OVERVIEW

We are a leading comprehensive coal mining and excavating equipment manufacturer in the PRC in terms of total sales of coal mining and excavating equipment in 2011, according to the CMIA. We focus on the manufacturing and sale of hydraulic roof supports, and were the largest hydraulic roof support manufacturer in the PRC, with approximately 22.6% of the PRC market share for hydraulic roof supports based on production volume in 2011, according to the CMIA. We are also engaged in the trading of steel and other raw materials primarily through our wholly-owned subsidiary, ZMJ Material Trading, which we established in March 2008. We have commenced manufacturing and selling armored-face conveyors in recent years and intend to commence selling roadheaders by the end of 2012. We are one of the few coal mining and excavating equipment manufacturers in the PRC able to manufacture three of the four components that comprise a complete integrated coal mining and excavating system for underground coal mining, namely, hydraulic roof supports, armored-face conveyors and roadheaders. We currently do not manufacture the fourth component, shearers, but are in the process of developing the related manufacturing technology and capability. Our established operating history, high quality products, strong in-house research and development capabilities, advanced manufacturing processes and extensive sales and service network are the keys to our success and allow us to maintain our leading position in the PRC coal mining and excavating equipment market.

SELECTED FINANCIAL STATEMENT INFORMATION

The following tables present our selected historical financial information during the Track Record Period. The financial information as of and for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 is derived from and should be read in conjunction with our consolidated audited financial statements, including the accompanying notes, set forth in the accountants' report included as Appendix I of this prospectus. For purposes of comparison to the six months ended June 30, 2012, financial information for the comparative six months period for 2011 has also been presented. Our financial statements for each of these periods are prepared and presented in accordance with IFRS.

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
	(RMB in millions, except earnings per share)				
				(unaudited)	
Consolidated Statements of Comprehensive Income					
Revenue	4,994.4	6,358.3	8,060.1	3,586.3	4,723.6
Cost of sales	(3,745.7)	(4,723.8)	(6,108.0)	(2,581.7)	(3,388.7)
Gross profit	1,248.8	1,634.5	1,952.1	1,004.5	1,334.9
Other income	25.6	41.7	91.3	35.7	59.9
Other gains and losses	(36.1)	(62.8)	(44.4)	(13.1)	(35.5)
Selling and distribution expenses	(156.3)	(153.6)	(223.7)	(90.5)	(176.4)
Administrative expenses	(291.6)	(385.5)	(359.5)	(152.7)	(199.9)
Share of profit of associates	0.4	8.4	11.6	3.4	8.2
Share of profit of jointly controlled entities	—	0.6	0.6	0.3	0.3
Finance costs	(17.5)	(19.1)	(6.9)	(4.6)	(2.0)
Profit before tax	773.2	1,064.4	1,421.0	783.1	989.6
Income tax expenses	(126.5)	(171.6)	(207.8)	(185.0)	(157.3)
Profit and total comprehensive income for the year/period	646.8	892.8	1,213.3	598.2	832.3
Attributable to:					
Owners of the Company	630.4	882.6	1,194.1	590.3	811.9
Non-controlling interests	16.3	10.2	19.2	7.9	20.4
Earnings per share(1)					
Basic and diluted (RMB)	0.56	0.71	0.85	0.42	0.58

Note:

(1) The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted to reflect the effect of our capital increase on March 12, 2012. During the Track Record Period, the Company did not issue any convertible securities convertible into Shares.

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Consolidated Statements of Financial Position				
Non-current assets				
Property, plant and equipment	412.0	1,058.8	1,495.9	1,602.8
Other non-current assets	218.3	315.6	430.9	659.5
	630.3	1,374.4	1,926.8	2,262.3
Current assets				
Inventories	1,074.5	1,300.0	1,644.0	2,257.3
Trade and other receivables	1,797.6	2,344.8	2,904.1	3,515.3
Bank balances and cash	1,007.2	3,636.3	3,238.9	2,878.1
Other current assets	255.3	397.7	721.7	449.8
	4,134.7	7,678.7	8,508.7	9,100.4
Current liabilities				
Trade and other payables	1,243.1	2,058.5	2,503.8	3,060.2
Advances from customers	1,532.1	1,596.5	1,673.9	1,299.5
Tax liabilities	35.2	53.1	10.2	17.6
Borrowings	100.0	70.0	15.0	10.0
	2,910.5	3,778.1	4,202.9	4,387.3
Net current assets	1,224.3	3,900.6	4,305.8	4,713.1
Total assets less current liabilities	1,854.6	5,275.0	6,232.6	6,975.4
Non-current liabilities				
Borrowings	275.0	115.0	65.0	49.5
Other non-current liabilities	20.0	20.0	19.0	29.0
	295.0	135.0	84.0	78.5
Total equity	1,559.6	5,140.1	6,148.6	6,896.9

