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 2018

FINANCIAL HIGHLIGHTS

The revenue of the Group for 2018 was RMB26,011.73 million, representing an increase of RMB18,465.03 million (i.e. 244.68%) as compared with 2017.

Profit for the year attributable to owners of the Company for 2018 was RMB832.34 million, representing an increase of RMB548.09 million (i.e. 192.82%) as compared with 2017.

Earnings per share for 2018 was RMB48.04 cents.

The Board proposed a final dividend of RMB1.45 (tax inclusive) per 10 shares for 2018.

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 2018 together with the comparative figures of the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*3*	**26,011,730**	7,546,701
Cost of sales		**(21,159,849)**	(5,899,296)
Gross profit		**4,851,881**	1,647,405
Other income	*5*	**106,060**	112,116
Other gains and losses	*6*	**(174,503)**	(85,260)
Selling and distribution expenses		**(1,044,119)**	(400,069)
Administrative expenses		**(1,203,184)**	(709,650)
Research and development expenses		**(1,030,195)**	(265,434)
Reversal of net impairment losses on financial and contract assets		**46,947**	139,007
Share of (loss)/profit of associates		**(49,642)**	18,399
Share of profit of a joint venture		**5,908**	6,193
Finance costs	*7*	**(220,415)**	(39,681)
Profit before tax		**1,288,738**	423,026
Income tax expense	*8*	**(349,830)**	(82,866)
Profit for the year		**938,908**	340,160
Profit for the year attributable to:			
Owners of the Company		**832,344**	284,250
Non-controlling interests		**106,564**	55,910
		938,908	340,160

	Note	2018 RMB'000	2017 RMB'000
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefit obligations		**(60,990)**	–
Changes in the fair value of financial assets at fair value through other comprehensive income		**(17,585)**	–
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation		**(6,249)**	(5,576)
Fair value gain on available-for-sale financial assets		**–**	13,290
Cash flow hedging		**2,279**	(71,020)
Share of fair value gain on available-for-sale financial assets of an associate, net of related income tax		**–**	22,730
Other comprehensive expense for the year, net of income tax		**(82,545)**	(40,576)
Total comprehensive income for the year		**856,363**	299,584
Total comprehensive income for the year attributable to:			
Owners of the Company		**749,799**	243,674
Non-controlling interests		**106,564**	55,910
		856,363	299,584
EARNINGS PER SHARE	*10*		
– Basic (RMB cents)		**48.04**	16.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	**2018** *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,865,313**	2,714,133
Leasehold land and land use rights		**440,964**	508,559
Investment properties		**193,820**	44,009
Goodwill		**853,808**	345,768
Intangible assets		**1,578,613**	558,499
Investments in associates		**393,472**	449,089
Investments in a joint venture		**40,006**	34,099
Financial asset at fair value through other comprehensive income		**31,540**	–
Available-for-sale investments		**–**	50,580
Deferred tax assets		**442,322**	242,246
Finance lease receivables		**28,508**	38,476
Long-term receivables		**422,235**	152,354
Contract related assets		**35,410**	–
Loan receivables from associates and a joint venture		**10,000**	19,750
Prepayment for acquisition of a subsidiary		**–**	3,345,626
Total non-current assets		**9,336,011**	8,503,188
CURRENT ASSETS			
Leasehold land and land use rights		**–**	11,551
Finance lease receivables, current portion		**24,958**	31,475
Long-term receivables, current portion		**131,926**	141,857
Loan receivables from associates and a joint venture		**9,750**	34,000
Inventories		**3,960,844**	1,832,133
Trade and other receivables	*11*	**6,326,997**	5,893,072
Transferred trade receivables		**242,879**	225,297
Financial asset at fair value through profit or loss		**355,539**	–
Financial asset at fair value through other comprehensive income		**3,955,287**	–
Derivative financial instruments		**4,401**	–
Other financial assets		**–**	62,000
Tax recoverable		**29,661**	17,374
Bank deposits		**884,480**	954,205
Cash and cash equivalents		**2,746,038**	1,745,177
Total current assets		**18,672,760**	10,948,141
Total assets		**28,008,771**	19,451,329

	Note	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Borrowings		**1,848,242**	818,000
Deferred tax liabilities		**341,611**	142,683
Contract liabilities		**39,790**	–
Redemption liabilities		**1,177,921**	1,066,617
Provisions		**228,810**	–
Employee benefit obligations		**280,903**	–
Other non-current liabilities		**95,934**	43,902
Total non-current liabilities		**4,013,211**	2,071,202
CURRENT LIABILITIES			
Trade and other payables	*12*	**8,130,550**	4,432,701
Contract liabilities		**1,390,874**	–
Advance from customers		**–**	814,717
Income tax liabilities		**147,150**	27,888
Borrowings		**1,019,585**	191,000
Provisions		**738,499**	113,217
Liabilities associated with transferred trade receivables		**242,879**	225,297
Derivative financial instruments		**35,179**	–
Total current liabilities		**11,704,716**	5,804,820
Total liabilities		**15,717,927**	7,876,022
CAPITAL AND RESERVES			
Share capital	*13*	**1,732,471**	1,732,471
Share premium		**4,199,421**	4,199,421
Reserves		**5,525,318**	4,868,314
Equity attributable to owners of the Company		**11,457,210**	10,800,206
Non-controlling interests		**833,634**	775,101
Total equity		**12,290,844**	11,575,307
Total equity and liabilities		**28,008,771**	19,451,329

NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

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**").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) – measured at fair value, and
- defined benefit pension plans – plan assets measured at fair value.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2.2 Changes in accounting policies

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments that are relevant to the Group for the first time for their annual reporting period commencing 1 January 2018:

– IFRS 9 Financial Instruments

– IFRS 15 Revenue from Contracts with Customers

– Classification and Measurement of Share-based Payment Transactions

– Amendments to IFRS 2

– Annual Improvements 2014-2016 cycle

– Interpretation 22 Foreign Currency Transactions and Advance Consideration

Except for IFRS 9 and IFRS 15, other changes to accounting standards do not have significant impact on the Group's financial statements.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 – Leases

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group has set up a project team which has reviewed all leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB794,663,000.

