
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

MILESTONES IN OUR HISTORY

We have achieved the following key milestones in our development into a leading comprehensive coal mining and excavating equipment manufacturer in the PRC:

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| 1958 | The Ministry of Coal Industry of the PRC initiated to establish Zhengzhou Coal Mining Machinery Factory, the predecessor of our Company. |
| 1964 | Zhengzhou Coal Mining Machinery Factory successfully manufactured the first hydraulic roof support in the PRC. |
| 2002 | Zhengzhou Coal Mining Machinery Factory was reorganized into a wholly state-owned company with limited liability and officially renamed as ZCMM. |
| 2004 | ZCMM entered into a procurement agreement with Shenhua Group, pursuant to which we sold the first domestic-manufactured high-end hydraulic roof supports in the PRC. |
| 2006 | We were restructured to become a state-owned and -controlled company.

ZCMM developed the ZY10800/28/63D hydraulic roof support, which had the world's largest roof support height of 6.3 meters at the time. |
| 2008 | Our Company was incorporated as a joint stock limited company in the PRC.

Our Company commenced research and development of high-powered armored-face conveyors and successfully delivered these products to customers. |
| 2009 | We developed the ZY16800/32/70D hydraulic roof support, which had the world's largest roof support height of 7.0 meters at the time. |
| 2010 | Our A Shares have been listed on the Shanghai Stock Exchange since August 3, 2010. |

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HISTORY AND DEVELOPMENT

Establishment of Zhengzhou Coal Mining Machinery Factory in 1958

Zhengzhou Coal Mining Machinery Factory, the predecessor of our Company, was established in 1958 under the administration of the Ministry of Coal Industry of the PRC (中華人民共和國煤炭工業部, currently the PRC State Administration of Coal Industry). The administration of Zhengzhou Coal Mining Machinery Factory was transferred to Henan Provincial Coal Authority in September 1998.

Incorporation of ZCMM in 2002

In September 2002, the People's Government of Henan Province (the "Henan Government") approved the reorganization of Zhengzhou Coal Mining Machinery Factory into a wholly state-owned company, with the Henan Government as promoter, and the Henan Provincial Coal Authority supervising and administering its state-owned assets. As a result of the reorganization, Zhengzhou Coal Mining Machinery Factory was officially renamed "Zhengzhou Coal Mining Machinery Company"* (鄭州煤礦機械集團有限責任公司), and obtained its business license from the Zhengzhou Administration for Industry and Commerce on November 6, 2002.

Restructuring as a State-Owned and -Controlled Company in 2006

In October 2006, in order to diversify ZCMM's ownership and to improve its corporate governance structure, ZCMM was restructured to become a state-owned and -controlled company, which involved certain changes in its registered capital. As part of the restructuring process, certain ZCMM's employees collectively established Zhengzhou Bai Si Te Coal Mining Company* (鄭州百斯特礦機有限公司) ("BST") in the name of the labor union of ZCMM then formed to hold the equity interest on behalf of those employees. Immediately upon the completion of its restructuring, the registered capital of ZCMM was RMB80.7 million and the Henan Government and BST held 51% and 49%, respectively, of the equity interest in ZCMM.

There were certain prior irregularities associated with the restructuring. As confirmed by the PRC Legal Advisers, these irregularities include:

- that technically, the restructuring steps involved a partial reduction of ZCMM's registered capital in the process before BST acquired equity interest in ZCMM, and ZCMM had not gone through a creditors' announcement procedure required in such process. Despite this, as recognized by the PRC Legal Advisers, the restructuring and the steps involved did not result in any material change or impact on ZCMM's business operation or capability and its then ability to repay debts. As of the Latest Practicable Date, the Directors were not aware of any claim by any creditor of ZCMM at that time made as a result of its not having gone through the creditors' announcement procedure. Accordingly, as opined by the PRC Legal Advisers, such prior procedural irregularity did not result in any substantive detriment to the interests of the Company's creditors;
- certain accounting adjustments believed to be necessitated from or following the restructuring, which, as approved by the relevant authorities including Henan SASAC and Henan Provincial Financial Department (河南省財政廳), were subsequently rectified and restated. The rectified and restated accounting treatment was endorsed by the Company's independent PRC auditors at the material time to be in compliance with the relevant accounting principles; and

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- certain other prior procedural or ancillary employees' settlement allowance-related matters, which, according to the PRC Legal Advisers, have been either addressed by way of appropriate accounting rectifications and/or approved and endorsed under various documents issued by the Henan Government and Henan SASAC.