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

We were incorporated in the PRC on December 28, 2008 as a joint stock company with limited liability under the PRC Company Law. During the Track Record Period, we were the ultimate controlling shareholder of our subsidiaries, ZMJ Hydraulic Control, ZMJ Comprehensive Equipment, ZMJ Material Trading, ZMJ Longwall Machinery, ZMJ Lu An Xinjiang, ZMJ Shun Li Machinery, ZMJ Siberia, ZMJ Foundry and Huaxuan Investment. As of the date of this prospectus, Huaxuan Investment is no longer a subsidiary of our Company. See "Recent Developments — Developments Regarding Huaxuan Investment."

Our consolidated financial information has been prepared in accordance with IFRS. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow reflect our performance throughout the Track Record Period, or since the respective dates of incorporation/establishment of the relevant entity where this is a shorter period. The consolidated statements of financial position as of December 31, 2009, 2010 and 2011 and June 30, 2012 present the assets and liabilities of the companies currently comprising the Group which had been acquired or incorporated/established as of the relevant dates of the consolidated statements of financial position.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition are affected by a number of factors, many of which are beyond our control, including those set forth below.

Conditions and Regulations Affecting the Coal Mining Industry

Our sales of coal mining and excavating equipment depend on a variety of factors, including the supply of and demand for coal as reflected in the market prices of coal, changes in general economic conditions, interest rates, mechanization rates, equipment procurement, demand for upgrade of equipment, our customers' replacement or repair cycles, overall product life cycles of coal mining and excavating equipment, consolidation in the PRC coal mining industry and competitive pressure. The supply of and demand for coal may be affected by factors such as the level of coal production and coal mining activities, the expected cost of developing new reserves and the cost of conducting coal mining operations. In particular, our business is affected by conditions in the PRC coal mining industry and the prices of coal, which are in turn affected by consumer demand, as substantially all of our sales have historically been derived from the PRC. The growth and structural transformation of the PRC coal mining industry, along with a developing emphasis on safety and efficiency, has resulted in increased market demand for high-end, integrated coal mining systems in the PRC, from which we have benefited. Any changes in demand for and prices of coal and demand for coal mining and excavating equipment in the PRC, could affect our business, results of operations and financial condition.

The majority of our customers are underground coal mining companies in the PRC, whose operations are subject to, or significantly affected by, a wide array of regulations, including developmental, environmental and health and safety laws and regulations. These PRC laws and regulations are expected to continue to evolve in ways we cannot predict and may have a material effect on our business, results of operations and financial condition. In addition, to improve the operating efficiency and safety and increase the mechanization rates of the coal mining industry, the PRC government has issued policies such as the *Twelfth Five-Year Plan* to encourage the consolidation of the PRC coal mining industry. PRC government policies affecting the coal mining industry may have a material effect on our business, results of operations and financial condition.

Our overseas sales are dependent on global coal mining trends. The global coal mining industry is particularly affected by a variety of macroeconomic factors, including: (i) demand for coal, electricity and coal-related energy resources; (ii) growth of industrial production which, in turn, is affected by global economic conditions; (iii) price fluctuations of oil, natural gas and other energy resources; and (iv) growth of the renewable energy industry, which in turn, affect the demand for and sales of coal mining and excavating equipment. See "Industry Overview." In addition, the development of our international business operations may also be affected by the relevant regulatory environment in the overseas markets where we operate or sell our products, or expect to do so in the future. In this regard, we may be affected by certain factors such as import and export regulations and licensing and approval requirements.