The Group expects to recognise right-of-use assets of approximately RMB699,517,000 on 1 January 2019, lease liabilities of RMB699,517,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

Operating cash flows will increase and financing cash flows decrease by approximately RMB140,861,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required in 2019.

The Group expects that net profit after tax will decrease by approximately RMB6,743,000 for 2019 as a result of adopting the new rules.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid of accrued lease expense).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.3 Adoption of IFRS 9 and IFRS 15

(a) Impact on the financial statements

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

The Group elected to adopt IFRS 9 and IFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new impairment and revenue recognition rules are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	*Note*	**31 Dec 2017 As originally presented** *RMB'000*	**Adjustment on initial adoption of IFRS 9**	**Adjustment on initial adoption of IFRS 15**	**1 January 2018 Restated** *RMB'000*
Assets					
Non-current assets					
Financial assets at fair value through other comprehensive income	*(i)*	–	49,124	–	49,124
Financial assets at fair value through profit or loss	*(ii)&(iii)*	–	63,456	–	63,456
Other financial assets	*(iii)*	62,000	(62,000)	–	–
Available-for-sale financial assets	*(i)&(ii)*	50,580	(50,580)	–	–
		112,580	–	–	112,580
Current assets					
Trade and other receivables	*(iv)*	5,893,072	(2,915,356)	–	2,977,716
Financial assets at fair value through other comprehensive income	*(iv)*	–	2,915,356	–	2,915,356
		5,893,072	–	–	5,893,072
Total assets		6,005,652	–	–	6,005,652
Liabilities					
Current liabilities					
Contract liabilities	*(v)*	–	–	814,717	814,717
Advance from customers	*(v)*	814,717	–	(814,717)	–
Total liabilities		814,717	–	–	814,717
Equity					
Other reserve		62,348	(42,516)	–	19,832
Retained earnings		4,140,525	42,516	–	4,183,041
Total equity		4,202,873	–	–	4,202,873

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

	Notes	2017 *RMB'000*
Closing retained earnings 31 December – IAS 39		4,140,525
Impact of an associate reclassified its available-for-sale financial assets to FVPL on 1 January 2018	*(vi)*	42,516
Opening retained earnings 1 January 2018 – IFRS 9		4,183,041

(b) Classification and measurement

(i) Reclassification from available-for-sale to financial assets at fair value through other comprehensive income ("FVOCI")

The Group held the equity securities listed in Hong Kong with the amount of RMB49,124,000 on 1 January 2018. Before 1 January 2018, the change of the fair value of the equity securities listed in Hong Kong was recorded in other comprehensive income. The Group has chosen to still record the change of the fair value of those equity securities at FVOCI.

(ii) Reclassification from available-for-sale to financial assets at fair value through profit or loss ("FVTPL")

The Group held the unlisted equity securities listed with the amount of RMB1,456,000 on 1 January 2018. Before 1 January 2018, the change of the fair value of the unlisted equity securities was recorded in other comprehensive income, which is immaterial. The Group has chosen to record the change of the fair value of those equity securities at FVTPL upon adoption of IFRS 9.

(iii) Reclassification from other financial assets to financial assets at FVTPL

The Group held the structured deposits with the amount of RMB62,000,000 on 1 January 2018. Before 1 January 2018, the change of the fair value of the structured deposits was recorded in profit or loss. The Group has chosen to still record those instruments at FVTPL.

(iv) Reclassification from trade and other receivables to financial assets at FVOCI

Certain notes receivable with contractual cash flows represent solely payments of principal and interest, were reclassified to financial assets at fair value through other comprehensive income, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. As a result, the amount of RMB2,915,356,000 was reclassified from trade and other receivables to financial assets at FVOCI on 1 January 2018.

(v) Reclassification from advance from customers to contract liabilities

The balance of advance from customers is related with non-cancelable contract. Thus the balance should be recognised as contract liabilities under IFRS 15. As a result, the amount of RMB814,717,000 was reclassified from advance from customers to contract liabilities on 1 January 2018.

(vi) Impact of an associate reclassification from available-for-sale financial assets to FVPL

An associate of the Group held certain equity investments which were reclassified from available-for-sale to financial assets at FVPL upon adoption of IFRS 9. Related fair value gains of RMB42,516,000 shared by the Group were transferred from valuation reserve to retained earnings on 1 January 2018.

Impairment of financial assets

The Group has certain types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade and other receivables (excluding prepayments to suppliers),
- long-term receivables,
- finance lease receivables,
- loan receivables from associates and a joint venture,
- transferred trade receivables
- cash and cash equivalents
- bank deposits

For trade receivables, long-term receivables, finance lease receivables, and transferred trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance. The restatement of the loss allowance on transition to IFRS 9 on 1 January 2018 was immaterial.

