You should read this prospectus in its entirety and carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Our business, results of operations, financial condition, profitability and future prospects could be materially and adversely affected by any of the risks mentioned in this section. The trading price of our H Shares could decline due to any of these risks, and you may lose all or part of your investment. In addition, we are also subject to other risks and uncertainties that are not presently known to us or which we currently deem to be immaterial. Such risks and uncertainties could also have a material adverse effect on our business, results of operations, financial condition, profitability and future prospects.

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

We may not be able to successfully execute our international expansion plans.

One of our key strategies is to expand our business overseas, which is subject to numerous risks and uncertainties. Specifically, the success of our international expansion plans depends, to a large extent, on our ability to provide high quality, customized products to our overseas customers and our ability to increase our production capacity and volumes in the countries where our future overseas manufacturing bases will be located. Part of our strategy is to increase our production capacity of hydraulic roof supports and armored-face conveyors by establishing our production facilities in overseas locations, such as Russia and India, establishing an overseas aftermarket service network and parts and components centers in Russia, the United States, India, Turkey and Australia, as well as establishing research and development facilities in the United States and Germany. However, our international expansion measures and plans subject us to the risks and uncertainties that are normally associated with expanding into overseas markets. These include, but are not limited to: (i) our inability to obtain local government approvals, permits, licenses or documents of a similar nature for our international expansion in a timely manner or at all and potential restrictions on foreign trade; (ii) possibility of cost overruns, construction delays, equipment problems, and other operating difficulties; (iii) insufficient management resources and potential increase in labor costs; (iv) our inability to comply with foreign labor, industrial and tax regulations; (v) lower than expected demand and lack of acceptance by local customers of, or compatibility issues with, our products in local mining operations; (vi) high sales and marketing costs; (vii) difficulty in expanding our sales, distribution and service network; (viii) difficulty in implementing our quality control policies in our overseas operations; (ix) difficulty in sourcing raw materials in our overseas operations; (x) difficulty in controlling our costs; (xi) lack of understanding of the local coal mining conditions, or the local business environment, or the financial, management or legal systems in the relevant countries as well as potentially more stringent product liability laws; (xii) unstable political, regulatory or macroeconomic environments and potential foreign exchange differences; (xiii) lack of available funding of our overseas customers; and (xiv) other related factors beyond our control.

In particular, we have not made the necessary filings with the Russian Federal Anti-monopoly Service in connection with: (i) the establishment of ZMJ Siberia in June 2011; and (ii) our investment in the voting shares of ZMJ Siberia, which constitutes a legal entity being controlled by a non-Russian state entity (the "Non-Compliance"). Federal Law of the Russian Federation No. 160-FZ "*On Foreign Investments in the Russian Federation*", dated July 9, 1999 (as amended), requires compliance with the requisite filing and registration procedures for the investment in more than 25% of the voting shares in a Russian company by a company controlled by a non-Russian state entity. As a result of the Non-Compliance, ZMJ Siberia may be liquidated by a Russian court through a claim made by the Russian authorities if the court concludes that the Company has failed to comply with the procedures. In addition, if the investment by the Company of the entire participation interest (or issued shares) in ZMJ Siberia is declared invalid, the Company will have no ownership rights to such participation interest (or issued shares) in ZMJ Siberia. This could also serve as a separate ground for the liquidation of ZMJ Siberia, as a Russian company cannot exist without any participants/shareholders. ZMJ Siberia generated revenues of approximately RMB3.5 million during the Track Record Period, which accounted for less than 0.02% of our total revenues during the Track Record Period, and its total assets and net assets accounted for less than 0.03% of the Company's total assets and net assets as of December 31, 2011 and June 30, 2012.

We intend to rectify this situation by establishing a new Russian entity to undertake the business activities and operations currently carried out by ZMJ Siberia, which will entail the undertaking of the requisite filing and registration procedures. However, as with all regulatory procedures, we cannot assure you that this process will be completed in a timely manner, or at all. In addition, we cannot assure you that the relevant Russian regulatory authorities will not take any regulatory or legal action against ZMJ Siberia in the meantime. The occurrence of any of the foregoing may have a material adverse effect on the business and results of operations of ZMJ Siberia, and could temporarily delay our expansion plans in Russia.

In addition, we intend to establish specific measures to manage the risks associated with our international expansion by the middle of 2013 but, in any event, before we establish our manufacturing and related facilities overseas. However, these measures will not be completed before the Listing. The measures include those regarding: (i) compliance with foreign regulatory, labor, industrial and tax regulations; (ii) detailed staff recruitment plans; (iii) quality control policies; (iv) management resources; (v) raw material sourcing; and (vi) cost controls. However, due to our lack of overseas manufacturing experience, we may not be successful in implementing these measures, which could affect the management of our overseas operations and our international expansion plans. The failure to effectively manage our international expansion plans could materially and adversely affect our business, results of operations and financial condition. In addition, any inability to manage our international expansion plans may divert or strain the limited resources of our management and, consequently, materially and adversely affect our domestic operations.

We may experience fluctuations in steel and other raw material prices.

We are affected by fluctuations in the prices of steel and other raw materials which we purchase for the manufacturing of our products and trading. Our production process depends on reliable and sufficient supply of high quality raw materials, particularly steel. A significant portion of our cost of sales comprises the costs of steel and other raw materials used in the production of our coal mining and excavating equipment. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, the cost of steel represented approximately 45.9%, 51.1%, 58.1%, 57.1% and 59.8%, respectively, of our cost of sales. The market prices of steel and other raw materials are volatile and may fluctuate as a result of factors beyond our control. For example, PRC governmental policies, macroeconomic factors, including exchange rates, interest rates and the level of inflation, global economic trends, industry trends and practices, inventory levels, the levels of construction activity, actions by participants in the commodity markets and other factors beyond our control could result in imbalances in the supply of and demand for steel, which, in turn, could result in fluctuations in the market prices of steel. Medium and thick plate steel (20mm) and other steel products of higher thickness account for a large portion of our annual steel purchase volume. According to the China Iron & Steel Association, the domestic steel price of medium and thick plate (20mm) fluctuated between RMB3,311 and RMB4,928 per tonne from January 1, 2009 to June 30, 2012. See “Industry Overview — Coal Mining and Excavating Equipment Industry Overview — Recent Steel Price Trends.”

The sales prices of our products are generally fixed at the time of execution of the sales contracts, taking into account the current steel price levels and our evaluation of steel price trends. We currently do not engage in any hedging transactions to mitigate the risks relating to raw materials price fluctuations. The gross profit margin of our high-end hydraulic roof supports, which accounted for 50.8% of our total sales of hydraulic roof supports in 2011, decreased from 35.3% in 2010 to 33.8% in 2011, primarily because market prices of steel and other ancillary materials and labor costs increased faster than the prices of our high-end hydraulic roof supports, reflecting that we were not able to fully pass on these cost increases to our customers. Therefore, we cannot assure you that we will be able to fully pass on any significant increase in the costs of steel and other raw materials to our customers by selling our products at higher prices. As a result, any increase in the prices of steel or other raw materials could have a material adverse effect on our business, results of operations, financial condition and profitability. In addition, our ability to pass increased raw material costs along to our customers may be limited by competitive pressures, customer resistance and the terms of our sales contracts. Even if we are able to pass along increased costs, there is typically a lag between the actual cost increase of raw materials and the corresponding increase in the prices of our products.

We are engaged in the purchase and sale of steel and other raw materials. See “Business — Our Products and Businesses — Steel and Other Raw Materials Trading Business” and “Financial Information — Factors Affecting Our Results of Operations — Raw Material Costs.” Our steel and other raw materials trading business, as with all business operations, are subject to market factors beyond our control, such as steel price fluctuations. Such factors may have a material adverse effect on the business, results of operations and financial condition of our steel and other raw materials trading business and, ultimately, may materially and adversely affect our results of operations and financial condition.

Our negative operating cash flows may expose us to liquidity risk.

Our net cash used in operating activities was RMB107.9 million for the six months ended June 30, 2012, primarily reflected: (i) an increase in trade and other receivables of RMB634.6 million, primarily due to an increase in our sales; (ii) an increase in inventories of RMB613.5 million, primarily due to the increased scale of our product manufacturing operations after we commenced the operation of our newly-established manufacturing base in September 2011; and (iii) a decrease in advances from customers of RMB374.4 million, primarily as a result of reduced initial installment payments from certain long-term and/or large customers with positive credit profiles, or customers with whom we intend to develop strategic long-term relationships, as well as those strategic customers such as Henan Coal and Chemical Industry that may choose to directly order our products instead of utilizing the bidding process. While our Directors believe that we have sufficient funds to finance our current working capital requirements, our operating cash flows may be adversely affected by a variety of competitive, macroeconomic and other related factors that are beyond our control. Our future liquidity, the payment of trade, bills and other payables and accruals, as well as the repayment of outstanding debt obligations as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities and proceeds from external financing. In the event that we are unable to generate sufficient cash flows from our operations to meet the demand from our operating and capital expenditures, our operations will have to be funded by other financing activities. However, our debt service and other fixed payment obligations could divert our cash flows from our operations and planned capital expenditures, and our finance costs associated with such debt obligations could materially and adversely affect our future profitability.

We may not be able to maintain our domestic market share.

