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ZMJ

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

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

(Stock code: 00564)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

The revenue of the Group for 2023 was RMB36,423.24 million, representing an increase of RMB4,379.93 million (i.e. 13.67%) as compared with 2022.

Profit for the year attributable to owners of the Company for 2023 was RMB3,301.33 million, representing an increase of RMB763.10 million (i.e. 30.06%) as compared with 2022.

Basic earnings per share for 2023 was RMB187.22 cents.

The Board proposed a final dividend of RMB8.40 (tax inclusive) per 10 shares for 2023.

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 2023 (the "**Review Period**") together with the comparative figures of the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	**2023** **RMB'000**	2022 *RMB'000*
Revenue	*3*	**36,423,236**	32,043,306
Cost of sales		**(28,575,291)**	(25,644,599)
Gross profit		**7,847,945**	6,398,707
Other income	*5*	**492,117**	476,430
Other losses, net	*6*	**(13,204)**	(120,034)
Selling and distribution expenses		**(1,156,268)**	(831,593)
Administrative expenses		**(1,199,587)**	(1,072,973)
Research and development expenses		**(1,568,223)**	(1,385,962)
Net impairment losses on financial and contract assets		**51,226**	(137,284)
Share of profit of associates		**46,966**	23,147
Share of profit of joint ventures		**5,891**	5,050
Finance costs	*7*	**(388,601)**	(265,410)
Profit before income tax		**4,118,262**	3,090,078
Income tax expense	*8*	**(616,668)**	(462,073)
Profit for the year		**3,501,594**	2,628,005
Profit for the year attributable to:			
Owners of the Company		**3,301,334**	2,538,235
Non-controlling interests		**200,260**	89,770
		3,501,594	2,628,005

	Note	2023 RMB'000	2022 RMB'000
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefit obligations		**16,329**	46,477
Changes in the fair value of financial assets at fair value through other comprehensive income		**3,202**	247,305
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation		**27,667**	9,528
Cash flow hedging		**(773)**	14,723
Other comprehensive income for the year, net of income tax		**46,425**	318,033
Total comprehensive income for the year		**3,548,019**	2,946,038
Total comprehensive income for the year attributable to:			
Owners of the Company		**3,348,618**	2,856,268
Non-controlling interests		**199,401**	89,770
		3,548,019	2,946,038
EARNINGS PER SHARE	*10*		
– Basic (RMB cents)		**187.22**	145.38
– Diluted (RMB cents)		**186.09**	144.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	**2023**	2022
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**6,295,147**	5,434,083
Right-of-use assets		**1,828,283**	1,835,441
Investment properties		**314,605**	336,004
Goodwill		**88,283**	131,905
Intangible assets		**813,309**	927,015
Investments in associates		**677,520**	186,840
Investments in joint ventures		**99,664**	92,028
Financial assets at fair value through profit or loss		**6,872**	–
Financial assets at fair value through other comprehensive income		**408,159**	796,876
Deferred income tax assets		**382,679**	313,657
Finance lease receivables		**78,998**	49,944
Long-term receivables		**213,498**	166,468
Bank deposit		**1,468,712**	–
Total non-current assets		**12,675,729**	10,270,311
CURRENT ASSETS			
Finance lease receivables, current portion		**21,825**	50,963
Long-term receivables, current portion		**216,230**	88,032
Inventories		**9,296,608**	7,909,823
Trade and other receivables	*11*	**10,353,472**	9,118,627
Transferred trade receivables		**198,861**	269,411
Financial assets at fair value through profit or loss		**5,944,162**	5,228,176
Financial assets at fair value through other comprehensive income		**3,848,095**	4,494,325
Derivative financial instruments		**33,867**	4,890
Tax recoverable		**31,969**	19,153
Assets classified as held for sale		**91,072**	–
Bank deposits		**1,945,896**	3,402,435
Cash and cash equivalents		**4,729,233**	3,613,443
Total current assets		**36,711,290**	34,199,278
Total assets		**49,387,019**	44,469,589

	Note	2023	2022
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Borrowings		**6,159,723**	4,312,744
Lease liabilities		**1,202,523**	1,250,741
Deferred income tax liabilities		**152,475**	179,464
Contract liabilities		**37,491**	21,510
Provisions		**26,283**	19,628
Employee benefit obligations		**298,132**	222,324
Other non-current liabilities		**248,653**	239,157
Total non-current liabilities		**8,125,280**	6,245,568
CURRENT LIABILITIES			
Trade and other payables	*12*	**12,916,362**	11,480,609
Contract liabilities		**4,174,250**	3,748,349
Income tax liabilities		**244,606**	115,214
Borrowings		**1,143,514**	3,237,226
Lease liabilities		**145,305**	146,261
Provisions		**532,108**	571,275
Liabilities associated with transferred trade receivables		**212,812**	269,411
Derivative financial instruments		**11,453**	17,395
Total current liabilities		**19,380,410**	19,585,740
Total liabilities		**27,505,690**	25,831,308
CAPITAL AND RESERVES			
Share capital	*13*	**1,781,409**	1,782,245
Share premium		**4,533,431**	4,538,675
Reserves		**14,063,372**	11,486,347
Equity attributable to owners of the Company		**20,378,212**	17,807,267
Non-controlling interests		**1,503,117**	831,014
Total equity		**21,881,329**	18,638,281
Total equity and liabilities		**49,387,019**	44,469,589

NOTES TO THE FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2023

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 MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the consolidated financial statements 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 Accounting Standards ("**IFRSs Accounting Standards**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

IFRS Accounting Standards comprise the following authoritative literature:

- International Financial Reporting Standards
- International Accounting Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

The preparation of the financial statements in conformity with IFRSs Accounting Standards 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 New standards, amendments and annual improvements adopted by the Group in 2023

(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 2023:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to IFRS 8
- International Tax Reform – Pillar Two Model Rules – amendments to IAS
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS12 issued in May 2023. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect (Note 8).

