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ZMJ

Zhengzhou Coal Mining Machinery Group Company Limited
鄭州煤礦機械集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 0564)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

The revenue of the Group for 2014 was RMB6.124 billion, representing a decrease of RMB1.931 billion (i.e. 24.0%) as compared with 2013.

Profit for the year attributable to owners of the Company for 2014 was RMB205 million, representing a decrease of RMB662 million (i.e. 76.4%) as compared with 2013.

Earnings per share for 2014 was RMB0.13.

The Board proposed a final dividend of RMB0.038 per share for 2014.

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 2014 together with the comparative figures of the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** *RMB'000*	2013 *RMB'000*
Revenue	*3*	**6,124,457**	8,055,311
Cost of sales		**(5,070,466)**	(6,233,115)
Gross profit		**1,053,991**	1,822,196
Other income	*5*	**106,667**	107,356
Other gains and losses	*6*	**(342,434)**	(172,019)
Selling and distribution expenses		**(216,273)**	(257,851)
Administrative expenses		**(279,513)**	(333,528)
Research and development expenses		**(105,692)**	(147,048)
Share of profit (loss) of associates		**18,130**	(11,740)
Share of profit of joint ventures		**91**	91
Finance costs	*7*	**(2,383)**	(3,788)
Profit before tax		**232,584**	1,003,669
Income tax expense	*8*	**(39,250)**	(166,688)
Profit for the year	*9*	**193,334**	836,981
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale financial assets		**(32,849)**	(22,418)
Share of fair value loss on available-for-sale financial assets of an associate		**(10,467)**	–
Exchange differences arising on translation		**(923)**	113
Other comprehensive expense for the year, net of income tax		**(44,239)**	(22,305)
Total comprehensive income for the year		**149,095**	814,676

	Notes	**2014** *RMB'000*	2013 *RMB'000*
Profit for the year attributable to:			
Owners of the Company		**205,194**	866,712
Non-controlling interests		**(11,860)**	(29,731)
		193,334	836,981
Total comprehensive income for the year attributable to:			
Owners of the Company		**160,955**	844,407
Non-controlling interests		**(11,860)**	(29,731)
		149,095	814,676
EARNINGS PER SHARE			
– Basic and diluted (RMB)	*11*	**0.13**	0.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,727,100**	1,683,405
Prepaid lease payments		**389,836**	397,611
Investment properties		**10,196**	10,594
Intangible assets		**5,735**	6,067
Investments in associates		**406,796**	396,083
Investments in joint ventures		**3,481**	3,561
Available-for-sale investments		**42,433**	75,282
Deferred tax assets		**132,595**	88,917
Held-to-maturity investments		**369,237**	–
Finance lease receivables		**11,518**	–
Long-term receivables		**36,730**	–
		3,135,657	2,661,520
CURRENT ASSETS			
Prepaid lease payments		**8,681**	8,660
Inventories		**1,449,172**	1,639,358
Loan receivables from an associate		**80,000**	50,000
Trade and other receivables	*12*	**4,353,751**	4,675,442
Finance lease receivables		**7,831**	–
Long-term receivables within one year		**31,919**	–
Other financial assets		**505,000**	655,815
Tax recoverable		**9,231**	9,799
Pledged bank deposits	*13*	**246,317**	294,414
Bank balances and cash	*13*	**2,368,314**	2,656,434
		9,060,216	9,989,922
CURRENT LIABILITIES			
Trade and other payables	*14*	**2,044,647**	2,223,408
Advances from customers		**450,402**	562,494
Tax liabilities		**2,697**	26,815
Borrowings		**97,170**	136,050
		2,594,916	2,948,767
NET CURRENT ASSETS		**6,465,300**	7,041,155
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,600,957**	9,702,675

	Notes	**2014** **RMB'000**	2013 RMB'000
CAPITAL AND RESERVES			
Share capital	*15*	**1,621,122**	1,621,122
Share premium		**3,409,354**	3,409,354
Reserves		**4,401,842**	4,488,372
Equity attributable to owners of the Company		**9,432,318**	9,518,848
Non-controlling interests		**151,476**	163,336
TOTAL EQUITY		**9,583,794**	9,682,184
NON-CURRENT LIABILITIES			
Other non-current liabilities		**17,163**	20,491
		17,163	20,491

