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 2022

FINANCIAL HIGHLIGHTS

The revenue of the Group for 2022 was RMB32,043.31 million, representing an increase of RMB2,749.78 million (i.e. 9.39%) as compared with 2021.

Profit for the year attributable to owners of the Company for 2022 was RMB2,538.24 million, representing an increase of RMB590.45 million (i.e. 30.31%) as compared with 2021.

Earnings per share for 2022 was RMB145.38 cents.

The Board proposed a final dividend of RMB5.60 (tax inclusive) per 10 shares for 2022.

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 2022 together with the comparative figures of the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022**	2021
		RMB'000	*RMB'000*
Revenue	*3*	**32,043,306**	29,293,527
Cost of sales		**(25,644,599)**	(23,221,695)
Gross profit		**6,398,707**	6,071,832
Other income	*5*	**476,430**	385,249
Other losses, net	*6*	**(120,034)**	(3,575)
Selling and distribution expenses		**(831,593)**	(828,126)
Administrative expenses		**(1,072,973)**	(1,284,318)
Research and development expenses		**(1,385,962)**	(1,271,736)
Restructuring costs		**–**	(210,841)
Net impairment losses on financial and contract assets		**(137,284)**	(16,533)
Share of profit of associates		**23,147**	39,416
Share of profit of joint ventures		**5,050**	5,639
Finance costs	*7*	**(265,410)**	(263,691)
Profit before income tax		**3,090,078**	2,623,316
Income tax expense	*8*	**(462,073)**	(553,448)
Profit for the year		**2,628,005**	2,069,868
Profit for the year attributable to:			
Owners of the Company		**2,538,235**	1,947,785
Non-controlling interests		**89,770**	122,083
		2,628,005	2,069,868

	Note	2022 RMB'000	2021 RMB'000
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefit obligations		**46,477**	70,562
Changes in the fair value of financial assets at fair value through other comprehensive income		**247,305**	2,758
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation		**9,528**	24,524
Cash flow hedging		**14,723**	(12,555)
Other comprehensive income/(loss) for the year, net of income tax		**318,033**	85,289
Total comprehensive income for the year		**2,946,038**	2,155,157
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,856,268**	2,033,074
Non-controlling interests		**89,770**	122,083
		2,946,038	2,155,157
EARNINGS PER SHARE	*10*		
– Basic (RMB cents)		**145.38**	112.42
– Diluted (RMB cents)		**144.55**	111.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	**2022** *RMB'000*	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,434,083**	4,843,738
Right-of-use assets		**1,835,441**	1,668,455
Investment properties		**336,004**	377,593
Goodwill		**131,905**	412,850
Intangible assets		**927,015**	1,176,924
Investments in associates		**186,840**	171,961
Investments in joint ventures		**92,028**	86,978
Financial assets at fair value through other comprehensive income		**796,876**	143,752
Deferred income tax assets		**313,657**	383,830
Finance lease receivables		**49,994**	23,149
Long-term receivables		**166,468**	116,849
Assets classified as held for sale		**–**	1,685
Total non-current assets		**10,270,311**	9,407,764
CURRENT ASSETS			
Finance lease receivables, current portion		**50,963**	42,122
Long-term receivables, current portion		**88,032**	30,324
Inventories		**7,909,823**	6,242,407
Trade and other receivables	*11*	**9,118,627**	7,374,073
Transferred trade receivables		**269,411**	687,473
Financial assets at fair value through profit or loss		**5,228,176**	3,236,286
Financial assets at fair value through other comprehensive income		**4,494,325**	4,111,050
Derivative financial instruments		**4,890**	15,372
Tax recoverable		**19,153**	43,667
Bank deposits		**3,402,435**	2,944,102
Cash and cash equivalents		**3,613,443**	3,195,674
Total current assets		**34,199,278**	27,922,550
Total assets		**44,469,589**	37,330,314

	Note	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Borrowings		**4,312,744**	4,630,658
Lease liabilities		**1,250,741**	1,142,850
Deferred income tax liabilities		**179,464**	246,853
Contract liabilities		**21,510**	26,528
Provisions		**19,628**	62,157
Employee benefit obligations		**222,324**	303,261
Other non-current liabilities		**239,157**	188,657
Total non-current liabilities		**6,245,568**	6,600,964
CURRENT LIABILITIES			
Trade and other payables	*12*	**11,480,609**	9,978,408
Contract liabilities		**3,748,349**	2,272,366
Income tax liabilities		**115,214**	132,287
Borrowings		**3,237,226**	1,167,952
Lease liabilities		**146,261**	103,221
Provisions		**571,275**	687,344
Liabilities associated with transferred trade receivables		**269,411**	687,473
Derivative financial instruments		**17,395**	49,322
Total current liabilities		**19,585,740**	15,078,373
Total liabilities		**25,831,308**	21,679,337
CAPITAL AND RESERVES			
Share capital	*13*	**1,782,245**	1,779,493
Share premium		**4,538,675**	4,426,102
Reserves		**11,486,347**	8,589,896
Equity attributable to owners of the Company		**17,807,267**	14,795,491
Non-controlling interests		**831,014**	855,486
Total equity		**18,638,281**	15,650,977
Total equity and liabilities		**44,469,589**	37,330,314

NOTES TO THE FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2022

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 consolidated 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 ("**HKCO**") 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 consolidated 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 amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 (March 2021), and
- Annual Improvements to IFRS Standards 2018-2020.