While cash and cash equivalents, bank deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For loan receivables from associates and a joint venture and other receivables (excluding prepayments to suppliers), the Group applies the IFRS 9 three-stage approach to measuring ECL. Impairment losses are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. Other receivables comprise: other tax recoverable , deposit, and others. Since the credit risk of other receivables are considered not significantly increase since initial recognition, therefore the impairment provision is determined as 12 months ECL.

The additional impairment loss for loan receivables from associates and a joint venture and other receivables was immaterial upon adoption of the expected loss approach under IFRS 9 as at 1 January 2018.

(c) IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

IFRS 15 replaces the provisions of IAS 18 Revenue that relate to the recognition, classification and measurement of revenue and costs. The effects of the adoption of IFRS 15 are immaterial, on 1 January 2018 except for the reclassification of liabilities related to contract with customers as disclosed in the table in notes 2.3 (a).

3 REVENUE

	Year ended 31 December 2018		
	Manufacture of coal mining machinery *RMB'000*	**Manufacture of auto parts** *RMB'000*	**Total** *RMB'000*
Sales of auto parts	**–**	**17,658,657**	**17,658,657**
Sales of hydraulic roof supports	**5,107,137**	**–**	**5,107,137**
Revenue from steel and other materials trading	**2,052,719**	**86,294**	**2,139,013**
Sales of spare parts for coal mining machinery	**868,332**	**–**	**868,332**
Sales of other coal mining equipment	**136,959**	**–**	**136,959**
Other revenue	**101,632**	**–**	**101,632**
	8,266,779	**17,744,951**	**26,011,730**

	Year ended 31 December 2017		
	Manufacture of coal mining machinery *RMB'000*	Manufacture of auto parts *RMB'000*	Total *RMB'000*
Sales of auto parts	–	2,712,699	2,712,699
Sales of hydraulic roof supports	2,957,150	–	2,957,150
Revenue from steel and other materials trading	1,034,462	76,566	1,111,028
Sales of spare parts for coal mining machinery	557,610	–	557,610
Sales of other coal mining equipment	144,138	–	144,138
Other revenue	64,076	–	64,076
	4,757,436	2,789,265	7,546,701

4 SEGMENT INFORMATION

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.

CODM primarily uses a measure of segment net profit to assess the performance of operating segments

The following is an analysis of the Group's revenue and results by reportable and operating segments. The Group prepare the segment reporting for net profit but exclude the impact of a) impairment of goodwill b) interest expense of redemption liabilities and c) central expense in relation to acquisition expenses. All of 3 items are related with manufacture of auto parts segment.

	Manufacture of coal mining machinery *RMB'000*	**Manufacture of auto parts** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2018			
Segment revenue	8,266,779	17,744,951	26,011,730
Segment net profit excluding impairment of goodwill, interest expense of redemption liabilities and central expense in relation to acquisition expenses.	893,600	245,254	1,138,854
Year ended 31 December 2017			
Segment revenue	4,757,436	2,789,265	7,546,701
Segment net profit	335,254	207,001	542,255

	As of 31 December	
	2018 *RMB'000*	2017 *RMB'000*
Segment revenue and consolidated revenue	**26,011,730**	7,546,701
Segment net profit excluding impairment of goodwill, interest expense of redemption liabilities and central expense in relation to acquisition expenses.	**1,138,854**	542,255
Impairment of goodwill	**(109,125)**	–
Interest on redemption liabilities	**(90,821)**	–
Central expense in relation to the acquisition	**–**	(202,095)
Consolidated profit for the year	**938,908**	340,160

The following is an analysis of the Group's assets and liabilities by reportable and operating segments. The Group prepare the segment reporting for total assets and liabilities, but exclude the impact of a) Prepayment for the acquisition of a subsidiary, b) goodwill, c) redemption liabilities and d) payables in relation to the acquisition. All of 4 items are related with manufacture of auto parts segment.

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Manufacture of coal mining machinery	**14,518,380**	11,125,351
Manufacture of auto parts	**12,636,583**	4,634,584
Total segment assets excluding prepayment for acquisition of a subsidiary	**27,154,963**	15,759,935
Prepayment for acquisition of a subsidiary	**–**	3,345,626
Goodwill	**853,808**	345,768
Consolidated assets	**28,008,771**	19,451,329
SEGMENT LIABILITIES		
Manufacture of coal mining machinery	**6,415,742**	4,944,718
Manufacture of auto parts	**8,124,264**	1,661,998
Total segment liabilities excluding redemption liabilities and payables in relation to the acquisition	**14,540,006**	6,606,716
Redemption liabilities	**1,177,921**	1,066,617
Payables in relation to the acquisition	**–**	202,689
Consolidated liabilities	**15,717,927**	7,876,022

Geographical information

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

	2018	2017
	RMB'000	*RMB'000*
The PRC	**14,830,433**	7,183,622
Germany	**5,507,551**	–
Other countries	**5,673,746**	363,079
	26,011,730	7,546,701

The analysis of investment in associates and joint ventures accounted for by the equity method, and additions to non-current assets other than financial instruments, deferred tax assets, net defined benefit assets by geographical location is as follows:

	2018		
	The PRC *RMB'000*	**Germany** *RMB'000*	**Other countries** *RMB'000*
Investment in associates and joint ventures accounted for by the equity method	**433,478**	**–**	**–**
Non-current assets other than financial instruments, deferred tax assets	**1,758,040**	**2,732,006**	**2,588,664**
	2,191,518	**2,732,006**	**2,588,664**

Majority of the assets are operated in China in 2017.