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

	2014	2013
	RMB'000	*RMB'000*
Sales of hydraulic roof supports	**3,701,446**	4,851,515
Revenue from steel and other materials trading	**1,679,707**	2,393,045
Sales of spare parts	**540,204**	612,838
Sales of other coal mining equipment	**89,367**	128,528
Other revenue	**113,733**	69,385
	6,124,457	8,055,311

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:

	2014	2013
	RMB'000	*RMB'000*
Customer A	**840,632**	1,008,678
Customer B	**660,349**	946,270
Customer C	**646,325**	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

	2014	2013
	RMB'000	*RMB'000*
Government grants *(Note)*	**10,791**	17,638
Interest income on bank deposits	**95,876**	89,718
	106,667	107,356

Note: Government grants mainly represent unconditional government grants received from the local government for compensation of research and development expenses incurred.

6. OTHER GAINS AND LOSSES

	2014	2013
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**286**	5,129
Net foreign exchange gains (losses)	**1,774**	(32,238)
Allowance for doubtful debts	**(348,071)**	(131,625)
Write-down of inventories	**(1,999)**	(10,397)
Others	**5,576**	(2,888)
	(342,434)	(172,019)

7. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interests on bank borrowings wholly repayable within five years	**2,383**	3,788

8. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
Income tax expenses comprise:		
Current tax: – PRC enterprise income tax	**85,109**	184,273
(Over) under provision in prior years	**(2,181)**	107
Deferred tax – current year	**(43,678)**	(19,790)
Deferred tax – attributed to a change in tax rate	**–**	2,098
	39,250	166,688

The tax rates of the major group entities for the year ended 31 December 2014 and 31 December 2013 are as follows:

	2014	2013
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**") *(Note 4)*	**15%**	25%
Huainan ZMJ Shun Li Machinery Co., Ltd. ("**ZMJ Shun Li Machinery**") *(Note 5)*	**15%**	15%

Note 1: The Company received the High and New Technology Enterprises Certificate on 31 July 2014, which entitles to a preferential tax rate of 15% from 1 January 2014 to 31 December 2016. The Company previously was entitled to a preferential tax rate of 15% from 1 January 2011 to 31 December 2013 under a separate certificate.

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.

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.

Note 4: ZMJ Lu An Xinjiang received the "Technology Certificate" on 9 June 2014 and is entitled to a preferential tax rate of 15% from 1 January 2014 to 31 December 2016.

Note 5: 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:

	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**232,584**	1,003,669
Tax at the PRC enterprise income tax rate of 15%	**34,888**	150,551
Tax effect of share of (profit) loss of associates and joint ventures	**(2,733)**	2,936
Tax effect of expenses that are not deductible for tax purpose	**1,986**	3,523
(Over) under provision in prior years	**(2,181)**	107
Tax effect of tax losses not recognised	**8,679**	11,532
Utilisation of deductible temporary differences not recognised	**(1,069)**	–
Effect of different tax rate of subsidiaries	**3,387**	2,691
Tax effect of deductible temporary differences not recognized	**43**	–
Additional deduction for qualified research and development expenses	**(3,750)**	(6,750)
Decrease in opening deferred tax assets resulting from an decrease in applicable tax rate	**–**	2,098
	39,250	166,688

9. PROFIT FOR THE YEAR

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

	2014	2013
	RMB'000	*RMB'000*
Depreciation for property, plant and equipment	**165,720**	148,503
Depreciation for investment properties	**398**	399
Amortisation of intangible assets	**2,488**	2,107
Release of prepaid lease payments	**8,817**	9,913
Total depreciation and amortisation	**177,423**	160,922
Employee benefits expenses (including directors):		
– Salary and other benefits	**353,297**	397,809
– Retirement benefits scheme contributions	**58,759**	57,816
	412,056	455,625
Auditors' remuneration	**2,980**	2,980
Impairment loss on trade and other receivables	**348,071**	131,625
Cost of inventories recognised as an expense	**5,070,466**	6,233,115
Gross rental income from investment properties	**(4,660)**	(4,260)
Less: direct operating expenses from investment properties that generated rental income	**1,435**	1,327
	(3,225)	(2,933)
Operating lease rentals in respect of rented premises	**5,224**	5,224

10. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year		
– 2012 Final (RMB0.30 per share)	**–**	486,337
– 2013 Final (RMB0.165 per share)	**267,485**	–
	267,485	486,337

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2014 of RMB0.038 per share (2013: final dividend in respect of the year ended 31 December 2013 of RMB0.165 per share) has been proposed by the directors and is subject to approval by the shareholders in 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:

	2014	2013
	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)	**205,194**	866,712
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,621,122,000**	1,621,122,000

The diluted earnings per share is the same as basic earnings per share in 2014 as the Company did not have any dilutive potential ordinary shares in issue in 2014.

12. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Bills receivable	**868,628**	620,304
Trade receivables	**4,093,423**	4,215,037
Less: allowance for doubtful debts	**(788,058)**	(439,475)
	4,173,993	4,395,866
Prepayments to suppliers	**155,547**	261,021
Deposits	**6,720**	9,812
Other tax recoverable	**7,827**	47
Staff advances	**5,915**	3,776
Dividend receivable from an associate	**950**	–
Others	**7,917**	11,659
Less: allowance for doubtful debts	**(5,118)**	(6,739)
	179,758	279,576
Total trade and other receivables	**4,353,751**	4,675,442

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:

	2014	2013
	RMB'000	*RMB'000*
Within 180 days	**2,056,574**	2,741,729
Over 180 days but within 1 year	**901,361**	860,480
Over 1 year but within 2 years	**938,720**	721,874
Over 2 years but within 3 years	**277,338**	71,783
	4,173,993	4,395,866

13. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	2014	2013
	RMB'000	*RMB'000*
Cash	**493**	304
Bank deposits with original maturity within three months or less	**1,821,164**	2,046,130
Cash and cash equivalents	**1,821,657**	2,046,434
Bank deposits with original maturity over three months	**546,657**	610,000
Bank balances and cash	**2,368,314**	2,656,434

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. The pledged bank deposits carry interest at market rates which range from 0.35% to 3.25% per annum as at 31 December 2014 (2013: 0.35% to 3.25% per annum).

14. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Bills payable	**418,224**	227,961
Trade payable	**1,310,389**	1,605,127
	1,728,613	1,833,088
Salary and bonus payables	**68,403**	118,670
Amount due to a non-controlling shareholder of a subsidiary	**112,600**	114,600
Deposits	**27,724**	20,092
Deferred income to be recognised within one year	**10,678**	14,558
Other taxes payable	**19,255**	50,409
Accruals and other payables	**77,374**	71,991
	2,044,647	2,223,408

Notes:

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:

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**626,664**	874,083
Over 90 days but within 1 year	**770,613**	658,100
Over 1 year	**331,336**	300,905
	1,728,613	1,833,088

15. SHARE CAPITAL

	Listed A Shares		**Listed H Shares**		**Total**	
	Number of share	**Amount**	**Number of share**	**Amount**	**Number of share**	**Amount**
	'000	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*
At 1 January 2013, 31 December 2013 and 2014	1,377,888	1,377,888	243,234	243,234	1,621,122	1,621,122

Except for the currency in which dividends are paid, H Shares and A Shares rank pari passu in all respects with each other.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue decreased by 24.0% from RMB8,055.31 million for the year ended 31 December 2013 to RMB6,124.46 million for the year ended 31 December 2014, mainly due to demand in domestic coal market continued to diminish in 2014 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 roof supports.

Cost of Sales

As the Group recorded a decrease in our revenue, our cost of sales decreased by 18.7% from RMB6,233.12 million for the year ended 31 December 2013 to RMB5,070.47 million for the year ended 31 December 2014.

Gross Profit

Driven by the above factors, our gross profit decreased by 42.2% from RMB1,822.20 million for the year ended 31 December 2013 to RMB1,053.99 million for the year ended 31 December 2014.

Due to the increasingly intensive market competition, our gross profit margin decreased from 22.6% for the year ended 31 December 2013 to 17.2% for the year ended 31 December 2014.

Other Income

Our other income decreased by 0.6% from RMB107.36 million for the year ended 31 December 2013 to RMB106.67 million for the year ended 31 December 2014.

Other Gains and Losses

Our other gains and losses increased by 99.1% from RMB172.02 million for the year ended 31 December 2013 to RMB342.43 million for the year ended 31 December 2014, primarily as a result of an increase in our allowance for doubtful debts.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 16.1% from RMB257.85 million for the year ended 31 December 2013 to RMB216.27 million for the year ended 31 December 2014, primarily as a result of a decrease in transportation and logistics expenses as our sales volumes decreased.

