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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

The revenue of the Group for 2017 was RMB7,547 million, representing an increase of RMB3,918 million (i.e. 108.0%) as compared with 2016.

Profit for the year attributable to owners of the Company for 2017 was RMB284.25 million, representing an increase of RMB222.25 million (i.e. 358.5%) as compared with 2016.

Earnings per share for 2017 was RMB16.67 cents.

The Board proposed a final dividend of RMB0.5 (tax inclusive) per 10 shares for 2017.

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 2017 together with the comparative figures of the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	RMB'000	*RMB'000*
Revenue	**7,546,701**	3,628,530
Cost of sales	**(5,899,296)**	(2,915,417)
Gross profit	**1,647,405**	713,113
Other income	**112,116**	101,867
Other gains and losses	**53,747**	(168,711)
Selling and distribution expenses	**(400,069)**	(187,964)
Administrative expenses	**(709,650)**	(300,376)
Research and development expenses	**(265,434)**	(102,474)
Share of profit (loss) of associates	**18,399**	(18,113)
Share of profit of a joint venture	**6,193**	42
Finance costs	**(39,681)**	–
Profit before tax	**423,026**	37,384
Income tax expense	**(82,866)**	(736)
Profit for the year	**340,160**	36,648
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(5,576)**	5,250
Fair value gain on available-for-sale financial assets	**13,290**	6,541
Share of fair value gain on available-for-sale financial assets of an associate, net of related income tax	**22,730**	19,787
Realisation of cash flow hedges	**(71,020)**	71,020
Other comprehensive (expense) income for the year, net of income tax	**(40,576)**	102,598
Total comprehensive income for the year	**299,584**	139,246

	2017	2016
	RMB'000	*RMB'000*
Profit for the year attributable to:		
Owners of the Company	**284,250**	61,997
Non-controlling interests	**55,910**	(25,349)
	340,160	36,648
Total comprehensive income for the year attributable to:		
Owners of the Company	**243,674**	164,595
Non-controlling interests	**55,910**	(25,349)
	299,584	139,246
EARNINGS PER SHARE		
– Basic (RMB cents)	**16.67**	3.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	2017	2016
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**2,714,133**	1,390,786
Prepaid lease payments	**508,559**	317,752
Investment properties	**44,009**	45,598
Intangible assets	**558,499**	2,260
Investments in associates	**449,089**	431,416
Investments in a joint venture	**34,099**	–
Available-for-sale investments	**50,580**	36,669
Deferred tax assets	**242,246**	197,742
Debt investment	**–**	–
Finance lease receivables	**38,476**	51,482
Long-term receivable	**152,354**	46,782
Goodwill	**345,768**	–
Loan receivables from associates and a joint venture	**19,750**	–
Prepayment for acquisition of a subsidiary	**3,345,626**	–
	8,503,188	2,520,487
CURRENT ASSETS		
Prepaid lease payments	**11,551**	7,405
Debt investment	**–**	416,631
Inventories	**1,832,133**	827,794
Loan receivables from an associate and a joint venture	**34,000**	64,000
Trade and other receivables	**5,893,072**	3,648,445
Transferred trade receivables	**225,297**	180,322
Finance lease receivables within one year	**31,475**	39,146
Long-term receivable within one year	**141,857**	131,726
Derivative financial instruments	**–**	71,020
Other financial assets	**62,000**	1,085,000
Tax recoverable	**17,374**	247
Pledged bank deposits	**867,795**	253,550
Bank balances and cash	**1,831,587**	2,682,402
	10,948,141	9,407,688

	2017 *RMB'000*	2016 *RMB'000*
CURRENT LIABILITIES		
Trade and other payables	**4,432,701**	1,721,669
Advances from customers	**814,717**	253,519
Tax liabilities	**27,888**	9,385
Borrowings	**191,000**	–
Provisions	**113,217**	–
Liabilities associated with transferred trade receivables	**225,297**	180,322
	5,804,820	2,164,895
NET CURRENT ASSETS	**5,143,321**	7,242,793
TOTAL ASSETS LESS CURRENT LIABILITIES	**13,646,509**	9,763,280
NON-CURRENT LIABILITIES		
Borrowings	**818,000**	–
Deferred tax liability	**142,683**	–
Obligation to acquire non-controlling interests	**1,066,617**	–
Other non-current liabilities	**43,902**	4,750
	2,071,202	4,750
NET ASSETS	**11,575,307**	9,758,530
CAPITAL AND RESERVES		
Share capital	**1,732,471**	1,621,122
Share premium	**4,199,421**	3,409,354
Reserves	**4,868,314**	4,643,697
Equity attributable to owners of the Company	**10,800,206**	9,674,173
Non-controlling interests	**775,101**	84,357
TOTAL EQUITY	**11,575,307**	9,758,530