As advised by our PRC Legal Advisers, the above prior irregularities have all been approved and endorsed under various documents issued by the competent PRC authorities before our A Shares were listed on the Shanghai Stock Exchange as described below. In particular, the Henan Government and Henan SASAC have: (i) approved of the asset and capital verification and the valuation associated with the restructuring of ZCMM in 2006, and their effectiveness; (ii) approved that the consideration by the relevant ZCMM's employees for the equity interest of BST in ZCMM's registered capital was fair and reasonable, and that the relevant restructuring steps did not result in any detriment to the interests of PRC state-owned assets; and (iii) approved of the legality and validity of the restructuring. Further, certain features or details underlying the above prior irregularities have been publicly disclosed in the prospectus issued by the Company in connection with the listing of our A Shares on the Shanghai Stock Exchange in 2010. On the basis of the above, the PRC Legal Advisers have opined that the Company will not be subject to any administrative penalty in relation to any of the prior irregularities described above, and such irregularities will not create any legal impediment to the Listing.

Transfer of the Indirect Shareholding of the Employees in 2008

In June 2008, BST entered into an equity transfer agreement with certain enterprises and companies (which, save for their shareholding interest in our Company, are Independent Third Parties) and various ZCMM's executives and employees, to transfer all of its equity interest in ZCMM for a total consideration of approximately RMB743 million. The consideration (which was determined after arm's length negotiations between the parties which took into account various factors, such as the Company's development potential and the then possibility of an A Share listing) represented 4.8 times of the net asset value of ZCMM as of the date of October 31, 2007. The equity transfer was approved by Henan SASAC, and had been registered with Zhengzhou Administration for Industry and Commerce (鄭州市工商行政管理局) in July 2008. As confirmed by our PRC Legal Advisers, the transfer was legal and valid under PRC laws.

Incorporation as a Joint Stock Limited Company in 2008

On December 5, 2008, the shareholders of ZCMM passed a resolution to incorporate ZCMM as a joint stock limited company in preparation for the initial public offering and listing of our A Shares on the Shanghai Stock Exchange. ZCMM's then shareholders were the promoters of the joint stock limited company as required under PRC law. These promoters include Mr. Jiao Chengyao, Mr. Shao Chunsheng, Mr. Xiang Jiayu, Mr. Fu Zugang and Mr. Wang Xinying, being our executive Directors, and Mr. Ding Hui and Mr. Ni Heping, being two of our Supervisors. In addition, the shareholders resolved to capitalize an amount of RMB560,000,000, representing approximately 99.5% of ZCMM's audited net assets as of July 31, 2008, to issue 560,000,000 domestic shares with a par value of RMB1.00 per share, with the amount being the balance of its audited net assets being credited as the capital reserves of ZCMM.

On December 24, 2008, Henan SASAC approved the change of ZCMM's name to our current name, Zhengzhou Coal Mining Machinery Group Company Limited. On December 28, 2008, the Zhengzhou Administration for Industry and Commerce issued the business license to our Company.

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Transfer of Equity Interest in Zhengzhou Coal Mining Machinery Property Management Co., Ltd. in 2009

We established Zhengzhou Coal Mining Machinery Property Management Co., Ltd. (“ZCMMPM”) in 2001, which was then our subsidiary. ZCMMPM primarily conducts property management business and provides social welfare and ancillary services, which did not form part of our core business operations. In 2008, as approved by the relevant governmental or regulatory bodies, we underwent a corporate reorganization to divest and reform our non-core business involving ZCMMPM. Pursuant to this reorganization, we participated in transactions involving transfers in and capital changes of equity interests in ZCMMPM. As part and a step of these transactions, we disposed of our equity interest in ZCMMPM. Following completion of these transactions which all took place in March 2009, we had an approximately 9.1% equity interest in ZCMMPM. The amounts involved in such transactions were of a *de minimis* amount to the Company. We have since then retained an approximately 9.1% equity interest in ZCMMPM. The transactions described above were publicly disclosed in the prospectus issued by the Company in connection with the listing of our A Shares on the Shanghai Stock Exchange as referred to below.