The standards, amendments and annual improvements listed above are either currently not relevant to the Group or had no material impact on the Group's financial statements for the current and prior financial years except for the Amendment to IAS 16 Property, Plant and Equipment.

The adoption of the Amendment to IAS 16 Property, Plant and Equipment has been applied retrospectively and comparative figures have been reclassified accordingly. It leads to the reclassification of RMB135,483,000 from "research and development expenses" into "cost of sales" in the reporting period and of RMB166,224,000 from "research and development expenses" into "cost of sales" in 2021 annual financial report disclosed.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such samples and the costs relating to items produced are now recognised in profit or loss. This amendment also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amount of proceeds and cost relating to items produced that are not an output of the entity's ordinary activities.

(b) New standards and interpretations not yet adopted

Certain new accounting standard and amendments have been published but are not mandatory for 31 December 2022 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 consolidated financial statements when they become effective.

3 REVENUE

	Year ended 31 December 2022		
	Manufacture of coal mining machinery *RMB'000*	**Manufacture of auto parts** *RMB'000*	**Total** *RMB'000*
Sales of auto parts	**–**	**15,170,886**	**15,170,886**
Sales of hydraulic roof supports	**9,239,798**	**–**	**9,239,798**
Revenue from steel and other materials trading	**4,330,804**	**74,774**	**4,405,578**
Sales of spare parts for coal mining machinery	**2,399,574**	**–**	**2,399,574**
Sales of other coal mining equipment	**636,784**	**–**	**636,784**
Other revenue	**150,348**	**40,338**	**190,686**
	16,757,308	**15,285,998**	**32,043,306**

	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

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 prepares the segment reporting for net profit excluding the impact of a) impairment of goodwill b) interest expense of redemption liabilities, which are both related to the 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 2022			
Segment revenue	**16,757,308**	**15,285,998**	**32,043,306**
Segment net profit excluding impairment of goodwill	**2,553,138**	**351,518**	**2,904,656**
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

	As of December 31	
	2022 *RMB'000*	2021 *RMB'000*
Segment revenue and consolidated revenue	**32,043,306**	29,293,527
Segment net profit excluding impairment of goodwill, interest expense of redemption liabilities	**2,904,656**	2,169,833
Impairment of goodwill	**(276,651)**	(78,935)
Interest expense on redemption liabilities	**–**	(21,030)
Consolidated profit for the year	**2,628,005**	2,069,868

	At 31 December	
	2022	2021
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Manufacture of coal mining machinery	**29,924,697**	22,763,293
Manufacture of auto parts	**14,412,987**	14,154,171
Total segment assets	**44,337,684**	36,917,464
Goodwill	**131,905**	412,850
Consolidated assets	**44,469,589**	37,330,314
SEGMENT LIABILITIES		
Manufacture of coal mining machinery	**16,453,699**	12,885,253
Manufacture of auto parts	**9,377,609**	8,794,084
Consolidated liabilities	**25,831,308**	21,679,337

Geographical information

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

	2022	2021
	RMB'000	*RMB'000*
The PRC	**21,716,648**	19,929,645
Germany	**4,337,463**	4,488,468
Other countries	**5,989,195**	4,875,414
	32,043,306	29,293,527

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

	2022		
	Segment assets	**Investment in associates and joint ventures**	**Additions to non-current assets**
	RMB'000	***RMB'000***	***RMB'000***
Manufacture of coal mining machinery			
The PRC	**29,738,194**	**186,594**	**692,146**
Germany	**77**	**–**	**–**
Other countries	**128,104**	**–**	**346**
Manufacture of auto parts			
The PRC	**7,237,882**	**92,274**	**656,381**
Germany	**2,593,778**	**–**	**137,065**
Other countries	**4,696,207**	**–**	**241,388**
Total segment assets	**44,394,242**	**278,868**	**1,727,326**
Elimination	**(56,558)**		
Unallocated:			
Goodwill	**131,905**		
Total assets as per consolidated statement of financial position	**44,469,589**		

	2021		
	Segment assets	Investment in associates and joint ventures	Additions to non-current assets
	RMB'000	*RMB'000*	*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 consolidated statement of financial position	37,330,314		

Information about major customers

No customer contributed over 10% of the total revenue of the Group for years ended 31 December 2022 and 2021.

5 OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Government grants *(Note)*	**315,104**	254,525
Interest income on bank deposits, long-term receivables and finance lease receivables	**161,326**	130,724
	476,430	385,249

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 LOSSES, NET

	2022	2021
	RMB'000	*RMB'000*
Gain on disposal of a subsidiary	**195,494**	–
Net fair value gains on financial assets at fair value through profit or loss	**94,989**	109,557
Net foreign exchange gain/(loss)	**37,760**	(31,086)
Net gains on disposal of property, plant and equipment, and intangible assets	**4,800**	11,598
Net gains on disposal of associates	**–**	56,596
Gains on disposal of loans receivable from associates and a joint venture	**–**	22,550
Dividend from financial assets at fair value through other comprehensive income	**–**	3,719
Dividend from financial assets at fair value through profit or loss	**–**	240
Impairment of property, plant and equipment	**(1,491)**	(1,732)
Net fair value (loss)/gain on derivative financial instruments	**(73,221)**	5,069
Impairment of intangible assets	**(99,116)**	(83,739)
Impairment of goodwill	**(276,651)**	(78,935)
Others	**(2,598)**	(17,412)
	(120,034)	(3,575)

7 FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interests on bank borrowings	**226,682**	200,103
Interests on lease liabilities	**38,728**	38,847
Interests on redemption liabilities	**–**	24,741
	265,410	263,691

8 INCOME TAX EXPENSE

	2022 *RMB'000*	2021 *RMB'000*
Current income tax	**486,735**	514,833
Under provision in the prior year – enterprise income tax	**9,744**	9,130
Deferred income tax	**(34,406)**	29,485
	462,073	553,448

(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 2022 and 2021. In addition, pursuant to the Announcement on Increasing the Pre-tax Deductions in Support of Technological Innovation (Announcement [2022] No. 28) issued by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology, during the period from 1 October 2022 to 31 December 2022, the cost of newly purchased equipment can be fully deducted against taxable profit in 2022, and entitled to additional pre-tax deduction at 100% for these certain qualified new/high-tech technology enterprises.

