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: 0564)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

- The revenue of the Group for 2013 was RMB8.055 billion, representing a decrease of RMB2.158 billion (i.e. 21.1%) as compared with 2012.
- Profit for the year attributable to owners of the Company for 2013 was RMB867 million, representing a decrease of RMB722 million (i.e. 45.5%) as compared with 2012.
- Earnings per share for 2013 was RMB0.53.
- The Board proposed a final dividend of RMB0.165 per share for 2013.

The board of directors (the "**Board**") of Zhengzhou Coal Mining Machinery Group Company Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2013 together with the comparative figures of the corresponding period in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** *RMB'000*	2012 *RMB'000*
Revenue	*3*	**8,055,311**	10,212,854
Cost of sales		**(6,233,115)**	(7,529,237)
Gross profit		**1,822,196**	2,683,617
Other income	*5*	**107,356**	117,886
Other gains and losses	*6*	**(172,019)**	(87,870)
Selling and distribution expenses		**(257,851)**	(332,256)
Administrative expenses		**(333,528)**	(326,042)
Research and development expenses		**(147,048)**	(152,716)
Share of (loss) profit of associates		**(11,740)**	11,353
Share of profit of joint ventures		**91**	509
Finance costs	*7*	**(3,788)**	(3,553)
Profit before tax		**1,003,669**	1,910,928
Income tax expense	*8*	**(166,688)**	(297,385)
Profit for the year	*9*	**836,981**	1,613,543
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale financial assets		**(22,418)**	–
Exchange differences arising on translation		**113**	–
Other comprehensive expense for the year, net of income tax		**(22,305)**	–
Total comprehensive income for the year		**814,676**	1,613,543

	Notes	**2013** *RMB'000*	2012 *RMB'000*
Profit for the year attributable to:			
Owners of the Company		**866,712**	1,589,147
Non-controlling interests		**(29,731)**	24,396
		836,981	1,613,543
Total comprehensive income for the year attributable to:			
Owners of the Company		**844,407**	1,589,147
Non-controlling interests		**(29,731)**	24,396
		814,676	1,613,543
Earnings Per Share			
– Basic and diluted (RMB)	*11*	**0.53**	1.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-Current Assets			
Property, plant and equipment		**1,683,405**	1,715,078
Prepaid lease payments		**397,611**	316,524
Investment properties		**10,594**	10,993
Intangible assets		**6,067**	6,681
Investments in associates		**396,083**	421,801
Investments in joint ventures		**3,561**	3,942
Available-for-sale investments		**75,282**	8,335
Deferred tax assets		**88,917**	71,225
		2,661,520	2,554,579
Current Assets			
Prepaid lease payments		**8,660**	6,802
Inventories		**1,639,358**	1,479,227
Loan receivables from an associate		**50,000**	–
Trade and other receivables	*12*	**4,675,442**	4,044,807
Other financial assets		**655,815**	–
Tax recoverable		**9,799**	–
Pledged bank deposits	*13*	**294,414**	442,400
Bank balances and cash	*13*	**2,656,434**	4,478,822
		9,989,922	10,452,058
Current Liabilities			
Trade and other payables	*14*	**2,223,408**	2,813,257
Advances from customers		**562,494**	744,243
Tax liabilities		**26,815**	22,473
Borrowings		**136,050**	–
		2,948,767	3,579,973
Net Current Assets		**7,041,155**	6,872,085
Total Assets Less Current Liabilities		**9,702,675**	9,426,664

	Notes	2013 RMB'000	2012 RMB'000
Capital and Reserves			
Share capital	*15*	**1,621,122**	1,621,122
Share premium		**3,409,354**	3,409,354
Reserves		**4,488,372**	4,130,302
Equity attributable to owners of the Company		**9,518,848**	9,160,778
Non-controlling interests		**163,336**	193,067
Total Equity		**9,682,184**	9,353,845
Non-Current Liabilities			
Borrowings		**–**	49,000
Other non-current liabilities		**20,491**	23,819
		20,491	72,819

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was established in the PRC on 28 December 2008 as a joint stock company with limited liability under the Company Law of the PRC. On 3 August 2010, the Company completed its initial public offering and listing of 140,000,000 A shares on the Shanghai Stock Exchange under the stock code 601717.SS. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 December 2012.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its principal subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. REVENUE

	2013	2012
	RMB'000	*RMB'000*
Sales of hydraulic roof supports	**4,851,515**	7,283,537
Revenue from steel and other materials trading	**2,393,045**	2,216,033
Sales of spare parts	**612,838**	408,955
Sales of other coal mining equipment	**128,528**	238,131
Other revenue	**69,385**	66,198
	8,055,311	10,212,854

4. SEGMENT INFORMATION

The Group identifies an operating segment which is a component of the Group (a) that engages in business activities from which it may earn revenues and incur expenses; and (b) whose operating results are reviewed regularly by the executive directors, the chief operating decision maker, to make decisions about resources allocation and performance assessment.