Establishment of ZMJ Suda in 2009

In July 2009, we established ZMJ Suda with certain Independent Third Parties. As of the Latest Practicable Date, the Company held an approximately 34% equity interest in ZMJ Suda, and four other individuals or entities being Independent Third Parties held, respectively, approximately 34%, 15%, 12.75% and 4.25% equity interests in ZMJ Suda. Our investment in ZMJ Suda has been recorded as an investment in an associate under the accountants’ report included in Appendix I to this prospectus. ZMJ Suda was established to provide comprehensive aftermarket services. The Company has had an outsourcing arrangement with ZMJ Suda for provision of aftermarket services to our customers since August 1, 2009, details of which are set out in the “Business — Sales and Marketing — Aftermarket Services” section of this prospectus.

Listing on the Shanghai Stock Exchange in 2010

On August 3, 2010, the Company completed its initial public offering of 140,000,000 new A Shares which were issued at an offer price of RMB20 per share under the A Share Offering, and our A Shares have since then been listed on the Shanghai Stock Exchange under stock code “601717”. Immediately following completion of the A Share Offering, the Company’s registered capital increased to RMB700,000,000 comprising 700,000,000 A Shares of RMB1.00 each. Our Company raised net proceeds of approximately RMB2,700.4 million from the A Share Offering, after deducting underwriting commissions and offering and related expenses in an aggregate amount of approximately RMB99.6 million.

As disclosed in the prospectus issued by the Company in connection with the listing of our A Shares, we intended to invest proceeds raised from the A Share Offering in a project to construct a production base of our Company for producing high-end hydraulic roof supports. The total investment amount of that project was then estimated to be approximately RMB1,493 million. The exact timing in respect of the use of such proceeds would be subject to appropriate adjustments depending on factors including the status in carrying out the project.

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On April 22, 2011, we convened our 2010 annual general meeting. It was approved at the meeting that an additional amount of approximately RMB977 million out of the proceeds raised from the A Share Offering would be used in accordance with the following breakdown:

- (i) approximately RMB402 million to enhance the project in constructing the high-end hydraulic roof supports production base as described above. Such funds were anticipated to be used for acquiring additional equipment and for investments in infrastructure to build more efficient production lines for support rams and automatic robotic systems to weld structural parts;
- (ii) approximately RMB455 million to fund ancillary projects, which in turn involve setting up an electronic hydraulic control system and a research and development center to complement the high-end hydraulic roof supports production base being constructed as described above; and
- (iii) approximately RMB120 million to purchase a parcel of reserved land for industrial use, which was anticipated to support our future projects and developments.

Based on the above, out of the net proceeds raised from the A Share Offering, an aggregate amount of around RMB2,470 million has been allocated for use as described above. As of June 30, 2012, out of that amount, a total amount of approximately RMB1,215.9 million has been used for the above purposes. As of that date, we had a balance of approximately RMB1,484.5 million raised from the A Share Offering which had not been used, and among that balance, an amount of approximately RMB230 million (which represents around 8.5% of the total net proceeds raised from the A Share Offering) has not been allocated for any specific use. We will make the allocation at an appropriate time in accordance with applicable PRC laws and procedures. The above amounts are unaudited.

Please refer to the section headed “Financial Information — Capital Expenditures” of this prospectus in respect of further details regarding the accounting treatment and the status of the use of proceeds from the A Share Offering for the above purposes as of June 30, 2012.

As of the Latest Practicable Date, the Company had not received any notice from the Shanghai Stock Exchange alleging any PRC securities regulatory non-compliance committed by the Company; and the Directors believe that from the date the A Shares were listed on the Shanghai Stock Exchange, the Company has been operating in compliance with applicable Shanghai Listing Rules in all material respects.