According to the Notice on Improving the Pre tax Deduction Ratio of Research and Development Expenses (CS [2018] No. 99) and relevant regulations issued by the Ministry of Finance, the State Administration of Taxation, and the Ministry of Science and Technology, as well as the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Improving the Pre tax Deduction Policy of Research and Development Expenses (CS [2021] No. 13), the Company and certain subsidiaries are entitled to additional pre-tax deduction of research and development expenses at 100% during 2022 and 2021.

(b) Germany profits tax

Applicable profit tax rate of Germany is 29% (2021: 29%). During the year ended 31 December 2022 and 2021, no profit tax has been provided due to accumulated losses as there is no estimated taxable profit for the current and the prior years.

(c) Others

Applicable profit tax rates of the Group's other subsidiaries are between 9% and 34.01% for the year ended 31 December 2022 and 2021.

9 DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year		
– 2021 Final (RMB0.435 per share)	**774,080**	–
– 2020 Final (RMB0.2099 per share)	**–**	372,525
	774,080	372,525

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of RMB0.56 per share (2021: final dividend in respect of the year ended 31 December 2021 of RMB0.435 per share) in an aggregated amount of RMB998,057,743.20 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:

	2022	2021
Earning for the purpose of basic earnings per share (profit for the year attributable to owners of the Company) (RMB'000)	**2,538,235**	1,947,785
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,745,986,996**	1,732,574,872
Earnings per share (RMB cents)	**145.38**	112.42

(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 categories 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.

	2022	2021
Earnings:		
Profit attributable to owners of the Company used in the diluted earnings per share calculation (RMB'000)	**2,538,235**	1,947,785
Number of shares:		
Weighted average number of ordinary shares in issue during the year per share calculation	**1,745,986,996**	1,732,574,872
Add: share options	**3,352,667**	2,948,750
restricted share incentive	**6,561,603**	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	**1,755,901,266**	1,740,648,017
Diluted earnings per share (RMB cents)	**144.55**	111.90

11 TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Financial assets		
Trade receivables	**7,100,804**	6,268,846
Less: loss allowance	**(569,818)**	(545,649)
	6,530,986	5,723,197
Financial asset receivables *(Note a)*	**320,344**	–
Deposits	**179,397**	111,567
Receivable from disposal of investment	**65,526**	81,908
Staff advances	**31,068**	10,305
Others	**709,124**	215,255
Less: loss allowance	**(106,348)**	(38,692)
	1,199,111	380,343
	7,730,097	6,103,540
Non-financial assets		
Prepayments to suppliers	**942,844**	727,630
Other tax recoverable	**445,686**	542,903
	1,388,530	1,270,533
Total trade and other receivables	**9,118,627**	7,374,073

The following is an ageing analysis of trade receivables net of loss allowance presented based on the invoice date at the end of each reporting period:

	2022	2021
	RMB'000	*RMB'000*
Within 180 days	**4,600,006**	4,356,449
Over 180 days but within 1 year	**1,169,412**	935,779
Over 1 year but within 2 years	**660,208**	378,746
Over 2 years within 3 years	**87,560**	52,223
Over 3 years	**13,800**	–
	6,530,986	5,723,197

Note:

(a) In December 2022, the Group purchased financial asset receivables amounting to RMB320 million from third party securities companies. The estimated annual yield rate is 3.8% or 5.0% and the financial asset receivables will be due in June 2023.

The trade and other receivables denominated in foreign currencies, as at 31 December 2022 and 2021, are expressed in RMB as follows:

	2022	2021
	RMB'000	*RMB'000*
EUR	**623,241**	499,862
USD	**504,204**	323,054
Indian Rupee ("**INR**")	**233,894**	161,750
Brazilian Real ("**BRL**")	**51,420**	43,451
South African Rand ("**ZAF**")	**14,310**	8,731
Mexican Peso ("**MXI**")	**19,686**	2,430
Japanese Yen ("**JPY**")	**12,631**	9,658
Russian Rubble ("**RUB**")	**7,780**	–
Hungarian Forint ("**HUF**")	**271**	–
	1,467,437	1,048,936

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

	2022	2021
	RMB'000	*RMB'000*
Opening balance	**584,341**	673,803
Provided during the year	**126,837**	33,763
Write off	**(15,667)**	(119,809)
Disposal of a subsidiary	**(18,505)**	–
Currency exchange differences	**(840)**	(3,416)
Closing balance	**676,166**	584,341