(b) Impact of new standard and amendments issued but not yet adopted by the Group

The following new accounting standard and amendments have been published but are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group. These new standards and amendments are not expected to have a material impact on the Group's consolidated financial statements when they become effective.

- Classification of liabilities as current or non-current – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Non-current Liabilities with Covenants – Amendments to IAS 1
- Supplier Finance Arrangements – Amendments to IAS 7 and Amendments to IFRS 7, and
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and Amendments to IAS 28.

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE

	Year ended 31 December 2023		
	Manufacture of coal mining machinery *RMB'000*	**Manufacture of auto parts** *RMB'000*	**Total** *RMB'000*
Sales of auto parts	**–**	**17,462,835**	**17,462,835**
Sales of hydraulic roof supports	**11,727,518**	**–**	**11,727,518**
Revenue from steel and other materials trading	**3,746,353**	**67,281**	**3,813,634**
Sales of spare parts for coal mining machinery	**2,536,593**	**–**	**2,536,593**
Sales of other coal mining equipment	**593,642**	**–**	**593,642**
Other revenue	**249,699**	**39,315**	**289,014**
	18,853,805	**17,569,431**	**36,423,236**

	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

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 impairment of goodwill, which is 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 2023			
Segment revenue	**18,853,805**	**17,569,431**	**36,423,236**
Segment net profit excluding impairment of goodwill	**3,262,067**	**283,149**	**3,545,216**
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

	As of December 31	
	2023 *RMB'000*	2022 *RMB'000*
Segment revenue and consolidated revenue	**36,423,236**	32,043,306
Segment net profit excluding impairment of goodwill	**3,545,216**	2,904,656
Impairment of goodwill	**(43,622)**	(276,651)
Consolidated profit for the year	**3,501,594**	2,628,005

	At 31 December	
	2023	2022
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Manufacture of coal mining machinery	**33,365,207**	29,924,697
Manufacture of auto parts	**15,933,529**	14,412,987
Total segment assets	**49,298,736**	44,337,684
Goodwill	**88,283**	131,905
Consolidated assets	**49,387,019**	44,469,589
SEGMENT LIABILITIES		
Manufacture of coal mining machinery	**18,136,449**	16,453,699
Manufacture of auto parts	**9,369,241**	9,377,609
Consolidated liabilities	**27,505,690**	25,831,308

Geographical information

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

	2023	2022
	RMB'000	*RMB'000*
The PRC	**23,562,860**	21,716,648
Germany	**4,343,077**	4,337,463
Other countries	**8,517,299**	5,989,195
	36,423,236	32,043,306

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.

	2023		
	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	**33,144,260**	**672,297**	**675,294**
Germany	**19**	**–**	**–**
Other countries	**221,496**	**–**	**1,088**
Manufacture of auto parts			
The PRC	**8,590,560**	**104,887**	**764,406**
Germany	**2,612,562**	**–**	**81,606**
Other countries	**4,801,423**	**–**	**215,556**
Total segment assets	**49,370,320**	**777,184**	**1,737,950**
Elimination	**(71,584)**		
Unallocated:			
Goodwill	**88,283**		
Total assets as per consolidated statement of financial position	**49,387,019**		

	2022		
	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	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		

Information about major customers

No customer contributed over 10% of the total revenue of the Group for the years ended 31 December 2023 and 2022.

5 OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Government grants *(Note)*	**290,798**	315,104
Interest income on bank deposits, long-term receivables and finance lease receivables	**201,319**	161,326
	492,117	476,430

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

	2023	2022
	RMB'000	*RMB'000*
Net fair value loss on derivative financial instruments	**(86,556)**	(73,221)
Impairment of goodwill	**(43,622)**	(276,651)
Gain on disposal of a subsidiary	**–**	195,494
Net fair value gains on financial assets at fair value through profit or loss	**43,179**	94,989
Net foreign exchange gain or loss	**84,138**	37,760
Net gains on disposal of property, plant and equipment, and intangible assets	**3,701**	4,800
Dividend from financial assets at fair value through profit or loss	**89**	–
Impairment of property, plant and equipment	**(113)**	(1,491)
Impairment of intangible assets	**(290)**	(99,116)
Others	**(13,730)**	(2,598)
	(13,204)	(120,034)

7 FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interests on bank borrowings	**330,225**	226,682
Interests on lease liabilities	**38,108**	38,728
Unwinding of provisions discount	**20,268**	–
	388,601	265,410

8 INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current income tax	**671,245**	496,479
Deferred income tax	**(54,577)**	(34,406)
	616,668	462,073

(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 2023 and 2022. 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 [2022] No. 13), the Company and certain subsidiaries are entitled to additional pre-tax deduction of research and development expenses at 100% during 2023 and 2022.

(b) Germany profits tax

Applicable profit tax rate of Germany is 29% (2022: 29%). During the year ended 31 December 2023 and 2022, 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 2023 and 2022.

(d) Pillar Two impact

Certain subsidiaries of the Group is within the scope of the Economic Co-operation and Development ('OECD') Economy – Global Anti-Base Erosion Model Rules ("**Pillar Two**") model rules. Pillar Two legislation will come into effect in certain countries from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. The entity plans to engage with tax specialists to assist them with applying the legislation.