The growth of our business and operations will depend, in part, on our ability to maintain our domestic sales and market share in the PRC. The performance of our overall business in the PRC is contingent on a variety of competitive, industry, macroeconomic, governmental and regulatory factors and conditions beyond our control. As such, we cannot assure you that we will be able to maintain our sales and market share in the PRC. For additional information on the risks associated with maintaining our domestic market share, see "— Risks Relating to Our Industry — We operate in a highly competitive industry" and "— Risks Relating to Our Industry — Demand for coal mining and excavating equipment is driven by the demand and supply conditions and other business and regulatory conditions in the coal mining industry, which exposes us to various risks and uncertainties beyond our control." Any factors that have a negative impact on our domestic market share could result in a material adverse effect on our business, results of operations and financial condition.

We may be unable to maintain effective quality control or raw materials procurement systems, which may affect the supply and quality of our raw materials.

The performance, quality and safety of our products are critical to our business and development. Although we have established and currently maintain stringent quality control standards and internal inspection procedures, the effectiveness of our quality control system is determined by various factors, including the implementation of quality standards, quality of training programs and the adherence by our employees to our quality control policies and guidelines.

In addition, our manufacturing output is highly dependent upon our quality control system and reliable and sufficient sources of high quality raw materials. The primary raw materials used in our operations are steel, as well as certain parts, components and other ancillary materials that support our coal mining and excavating equipment. While we are able to produce the core parts and components for our products, our customers from time to time will request that we procure certain non-critical parts, components and other ancillary materials for their customized products from a limited number of domestic or international suppliers. We cannot assure you that such parts, components and ancillary materials will be manufactured in accordance with our internal quality standards. Failure of such parts, components and ancillary materials to meet our internal quality standards may result in product defects in our finished coal mining and excavating equipment. Although we generally are not liable for product defects resulting from parts, components and ancillary materials of inferior quality provided by third parties, product liability claims may nonetheless arise. In addition, we also outsource the manufacturing of certain non-critical parts and components to selected domestic suppliers and we are primarily liable for product defects resulting from outsourced parts and components. We experienced warranty claims for our hydraulic roof supports due to product defects during the Track Record Period and we cannot assure you that we will not be subject to any claims related to product defects including product liability claims in the future. If any such claims were to arise, regardless of the merits or adjudication of such claims, we may incur significant costs and expenses to address such claims. In addition, addressing such claims could divert our management attention and resources. If any of the foregoing were to occur, our business, results of operations, financial condition and reputation could be materially and adversely affected.

In addition, we will, from time to time, enter into supply contracts with our suppliers immediately after we enter into sales contracts with our customers to mitigate the risk of raw material price fluctuations and to anticipate the supply requirements of future customer orders. Our ability to source certain parts and components from requested and/or alternative suppliers may be limited. Even if the requested and/or alternative supply sources can be found, procurement from such sources may result in additional costs incurred, or the use of products that are of lower quality. Furthermore, if the prices of raw materials increase significantly after we enter into a sales contract, we may have to procure raw materials at such increased prices, which may materially and adversely affect our results of operations and financial condition.

Moreover, parts and components are generally manufactured based on the specifications of a particular product and cannot be used in other products, which may result in excess unused supplies and additional costs and expenses associated with such suppliers. We may also experience a shortage of parts and components for any of the foregoing reasons. In addition, we cannot assure you that we will be able to source alternatives of similar quality or produce alternatives in a cost-efficient or timely manner. Any of the foregoing could result in manufacturing delays, products of lesser quality or additional costs, which could adversely affect our business, results of operations and financial condition.

We derive a significant portion of our revenue from a limited number of products and services.

Our revenue is primarily derived from sales of hydraulic roof supports and related coal mining and excavating equipment, as well as spare parts for hydraulic roof supports. Our products are primarily designed for underground longwall coal mining and are not designed for, or used in, surface mining, room-and-pillar underground mining, blast mining or mining other types of minerals. Our business, prospects and profitability depend to a significant extent on customer demand for the particular products and services that we provide, as well as the general growth and viability of the PRC and global coal mining industry. In particular, our customers may change their preferences for coal mining equipment, which may reduce the demand for our products. Any material adverse change in market demand, customer preference, market prices for coal mining and excavating equipment and components, or the general growth and viability of the coal mining industry could have a material adverse effect on our business, results of operations, financial condition and profitability.

We rely on our major suppliers to provide us with raw materials for our production.

We rely on a limited number of raw material suppliers for our production and steel and other raw materials trading. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, purchases from our five largest suppliers, all of which are our steel suppliers, accounted for 20.2%, 30.4%, 30.9% and 43.0%, respectively, of our total cost of sales. Purchases from our largest supplier for the same periods accounted for 8.5%, 10.7%, 11.4% and 19.0%, respectively, of our total cost of sales. During the Track Record Period, we did not experience any interruptions that had a material adverse effect on our key raw materials supply. However, we cannot assure you that we will not experience any such interruptions to our raw materials supply in the future. Partial or complete loss of raw material supply from any one of our key suppliers, or a significant adverse change in the relationship with any of such suppliers, could cause interruptions to our raw materials supply. Our failure to obtain the required amount of raw materials in a timely manner and on commercially acceptable terms could increase our manufacturing costs and/or substantially limit our ability to meet our contractual obligations to deliver our products to our customers. Any failure by us to meet such obligations could have a material adverse effect on our reputation, ability to retain customers, market share, business and results of operations and may subject us to claims from our customers and other disputes. In addition, our failure to obtain sufficient raw materials could result in the under-utilization of our production facilities and an increase in our marginal production costs. Any of the above events could have a material adverse effect on our growth, profitability and results of operations.

Our revenue may vary from period to period due to fluctuations in customer purchase orders.

Our revenue and results of operations may fluctuate from period to period primarily due to the purchasing patterns of our customers, which are affected by a variety of factors beyond our control. In addition, due to the high sales prices of most of our products, a single or a small number of significant customer purchase orders may account for a substantial portion of our sales during a particular period. As we generally recognize sales when the relevant products have been delivered to and accepted by our customers, the timing of a single or a small number of significant customer purchase orders during a particular period may significantly affect our results of operations. For the same reason, the loss of one or more of our significant customers or any breach of their sales contracts could, at least on a short-term basis, have a material adverse effect on our business, results of operations and financial condition. Our sales and gross profit in a particular period may also fluctuate depending upon the size and the requirements of the sales contracts entered into during that period.

While we expect to diversify our customer base by continuing to implement our international expansion plans, we currently derive a significant portion of our revenue from a limited number of customers. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, revenue from our largest customer accounted for 20.9%, 8.6%, 16.5% and 11.1%, respectively, of our total revenue. Our revenue generated from our five largest customers accounted for 40.6%, 23.3%, 35.7% and 29.6%, respectively, of our total revenue for the same periods. We cannot assure you that we will be able to retain our existing customers or that they will maintain their current level of purchases from us, as our sales are generally made on the basis of individual purchase orders we receive from time to time. Although we have entered into several strategic cooperation agreements with some of our customers, we generally do not have fixed purchase commitments from our customers as we allow our customers flexibility in relation to the volume, timing and pricing of their orders under these contracts on a case-by-case basis. Therefore, the volumes of products actually purchased by our customers under these contracts in any given period, as well as the timing and amount of revenue we recognize in such period, may not correspond to the terms of these contracts. As a result, the revenue we recognize from sales under these contracts from period to period may vary, and such variance could have a material adverse effect on our results of operations and financial condition.

In addition, any failure to maintain our established relationships with our large customers, due to unsuccessful sales and marketing efforts, limited production capacity, lack of suitable products, unsatisfactory customer support and aftermarket services or any other reason, could result in the loss of our major customers and their business. In particular, sales of our hydraulic roof supports historically were affected by our production capacity limitations, which also resulted in the weighted average utilization rates for our hydraulic roof support production lines to exceed 100% during the Track Record Period. To increase our production capacity to meet the increasing market demand, we have established a new manufacturing facility in Zhengzhou focusing on the production of hydraulic roof supports which commenced operations in September 2011. We cannot assure you that we will not experience production capacity limitations in the future due to increased demand. Our production capacity limitations may adversely affect our ability to accept additional orders from our customers, or may result in production delays that affect our product delivery schedules. The occurrence of any of the foregoing could have a material adverse effect on our customer relationships, and could result in the loss of potential or existing customers in the future. If we lose a key customer, or if a key customer significantly reduces its purchases or delays a major purchase due to the deterioration of its financial condition or for other reasons, or if demand in our industry decreases significantly, or if we fail to replace our major customers, our business, results of operations and financial condition could be materially and adversely affected. In addition, our bargaining power may be constrained due to the effects of consolidation in the PRC coal mining industry, which has required coal mining equipment manufacturers to utilize various measures to maintain their relationships with large coal mining enterprises and other major customers.

Furthermore, we currently depend on our sales agents to market and sell our products in the international markets. While we expect to provide marketing, sales and aftermarket services through our international sales and service network in the near future, we cannot assure you that our sales agents in the meantime will continue to assist us in expanding our customer base. We also cannot assure you that our sales and service network will be adequate to replace our sales agents and meet the needs of our customers. If we are unable to maintain our relationships with our customers either through our existing sales agents or our sales and service network, our business, results of operations, financial condition and future prospects may be materially and adversely affected.

We may not be able to offer technologically improved products to our customers.

We believe that our customers in the coal mining industry generally focus on products that can be customized to their specifications and utilized in their operations. In addition, our customers seek to improve the automation, standardization and integration of equipment utilized in their coal mining operations. In this regard, we focus on producing customized mining equipment in accordance with the geological conditions of the mines that allows our customers to conduct safe and cost-efficient operations with minimal operational downtime. To remain competitive, we must continuously develop new and innovative products and/or enhance our existing product lines to ensure our products continue to be accepted by our customers on an ongoing basis. However, we may not be able to continue enhancing our research and development capabilities to develop new and innovative products or to enhance existing products to meet the evolving requirements of our customers. In addition, we may not be able to successfully bring newly-developed products to the market, or our competitors could develop, manufacture and sell equipment that is more technologically advanced, more price competitive or otherwise better received in the market than ours. If any of the foregoing were to occur, demand for our mining equipment could be materially and adversely affected, which would result in a material adverse effect on our business, results of operations and financial condition.