12 TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Notes payable *(Note a)*	**3,290,909**	2,470,233
Trade payable *(Note a)*	**6,053,833**	4,989,188
	9,344,742	7,459,421
Salary and bonus payables *(Note b)*	**474,244**	1,006,865
Deposits *(Note c)*	**74,842**	86,937
Interest payable	**27,366**	21,688
Other taxes payable	**728,248**	511,726
Restrictive shares payable	**118,198**	248,724
Factoring payable *(Note d)*	**49,586**	29,735
Dividends payable	**36,686**	–
Accruals and other payables *(Note e)*	**626,697**	613,312
	11,480,609	9,978,408

Notes:

(a) The following is an ageing analysis of notes payable and trade payables presented based on issuance date/invoice date as at 31 December 2022 and 2021:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**8,966,683**	7,179,570
Over 1 year	**378,059**	279,851
	9,344,742	7,459,421

(b) Pursuant to the board resolution of "Distribution plan of 2019-2021 super profit incentive scheme of Zhengzhou Coal Mining Machinery Group Co., Ltd" dated 28 March 2022, the Group paid 8% of the total long-term super profit incentive scheme amounting to RMB40,791,000 in cash directly to the relevant employees, and contributed the remaining 92% of the total long-term super profit incentive scheme amounting to RMB469,102,000 into three trusts on behalf of relevant rewarded employees. The three trusts are operated independently under the instructions of the trust committees.

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

(d) From 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.

(e) 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 shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*
At 31 December 2021	1,536,259	1,536,259	243,234	243,234	1,779,493	1,779,493
At 31 December 2022	**1,535,411**	**1,539,011**	**243,234**	**243,234**	**1,778,645**	**1,782,245**

(i) Movements in ordinary shares

	Number of shares *(thousands)*	Total *RMB'000*
Details		
Opening balance 1 January 2021	**1,732,471**	1,732,471
Exercise of share options – proceeds received	**4,722**	4,722
Restricted share incentive scheme issues	**42,300**	42,300
Balance 31 December 2021	**1,779,493**	1,779,493
Forfeited restricted shares during the year	**(848)**	(848)
Exercise of share options – proceeds received	**–**	3,600
Balance 31 December 2022	**1,778,645**	1,782,245

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by 9.39% from RMB29,293.53 million for the year ended 31 December 2021 to RMB32,043.31 million for the year ended 31 December 2022, mainly because 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 10.43% from RMB23,221.70 million for the year ended 31 December 2021 to RMB25,644.60 million for the year ended 31 December 2022.

Gross Profit

Driven by the above factors, our gross profit increased by 5.38% from RMB6,071.83 million for the year ended 31 December 2021 to RMB6,398.71 million for the year ended 31 December 2022.

The decrease of gross profit during the year was primarily contributed to the increase of raw materials price. The gross profit margin of the coal mining machinery segment decreased from 25.96% for the year ended 31 December 2021 to 24.79% for the year ended 31 December 2022. As of 31 December 2022, the gross profit margin of the auto parts segment of the Group decreased from 16.5% for the year ended 31 December 2021 to 14.68% for the year ended 31 December 2022.

Therefore, the overall gross profit margin of the Group decreased from 20.73% for the year ended 31 December 2021 to 19.97% for the year ended 31 December 2022.

Other Income

Our other income increased by 23.67% from RMB385.25 million for the year ended 31 December 2021 to RMB476.43 million for the year ended 31 December 2022, mainly because the Group gained more government grants and interest income.

Other Losses, Net

Our other losses, net increased by 3,257.59% from a loss of RMB3.58 million for the year ended 31 December 2021 to a loss of RMB120.03 million for the year ended 31 December 2022, primarily as a result of the increase on impairment of goodwill.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 0.42% from RMB828.13 million for the year ended 31 December 2021 to RMB831.59 million for the year ended 31 December 2022, which aligned with the increase of revenue.

Administrative Expenses

Our administrative expenses decreased by 16.46% from RMB1,284.32 million for the year ended 31 December 2021 to RMB1,072.97 million for the year ended 31 December 2022, mainly due to the decrease of expense related to the long-term super profit incentive scheme, which was completed by end of 2021.

Research and Development Expenses

Our research and development expenses increased by 8.98% from RMB1,271.74 million for the year ended 31 December 2021 to RMB1,385.96 million for the year ended 31 December 2022, 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 decreased by 41.28% from a gain of RMB39.42 million for the year ended 31 December 2021 to a gain of RMB23.15 million for the year ended 31 December 2022, mainly due to the divestment of our partial investment in an associate under coal mining machinery segment in late 2021.

Finance Costs

Our finance costs kept flat in 2022, with only 0.65% increase compared with 2021.

Profit Before Tax

Being affected by the factors referred to above in aggregate, our profit before tax increased by 17.79% from RMB2,623.32 million for the year ended 31 December 2021 to RMB3,090.08 million for the year ended 31 December 2022.

Income Tax Expense

Our income tax expense decreased by 16.51% from RMB553.45 million for the year ended 31 December 2021 to RMB462.07 million for the year ended 31 December 2022, primarily as a result of the additional deductions for qualified equipment expenditure and tax benefits. Our effective tax rate decreased to 14.95% for the year ended 31 December 2022 from 21.10% for the year ended 31 December 2021.

Profit Attributable to Owners of the Company

Based on the factors referred to above, profit attributable to owners of the Company increased by 30.31% from RMB1,947.79 million for the year ended 31 December 2021 to RMB2,538.24 million for the year ended 31 December 2022.

Trade and Other Receivables

As 31 December 2022, trade and other receivables amounted to approximately RMB9,118.63 million, representing an increase of approximately RMB1,744.55 million as compared to RMB7,374.07 million as at the end of 2021, the increase of trade and other receivables was mainly due to the increase of revenue.