9 DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year		
– 2022 Final (RMB0.56 per share)	**998,058**	–
– 2021 Final (RMB0.435 per share)	**–**	774,080
	998,058	774,080

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB0.84 per share (2022: final dividend in respect of the year ended 31 December 2022 of RMB0.56 per share) in an aggregated amount of RMB1,499,852,000 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:

	2023	2022
Earning for the purpose of basic earnings per share (profit for the year attributable to owners of the Company) (RMB'000)	**3,301,334**	2,538,235
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,763,366,008**	1,745,986,996
Earnings per share (RMB cents)	**187.22**	145.38

(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.

	2023	2022
Earnings:		
Profit attributable to owners of the Company used in the diluted earnings per share calculation (RMB'000)	**3,301,334**	2,538,235
Number of shares:		
Weighted average number of ordinary shares in issue during the year per share calculation	**1,763,366,008**	1,745,986,996
Add: share options	**4,332,960**	3,352,667
restricted share incentive	**6,375,701**	6,561,603
Weighted average number of ordinary shares in issue and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,774,074,669**	1,755,901,266
Diluted earnings per share (RMB cents)	**186.09**	144.55

11 TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Financial assets		
Trade receivables	**8,305,300**	7,100,804
Less: loss allowance	**(518,274)**	(569,818)
	7,787,026	6,530,986
Financial asset receivables *(Note a)*	**500,178**	320,344
Deposits	**83,867**	179,397
Receivable from disposal of investment	**65,519**	65,526
Staff advances	**30,361**	31,068
Others	**798,548**	709,124
Less: loss allowance	**(99,575)**	(106,348)
	1,378,898	1,199,111
	9,165,924	7,730,097
Non-financial assets		
Prepayments to suppliers	**625,721**	942,844
Other tax recoverable	**561,827**	445,686
	1,187,548	1,388,530
Total trade and other receivables	**10,353,472**	9,118,627

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:

	2023	2022
	RMB'000	*RMB'000*
Within 180 days	**6,090,486**	4,600,006
Over 180 days but within 1 year	**1,033,652**	1,169,412
Over 1 year but within 2 years	**601,844**	660,208
Over 2 years within 3 years	**56,697**	87,560
Over 3 years	**4,347**	13,800
	7,787,026	6,530,986

Note:

(a) In 2023, the Group purchased financial asset receivables totalling to RMB500 million from a third party securities company. The estimated annual yield rate is 3.6% or 3.1% and the financial asset receivables will be due in March 2024 and September 2024, respectively.

The trade and other receivables denominated in foreign currencies as at 31 December 2023 and 2022, are expressed in RMB as follows:

	2023	2022
	RMB'000	*RMB'000*
EUR	**546,708**	623,241
USD	**648,569**	504,204
Indian Rupee ("**INR**")	**256,773**	233,894
Brazilian Real ("**BRL**")	**87,027**	51,420
South African Rand ("**ZAF**")	**4,759**	14,310
Mexican Peso ("**MXI**")	**2**	19,686
Japanese Yen ("**JPY**")	**12,178**	12,631
Russian Rubble ("**RUB**")	**–**	7,780
Hungarian Forint ("**HUF**")	**–**	271
	1,556,016	1,467,437

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

	2023	2022
	RMB'000	*RMB'000*
Opening balance	**676,166**	584,341
(Reversed)/provided during the year	**(57,197)**	126,837
Write off	**(3,656)**	(15,667)
Disposal of a subsidiary	**–**	(18,505)
Currency exchange difference	**2,536**	(840)
Closing balance	**617,849**	676,166

12 TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Notes payable *(Note a)*	**3,521,748**	3,290,909
Trade payable *(Note a)*	**7,047,194**	6,053,833
	10,568,942	9,344,742
Salary and bonus payables	**499,136**	474,244
Deposits *(Note b)*	**88,963**	74,842
Interest payable	**35,450**	27,366
Other taxes payable	**927,921**	728,248
Restrictive shares payable	**52,427**	118,198
Factoring payable *(Note c)*	**68,546**	49,586
Dividends payable	**–**	36,686
Accruals and other payables *(Note d)*	**674,977**	626,697
	12,916,362	11,480,609

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 2023 and 2022:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**10,251,496**	8,966,683
Over 1 year	**317,446**	378,059
	10,568,942	9,344,742

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

(c) 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.

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

13 SHARE CAPITAL

	Listed A Shares		Listed H Shares		Total	
	Number of share	**Amount**	**Number of share**	**Amount**	**Number of share**	**Amount**
	'000	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*
At 31 December 2022	1,535,411	1,539,011	243,234	243,234	1,778,645	1,782,245
At 31 December 2023	**1,538,175**	**1,538,175**	**243,234**	**243,234**	**1,781,409**	**1,781,409**

(i) Movements in ordinary shares

	Number of shares *(thousands)*	**Total** *RMB'000*
Details		
Opening balance 1 January 2022	**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
Forfeited restricted shares during the year	**(1,728)**	(1,728)
Exercise of share options – proceeds received	**4,492**	892
Balance 31 December 2023	**1,781,409**	1,781,409

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by 13.67% from RMB32,043.31 million for the year ended 31 December 2022 to RMB36,423.24 million for the year ended 31 December 2023, 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 11.43% from RMB25,644.60 million for the year ended 31 December 2022 to RMB28,575.29 million for the year ended 31 December 2023.

Gross Profit

Driven by the above factors, our gross profit increased by 22.65% from RMB6,398.71 million for the year ended 31 December 2022 to RMB7,847.95 million for the year ended 31 December 2023.