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

	2017	2016
	RMB'000	*RMB'000*
Sales of hydraulic roof supports	**2,957,150**	2,132,777
Sales of auto parts	**2,712,699**	–
Revenue from steel and other materials trading	**1,111,028**	805,779
Sales of spare parts	**557,610**	504,677
Sales of other coal mining equipment	**144,138**	142,414
Other revenue	**64,076**	42,883
	7,546,701	3,628,530

4. SEGMENT INFORMATION

During the year, the Company has acquired equity interests of six entities in the auto-parts industry. Upon completion of the acquisition, the Group has duly entered the auto parts market and is engaged in two principal businesses of coal mining machinery and auto parts.

Information reported to the chief executive of the Company, being the chief operating decision maker (CODM), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 are (i) manufacture of coal mining machinery; and (ii) manufacture of auto parts. No operating segments have been aggregated in arriving at the reportable segments of the Group.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Manufacture of coal mining machinery *RMB'000*	Manufacture of auto parts *RMB'000*	Total *RMB'000*
Year ended 31 December 2017			
Segment revenue	4,757,436	2,789,265	7,546,701
Segment profit	335,254	207,001	542,255
Year ended 31 December 2016			
Segment revenue	3,628,530	N/A	3,628,530
Segment profit	36,648	N/A	36,648

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Segment revenue and consolidated revenue	**7,546,701**	3,628,530
Segment profit	**542,255**	36,648
Central expense in relation to the acquisition	**(202,095)**	–
Consolidated profit for the year	**340,160**	36,648

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	31 December 2017 ***RMB'000***	31 December 2016 *RMB'000*
SEGMENT ASSETS		
Manufacture of coal mining machinery	**11,125,351**	11,928,175
Manufacture of auto parts	**4,634,584**	N/A
Total segment assets	**15,759,935**	11,928,175
Prepayment for acquisition of a subsidiary	**3,345,626**	–
Goodwill	**345,768**	–
Consolidated assets	**19,451,329**	11,928,175
SEGMENT LIABILITIES		
Manufacture of coal mining machinery	**4,944,718**	2,169,645
Manufacture of auto parts	**1,661,998**	N/A
Total segment liabilities	**6,606,716**	2,169,645
Obligation to acquire non-controlling interests	**1,066,617**	–
Payables in relation to the acquisition	**202,689**	–
Consolidated liabilities	**7,876,022**	2,169,645

Geographical information

The analysis of revenue by geographical location of customers is as follows:

	2017	2016
	RMB'000	*RMB'000*
The PRC	**7,183,622**	3,438,057
Other countries	**363,079**	190,473
	7,546,701	3,628,530

No geographical segment information for assets is presented as the Group's non-current assets are mostly located in the PRC.

Information about major customers

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

	2017	2016
	RMB'000	*RMB'000*
Customer A	**N/A**[1]	383,430

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

5. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Government grants *(note)*	**33,902**	5,986
Interest income on bank deposits, long-term receivables and finance lease receivables	**65,072**	82,483
Interest income on debt investment	**13,142**	13,398
	112,116	101,867

Note: Government grants mainly represent unconditional government grants received from the local government for compensation of research and development expenses incurred, and in respect of construction of the Group's new plant, which are transferred from deferred income to profit or loss over the useful lives of the relevant assets.

6. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
(Loss) gain on disposal of property, plant and equipment	**(5,883)**	4,007
Gain on disposal of a subsidiary	**–**	14,274
Gain on disposal of an associate	**–**	26
Gain on disposal of an available-for-sale investment	**2,730**	–
Net foreign exchange (loss) gains	**(70,789)**	65,510
Reverse (allowance) for doubtful debts	**139,007**	(230,296)
Write-down of inventories	**(9,728)**	(14,544)
Impairment loss on available-for sale investments measured at cost	**–**	(1,046)
Others	**(1,590)**	(6,642)
	53,747	(168,711)

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interests on bank borrowings	**39,681**	–

8. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Income tax expenses comprise:		
Current tax: – PRC enterprise income tax	**92,018**	31,953
– Under (over) provision in prior years	**3,455**	(1,717)
	95,473	30,236
Deferred tax – Current year	**(12,860)**	(29,500)
Attributable to a change in tax rate	**253**	–
	82,866	736

Under the Law of People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25%. Moreover, the Company and certain of its subsidiaries received the High and New Technology Enterprises Certificate (the "**Technology Certificate**") and were entitled to a preferential tax rate of 15% during the terms of respective Technology Certificates.

