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 2021

FINANCIAL HIGHLIGHTS

The revenue of the Group for 2021 was RMB29,293.53 million, representing an increase of RMB2,774.13 million (i.e. 10.46%) as compared with 2020.

Profit for the year attributable to owners of the Company for 2021 was RMB1,947.79 million, representing an increase of RMB708.64 million (i.e. 57.19%) as compared with 2020.

Earnings per share for 2021 was RMB112.42 cents.

The Board proposed a final Dividend of RMB4.35 (tax inclusive) per 10 shares for 2021.

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 2021 together with the comparative figures of the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*3*	**29,293,527**	26,519,393
Cost of sales		**(23,055,471)**	(20,218,738)
Gross profit		**6,238,056**	6,300,655
Other income	*5*	**385,249**	262,823
Other gains and losses	*6*	**(3,575)**	(393,012)
Selling and distribution expenses		**(828,126)**	(790,486)
Administrative expenses		**(1,284,318)**	(1,289,831)
Research and development expenses		**(1,437,960)**	(1,224,426)
Restructuring costs		**(210,841)**	(646,954)
Net impairment losses on financial and contract assets		**(16,533)**	(339)
Share of profit of associates		**39,416**	12,007
Share of profit of joint ventures		**5,639**	9,617
Finance costs, net	*7*	**(263,691)**	(300,160)
Profit before tax		**2,623,316**	1,939,894
Income tax expense	*8*	**(553,448)**	(561,113)
Profit for the year		**2,069,868**	1,378,781
Profit for the year attributable to:			
Owners of the Company		**1,947,785**	1,239,149
Non-controlling interests		**122,083**	139,632
		2,069,868	1,378,781

	Note	**2021** *RMB'000*	2020 *RMB'000*
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefit obligations		**70,562**	21,078
Changes in the fair value of financial assets at fair value through other comprehensive income		**2,758**	(941)
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation		**24,524**	(119,890)
Cash flow hedging		**(12,555)**	(4,961)
Other comprehensive income/(expense) for the year, net of income tax		**85,289**	(104,714)
Total comprehensive income for the year		**2,155,157**	1,274,067
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,033,074**	1,134,435
Non-controlling interests		**122,083**	139,632
		2,155,157	1,274,067
EARNINGS PER SHARE	*10*		
– Basic (RMB cents)		**112.42**	71.52
– Diluted (RMB cents)		**111.90**	71.45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	**2021** **RMB'000**	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,843,738**	4,641,837
Right-of-use assets		**1,668,455**	1,268,668
Investment properties		**377,593**	387,226
Goodwill		**412,850**	520,431
Intangible assets		**1,176,924**	1,513,961
Investments in associates		**171,961**	297,460
Investments in joint ventures		**86,978**	81,339
Financial assets at fair value through other comprehensive income		**143,752**	28,993
Deferred tax assets		**383,830**	429,507
Finance lease receivables		**23,149**	15,497
Long-term receivables		**116,849**	165,531
Assets classified as held for sale		**1,685**	1,922
Total non-current assets		**9,407,764**	9,352,372
CURRENT ASSETS			
Finance lease receivables, current portion		**42,122**	122,834
Long-term receivables, current portion		**30,324**	156,944
Loans receivable from associates and a joint venture		**–**	6,500
Inventories		**6,242,407**	4,531,794
Trade and other receivables	*11*	**7,374,073**	6,991,913
Transferred trade receivables		**687,473**	830,941
Financial assets at fair value through profit or loss		**3,236,286**	2,857,305
Financial assets at fair value through other comprehensive income		**4,111,050**	3,780,065
Derivative financial instruments		**15,372**	40,405
Tax recoverable		**43,667**	34,701
Contract related assets, current portion		**–**	8,804
Bank deposits		**2,944,102**	2,763,289
Cash and cash equivalents		**3,195,674**	2,978,727
Total current assets		**27,922,550**	25,104,222
Total assets		**37,330,314**	34,456,594

	Note	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Borrowings		**4,630,658**	3,624,892
Lease liabilities		**1,142,850**	690,226
Deferred tax liabilities		**246,853**	263,567
Contract liabilities		**26,528**	10,312
Provisions		**62,157**	136,148
Employee benefit obligations		**303,261**	707,321
Other non-current liabilities		**188,657**	161,818
Total non-current liabilities		**6,600,964**	5,594,284
CURRENT LIABILITIES			
Trade and other payables	*12*	**9,978,408**	8,523,817
Contract liabilities		**2,272,366**	1,625,444
Income tax liabilities		**132,287**	231,896
Borrowings		**1,167,952**	974,003
Lease liabilities		**103,221**	114,980
Redemption liabilities		**–**	1,420,875
Provisions		**687,344**	1,092,793
Liabilities associated with transferred trade receivables		**687,473**	830,941
Derivative financial instruments		**49,322**	13,730
Total current liabilities		**15,078,373**	14,828,479
Total liabilities		**21,679,337**	20,422,763
CAPITAL AND RESERVES			
Share capital	*13*	**1,779,493**	1,732,471
Share premium		**4,426,102**	4,199,421
Reserves		**8,589,896**	7,131,903
Equity attributable to owners of the Company		**14,795,491**	13,063,795
Non-controlling interests		**855,486**	970,036
Total equity		**15,650,977**	14,033,831
Total equity and liabilities		**37,330,314**	34,456,594

NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal accounting 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 2021:

– Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The Group also elected to adopt the following amendments early:

– Covid-19-Related Rent Concessions beyond 30 June 2021

(b) New standards and interpretations not yet adopted

Certain new accounting standard and amendments have been published but are not mandatory for 31 December 2021 reporting period and have not been early adopted by the Group. These new standards, amendments or interpretations are not expected to have a material impact on the Group's financial statements when they become effective.