The increase of gross profit during the year was primarily benefited from the fact that the price of coal has remained high throughout the year, hence the demand of coal mining machinery has been increased. The gross profit margin of the coal mining machinery segment increased from 25.59% for the year ended 31 December 2022 to 26.76% for the year ended 31 December 2023. As of 31 December 2023, the gross profit margin of the auto parts segment of the Group increased from 14.88% for the year ended 31 December 2022 to 15.77% for the year ended 31 December 2023.

Therefore, the overall gross profit margin of the Group increased from 19.97% for the year ended 31 December 2022 to 21.55% for the year ended 31 December 2023.

Other Income

Our other income increased by 3.29% from RMB476.43 million for the year ended 31 December 2022 to RMB492.12 million for the year ended 31 December 2023, mainly because the Group gained more government grants and interest income.

Other Losses, Net

Our other losses, net decreased by 89.00% from a loss of RMB120.03 million for the year ended 31 December 2022 to a loss of RMB13.20 million for the year ended 31 December 2023, primarily as a result of the decrease on impairment of goodwill.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 39.04% from RMB831.59 million for the year ended 31 December 2022 to RMB1,156.27 million for the year ended 31 December 2023, which aligned with the increase of revenue.

Administrative Expenses

Our administrative expenses increased by 11.80% from RMB1,072.97 million for the year ended 31 December 2022 to RMB1,199.59 million for the year ended 31 December 2023, mainly due to the increase of service expenditure.

Research and Development Expenses

Our research and development expenses increased by 13.15% from RMB1,385.96 million for the year ended 31 December 2022 to RMB1,568.22 million for the year ended 31 December 2023, 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 102.90% from RMB23.15 million for the year ended 31 December 2022 to RMB46.97 million for the year ended 31 December 2023, mainly due to a new investment in an associate under coal mining machinery segment in late 2022.

Finance Costs

Our finance costs increased by 46.42% from RMB265.41 million for the year ended 31 December 2022 to RMB388.60 million for the year ended 31 December 2023, mainly due to the increase in borrowings during this year.

Profit Before Tax

Being affected by the factors referred to above in aggregate, our profit before tax increased by 33.27% from RMB3,090.08 million for the year ended 31 December 2022 to RMB4,118.26 million for the year ended 31 December 2023.

Income Tax Expense

Our income tax expense increased by 33.46% from RMB462.07 million for the year ended 31 December 2022 to RMB616.67 million for the year ended 31 December 2023, primarily as a result of the increase of production and sales. Our effective tax rate increased to 14.97% for the year ended 31 December 2023 from 14.95% for the year ended 31 December 2022.

Profit Attributable to Owners of the Company

Based on the factors referred to above, profit attributable to owners of the Company increased by 30.06% from RMB2,538.24 million for the year ended 31 December 2022 to RMB3,301.33 million for the year ended 31 December 2023.

Trade and Other Receivables

As 31 December 2023, trade and other receivables amounted to approximately RMB10,353.47 million, representing an increase of approximately RMB1,234.84 million as compared to RMB9,118.63 million as at the end of 2022, primarily due to the increase of revenue.

Liquidity

As at 31 December 2023, the Group's net current assets were approximately RMB17,330.88 million (31 December 2022: RMB14,613.54 million) and the current ratio was 1.89 as at 31 December 2023 (31 December 2022: 1.75). The increase in current ratio was mainly attributable to the decrease in short-term borrowings.

2023 BUSINESS REVIEW

In 2023, 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, made every effort to promote digital transformation, strengthened market leadership externally and capacity building internally, and have taken forward the Company's various tasks in a solid and orderly manner to achieve stable growth in operating results. In 2023, the Company realised operational revenue of RMB36,423.24 million, representing a year-on-year increase of 13.67%; profit for the year attributable to shareholders of the Company in 2023 was RMB3,301.33 million, representing a year-on-year increase of 30.06%.

(I) Deepened reform and innovation and steadily pushed forward key tasks

1. Continuously promoted enterprise reform and stimulate the internal dynamics of the enterprise.

The Company continued to deepen the implementation of the business partner mechanism to enhance the cohesion of the Company and its subsidiaries, and to stimulate the spirit of innovation, entrepreneurship and creativity among its core backbone employees. In July 2023, the Company implemented the business partners' shareholding plan in the form of capital increase and share expansion in its subsidiary ASIMCO, and introduced the shareholding of strategic investors at the same time, so as to optimise ASIMCO's governance system, broaden its industrial development path, accelerate the business changes, and realise its transformation and upgrading.

Steady progress was made in the spin-off of Hengda Intelligent Control, a subsidiary of the Company, for listing on the STAR Market of the SSE, the application of which was accepted by SSE in September 2023. Through the spin-off, ZMJ (other than Hengda Intelligent Control and its subsidiaries) will further focus on the businesses of comprehensive coal mining equipment manufacturing and auto parts and components, enhance the technology and quality of comprehensive coal mining equipment, and improve the high reliability, stability and user-friendliness of its products. Hengda Intelligent Control will further focus on its business, enhance its level of professional operation, promote the integrated development of digital intelligent technology with the coal industry, upgrade the level of coal mine intelligence and promote the high-quality development of the national coal industry.

The Company strengthened the management of overseas subsidiaries and reduced the management level of overseas investments of SEG to reduce internal management control costs and improve the efficiency of management decisions.