Our business operations require significant and continuous capital investment.

We have incurred, and will continue to incur, significant capital expenditures to expand our business operations. See "Future Plans and Use of Proceeds." For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our capital expenditures were RMB262.3 million, RMB550.7 million, RMB497.1 million and RMB274.2 million, respectively, which were primarily used for the purchase of land use rights and manufacturing equipment, as well as the establishment of new facilities. We will also require additional capital funding to establish overseas manufacturing facilities, sales and aftermarket service networks and research and development centers in our international operations, as well as for working capital and other general corporate purposes in our domestic operations. If we are unable to secure sufficient capital funds when required, we may not be able to fund our required capital expenditures to support our business operations. The availability of external funding is subject to various factors beyond our control, including government approvals, prevailing conditions of the capital and financial markets, availability of credit, interest rates, investors' perception of the coal industry and the performance of the businesses we operate. Any inability to obtain additional funding in a timely manner and on reasonably commercial terms could materially and adversely affect our business, results of operations, financial condition and expansion plans.

Our continued success depends in part on our ability to protect our intellectual property and know-how and not infringe on the intellectual property rights of third parties.

Our continued success depends in part upon our ability to develop new technology and machinery, which is affected by our ability to protect our intellectual property and know-how. To protect our intellectual property and know-how, we principally rely on trademark and patent laws and, to a lesser extent, technology confidentiality agreements, non-competition agreements and other contractual arrangements and laws relating to unfair competition. However, these measures could prove inadequate to protect our intellectual property and know-how from infringement by others or to prevent misappropriation of our proprietary rights, technologies or know-how. The intellectual property laws of PRC and Russia, where we have registered our intellectual property rights, are still evolving. As such, the protection of, and enforcement with respect to, intellectual property rights in the PRC and Russia may significantly differ from those in other jurisdictions. In addition, the enforcement of our intellectual property rights could be costly and divert management's attention and resources, and we may not be able to immediately detect the unauthorized use of our intellectual property and enforce our rights. Furthermore, other than two international patents that we have registered with Rospatent, we have not registered our patents and trademarks in any overseas countries, particularly in those countries that will be the focus of our international expansion plans. As we execute our international expansion plans, we will seek to register selected patents that are suitable for general application, as well as certain material trademarks for brand name protection purposes in selected international markets. However, we cannot assure you that we will be successful in obtaining adequate patent and trademark protection for our intellectual property rights in the international markets. Any inability to protect our proprietary technologies and know-how and enforce our intellectual property rights could have a material adverse effect on our business, results of operations and financial condition.

In addition, we cannot assure you that any of our existing intellectual property rights will not be challenged by third parties. Although we did not face any material challenges or legal action by third parties in relation to our intellectual property rights during the Track Record Period, we cannot assure you that we will not infringe upon the intellectual property rights of third parties in the future. We may incur substantial legal and other costs as a party to an intellectual property lawsuit, which could affect our business, results of operations, financial condition and profitability. Moreover, any judgment against us would materially and adversely affect our business and financial condition by potentially limiting our product offerings.

We may be adversely affected by a reduction in advance payments from our customers.

Advances from customers primarily comprise cash and bank note payments in accordance with our standard payment terms. Advance payments from customers contribute to our cash flow and allow us to reduce our reliance on bank borrowings for working capital requirements which, consequently, enables us to lower our finance costs and increase our net profit margin. We had advances from customers of RMB1,532.1 million, RMB1,596.5 million, RMB1,673.9 million and RMB1,299.5 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. However, in line with industry practice, from time to time and on a case-by-case basis, we may waive or reduce the amount of the initial installment payments or extend the payment terms for certain long-term and/or large customers with positive credit profiles, or customers with whom we intend to develop strategic, long-term relationships, with an aim to enhance our competitiveness and market profile. We may also waive or reduce advances for customers such as Henan Coal and Chemical Industry that may choose to directly order our products, instead of procuring our products through the bidding process. Advances from customers decreased by RMB374.4 million from RMB1,673.9 million as of December 31, 2011 to RMB1,299.5 million as of June 30, 2012, which partially contributed to our negative net operating cash flows for the six months ended June 30, 2012. See "Financial Information — Liquidity and Capital Resources — Cash Flows — Net Cash From/(Used in) Operating Activities." If we reduce or eliminate advance payments from customers as a result of changing industry practice, competitive factors or for any other reason, we will have to seek alternative means to fund our working capital needs, which could increase our finance costs and result in a material adverse effect on our results of operations, financial condition and net profit margins.

In addition, our ability to collect advances and pre-payments from our customers depends on the financial condition of our customers, competitive factors, market conditions and other factors beyond our control. We cannot assure you that we will be able to timely collect, or at all, advance payments from customers according to our payment terms. Any inability to collect such advance payments, or the delay or failure of our customers in making advance payments, could result in a material adverse effect on our business, results of operations, financial condition and prospects. In the event that we are unable to obtain adequate financing to fund our operations, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We may be unable to obtain, retain or renew required permits, licenses, registrations or certificates for our business operations.

We are required to maintain certain permits, licenses, registrations and certificates issued by relevant government agencies in the PRC and the overseas jurisdictions in which we operate to conduct our business operations. See "Regulation." For example, our customers in the PRC typically require us to maintain the Safety Certificate of Approval for Mining Products issued by the Mining Products Safety Approval and Certification Center and specified by the SACMS for sales of coal mining and excavating equipment to our customers. In addition, we are required to obtain certifications and approvals from the relevant overseas regulatory agencies for the export of our products to overseas markets, such as the GOST and CE certificates, which are pre-requisites for us to export our products to Russia and the European Union, respectively. We are also required to obtain overseas safety permission for mining equipment, such as the DGMS approval for our products to be sold in India.

We cannot assure you that we will be able to renew our existing approvals, permits, licenses, registrations or certificates when they expire or that we will be able to successfully obtain, retain or renew future permits, licenses, registrations or certificates in a timely manner, or at all. In addition, we cannot assure you that such permits, licenses, registrations or certificates will not be revoked for whatever reason by the relevant authorities in the future. Failure to obtain or renew such permits, licenses, registrations and certificates as planned may result in delays in the sales and manufacturing of our coal mining and excavating equipment or our expansion plans, thereby materially and adversely affecting our business, results of operations and financial condition.

We have not obtained valid land use right certificate for one parcel of land that we own and valid building ownership certificates for certain buildings or units that we own and occupy.

As of the Latest Practicable Date, of the 12 parcels of land owned by our Group, we have obtained the relevant land use right certificates in respect of 11 parcels of land with a total site area of approximately 1,249,146.28 sq.m. and have applied for the relevant land use right certificate in respect of the remaining one parcel of land with a site area of approximately 17,679.71 sq.m. As advised by our PRC Legal Advisers, there is no legal impediment for us to obtain the land use right certificate to such parcel of land. As of the Latest Practicable Date, we have obtained the building ownership certificates in respect of 189 buildings or units with a total GFA of approximately 588,438.89 sq.m. and have not yet obtained the building ownership certificates in respect of 52 buildings or units occupied by our Group with a total GFA of approximately 25,151.63 sq.m. See "Business — Real Property." While our Directors believe that our overall business operations will not be materially and adversely affected by the absence of the relevant land use right certificate or building ownership certificates, our rights and privileges arising from the use of these properties, land and buildings may be adversely affected due to the absence of valid certificates. Moreover, we cannot assure you that there will not be challenges against our rights to these or any other properties, land and buildings that we use or occupy. Any claims or actions in this regard may interfere with our operations and activities that occur on the relevant properties, land or buildings.

As our products are custom-made, any breach of contracts by our customers after we commence the manufacturing process may have a material adverse effect on us.

Our products are generally custom-made in accordance with our customers' specifications and thus may not be suitable for other customers or general application. If our customers breach their sales contracts with us after we commence the manufacturing process, we may incur unnecessary production costs, waste raw materials and other resources and delay our overall production timetables. In addition, it may be difficult for us to sell to other customers any completed products that have already been manufactured. Our customers are generally required to pay: (i) 30% of the total contract price at the signing of the sales contract; (ii) 30% of the contract price before volume production or delivery; (iii) 30% of the contract price upon the expiration of the credit period that we generally grant to our customers after delivery and completion of installation of our products; and (iv) 10% of the contract price upon the expiration of the warranty period, which is typically one year after the commencement of operation of our products. As such, we are subject to risks relating to recovering the costs incurred should our customers breach their sales contracts. For example, in 2010, one of our hydraulic roof supports customers defaulted on its obligations under its sales contract due to its delay in obtaining the required mining licenses after its corporate restructuring. Accordingly, we recorded an impairment loss of inventory of RMB10.0 million for this unsold set of hydraulic roof supports. Since the occurrence of the default, we have not made any sales to that particular customer. In this regard, we intend to: (i) enhance our management of customers' operational information and update our customers credit analysis; (ii) implement stricter customer selection policies and internal contracts review procedures; (iii) utilize customized installment payment percentages in our sales contracts that take into account customer credit profiles and payment history; (iv) enhance customer evaluation guidelines for our sales staff; and (v) closely monitor contract performance to implement an early warning system to prevent, or mitigate the effects of, customer defaults.