(c) Changes in accounting policies

The Group reclassified certain transportation costs, which are part of the contract fulfilment costs incurred before the control of the goods transferred to the customers, from "selling expenses" into "cost of sales". The Group considered that the changes would result in a more appropriate presentation of the Group's transactions in the financial statements and provide more relevant information.

The changes in accounting policy has been applied retrospectively and comparative figures have been reclassified accordingly. It leads to the reclassification of RMB373,206,000 from "selling expenses" into "cost of sales" in the reporting period and of RMB344,705,000 from "selling expenses" into "cost of sales" in 2020 annual financial report disclosed.

3 REVENUE

	Year ended 31 December 2021		
	Manufacture of coal mining machinery *RMB'000*	**Manufacture of auto parts** *RMB'000*	**Total** *RMB'000*
Sales of auto parts	**–**	**16,080,408**	**16,080,408**
Sales of hydraulic roof supports	**6,873,987**	**–**	**6,873,987**
Revenue from steel and other materials trading	**3,730,774**	**75,694**	**3,806,468**
Sales of spare parts for coal mining machinery	**2,202,975**	**–**	**2,202,975**
Sales of other coal mining equipment	**155,516**	**–**	**155,516**
Other revenue	**119,834**	**54,339**	**174,173**
	13,083,086	**16,210,441**	**29,293,527**

	Year ended 31 December 2020		
	Manufacture of coal mining machinery *RMB'000*	Manufacture of auto parts *RMB'000*	Total *RMB'000*
Sales of auto parts	–	14,914,668	14,914,668
Sales of hydraulic roof supports	7,213,585	–	7,213,585
Revenue from steel and other materials trading	2,595,289	62,994	2,658,283
Sales of spare parts for coal mining machinery	1,490,459	–	1,490,459
Sales of other coal mining equipment	77,054	–	77,054
Other revenue	118,579	46,765	165,344
	11,494,966	15,024,427	26,519,393

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 excluding the impact of a) impairment of goodwill b) interest expense of redemption liabilities. All of these 2 items are related to 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 2021			
Segment revenue	**13,083,086**	**16,210,441**	**29,293,527**
Segment net profit excluding impairment of goodwill, interest expense of redemption liabilities	**2,085,965**	**83,868**	**2,169,833**
Year ended 31 December 2020			
Segment revenue	11,494,966	15,024,427	26,519,393
Segment net profit/(loss) excluding impairment of goodwill, interest expense of redemption liabilities	2,525,301	(882,211)	1,643,090

	As of December 31	
	2021 *RMB'000*	2020 *RMB'000*
Segment revenue and consolidated revenue	**29,293,527**	26,519,393
Segment net profit excluding impairment of goodwill, interest expense of redemption liabilities	**2,169,833**	1,643,090
Impairment of goodwill	**(78,935)**	(164,714)
Interest expense on redemption liabilities	**(21,030)**	(99,595)
Consolidated profit for the year	**2,069,868**	1,378,781

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Manufacture of coal mining machinery	**22,763,293**	19,328,850
Manufacture of auto parts	**14,154,171**	14,607,313
Total segment assets	**36,917,464**	33,936,163
Goodwill	**412,850**	520,431
Consolidated assets	**37,330,314**	34,456,594
SEGMENT LIABILITIES		
Manufacture of coal mining machinery	**12,885,253**	9,139,033
Manufacture of auto parts	**8,794,084**	9,862,855
Total segment liabilities excluding redemption liabilities	**21,679,337**	19,001,888
Redemption liabilities	**–**	1,420,875
Consolidated liabilities	**21,679,337**	20,422,763

Geographical information

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

	2021	2020
	RMB'000	*RMB'000*
The PRC	**19,929,645**	18,278,394
Germany	**4,488,468**	4,240,700
Other countries	**4,875,414**	4,000,299
	29,293,527	26,519,393

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

	2021		
	Segment assets *RMB'000*	**Investment in associates and joint ventures** *RMB'000*	**Additions to non-current assets** *RMB'000*
Manufacture of coal mining machinery			
The PRC	**22,748,968**	**170,842**	**427,414**
Germany	**3,246**	**–**	**–**
Other countries	**26,145**	**–**	**113**
Manufacture of auto parts			
The PRC	**7,584,037**	**88,097**	**323,222**
Germany	**2,287,384**	**–**	**268,792**
Other countries	**4,371,882**	**–**	**753,377**
Total segment assets	**37,021,662**	**258,939**	**1,772,918**
Elimination	**(104,198)**		
Unallocated:			
Goodwill	**412,850**		
Total assets as per the financial position	**37,330,314**		

	2020		
	Segment assets *RMB'000*	Investment in associates and joint ventures *RMB'000*	Additions to non-current assets *RMB'000*
Manufacture of coal mining machinery			
The PRC	19,320,697	299,546	455,327
Germany	3,382	–	–
Other countries	20,041	–	380
Manufacture of auto parts			
The PRC	8,213,663	79,253	251,329
Germany	3,025,221	–	439,787
Other countries	3,380,113	–	376,420
Total Segment assets	33,963,117	378,799	1,523,243
Elimination	(26,954)		
Unallocated:			
Goodwill	520,431		
Total assets as per the financial position	34,456,594		

Information about major customers

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

	2021	2020
	RMB'000	*RMB'000*
Customer A – manufacture of auto parts segment *(Note)*	**N/A**	N/A

Note: No customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2021 and 31 December 2020.