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

Digital transformation is an essential path for manufacturing enterprises to change lanes and lead the race. The Company has continued to promote digital transformation and drive the reform of the entire business process with digital power. The cockpits of the Group and its various industrial sectors were launched in the market in an orderly manner, and the digital transformation of the entire business process has been put into effect, with all aspects of operation, sales and marketing, production, and the supply chain being digitised. The operational efficiency of the smart park has been enhanced, realising self-awareness, self-learning, self-determination, self-implementation and self-adaptation in the entire production process, which has significantly reduced production costs and increased space utilisation while improving production efficiency.

Two of the Company's projects won the First Prize of the First State-owned Enterprise Digital Scene Innovation Professional Competition, and were selected as an intelligent manufacturing benchmark enterprise in Henan Province, and a listed enterprise in 2023 Intelligent Manufacturing Demonstration Factories published by the Ministry of Industry and Information Technology; ASIMCO Shuanghuan was included in the 2023 5G Factories List published by the Ministry of Industry and Information Technology, and a Benchmarking Factory of Industrial Internet in Jiangsu Province; and SEG China was selected as an Intelligent Manufacturing Benchmarking Workshop in Hunan Province.

3. *Continuously optimised the group-based management and control to protect the interests of the Company and its shareholders*

Firstly, we optimised the internal control management and improved the internal control mechanism, launched the ZMJ internal control management diagnosis project and improved the internal control management self-evaluation mechanism. Secondly, we improved the comprehensive risk management system, established a long-term and convenient platform for risk indicators and promoted it among subsidiaries to optimise the risk management system and enhance the risk prevention and control capability. Thirdly, we established a risk management system for the entire investment process, a group-based financial control system, and improved the intelligent financial reporting system covering both domestic and overseas businesses, so as to realise the automatic generation of financial reports and the unified control of financial data for the Group and its various segments. Fourthly, we further enhanced its internal audit coverage, improved the internal audit and legal risk control system, with a cover rate of more than 90% of its annual internal audits; realised before-hand prevention and control through system construction, and strengthened audit during the matter to mitigate risks in a timely manner, so as to reduce the probability of occurrence of risks.

(II) Continuously promoted business innovation in all segments to achieve high-quality development

1. *Digital and intelligent upgrade for the coal mining machinery segment, with the major indicators reaching a new record high*

In 2023, China's coal economic operation in general was relatively stable. The coal machinery segment of ZMJ seized external market opportunities and strengthened the construction of internal process capacity, setting record highs in an all-round manner in terms of ordering, return payment, output value, production volume, per capita work efficiency and R&D achievements.

(1) Seized market opportunities and set new benchmarks in the industry

We successfully won the bidding of and delivered the Shaanxi Coal Caojiatan 10 metres extra-large mining height intelligent hydraulic support project, once again refreshed the world record for the height of supports, setting a new benchmark in the industry; we held the 10 metres extra-large mining height intelligent hydraulic support ex-factory evaluation and the ceremony to celebrate the launching of the 300,000th unit of support produced by ZMJ and took this opportunity to demonstrate to key customers the advantages of the industry's first digitally-enabled primary plant for intelligent manufacturing and the intelligent complete set integrated solutions, we deepened the "trinity" marketing concept, and obtained some 100 new market orders in the year, achieved fruitful market development results. Our international high-end market was in full bloom, with products and services to open up the market, and the market and word-of-mouth to achieve brand success, we won a number of international high-end market complete set projects, with an annual order amount of RMB1.360 billion from the international market, representing a year-on-year growth of more than 40%.

(2) High-quality development led by technological innovation

We continued to deeply cultivate intelligent and complete sets of technological products, adhered to the concept of "front-line research and development", went deeper into the customers' site, solved customers' pain points and difficulties, and continuously developed high-tech products with market competitiveness. We made new progress in the research of complete sets of equipment for integrated mining of extremely thin coal seams and the research of key technologies for intelligent complete sets of machine units with large inclination angle; we introduced high-end talents for intelligent complete sets of products and upgraded the product technology, resulting in the rapid growth of the business of scraper conveyor and coal miner; centering around the market demand for intelligent transformation of coal mines, we launched the intelligent iterative upgrading of the products and launched the research of key technologies and application of intelligent products, and successfully researched and developed a new generation of distributed intelligent control system, and continued to promote the development of new products and new businesses, such as non-coal mining business, intelligent mine and intelligent tunneling, so as to enhance the Company's industrial influence and market competitiveness.

(3) Digital empowered intelligent manufacturing to realise rapid productivity improvement

We completed the overall scenario-based planning for digital transformation of the coal mining machinery segment and the construction of management cockpits for multiple modules. With digital empowered intelligent manufacturing, we optimised and upgraded production organisation and realised rapid growth in production capacity. Firstly, our intelligent park realised the connection of data and information of the whole business process, which steadily improved the production capacity. Compared with the traditional mode, the production efficiency is increased by more than two times, and the production cost other than raw materials is reduced by 60%; secondly, we completed the intelligent upgrading and transformation of the main production lines, such as the cylinder disc bushing line, structural parts welding line, plasma cutting line, etc., rapidly improved production efficiency. Thirdly, according to the guiding principle of "pursuing certain goals while knowing what we will not go for", we will continue to promote the implementation of structural adjustment and modal adjustment, adjust and optimise the matching situation of self-manufacturing and outsourcing in four dimensions, namely, the whole frame products, components, parts and processes, so as to gradually realise specialised production and specialised matching.