Research and Development

According to Heading Century Consulting, we are a market leader in terms of research and development capabilities in the hydraulic roof support industry. We have developed several landmark products, such as the first hydraulic roof support and the first high-end hydraulic roof support in the PRC and the first top coal caving hydraulic roof support in the world. We believe our research and development capabilities have been and will continue to be critical to our business and competitiveness. See "Business — Research and Development."

To enhance our competitiveness, we have invested substantially in research and development. Our total expenditures for research and development for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 were RMB148.2 million, RMB206.8 million, RMB258.1 million and RMB89.4 million, respectively. See "— Description of Selected Items of Our Statements of Comprehensive Income — Cost of Sales" and "— Description of Selected Items of Our Statements of Comprehensive Income — Administrative Expenses." We plan to invest approximately RMB320.0 million in research and development in 2012. We intend to continue to enhance our research and development capabilities and maintain our leadership in the industry by fully utilizing our domestic research and development facilities and resources and establishing research and development facilities in Germany and the United States in the future. Our ability to develop new products, improve existing products and enhance our production processes will have a material effect on our production and sales volumes and, consequently, our business, results of operations, financial condition and profitability.

Raw Material Costs

Our operations require significant amounts of raw materials, which primarily comprise steel, outsourced parts, hydraulic parts and other ancillary materials. Raw material costs constituted 89.9%, 86.8%, 88.3% and 89.7%, respectively, of our cost of sales for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. The principal raw material used in our products is steel, which accounted for 66.7% of our raw material costs for the six months ended June 30, 2012. The pricing of our hydraulic roof supports is determined to a significant extent by the cost of raw materials, in particular, steel. Therefore, changes in raw material prices will affect the pricing of our products and, consequently, our revenue and gross profit. In general, if steel prices increase, the prices of our hydraulic roof supports will increase accordingly and, conversely, if steel prices decrease, the prices of our hydraulic roof supports will decrease accordingly.

In addition, we are currently engaged in the steel and other raw materials trading business, which enables us to better control our overall procurement costs through bulk purchases of steel. We primarily purchase our steel and steel-based parts and components in the PRC, where steel prices have fluctuated significantly in recent years. For example, medium and thick plate (20mm) steel 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, and the average price of domestic medium and thick plate (20mm) in the PRC was RMB3,572 per tonne, RMB4,297 per tonne, RMB4,841 per tonne and RMB4,292 per tonne for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. As of the Latest Practicable Date, we entered into one strategic alliance agreement for a term of three years with Anyang Steel. We also entered into separate long-term supply contracts, each for a term of one year, with Anyang Steel and Bengang Steel. These contracts enable us to purchase high quality steel in bulk at favorable prices, which allows us to mitigate the impact of steel price fluctuations. From time to time, we work with selected steel producers to develop special steel materials for our products. While we believe these efforts have enabled us to secure raw material supplies and manage our steel inventory and related raw material procurement costs, our business and results of operations remain subject to steel price fluctuations and changes in customer demand. See "Risk Factors — Risks Relating to Our Business and Operations — We may experience fluctuations in steel and other raw material prices," "Industry Overview — Coal Mining and Excavating Equipment Industry Overview — Recent Steel Price Trends" and "Business — Raw Materials, Suppliers and Inventory."

In addition, our raw material costs also comprise the costs of hydraulic parts and other ancillary materials, which represented 9.2% and 11.2%, respectively, of our cost of sales for the six months ended June 30, 2012. While we have procurement plans, which we regularly review, to minimize the costs of these raw materials, the prices of these parts are also subject to market fluctuations beyond our control, which may affect the pricing of our products.

Competition

We operate in a highly competitive industry and our operations are subject to significant competitive pressure. We compete directly and indirectly with other domestic and international manufacturers of coal mining and excavating equipment. We believe our focus on high-end coal mining and excavating equipment allows us to compete against international manufacturers and distinguishes us from many domestic competitors that produce lower-end products. However, the level of competition could increase, which could result in pressure on our product pricing and, consequently, affect our business and results of operations.