However, despite these planned measures, we cannot assure you that our customers will always comply with, or will not default on, their obligations under our sales contracts in the future. The failure of our customers to comply with sales contracts, for whatever reason, may have a material adverse effect on our business, results of operations, financial condition and cash flows.

The establishment and operation of joint ventures and the completion of any acquisitions, may subject us to risks and uncertainties.

As of the Latest Practicable Date, we had various joint venture companies with various third parties. We primarily cooperated with domestic machinery manufacturers in the PRC to establish these joint ventures to: (i) establish additional manufacturing capacity; (ii) develop and produce additional types of coal mining and related equipment; (iii) provide aftermarket services; and (iv) cover additional markets in the PRC. Currently, our equity interests in our principal joint venture companies range from 7.5% to 49%. Certain of these joint venture companies are our associates, which we do not control. In addition, our control over joint venture companies is or may be subject to the terms of the relevant joint venture agreements or articles of association, which may not provide us with the right to control all of the actions, business decisions, proposed strategies, policies or objectives of the joint venture companies. Furthermore, our joint venture partners may: (i) have different economic or business interests and goals; (ii) take actions contrary to our instructions or requests; (iii) be unwilling or unable to fulfill their obligations under the joint venture agreements; or (iv) have financial or operating difficulties, which exposes us to credit risk. As such, we cannot assure you that the occurrence of any of these incidents will not result in disputes between us and our joint venture partners, or that any joint venture partner will not breach its obligations to us. If a dispute cannot be timely resolved in a manner satisfactory to us, the business and results of operations of the affected joint venture company may be adversely affected, and the joint venture company may face the risk of termination if the dispute remains unresolved. The occurrence of any of these events could result in a material adverse effect on our business, results of operations and financial condition.

As part of our growth strategy, we may continue to explore opportunities to complement our existing businesses, such as acquisitions and establishment of new joint ventures. However, as of the Latest Practicable Date, we have not identified specific acquisition plans or targets, and have not entered into any definitive agreements with any potential targets. Such opportunities have risks and uncertainties, which include but are not limited to:

- the difficulty in integrating the acquisition targets;
- inability to generate sufficient profits to offset the costs and expenses of acquisitions;
- risks relating to the business, management, technology, market acceptance and potential loss of, or harm to, relationships with employees, customers and business partners;
- the availability, terms and cost of any financing required to make an acquisition or complete an expansion plan;
- potential ongoing financial obligations or unforeseen or hidden liabilities of our acquisition targets;
- diversion of resources and management attention from our existing businesses; and
- delays in securing or inability to secure necessary governmental approvals, third-party consents and land use rights.

In addition, any acquisition may also cause us to assume liabilities and acquire goodwill or non-amortizable intangible assets which would increase our expenses and working capital requirements. Accordingly, if we fail to manage and/or successfully integrate our acquisitions or joint ventures, our business, results of operations and financial condition may be materially and adversely affected.

We may be subject to product liability claims, litigation, warranty claims or negative publicity.

The sale of coal mining and excavating equipment entails an inherent risk of product liability and other claims. Product liability refers to a manufacturer's or seller's tort liability for any damages or injuries suffered by a buyer, user or bystander as a result of a defective product. Underground coal mining is an inherently dangerous activity that is subject to numerous risks. Since our coal mining and excavating equipment is only used in underground mining operations, it is possible that people could be severely injured or killed in mining operations as a result of underground water, flooding, gas explosions, equipment malfunction, product defects, improper installations or other related causes. As such, we may be subject to liabilities as a result of accidents that arise from the use of our coal mining and excavating equipment. While we did not experience any product liability issues during the Track Record Period, we cannot assure you that our coal mining and excavating equipment will continue to perform as expected, will be properly used by mining operators, or will not become defective. Any incidents affecting our products, manufacturing operations or the performance of our products could result in accidents, severe injuries, fatalities or financial losses to our customers. If any of the foregoing were to occur, we may be subject to product liability claims and other claims under PRC laws or the laws of other jurisdictions where our products are sold and/or operated. We have not obtained insurance coverage for product liability and have not implemented any other protection scheme.

The warranty period provided in our sales contracts is typically one year after the commencement of operation of our products. Our warranty services are provided at our expense to our customers during the warranty period and generally comprise repair and maintenance of parts or components. If our products do not meet the specifications and requirements of our customers, or if any of our products are defective, such defects and any resulting complaints or negative publicity could materially and adversely affect the sales of our products and our brand name. We may also be subject to product liability and other claims and litigation. Any such claim, regardless of the merits or adjudication of the claim, could result in significant costs, harm our reputation and may divert or strain the limited resources of our management. Furthermore, if any such claim was ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse effect on our business, results of operations and financial condition.

Reliance on information technology systems may subject us to risks and uncertainties.

We rely on our information technology systems to facilitate our product development, manufacturing processes, customer services and overall business operations. Our ability to maintain our competitiveness in the coal mining and excavating equipment market is partially dependent on our ability to enhance and upgrade our information technology systems. We strive to continuously enhance and upgrade our information technology systems. For example, we are currently building a comprehensive digital manufacturing center that utilizes advanced management and planning systems for our product life-cycle management. However, our current back-up systems and disaster management plans are limited, and may not be able to prevent the loss of critical data and the interruption of our business operations in the event of any natural disasters, major failures, interruptions or breakdowns, the occurrence of which is beyond our control. If our information technology systems are affected by any natural disasters, major failures, interruptions or breakdowns, our business, results of operations and financial condition may be materially and adversely affected.

We are affected by general PRC and global economic and market conditions.

For the past three years, the global financial crisis and economic downturn have materially and adversely affected the global economy, including the economy of the PRC. Primarily as a result of the continued effects of the global financial crisis in 2008 and the recent euro zone sovereign debt crisis, there has been a general slowdown in the growth of the overall economy of the PRC. We cannot predict whether these adverse conditions will continue, how this may affect the overall global economy, and what effect this may have on the global and PRC coal industries, as the growth of the overall coal industry is generally correlated to global macroeconomic conditions. Any slowdown of the growth and development of the global and PRC coal industries may have a corresponding effect on our industry and demand for our products. In addition, the PRC government may implement measures to control liquidity in the market, including increases of interest rates, which could contribute to a slowdown in the overall economy of the PRC and result in further adverse developments in the PRC coal mining industry, such as reduced domestic coal demand due to reduced energy consumption, decreased coal prices and production output, downward pressure on coal prices or slowed coal mining industry development. While our sales and business operations were not materially affected by the global financial crisis and past macroeconomic developments, future adverse developments in the overall economy of the PRC could reduce the demand for our products in the domestic market and result in a material adverse effect on our business, results of operations and financial condition.

In addition, we have customers, and are able to provide related aftermarket services, in Russia, Turkey and India, and we plan to expand our operations in these countries. We also plan to enter additional international markets, including coal-rich countries or countries with mining operations that utilize longwall mining techniques, such as the United States, Australia, Vietnam, Mexico, Colombia, South Africa, Brazil, Ukraine and Kazakhstan. As such, our business, results of operations and financial condition are also affected by general global macroeconomic trends and developments. In particular, the ongoing euro zone sovereign debt crisis and continued weakness and uncertainty regarding the durability of the emerging economic recovery in the United States and elsewhere in the world, have resulted in substantial fluctuations in the global financial markets and adversely affected the global economy, including the PRC and other countries in which we currently have business operations or sell our products. Any further deterioration of the economic conditions in Europe and the United States could materially and adversely affect the overall demand for our products, which could result in a material adverse effect on our business, results of operations and financial condition. These uncertainties could also negatively impact our goal to expand our business internationally.

Preferential tax treatments currently available to us in the PRC could be discontinued or reduced.

The PRC government identified eight new technology sectors that are eligible for government support in the *Measures for the Administration of Designation of High and New Technology Enterprises* (the "Measures") in April 2008. Such new technology sectors include electronic information technology, biotechnology and new medical technology, aerospace technology, new material technology, high-tech services, new energy and energy-saving technologies, renewable resources and environmental technologies and the application of new technologies to enhance traditional industries. In accordance with the Measures, our Company received the High and New Technology Enterprises Certificate (the "Technology Tax Certificate") on November 14, 2008, which was renewed on October 28, 2011. Under these certificates, our Company is entitled to an enterprise income tax rate of 15% for the subsequent three years starting from January 1, 2011. In addition, two of our subsidiaries, ZMJ Hydraulic Control and ZMJ Comprehensive Equipment, received the Technology Tax Certificates in accordance with the Measures on August 8, 2010 and November 8, 2010, respectively, and are entitled to an enterprise income tax rate of 15% for the subsequent three years starting from January 1, 2010. See "Financial Information — Description of Selected Items of Our Statements of Comprehensive Income — Income Tax Expense." However, we cannot assure you that our Company or subsidiaries will be able to continue to enjoy any further preferential tax treatments after the respective expiration dates, or that we or our subsidiaries will be able to pass the required annual assessment to qualify for preferential tax treatments. If there is any discontinuation or reduction of the preferential tax treatments, our business, results of operations and financial condition could be materially and adversely affected.

We may be affected by increases in labor costs and inflation.

Labor costs in the PRC have risen in recent years as a result of continued economic development and increased PRC government regulations. In addition, since 2009, inflation in the PRC has increased. According to the National Bureau of Statistics of the PRC (the "NBS"), consumer price index in the PRC was -0.7%, 3.3% and 5.4% in 2009, 2010 and 2011, respectively. Since we primarily depend on domestic employees for our operations and local energy supplies for our PRC-based manufacturing facilities, rising labor costs and inflation in the PRC could increase our overall production costs, which may adversely affect our business, results of operations, financial condition and prospects.