Liquidity

The Group's net current assets were approximately RMB14,613.54 million (31 December 2021: RMB12,844.18 million) and the current ratio was 1.75 as at 31 December 2022 (31 December 2021: 1.85). The decrease in current ratio was mainly attributable to the increase in trade and other payables and borrowings.

2022 BUSINESS REVIEW

During the year ended 31 December 2022 (the "**Review Period**"), the Company adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and earnestly implemented the important instructions of General Secretary Xi Jinping on his site inspection of ZMJ. Facing the severe and complex external situation, the Company strengthened the top-level planning, maintained development determination, clarified strategic objectives, deepened reform and innovation, accelerated digital transformation, and achieved stable growth in operating results, laying a solid foundation for building a new pattern of high-quality development. In 2022, the Group's revenue was RMB32,043.31 million, representing a year-on-year increase of 9.39%; profit for the year attributable to shareholders of the Company was RMB2,538.24 million, representing a year-on-year increase of 30.31%.

(I) Deepened the reform and innovation and set up aggressive goals to drive innovation and development

1. Defined new strategies and adhere to the development driven by aggressive goals

Under the background of "dual-carbon" development with the notion of "Looking Forward, Emancipation of Mind, we have clearly defined the strategic goals and transformation paths of ZMJ Group and its various business segments for the next 5-10 years, and have formulated the implement initiatives for entering the new energy field, building a market-oriented mechanism and driving development by aggressive goals. The Company has firmly adhered to the strategic goal of "50 billion in 5 years", and driven the Company to take the path of high-quality development with a brand-new spirit and vibrant enterprise vitality.

2. ***Established the business partner mechanism and completed the mixed ownership reform of subsidiaries***

The Company has formulated the Regulations Governing the Investment of Business Partners, established and improved the business partner mechanism of risk bearing and gains sharing, and formulated a team of business partners who have consensus of concepts, create the common values, bear risks and share gains with the shareholders and the Company, so as to form a common destiny, effectively address future risks and challenges and promote the sustainable and healthy development of the Company.

Zhengzhou Coal Mining Machinery Hydraulic Electrical Control Co., Ltd. (hereinafter referred to as "**Electric Control Company**"), a wholly-owned subsidiary of the Company, implemented the business partner share ownership scheme by way of capital increase and share expansion, and introduced strategic investors to hold shares, so as to enhance the capital strength of Electric Control Company, improve the incentive and restraint mechanism, stimulate endogenous power, and facilitate the implementation of intelligent strategy.

3. ***Participated in the mixed ownership reform of Luoyang Bearing and actively undertook overall planning on emerging industries of strategic importance***

By establishing a partnership enterprise, the Company took the lead in forming a transfer transferee entity to participate in the mixed ownership reform of Luoyang LYC Bearing Co., Ltd., and currently holds 15% of its equity interests. Participation in the mixed ownership reform of Luoyang LYC Bearing Co., Ltd. is conducive to the Company's transformation and exploration into strategic emerging industries, broadening the industrial layout, enhancing the Company's ability to resist risks, and also contributing to the development of Henan's manufacturing industry.

4. ***Accelerated digital transformation and reconstructed corporate core values***

Digital transformation is a must for manufacturing enterprises to change lanes and lead the way. On the basis of business digitalization, the Company coordinated and promoted the timely and effective flow of data such as products, production, supply chain and customers, and realised the deep integration of information technology with business processes and operation management models, so as to drive the transformation of the entire business process with digitalization.

The intelligent industrial park of ZMJ was officially put into operation, integrating digitalization into the whole process from product design to service, building a leading intelligent laser cutting production line, intelligent welding production line, intelligent warehousing, logistics transfer system and highly intelligent manufacturing execution system in the coal mining machinery industry, and further accelerating the pace of transformation from a manufacturing enterprise to a technology service enterprise.

(II) Reform and transformation of each business segment to achieve high-quality development

1. The coal mining machinery segment seized market opportunities externally and achieved record high in major operating indicators

During the reporting period, the Company's coal mining machinery segment adhered to the operating policy of "innovation-driven, intelligent-led, reform to increase efficiency, complete-set and high-end", implemented the "four-transformation" development strategy supported by digitalization, seized market opportunities externally, and strengthened process capacity building internally. Major indicators such as market, production, operation management, among others, have hit a record high, and our leading position in the industry was further consolidated. The Company won a number of honours such as the Top 50 Chinese Coal Enterprises, the Top 50 Chinese Coal Machinery Industry, and the commendation award of the 7th China Industrial Award.

The complete-set effect has gradually emerged. Focusing on the domestic and overseas markets, the Company continued to build a complete set of benchmark projects, and the complete-set projects such as Pingmei No. 2 Mine, Yunnan Xiongda and Turkey Ozsen preliminarily formed the benchmark demonstration effect; we have developed a pre-sales, in-sales and after-sales digitalisation system and an industrial internet digitalisation service system for the complete-set projects, so as to transform from a physical set of hardware to an "organic" set under software system integration, and to establish a leading edge in complete sets.

Intelligent promotion is becoming more practical and deeper. We planned the "6S" architecture system for intelligent product development, took multiple measures to develop new products and expand business lines, including self-research and cooperative development. Based on the ZMOS intelligent mining operating system, the Company deeply integrated the software and hardware of mining, support, transportation and liquid subsystems; deepened the application and scenario development of advanced technologies such as video monitoring of the comprehensive mining face, machine vision and digital twin system of the whole mining face; the intelligent control system opened up the market for high-end customers of national energy, and blossomed in the markets of Shaanxi Coal, Ningxia Coal and Datong Coal Mine, and our intelligent business maintained a leading market share in China.