The Group has only one operating segment which is the manufacture of coal mining machinery and the Group's operating results before tax are reviewed regularly by the Group's chief operating decision maker to make decisions about resources allocation and performance assessment. As no other discretionary financial information is provided to the Group's chief operating decision maker, no segment information is presentation other than the entity-wide information.

Information about major customers

The following illustrates the revenue from customers which contributing over 10% of the total revenue of the Group:

	2013	2012
	RMB'000	*RMB'000*
Customer A	**1,008,678**	1,360,424
Customer B	**946,270**	N/A[1]

[1] *The corresponding revenue did not contribute over 10% of the total revenue of the Group for this year.*

5. OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Government grants	**17,638**	21,053
Interest income on bank deposits	**89,718**	96,833
	107,356	117,886

6. OTHER GAINS AND LOSSES

	2013	2012
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**5,129**	4,650
Gain on disposal of a joint venture	**–**	130
Fair value gain on held for trading investment	**–**	17,320
Net foreign exchange (losses) gains	**(32,238)**	8,880
Allowance for doubtful debts	**(131,625)**	(121,412)
Write-down of inventories	**(10,397)**	(798)
Others	**(2,888)**	3,360
	(172,019)	(87,870)

7. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interests on bank borrowings wholly repayable within five years	**3,788**	3,553

8. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
Income tax expenses comprise:		
Current tax: – PRC enterprise income tax	**184,273**	313,733
Under provision in prior years	**107**	858
Deferred tax – current year	**(19,790)**	(17,206)
Deferred tax – attributed to a change in tax rate	**2,098**	–
	166,688	297,385

The tax rates of the major group entities for the year ended 31 December 2013 and 2012 are as follows:

	2013	2012
The Company *(Note 1)*	**15%**	15%
Zhengzhou Coal Mining Machinery Comprehensive Equipment Co., Ltd. ("**ZMJ Comprehensive Equipment**") *(Note 2)*	**15%**	15%
Zhengzhou Coal Mining Machinery Hydraulic Electrical Control Co., Ltd. ("**ZMJ Hydraulic Control**") *(Note 3)*	**15%**	15%
Zhengzhou Coal Mining Machinery Group Material Trading Co., Ltd. ("**ZMJ Material Trading**")	**25%**	25%
Zhengzhou Coal Mining Longwall Face Machinery Co., Ltd. ("**ZMJ Longwall Machinery**")	**25%**	25%
Zhengzhou Coal Mining Machinery Group Lu An Xinjiang Co., Ltd. ("**ZMJ Lu An Xinjiang**")	**25%**	25%
Huainan ZMJ Shun Li Machinery Co., Ltd. ("**ZMJ Shun Li Machinery**") *(Note 4)*	**15%**	25%

Note 1: The Company received the "Technology Certificate" on 28 October 2011, which entitles to a preferential tax rate of 15% from 1 January 2011 to 31 December 2013.

Note 2: ZMJ Comprehensive Equipment received the "Technology Certificate" on 26 June 2013 and is entitled to a preferential tax rate of 15% from 1 January 2013 to 31 December 2015. ZMJ Comprehensive Equipment was previously entitled to a preferential tax rate of 15% from 1 January 2010 to 31 December 2012 under a separate certificate.

Note 3: ZMJ Hydraulic Control received the "Technology Certificate" on 26 June 2013 and is entitled to a preferential tax rate of 15% from 1 January 2013 to 31 December 2015. ZMJ Hydraulic Control previously was entitled to a preferential tax rate of 15% from 1 January 2010 to 31 December 2012 under a separate certificate.

Note 4: ZMJ Shun Li Machinery received the "Technology Certificate" on 16 July 2013 and is entitled to a preferential tax rate of 15% from 1 January 2013 to 31 December 2015.