The interests of our Controlling Shareholder may conflict with the interests of our other Shareholders.

Immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised, our Controlling Shareholder will own approximately 32.14% of our then enlarged issued share capital. Henan SASAC is and is expected to continue to be in a position to control the composition of a majority of the Board, and is our Controlling Shareholder. Subject to our Articles of Association and applicable laws and regulations, Henan SASAC is expected to continue to have the ability to exert influence on our management, policies and business. Our Controlling Shareholder may vote, take other actions or make decisions that conflict with our interests or the interests of our other Shareholders.

Our growth depends on our ability to continue to attract and retain qualified personnel, including our senior management members and our core technical personnel.

The industry expertise and extensive contributions of our executive Directors and other members of our senior management are essential to our success to date and our continued development. For instance, Mr. Jiao Chengyao, the Chairman of our Company, and Mr. Shao Chunsheng, the Vice Chairman of our Company, each of whom has approximately 27 years of related experience, have been instrumental to our growth and success to date. In addition, most of the members of our senior management have been with us for a substantial period of time. As we continue to expand our operations and grow our business, we will increasingly require these individuals, as well as our executive Directors and senior management, to provide guidance and leadership. If we lose the services of our Chairman, Vice Chairman, or any of our executive Directors and senior management members, and are unable to recruit and retain replacement personnel with equivalent qualifications on a timely basis, the growth of our business could be materially and adversely affected.

In addition, we rely heavily on our employees, which include skilled manufacturing workers, equipment operators, engineers and other technical personnel. Demand for these personnel is currently high and supply is limited, particularly for skilled and experienced engineers and technicians, such as electric welders. We cannot assure you that we will be able to continue to attract and retain sufficient skilled and experienced engineers and technicians in the future. If we fail to recruit, retain or train skilled employees, our growth and business prospects could be materially and adversely affected.

We may be unable to comply with environmental, occupational health and safety and other regulations.

As a coal mining and excavating equipment manufacturer with most of its operations in the PRC, we are required to comply with a variety of national and local regulations with respect to environmental protection and occupational health and safety. In addition, we are also subject to other regulatory requirements in all aspects of our operations, including licensing and certification requirements and procedures for manufacturers, and operating and safety standards. PRC manufacturers are required to obtain certain permits and licenses from various PRC governmental authorities, including pollutant discharge permits for any pollutants discharged during the manufacturing process. We have obtained permits, licenses and certifications for the distribution of our products. These permits and licenses are subject to periodic renewal and/or reassessment by the relevant PRC government authorities. In order to maintain or renew our licenses, certificates, permits or approvals, we are subject to various periodic inspections, examinations, inquiries and audits by the relevant PRC regulatory authorities in accordance with applicable PRC laws and regulations. If we are found to be non-compliant, or if we fail to obtain, maintain or timely renew the necessary licenses, certificates, permits or approvals, our business, results of operations and financial condition may be materially and adversely affected. Such non-compliance could also subject us to administrative penalties, which could result in negative publicity and harm to our brand name and reputation and, in more serious cases, significant fines and criminal liability. In addition, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain additional permits, licenses and certifications that were previously not required to operate our existing businesses, we cannot assure you that we may successfully obtain such permits, licenses or certifications.

Our PRC Legal Advisers and our Directors have confirmed that we complied with all relevant PRC environmental, occupational health and safety and other related regulations and laws in all material aspects during the Track Record Period. However, PRC environmental and occupational health and safety regulations are continuously evolving. While we did not experience any material issues with respect to compliance with environmental, occupational health and safety and other safety regulations during the Track Record Period, we cannot assure you that we will be able to comply with applicable regulations in the future or that future compliance will not entail materially greater expenses. The remedy of any past non-compliance may require us to incur material additional costs. Failure to comply with any of these regulations could result in, among other things, the untimely delivery of goods, delayed receipt of revenue, loss of income, the accrual of substantial costs and fines and the suspension or termination of our contracts and operations. Any limitations or costs incurred as a result of our non-compliance with environmental, occupational health and safety and other regulations may have a material adverse effect on our business, results of operations and financial condition.

Our insurance coverage may be insufficient to cover all risks of loss associated with our business operations.

As of the Latest Practicable Date, we had RMB1.7 billion of insurance coverage, covering losses which may arise from property damage to our facilities and equipment at our headquarters, as well as losses from damage to the facilities, equipment and inventory of ZMJ Shun Li Machinery. We also carry pension, medical, unemployment insurance, occupational injury and maternity insurance for our employees in compliance with the relevant PRC laws and regulations. Although we believe we maintain all necessary insurance coverage mandated under PRC laws and in an amount consistent with customary industry practice, we have not obtained fire, liability and other property insurance for our property, equipment or inventory in most of our subsidiaries. In addition, consistent with what we believe to be the customary industry practice in the PRC, we do not carry any insurance for business interruption or loss of profit arising from accidents at any of our production facilities or other disruptions. Therefore, accidents or natural disasters may result in significant property damage, disruption to our operations and personal injuries, and our insurance coverage may be inadequate to cover such losses. In the case of an uninsured loss or a loss in excess of our insured limits, we could lose all or a portion of our production capacity and our anticipated future revenues from the affected facilities, as well as our ability to fulfill our contractual obligations could be adversely affected which could, in turn, adversely affect our reputation. Moreover, we do not carry key-man insurance, and if we lose the services of any senior management and key personnel, we may not be able to identify suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and adversely affect our prospects. We cannot assure you that our current insurance policies will insure us against all risks and losses that may arise in the future, nor can we assure you that we will enter into new insurance policies or renew our current policies on similar or commercially acceptable terms, if at all. As such, any loss associated with our insurance coverage could have a material adverse effect on our business, results of operations and financial condition.

We may have difficulties in monitoring and implementing internal control measures for our business operations in an effective and timely manner.

Upon completion of the Global Offering, we will be subject to the additional reporting obligations of the Hong Kong Stock Exchange, in addition to existing requirements of the Shanghai Stock Exchange. These obligations include, among others, preparing annual and interim reports of our business, results of operations and financial condition, including financial statements in accordance with IFRS. Our reporting obligations as a publicly-listed Hong Kong company and implementing necessary internal controls and risk management policies may place additional demand on our management and our operational and financial resources. Prior to the Global Offering, the development of our management and internal control measures has largely coincided with the expansion of our business and our A Share Listing. Some of our internal control and coordinating measures relating to our operations may not be implemented in a manner in accordance with IFRS throughout the Group, particularly after the acquisition of new subsidiaries or the establishment of new joint ventures in the PRC. In addition, we conduct our overseas operations in several countries and jurisdictions, and such operations may be governed by different laws, regulations, business practices and conventions. Our unfamiliarity with these foreign laws and regulations, or our inability to effectively manage the activities of our overseas subsidiaries may expose us to legal risks and liabilities. Accordingly, as we integrate the operations of our various subsidiaries and their operations, we will need to continue to enhance our management and internal control mechanisms. However, we cannot assure you that we will be able to successfully implement internal control mechanisms that will sufficiently respond to our expanded scope of operations. We also cannot assure you that our employees will not act in such a way that contravenes our internal control procedures.

Our production and operations may be affected by factors beyond our control.

Our manufacturing facilities are subject to numerous risks beyond our control, including, among others, equipment failures, earthquakes, fires, acts of terrorism, explosions, adverse weather conditions, accidents, power outages and other man-made or natural disasters. In addition, manufacturing processes for heavy machinery are inherently dangerous due to the complexity of the production environment, materials involved and human error in the operation of heavy manufacturing equipment. Although we have established a safety supervision department responsible for ensuring the safety and protection of our employees, we cannot assure you that serious accidents, physical injuries or fatalities will not occur.

Furthermore, members of our work force are currently employed under employment contracts which specify, among other things, each employee's position, responsibilities, remuneration and grounds for termination pursuant to the *PRC Labor Law* and other relevant regulations. However, the *PRC Labor Law* and other relevant regulations are subject to change, and we cannot assure you that any such change would not result in additional costs, restrictions or other requirements that would have an adverse effect on our business or results of operations. Although we believe that our relationships with our employees are good, we could be subject to employment disputes, strikes, work stoppages or other industrial actions.

The occurrence of any of the foregoing could disrupt our production schedules and business operations. Interruptions in production could increase our costs and delay delivery of our products. In addition, reductions in our production capacity could cause us to reduce or delay sales efforts until production capacity is available. Furthermore, any lost sales or increased costs that we may experience during the disruption of our production process and business operations may not be recoverable under our insurance policies, and longer-term business disruptions could result in a loss of customers. If any of the foregoing were to occur, our business, results of operations, financial condition and profitability could be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

Demand for coal mining and excavating equipment is driven by the demand and supply conditions and other business and regulatory conditions in the coal mining industry, which exposes us to various risks and uncertainties beyond our control.

Our coal mining and excavating equipment sales are derived primarily from domestic sales to major coal mining companies in the PRC and from international sales to reputable coal mining companies in our major export markets. The demand for coal mining and excavating equipment is driven by the demand and supply conditions and other business and regulatory conditions in the global coal mining industry, including, among other factors:

- general global economic conditions and market demand for coal;
- PRC laws, regulations and government policies;
- laws, policies and regulations of the countries that are major export markets of coal and coal mining and excavating equipment, or countries in which we expect to establish production facilities;
- cyclical fluctuations of the coal mining and excavating equipment industry;
- international treaties and customs;
- the amount and expected cost of developing new reserves;
- environmental protection, regulations and the promotion of renewable and alternative sources of energy;
- licensing and export quota systems; and
- occurrence of mining accidents and safety hazards.