The international market has achieved remarkable results, and the high-end market has been gaining popularity. The Group successfully entered into the high-end markets of Signal Peak Energy and Peabody Energy of the United States, with the total bidding and direct order amount exceeding RMB1 billion therein, and the bidding amount hit a record high. As the "general contractor of hydraulic roof support and control system", the Company won the bid for the Australian customer project for the first time, and completed product testing and batch manufacturing with high quality. The Company won the bid for the Qinfa Project in Indonesia, the self-developed large-set project of Boshida and Baxter in Turkey, and completed the installation and commissioning of Kinetic Coal in Russia, which further enhanced the market awareness and competitiveness of ZMJ in international market.

Taking multiple measures to increase production capacity vertically. With a market-oriented approach and focusing on the overall requirements of production capacity and quality improvement, the Company optimised and upgraded the internal production organisation mode, opened up high-quality supporting resources externally, and realised the digitization and online operation of supplier management business. While improving the hard production capacity, we will continue to strengthen the construction of soft capacity, learn advanced production management ideas, methods and tools such as lean management, Six Sigma management and T0C bottleneck theoretical management, and continuously improve quality, reduce cost and improve efficiency. The Company continued to strengthen the integrated management and control model of complete set products through internal and external collaboration, and achieved on-time delivery of complete set projects, creating favourable conditions for meeting customer needs and facilitating market development.

2. ASIMCO's New Energy and international business reached a new level and accelerated business transformation

During the reporting period, ASIMCO accelerated its business transformation and upgrading. On the one hand, it consolidated its leading position in the existing market segments, reached ultimate perfection for its traditional business, broadened its customer base, deepened its products, expanded exports, and developed multiple new customers and products to solidify its foundation for development. On the other hand, in the face of the fast-changing automobile industry landscape, it focused on electrification, intelligence and light weight, further clarified the overall development strategy of transformation and upgrading, rapidly expanded its new energy parts business, quickly entered the high-end market of systems and assemblies, and increased the proportion of new energy products in sales to achieve transformation to new energy; ASIMCO expanded overseas market to enhance its global competitiveness and achieved sustainable business growth. It accelerated digital and intelligent transformation and upgrading, and continued to reduce costs and improve efficiency.

During the reporting period, under the situation of decline in the domestic commercial automobile sales, especially where the sales volume of medium and heavy-duty trucks declined by a half or so, the export business of ASIMCO Shuanghuan and Shanxi Company increased significantly, achieving an export business revenue of RMB590 million, representing a year-on-year increase of 34%; ASIMCO seized the rising trend of the domestic passenger vehicle industry in 2022, strengthened the management of NVH business and rapidly promoted the growth of passenger vehicle business. ASIMCO Anhui made every effort to develop the new energy automobile parts market, and its shock-absorbing seals (mounting, sealing, chassis products, etc.) have newly obtained fixed-point new energy business from Chang'an, Dongfeng, Xiaopeng, Leapmotor, BYD, and Jinkang Wenjie. It has basically covered domestic mainstream new energy vehicle brands. ASIMCO's revenue from new energy business was approximately RMB190 million, representing a year-on-year increase of approximately 130%.

The new energy business has broken ice, clarified the direction of new energy product development, and completed the establishment and operation of the new energy team; the digital and intelligent transformation achieved remarkable results. With the construction of a new intelligent demonstration factory as the starting point, we rapidly promoted the digital upgrading of enterprises. ASIMCO Shuanghuan was selected as a smart manufacturing demonstration factory in Jiangsu Province, ASIMCO Camshaft was selected as an Internet benchmarking factory in Jiangsu Province, and ASIMCO Shanxi was awarded as a smart manufacturing pilot demonstration enterprise in Shanxi Province, which effectively improved the enterprise's technical strength, production efficiency, product quality and cost competitiveness, realised the intelligence, digitalization and automation of the manufacturing process, and enhanced the core competitiveness of enterprise.

3. The project of SEG high-voltage electric motors achieved a breakthrough and accelerated the transformation to an integrated electromechanical system supplier

SEG adjusted its management team, continued to optimise its global structure and layout, continuously increased its market share, reduced costs and improved efficiency in the European market, vigorously promoted 48V BRM products, and achieved rapid development in emerging markets such as India and South America. While consolidating the business advantages of 12V power generators and 48V BRM, SEG clarified the development strategy of comprehensive transformation to high-voltage electrification. With the vision of "smart drive future – make travel better for tomorrow", SEG gave full play to its deep development capabilities in motor hardware, software and system integration, excellent production processes and lean production capabilities, and simultaneously developed a high-voltage drive motor platform around the world, which can provide a complete set of high-voltage drive solutions according to customer needs. SEG was awarded the Level 2 certification of the European Electric Driving Project ASPICE, which is the Automotive Software Process Improvement and Capability Evaluation.

During the reporting period, we invested in the establishment of SEG Automotive Electric Systems Co., Ltd., focusing on local customers, strengthening global research and development collaboration, and providing the market with high-voltage-drive solutions with technical advantages and cost competitiveness. The Company has obtained a purchase order for the high-voltage flat-wire motor stator rotor mass production project from a leading new energy smart vehicle solution provider. The Company has entered the supply chain of electric drive system for new energy vehicles from a high starting point, completed the installation of the first high-voltage electric drive production line, and at the same time, a number of high-voltage electric drive motor projects for domestic and foreign customers are under negotiation.