The tax charge for the year can be reconciled to the profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**1,003,669**	1,910,928
Tax at the PRC enterprise income tax rate of 15%	**150,551**	286,639
Tax effect of share of loss (profit) of associates and joint ventures	**2,936**	(1,779)
Tax effect of expenses that are not deductible for tax purpose	**3,523**	3,548
Under provision in prior years	**107**	858
Tax effect of tax losses not recognised	**11,532**	2,742
Effect of different tax rate of subsidiaries	**2,691**	10,327
Additional deduction for qualified research and development expenses	**(6,750)**	(4,950)
Decrease in opening deferred tax assets resulting from an decrease in applicable tax rate	**2,098**	–
	166,688	297,385

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2013	2012
	RMB'000	*RMB'000*
Depreciation for property, plant and equipment	**148,503**	136,372
Depreciation for investment properties	**399**	399
Amortisation of intangible assets	**2,107**	2,749
Release of prepaid lease payments for land	**9,913**	6,125
Total depreciation and amortisation	**160,922**	145,645
Employee benefits expenses (including directors):		
– Salary and other benefits	**397,809**	377,237
– Retirement benefits scheme contributions	**57,816**	54,199
	455,625	431,436
Auditors' remuneration	**2,980**	2,980
Impairment losses on trade and other receivables	**131,625**	121,412
Cost of inventories recognised as an expense	**6,233,115**	7,529,237
Gross rental income from investment properties	**(4,260)**	(3,898)
Less: direct operating expenses from investment properties that generated rental income	**1,327**	1,034
	(2,933)	(2,864)
Operating lease rentals in respect of rented premises	**5,224**	5,224

10. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year		
– 2011 Final (RMB0.12 per share)	**–**	84,000
– 2012 Final (RMB0.30 per share)	**486,337**	–
	486,337	84,000

The final dividend in respect of the year ended 31 December 2013 of RMB0.165 per share (2012: final dividend in respect of the year ended 31 December 2012 of RMB0.30 per share) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2013	2012
	RMB'000	*RMB'000*
Earning for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**866,712**	1,589,147
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,621,122,000**	1,418,426,833

The diluted earnings per share is the same as basic earnings per share in 2013 as the Company did not have any dilutive potential ordinary shares in issue in 2013.

The computation of diluted earnings per share does not assume the exercise of the Company's over-allotment options granted pursuant to the listing of the Company's shares in the Stock Exchange as the exercise price of the options was higher than the average market price for the shares. The over-allotment options were subsequently lapsed on 27 December 2012.

12. TRADE AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Bills receivable	**620,304**	561,340
Trade receivables	**4,215,037**	3,433,133
Less: allowance for doubtful debts	**(439,475)**	(309,082)
	4,395,866	3,685,391
Prepayments to suppliers	**261,021**	296,583
Deposits	**9,812**	27,751
Other tax recoverable	**47**	13,415
Staff advances	**3,776**	4,571
Others	**11,659**	22,603
Less: allowance for doubtful debts	**(6,739)**	(5,507)
	279,576	359,416
Total trade and other receivables	**4,675,442**	4,044,807

The Group generally allows a credit period of 180 days to its customers. The credit period provided to a customer can vary significantly based on a number of factors, including the Group's relationship with the customer, the customer's credit profile and payment history, total contract value and market conditions. The following is an aged analysis of bills receivable and trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period:

	2013 RMB'000	2012 RMB'000
Within 180 days	**2,415,006**	2,230,314
Over 180 days but within 1 year	**1,159,078**	1,110,796
Over 1 year but within 2 years	**723,508**	294,932
Over 2 years within 3 years	**98,274**	49,349
	4,395,866	3,685,391

13. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	2013 RMB'000	2012 RMB'000
Cash	**304**	104
Bank deposits with original maturity within 3 months or less	**2,046,130**	3,598,718
Cash and cash equivalents	**2,046,434**	3,598,822
Bank deposits with original maturity over 3 months	**610,000**	880,000
Bank balances and cash	**2,656,434**	4,478,822

Pledged bank deposits represent deposits pledged to banks to secure bank acceptance bills and letters of guarantee and short-term bank loans and are therefore classified as current assets.

14. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Bills payable	**227,961**	710,746
Trade payable	**1,605,127**	1,630,413
	1,833,088	2,341,159
Dividends payable	**–**	42,249
Dividends payable to a non-controlling shareholder of a subsidiary	**–**	2,799
Salary and bonus payables	**118,670**	148,572
Amount due to a non-controlling shareholder of a subsidiary	**114,600**	101,349
Deposits	**20,092**	20,086
Deferred income to be recognised within one year	**14,558**	12,908
Other taxes payable	**50,409**	55,295
Accruals and other payables	**55,923**	70,160
Housing funds held on behalf of staff	**16,068**	18,680
	2,223,408	2,813,257

Trade payables and bills payable comprise amounts outstanding for trade purchase. Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from suppliers. The following is an aged analysis of bills payable and trade payables presented based on invoice date at the end of each reporting period:

	2013	2012
	RMB'000	*RMB'000*
Within 90 days	**874,083**	1,198,741
Over 90 days but within 1 year	**658,100**	999,027
Over 1 year	**300,905**	143,391
	1,833,088	2,341,159

15. SHARE CAPITAL

	Listed A Shares		Listed H Shares		Total	
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**
	'000	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*
Registered, issued and fully paid at RMB1.0 per share:						
At 1 January 2012	700,000	700,000	–	–	700,000	700,000
Issuance of H Shares *(Note i)*	(22,112)	(22,112)	243,234	243,234	221,122	221,122
Capitalisation of the share premium *(Note ii)*	700,000	700,000	–	–	700,000	700,000
At 31 December 2012 and 2013	1,377,888	1,377,888	243,234	243,234	1,621,122	1,621,122

Note i: In December 2012, upon the approval of the Stock Exchange, the Company has completed its initial public offering of 221,122,000 H Shares, which are listed on the Main Board of the Stock Exchange.