2. ***Business transformation and upgrading of auto parts segment, with an overall operating results better than the industry average***

In 2023, the automotive industry as a whole maintained steady development, the domestic auto market demand gradually recovered, and automotive exports grew rapidly. Against such backdrops, the Company's auto parts segment accelerated the promotion of business transformation, rapidly expanded new energy auto parts business, and was able to achieve above-average operating results compared with the wider industry.

(1) ***ASIMCO's New Energy business reached a new level, accelerating business transformation***

ASIMCO introduced strategic investors as well as employee shareholding, and its management mechanism has been changed to that of a business partner, and a more market-oriented and effective incentive and restraint mechanism has been established, thus further strengthening its internal dynamics. ASIMCO's sales revenue increased by approximately 24% year-on-year, of which the revenue from its new energy auto parts business was approximately RMB390 million, representing a year-on-year growth rate of over 100%. With "business growth" as its first priority, ASIMCO has continued to enhance its core competitiveness by focusing on R&D and technology, strengthening internal management and the continuous promotion of digital transformation. On the one hand, ASIMCO solidified its leading position in the existing market segments, continued to give full play to the advantages of its core product business, and strived to increase market share and solidified the foundation of development; at the same time, it vigorously pushed forward the construction of new production capacity in new factories, and improved the efficiency of digital and automated factories to expand the advantages of its core businesses from the domestic market to the global market, and led the transformation and upgrading of the industry; on the other hand, ASIMCO has made every effort to develop the market of new energy auto parts and components, and has successfully developed major components of ASIMCO's intelligent air suspension system, and ASIMCO has completed the access to potential suppliers of many leading OEMs and reached synchronous development plans with many customers. The new energy products of ASIMCO Anhui accounted for 22% of its revenue, covering mainstream new energy vehicle manufacturers. The clear direction of new product development for the new business is expected to become a new force in driving ASIMCO's future growth.

(2) SEG optimised global structure and layout, accelerated the development of new energy business

In 2023, focusing on profitability and growth, SEG's auto parts business continued to optimise its global structure and layout, and continuously increased its market share, accelerating the development of its new energy drive motor business while consolidating its advantages in the 12V starter and 48V BRM businesses. In the field of automotive electrification, the second generation of 48V BRMs equipped with self-developed inverters was mass-produced and rolled out of the production line, and orders for 48V BRMs were secured from a number of leading automotive companies in Europe, while the Volvo project has entered mass-production in Europe and China. SEG India achieved zero breakthrough in the high-voltage motor business, and quickly seized the fast-developing Indian market with the advantage of localisation; SEG Electric System's global new energy project was put into production and the R&D centre was opened, laying the foundation for high-quality development; high-voltage relay products obtained orders from global automotive parts groups and were put into mass production, and the 800V high-voltage flat-wire gluing stator was successfully mass-produced and achieved mass supply. We have therefore established the capability of large-scale industrialised production of new energy electric drive.

3. Shuyun Company achieved zero breakthrough by empowering discrete manufacturing industries with digitisation and intelligence

Zhengzhou Coal Mining Machinery Shuyun Intelligence Technology Co., Ltd. is committed to building a complete digital factory ecosystem, focusing on "production automation, logistics automation and information automation", and empowering the construction and the transformation of digital factories. The year 2023 saw a zero breakthrough with the signing of the first order for an external project of the Group, and a number of projects have already entered the stage of detailed plan design, which is expected to become an important business driver for the Group's digital transformation.

4. Zhima Street achieved spectacular transformation to become a demonstrating benchmark and cultural landmark

In 2023, taking "become a demonstration model of China's 'industrial heritage + dual-creation industry'" as its vision, Zhima Street endeavoured to become a modern urban industrial complex integrating four parks, namely "industrial park + cultural scenic area + commercial district + living community". At present, the occupancy rate of the first phase of the park has exceeded 90%, and planning is underway to build the second phase of the project. Zhima Street will continue to make good use of the commercial facilities and strive to build a one-stop park with business offices, delicate food and entertainment, sports and leisure, and social life.

5. ***Investment business bloomed in many locations, with capital empowering industrial transformation and upgrading.***

During the reporting period, the IPO application of the shares of Suda, a joint stock company of the Company, was approved by the Shenzhen Stock Exchange and has been reported to the the China Securities Regulatory Commission for registration; the indirect investment enterprise, Luoyang Bearings Group Co., Ltd. (洛陽軸承集團股份有限公司) was established and completed its shareholding reform, which provides a basis for the company to march towards the capital market and achieve breakthroughs in the fields of high-speed railway, aerospace and extra-large and heavy-duty bearings.

FUTURE PROSPECTS

(I) Development strategy of the Company

The report of the 20th National Congress of the Communist Party of China pointed out that the focus of economic development should be placed on the real economy, so as to promote new industrialisation and accelerate the establishment of a nation with manufacturing power and quality power. The Central Economic Work Conference held in December 2023 also pointed out that the construction of a modern industrial system shall be led by scientific and technological innovation. It is necessary to promote industrial innovation with scientific and technological innovation, especially with subversive and cutting-edge technologies to generate new industries, new modes and new momentum, so as to develop new quality productivity.

Adhering to the development concept of "technology changes the world, intelligence leads the future", the Company will insist on being led by technological innovation, continue to strengthen innovation-driven development, accelerate digital transformation, develop high-end manufacturing and intelligent manufacturing, foster and develop new quality productivity, strive to achieve the development goal of "50 billion in 5 years", and strive to become an intelligent manufacturing enterprise group with global influence.