5 OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Government grants *(Note)*	**254,525**	174,012
Interest income on bank deposits, long-term receivables and finance lease receivables	**130,724**	88,811
	385,249	262,823

Note: Government grants mainly represent 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 when related expenses incurred or over the useful lives of the relevant assets.

6 OTHER GAINS AND LOSSES

	2021	2020
	RMB'000	*RMB'000*
Net fair value gains on financial assets at fair value through profit or loss	**109,557**	68,823
Net gains on disposal of associates	**56,596**	-
Gains on disposal of loans receivable from associates and a joint venture	**22,550**	-
Gains/(losses) on disposal of property, plant and equipment, and intangible assets	**11,598**	(19,756)
Net fair value gain on derivative financial instruments	**5,069**	2,107
Dividend from financial assets at fair value through other comprehensive income	**3,719**	2,022
Dividend from financial assets at fair value through profit or loss	**240**	-
Impairment of property, plant and equipment	**(1,732)**	(109,987)
Net foreign exchange loss	**(31,086)**	(133,828)
Impairment of goodwill	**(78,935)**	(164,714)
Impairment of intangible assets *(Note)*	**(83,739)**	(30,049)
Others	**(17,412)**	(7,630)
	(3,575)	(393,012)

Note: During 2021, the Group assessed the BRM technology based on the future order forecast and market outlook. Based on the assessment, the Group made an impairment on capitalized development cost which were directly linked with certain BRM 2.8 projects with the amount of RMB 83.2 million, which belong to the manufacturing of auto parts segment.

7 FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interests on bank borrowings	**200,103**	161,547
Interests on leases	**38,847**	21,443
Interests on redemption liabilities	**24,741**	117,170
	263,691	300,160

8 INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current income tax	**514,833**	611,411
Under/(over) provision in prior years – enterprise income tax	**9,130**	(10,945)
Deferred income tax	**29,485**	(39,353)
	553,448	561,113

(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%. The Company and certain subsidiaries are qualified for new/high-tech technology enterprises status and enjoyed preferential income tax rate of 15% during 2021 and 2020.

(b) Germany profits tax

Applicable profit tax rate of Germany is 29% (2020: 29%). During the year ended 31 December 2021, no profit tax has been provided due to accumulated losses (2020: Nil).

(c) Others

Applicable profit tax rates of the Group's other subsidiaries are between 9% and 34.01% for the year ended 31 December 2021 (2020: between 9% to 34.43%).

	2021	2020
	RMB'000	*RMB'000*
Profit before tax	**2,623,316**	1,939,894
Tax at applicable tax rate of respective entities	**514,914**	363,866
Tax effect of share of result of associates and joint ventures	**(6,712)**	(3,244)
Tax effect of income not taxable for tax purpose	**(92,207)**	(33,638)
Tax effect of expenses that are not deductible for tax purpose	**184,248**	98,661
Tax effect of tax losses and temporary differences not recognised	**57,424**	236,549
Utilisation of tax losses and temporary differences previously not recognised	**(145)**	(123)
Additional deduction for qualified research and development expenses	**(113,204)**	(90,013)
Under/(over) provision in prior years	**9,130**	(10,945)
	553,448	561,113

9 DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year		
– 2020 Final (RMB0.2099 per share)	**372,525**	–
– 2019 Final (RMB0.185 per share)	**–**	320,507
	372,525	320,507

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of RMB0.435 per share (2020: final dividend in respect of the year ended 31 December 2020 of RMB0.2099 per share) in an aggregated amount of RMB774,079,746 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

(a) Basic earnings per share

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

	2021	2020
	RMB'000	*RMB'000*
Earning for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**1,947,785**	1,239,149
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,732,574,872**	1,732,471,370
Earnings per share (RMB cents)	**112.42**	71.52

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two category of dilutive potential ordinary shares: share options and restricted share incentive. The share options and restricted share incentive are assumed to have been converted into ordinary shares.

	2021	2020
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to owners of the Company used in the diluted earnings per share calculation	**1,947,785**	1,239,149
Number of shares:		
Weighted average number of ordinary shares in issue during the year per share calculation	**1,732,574,872**	1,732,471,370
Add: share options	**2,948,750**	1,635,599
restricted share incentive	**5,124,395**	–
Weighted average number of ordinary shares in issue and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,740,648,017**	1,734,106,969
Diluted earnings per share (RMB cents)	**111.90**	71.45

11 TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**6,268,846**	6,275,986
Less: loss allowance	**(545,649)**	(560,433)
	5,723,197	5,715,553
Prepayments to suppliers	**727,630**	497,630
Deposits	**111,567**	77,247
Other tax recoverable	**542,903**	572,583
Receivable from disposal of an associate	**81,908**	–
Staff advances	**10,305**	15,323
Others	**215,255**	226,947
Less: loss allowance	**(38,692)**	(113,370)
	1,650,876	1,276,360
Total trade and other receivables	**7,374,073**	6,991,913

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:

	2021	2020
	RMB'000	*RMB'000*
Within 180 days	**4,356,449**	4,672,144
Over 180 days but within 1 year	**935,779**	790,972
Over 1 year but within 2 years	**378,746**	234,325
Over 2 years within 3 years	**52,223**	18,112
	5,723,197	5,715,553