Acquisition of ZMJ Shun Li Machinery in 2010

On October 28, 2010, the Company entered into an equity transfer agreement with Anhui Guoyuan Trust Co., Ltd* (安徽國元信託有限責任公司), pursuant to which the Company acquired approximately 44.94% equity interest of ZMJ Shun Li Machinery for a total consideration of RMB44,490,000. In November 2010, the Company injected into ZMJ Shun Li Machinery a total sum of RMB30,690,000, of which RMB18,600,000 was contributed as the increased registered capital of ZMJ Shun Li Machinery and RMB12,090,000 was contributed as its capital reserves. After the capital injection, ZMJ Shun Li Machinery became 57.97% owned by and a subsidiary of our Company. The principal business of ZMJ Shun Li Machinery is the manufacturing of mining equipment.

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Establishment of ZMJ Siberia in 2011

On June 2, 2011, with the approval of Henan Provincial Commerce Department (河南省商務廳), the Company established its first overseas subsidiary, ZMJ Siberia. ZMJ Siberia has a total investment amount of US\$200,000 of which US\$100,000 (which represents the amount of its registered capital as shown in the relevant foreign investment certificate issued by MOFCOM) has been paid up and contributed by the Company. ZMJ Siberia is located in Siberia, Russia and focuses on the aftermarket service for the products sold to Russia. According to the relevant foreign investment certificate, ZMJ Siberia has an initial term of operation of 10 years.

We have not made the necessary filings with the Russian Federal Anti-monopoly Service in connection with the establishment of ZMJ Siberia and our investment in more than 25% of its voting shares as a legal entity controlled by a non-Russian state entity. We intend to rectify the situation by establishing a new Russian entity to undertake the business activities and operation of ZMJ Siberia, which would entail the undertaking of the requisite filing and registration procedures. Further details are set out under “Risk Factors — Risks Relating to Our Business and Operations — We may not be able to successfully execute our international expansion plans.”

Establishment of ZMJ Foundry in 2011

On November 25, 2011, ZMJ Foundry was established. As of the Latest Practicable Date, the registered capital of ZMJ Foundry was RMB30,000,000. The Company directly holds 38.60% equity interest of ZMJ Foundry, and indirectly (through its subsidiaries including ZMJ Shun Li Machinery and ZMJ Comprehensive Equipment) holds another approximately 16.66% equity interest of ZMJ Foundry. The principal business of ZMJ Foundry is the production and sale of casting pieces (鑄件) and forgeable pieces (鍛件) for use in coal mining machines. ZMJ Foundry was established so as principally to increase the Company’s operation efficiency and improve its corporate governance in respect of its foundry business previously performed by its foundry factory.

Establishment of Huaxuan Investment in 2011 and its Subsequent Developments

On December 5, 2011, Huaxuan Investment was established. The registered capital of Huaxuan Investment is RMB500,000,000, which shall be contributed as to RMB300,000,000 by the Company and as to RMB200,000,000 by Hua Xin Venture Capital. As of the Latest Practicable Date, Huaxuan Investment had a paid-up capital of RMB400,000,000, of which RMB300,000,000 was contributed by the Company and RMB100,000,000 was contributed by Hua Xin Venture Capital. Under PRC law, as a result of the relative stipulated contribution amounts towards the registered capital of Huaxuan Investment, the Company holds a 60% equity interest of Huaxuan Investment, and Hua Xin Venture Capital holds the remaining 40% equity interest. Despite this, according to the articles of association of Huaxuan Investment, its profits will be shared between the Company and Hua Xin Venture Capital according to their respective percentage interests in its paid-up capital instead of its registered capital (i.e., as to 75% and 25%, respectively, as of the Latest Practicable Date). The principal business of Huaxuan Investment is equity investments and financial management. The Company invested in Huaxuan Investment so as principally to facilitate the Company to seek investment opportunities in line with the Group’s business operations and strategies and in accordance with its investment policies and parameters.