1. ***Deeply cultivating 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. The coal mining machinery segment will adhere to the principle of "intelligent-driven product development and digital-driven business transformation throughout the whole process", and stick to the development strategy of "intelligent, whole-set, international and socialized" supported by digitisation, increase investment in research and development to meet customers' increasing needs for "service experience" instead of focusing on "equipment per se", and to make the mining of coal safer, more efficient, greener and more comfortable, strive to become a supplier of complete sets of coal mining equipment, a service provider with a full life cycle, and an industrialised digital operator.

2. Accelerating the transformation of the auto parts segment

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, achieve the ultimate success of traditional products; secondly, it will accelerate new energy transformation, actively explore the new energy auto market, expand the proportion of new energy vehicle business, and swiftly cover more mainstream new energy vehicle manufacturers, and promote the transformation of ASIMCO from parts to components and even system integration, as well as from the dominance of domestic business to internationalisation. **In terms of SEG,** it will focus on profitability and growth, rapidly transform its new energy business, accelerate the development of high-voltage drive motor business for new energy vehicles, 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 pay 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 relevant policies as regards capital market, cultivate the relevant businesses of the Group to enter the capital market independently, rationalise our business structure, highlight the advantages of our main business, optimise our industrial layout, enhance the quality of development and promote the realisation of value. We will make comprehensive utilisation of various capital market tools to explore ways to invest in and find a path in new industries, improve the long-term incentive and restriction mechanism, and improve the mechanism of business partners, so as to comprehensively enhance the value of investment in the Company.

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. On the one hand, Company will promote the digital upgrade at all levels of the Company, and promote the interconnection and collaborative sharing of multiple segments and businesses. On the other hand, the Group will foster the development of a digital and intelligent total solution provider for the discrete manufacturing industry, and empower the construction of the primary digital chemical plant and the transformation of the digital chemical plant by focusing on "production automation, logistics automation and information automation". The Group will strive to build itself into a digital enterprise, and empower the high-quality development of enterprises with digitalization and intelligence.

(II) Business Plan for 2024

In 2024, situation domestic and overseas development and industry development would be more uncertain and unpredictable, and strategic opportunities would exist along with risks and challenges. The Company will focus on strategic goals, break through the glass door of thinking, establish an atmosphere of "wanting to act, being able to act, and accomplishing goals of the act", continuously improve the awareness and ability of the management team and core and backbone personnel, maintain keen insight, dare to try, dare to challenge, dare to take responsibility and dare to be innovative, actively "going abroad" with the center of internationalisation and globalisation, insist on innovation driven, setting up big ambition and taking small steps, stay restless and embark on the long journey, and promote the enterprise to achieve sustainable and high-quality development.

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

(1) Continuously improving the capacity building of the headquarters and strengthening management and control and compliance governance of the Group

The Group will establish and improve its business partners mechanism, set up a "horse racing" mechanism, and promote the institutionalisation and standardisation of the selection, employment, training and retention of core staff. Accelerating the progress of the digital transformation of the Group's management and control, and realising all-round penetrating management through the management cockpit. We will further improve the compliance management system, implement the policies and measures of the SFC and the Stock Exchange, enhance the quality of listed company to meet the needs of the development of new quality productivity.

(2) Continuously promoting digital transformation and foster the development of new qualitative productivity

Guided by intelligence, globalisation and digitisation, we will continue to promote reform and innovation, enhance the overall level of digitisation and intelligent manufacturing, explore the global IT structure under the new situation and accelerate the construction of digital plants; create a complete ecosystem of digital chemical factory, and provide an overall solution for digitisation and intelligence in the discrete manufacturing industry, so as to empower the construction of the native digital factories and the transformation of the digital factory; explore the digitisation of products and services, continuously promote customer experience enhancement, business efficiency improvement and business model innovation, so as to empower the high-quality development of enterprises with digitisation and intelligence.

(3) Promoting new industrial layout of the Group, and pushing forward with development by investment

The Group will also capitalise on the new opportunities in the industry under the background of "dual carbon", explore and expand into new fields, develop new businesses, lay out in new race courses, make full use of the capital market, promote the Group's layout in new industries, and achieve the healthy complementarity between industrial operation and capital operation, so as to inject new impetus into the realisation of the Group's medium to long-term strategic objectives.

2. Continue to promote business reform and innovation in each segment to achieve stable business development

(1) Coal mining machinery business

In 2024, the coal mining machinery sector will continue to implement the "four strategies" reinforced by digitisation, adhere to the development of complete sets of products led by intelligence, and digitally drive reforms in the entire process of the business, striving to achieve steady development of the business.

Firstly, reform and innovation for growth. Based on technological innovation, product innovation, management innovation and business model innovation, we will guide the consumption of customers, cultivate new products and new businesses, and create a second growth curve. We will also carry out in-depth study of mining processes under different geological conditions, accelerate the research and development of new products with the change of coal mining technology in mind, broaden the product line of integrated mining and special equipment, capture opportunities in the market; with the improvement of the efficiency of integrated mining sets in mind, take the research and development of key technologies, such as integrated intelligent synergies and environmental linkage, downstream scraper transfer robot as a breakthrough, and promote the in-depth integration of the complete sets and intelligent; adhere to the strategy of international development, and carry out in-depth cooperation with the customers' downstream and upstream enterprises to change the traditional business model, provide customers with brand new products and services, and create new business growth points.

Secondly, integrate digital and intelligence to promote development. We will accelerate the integration of digital transformation with intelligent manufacturing and intelligent products to promote enterprise development and enhance core competitiveness. With the goal of empowering enterprises with digitalisation for all-round improvement, we will continue to promote the enhancement of customer experience, business efficiency, as well as innovation in business and operation modes; with the construction of lighthouse factories as the lead, we will comprehensively promote the digital transformation of production lines, improve the level of intelligent manufacturing, and build up more flexible manufacturing capabilities and faster delivery capabilities.