The trade and other receivables denominated in foreign currencies, are expressed in RMB as at 31 December 2021 and 31 December 2020 as follows:

	2021	2020
	RMB'000	*RMB'000*
EUR	**499,862**	582,752
USD	**323,054**	292,356
INR	**161,750**	153,901
BRL	**43,451**	75,832
ZAF	**8,731**	44,211
MXI	**2,430**	28,575
JPY	**9,658**	6,341
	1,048,936	1,183,968

Movement of loss allowance for doubtful debts on trade and other receivables

	2021	2020
	RMB'000	*RMB'000*
Opening balance	**673,803**	726,353
Provided/(reversed) during the year	**33,763**	(9,062)
Write off	**(119,809)**	(40,389)
Currency exchange	**(3,416)**	(3,099)
Closing balance	**584,341**	673,803

12 TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Notes payable *(Note a)*	**2,470,233**	1,593,690
Trade payable *(Note a)*	**4,989,188**	5,021,579
	7,459,421	6,615,269
Salary and bonus payables	**1,006,865**	575,880
Deposits *(Note b)*	**86,937**	84,145
Interest payable	**21,688**	25,552
Other taxes payable	**511,726**	461,135
Restrictive shares payable	**248,724**	-
Factoring payable *(Note c)*	**29,735**	128,607
Accruals and other payables *(Note d)*	**613,312**	633,229
	9,978,408	8,523,817

Notes:

(a) The following is an aged analysis of notes payable and trade payables presented based on invoice date as at 31 December 2021 and 2020:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**7,179,570**	6,421,726
Over 1 year	**279,851**	193,543
	7,459,421	6,615,269

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

(c) In 2020, a subsidiary of the Group entered into an agreement to arrange factoring upon certain accounts receivables with a bank, and the Group derecognized those accounts receivables due to the factoring meets the derecognition criteria of financial assets under IFRS. The factoring payable balance represented the cash flow received from the accounts receivables but did not pay to the bank yet as the Group acted as an agent to collect cash flows on behalf of the bank under the arrangement.

(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**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
At 31 December 2020	1,489,237	1,489,237	243,234	243,234	1,732,471	1,732,471
At 31 December 2021	**1,536,259**	**1,536,259**	**243,234**	**243,234**	**1,779,493**	**1,779,493**

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by 10.46% from RMB26,519.39 million for the year ended 31 December 2020 to RMB29,293.53 million for the year ended 31 December 2021, mainly due to the increase of sales for the year.

Cost of Sales

As the Group recorded an increase in our revenue, our cost of sales increased by 14.03% from RMB20,218.74 million for the year ended 31 December 2020 to RMB23,055.47 million for the year ended 31 December 2021.

Gross Profit

Driven by the above factors, our gross profit decreased by 0.99% from RMB6,300.65 million for the year ended 31 December 2020 to RMB6,238.06 million for the year ended 31 December 2021.

The change in gross profit during the year primarily comprised of the increase of raw materials price. The gross profit margin of the coal mining machinery segment decreased from 34.78% for the year ended 31 December 2020 to 27.23% for the year ended 31 December 2021. As of 31 December 2021, the gross profit margin of the auto parts segment of the Group increased from 15.33% for the year ended 31 December 2020 to 16.50% for the year ended 31 December 2021.

Therefore, the overall gross profit margin of the Group decreased from 23.81% for the year ended 31 December 2020 to 21.29% for the year ended 31 December 2021.

Other Income

Our other income increased by 46.58% from RMB262.82 million for the year ended 31 December 2020 to RMB385.25 million for the year ended 31 December 2021, mainly because the Group gained more government grants and interest income.

Other Gains and Losses

Our other gains and losses decreased by 99.09% from a loss of RMB393.01 million for the year ended 31 December 2020 to a loss of RMB3.58 million for the year ended 31 December 2021, primarily as a result of the decrease of impairment of property, plant and equipment, impairment of goodwill and net foreign exchange loss.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 4.76% from RMB790.49 million for the year ended 31 December 2020 to RMB828.13 million for the year ended 31 December 2021, which was align with the increase of revenue.

Administrative Expenses

Our administrative expenses kept flat in 2021, with only 0.43% decrease compared with 2020.

Research and Development Expenses

Our research and development expenses increased by 17.44% from RMB1,224.43 million for the year ended 31 December 2020 to RMB1,437.96 million for the year ended 31 December 2021, mainly due to more research and development activities incurred from manufacture of coal mining machinery segment during the year.

Share of Profit of Associates

Share of profit of associates increased by 228% from a gain of RMB12.00 million for the year ended 31 December 2020 to a gain of RMB39.42 million for the year ended 31 December 2021, mainly due to the increase of coal mining machinery segment during the year.

Finance Costs

Our finance costs decreased by 12.15% from RMB300.16 million for the year ended 31 December 2020 to RMB263.69 million for the year ended 31 December 2021, due to the decrease of interest from the repayment of redemption liabilities during the year.

Profit Before Tax

Being affected by the factors referred to above in aggregate, our profit before tax increased by 35.23% from RMB1,939.89 million for the year ended 31 December 2020 to RMB2,623.32 million for the year ended 31 December 2021.

Income Tax Expense

Our income tax expense decreased by 1.37% from RMB561.11 million for the year ended 31 December 2020 to RMB553.45 million for the year ended 31 December 2021, primarily as a result of the changes in R&D expenses deduction rate. Our effective tax rate decreased to 21.10% for the year ended 31 December 2021 from 28.92% for the year ended 31 December 2020.