In addition, the competitive dynamics and our competitiveness may vary significantly from product to product. For instance, we have a long track record of developing, manufacturing and marketing hydraulic roof supports in the PRC. In this product line, our revenue and gross profit have continued to grow, as we have an extensive customer base and well-developed market profile. However, we have a less developed customer base and market profile for our hydraulic roof supports sold in the overseas markets. In addition, we have a shorter track record of developing, manufacturing and marketing armored-face conveyors and roadheaders, with less developed customer bases and market profiles for these products. There are also significantly more competitors in these product lines, which may adversely affect our product pricing and profitability. See "Risk Factors — Risks Relating to Our Industry — We operate in a highly competitive industry" and "Business — Competition."

Product Mix

Our products generally have different prices and gross profit margins. For example, our high-end hydraulic roof supports generally have higher gross profit margins than our medium-end hydraulic roof supports primarily because our high-end hydraulic roof supports incorporate more advanced technologies. Therefore, an increase in our sales from high-end hydraulic roof supports may result in increased revenues and gross profit, and vice versa.

Our products also include electronic hydraulic control systems, hydraulic valves, armored-face conveyors, roadheaders and other products. The gross profit margins and prices of these products also differ. For example, during the Track Record Period, we had limited sales of armored-face conveyors, which generally have lower gross profit margins than our other products. As we expect our sales of armored-face conveyors to increase, our overall gross profit margin could be adversely affected. Similarly, the future launch of new products, such as shearers and high-capacity coal washing equipment, will also affect our product mix and gross profit margin.

Change in Our Production Capacity

Our results of operations have been, and are expected to continue to be, affected by our production capacity. Our sales of hydraulic roof supports have been subject to production capacity limitations as our annual production capacity in 2009 and 2010 remained substantially stable, increasing from 10,200 units of hydraulic roof supports as of December 31, 2009 to 10,500 units of hydraulic roof supports as of December 31, 2010. We also outsource the production of certain non-critical parts and components, such as structural parts and rams to third-party manufacturers, which enables us to increase our overall production volume of hydraulic roof supports. In order to meet the increased demand for our coal mining and excavating equipment, we utilized the proceeds of our A Share Offering to establish a new manufacturing facility in Zhengzhou for the production of hydraulic roof supports. The new manufacturing facility commenced operations in September 2011 and increased our annual production capacity by 10,300 to 20,800 units of hydraulic roof supports as of December 31, 2011. As of June 30, 2012, we had an annual production capacity of 23,400 units of hydraulic roof supports. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we sold 11,817, 13,027, 14,129 and 10,701 units of hydraulic roof supports, respectively, and the weighted average utilization rate for our hydraulic roof supports production lines for the same periods was 113.0%, 125.1%, 116.0% and 107.4%, respectively. The number of hydraulic roof support units sold increased from 2010 to 2011 and from the six months ended June 30, 2011 to the six months ended June 30, 2012, primarily as a result of increased demand, which we were able to meet with our increased production capacity. While we plan to maintain outsourced manufacturing to meet certain product delivery schedules, we expect our costs of, and reliance on, outsourced manufacturing to decrease as we increase our overall production capacity. We believe that the expansion of our production capacity will enable us to meet the growth in demand we anticipate for our products and increase our market share.

In addition, our future growth prospects depend primarily on our ability to successfully execute our international expansion plans. We plan to increase our production capacity of hydraulic roof supports and armored-face conveyors by establishing manufacturing facilities in Russia and India, which will enable us to establish closer relationships with, and better understand the needs of, our local customers, reduce transportation and logistics costs and provide more responsive aftermarket services. See "Business — Our Business Strategies — Strategically increase our global presence and market share." We believe these efforts will enable us to increase our international sales and expand our market share in the targeted overseas markets. However, our ability to successfully expand our international production capacity will depend on certain factors including, but not limited to, our ability to obtain necessary capital and required approvals and permits. See "Risk Factors — Risks Relating to Our Business and Operations — We may not be able to successfully execute our international expansion plans."

In addition, our results of operations are also affected by general factors, including, but not limited to, exchange rate fluctuations and changes in preferential tax treatment. For more information on these and other factors and developments that may affect us, see "Risk Factors" and "Industry Overview."