Moreover, according to the Interim Measures of the State Council of the PRC (the "**State Council**") on the Management of Reducing State-owned Shares and Raising Social Security Funds issued by the State Council and the relevant approvals of State-owned Assets Supervision and Administration Commission of the State Council, existing shareholders of the state-owned shares of the Company has reduced their state-owned shares and transferred an aggregate amount of 22,112,000 A Shares of the Company to the National Council for Social Security Fund of the PRC, and such shares were converted into H Shares on a one-for-one basis.

Note ii: Pursuant to the shareholders' resolutions passed at the 2011 annual general meeting of the Company held on 28 February 2012, the Company declared a final cash dividend of RMB0.12 per share in respect of the year ended 31 December 2011 and by way of capitalisation of share premium, issued 700,000,000 new A Shares (on the basis of the Company's total issued share capital comprising 700,000,000 A Shares as of 31 December 2011) to all holders of A Shares whose names appeared on the Company's register of members as at the closing of trading on the Shanghai Stock Exchange on 12 March 2012, on the basis of 10 new A Shares for every 10 then issued A Shares.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue decreased by 21.1% from RMB10,212.85 for the year ended 31 December 2012 to RMB8,055.31 for the year ended 31 December 2013, mainly due to significant changes in demand and supply in domestic coal market which resulted in a decrease in domestic market demand for the Group's products and the corresponding decrease in the Group's revenue from hydraulic root supports.

Cost of Sales

Our cost of sales decreased by 17.2% from RMB7,529.24 million for the year ended 31 December 2012 to RMB6,233.12 million for the year ended 31 December 2013, primarily as a result of a decrease in the volume of steel used in our manufacturing operations.

Gross Profit

Driven by the above factors, our gross profit decreased by 32.1% from RMB2,683.62 million for the year ended 31 December 2012 to RMB1,822.20 million for the year ended 31 December 2013.

Due to the increasingly intensive market competition, our gross profit margin decreased from 26.3% for the year ended 31 December 2012 to 22.6% for the year ended 31 December 2013.

Other Income

Our other income decreased by 8.9% from RMB117.89 million for the year ended 31 December 2012 to RMB107.36 million for the year ended 31 December 2013, primarily as a result of a decrease in interest income from our bank deposits due to decreases in average interest rates.

Other Gains and Losses

Our other gains and losses increased by 95.8% from RMB87.87 million for the year ended 31 December 2012 to RMB172.02 million for the year ended 31 December 2013, primarily as a result of an increase in currency exchange loss due to fluctuations in exchange rate and an increase in our allowance for doubtful debts.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 22.4% from RMB332.26 million for the year ended 31 December 2012 to RMB257.85 million for the year ended 31 December 2013, primarily as a result of a decrease in transportation and logistics expenses as our sales volumes decreased.

Administrative Expenses

Our administrative expenses increased by 2.3% from RMB326.04 million for the year ended 31 December 2012 to RMB333.53 million for the year ended 31 December 2013, primarily as a result of an increase in consultation fee due to investment management requitements.

Research and Development Expenses

Our research and development expenses decreased by 3.7% from RMB152.72 million for the year ended 31 December 2012 to RMB147.05 million for the year ended 31 December 2013, primarily as a result of our effective control of research and development expenses and improved efficiency in research and development.

Finance Costs

Our finance costs increased by 6.8% from RMB3.55 million for the year ended 31 December 2012 to RMB3.79 million for the year ended 31 December 2013, primarily as a result of an increase in interest expenses on our bank borrowings due to an increase in the average balance of our bank borrowings.

Profit Before Tax

Being affected by the factors referred to above in aggregate, our profit before tax decreased by 47.5% from RMB1,910.93 million for the year ended 31 December 2012 to RMB1,003.67 million for the year ended 31 December 2013.

Income Tax Expense

Our income tax expense increased by 43.9% from RMB297.39 million for the year ended 31 December 2012 to RMB166.69 million for the year ended 31 December 2013, primarily as a result of a decrease in our taxable profit for the year. Our effective tax rate for the year ended 31 December 2013 increased to 16.6% from 15.6% for the year ended 31 December 2012.