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On July 27, 2012, the Company and Hua Xin Venture Capital, as shareholders of Huaxuan Investment, passed a shareholders' resolution at a meeting to approve a further capital injection by Hua Xin Venture Capital into Huaxuan Investment (the "Proposed Capital Increase in Huaxuan Investment"). According to that resolution, upon completion of the Proposed Capital Increase in Huaxuan Investment, our equity interest in Huaxuan Investment will be diluted to 46.15%. The relevant parties are in the process of implementing the Proposed Capital Increase in Huaxuan Investment. As confirmed by our PRC Legal Advisers, since July 27, 2012: (i) the articles of association of Huaxuan Investment have been amended such that its board of directors now comprises seven directors, of whom four are nominated by Hua Xin Venture Capital and three by us; and (ii) our voting rights at general meetings of Huaxuan Investment have decreased from 60% to 46.15%, while Hua Xin Venture Capital has been entitled to exercise 53.85% of the voting rights. On this basis and in the opinion of the Directors, since July 27, 2012, Huaxuan Investment has ceased to be a subsidiary of the Company and a member of the Group, and since the third quarter of 2012, Huaxuan Investment has ceased to be accounted for and consolidated in our audited consolidated accounts as a subsidiary pursuant to IFRS. Huaxuan Investment is now accounted for as an investment in an associate of our Company. Given that the business of Huaxuan Investment is not a core business line of the Group, and its contribution to the Group in terms of total assets, profits and revenue during the Track Record Period was considered insignificant by the Directors, the Directors take the view that such developments concerning Huaxuan Investment would not be expected to result in any material adverse impact on the Group's financial condition or operations.

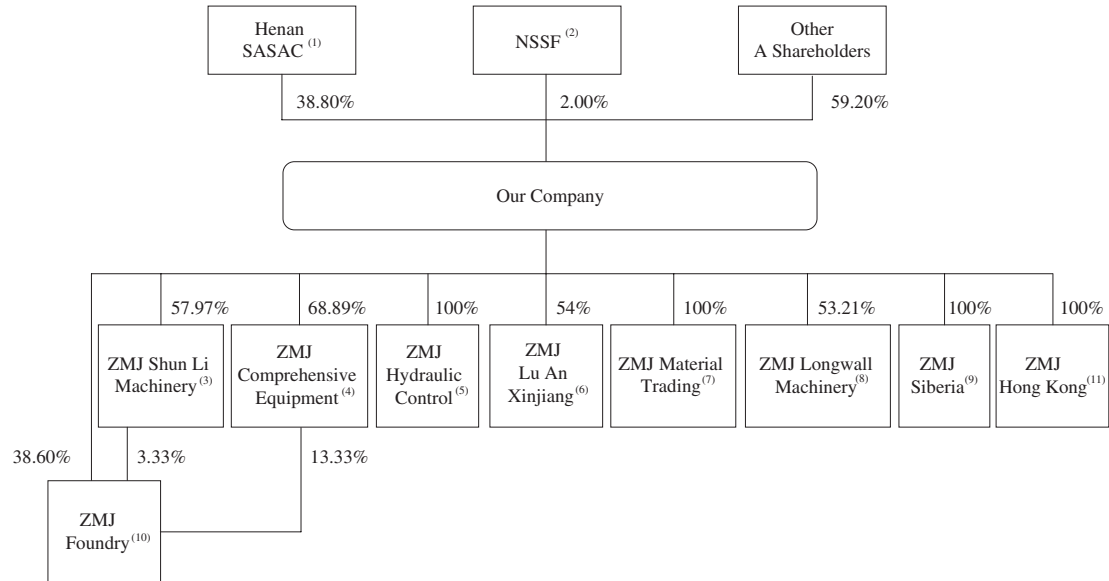
Capital Increase in 2012

Pursuant to the shareholders' resolutions passed at the 2011 annual general meeting of the Company held on February 28, 2012, the Company has, by way of capitalization of the capital reserves, issued 700,000,000 new A Shares (on the basis of the Company's total issued share capital comprising 700,000,000 A Shares as of December 31, 2011) to all holders of A Shares whose names appeared on the Company's register of members as of the closing of trading on the Shanghai Stock Exchange on March 12, 2012, on the basis of ten new A Shares for every ten then issued A Shares. The registered capital of the Company has thereby increased to RMB1,400,000,000, comprising 1,400,000,000 A Shares. The shareholding percentage of the holders of A Shares in the Company's registered capital was unchanged immediately after such capital increase. Trading of the A Shares newly issued under such capital increase commenced on the Shanghai Stock Exchange on March 14, 2012.