Administrative Expenses

Our administrative expenses decreased by 16.2% from RMB333.53 million for the year ended 31 December 2013 to RMB279.51 million for the year ended 31 December 2014, primarily as a result of a decrease in salary costs.

Research and Development Expenses

Our research and development expenses decreased by 28.1% from RMB147.05 million for the year ended 31 December 2013 to RMB105.69 million for the year ended 31 December 2014, primarily as a result of our effective control of research and development expenses and adjustments to investments in research and development according to market situation.

Share of Profit of Associates

Share of profit of associates increased by 254.4% from a loss of RMB11.74 million for the year ended 31 December 2013 to a profit of RMB18.13 million for the year ended 31 December 2014, primarily as a result of an increase in the profit of our associates.

Finance Costs

Our finance costs decreased by 37.2% from RMB3.79 million for the year ended 31 December 2013 to RMB2.38 million for the year ended 31 December 2014, primarily as a result of a decrease in interest expenses on our bank borrowings due to a decrease 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 76.8% from RMB1,003.67 million for the year ended 31 December 2013 to RMB232.58 million for the year ended 31 December 2014.

Income Tax Expense

Our income tax expense decreased by 76.5% from RMB166.69 million for the year ended 31 December 2013 to RMB39.25 million for the year ended 31 December 2014, primarily as a result of a decrease in our taxable profit for the year. Our effective tax rate for the year ended 31 December 2014 increased to 16.9% from 16.6% for the year ended 31 December 2013.

Profit Attributable to Owners of the Company

Based on the factors referred to above, profit attributable to owners of the Company decreased by 76.3% from RMB866.71 million for 2013 to RMB205.19 million for 2014.

Trade and Other Receivables

As at 31 December 2014, trade and other receivables amounted to approximately RMB4,353.75 million, representing a decrease of approximately RMB321.69 million as compared to approximately RMB4,675.44 million as at the end of 2013, primarily as a result of a decrease in our revenue and our enhanced collection efforts.

Other Financial Assets

As at 31 December 2014, other financial assets amounted to approximately RMB505.00 million, representing a decrease of approximately RMB150.82 million as compared to the end of 2013, as a result of a decrease in the purchases of short-term structured deposits from PRC commercial banks.

Liquidity

The Group's net current assets were approximately RMB6,465.30 million (31 December 2013: RMB7,041.16 million) and the current ratio was 3.49 as at 31 December 2014 (31 December 2013: 3.39). The increase in current ratio was mainly attributable to a decrease in trade and other payables and borrowings.

BUSINESS REVIEW

1. *The Group's Overall Operations in 2014*

   In 2014, the Group realized revenue of RMB6.124 billion, representing a decrease of 24.0% as compared with 2013. Net profit was RMB193 million, representing a decrease of 76.9% as compared with 2013.

2. *Major Work Done in 2014*

   In 2014, the Group faced challenges posed by the fluctuating macroeconomic conditions, continual worsening conditions of the coal industry, and the continual shrinkage of the demand for coal mining machinery. Under the challenging conditions, the Group's results of operations in 2014 were significantly affected. According to the statistics of China National Coal Machinery Industry Association (中國煤機協會), the Group accounted for 74% among the top 8 enterprises in terms of the absolute value of the total profit and 39% among the top 8 enterprises in terms of sales revenue in the hydraulic roof support industry, maintaining at the highest level of competitiveness and profitability in the industry.

   In 2014, the Group was designated as a pilot entity for implementing dual reforms for "developing mixed-ownership economy" and "market-oriented selection of professional managers" as a province-administered enterprise. In early 2014, the Group attempted the pilot work of market-oriented selection of professional managers (and such system of market-oriented selection of professional managers was fully promoted and implemented in early 2015), and conducted intensive study of the mixed-ownership economy.

In 2014, total purchase orders from the international market grew by 20% year-on-year, while collection of trade receivables from the international market grew by 36% year-on-year. We also succeeded in developing the Vietnamese market. Domestically in the PRC, we achieved sound results in our diversified market development mode. In 2014, with the Group's diversified marketing modes such as professional life-long equipment service, its domestic projects managed to account for 15% of the total purchase orders on a full-year basis in 2014. It expanded the span of market of the coal mining machinery industry chain and addressed the diversified customer requirements.