Profit attributable to owners of the Company

Being affected by the factors referred to above in aggregate, profit attributable to owners of the Company decreased by 45.5% from RMB1,589.15 million for the year ended 31 December 2012 to RMB866.71 million for the year ended 31 December 2013.

Trade and other receivables

As at 31 December 2013, trade and other receivables amounted to approximately RMB4,675.44 million, representing an increase of approximately RMB630.63 million as compared to RMB4,044.81 million as at the end of 2012, primarily as a result of an increase of the credit periods that we granted to certain major customers in an effort to develop the relationships due to market competition, and was partially offset by our enhanced collection efforts.

Other financial assets

As at 31 December 2013, other financial assets amounted to approximately RMB655.82 million, representing an increase of approximately RMB655.82 million as compared to the end of 2012, as a result of the purchases of short-term structured deposits from PRC commercial banks to enhance our cash management.

Liquidity

The Group's net current assets were approximately RMB7,041.16 million (31 December 2012: RMB6,872.09 million) and the current ratio was 3.39 as at 31 December 2013 (31 December 2012: 2.92). The increase in current ratio was mainly attributable to a decrease in trade and other payables.

BUSINESS REVIEW

1. *Decrease in operating results*

   In 2013, the Company realized revenue of RMB8,055 million, representing a decrease of 21.1% over the corresponding period last year. Net profit was RMB837 million, representing a decrease of 48.1% over the corresponding period last year. Net profit attributable to shareholders of the parent company was RMB867 million, representing a decrease of 45.5% over the corresponding period last year. As at 31 December 2013, net assets amounted to RMB9,682 million.

2. *Maintained a leading position in the industry in terms of market share and initiated exploration of diversified sales modes*

   2013 was a year of transformation and exploration for the Company. To cope with the challenging market condition, all of our staff had been dedicated on refining the Company's management, reforming its manufacturing and production structure, developing technological innovation and innovating marketing method. We successfully implemented the sales mode of finance lease, professional service mode of life-long equipment management, model of project general contracting for production reaching as well as model of full process professional service in coal mining industry. We successfully introduced the new modes to international market, and preliminarily succeeded in transformation and upgrading. Absolute values of major economic indicators and profitability of the Company in 2013 maintained at the highest level of the industry. The winning bid of the Company accounted for 40.79% of the total tenders for 2013, representing an increase of 3.19% as compared with the corresponding period last year. Non-bidding order amount for the year accounted for 36.56% of total order. The Company has developed into 22 new markets during the year and the order amount of which represented 16.21% of total order. At the same time, the Company has initially explored new operation modes such as the service for reaching production with equipment delivery, finance lease and professional service.

There are eight large-scale hydraulic roof supports manufacturing enterprises in the PRC, which are accounted for nearly 90% of market share in the PRC. According to data from the industry association, the Coal Mining Complete Equipment Complex, the Company shared 37.6%, 40.9% and 64.4% of the aggregate annual production capacity, revenue and gross profit of these eight enterprises respectively in 2013.

3. *Further expansion of international operation*

The Company assisted TKI project in Turkey to achieve production with the service for reaching production with equipment delivery which signaled the successful extension of diversified development modes to overseas market. In addition, the Company's Moonidih project in India successfully obtained a work-over permit of equipment issued by the Directorate General of Mines Safety of India and has become the world's first company which obtained a work-over permit of comprehensive coal mining equipment in India in the past 20 years.

4. *Leading technology development in the industry*

In 2013, the Company was the first to complete the research, development and technology reservation of ultra mining height hydraulic roof support of over 7 meters, workplace equipment for ultra-thin coal seam and filling by gob-side entry retention. The design and processing standards of ZY18000/25/45D roof support and ZFY18000/25/39D roof support were also enhanced to higher levels. The successful promotion and application of new processes, such as laser cladding technology and double-station narrow gap welding, significantly improved production efficiency and product quality. The Company also conducted further research and development on new hydraulic roof supports of higher supporting heights and higher working resistance as well as new processing methods to enrich its technology contents.

5. *Continuous optimization of production process planning, enhancement of equipment standards and preliminary exploration of reforming manufacturing and production structure*

The Company further optimized its production process planning in 2013. The planning of 26 production lines for oil tank parts and components, adjustments of seven production lines for tanks and process planning of four production lines for piston rods was completed. Equipment standards were further improved by introducing and applying new dual-torch narrow gap welders and intelligent robotic welding systems. The industry's first production line for automatic steel plate cutting of high accuracy and intelligence has been installed accordingly. The Company also made preliminary attempts to reform the production mode. Based on the principle of pursuing excellence, the Company made preliminary attempts to develop a daily production system with unit planning as production target to strive for continuous manufacturing and balanced production.