Profit Attributable to Owners of the Company

Based on the factors referred to above, profit attributable to shareholders of the Company increased by 57.19% from RMB1,239.15 million for the year ended 31 December 2020 to RMB1,947.79 million for the year ended 31 December 2021.

Trade and Other Receivables

As 31 December 2021, trade and other receivables amounted to approximately RMB7,374.07 million, representing an increase of approximately RMB382.16 million as compared to RMB6,991.91 million as at the end of 2020, the increase of trade and other receivables mainly due to the increase of revenue.

Liquidity

The Group's net current assets were approximately RMB12,844.18 million (31 December 2020: RMB10,275.74 million) and the current ratio was 1.85 as at 31 December 2021 (31 December 2020: 1.69). The increase in current ratio was mainly attributable to the increase in trade and other receivables and inventories.

2021 BUSINESS REVIEW

During the year ended 31 December 2021 (the "**Review Period**"), the Company adhered to the development strategy of "International Strategic Positioning, Market-oriented Corporate Governance, High-end Industrial Structure, and Global Human Resources", conscientiously implemented the important instructions of General Secretary Xi Jinping during his visit to ZMJ, continued to promote the optimization of governance structure, accelerated the intelligent and digital transformation, strengthened technology and management innovation, and strived to promote high-quality development of the enterprise, maintaining a steady and positive development trend, and presenting the 100th anniversary of the CPC with excellent results. During the Review Period, the Company recorded total revenue of RMB29,293.53 million, up 10.46% YoY, and net profit attributable to shareholders of the listed company of RMB1,947.79 million, up 57.19% YoY.

(I) Deepened the reform of systems and mechanisms and set up aggressive goals to drive innovation and development of the enterprise

1. Completed mixed ownership reform of the Company and improved market-oriented governance structure

The Company actively worked with HNMIC to facilitate the transfer of its 16% equity in ZMJ through public solicitation, and completed the share transfer on February 25, 2021. The equity transfer is an important measure for Henan Province to explore the transformation of state-owned assets supervision from "managing personnel, managing business, managing assets" to "managing capital". It was an important attempt for HNMIC and ZMJ to implement the responsibilities of state-owned enterprises and the "Double Hundred Actions", deeply transform the operating mechanism, and explore the way for the reform of Henan state-owned enterprises. During the Review Period, the Company completed re-election of various governance bodies under the new shareholding structure, formed a market-oriented Board with efficient decision-making and effective checks and balances, and established a more market-oriented governance structure.

2. Defined new development strategy and set up aggressive goals to drive corporate development

Since 2021, the new session of the Board of the Company has put forward a higher business goal, clarified the development goal of "50 billion in 5 years" and the development strategy of each business segment for 5 to 10 years, as well as the practical planning and development path for 5 years, to build a world-class high-end smart equipment group with a new spirit and full vitality, and lead the Company to a high-quality and sustainable growth path.

3. Fully implemented digital transformation strategy and reconstructed core competitive advantages of the enterprise

The Company regarded digital transformation as the "top leader project" and the Group established a digital promotion committee. Focusing on value creation, the Company initiated digital transformation covering the entire process of sales, technology, process, procurement, production, finance, operation, and operation and maintenance services. With the integration of the new generation of information technology and manufacturing as the focus, the Company improved the level of digitalization and intelligence, and continued to promote the information collaboration of all segments of the Group. In some key business nodes, the Company achieved phased results, providing extensive application scenarios for digital transformation, and laying a solid foundation for promoting the digital transformation of the entire business process.

4. *Further improved the Company's human resources management system and remuneration and incentive mechanism*

   The Company adhered to the HR policy of internal development plus external recruitment, comprehensively implemented the manager competition system, well developed employees to build a talent echelon, and strived to build a global talent highland. The Company further improved the market-oriented and international remuneration and incentive and assessment and restraint mechanism, improved the performance assessment system of the Group, implemented the 2021 Restricted Share Incentive Scheme, completed the first exercise under the 2019 Share Option Incentive Scheme, stimulating the endogenous motivation of the Company.

(II) Re-positioned each business segment to transform towards intelligence, internationalization and electrification

In 2021, in light of the new development trend, ZMJ re-positioned the development strategies of various business segments around the new medium to long-term development goals, determined to transform the coal mining machinery segment into a supplier of complete sets of comprehensive coal mining equipment, a service provider providing full life cycle services and a data-based operator, and ASIMCO transformed into an international and new energy enterprise to improve the level of digital and automatic management; SEG focused on profitability and growth to set foot on the electric motor market and move to new energy and electrification.

1. *The coal mining machinery segment further improved its comprehensive strength with its operating results hitting new highs again*

   In 2021, focusing on the annual operating policy of "cost reduction and efficiency enhancement to ensure operation, integration and innovation to expand differences, digital transformation to promote upgrading, and smart solution to expand market", guided by the principle of "profitable orders, cash-inflow orders, and risk-controlled orders", the Company's coal mining machinery segment overcame the adverse impact of the pandemic at home and abroad, seized high-quality orders and increased efforts in collection of receivables. During the year, the coal mining machinery segment increased by 22% year on year, and collection of receivables increased by 29% year on year (both excluding trade), both hitting a new high again. Order value of complete-set products increased by 26% year-on-year, and order value of smart products rose by 50% year-on-year. The export of the first large complete-set equipment of ZMJ and also the first comprehensive mining equipment independently developed and manufactured by a single manufacturer in China. With more efforts in high-end products, the 10-meter hydraulic roof support prototype was successfully developed, making it the world's largest. Smart manufacturing advanced steadily, and the structural components lighthouse factory entered the stage of equipment installation and commissioning; Production process and products were further digitalized, and drawings were paperless at production site. The construction of digital supply chain was steadily advanced, and the project was inspected and accepted in stages. The industrial Internet platform was launched and connected to more than 100 intelligent comprehensive mining faces, and provided components including Internet of Things platform, big data platform and data analysis platform, basically equipped with the ability to support industrial applications.