4. ***The integration of "Entrepreneurship and Innovation" in Zhima Street continued to promote investment attraction and image improvement***

Zhima Street continued to promote the operation of the "Zhima Street 1958 Innovation and Entrepreneurship Park" with the transformation and upgrading of the Company's old plant area as the main content. As the sub-venue of the "National Mass Entrepreneurship and Innovation" Week for the second consecutive year, it undertook a number of activities, which were widely reported by the central, provincial and municipal governments and major media, and its popularity and influence were further enhanced, which was fully recognised by the national ministries and commissions and provincial and municipal leaders.

5. ***The Company's joint stock company was listed on the stock market, and the investment boosted the implementation of intelligent strategy***

Nanjing Bestway Intelligent Control Technology Co.,Ltd. ("**Bestway Intelligent Control**") in which the Company invested, obtained the China Securities Regulatory Commission's reply approving the registration after its application for listing on the ChiNext Board, and was officially listed on the ChiNext Board on 1 August 2022. After the listing of Bestway Intelligent Control, the Company holds approximately 6% of its shares. The investment brought industrial synergy and capital appreciation to the Company, which was a successful trial of the Company's capital-empowered industry chain.

FUTURE DEVELOPMENT OUTLOOK

(I) Development strategy of the Company

The 20 major reports of the Party pointed out that the focus of economic development should be placed on the real economy, promoting new industrialization, and accelerating the construction of a country with manufacturing and quality power. The Company will adhere to the development concept of "technology changes the world, intelligence leads the future" and the vision of "becoming a high-end intelligent equipment industry group with global influence", continue to strengthen innovation-driven development, accelerate digital transformation, develop high-end manufacturing and intelligent manufacturing, and strive to achieve the development goal of "50 billion in 5 years", and build a high-end intelligent equipment industry group with international influence.

1. *Deeply developing the coal mining machinery segment based on the current long-term plan*

As the main energy source in China, coal will remain indispensable and important in the energy supply system for a long time in the future. In the next five years, the coal mining machinery industry will experience rapid development represented by intelligence and internationalisation. In the next five to ten years, the coal mining machinery industry will experience rapid development represented by complete sets of equipment. In the next 10 to 15 years, the coal mining machinery sector will continue to lead the development of the coal mining machinery equipment manufacturing industry by adhering to the principle of "intelligent driving product development and digital driving business transformation throughout the whole process". With the development direction of whole-set, intelligent, international and socialised, the Company will increase investment in research and development to meet customers' increasing needs for "service experience" instead of 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 mining equipment, a service provider of full life cycle and a digital operator.

2. *Accelerating the transformation of the auto parts segment riding on the switch to modern electric alternatives*

With the global wave of electrification of automobiles, the transformation of the Company's auto parts segment is imperative. In terms of ASIMCO, first, we will continue to maintain the continuous growth of core advantageous businesses and the continuous increase of market share, further promote intelligent manufacturing, expand customer base, broaden product lines, and expand exports, so as to maximise traditional products. On the other hand, we will accelerate the transformation of new energy, continue to develop the shock absorption and noise reduction parts business of new energy vehicles, rapidly expand the new energy business field, promote the transformation of ASIMCO from parts to components and even system integration, and transform from domestic business to international business. In terms of SEG, we will focus on profitability and growth, rapidly transform the new energy business, accelerate the promotion of the new energy drive motor business, focus on the research, development and manufacturing of electric control systems for new energy vehicle motors, base in China, develop in China, and radiate globally, so as to build a world-class automotive electrification system solution provider.

3. *Focusing on emerging areas and striving to develop new businesses*

We will seize the new industrial opportunities under the background of "dual carbon" and focus on the existing segments while unswervingly entering into new fields and developing new businesses. Adhering to "leaving the industry without leaving the profession" and paying more attention to business opportunities in the new energy, high-tech equipment and intelligent equipment industries.

4. Promoting high-quality development with the help of capital

The Group will actively study the capital market policies, cultivate the relevant businesses of the Group to enter the capital market independently, make full use of the flexibility, inclusiveness and liquidity of the capital market, increase the excess income for the Group, expand the scale of the Group and increase the investment value.

5. Accelerating digital transformation and enhancing new momentum for development

Digital transformation is the main theme of the Company in the next five to ten years. The key is to replace manual labour with machinery and digital technology, improve per capita labour efficiency, and help save energy and reduce emissions. The Company will promote the digital upgrade at all levels of the Company, promote the interconnection and collaborative sharing of multiple segments and businesses, build a digital enterprise, and empower the high-quality development of enterprises with digitalization and intelligence.

(II) Business Plan for 2023

1. Continue to deepen reform and transformation and consolidate the foundation for high-quality development

(1) Continue to promote digital transformation and enhance new momentum for development

Complete the top-level design of the Group's digital management, explore the form of management cockpit, and assist in management decision-making; Promote the digital construction of key business processes such as research, production, sales and operation, and open up the connexion channels of various business systems; We will explore the application model of digital products, continuously promote customer experience improvement, business efficiency improvement, and business and operation model innovation, and empower the high-quality development of enterprises with digitalization and intelligence.