6. *Continuous growth in the number of subsidiaries and further regulation on management*

The number of subsidiaries of the Company has continued to grow. ZMJ Germany Gmbh was incorporated as the Company's technological research and development platform of comprehensive coal machinery in Europe. Our Shanghai subsidiary – Shanghai Zheng An Mining Engineering Co, Ltd. (上海鄭安礦山工程技術有限公司), which is responsible for general contracting of local and overseas projects and production reaching services, also commenced operation. With its financial control and information technology, the Company has continued to strengthen the management and guidance on its subsidiaries. The Company also improved the dispatch system of financial personnel of its subsidiaries and launched the promotion of ERP information management system which may connect with the Group's network.

7. *Achieved higher level of quality management*

Quality is the life of a corporation and service is the soul of a brand. With the vision of "establishing the Benz brand in coal machinery industry" as its target, the Company has continued to promote its product quality and level of after-sales services by transforming the double-check process of finished parts and components into processing management, implementing a red-line and yellow-line system for quality accidents and launching 631 quality improvement projects. The Company has continued to promote 4S maintenance and repair for coal machinery, construct service bases and promote a standardized service model nationwide and the results have been satisfactory.

8. *Enhancement of streamlined management*

The Company has continuously promoted the concept of cost control to all staff members and explored the potential of internal control in order to achieve better management and higher efficiency. The Company organically integrated streamlining tools which are well-applied in production system to form a system, procedure and standard with the Company's characteristics. The Company has also fully leveraged on its training platform and integrated internal and external resources to conduct all-rounded management and technical training to staff of all levels.

OUTLOOK FOR 2014

Market Competition and Growth Trend

Global economy will remain complicated. Under the general direction of "adjusting structure and fostering transformation" and "striving for improvement based on stability", macro-economy of the PRC will emphasize more on quality rather than speed. Demand and supply in coal market have been imbalanced in the short run. This resulted in the decrease in domestic coal prices, slip in financial condition of coal enterprises and contraction in coal-related fixed asset investments. These contributed to more intensive competition in coal mining machinery market.

Notwithstanding the above, the status of coal being the major source of energy in the PRC will not be changed within a long period. Currently, all countries are dedicated to reducing coal consumption and developing new energies in order to cope with the changes in climate and environment. However, by analyzing aspects such as occurrence conditions, security of adequate supply, consumption pattern and trend of renewable energy substitution, it is foreseen that coal will still be the major source of energy in the PRC within a long period. Considering the current shortage of industrialized clean energy production in the PRC, there will be broader room of development for industrialized application of deep processing of coal and coal-cleaning technologies. Sectors in deep processing of coal such as coal oil and coal gas will further increase the consumption of coal production.

Affected by the slowdown in macro-economic growth, growth in coal production will also slow down. However, taking into account of the high base number of domestic coal mining machinery equipment, due to a number of factors such as "demand for new equipment, replacement of old equipment and promotion of mechanical ratio", as well as the recognition of domestic coal mining machinery gained in the international market, there will still be new development opportunities for domestic coal mining industry. In addition, the intensive adjustment to the structure of domestic coal industry and the continuous promotion of centralization in the industry will also contribute to sustainable growth in demand for high-end coal mining machinery equipment.

Future Development Strategies of the Company

Based on the integrated analysis on domestic and international economic conditions and the trend of the industry, the Company has confirmed its direction of strategic development in the coming five to ten years to seize the development opportunities for future development:

1. *Promotion of corporate system and structure reform*

   The Company will conduct in-depth study on the new directions of the Third Plenary Session of the Eleventh Central Committee of the Communist Party of China regarding public sector of the economy and state-owned enterprises reform. Leveraging on the new trend of state-owned capital and state-own enterprises reform, the Company will further develop the progress and extent of its ownership structure, introduce strategic investors, further optimize its corporate governance structure and scientific decision-making system, further implement and optimize the professional manager selection and appointment system, further develop and improve the incentive means and system to crucial members of the Company, release effects of the reforms and to further release corporate development energy in terms of structure and system.

2. *Leading technologies and innovative products*

In coal mining equipment sector, the Company will insist on leading the development path of the industry by grasping the trend of demand for super large mining height comprehensive products, ultra-thin coalbed comprehensive products, gob-side filling comprehensive products, coal washing equipment comprehensive products and automatic control technology of mines in the market.

3. *Extension of product chain and transformation*

The Company will continue to innovate and lead in the sales modes in coal mining machinery industry. With the support of domestic and overseas partners, as well as capital platform and financial institutions, the Company aims at transforming itself from a production enterprise into an operation and production service enterprise by extending its industry chain.