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GROUP STRUCTURE PRIOR TO THE GLOBAL OFFERING

The following chart sets out our shareholding structure, to the knowledge of our Directors, as of the Latest Practicable Date:



Notes:

- (1) As of the Latest Practicable Date, Henan SASAC directly held 543,200,000 A Shares, representing 38.80% of the Company's issued share capital. Henan SASAC is considered a "PRC Governmental Body" for all purposes of and as defined under the Hong Kong Listing Rules.
- (2) As of the Latest Practicable Date, NSSF directly held 28,000,000 A Shares, representing 2.00% of our Company's issued share capital, which were acquired by NSSF following the transfer of such A Shares by Henan SASAC to NSSF in accordance with the relevant PRC regulations on reduction of state-owned shares at the time when our A Shares were listed on the Shanghai Stock Exchange, and these 28,000,000 A Shares are subject to a moratorium of 36 months commencing from August 3, 2010 (being the date of registration of such A Shares in the name of NSSF). Please see "Share Capital — Transfer of State-owned Shares to NSSF" for further information about the relevant PRC regulations on reduction of state-owned shares. NSSF is not a connected person of the Company, and therefore the 28,000,000 A Shares directly held by it are considered to be held in public hands for the purpose of the Hong Kong Listing Rules.
- (3) ZMJ Shun Li Machinery is a company incorporated in the PRC with a registered capital of RMB78.6 million. Huainan Mining is another substantial shareholder of ZMJ Shun Li Machinery holding approximately 37.40% of the equity interest in it. The remaining approximately 4.63% of the equity interest is held by nine individuals, one of them being a director of ZMJ Shun Li Machinery. Huainan Mining is a company incorporated in Anhui Province in the PRC, and, as we understand, is principally engaged in businesses including coal production, power generation, sale and purchase of industrial and mining equipment, machineries and metal materials.
- (4) ZMJ Comprehensive Equipment is a company incorporated in the PRC with a registered capital of RMB100 million. Zhengzhou Hua Yuan Investment Company Limited* (鄭州華源投資股份有限公司) is another substantial shareholder of ZMJ Comprehensive Equipment holding approximately 31.11% of the equity interest in it. Zhengzhou Hua Yuan Investment Company Limited is a company incorporated in Henan Province in the PRC, and, as we understand, is principally engaged in investment holding.
- (5) ZMJ Hydraulic Control is a company incorporated in the PRC with a registered capital of RMB15 million.

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- (6) ZMJ Lu An Xinjiang is a company incorporated in the PRC with a registered capital of RMB50 million. Lu Xin Coal Chemical is another substantial shareholder of ZMJ Lu An Xinjiang holding 40.00% of the equity interest in it. The remaining 6% of the equity interest is held by seven individuals, two of them being directors of ZMJ Lu An Xinjiang. Lu Xin Coal Chemical is a company incorporated in Xin Jiang Uyghur Autonomous Region in the PRC, and, as we understand, is principally engaged in businesses including coal production, coal-based chemical processing business and power generation business.
- (7) ZMJ Material Trading is a company incorporated in the PRC with a registered capital of RMB10 million.
- (8) ZMJ Longwall Machinery is a company incorporated in the PRC with a registered capital of RMB50 million. Shanghai Wan You Dynamic Technology Company Limited* (上海萬友動力科技有限公司) is another substantial shareholder of ZMJ Longwall Machinery holding 40.00% of the equity interest in it. The remaining approximately 6.79% of the equity interest is held by fifteen individuals, one of them being a director of ZMJ Longwall Machinery. Shanghai Wan You Dynamic Technology Company Limited is a company incorporated in Shanghai in the PRC, and, as we understand, is principally engaged in businesses comprising development of leak-proof materials, design, production and testing of leak-proof systems and products.
- (9) ZMJ Siberia is a company incorporated in Russia with a total investment amount of US\$200,000 of which US\$100,000 (which represents the amount of its registered capital as shown in the relevant foreign investment certificate issued by MOFCOM) has been paid up and contributed by the Company.
- (10) ZMJ Foundry is a company incorporated in the PRC with a registered capital of RMB30 million. Zhengzhou Dongdian Technology Company Limited* (鄭州東點科技股份有限公司) is another substantial shareholder of ZMJ Foundry holding approximately 34.73% of the equity interest in it. The remaining equity interest is held as to approximately 6.67% by a director of ZMJ Foundry and approximately 3.33% by Xi'an Huantai Technology Development Limited* (西安環太科技發展有限公司). Zhengzhou Dongdian Technology Company Limited is a company incorporated in Henan Province in the PRC, and, as we understand, is principally engaged in investment holding.
- (11) ZMJ Hong Kong is a company incorporated in Hong Kong on November 8, 2012 with an authorized and issued share capital of US\$7.5 million divided into 7.5 million shares of US\$1.0 each, all of which were issued to our Company and were unpaid as of the Latest Practicable Date.

