed from Wednesday, 8 August 2018 to Friday, 7 September 2018 (both days inclusive), during which period no transfer of shares of the Company will be effected. Any H shareholders of the Company who intend to attend the Meeting but have not yet registered are required to deposit the share certificates together with the relevant transfer documents at the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 7 August 2018. H shareholders whose names appear on the register of members of the Company on Friday, 7 September 2018, shall be entitled to attend and vote at the Meeting.

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

Zhengzhou, PRC, 24 July 2018

As at the date hereof, 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 of the Company are Ms. LIU Yao, Mr. JIANG Hua and Mr. LI Xudong.

Notes:

(1) All votes of resolutions at the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.zzmj.com) in accordance with the Listing Rules.

(2) Any shareholders entitled to attend and vote at the Meeting can appoint one or more proxies to attend and vote at the Meeting on his/her behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and type of shares in respect of which each proxy is so appointed.

(3) Shareholders shall appoint their proxies in writing. The form of proxy shall be signed by the shareholder or his/her/its attorney who has been authorized in writing. If the shareholder is a corporation, the form of proxy shall be affixed with the corporation's seal or signed by its director, or its attorney duly authorized in writing. If the form of proxy is signed by the attorney of the shareholder, the power of attorney or other authorization document shall be notarized. For shareholders of H shares, the aforementioned documents must be lodged with the H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for holding the Meeting (i.e. 9:00 a.m. on Thursday, 6 September 2018 (Hong Kong time)) or any adjournment thereof in order for such documents to be valid. Completion and delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) Shareholders who intend to attend the Meeting (in person or by proxy) shall complete and deliver the reply slip of Meeting to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by personal delivery, mail or fax on or before Saturday, 18 August 2018.

(5) Shareholders shall produce their identification documents when attending the Meeting.

(6) If a proxy attends the Meeting on behalf of a shareholder, he/she should produce his/her identification document and the power of attorney or other documents signed by the appointer or his/her attorney, which specifies the date of its issuance. If a representative of a corporate shareholder attends the Meeting, such representative shall produce his/her identification document and the notarized copy of the resolution passed by the board of directors or other authority or other notarized copy of any authorization documents issued by such corporate shareholder.

(7) The Meeting is expected to last for half a day. Shareholders who attend the Meeting (in person or by proxy) shall bear their own travelling, accommodation and other expenses.

(8) The contact of the Company:

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Postal Code:	450016
Telephone:	86-371-6789 1017
Contact Person:	Mr. XI Zhipeng
Facsimile:	86-371-6789 1000