- The Company will implement a one-stop service mode comprises of equipment design, manufacturing, maintenance, overhauling and components and parts supply life-long management. We will also adopt a commission settlement mode base on coal production volume with an aim to turn equipment suppliers and coal mining enterprises into a real interest community. In September 2013, the Company entered into an agreement with China Shenhua Shendong Coal Mining Group Corporation Limited (中國神華神東煤炭集團) ("**Shendong Coal Mining Group**") in relation to the professional corporation on comprehensive mining equipment life-long management. Two sets of roof support of 3.9 meters and 4.5 meters have been successfully used in mines and the results have been satisfactory. Shendong Coal Mining Group is promoting the mode to the mines under its operation.

- A full process service mode of coal mining project general contracting and full process professional services of reaching production with equipment delivery will be promoted. Based on the success in operation of the professional service mode of equipment life-long management, the Company is currently promoting a full process service mode of project general contracting and reaching production with equipment delivery to domestic coal industry. The Company has established the Shanghai subsidiary – Shanghai Zheng An Mining Technology Co, Ltd. (上海鄭安礦山工程技術有限公司), which is responsible for full process services of comprehensive mining project general contracting of reaching production, and successfully implemented full process service mode in Shaanxi and Shanxi. In December 2013, the TKI project in Turkey successfully produced coal with the Company's reaching production with equipment delivery service. This marked the extension of ZMJ's transformation and upgrading progress to the international market. In March 2014, the pre-use joint test of the Indian comprehensive equipment export project was completed and is ready for delivery.

- A sales mode of finance lease in comprehensive equipment will be promoted. The Company is co-operating with leasing companies possessing relevant qualifications to fully develop its sales by adopting finance lease.

4. *Proactive exploration of integration in the industry*

With its foothold set in the domestic coal industry, the Company is targeting on high-quality resources of the international coal machinery industry and is proactively exploring sector integration. The current landscape of the industry is a "risk", but it is also a "chance" at the same time. The current condition of coal mining machinery industry provides it with an opportunity for reshuffling, reorganization and integration. With the continuous promotion of centralization level in domestic coal industry, the demand for integrated ancillary products of coal mining machinery industry will gradually shift the market competition from "single machine manufacturing" to "comprehensive equipment". Manufacturing large, robotic and comprehensive equipment will become the future trend of development. The integration process of the industry is also a process of becoming comprehensive.

In 2013, the Company duly established its German subsidiary – ZMJ Germany Gmbh and its North American office to fully leverage on the advanced technologies and human resources in the aspects of coal mining, technological research and development, process development, equipment manufacturing and basic industrial technology of Germany and the US. We may also understand and familiarize ourselves with German and US laws and cultures through the platform so as to seek subjects of potential mergers and acquisitions and broaden the Company's global channels for integration of resources.

5. *Expansion to new sectors*

The Company will expand from coal machinery industry to sectors such as new energy, energy equipment, robotic equipment and industrial automatic technology and equipment so as to explore opportunities for supporting its corporate development. In 2013, the Company made intensive exploration and practices in aspects such as LNG and its related technologies and equipment, medium-thick and special steel robotic welding technology and robotic industrial production line technology. We also contacted relevant companies and massive research and preparation work was conducted. Most of the projects are expected to be carried out in 2014.

Operation Direction and Business Plan of the Company for 2014

The ZMJ Group has clarified its working direction of "seizing opportunities, adjusting structure, fostering transformation and refining management" in 2014. Focuses are as follows:

1. *Seizing the opportunities of system innovation, industry integration, adjustments to internal structure and marketing mode reform*

Leveraging on the PRC's policies to intensify the reform of state-owned enterprises, the Company will further implement all of its system reforms. It will fully utilize the great opportunity of comprehensive integration in coal machinery industry resulted from the downside of the industry to conduct mergers, acquisitions and integrations with targets and plans by utilizing capital advantage, capital platform, management advantage and brand advantage. The Company will also seize the development opportunities arising from the adjustments in the Group's structure, structure of production, internal production organization method and product structure. In addition, the Company will utilize the opportunity of marketing mode reform to lead the reform of market rules.

2. Adjusting the Group's structure, production structure, production management method and product structure

Functions and positions of our subsidiaries will be regulated and the management and control on strategic planning and market positioning, investment management, financial auditing, human resources planning, information technology construction and procurement management of subsidiaries will also be strengthened. Based on the "Dos and Don'ts" principle, low value-adding parts and components will gradually transfer to high-quality social resources. A robotic and highly efficient production organization system will be established to achieve production procedure reform. We will continue to improve product structure through industry integration, reorganization as well as mergers and acquisitions.