9. PROFIT FOR THE YEAR

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

	2017	2016
	RMB'000	*RMB'000*
Depreciation for property, plant and equipment	**249,275**	174,970
Depreciation for investment properties	**1,589**	1,589
Amortisation of intangible assets	**54,689**	2,062
Release of prepaid lease payments	**12,275**	8,823
Total depreciation and amortisation	**317,828**	187,444
Capitalised in inventories	**(52,598)**	(28,439)
	265,230	159,005
Employee benefits expenses (including directors):		
– Salary and other benefits	**730,604**	351,269
– Retirement benefits scheme contributions	**76,363**	54,267
	806,967	405,536
Capitalised in inventories	**(122,686)**	(64,783)
	684,281	340,753
Write-down of inventories	**9,728**	14,544
Auditors' remuneration	**3,450**	2,980
Cost of inventories recognised as an expense	**5,899,296**	2,915,417
Gross rental income from investment properties	**(8,685)**	(8,486)
Less: direct operating expenses from investment properties that generated rental income	**3,706**	3,991
	(4,979)	(4,495)
Minimum operating lease rentals in respect of rented premises	**5,224**	5,224

10. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
– 2016 Final (RMB0.011 per share)	**19,057**	–
– 2015 Final (RMB0.008 per share)	**–**	12,969
	19,057	12,969

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of RMB0.05 per share (2016: final dividend in respect of the year ended 31 December 2016 of RMB0.011 per share) in an aggregate amount of RMB86,623,568.50 has been proposed by the directors of the Company 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:

	2017	2016
	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)	**284,250**	61,997
Weighted average number of ordinary shares (31 December 2016: number of ordinary shares for the purpose of basic earnings per share)	**1,704,634,000**	1,621,122,000

The diluted earnings per share is the same as basic earnings per share for the year ended 31 December 2017 and 2016 as the Company did not have any dilutive potential ordinary shares in issue for the year ended 31 December 2017 and 2016.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Bills receivable	**2,915,356**	1,038,280
Trade receivables	**3,526,510**	3,525,161
Less: allowance for doubtful debts	**(1,001,141)**	(1,183,432)
	5,440,725	3,380,009
Prepayments to suppliers	**357,503**	227,856
Deposits	**38,344**	25,674
Other tax recoverable	**11,259**	3,328
Staff advances	**2,364**	2,850
Others	**57,067**	20,619
Less: allowance for doubtful debts	**(14,190)**	(11,891)
	452,347	268,436
Total trade and other receivables	**5,893,072**	3,648,445

In respect of the business of manufacture of coal mining machinery, the Group generally receives advances in the form of bills receivable or cash from customers (which approximate 30% of the contract price) before delivering its product and allows a credit period of 180 days to its customers for the remaining contract price. 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.

In respect of the business of manufacture of auto parts, the Group generally allows a credit period of 180 days to its customers for the total contract price.

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:

	2017	2016
	RMB'000	*RMB'000*
Within 180 days	**4,063,119**	1,506,393
Over 180 days but within 1 year	**942,271**	988,052
Over 1 year but within 2 years	**272,255**	700,945
Over 2 years within 3 years	**163,080**	184,619
	5,440,725	3,380,009

13. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	2017	2016
	RMB'000	*RMB'000*
Cash	**252**	90
Bank deposits with original maturity within three months or less	**1,744,925**	2,632,312
Cash and cash equivalents	**1,745,177**	2,632,402
Bank deposits with original maturity over three months	**86,410**	50,000
Bank balances and cash	**1,831,587**	2,682,402

Pledged bank deposits represent deposits pledged to banks to secure bank acceptance bills and letters of guarantee and are therefore classified as current assets. The pledged bank deposits carry interest at market rates which range from 0.35% to 3.15% per annum as at 31 December 2017 (2016: 0.30% to 3.15% per annum).

14. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Bills payable	**1,288,089**	367,269
Trade payable	**2,684,708**	1,139,227
	3,972,797	1,506,496
Salary and bonus payables	**261,367**	69,584
Deposits	**27,939**	23,710
Deferred income to be recognised within one year	**3,994**	9,528
Other taxes payable	**53,111**	40,946
Accruals and other payables	**113,493**	71,405
	4,432,701	1,721,669

Notes:

i) The following is an aged analysis of bills payable and trade payables presented based on invoice date at the end of each reporting period:

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**2,531,748**	700,994
Over 90 days but within 1 year	**1,216,768**	541,746
Over 1 year	**224,281**	263,756
	3,972,797	1,506,496

ii) Deposits represent the deposits received from suppliers for transportation and other services.

iii) Deferred income to be recognised within one year represents the government subsidies received by the Group towards certain research projects. The amount has been treated as deferred income and will be transferred to profit or loss over the useful lives of the relevant assets.

iv) Accruals and other payables mainly consist of payables for the acquisition of property, plant and equipment, rental payables and payables for other services.

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 2016 and 31 December 2016	1,377,888	1,377,888	243,234	243,234	1,621,122	1,621,122
Issue of A Share for acquisition of subsidiaries *(note i)*	93,220	93,220	–	–	93,220	93,220
Issue of placing A Shares *(note ii)*	18,129	18,129	–	–	18,129	18,129
At 31 December 2017 *(note iii)*	1,489,237	1,489,237	243,234	243,234	1,732,471	1,732,471

Note i: During the current year, the Company has acquired equity interests of six entities in the auto-parts industry. On 3 March 2017, the Company issued 93,220,338 A Shares to the sellers as part of the consideration. The lock-up period for these consideration shares is 12 months from the close of share issue.

Note ii: On 22 March 2017, the Company issued 18,129,032 A Shares with the issue price of RMB8.68 per share to certain qualified targets (include the Company's employee share ownership scheme in which the directors, supervisors and chief executives of the Company participated) on a non-public basis. The lock-up period for these placing shares is 12 or 36 months from the close of share issue.

Note iii: 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 increased by 108.0% from RMB3,628.53 million for the year ended 31 December 2016 to RMB7,546.70 million for the year ended 31 December 2017, mainly because of the acquisition of the ASIMCO segment. In addition, revenue from the coal mining machinery segment also recorded a significant increase of 31.1% as compared to that of the last period because of the rebound of demand in domestic coal market in the first half of 2017, which resulted in an increase in domestic market demand for the Group's products and the corresponding increase in the Group's revenue from hydraulic roof supports.

Cost of Sales

As the Group recorded an increase in our revenue, our cost of sales increased by 102.3% from RMB2,915.42 million for the year ended 31 December 2016 to RMB5,899.30 million for the year ended 31 December 2017.

Gross Profit

Driven by the above factors, our gross profit increased by 131.0% from RMB713.11 million for the year ended 31 December 2016 to RMB1,647.41 million for the year ended 31 December 2017.

The change in gross profit primarily comprised of two parts. The gross profit margin of the coal mining machinery segment remained fairly flat and increased slightly from 19.7% for the year ended 31 December 2016 to 20.0% for the year ended 31 December 2017. As of 31 December 2017, the gross profit margin of the newly acquired auto parts segment of the Group was 24.9%.

Therefore, the overall gross profit margin of the Group increased from 19.7% for the year ended 31 December 2016 to 21.8% for the year ended 31 December 2017.

Other Income

Our other income increased by 10.1% from RMB101.87 million for the year ended 31 December 2016 to RMB112.12 million for the year ended 31 December 2017.

Other Gains and Losses

Our other gains and losses turned from losses of RMB168.71 million for the year ended 31 December 2016 to gains of RMB53.75 million for the year ended 31 December 2017, primarily as a result of the reversal of our allowance for doubtful debts.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 112.8% from RMB187.96 million for the year ended 31 December 2016 to RMB400.07 million for the year ended 31 December 2017, mainly due to the consolidation of the ASIMCO segment during the year. In addition, the sales expenses in the coal mining machinery segment also increased significantly by 17.6% as compared to that of the last period, mainly due to the increase in revenue.