2. *The automotive parts segment maintained growth and steadily transformed to the new energy field*

During the Review Period, as the automobile market gradually recovered, the Company's automobile parts business continued to improve, the commercial vehicle business continued to grow, and the passenger vehicle business resumed growth. SEG shifted its production capacity from Germany to Hungary. ASIMCO's smart manufacturing and capacity expansion projects kicked off successively. The automotive segment was posed to entering the new energy field.

ASIMCO renewed its best same-period performance in overall revenue and profit. On the one hand, it strengthened and optimized the existing business, continued to maintain growth of core business, and seized technology and market opportunities in the China VI emission upgrading program; ASIMCO Shanxi and ASIMCO Shuanghuan smart manufacturing projects have commenced construction, moving towards intelligent, digital, green and high-end direction in an orderly manner. On the other hand, it explored future transformation and development strategies, promoted new business development, accelerated the pace in developing international market and after-sales market, investigated and explored transformation and upgrading opportunities in the field of new energy, strived to develop the market of noise reduction and vibration reduction and sealing products for new energy vehicles, successfully entered the supply chain system of new energy customers such as Xiaopeng, NIO, Dongfeng, Changan New Energy, BYD and SF Motors, and obtained new energy seal and vibration reduction projects from multiple customers. In 2021, the new energy business directly or indirectly generated sales revenue of over RMB77 million, and is expected maintain rapid growth in 2022.

SEG continued to promote business restructuring and achieved substantial breakthroughs. SEG completed the restructuring of its European business and factories, shifting starters, generator laboratories and factories from Germany to Hungary, and Spain factory reached a restructuring agreement with the trade union; SEG maintained and expanded its advantageous position in the technology of energy saving and emission reduction in internal combustion engines, promoted the electrification strategy, invested in and set up SEG Automotive Electric Systems Co., Ltd., gave full play to its profound development capabilities, excellent production processes and lean production capabilities in motor hardware, software and system integration, and provided the market with solutions with technical advantages and cost competitiveness, comprehensively transforming into the field of new energy-driven motors. At present, the prototype of pure electric high-voltage drive motors has been successfully tested. Despite the global pandemic and the continuous decline in the automobile industry, SEG achieved a turnaround in its operating results in 2021.

3. *Zhima Street Entrepreneurship and Innovation Project continued to promote investment attraction and image improvement*

Zhima Street continued to promote the "Zhima Street 1958 Innovation and Entrepreneurship Park Project" focused on the transformation and upgrading of the Company's old plants, and developed and revitalized idle plants with the theme of "Scientific Innovation + Cultural innovation". In 2021, Zhima Street 1958 Innovation and Entrepreneurship Park, as a branch of the National Mass Entrepreneurship and Innovation Week, held a number of themed events as an important innovation and entrepreneurship participation point, which further enhanced its popularity and influence, and was fully recognized by the national ministries and commissions, provincial and municipal officials.

(III) Strived to fight against the pandemic and the flood and ensure stable development of the Company

During the Review Period, the Company actively organized the fight against the severe rainstorm disaster in Zhengzhou, strictly implemented the requirements of the government authorities for flood control and disaster relief work, built a smooth information communication channel, actively carried out flood control work, put the safety of employees in the first place, and ensured the safety of employees and equipment. At the same time, we did not forget our own corporate responsibility, and help the post-disaster reconstruction by donating supplies to the severely affected areas and donating RMB1 million to the Charity Federation of Zhengzhou Economic and Technological Development Zone.

The Company effectively enhanced the sense of responsibility for epidemic prevention and control, continued to do a good job in the prevention of imported cases and the normalization of internal prevention of resurgence of the epidemic, and made solid efforts in personnel management and control, vaccination and other related work, so as to protect the safety and health of all employees of the Company and build a healthy and safety barrier for the operation and development of the Company.

Development Outlook

(I) Industry landscape and trends

The Central Economic Work Conference clarified that in 2022, China will continue to adhere to the general tone of seeking progress while maintaining stability and the main line of supply-side structural reform, focus on stabilizing the macro-economy, and maintain the economic operation within a reasonable range.

1. Coal mining machinery industry

According to the Guiding Opinions on High-quality Development of the Coal Industry for the 14th Five Years issued by the China National Coal Association, by the end of 14th Five Years, domestic coal output should be controlled at approximately 4.1 billion tonnes, and national coal consumption should be controlled at approximately 4.2 billion tonnes, with an average annual growth of approximately 1%. The number of coal mines in China should be controlled at around 4,000, with more than 1,000 intelligent mining working faces built and the mechanization level of coal mining around 90%.