Thirdly, improve quality and stabilise quantity to increase efficiency. We will embed the process of quality change in the Company's digital transformation, comprehensively improve the job quality, product quality and operating quality to create a production and operation system characterised by short cycle, high quality and low-cost delivery, and swiftly respond to market demand to provide customers with quality products.

Fourthly, establish capability to expand differentiation. We will strengthen strategic leadership and high target driving, make more investment in organisational capacity building, process capacity building and human resources enhancement, so as to form unique and non-copiable core competitiveness and create differentiated competitive advantages.

(2) Automotive components business

Firstly, we will continue to consolidate and enhance the advantageous position of our core business. We will achieve the ultimate success of traditional products, rapidly promote the new production capacity projects of ASIMCO to reach production, reduce manual labour and improve efficiency through digitalisation and automation, increase the development of international business, and expand our core business advantages from domestic to the globe, leading the transformation and upgrading of the industry; SEG will continue to reduce costs and improve efficiency, optimise production capacity resources in various regions, and work hard to increase market share and enhance profitability.

Second, rapidly develop our new energy business. ASIMCO will vigorously develop the new energy market, the main components of the air suspension system shall obtain designation of customers' projects, and the vibration and noise reduction components shall enter more customers' markets. At the same time, ASIMCO will rapidly push forward the deployment of new products and new business to accelerate the pace of development of new energy. By leveraging its global system advantages and the benchmarking effect of its ongoing projects, SEG will rapidly promote the R&D and sales of high-voltage drive systems, electronic controls, electrical motors and high-voltage relays, establish relevant supporting production capacity, complete the mass production and delivery of ongoing orders with high quality, and incubate new businesses with its existing products and technologies.

(3) Rapid breakthrough in new business of Shuyun Company

To build a complete ecosystem of digital chemical plants, Shuyun Company will secure more external project orders, develop a new-generation intelligent lifting system, and build up the "smart factory turnkey" capability, so as to provide total solutions for digitisation and intelligence in the discrete manufacturing industry, and to empower the construction of native digital factories and the transformation of digital factories.

(4) Steady progress of Zhima Street Phase II construction project

The Group will promote the development of Phase II of Zhima Street Innovation and Entrepreneurship Park, complete the relocation of production functions in the park, basically complete the transformation of the casting sub-factory, complete the industrial positioning plan and conceptual design plan of Phase II, and push forward the construction of the Phase II project.

OTHER INFORMATION

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

In January 2023, pursuant 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 286 participants and issued 3,600,300 A shares at an exercise price of RMB5.1501 per A share. Registration for the exercise has been completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 5 January 2023.

In September 2023, the Company repurchased 1,728,000 Restricted A Shares from 23 Participants under the 2021 Restricted Share Incentive Scheme at an average price of RMB4.6751 per A Share and completed the repurchase and cancellation procedures at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 8 September 2023.

In December 2023, pursuant 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 6 participants and issued 891,000 A shares at an exercise price of RMB4.5901 per A share. Registration for the exercise has been completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 8 December 2023.

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 Review Period.

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 C1 (former 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 C3 (former Appendix 10) to the Listing Rules of the Stock Exchange as its code of conduct regarding securities transactions by the directors and the supervisors of the Company. The Company has made specific enquiry with all the directors and supervisors of the Company, and they have confirmed that they had complied 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 2024, and the Board proposed the payment of a final dividend (the "**Dividend**") of RMB8.40 (tax inclusive) per 10 shares for the year ended 31 December 2023. Based on the Company's total share capital of 1,785,537,930 shares as at 28 March 2024, the total proposed dividend is RMB1,499,851,861.20. The Dividend is expected to be paid on or before 15 July 2024. The proposal in relation to profit distribution is subject to approval at the 2023 annual general meeting. The convening time of the 2023 annual general meeting and the relevant arrangements will be announced by the Company in due course.

Pursuant to the *Rules for Share Repurchase of Listed Companies* and other relevant regulations, shares held in the designated repurchase account of a listed company do not have the right to profit distribution. If during the period from the date this profit distribution plan is considered and approved by the Board to the record date for the implementation of profit distribution, there is any change in the Company's total share capital due to share repurchase/repurchase and cancellation of shares granted under equity incentive, etc., or that part of the shares do not participate in this profit distribution for some reasons, such as share repurchase, the proportion of distribution per share will be adjusted base on the total share capital of the Company as at the record date for the implementation of profit distribution in the future, less the shares held in the designated repurchase account, and on the principle that the total distribution amount remains unchanged. Details of the adjustment will be announced separately by the Company.

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 a 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 individual shareholder who was an overseas resident 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 has entered into a tax treaty with the PRC stipulating an income tax rate on dividend of lower than 10%, those enterprises or individuals may, or may entrust a withholding agent to, apply to the competent tax authorities in charge of the Company for the preferential treatment under such tax treaty. Upon approval by the competent 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 will 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 2023.

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 2023 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 2023 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 2023 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 2024

As at the date of this announcement, the executive Directors of the Company are Mr. JIAO Chengyao, Mr. JIA Hao, Mr. FU Zugang, Mr. MENG Hechao and Mr. LI Kaishun, the non-executive Directors are Mr. CUI Kai and Mr. YUE Taiyu and the independent non-executive Directors are Mr. CHENG Jinglei, Mr. JI Feng, Mr. FANG Yuan and Ms. YAO Yanqiu.