Information about major customers

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

	2018 *RMB'000*	2017 *RMB'000*
Customer A	**3,348,294**	N/A[a]

Note (a): The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5 OTHER INCOME

	2018 *RMB'000*	2017 *RMB'000*
Government grants *(note)*	**52,132**	33,902
Interest income on bank deposits, long-term receivables and finance lease receivables	**53,928**	65,072
Interest income on debt investment	**–**	13,142
	106,060	112,116

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

	2018 *RMB'000*	2017 *RMB'000*
Gain on disposal of financial assets at fair value through profit or loss	**3,041**	–
Gain/(loss) on disposal of property, plant and equipment, and intangible assets	**1,978**	(5,883)
Net fair value loss on derivative financial instruments	**(25,948)**	–
Net foreign exchange losses	**(40,473)**	(70,789)
Impairment of goodwill	**(109,125)**	–
Gain on disposal of an available-for-sale investment	**–**	2,730
Others	**(3,976)**	(11,318)
	(174,503)	(85,260)

7 FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interests on bank borrowings	**113,567**	39,681
Interest on redemption liabilities	**106,848**	–
	220,415	39,681

8 INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current income tax	**387,377**	95,473
Deferred income tax	**(37,547)**	(12,607)
	349,830	82,866

(a) PRC corporate income tax

The corporate income tax ("**CIT**") is calculated based on the statutory profit of subsidiaries incorporated in the PRC and the applicable tax rate in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

In accordance with the PRC tax laws, standard corporate income tax rate is 25%. Certain subsidiaries are qualified for new/high-tech technology enterprises status or Chinese western development enterprises status and enjoyed preferential income tax rate of 15% during the year.

(b) Germany profits tax

Applicable profit tax rate of Germany is 29%. During the year ended 31 December 2018, no profit tax has been provided due to accumulated losses (2017: Nil).

(c) Others

Applicable profit tax rates of the Group's other subsidiaries are between 9% and 34.94%, for the year ended 31 December 2018.

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**1,288,738**	423,026
Tax at the PRC enterprise income tax rate of 15%	**193,311**	63,454
Tax effect of share of result of associates and joint ventures	**6,560**	(3,493)
Tax effect of income not taxable for tax purpose	**(26,893)**	–
Tax effect of expenses that are not deductible for tax purpose	**51,697**	1,752
Tax effect of tax losses and temporary differences not recognised	**105,589**	47,649
Utilisation of tax losses and temporary differences previously not recognised	**(4,966)**	(6,419)
Effect of different tax rate of subsidiaries	**76,143**	(9,812)
Additional deduction for qualified research and development expenses	**(53,254)**	(13,973)
(Over)/under provision in prior years	**(7,906)**	3,455
Effect of change in tax rate during the year	**9,549**	253
	349,830	82,866

9 DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year		
– 2017 Final (RMB0.050 per share)	**86,623**	–
– 2016 Final (RMB0.011 per share)	**–**	19,057
	86,623	19,057

Subsequent to the end of the Reporting Period, a final dividend in respect of the year ended 31 December 2018 of RMB0.145 per share (2017: final dividend in respect of the year ended 31 December 2017 of RMB0.05 per share) in an aggregated amount of RMB251,208,348.65 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

10 EARNINGS PER SHARE

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

	2018	2017
	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)	**832,344**	284,250
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,732,471,370**	1,704,634,000
Earnings per share	**48.04**	16.67

The diluted earnings per share is the same as basic earnings per share for the years ended 31 December 2018 and 2017 as the Company did not have any dilutive potential ordinary shares in issue for the year ended 31 December 2018 and 2017.

11 TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Notes receivable	**–**	2,915,356
Trade receivables	**5,760,750**	3,526,510
Less: loss allowance	**(853,294)**	(1,001,141)
	4,907,456	5,440,725
Prepayments to suppliers	**507,566**	357,503
Deposits	**24,197**	38,344
Other tax recoverable	**880,090**	11,259
Staff advances	**7,363**	2,364
Others	**97,493**	57,067
Less: loss allowance	**(97,168)**	(14,190)
	1,419,541	452,347
Total trade and other receivables	**6,326,997**	5,893,072

The following is an aged analysis of notes receivable and trade receivables net of loss allowance presented based on the invoice date at the end of each Reporting Period:

	2018	2017
	RMB'000	*RMB'000*
Within 180 days	**4,255,933**	4,063,119
Over 180 days but within 1 year	**351,338**	942,271
Over 1 year but within 2 years	**228,364**	272,255
Over 2 years within 3 years	**71,821**	163,080
	4,907,456	5,440,725

Movement of loss allowance on trade and other receivables

	2018	2017
	RMB'000	*RMB'000*
Opening balance	**1,015,331**	1,195,323
Reversed during the year	**(58,006)**	(179,007)
Write off	**(3,724)**	(985)
Currency Exchange	**(3,139)**	–
Closing balance	**950,462**	1,015,331

12 TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Notes payable *(note a)*	**1,882,103**	1,288,089
Trade payable *(note a)*	**4,988,510**	2,684,708
	6,870,613	3,972,797
Salary and bonus payables	**612,802**	261,367
Deposits *(note b)*	**82,134**	27,939
Deferred income to be recognised within one year *(note c)*	**5,942**	3,994
Interest Payable	**11,719**	203
Other taxes payable	**222,410**	53,111
Accruals and other payables *(note d)*	**324,930**	113,290
	8,130,550	4,432,701

Notes:

(a) The following is an aged analysis of bills payable and trade payables presented based on invoice date at the end of each Reporting Period:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**6,576,168**	3,748,516
Over 1 year	**294,445**	224,281
	6,870,613	3,972,797

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

(c) 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.