(2) Starting a second venture and carrying forward the spirit of hard work

In the face of the complex global economic environment, the Company will start the "second venture" with a "return to zero" attitude, carry forward the spirit of hard work, establish a more market-oriented system and mechanism through reform and innovation, and achieve people-oriented, talent-oriented, and struggling people-oriented, so that people who are willing to work, capable, and hard work can have a stage, transforming from professional managers to business partners. We dare to break the comfort zone, dare to be involved in self-revolution, break through the ceiling of ideology, seize the first opportunity, innovate, work hard, and create greater value for customers and shareholders.

(3) Focusing on emerging areas and promoting development with investment

The Group will carefully study the flexible investment mechanisms and models such as industrial investment and financial investment, seize the new industrial opportunities under the background of "dual carbon", pay attention to industries such as "new energy, high-tech equipment and intelligent equipment", explore and expand new fields and develop new businesses, and lay out new industries for the future, so as to further enhance the competitiveness and profitability of the Group and achieve the benign complementation between industrial operation and capital operation.

2. Continue to promote business reform and innovation in each segment and strive to reach a new high

(1) Coal Mining Machinery Business

Guided by the annual policy of "intelligent complete market expansion, scientific and technological innovation to expand advantages, resource integration to improve production capacity, capacity building to promote development", the Company will better meet customer and market demands, and accelerate the implementation of the four strategies of "complete, intelligent, international and social" in the coal mining machinery segment.

Firstly, the Company will expand the market with intelligent whole-set products, focus on customers, deepen the development of intelligent comprehensive procurement technology, make up for the shortcomings of whole-set single machine, expand the categories of intelligent products, strengthen comprehensive marketing services, and continue to provide customers with one-stop solutions for intelligent comprehensive procurement technology and equipment. Hengda Intelligent Control promotes the construction of intelligent manufacturing demonstration bases and research and development centres for intelligent control systems with high standards, expands the production capacity of intelligent control systems, and leads the intelligent development trend of the coal mining machinery industry.

Secondly, the Company will expand its advantages in scientific and technological innovation, strengthen the construction of technological innovation system and mechanism, and build a technology system that meets the requirements of five-year strategic planning and four-strategy; We will promote product innovation, focus on customer needs, promote smart mine business planning, expand new product and new business such as high-end intelligent pumping stations, roadway repair robots, transportation robots and various special downhole operation robots, build a multi-tiered business structure of "core business + growth business + reserve business" with rapid iteration and upgrading, and improve the core competitiveness of enterprise technology.

Thirdly, the Company will integrate resources to improve production capacity, and implement the guiding ideology of "making sure that there is no room for improvement, asset-light operation, resource integration, and internal and external focus". Through tapping internal capacity potential, improving external production capacity, and improving intelligent manufacturing level, the Company will continue to build a flexible, agile, professional and timely production supporting system, and establish flexible production capacity with "large market and large production capacity", so as to achieve the shortest time in the complete set of complete machine delivery industry and meet market demand.

Fourthly, capacity building promotes development, carries out organisational capacity building around the aspects of "process capacity building, digital capacity building, and human resource capacity building", increases the cultivation and introduction of high-end talents, creates more certainty through organisational capacity improvement, and responds to uncertainties in the environment.

(2) Automotive components business

Firstly, we will continue to consolidate and enhance the advantageous position of our core business. To achieve the ultimate goal of traditional products, rapid internationalisation and cost reduction. Promote the completion and production of high-end automotive parts and components manufacturing projects of ASIMCO Shuanghuan, ASIMCO Anhui and ASIMCO Shanxi to reduce manpower and improve efficiency with digital and automated factories, and expand the core business advantages from domestic to global, leading the transformation and upgrading of the industry; SEG will continue to promote the business integration after the restructuring, continue to promote the 48V BRM products, strive to increase market share and improve profitability.

Secondly, rapid development of new energy business. ASIMCO has concentrated its resources to vigorously develop the new energy shock absorption and noise reduction market, rapidly promoted the research and development of new energy products, and successfully obtained customers' positioning. At the same time, it has explored opportunities for the transformation and development of other potential projects to accelerate the pace of new energy. Leveraging the advantages of the global system and the benchmark effect of projects on hand, SEG rapidly promoted the R & D and sales of high-voltage electric drive system/electric control/motor/high-voltage relay, built supporting capacity, completed the mass production and delivery of orders on hand with high quality, and obtained more business.

3. ***Strengthening comprehensive risk management and promoting healthy development of the enterprise***

The Company will accelerate the progress of the digital transformation of the Group's management and control, and achieve all-round penetrating management through the management of cockpit. The Company will further improve the risk management system, promote the implementation of comprehensive risk management, give full play to the functions of the Board of Supervisors, internal audit, internal control and discipline inspection and supervision institutions, form a joint supervision force, ensure the legal compliance of corporate operations and asset safety, and serve the realisation of corporate strategic goals.

OTHER INFORMATION

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

In September 2022, the Company repurchased 848,000 Restricted A Shares from 7 Participants under the 2021 Restricted Share Incentive Scheme at an average price of RMB5.3156 per A Share and completed the repurchase and cancellation procedures at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on October 11, 2022.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

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 29 March 2023, and the Board proposed the payment of a final dividend (the "**Dividend**") of RMB5.60 (tax inclusive) per 10 shares for the year ended 31 December 2022. Based on the Company's total capital stock of 1,782,245,970 shares as at 29 March 2023, the total dividend is RMB998,057,743.20. The Dividend is expected to be paid on or before 14 July 2023. The proposal in relation to profit distribution is subject to approval at the 2022 annual general meeting. The time of convening the 2022 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 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 2022.

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 2022 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 2022 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 2022 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, 29 March 2023

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.