Any adverse changes to any of the above in relation to the coal industry and coal mining equipment industry could have a material adverse effect on our business, results of operations and financial condition.

We operate in a highly competitive industry.

We operate in a highly competitive industry and our manufacturing and service operations are subject to significant competitive pressures. We compete directly and indirectly with other domestic and international manufacturers of coal mining and excavating equipment. Our primary competitors include ChinaCoal Beijing Coal Mining Machinery Co., Ltd. ("ChinaCoal Beijing Coal Mining Machinery") and Pingdingshan Coal Mine Machinery Co., Ltd. ("Pingdingshan Coal Mine Machinery") in our hydraulic roof supports, ChinaCoal Zhangjiakou Coal Mining Machinery Co., Ltd. ("ChinaCoal Zhangjiakou Coal Mining Machinery") and Tiandi Science & Technology Co., Ltd. ("Tiandi Science & Technology") in our armored-face conveyor products and International Mining Machinery Holdings Limited ("International Mining Machinery") and Sany Heavy Equipment International Holdings Company Limited ("Sany Heavy Equipment International") in our roadheader products. As we continue to implement our international expansions plans, we expect to face increasing competition from international competitors. Our primary international competitors currently include Caterpillar Inc. ("Caterpillar") and Joy Global Inc. ("Joy Global") in our hydraulic roof supports and coal excavating equipment products, and Caterpillar, Joy Global and KOPEX S.A. ("KOPEX") in our armored-face conveyor products.

Some of our competitors may have better or longer operating track records, larger operations, more well-known brand names and industry reputation, more extensive sales networks coverage or greater financial resources than we do. Some of our competitors may also be publicly-listed companies on foreign stock exchanges and, therefore, may have better access to financing from international capital markets than we do. In addition, certain of our international competitors benefit from the familiarity of their home jurisdictions and developed customer relationships with international coal mining companies. Furthermore, our international competitors may also benefit from the perceived notion that products of international manufacturers are better in terms of technology and quality than PRC-manufactured products. Our competitors may also be less leveraged and may be willing to reduce profits for market share and revenues. As a result of the foregoing, our competitors may be more competitive, have better financing and be able to offer lower prices and more favorable payment terms than we can. If we cannot compete effectively with existing or future competitors, our business, results of operations, financial condition and profitability could be materially and adversely affected.

In addition, many of our customers are large mining companies with substantial bargaining power. They require our equipment to meet high standards of reliability, productivity, safety and cost effectiveness. Some of our customers require us to participate in competitive tenders where we must compete on the basis of various factors, including performance guarantees, pricing, lead times, operating costs, productivity, design, reliability, aftermarket service and other commercial factors. Furthermore, some of our customers have developed, or are currently developing internally, coal mining and excavating equipment manufacturing capabilities, and are seeking to expand into the high-end coal mining and excavating equipment market. The development of coal mining and excavating equipment produced by our customers could increase competition within our industry and also result in reduced sales to, and revenue generated from, that particular customer.

The coal mining industry may be affected by the development of alternative energy and climate change, which would affect the coal mining equipment industry.

A portion of our customers supply coal used as fuel in the PRC thermal power generation industry and, as such, the coal mining industry and, to an extent, the coal mining equipment industry in which we operate, are affected by demand and growth of the thermal power industry in the PRC which, in turn, is affected by the development of alternative energy, climate change and global environmental factors. If the development of alternative energy technologies reduces the demand for coal in electricity generation processes, then demand for coal may decrease, which could materially and adversely affect the business of our customers and their demand for our products.

In addition, coal combustion generates significant greenhouse gas and other pollutants, and the effects of climate change resulting in global warming and increased pollution levels may provide incentives for governments to promote or invest in "green" energy technologies such as wind turbines, biomass power plants and solar-powered systems, or to reduce their consumption of conventional energy sources such as coal. While the majority of global energy consumption is from conventional energy sources such as coal, alternative energy industries are rapidly developing and are gradually gaining widespread acceptance. In particular, pursuant to the *Twelfth Five-Year Plan* published in 2011, the PRC government plans to encourage the development of alternative energy, such as solar energy, biomass energy and geothermal energy, in the next few years. As such, alternative energy industries may rapidly develop and gradually gain PRC and worldwide mainstream acceptance. If alternative energy technology develops and proves suitable for wide commercial application in the PRC and overseas markets, demand for conventional energy sources, such as coal, could gradually be reduced, which could have a material adverse effect on the coal mining and coal mining equipment industries. Consequently, such developments would also materially and adversely affect our business, results of operations and financial condition.

We may be affected by changes to industry standards.

Consistent delivery of high quality products has been and will continue to be critical to our success. We have implemented a quality control system to ensure that our products meet all relevant national standards and customers' specifications, including standards relating to safety and technological requirements. SACMS is responsible for establishing industry standards and safety requirements for coal mining and excavating equipment in the PRC. As of the Latest Practicable Date, all of our products conform with the relevant industry standards for coal mining and excavating equipment. For example, for the production of hydraulic roof supports with high reliability, we comply with the PRC GB25974.1-2010 national standard. For mining equipment that we export, we comply with local and international standards, such as the GOST certification in Russia and DGMS approval in India. However, we cannot assure you that our current and newly developed products will continue to comply with changing domestic and international industry standards or safety requirements. If we do not comply with these standards or requirements, our business, results of operations and financial condition may be adversely affected.

We may be affected by the consolidation of the PRC coal mining industry.

In order to enhance coal mining safety, efficiency of coal exploration, and environmental protection, the PRC government has taken initiatives to consolidate the coal mining industry. The *Twelfth Five-Year Plan for the Coal Industry Development*, issued in November 2011, encourages the consolidation of the coal mining industry through mergers and restructuring with the ultimate goal of establishing ten large-scale mining enterprises each with an annual production capacity of 100 million tonnes of coal, and ten large-scale mining enterprises each with an annual production capacity of 50 million tonnes of coal by 2015. These large enterprises are expected to have an aggregate output of over 60% of the total national coal mining output each year. In addition, pursuant to the *Coal Industry Policy* published by the NDRC on November 23, 2007, the PRC government encourages the development of large-scale mining enterprises by way of mergers as well as the restructuring of medium-sized and small-sized coal mines in the PRC. As a result of these measures to encourage PRC coal mining industry consolidation, certain large-scale mining enterprise customers, such as Shenhua Group, may have increased bargaining power when negotiating the terms of sales contracts with us, which may result in less favorable terms for us. In addition, a number of large-scale mining companies have started to expand their business lines to include the manufacture of coal mining and excavating equipment. If we are unable to adequately and timely respond to these industry changes, or fail to compete effectively with other suppliers of coal mining and excavating equipment to the large-scale coal mining operators, our business, results of operations, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO THE PRC

We may be affected by changes to the PRC economic, political and social conditions and policies adopted by the PRC government.

We are based in the PRC, and substantially all of our assets are located within, and a significant portion of our revenue is generated in, the PRC. Therefore, our business, results of operations and financial condition are subject to a number of risks relating to conducting business in the PRC, and will be affected to a significant extent by economic conditions, political and legal developments and government policies in the PRC. Although the PRC's economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, the PRC government still exercises significant control over the economic growth of the PRC through allocating resources, controlling foreign exchange and interest rates, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented economic reform measures emphasizing the use of market forces to facilitate the economic development. These economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the PRC. As a result, some of these measures may benefit the overall PRC economy, but may also have a neutral or even negative effect on the coal mining equipment industry and, consequently, our business, results of operations and financial condition.

Additionally, an economic downturn in the PRC may reduce the amount of capital available to the coal industry and result in decreased demand for our products. A substantial majority of our revenue during the Track Record Period was attributable to sales within the PRC. As such, our future success is substantially dependent on the economic conditions in the PRC. Any significant downturn in market conditions, particularly in the PRC and global coal markets, may materially and adversely affect our business, results of operations and financial condition.

We are a PRC company and our A Shares are listed on the Shanghai Stock Exchange and, as a result, we are subject to the relevant PRC rules and regulations.

As a PRC company with A Shares listed on the Shanghai Stock Exchange, we are subject to PRC rules and regulations, especially those issued by the CSRC and the Shanghai Stock Exchange. As it has done so in the past, in accordance with the evolving nature of the capital markets in the PRC, the CSRC and the Shanghai Stock Exchange may revise their existing rules and regulations, or adopt new rules and regulations in the future. For example, in view of substantial amendments to the PRC Company Law and the PRC Securities Law that came into effect on January 1, 2006, the CSRC revised the *Guidelines for the Articles of Association of Listed Companies* (the "AOA Guidelines") on March 16, 2006, which provides that the Mandatory Provisions are still applicable to companies that issue foreign investment shares listed on the overseas stock exchanges, such as the Hong Kong Stock Exchange, and such companies are required to amend their articles of association by reference to the AOA Guidelines. Although the 2006 revision of the AOA Guidelines did not affect the applicability of the Mandatory Provisions for companies dual-listed on both domestic stock exchanges and overseas stock exchanges, we cannot assure you that any future revision of the current rules and regulations or the adoption of new rules and regulations by the CSRC and/or the Shanghai Stock Exchange will not have a material adverse effect on the rights of holders of H Shares.

Because we will be listed in Hong Kong, we are subject to the Special Regulations and the Mandatory Provisions, which impose particular standards of conduct and disclosure on us, our Directors and our Controlling Shareholder. In addition, we may be subject to various new regulations or policies relating to accounting standards or financial reporting, which may be issued by the IASB, or other relevant authorities in Hong Kong and China from time to time. Any changes in our accounting policies and estimates due to the above or otherwise may have a significant impact on the reporting of our financial statements, including our reported profit and shareholders' equity, and we may be required to adjust or restate our financial statements.