Our Joint Ventures Being Our Non-Wholly Owned Subsidiaries

As shown in the chart above, the Company has the following non-wholly owned subsidiaries which are joint ventures:

- ZMJ Shun Li Machinery;
- ZMJ Comprehensive Equipment;
- ZMJ Lu An Xinjiang;
- ZMJ Longwall Machinery; and
- ZMJ Foundry.

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Our Other Principal Joint Ventures

Apart from these non-wholly owned subsidiaries, the Company has also set up other joint ventures, including joint ventures with certain strategic customers of our Group. These principal joint ventures include:

- Datong Coal Mining Group Zhongbei Electromechanical Equipment Machinery Co., Ltd.* (大同煤礦集團機電裝備中北機械有限公司) (“Datong Equipment”), in which the Company holds 31% equity interest; and
- the Zhenglong Joint Venture, in which the Company holds 47.5% equity interest.

These two joint ventures are not, or are not expected to become, subsidiaries of the Company, and therefore are not members of our Group. Their details are further described in “Business — Our Business Strategies — Grow our operations through acquisitions and joint ventures.” and “Business — Sales and Marketing — Aftermarket Services — Joint Ventures With Selected Strategic Customers” of this prospectus.

Our Investments in Other Associates and Jointly Controlled Entities

In addition, as of the Latest Practicable Date, the Company had investments in other associates and jointly controlled entities, including:

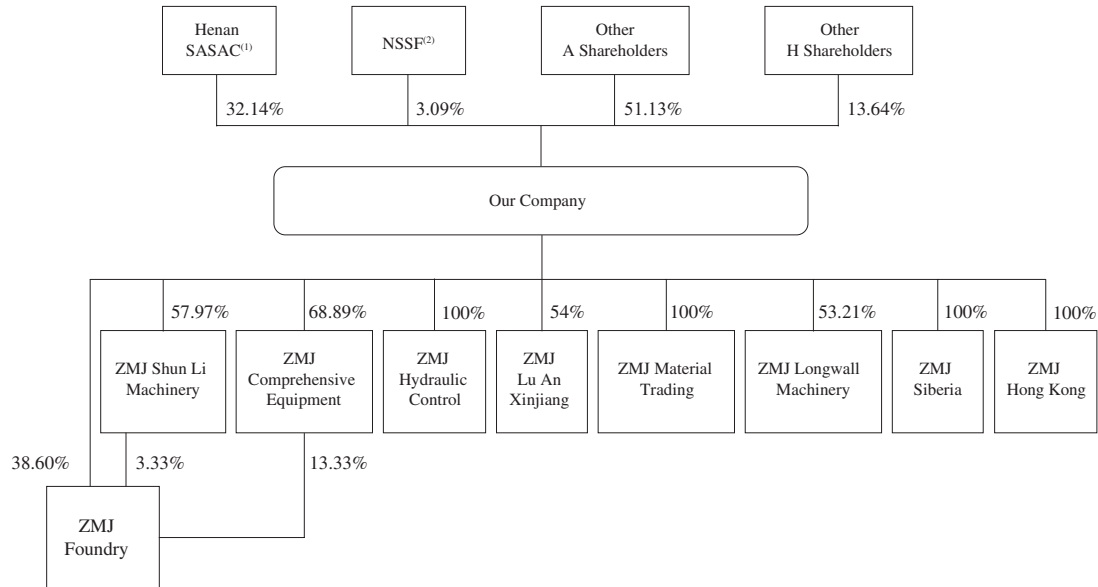
- Huaxuan Investment;
- ZMJ Suda;
- ZMJ (Jiangxi) Comprehensive Equipment Co., Ltd.* (鄭州煤機(江西)綜機設備有限公司) (“ZMJ Jiangxi”);
- Xinjiang Kerui ZMJ Heavy Machinery Co., Ltd.* (新疆克瑞鄭煤機重型機械股份有限公司) (“Xinjiang Coal”);
- Huainan Phillips Mining Machinery Manufacturing Co., Ltd.* (淮南菲利浦斯採礦機械製造有限公司) (“Huainan Phillips”);
- Huainan Allen West Electromechanical Equipment Co., Ltd.* (淮南阿蘭維斯特電器有限公司) (“Huainan Allen West”);
- Huainan Shun Li Coal Mining Machinery Maintenance Co., Ltd.* (淮南舜立煤礦機械設備檢修有限公司) (“Shun Li Machinery Maintenance”); and
- Zhengzhou Coal Mining Special Forging Pressing and Manufacturing Co., Ltd.* (鄭州煤機特種鍛壓製造有限公司) (“ZMJ Forging and Pressing”).