(d) Accruals and other payables mainly consist of payables for the acquisition of property, plant and equipment, rental payables, sales rebate and payables for other services.

13 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 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 a)*	93,220	93,220	–	–	93,220	93,220
Issue of placing A Shares *(note b)*	18,129	18,129	–	–	18,129	18,129
At 31 December 2017 and 2018	1,489,237	1,489,237	243,234	243,234	1,732,471	1,732,471

Notes:

(a) In year 2017, 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.

(b) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Revenue

Our revenue increased by 244.68% from RMB7,546.70 million for the year ended 31 December 2017 to RMB26,011.73 million for the year ended 31 December 2018, mainly because of the acquisition of the SEG Group. In addition, revenue from the coal mining machinery segment also recorded a significant increase of 73.77% as compared to that of the last period because of the bounce back in demand of domestic coal market in 2018, 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 258.68% from RMB5,899.30 million for the year ended 31 December 2017 to RMB21,159.85 million for the year ended 31 December 2018.

Gross Profit

Driven by the above factors, our gross profit increased by 194.52% from RMB1,647.41 million for the year ended 31 December 2017 to RMB4,851.88 million for the year ended 31 December 2018.

The change in gross profit during the year primarily comprised of two parts. The gross profit margin of the coal mining machinery segment remained fairly flat and increased slightly from 20.0% for the year ended 31 December 2017 to 23.7% for the year ended 31 December 2018. As of 31 December 2018, the gross profit margin of the auto parts segment of the Group decreased from 24.9% for the year ended 31 December 2017 to 16.2% for the year ended 31 December 2018.

Therefore, the overall gross profit margin of the Group decreased from 21.8% for the year ended 31 December 2017 to 18.7% for the year ended 31 December 2018.

Other Income

Our other income decreased by 5.4% from RMB112.12 million for the year ended 31 December 2017 to RMB106.06 million for the year ended 31 December 2018.

Other Gains and Losses

Our other gains and losses turned from loss of RMB85.26 million for the year ended 31 December 2017 to loss of RMB174.50 million for the year ended 31 December 2018, primarily as a result of the addition of our impairment of goodwill.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 160.98% from RMB400.07 million for the year ended 31 December 2017 to RMB1,044.12 million for the year ended 31 December 2018, mainly due to the consolidation of the SEG Group during the year.

Administrative Expenses

Our administrative expenses increased by 69.55% from RMB709.65 million for the year ended 31 December 2017 to RMB1,203.18 million for the year ended 31 December 2018, mainly due to the consolidation of the SEG Group during the year.

Research and Development Expenses

Our research and development expenses increased by 288.12% from RMB265.43 million for the year ended 31 December 2017 to RMB1,030.20 million for the year ended 31 December 2018, mainly because of the consolidation of the SEG Group during the year.

Share of Profit of Associates

Share of profit of associates turned from a gain of RMB18.40 million for the year ended 31 December 2017 to a loss of RMB49.64 million for the year ended 31 December 2018.

Finance Costs

Our finance costs increased from RMB39.68 million for the year ended 31 December 2017 to RMB220.42 million for the year ended 31 December 2018, because of the new bank borrowings raised by the Group and the interest on redemption liabilities incurred during the year.

Profit Before Tax

Being affected by the factors referred to above in aggregate, our profit before tax increased by 204.65% from RMB423.03 million for the year ended 31 December 2017 to RMB1,288.74 million for the year ended 31 December 2018.

Income Tax Expense

Our income tax expense increased by 322.16% from RMB82.87 million for the year ended 31 December 2017 to RMB349.83 million for the year ended 31 December 2018, primarily as a result of the significant increase in taxable income. Our effective tax rate increased to 27.15% for the year ended 31 December 2018 from 19.59% for the year ended 31 December 2017.

Profit Attributable to Owners of the Company

Based on the factors referred to above, profit attributable to owners of the Company increased by 192.82% from RMB284.25 million for the year ended 31 December 2017 to RMB832.34 million for the year ended 31 December 2018.

Trade and Other Receivables

As at 31 December 2018, trade and other receivables amounted to approximately RMB6,327.00 million, representing an increase of approximately RMB433.93 million as compared to approximately RMB5,893.07 million as at the end of 2017, mainly because of the consolidation of the SEG Group during the year.

Liquidity

The Group's net current assets were approximately RMB6,968.04 million (31 December 2017: RMB5,143.32 million) and the current ratio was 1.60 as at 31 December 2018 (31 December 2017: 1.89). The decrease in current ratio was mainly attributable to the increase in trade payables and borrowings.

BUSINESS REVIEW

I. The Group's Overall Operations in 2018

2018 is another monumental year in the history of the Company's development. Facing the complex and ever-changing internal and external environment, the Company stayed closely in line with its annual operating goal of "structural reshaping to foster transformation, all-rounded synergy to secure growth, innovation-driven approach to fabricate fine products, and scientific management to enhance efficiency", promoting smooth transition and integration of its newly acquired SEG project, reorganizing and optimizing the management structure of the Group, and continuing to deepen the reform of state-owned enterprises. As a result, the Company experienced rapid development, with a stable and positive development momentum reflected in each of its business segments and substantial improvements recorded in major economic indicators such as revenue and profit.