DESCRIPTION OF SELECTED ITEMS OF OUR STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Historically, we derived our revenue primarily from the sales of hydraulic roof supports, steel and other raw materials and spare parts for coal mining and excavating equipment. We expect revenue from the sales of armored-face conveyors, roadheaders, shearers and other coal mining equipment to increase in the future, as we plan to expand or commence the manufacturing of these products. The following table sets forth, by product and business, our revenue for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2009		2010		2011		2011		2012	
	(RMB in millions, except for %)						(unaudited)			
Hydraulic roof supports	4,062.7	81.3%	4,593.4	72.2%	5,642.0	70.0%	2,675.2	74.6%	3,272.2	69.3%
Steel and other raw materials trading	583.0	11.7%	1,247.9	19.6%	1,854.7	23.0%	613.8	17.1%	1,120.6	23.7%
Spare parts(1)	308.6	6.2%	450.1	7.1%	393.8	4.9%	213.7	6.0%	154.8	3.3%
Other coal mining equipment(2)	29.9	0.6%	52.5	0.8%	122.4	1.5%	55.8	1.6%	145.4	3.1%
Others(3)	10.2	0.2%	14.4	0.2%	47.2	0.6%	27.7	0.8%	30.6	0.6%
Total	4,994.4	100.0%	6,358.3	100.0%	8,060.1	100.0%	3,586.3	100.0%	4,723.6	100.0%

Notes:

(1) Primarily include jacks, hydraulic valves and structural parts of hydraulic roof supports.

(2) Primarily include armored-face conveyors and belt conveyors.

(3) Primarily include provision of machining services for spare parts and overhaul services for hydraulic roof supports and leasing of equipment and rental properties.

Our revenue is affected by sales volumes and sales prices of our products. Average selling price per unit of hydraulic roof supports is calculated by dividing sales of hydraulic roof supports by sales volume of hydraulic roof supports for the periods indicated. The following table sets forth the average selling price per unit of our hydraulic roof supports for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
	(RMB in thousands per unit)				
Hydraulic roof supports	343.8	352.6	399.3	361.2	305.8
High-end hydraulic roof supports	662.6	673.0	787.5	801.0	648.9
Medium-end hydraulic roof supports	238.9	243.5	264.7	230.0	216.1

The following table sets forth the sales volumes of our hydraulic roof supports for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2009		2010		2011		2011		2012	
	Units	(%)	Units	(%)	Units	(%)	Units	(%)	Units	(%)
High-end hydraulic roof supports	2,925	24.8	3,309	25.4	3,638	25.7	1,702	23.0	2,217	20.7
Medium-end hydraulic roof supports	8,892	75.2	9,718	74.6	10,491	74.3	5,704	77.0	8,484	79.3
Total	11,817	100.0	13,027	100.0	14,129	100.0	7,406	100.0	10,701	100.0

For the years ended December 2009, 2010 and 2011 and the six months ended June 30, 2012, we manufactured 11,522, 12,943, 14,693 and 11,873 units of hydraulic roof supports, respectively. We sold 11,817, 13,027, 14,129, and 10,701 units of hydraulic roof supports, respectively, during the same periods. See "Business — Product Design and Manufacturing — Production Capacity." The difference between production volume and sales volume of hydraulic roof supports is primarily due to our recognition of revenue from hydraulic roof supports sales upon completion of installation of our products at our customers' mining sites, which generally differs from the time we complete the production of our products.

The following table sets forth a breakdown of our hydraulic roof support sales for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2009		2010		2011		2011		2012	
	(RMB in millions, except for %)									
Products										
High-end hydraulic roof supports	1,938.4	47.7%	2,227.1	48.5%	2,864.9	50.8%	1,363.2	51.0%	1,438.5	44.0%
Medium-end hydraulic roof supports	2,124.3	52.3%	2,366.3	51.5%	2,777.1	49.2%	1,312.0	49.0%	1,833.7	56.0%
Total	4,062.7	100.0%	4,593.4	100.0%	5,642.0	100.0%	2,675.2	100.0%	3,272.2	100.0%