In 2014, the Company completed the solution in respect of ultra mining height hydraulic roof support of 8.8 meters, and achieved breakthroughs in the research and development of large dip angle paste backfilling supports. The Company also completed the verification of the solution for medium-thick intelligent automatic welding production line technology and the solution for the renovation of production lines for oil tanks automation. In 2014, the manufacturing cycle per 100 units shortened by 10.2% year-on-year. In 2014, our product quality continued to uplift, with a 34.9% year-on-year decrease in defective batches internally, and an 8.7% year-on-year decrease in batches with quality problems externally.

2014 was considered another year full of challenges for the Group and it exemplified the positive energy of the Company in its endeavours amidst a period of industrial downturn.

Outlook for 2015

1. *Competitive Landscape and Development Trend of the Industry*

Amidst the prevailing macroeconomic conditions, the coal industry experienced more prominent excessive market supply, augmented stocking up, dipped prices and lowered efficiency in 2014. The entire industry was posed with challenges, and coal enterprises faced increasingly immense pressure in their operations. It is expected that such trend will continue in 2015 and excessive supply in the coal market is expected to remain in the short run. In 2015, competition in the coal mining machinery market will remain fierce, in both the domestic and international markets.

2. *Development Strategies and Operations Plan*

In 2015, the primary development strategies to be adopted by the Company will be strategic positioning as an international enterprise, market-oriented corporate governance, diversified industry planning, and globalization of human resources.

In 2015, our first goal will be to solidify our footholds in the coal mining machinery industry. The second priority will be to have bold attempts in new areas. Further, we shall further intensify the reforms of systems and structures and embark upon the strategies of people-based corporate development, to foster rapid growth of our outstanding management staff and core members under a market-oriented mindset and approach. In line with this general line of thought for our work, our annual goal for 2015 has been set as "exploring market under innovative mindset, reducing costs via multiple channels, preserving funds with full efforts, and fostering transformation by grasping opportunities". The Company will seek rapid development in terms of enhancement in sales capability, reduction of costs, improvement of capital fund position, exploration of new areas, development of human resources and market-oriented mechanisms.

3. *Potential Risks*

Industry risk: The risk of continual downturn of the coal industry. In case of continual downturn of the coal industry, the coal mining machinery market will continue to shrink and the challenges facing us will be more severe. Policy risk: Any adjustments in the PRC's relevant planning and policies for the coal industry and relevant policies of environmental protection will affect the market conditions and room for development of the Group. Foreign exchange risk: Foreign exchange risk exists in the Group's international business along with the Group's ongoing efforts in international business development.

OTHER INFORMATION

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

During the year ended 31 December 2014 (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 of the Stock Exchange**"). During the Review Period, the Company has complied with the applicable Code Provisions.

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 17 March 2015, and the Board proposed the payment of a final dividend (the "**Dividend**") of RMB0.038 per share for the year ended 31 December 2014. The proposal in relation to the profit distribution is subject to approval by the shareholders at the 2014 annual general meeting to be held on 5 June 2015.

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

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得法) 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 (關於國税發(1993) 045號文件廢止後有關個人所得税徵管問題的通知) (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 of H Shares 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, tax treaties 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.

Profit Distribution to Investors of Northbound Trading

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A shares of the Company listed on the Shanghai Stock Exchange (the "**Northbound Trading**"), their dividends will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such shares. The Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding. For investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

The record date and the date of distribution of cash dividends and other arrangements for the investors of Northbound Trading will be the same as those for the holders of A shares of the Company.

Profit Distribution to Investors of Southbound Trading

For investors of the Shanghai Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (the "**Southbound Trading**"), the Company will in due course enter into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depositary and clearing system.

The cash dividends for the investors of H shares of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H shares of the Company.

Closure of the Register of Members

The 2014 annual general meeting of the Company (the "**AGM**") will be held on Friday, 5 June 2015. In order to determine the H Shareholders' entitlement to attend the AGM, the H Share register of members of the Company will be closed from Wednesday, 6 May 2015 to Friday, 5 June, 2015, both days inclusive, during which period no transfer of shares will be registered. For the H Shareholders 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, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 5 May 2015.

As of the date of this announcement, the period of closure of the register of members of the Company to determine the H Shareholders' entitlement to receive the Dividend and the date of payment of 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 2014.

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 2014 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 of the Shanghai Stock Exchange and the Company's corporate website in due course. The annual report for the year ended 31 December 2014 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, 17 March 2015

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