In 2018, the revenue generated by the Company amounted to RMB26,011.73 million, up by 244.68% year-on-year. Net profit attributable to the parent company amounted to RMB832.34 million, representing an increase of 192.82% year-on-year.

II. Major Work in 2018

(I) Continued to deepen reform and push forward corporate transformation and upgrade

1. Pushed ahead the reform of centralized functions and underwent internal reorganization of businesses and assets

   The Company adjusted its management structure and implemented a structure of "small headquarters, large segments" based on its development strategy, taking into account practical circumstances of its multiple business segments and global operation. A preliminary segment management structure was established for coal mining machinery and auto parts. As the central unit of the Group, the headquarters of the Company fully played its role as the Group manager, value creator, integrator of global resources and industrial coordinator and efficiently performed the centralized functions focusing on strategic planning, human resources development, risk prevention and control as well as financial operation. The listed Company will act as a platform for optimizing resource allocation among its business segments. During the Reporting Period, the Company finished the adjustment of its headquarters restructuring, with each business segment capable of independent operation and responsible for its own profits and losses.

2. Improved corporate governance structure and facilitated the change of directors, supervisors and senior management

   In 2018, the Company initiated the change in session of its Board of Directors, Board of Supervisors and the management. The executive directors of the Company have backgrounds in investment and finance, coal mining machinery and auto part business, while the independent non-executive directors have backgrounds in investment, auditing and law, which is conducive to the long-term development of the Company. The Board of Supervisors comprises a combination of internal staff representative supervisors and external supervisors recommended by shareholders in a bid to bring the supervisory function into full play. Our management was formed by a combination of recruitment from external parties and through market-based selective hiring, with a view to creating a market-oriented and professional management team to enhance its execution capability.

(II) Operation of the coal mining machinery business

1. Fruitful results in both order placements and collection of receivables in respect of market development

   In 2018, the Company was agile in capturing favorable opportunities from the bounce back of the coal mining machinery market. In tandem with strict risk control, we gravitated towards "orders that generate profit and cash flow" by seizing quality orders, solidifying strategic customers and actively exploring new markets. As a result, our coal mining machinery business recorded year-on-year increases of 40% and 35% in order placements and collection of receivables (both excluding trade) respectively, the highest for the recent five years.

   As for the domestic market, we remained customer-focused, concentrated advantageous resources on strategic customers, cemented our partnerships continuously and opened up new markets. Meanwhile, we kept increasing our efforts in the collection of receivables, leading to a new high in the total collection of receivables. As for the international market, we aligned with the national "Belt and Road" initiative to extend our international market network. In 2018, we successfully entered into an agreement for providing complete sets of equipment for an Indonesian project. At the same time, our focus on key markets resulted in consecutive breakthroughs in the international high-end market.

2. Deep engagement with steadily improving production capacity and efficiency

Since 2018, the Company has been intensively exploring its potential. On top of ensuring safety and environmental protection, it recorded a 26% year-on-year increase in total production volume for the year, with output value reaching a historic high. First, in terms of raising average work efficiency, our efforts to improve 17 major indicators have led to a surge in average work efficiency of each production unit. Second, in terms of capacity improvement, the Company formulated a special plan for capacity enhancement, carried out special technical research and equipment transformation for processes with inadequate production capacity, quickly eliminated the shortcoming in production capacity, and achieved new breakthroughs in the output of each production unit. Third, in terms of green production, the Company responded to increasingly stringent environmental requirements by exploring new production methods, and consistently reduced the impact of changing environmental policies on its production capacity.

3. Scientific research, technological upgrading, and continuous enhancement of core competitiveness

In 2018, the Company sustained its scientific research for the coal mining machinery segment as it made continuous improvement in intelligent product technology and intelligent manufacturing, with in-depth application of its philosophy of value project.

First, in respect of technological research and development, the Company broke multiple world records with its self-developed ultra mining height hydraulic roof support of 8.8 meters put into production. It also made preliminary progress in key technologies relating to intelligent surface, such as inertial navigation system, video surveillance system, and planned mining technologies based on transparent working surfaces. Second, in respect of crafting technology, the Company was active in its intelligent work planning with pilot projects on connecting rod production lines and automatic loading and unloading for robot beveling. The Company also maintained a continuous R&D input into new materials and new crafting technologies, coupled with additional technical reserves. Third, in respect of technological innovation, 2018 saw the Company pass the review of National Demonstration Enterprises for Technological Innovation by the Ministry of Industry and Information Technology and obtain 23 authorized patents, including 5 invention patents, 18 utility model patents and 1 software copyright.

4. Improved operations under innovative management, with lower cost and higher efficiency

   In its coal mining machinery segment, the Company closely followed its objective to become a high-yield enterprise with high-quality development, by intensifying its project-based management for market development, maintaining lean management and Amoeba Management, beefing up the comprehensive quality of its leaders and staff and innovating methods and approaches, all in an effort to bolster its corporate management.

(III) Operation of the auto parts segment

In 2018, ASIMCO's auto parts segment under the Company attained new record highs in overall operating indicators, as the segment captured opportunities from the growing commercial vehicles market and benefited from the market concentration on high-quality suppliers. Upon completion of the acquisition of equity interests in the Germany-based SEG project, the Company has been actively engaged in post-acquisition management through resource integration, enabling SEG to make its proper transition from a business segment to an independent operating company with stable business, staff and development as well as record high order placements.