During the Track Record Period, we sold the majority of our products to domestic customers in the PRC and entered into sales contracts with customers in major export markets, including Russia and Turkey. In line with our international business expansion plans, we intend to increase our sales to existing overseas customers in Russia, Turkey and India, and enter additional international markets, including coal-rich countries and countries with mining operations utilizing longwall mining techniques, such as the United States, Australia, Vietnam, Mexico, Colombia, South Africa, Brazil, Ukraine and Kazakhstan. The following table sets forth our revenue from domestic and international sales for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2009		2010		2011		2011		2012	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB in millions, except for %)									
Domestic sales	4,977.4	99.7	6,274.6	98.7	7,851.9	97.4	3,472.9	96.8	4,443.2	94.1
International sales[1]	17.0	0.3	83.7	1.3	208.2	2.6	113.4	3.2	280.4	5.9
Total	4,994.4	100.0	6,358.3	100.0	8,060.1	100.0	3,586.3	100.0	4,723.6	100.0

Note:

(1) Primarily includes revenue from customers located in Russia.

Cost of Sales

Our cost of sales comprises raw material costs, energy costs, direct labor costs and manufacturing expenses. Raw material costs primarily include our cost of steel, outsourced parts, hydraulic parts and other ancillary materials.

The following table sets forth a breakdown of our cost of sales for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2009		2010		2011		2011		2012	
	(RMB in millions, except for %)									
Steel	1,719.3	45.9%	2,415.2	51.1%	3,548.4	58.1%	1,472.8	57.1%	2,025.0	59.8%
Product manufacturing	1,267.5	33.8%	1,348.4	28.5%	1,960.2	32.1%	942.1	36.5%	1,048.7	31.0%
Steel trading	451.8	12.1%	1,066.8	22.6%	1,588.2	26.0%	530.7	20.6%	976.3	28.8%
Outsourced parts[1]	816.8	21.8%	686.5	14.5%	655.5	10.8%	271.6	10.5%	321.9	9.5%
Hydraulic parts[2]	252.6	6.8%	314.7	6.7%	445.3	7.3%	222.0	8.6%	311.8	9.1%
Other ancillary materials[3]	575.6	15.4%	683.1	14.5%	740.2	12.1%	315.7	12.2%	379.5	11.2%
Energy	95.1	2.5%	102.5	2.2%	127.7	2.1%	51.6	2.0%	66.4	2.0%
Direct labor cost and manufacturing expenses	260.3	6.9%	489.1	10.3%	552.3	9.0%	227.2	8.8%	260.9	7.7%
Sales tax	25.9	0.7%	32.7	0.7%	38.6	0.6%	20.7	0.8%	23.1	0.7%
Total	3,745.7	100.0%	4,723.8	100.0%	6,108.0	100.0%	2,581.7	100.0%	3,388.7	100.0%

Notes:

(1) Primarily include structural parts and rams of hydraulic roof supports, which are primarily made of steel.

(2) Primarily include electrical hydraulic control systems and hydraulic valves.

(3) Primarily include hoses and hydraulic seals.

The primary components of a hydraulic roof support include the structural parts, support rams and hydraulic parts, the first two of which are primarily made of steel. See "Business — Our Products and Businesses — Hydraulic Roof Supports." The outsourced parts that we procure are also primarily made of steel. The costs of steel that we use in our manufacturing operations depend primarily on market prices of steel. We are currently engaged in the steel and other raw materials trading business and our cost of steel for this business accounted for approximately 26.3%, 44.2%, 44.8%, 36.0% and 48.2% of our total cost of steel for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, respectively.

In addition, we include certain research and development expenditures in our cost of sales which primarily include costs that we incur for the design and production of prototype coal mining and excavating equipment sold to our customers. Such research and development expenditures are recognized as inventory before the products for which the research and development expenditures are incurred are sold and will be reflected in our cost of sales when the products are sold. The remaining amount of research and development expenditures, which comprise expenditures and costs relating to the improvement of manufacturing processes and other internal research and development programs and measures, are accounted for as administrative expenses. See "— Administrative Expenses" and "Business — Research and Development — Overview." As confirmed by our independent auditors, our research and development expenditures charged as cost of sales/recognized as inventories for the sales and production of prototypes sold to our customers comply with the relevant accounting standards.