We may be affected by PRC government control over the conversion of foreign exchange.

Currently, the RMB is not a freely convertible currency, and conversion and remittance of the RMB to foreign currencies is subject to PRC foreign exchange regulations. Under existing foreign exchange regulations, following completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. We cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, under the current foreign exchange control system, we cannot guarantee that we will be able to obtain sufficient foreign currency to pay dividends to shareholders or to satisfy any other foreign exchange requirements in the future. These limitations could adversely affect our capital expenditure plans and, consequently, our business, results of operations and financial condition.

We face foreign exchange and conversion risks, and may be affected by the fluctuation of the value of the RMB.

As our operations are primarily conducted in the PRC and a majority of our revenue is denominated in RMB, fluctuations in the RMB exchange rate against other currencies did not have a material impact on our results of operations and financial condition during the Track Record Period. However, in line with our business expansion plan, we are exposed to foreign exchange risks because we generate revenues in foreign currencies from sales of our products, while the relevant cost and expenses are denominated in RMB. In addition, the exchange rates between RMB and foreign currencies for our export sales at the time of entry into the sales contract may be substantially different from those at the time when our products are delivered and payment for goods is received. Should the exchange rate of the RMB against the relevant foreign currencies increase substantially, our profit from certain export sales may be eroded. Following the continued development of our overseas operations, our foreign exchange assets may further increase. In particular, we plan to convert a majority of the proceeds denominated in Hong Kong dollars from the Global Offering into Russian rubles, Indian rupees, euros, US dollars or other foreign currencies to establish overseas manufacturing facilities and expand our international sales and service network. The foreign exchange rate of the Hong Kong dollars against an applicable foreign currency at the time we receive the proceeds may be substantially different from the time when we use or invest the proceeds. Furthermore, the conversion of foreign currencies in each overseas market into which we intend to expand will vary according to the time required to secure necessary government approvals, permits and licenses, as well as construction schedules, which are subject to factors beyond our control. Any material fluctuations of the relevant foreign exchange rates may result in increased capital expenditures and reduced gross profits and profit margins from our overseas manufacturing operations.

The value of the RMB steadily appreciated after the PRC government changed its policy of pegging the value of the RMB to the US dollar in 2005. If the PRC government decides to adopt a more flexible currency policy in the future, the RMB may further appreciate, which may cause our export prices of our products to increase and reduce our global competitiveness. On the other hand, if the exchange rate of the RMB against other related currencies were to depreciate, the price of our imported parts, components and equipment when converted into RMB may increase, which may have a material and adverse effect on our business and results of operations. In addition, if we decide to convert our RMB amounts into foreign currency for the purposes of making payments to overseas suppliers or dividends payments on our ordinary Shares, a depreciation of the RMB could reduce the foreign currency equivalent amounts of the RMB we convert, which may materially and adversely affect our results of operations and financial condition.

Moreover, we will need to convert part of the proceeds denominated in foreign currencies from the Global Offering into RMB. The appreciation of the RMB against the Hong Kong dollar could reduce the amount of RMB that would be available for our use upon conversion of such proceeds to RMB. The change in the value of the RMB against other currencies is affected by changes in the PRC's political and economic conditions, among other factors. We cannot predict how the RMB will fluctuate in the future. The fluctuation in the exchange rate between the RMB and other currencies may have a material adverse effect on our business, results of operations and financial condition, and thus your investment.

While we currently do not have a foreign currency hedging policy, we have entered into and may continue to enter into foreign exchange swap agreements and currency forward contracts to manage our exposure to foreign currency exchange risk. As we expand our international operations, we will continue to review our risk profiles. We intend to utilize forward currency contracts and establish specific hedging policies to manage foreign currency risks associated with our international expansion after we receive the net proceeds from the Global Offering and before we establish our overseas manufacturing and related facilities. However, the availability and effectiveness of these transactions and our internal review processes may be limited and we may not be able to successfully hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on our results of operations and financial condition.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law and our Articles of Association, we may only pay dividends out of our distributable profits. Distributable profits are our net profits as determined in accordance with PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and allocations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year will be retained and available for distribution in subsequent years.

Moreover, because distributable profits are calculated differently under PRC GAAP from those under IFRS, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Any failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our shareholders in the future, including in those periods for which our financial statements indicate that our operations have been profitable.

Holders of H Shares may be subject to PRC taxation.

Under PRC tax laws, rules and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us or the gains realized upon the sale or other disposition of the H Shares.

According to the *Circular on Issues Concerning Taxation and Administration of Individual Income Tax*, issued by the SAT and effective on June 28, 2011, which superseded the *Guo Shui Fa [1993] No.45* (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), we are required to withhold PRC individual income tax at a rate of 20% from any dividend payments that we may declare for non-PRC resident individuals, unless there is an applicable double taxation treaty. Generally, a convenient tax rate of 10% will apply to the dividends paid by our Company to foreign individuals without application according to the applicable treaties. When a tax rate of 10% is not applicable, our Company will: (i) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%, (ii) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%, or (iii) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

For non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishment or premises, under the PRC's EIT Law, dividends paid by us and the gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC enterprise income tax at a rate of

20%. In accordance with the *Notice of the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Shareholders which are Overseas Non-resident Enterprises* (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) issued by the SAT and effective from November 6, 2008, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

As the PRC's EIT Law came into effect on January 1, 2008 and its implementation rules are relatively new, there remains significant uncertainty as to their interpretation and application by the PRC's tax authorities, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual holders of H Shares and on gains realized on the sale or disposition of H Shares. The PRC's tax laws, rules and regulations may also change. As such, any change to applicable tax laws, rules and regulations, and the interpretation and application of such laws, rules and regulations, may materially affect the value of your investment in our H Shares.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.

Unlike common law systems, the legal system in the PRC is a civil law system based on written statutes and in which prior court decisions have limited precedential value. The laws, rules and regulations regarding H Share companies are relatively new and the PRC legal system continues to rapidly evolve, the interpretation and enforcement of these laws and regulations are not always uniform and may involve significant uncertainties, which may limit protections available to us and our Shareholders. These uncertainties may impede our ability to enforce the contracts we have entered into with our customers, suppliers and business partners which could materially adversely affect our business and results of operations. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws, or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws.

It may be difficult to effect service of process on, or to enforce any judgments obtained outside the PRC against us, our Directors, or senior management members who live inside the PRC.

The legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject to are also relatively undeveloped and untested. Although, according to the PRC Company Law that became effective from January 1, 2006, shareholders may commence a derivative action against the directors, supervisors, officers or any third-party on behalf of a company under certain circumstances, to the best of our knowledge, the courts in the PRC have not published any case report of a shareholders' derivative action under the PRC Company Law.

In addition, although we will be subject to the Hong Kong Listing Rules and Takeovers Code, upon the listing of the H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of any violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Takeovers Code does not have the force of law and only provide standards of acceptable commercial conduct for takeovers, merger transactions and share repurchases in Hong Kong.

On July 14, 2006, the Supreme People's Court of the PRC and the Hong Kong Government signed an *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned*. Under such arrangement, where any designated People's Court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective from August 1, 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

Our Articles of Association and the Hong Kong Listing Rules provide that most disputes between holders of H Shares and our Company, our Directors, Supervisors or officers arising out of the Articles of Association or related laws and regulations concerning our Company's affairs, such as transfer of our H Shares, are to be resolved through arbitration. On June 18, 1999, an arrangement was made between Hong Kong and the PRC for the reciprocal enforcement of arbitral awards. This arrangement, made in accordance with the spirit of the *New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards*, was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective from February 1, 2000. Under the arrangement, awards that are made by the PRC arbitral authorities pursuant to the *Arbitration Law* of the PRC can be enforced in Hong Kong, and awards made by Hong Kong arbitral authorities under the *Arbitration Ordinance* of Hong Kong are also enforceable in the PRC. However, so far as we are aware, no action has been brought in the PRC by a holder of H Shares to enforce an arbitral award made by the PRC arbitral authorities or Hong Kong arbitral authorities, and there are uncertainties as to the outcome of any action brought in the PRC to enforce an arbitral award made in favor of a holder of H Shares. Accordingly, we are unable to predict the outcome of any such action.

The PRC is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with foreign countries such as the United States, the United Kingdom and Japan, and therefore enforcement in the PRC of judgments of a court in these jurisdictions may be difficult or impossible.

Any recurrence of natural disasters or severe contagious diseases in the PRC may adversely affect us.

Our products are manufactured and assembled at our facilities located in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, construction projects and livelihood of the people of the PRC. Material damage to, or the loss of, the facilities due to fire, severe weather, flood, earthquake, or other acts of God or cause may not be adequately covered by proceeds of our insurance coverage and could materially and adversely affect our business and operating results. Acts of war and terrorist attacks may cause damage or disruption to our business, our employees and our markets, any of which could adversely impact our business and operating results.