1. Pushed ahead with restructuring and integration and increased operation quality

   In terms of ASIMCO, we acquired ASIMCO International Inc. (亞新科國際有限公司) to further improve our layout in the global automobile market and enhance our competitiveness in the international market. ASIMCO Shuanghuan merged with ASIMCO Foundry for further resource integration and centralized management, lower management costs and higher management efficiency. In terms of SEG, post-acquisition integration and management took place where SEG was promoted as a new brand to global customers and media, suppliers and partners, to realize smooth transition of customers and shape a new brand image. We were also active in allowing shareholders to play their role in the decision-making of corporate strategy and significant matters, facilitated SEG in global resource integration, sped up the adjustment of its industry chain layout, and responded to customers at a faster pace, to push for stable growth of sale revenue. In addition, our new factories in Changsha and Changchun have commenced production, which significantly boosted our production capability.

2. Bolstered technological research and development as well as core competitiveness

   In terms of ASIMCO, we fully tapped into the brand advantages of the Company as a provincial enterprise technology center and in the industry, and undertook 20 major provincial and municipal projects for science and technology. In 2018, we completed such key projects as light and high-intensity cylinder blocks and heads of vermicular graphite cast iron material, combination of camshaft sets as an alternative to traditional steel shafts and cast iron shafts, piston ring surface processing technology which met the requirements of environmental protection and Euro VI vehicle emission standards, and high-end modular brake products. In addition, we organized SEG and ASIMCO to set up a team to investigate the development trends of the automotive industry and the motor industry, and worked out a plan for SEG's future research and development on electrification technology. Currently, we concentrated our advantageous resources on 48V hybrid power technology which has been applied to mass production and large-scale market promotion. We have become the motor supplier of 48V energy recovery acceleration subsystems for mainstream automakers such as Daimler Benz and BMW. Meanwhile, the Company has been centered on the technological development trends of the future automobile industry, starting to establish its presence in 48V P>0 and high-voltage motors.

3. Set up a control system for better investment control

   The Company has integrated the management system of multinational corporations with state-owned assets supervision and the system of listed companies, to establish and improve the management reporting system and financial management system of its investee companies. Meanwhile, from strategy, investment and development perspective, we allowed shareholders to play an active role in guiding the healthy and stable development of our investee companies.

INDUSTRY LANDSCAPE AND TRENDS

1. Macroeconomic conditions

Based on an overall analysis of domestic and international situation, China will face an even tougher and more complex environment in its development in 2019, with more and bigger risks and challenges ahead which may or may not be expectable. However, China remains in a critical strategic stage brimming with opportunities, where it enjoys adequate resilience, huge potential and surging innovative strength. Its economy also sustains a long-term positive trend. As pointed out in the 2019 Government Work Report by the State Council, it is necessary to maintain high-quality development and the supply-side structural reform as the main theme, deepen market-oriented reform, further open up to the outside world with high quality, and accelerate the development of a modern economic system. Work will continue on three major campaigns, to stimulate the vitality of micro entities, innovate and improve macro-control, and proceed with growth stabilization, reform, structural adjustment, improvement of people's livelihood and risk prevention in a well-planned manner. Economic growth will remain within a reasonable range, with further efforts to stabilize employment, finance, foreign trade, foreign capital, investment and expectations, so as to boost market confidence.

2. *Development of the coal mining machinery industry*

(1) Stability of the coal industry

As for the domestic market, 2019 will see stability in policy regulation over the coal market, with a sustained dynamic equilibrium between supply and demand, as price gradually enters a reasonable range. Overall, thermal coal will enjoy a stable trajectory, with cyclical price fluctuation due to seasonal factors. In 2019, the thermal coal market will embrace more stability, while the market of coal mining machinery stays in the stable development stage. In particular, developing countries such as India, Vietnam and the Philippines will experience year-on-year growth in coal production and demand for coal mining machinery, given their growing demographic dividend.

(2) Stiffer competition in the coal mining machinery industry

Regarding the domestic coal mining machinery industry, greater profitability of coal enterprises has fully unleashed the demand for equipment renewal. The coal mining machinery industry saw sustained improvement in economic efficiency, with much better performance of major coal mining machinery enterprises in the PRC. The increase in coal production technology and equipment investment will keep unleashing the production capacity of coal mining machinery, which is expected to result in abundant supply in the coal mining machinery industry.

Regarding the overseas coal mining machinery industry, globalization has caused some international manufacturers of coal mining machinery to shift their competition from a comprehensive scale to market segments and industry chains, or to pursue market expansion and higher market status through merger and acquisition, alliance and channel integration. This poses fresh challenges to domestic coal mining machinery enterprises who are involved in international market competition.

Nevertheless, being the world's largest R&D and manufacturing enterprise for hydraulic roof supports used for comprehensive coal mining, the Company has a considerable market share and apparent market advantages. Widely recognized for its product quality in the market, the Company presents an evident edge in brand value, advantageous innovation of product technology, production and operation, as well as stronger market competitiveness.