Details of these investments (except for Huaxuan Investment and ZMJ Forging and Pressing) are more particularly set out in notes 25 and 26 to the accountants’ report included as Appendix I to this prospectus. Details in respect of ZMJ Forging and Pressing are set out in the “Recent Developments — Establishment of Joint Venture” section of this prospectus.

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GROUP STRUCTURE FOLLOWING COMPLETION OF THE GLOBAL OFFERING

The following chart sets out our shareholding structure, to the knowledge of our Directors, immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised:



Notes:

- (1) Upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, Henan SASAC is expected to directly hold 521,087,800 A Shares, representing approximately 32.14% of the Company's then enlarged issued share capital. Henan SASAC is and will remain to be considered a "PRC Governmental Body" for all purposes of and as defined under the Hong Kong Listing Rules.
- (2) Upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised and that NSSF's shareholding interest in the A Shares remains unchanged since the Latest Practicable Date, NSSF is expected to: (i) directly hold 28,000,000 A Shares (which will represent approximately 1.73% of the Company's then enlarged issued share capital); and (ii) hold 22,112,200 H Shares (to be converted from A Shares which are to be transferred by Henan SASAC in accordance with the relevant PRC regulations on reduction of state-owned shares upon the Listing, and which will represent approximately 1.36% of the Company's then enlarged issued share capital). Please see "Share Capital — Transfer of State-owned Shares to NSSF" for further information about the relevant PRC regulations on reduction of state-owned shares. NSSF is not a connected person of the Company, and therefore the 50,112,200 Shares held and to be held by it are considered to be held in public hands for the purpose of the Hong Kong Listing Rules.

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RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Henan SASAC is expected to hold approximately 32.14% of the enlarged issued share capital of the Company immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). 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. Henan SASAC itself has no business operations.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

Having taken into account the following factors, our Directors are satisfied that we can carry on our business independently of our Controlling Shareholder following the Listing.

Management Independence

Our management and operational decisions are made by the Board and a team of members of senior management. The Board consists of nine Directors, comprising five executive Directors and four independent non-executive Directors. The independent non-executive Directors will bring independent judgment to the decision making process of the Board. In addition, members of our senior management, who are responsible for taking charge of our daily operations, are independent from the Controlling Shareholder and its Associates. Our senior management team possesses in-depth experience and understanding of the industry in which we are engaged. In this regard, the Directors are of the view that our Group can be managed independently from the Controlling Shareholder.

Operational Independence

Our organizational structure is made up of a number of departments including, among others, our own finance department, human resources department, production control department, sales and marketing department, design and research department, quality control department and safety and supervision department. Each department plays a specific role in our operations and is independent from the Controlling Shareholder and its Associates. There are internal control procedures to ensure effective operation of our business. Furthermore, we have our own production lines and our own sources of suppliers and customers. Accordingly, we can carry out our business operations independently.

Financial Independence

We have established our own financial accounting system independent of the Controlling Shareholder, and have our own bank account, make our own tax registrations and have employed a sufficient number of financial accounting personnel. Accordingly, our Directors consider that we are capable of operating independently from a financial perspective.