3. Fostering business mode transformation

The Company will attempt to gradually transform itself from a production operation enterprise to a production service enterprise, from manufacturing single hydraulic roof support to comprehensive equipment, from engaging in single coal machinery industry to new energy and energy equipment industry, from a simple production entity to a capital operation oriented production entity. The Company will actively participate in promotion of finance lease, equipment operation services and life-long management mode with a proactive attitude and in a proactive way. The Company will also establish construction-to-production company to jointly launch a new business mode in order to facilitate domestic and international market development and open up new sources of income growth. Means of investment by using new equipment as equity contribution and general contracting reaching production will be adopted to participate in international market development.

4. Streamlined management

Corporate streamlined management work will be continuously promoted to refine the management of all levels. Simulated market operation mode will be fully implemented within the Group. Based on the principle of "profit as the core, safety and quality as utmost importance", the assessment management mode with "efficiency" as the core will be promoted to all units. The Company will continuously refine aspects such as quality improvement, cost control, efficiency enhancement and safety management in the management system and strengthen the implementation strictness of the system.

OTHER INFORMATION

Purchase, Sale or Redemption of the Listed Securities of the Company

During the year ended 31 December 2013 (the "**Review Period**"), neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

Corporate Governance Practices

The Board of the Company is committed to maintain a high standard of corporate governance practices. The Board believes that effective and reasonable corporate governance practices are essential to the development of the Group. The Company has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). During the Review Period, the Company has complied with the applicable Code Provisions.

Moreover, in order to reduce the risk of bearing responsibility of the Directors, the Company purchased liability insurance for its Directors, supervisors and chief executives ("**Liability Insurance**") with a total premium not more than US$30 million pursuant to the resolution passed at the annual general meeting held on 7 June 2013. The Company confirms that it has arranged Liability Insurance for Directors. Term of the Liability Insurance are from 19 July 2013 to 18 July 2014.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**") set out in Appendix 10 to the Listing Rules of the Stock Exchange as its code of conduct regarding securities transactions by the Directors and the Supervisors. Having made specific enquiry of all Directors and Supervisors, all of them confirmed that they had complied with the Model Code during the Review Period.

Final Dividend

Relevant resolution has been passed at a meeting of the Board held on 27 March 2014, and the Board proposed the payment of a final dividend (the "**Dividend**") of RMB0.165 per share for the year ended 31 December 2013, totalling RMB267,485,130. The proposal in relation to the profit distribution is subject to approval by the shareholders at the 2013 annual general meeting to be held on 5 June 2014.

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and its implementation regulations (the "**EIT Law**"), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the Dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company's H share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the *Notice on the Issues on Levy of Individual Income Tax after the Abolishment of the Circular SAT No.(1993) 045* (關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知) (the "**Notice**") issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% personal income tax will be withheld from the Dividend payable to any individual shareholders whose names appear on the H share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice.

The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

The Board is not aware of any shareholders who have waived or agreed to waive any dividends.

Closure of the Register of Members

The 2013 annual general meeting of the Company (the "**AGM**") will be held on Thursday, 5 June 2014. In order to determine the H Share holders' entitlement to attend the AGM, the H Share register of members of the Company will be closed from Tuesday, 6 May 2014 to Thursday, 5 June, 2014, both days inclusive, during which period no transfer of shares will be registered. For the H Share holders who wish to attend the AGM but not yet registered, all transfer documents accompanied by the relevant share certificates must be lodged with 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, Hong Kong no later than 4:30 p.m. on Monday, 5 May 2014.

As of the date of this announcement, the period of closure of the register of members of the Company to determine the H Share holders' entitlement to receive the Dividend has not been decided. The Company will announce such period as soon as practicable once the Company has made the decision.

Audit Committee

The audit committee has reviewed the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2013.

Publication of Information on the Stock Exchange's and the Company's Website

This results announcement is posted on the website of the Stock Exchange (www.hkexnews.hk) and the Company's corporate website (www.zzmj.com), respectively. The 2013 Annual Report which is prepared in accordance with International Financial Reporting Standards and the PRC Accounting Rules will be published on the website of the Stock Exchange, the website Shanghai Stock Exchange and the Company's corporate website in due course. The annual report for the year ended 31 December 2013 will be dispatched to the shareholders of the Company (if appropriate) and posted on the website of the Stock Exchange and the Company's corporate website in due course.

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

Zhengzhou, PRC, 27 March 2014

As at the date of this announcement, the executive Directors are Mr. JIAO Chengyao, Mr. SHAO Chunsheng, Mr. XIANG Jiayu, Mr. FU Zugang and Mr. WANG Xinying and the independent non-executive Directors are Mr. LIN Zhijun, Mr. LI Bin, Mr. GAO Guoan and Mr. LUO Jiamang.