The Central Economic Work Conference pointed out that it is necessary to recognize the basic conditions that our energy resources are dominated by coal, do a good job in clean and efficient utilization of coal, increase the capacity of new energy consumption, and promote the optimization of the combination of coal and new energy. Coal will be one of the main energy sources in China in the long run. In recent years, the State has successively issued policies including the Catalogue of Key R&D Projects of Coal Mine Robot, the National Energy Technology Innovation Action Plan (2016-2030), the Guiding Opinions on Accelerating Intelligent Development of Coal Mines and the Guidelines for Intelligent Development of Coal Mines, coupled with the introduction of supporting policies in major coal-producing regions, which is conducive to promoting safe, efficient and intelligent mining and clean and efficient intensive utilization of coal, and has set a clear direction for the construction of intelligent mines. It is expected that coal mines will step into a period of rapid development in the next 5-10 years, and the demand for high-reliability intelligent and green coal machinery equipment by coal enterprises will further increase, and enterprises will usher in new development opportunities.

2. Automobile industry

With the full implementation of the national VI emission standards and the tightening of fuel consumption limits year by year, the traditional automobile market structure and product structure will be adjusted in a faster pace. As fiscal subsidy policies fade out and the trading mechanism of carbon credits and new energy credits is adopted, the new energy vehicle industry will become more market-driven in a faster pace. According to the Development Plan of New Energy Automobile Industry (2021-2035), the sales volume of new energy vehicles will account for approximately 20% by 2025, which will further promote the high-quality development of the new energy automobile industry. Electrification, networking, intelligence and sharing will become the development trend of the automobile industry. The "Energy-saving and New Energy Vehicle Technology Roadmap 2.0" issued by the Society of Automotive Engineers of China proposes that hybrid electric vehicles will account for more than 50% of traditional energy passenger vehicles by 2025. Full electrification will drive a high degree of integration between the industry chains of energy-saving and new energy vehicles.

In 2022, against the backdrop of steady growth of the domestic macro-economy and various national and local measures to promote the high-quality development of the automobile industry, the overall automobile market in 2022 will continue to maintain a stable and positive trend. The total sales volume of automobiles in China is expected to reach 27.5 million units in 2022, representing a year-on-year increase of approximately 5%. Among them, new energy vehicles will reach 5 million units, representing a year-on-year increase of 42%, and the market share is expected to exceed 18%. The number of new vehicle models developed by traditional carmakers will decrease, the high-end vehicle market and new energy vehicle market will have greater growth potential, and the leading effect of the automobile industry will become more obvious. On the other hand, the automobile market still faces great challenges: the market competition is becoming increasingly fierce, and the order price is stabilising after a rapid decline; At the same time, customers have higher requirements for lead time, technical performance and quality.

With the release of new energy development plans by many automobile companies around the world, more technology firms have begun to march into the field of new energy vehicles, making the automobile industry continue to become more digital, more intelligent and greener, promoting sustainable development of global transportation, and facilitating green recovery of economies. However, the COVID-19 pandemic, geopolitical conflicts and other factors will continue to impact the global automobile industry, making the industry more complicated.

In the upstream of the automobile industry, the automobile parts and components industry is the foundation for the development of the automobile industry. The Company will continue to explore the passenger vehicle market, steadily expand into the commercial vehicle market, vigorously explore the new energy market, actively provide customers with high-quality products and services, and enhance its market competitiveness in various aspects.

(II) Development Strategy

Adhering to the development concept of "technology changes the world, intelligence leads the future", and with the vision of "becoming a world influential business group in high-end intelligent equipment research and development, manufacturing and service", the Company has determined the development goal of "50 billion in 5 years" and the development strategy of each business segment for 5-10 years, so as to promote the Company to take the path of high-quality and sustainable development with a new spirit and full vitality.

1. *Deeply develop the coal mining machinery segment based on current conditions with eyes on the future*

   The coal mining machinery segment adheres to the principle of "intelligent-driven product complete-set development and digital-driven business whole process transformation", and continues to lead the development of the coal mining machinery equipment manufacturing industry. With the development direction of complete sets, intelligence, internationalization and socialization, the Company will ramp up inputs into research and development, establish a big data service platform, and realize services such as data analysis, intelligent push and continuous upgrading of software, so as to meet customers' demand for "service experience" from focusing on "equipment itself", promote the development of coal mining towards green, intelligent, efficient and safe development, and build the Company into a supplier of complete sets of comprehensive coal mining equipment, a service provider providing full life cycle and a data-based operator.

2. *Accelerate the transformation of the auto parts segment amid the wave of electrification*

   The wave of electrification of automobiles has brought dramatic changes to the industry, and the transformation of the Company's automotive parts and components segment is imperative. On the one hand, the Company will continue to maintain the continuous growth of its core business with competitive advantages and increase its market share. On the other hand, the Company will focus on intelligence, electrification and light-weight, explore new business areas and rapidly promote transformation. ASIMCO will transform into an international and new energy enterprise while improving the level of digitalization and automation management; SEG will focus on profitability and growth, accelerate its move into the new energy-driven motor market, adjust and optimize its production layout to transform toward electrification.

3. *Focus on emerging areas and strive to develop new businesses*

While doing a good job in the existing segments, the Company will unswervingly enter into new fields and develop new businesses, adhere to the principle of "leaving the industry without leaving the profession", and enter into industries with greater market potential and room. With the help of the capital market, the Company will innovate business models, actively explore and expand its business areas, and further enhance its competitiveness and profitability. While constantly exploring, we will pay more attention to the new energy, high-tech equipment and smart equipment industries.