Administrative Expenses

Our administrative expenses increased by 136.3% from RMB300.38 million for the year ended 31 December 2016 to RMB709.65 million for the year ended 31 December 2017. In addition to the consolidation of the ASIMCO segment during the year, administrative expenses in the coal mining machinery segment also increased significantly by 94.7% as compared to that of the last period, mainly due to the consultation and audit fees incurred in connection with the acquisition during the year.

Research and Development Expenses

Our research and development expenses increased by 159.0% from RMB102.47 million for the year ended 31 December 2016 to RMB265.43 million for the year ended 31 December 2017, mainly because of the consultation of the ASIMCO segment during the year.

Share of Profit of Associates

Share of profit of associates turned from a loss of RMB18.11 million for the year ended 31 December 2016 to a profit of RMB18.40 million for the year ended 31 December 2017, primarily because our associates recorded profits during the year.

Finance Costs

Our finance costs increased from RMBnil for the year ended 31 December 2016 to RMB39.68 million for the year ended 31 December 2017, because of the new bank borrowings raised by the Group during the year.

Profit Before Tax

Being affected by the factors referred to above in aggregate, our profit before tax increased by 1,031.7% from RMB37.38 million for the year ended 31 December 2016 to RMB423.03 million for the year ended 31 December 2017.

Income Tax Expense

Our income tax expense increased by 110.99 times from RMB0.74 million for the year ended 31 December 2016 to RMB82.87 million for the year ended 31 December 2017, primarily as a result of the significant increase in taxable income. Our effective tax rate increased to 19.6% for the year ended 31 December 2017 from 2.0% for the year ended 31 December 2016.

Profit Attributable to Owners of the Company

Based on the factors referred to above, profit attributable to owners of the Company increased by 358.5% from RMB62.00 million for the year ended 31 December 2016 to RMB284.25 million for the year ended 31 December 2017.

Trade and Other Receivables

As at 31 December 2017, trade and other receivables amounted to approximately RMB5,893.07 million, representing an increase of approximately RMB2,244.62 million as compared to approximately RMB3,648.45 million as at the end of 2016, mainly because of the consolidation of the ASIMCO segment during the year.

Other Financial Assets

As at 31 December 2017, other financial assets amounted to approximately RMB62 million, representing a decrease of approximately RMB1,023 million as compared to that at the end of 2016, resulting from a decrease in the purchases of short-term structured deposits from PRC commercial banks.

Liquidity

The Group's net current assets were approximately RMB5,143.32 million (31 December 2016: RMB7,242.79 million) and the current ratio was 1.89 as at 31 December 2017 (31 December 2016: 4.35). The decrease in current ratio was mainly attributable to the increase in trade payables and borrowings.

BUSINESS REVIEW

1. *The Group's Overall Operations in 2017*

   In 2017, in line with the annual goal of "intensifying reforms for business model, advancing trial and practice for fostering innovation, solidifying foundation for quality, and stabilizing operation for sustained growth", the Company reported substantial growth in operational effectiveness, capturing the staged opportunities presented by the rebound of the coal industry and the upward growth of the commercial vehicle market amidst stability. Adding to this is the consolidation of ASIMCO which is engaged in auto parts business, which has helped us in achieving remarkable breakthrough in industrial transformation. We have comprehensively achieved the annual goal for 2017.

   In 2017, the revenue generated by the Company amounted to RMB7,546.70 million, up by 107.98% year-on-year. Net profit attributable to parent company amounted to RMB284.25 million, representing an increase of 358.49% year-on-year.

2. *Major Work Accomplished in 2017*

(1) Continually pushed ahead with industrial transformation and commenced external investment and acquisition in a steady pace

In March 2017, the Company completed all closing procedures in respect of the acquisition of 6 auto parts companies under ASIMCO group, having consolidated ASIMCO in its financial statements and achieved its dual-driven business operations. The Company also cooperated with investment partners in the acquisition of the starter motors and generators business of the Germany-based Bosch group. As at the date of this announcement, the closing and auditing procedures for the project were in process.

(2) Reshaped operation structure in the industry and optimized management structure of the enterprise

Fostering our restructuring, we have basically built our main operating segments, namely, coal mining machinery segment and ASIMCO segment. We continually explored an operation model of "small headquarters, large segments", under which the business segments operated in a coordinated manner under centralized management. The listed company will act as a platform for optimizing resources allocation among its business segments.