Any future outbreaks of contagious diseases, including avian influenza and severe acute respiratory syndrome, or SARS, may materially and adversely affect our business and results of operations. There have been reports in the past of outbreaks of a highly pathogenic avian influenza caused by H5N1 virus in certain regions of Asia and Africa since 2004. The World Health Organization and other agencies have issued and may continue to issue warnings on a potential avian influenza pandemic if there is sustained human-to-human transmission. Furthermore, the World Health Organization in April 2009 raised its pandemic alert level in response to an outbreak of influenza A caused by the H1N1 virus that originated in Mexico, and resulted in a number of confirmed cases worldwide. An outbreak of avian influenza in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, a recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in the first half of 2003, which affected the PRC, Hong Kong and certain other areas, could have similar adverse effects. We cannot assure you that any future outbreak of avian influenza, SARS, influenza A (H1N1) or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, influenza A (H1N1) or other epidemics, will not seriously interrupt our operations or those of our suppliers or customers, which may have a material adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO OUR SHARES AND THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and the liquidity, market price and trading volume of our H Shares may be volatile.

Prior to the Global Offering, our H Shares were not offered to the public in Hong Kong. The Offer Price will be determined by the Joint Global Coordinators, on behalf of the Underwriters, and us. The Offer Price may not be indicative of the price at which our H Shares will trade following the completion of the Global Offering. We also cannot assure you that there will be an active and liquid public trading market for our H Shares or, if it exists, that it can be sustained following the completion of the Global Offering, or that the market price at which our H Shares will trade will not fall below the Offer Price. Furthermore, the price and trading volume of our H Shares may be volatile, and are subject to the following factors:

- actual or anticipated fluctuations in our revenue and results of operations;
- announcements of competitive developments, acquisitions or strategic alliances in the industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation, regulatory investigations or other administrative actions;
- general market conditions, macroeconomic factors or other developments affecting us or our industry;
- fluctuations in the price and trading volume of the A Shares on the Shanghai Stock Exchange;
- any recruitment or loss of our key management and other personnel; and
- release of lock-up or other transfer restrictions on our outstanding H Shares, or the sale or perceived sale of additional H Shares by us or our shareholders.

In addition, the H shares of other PRC issuers listed on the Hong Kong Stock Exchange have experienced price volatility in the past and it is possible that our H Shares could be subject to changes in price that are not directly related to our performance and results of operations.

The characteristics of the A share and H share markets may differ.

Our A Shares have been listed and traded on the Shanghai Stock Exchange since August 3, 2010. Without approval(s) from the relevant regulatory authorities, our A Shares and H Shares are neither interchangeable nor fungible, and there is no trading or settlement between the A share and the H share markets. The A share and H share markets have different trading characteristics (including trading volume and liquidity) and investor bases, including different levels of individual and institutional participation. As a result of these differences, the trading price of our A Shares and H Shares may not be the same. Moreover, fluctuations in our A Share price may affect our H Share price, and vice versa. Because of the different characteristics of the A share and H share markets, the changes in the prices of our A Shares may not be indicative of the price trend of our H Shares' performance. Therefore, you should not place undue reliance on the recent trading history of our A Shares when evaluating the Global Offering.

Purchasers of our H Shares will experience immediate dilution and may experience further dilution if we issue additional H Shares in the future.

The Offer Price of the H Shares is higher than our net tangible assets value per H Share immediately prior to the Global Offering. Therefore, purchasers of the H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible assets value of HK$6.60 per H Share, based on the maximum Offer Price of HK$12.28. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our H Shares may experience dilution in the net tangible assets value per H Share if we issue additional H Shares in the future at a price which is lower than our net tangible assets value per H Share.

Our historical dividends may not be indicative of our future dividends.

During the years ended December 31, 2009 and 2010, we declared cash dividends in the aggregate amounts of approximately RMB16.2 million (being our 2008 final dividend) and of RMB84.0 million (being our 2009 final dividend), respectively. For further details regarding these dividends, please refer to note 17 to the accountants' report included as Appendix I to this prospectus. On September 28, 2011, we convened our first 2011 extraordinary general meeting and approved the proposal for distribution of accumulated profits prior to the Global Offering, pursuant to which we declared an interim cash dividend of RMB0.45 per share (equivalent to an aggregate amount of RMB315.0 million). On February 28, 2012, we convened our 2011 annual general meeting. At that meeting, we approved the proposal for distribution of profits in respect of the financial year of 2011, and we declared a cash dividend being our 2011 final dividend of RMB0.12 per share (equivalent to an aggregate amount of RMB84.0 million on the basis of the Company's then total issued share capital comprising 700,000,000 A Shares) for distribution to holders of our A Shares registered as of March 12, 2012.

Although we have paid dividends in the past, we cannot assure you that our dividend policy will not change, and potential investors should be aware that the amount of dividends that were paid in the past should not be used as a reference or basis upon which future dividends will be determined. Whether dividends will be distributed and the amount to be distributed will depend on factors such as our profitability, financial condition, business development requirements, legal and contractual restrictions, future prospects and cash requirements. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association, contractual restrictions and PRC laws, including the approval(s) of our Shareholders and/or our Directors. For PRC law relating to the payment of dividends, please refer to the risk factor entitled "— Payment of dividends is subject to restrictions under the PRC law." As a result of the foregoing, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. See "Financial Information — Dividend Policy."

Future disposals or perceived disposals of a substantial number of our H Shares, A Shares or other securities relating to our H Shares or A Shares in the public market, including any future offering, or a decline in the market price of our A Shares could materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future, and our Shareholders may experience dilution in their shareholdings.

Future disposals of a substantial number of our H Shares, A Shares or other securities relating to our H Shares or A Shares in the public market, or the possibility of such disposals, or a decline in the market price of our A Shares, could negatively affect the market price of our H Shares and our ability to raise equity capital in the future at a time or price that we consider appropriate. Our Shareholders may experience dilution in their shareholdings if we issue additional securities in the future. Shares held by Henan SASAC are currently, and will from the date on which trading in our H Shares commences on the Hong Kong Stock Exchange be, subject to certain lock-up restrictions, details of which are set out in the sections headed "Share Capital" and "Underwriting" in this prospectus. We cannot assure you that Henan SASAC or any other Shareholder will not dispose of any Shares they now own or may own in the future.

Under our Articles of Association, subject to approval(s) of the securities regulatory authorities of the PRC, holders of our domestic Shares may transfer their domestic Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange must also comply with the regulatory procedures, rules and requirements of such stock exchange. As a result, subject to receiving the requisite approvals and upon the expiration of the applicable restrictions on share transfers (if any), holders of our A Shares may transfer such Shares to overseas investors, which may then trade on the Hong Kong Stock Exchange as H Shares. Further details are set out in the section headed "Share Capital — Transfer of Our A Shares for Listing and Trading on the Hong Kong Stock Exchange as H Shares" in this prospectus. If this occurs, it could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

We may invest or spend the proceeds of the Global Offering in ways with which you may not agree.

We have broad discretion in the way we invest or spend the proceeds of the Global Offering. We intend to use a portion of the net proceeds from the Global Offering for general corporate purposes, which may include future acquisitions, capital expenditures and working capital. However, we do not have definite and specific commitments for any acquisitions and investments and our current intention may not materialize. You may disagree with the way we invest or spend the proceeds from the Global Offering, which could yield an unfavorable result for Shareholders. Because our use of offering proceeds is determined by a variety of factors, the actual uses of the offering proceeds may vary substantially from our current intention to use net proceeds from the Global Offering as described in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus.

The market price of our H Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Information in this document regarding future plans reflects current intention and is subject to change.

Whether we ultimately implement the business plans described in this prospectus, and whether we achieve the objectives described in this prospectus, will depend on a number of factors including, but not limited to:

- the availability and cost of capital and financing;
- current and projected coal prices;
- coal and coal mining equipment markets;
- regulatory, economic and other related conditions of the PRC, Russia, India, Turkey, the United States, Germany and other countries in which our future projects are expected to be situated;
- costs and availability of land and materials to establish manufacturing facilities, sales and service networks, research and development platforms and related facilities;
- costs and availability of raw materials, supplies, equipment and personnel for our operations;
- success or failure of similar developmental activities in the PRC, Russia, India, Turkey, the United States, Germany and other countries in which our future projects are expected to be situated;

- changes in estimates of project completion costs; and
- all other relevant factors.

We will continue to gather information about our projects, and it is possible that additional information will cause us to alter our schedule or determine that a project should not be pursued at all. Accordingly, our plans and objectives may change from those described in this prospectus.

Certain statistics, industry data and other information related to the economy and the coal mining equipment industry contained in this prospectus is derived from official government sources and may not be reliable.

Statistics, industry data and other information relating to the economy and the industry contained in this prospectus have been derived from various official government publications with information provided by the PRC government and other government agencies. We cannot assure you or make any representation as to the accuracy or completeness of such information. Neither we nor any of our respective affiliates or advisers, nor the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters or any of their respective directors, employees, agents, representatives, affiliates or advisers, have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. Statistics, industry data and other information relating to the economy and the industry derived from official government sources may not be consistent with other information available from other sources and should not be unduly relied upon. Due to possible flawed collection methods, discrepancies between published information, different market practices or other problems, the statistics, industry data and other information relating to the economy and the industry derived from official government sources might be inaccurate or might not be comparable to statistics produced from other sources. In all cases, you should give careful consideration as to how much weight or importance you should attach or place on such statistics, projected industry data and other information relating to the economy and the industry.

You should not place any reliance on any information released by us in connection with our listed A Shares on the Shanghai Stock Exchange or other media outlets.

Following the listing of our A Shares on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time we publicly release information relating to us on the Shanghai Stock Exchange or other media outlets designated by the Shanghai Stock Exchange. However, the information announced by us in connection with our A Shares is based on regulatory requirements of the securities regulatory authorities and market practices in the PRC, which are different from those applicable to the Global Offering and the Listing. Such information does not and will not form part of this prospectus. As a result, prospective investors in our H Shares are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus and the Application Forms. By applying to subscribe for our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong with respect to the Global Offering and the Listing.