3. *Auto industry: Short-term stagnation and room for improvement in the long run*

According to statistics from the China Association of Automobile Manufacturers, China recorded its first negative growth in both automobile production and sales for the past 28 years. This signals that the auto industry has transited from high-speed growth to low-speed, stable and high-quality development. China will roll out a series of policies in 2019, including tax breaks for the manufacturing sector, further deepening the reform and opening up to the outside world. This, together with the thawing China-US trade dispute, has created better conditions for the development of the manufacturing sector. Since China's average vehicle ownership lags far behind that of developed countries, the relatively low vehicle ownership and high income growth generate new demand for automobiles. It is expected that there remains considerable room for production and sales growth in the Chinese automobile industry, as it will continue to work towards high-quality development.

Meanwhile, the auto parts industry faces fresh challenges and opportunities from the global policy on energy conservation and emissions reduction, as well as an automobile industry evolving towards intelligence and electrification. Given unsaturated sales volume of passenger cars in emerging economies such as China and India as well as the structural change in mature markets such as Europe, the US and Japan, the global automobile market will continue to grow.

VISION FOR 2019

Based on its comprehensive analysis of the development trends in coal mining machinery and auto parts industries, the Company has established its business plan for 2019 and the development strategy centered on "strategic positioning as an international enterprise, market-oriented corporate governance, diversified industrial layout and global human resources". We will seize the favorable opportunities from the deepening reform of state-owned enterprises, optimize structure for transformation, deepen the reform to stimulate vitality, conduct risk prevention and control as well as stronger compliance, and improve capital operation efficiency, striving for stable increase in results of operations. Our work in 2019 is contemplated as follows:

(I) Continue to promote corporate reform to realize healthy development

1. Continue to restructure the Group for further transformation and upgrade

In line with its future development strategy and the reform objective of "small headquarters, large segments", the Group will continue to restructure itself and reform the centralized functions so that each of the headquarters' functions will be performed in a concrete manner. Furthermore, we will sort out the existing business segments and subsidiaries, and push forward the reorganization of our internal business segments so that they attain synergetic development. In the meantime, we will narrow down our management in respect of the equity transfer or settlement and withdrawal of the subsidiaries that have ceased operation or cannot improve their operation due to macro conditions.

2. Continue to deepen the internal reform to stimulate business vitality

(1) We will deepen the reform of our remuneration incentive system by further aligning our remuneration system with the market, ramping up our salary-based and performance-oriented remuneration system, and establish a scientific and reasonable mechanism for remuneration adjustment. We will explore long-term incentives for the management teams of the Group and its subsidiaries, to inspire the entrepreneurial enthusiasm of team members.

(2) We will establish a global human resources management system, and optimize our mechanism for retaining and cultivating outstanding talents of the Group. Talent exchanges will be enhanced, in order to cultivate exceptional talents with international perspective and capable of local management in China.

(3) We will take steps to construct intelligent factories where our management will take place in a digital and intelligent fashion. Work will start from partial transformation and move on to developing a complete system for intelligent manufacturing, build intelligent factories, and bring about all-rounded upgrade in production management, technical process and corporate governance.

3. *Strengthen risk management to assure compliant operation*

We will further improve our corporate risk management system with internal control and review at its core, to ensure that corporate operation complies with laws and regulations and our assets remain safe. We will further procure our Board of Supervisors as well as internal audit and disciplinary inspection bodies to perform their functions so as to forge a joint force to ensure our corporate operation in compliance with laws and regulations.

(II) Strengthen the Group's management to procure the robust growth of respective business segments

1. We will strengthen the development of a centralized information system for the Group's management and enable the Group to manage its domestic and overseas subsidiaries through information-based approaches, standard processes and well-established systems. We will improve our global financial control system and capital management, work out a unified taxation planning system, establish a mechanism for hedging exchange rates, and ramp up our risk prevention and control system.

2. We will promote robust growth in each business segment and underscore the self-sustaining ability as well as independent development and growth capability of each segment and subsidiary.

The coal mining machinery segment will follow its development strategy of "being intelligent, comprehensive, international and social", by promoting the studies on intelligent products. Meanwhile, the segment will take a long-term perspective by further optimizing its structure in respect of market, product, production and inventories, so as to create sustained favorable conditions for the Company's high-quality development.

With regard to the auto parts segment, ASIMCO emphasizes on the development and promotion of new products and technical processes, with additional efforts in developing new markets. Development projects are implemented according to the need of operational development, to meet the development needs for future production capacity and technical reserves. We will fully capitalize on our brand advantages, vigorously explore the international market, attach great importance to the after-sale market, and seize the development opportunity of the after-sale market in the auto industry. We will continue with our post-acquisition integration and management of SEG and acquire a clearer management model and mechanism for appraisal, assessment and incentive, so that SEG and ASIMCO can complement each other with their respective strengths and deliver synergy. In order to provide customers with the transformation from engineering products to integrated electromechanical products, we will continue to optimize the industrial layout of SEG, promote market survey and conceptual design of new products, and strive to become a world-leading provider of electrification solutions.

OTHER INFORMATION

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

During the year ended 31 December 2018 (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. 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 26 March 2019, and the Board proposed the payment of a final dividend (the "**Dividend**") of RMB1.45 (tax inclusive) per 10 shares for the year ended 31 December 2018, totalling RMB251,208,348.65. The Dividend is expected to be paid on or before 31 July 2019. The proposal in relation to the profit distribution is subject to approval by the shareholders at the 2018 annual general meeting. The time of convening the 2018 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 2018.

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 2018 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 2018 will be dispatched to the shareholders of the Company (if appropriate) and posted on the website of the Stock Exchange and the Company's website in due course.

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

Zhengzhou, PRC, 26 March 2019

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.