(III) Business Plan for 2022

1. *Continue to promote business reform and become a smart high-end equipment manufacturer with global influence*

For its coal mining machinery business, guided by the annual policy of "innovation-driven, intelligence-driven, reform and efficiency improvement, and complete-set and high-end", the Company will better meet customer needs and accelerate implementation of the four strategies of "being comprehensive, intelligent, international and social". Accelerate R&D, promotion and application of key technologies for smart products, and promote the upgrade of smart products; promote intelligent manufacturing and continuously reduce production costs through intelligent production lines; concentrate its advantageous resources to create intelligent and complete-set benchmark projects as demonstration, and strive to make substantial breakthroughs in the international market of complete-set and intelligent machinery. On the basis of the comprehensive mining business, the Group will explore opportunities in other areas of comprehensive exploration and smart mines.

In respect of the automotive parts business: first, ASIMCO will implement the international development strategy, and expand its core advantages from domestic market to global market; SEG will strive to increase its market share and improve profitability; secondly, ASIMCO will rapidly develop its new energy business through R&D inputs, alliance, capital operation and other means. ASIMCO will concentrate its resources to vigorously develop the shock absorption and noise reduction market for new energy vehicles. SEG will promote the implementation of the electrification strategy, rapidly promote R&D and application of high-voltage drive motors, and promote the comprehensive transformation of the automotive parts business to energy conservation, emission reduction and new energy, and the transformation from parts to components and even system integration, striving to become a world-class automotive electrification system solution provider.

At the same time, in line with the Company's development strategy, focusing on strategic emerging industries such as "new energy, high-tech equipment and smart equipment", the Company will promote new industry research, set foot in new industries for the future and achieve sustainable development.

2. *Rapidly promote digital transformation and enhance new development momentum*

Digital transformation of enterprises is the general trend of the times, and the competition among enterprises will be digital competition in the future. The Company will promote the digital improvement at all levels of the Company, take the opportunity of full completion and operation of the first "Light Tower Plant" in the coal mining machinery industry to further promote digital transformation of the whole process of finance, R&D, supply, production, operation and human resources, greatly improving the operating efficiency, promoting interconnection and collaboration among multiple segments and businesses, building a digital enterprise, and empowering high-quality development with digital and intelligent technology.

3. *Enhance comprehensive risk management with better emergency management capabilities*

The Company will do a good job in normalized epidemic prevention and control, further improve the Company's ability to prevent and respond to various emergencies, improve the Company's emergency management mechanism, regularly organize training and emergency drills to improve the awareness and skills of all employees to respond to emergencies.

The establishment of a scientific, professional, stable and effective risk management system is a strong management support for governance decision-making and sustainable development of the Company. The Company will further improve its risk management system, give full play to the functions of the Board of Supervisors, internal audit, internal control and disciplinary inspection and supervision functions, and form joint supervision to ensure the legal compliance of corporate operations and asset safety, and serve the realization of its strategic goals.

OTHER INFORMATION

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

As at 4 June 2021, the Company granted 42,300,000 restricted A Shares to 186 participants under the 2021 Restricted Share Incentive Plan at the grant price of RMB5.88 per A share, and had completed the registration for the grant as at 11 June 2021.

As at 15 December 2021, according to the 2019 Share Option Incentive Scheme, the Company processed the exercise of share options and the related registration procedures of the exercised share options for 301 participants. The number of exercised shares was 4,722,300 A shares. The price is RMB5.5851 per A share, and the exercise registration has been completed on 24 December 2021.

Save as disclosed above, during the year ended 31 December 2021 (the "**Review Period**"), neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Corporate Governance

The Board of the Company is committed to maintaining a high standard of corporate governance. 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 complied with the applicable Code Provisions of the CG Code.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**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

A relevant resolution was passed at a meeting of the Board held on 28 March 2022, and the Board proposed the payment of a final dividend (the "**Dividend**") of RMB4.35 (tax inclusive) per 10 shares for the year ended 31 December 2021, totalling RMB774,079,746.45. The Dividend is expected to be paid on or before 29 July 2022. The proposal in relation to profit distribution is subject to approval at the 2021 annual general meeting. The time of convening the 2021 annual general meeting and the relevant arrangements will be announced by the Company in due course.

If the total share capital of the Company changes from the date of announcement of the proposed distribution of annual dividend to the Record Date for implementation of interest distribution, the Company will propose to maintain the same total amount of distribution and adjust the distribution ratio per share accordingly. For any subsequent changes to the total share capital, the Company will make further announcement(s) on the specific adjustments.

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 a non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organisations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the Dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

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

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of the Circular Guoshuifa (1993) No. 045 (關於國稅發(1993)045號文件廢止後有關個人所得稅征管問題的通知) (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 at 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 competent 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 or individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company 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 Concerning 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 Pilot 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 individual 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 2021.

Scope of Work of PricewaterhouseCoopers

The figures in respect of this announcement of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out in the Preliminary Announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this announcement.

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 website (www.zmj.com), respectively.

The 2021 Annual Report which is prepared in accordance with the International Financial Reporting Standards and the PRC Accounting Standards will be published on the websites of the Stock Exchange, the Shanghai Stock Exchange and the Company in due course. The annual report of the Company for the year ended 31 December 2021 will be dispatched to the shareholders of the Company (if appropriate) and posted on the websites of the Stock Exchange and the Company in due course.

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

Zhengzhou, PRC, 28 March 2022

As at the date of this announcement, the executive Directors of the Company are Mr. JIAO Chengyao, Mr. XIANG Jiayu, Mr. JIA Hao, Mr. FU Zugang and Mr. WANG Xinying, the non-executive Directors are Mr. CUI Kai and Mr. FEI Guangsheng and the independent non-executive Directors are Mr. CHENG Jinglei, Mr. JI Feng, Ms. GUO Wenqing and Mr. FANG Yuan.