(3) Captured the opportunities presented by market rebound and witnessed continual improvement in the operating condition of the coal mining machinery business

We witnessed growth in both purchase orders and cash inflow, continual optimization in the approach to production, and steady enhancement in product quality. We also experienced a period in which product technology and production craftsmanship and technology steadily enhanced, making breakthroughs in key projects.

(4) Completed closing procedures in respect of the ASIMCO segment, and thus realised steady growth in operation indicators

In view of the steady increase in the production and sales volume of automobiles in 2017 and the continual enhancement in the management of ASIMCO, the indicators of the ASIMCO segment outperformed the overall growth pace of the industry in the same period of time.

3. *Significant Events Subsequent to the End of the Financial Year*

The Company cooperated with investment partners in the acquisition of 100% equity interests in Robert Bosch Starter Motors Generators Holding GmbH (renamed as "**SEG Automotive Germany GmbH**"). As of 2 January 2018, 100% equity interests in the target company have been held by New Neckar Autoparts Holdings and Operations GmbH & Co.KG, a company controlled by the Company.

Outlook for 2018

2018 will be an important year in which China will continue with the implementation of the Thirteenth Five-year Plan and migrate to become a moderately prospectus society. It is also a critical period of time in which the Company will thoroughly deepen its reform and achieve industrial transformation and upgrade. Taking into account the existing domestic and international conditions, and the guidance under its development strategies, the Company has devised its annual goal for year 2018: structural reshaping to foster transformation, all-rounded synergy to secure growth, innovation-driven approach to fabricate fine products, and scientific management to augment efficiency.

Centering at the annual goal of year 2018, the Company will push ahead with the strategy of fine fabrication, build up the capacity for generating high revenue, and work strenuously towards the following:

1. Structural reshaping to foster transformation. Centering at its development strategy and by way of business restructuring, the Company will achieve an operation model of "small headquarters, large segments", under which the business segments operate in a coordinated manner under centralized management.

2. All-rounded synergy to secure growth. Leveraging on the control and synergy of the headquarters, taking advantage of information technology development, and by way of the multifaceted operations with coal mining machinery segment and auto parts segment, the Company will be in a position to achieve continual business growth.

3. Innovation-driven approach to fabricate fine products. With technological innovation and management innovation, the Company will seek to fabricate fine products, provide delicate services, forge a high quality enterprise and cultivate a brand embodying fine works, thereby uplifting our corporate image.

4. Scientific management to augment efficiency. Leveraging on the significance of scientific management in exploring markets and confining losses, generating revenue and cutting costs, probing potentials for efficiency enhancement, and cultivating talents, we will seek to uplift our corporate efficiency.

OTHER INFORMATION

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

During the year ended 31 December 2017 (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, except for the deviation from Code Provision A.5.2(a) of the CG Code.

Pursuant to Code Provision A.5.2(a) of the CG Code, the nomination committee shall review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and put forth proposal for change to the Board in line with corporate strategies of the issuer. As the nomination committee of the Company considered that there was no compelling reason for the Company to change the structure, size and composition of the Board, the nomination committee did not convene any meeting during the year ended 31 December 2017 to review the structure, size and composition of the Board. However, on 25 August 2017, the Company reviewed and evaluated the structure, size and composition including skills, knowledge and experience of the Board through holding Board meetings.

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. The Company has made specific enquiry with all the directors and supervisors of the Company, and they have confirmed their compliance with the Model Code during the Review Period.

Final Dividend

Relevant resolution has been passed at a meeting of the Board held on 29 March 2018, and the Board proposed the payment of a final dividend (the "**Dividend**") of RMB0.50 (tax inclusive) per 10 shares for the year ended 31 December 2017, totaling RMB86,623,568.50. The Dividend is expected to be paid on or about 31 July 2018. The proposal in relation to the profit distribution is subject to approval by the shareholders at the 2017 annual general meeting. The time of convening the 2017 annual general meeting and the relevant arrangements will be announced by the Company in due course.

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 Final 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 Guoshuifa (1993) No. 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 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, 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.

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 and the Shenzhen 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 has entered 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 China Securities Depository and Clearing Corporation Limited, pursuant to which, the China Securities Depository and Clearing Corporation Limited or its branches, 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) and the "Notice on the Tax Policies Concerning the Pliot Program of the Shenzhen-Hong Kong Stock Connect"（關於深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 [2016] No.127), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-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 shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-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.

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 2017.

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

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 2017 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 of the Company for the year ended 31 December 2017 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, 29 March 2018

As at the date of this announcement, 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.