The following table sets forth, by product and business, our cost of sales for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2009		2010		2011		2011		2012	
	(RMB in millions, except for %)									
Hydraulic roof supports	2,974.5	79.4%	3,203.2	67.8%	3,966.9	64.9%	1,772.6	68.7%	2,054.9	60.6%
Steel and other raw materials trading	484.7	12.9%	1,097.3	23.2%	1,671.8	27.4%	560.9	21.7%	1,046.8	30.9%
Spare parts(1)	227.0	6.1%	339.7	7.2%	289.5	4.7%	160.5	6.2%	114.8	3.4%
Other coal mining equipment(2)	27.6	0.7%	42.5	0.9%	108.6	1.8%	48.3	1.9%	128.6	3.8%
Others(3)	5.9	0.2%	8.4	0.2%	32.6	0.5%	18.7	0.7%	20.5	0.6%
Sales tax	25.9	0.7%	32.7	0.7%	38.6	0.7%	20.7	0.8%	23.1	0.7%
Total	3,745.7	100.0%	4,723.8	100.0%	6,108.0	100.0%	2,581.7	100.0%	3,388.7	100.0%

Notes:

(1) Primarily include jacks, hydraulic valves and structural parts of hydraulic roof supports.

(2) Primarily include armored-face conveyors and belt conveyors.

(3) Primarily include provision of machining services for spare parts and overhaul services for hydraulic roof supports and leasing of equipment and rental properties.

Gross Profit and Gross Profit Margin

Our gross profit is calculated as our revenue less cost of sales before deducting sales tax. The following table sets forth the gross profit and gross profit margin of our products and businesses.

	Year Ended December 31,						Six Months Ended June 30,			
	2009		2010		2011		2011		2012	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB in millions, except for %)									
							(unaudited)			
Hydraulic roof supports	1,088.2	26.8%	1,390.2	30.3%	1,675.1	29.7%	902.6	33.7%	1,217.3	37.2%
High-end hydraulic roof supports	548.6	28.3%	786.3	35.3%	968.4	33.8%	572.6	42.0%	681.4	47.4%
Medium-end hydraulic roof supports	539.6	25.4%	603.9	25.5%	706.7	25.4%	330.0	25.2%	535.9	29.2%
Steel and other raw materials trading	98.3	16.9%	150.6	12.1%	182.9	9.9%	52.9	8.6%	73.8	6.6%
Spare parts(1)	81.6	26.4%	110.4	24.5%	104.3	26.5%	53.2	24.9%	40.0	25.8%
Other coal mining equipment(2)	2.3	7.7%	10.0	19.0%	13.8	11.3%	7.5	13.4%	16.8	11.6%
Others(3)	4.3	42.2%	6.0	41.7%	14.6	30.9%	9.1	32.7%	10.1	33.0%
Sales tax	(25.9)	—	(32.7)	—	(38.6)	—	(20.7)	—	(23.1)	—
Total	1,248.8	25.0%	1,634.5	25.7%	1,952.1	24.2%	1,004.5	28.0%	1,334.9	28.3%

Notes:

(1) Primarily include jacks, hydraulic valves and structural parts of hydraulic roof supports.

(2) Primarily include armored-face conveyors and belt conveyors.

(3) Primarily include provision of machining services for spare parts and overhaul services for hydraulic roof supports and leasing of equipment and rental properties.

Other Income

Other income primarily comprises government subsidies received for research and development projects and construction projects, and interest income on bank deposits. Other income for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 was RMB25.6 million, RMB41.7 million, RMB91.3 million, RMB35.7 million and RMB59.9 million, respectively.

Other Gains and Losses

Other gains and losses primarily comprise allowance for doubtful debts, net foreign exchange gains and losses, gains on disposal of property, plant and equipment, gains on disposal of prepaid lease payments, write-down of inventories, impairment loss recognized in respect of goodwill and gains on disposal of held-for-trading investments. We had net other losses for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 of RMB36.1 million, RMB62.8 million, RMB44.4 million, RMB13.1 million and RMB35.5 million, respectively.

Selling and Distribution Expenses

Selling and distribution expenses primarily comprise transportation and logistics costs, tender and bidding handling expenses and employee salaries and commissions for our sales employees. Other selling and distribution expenses primarily include packaging fees, travel expenses, business license and certification fees and general office expenses for sales and marketing purposes. Selling and distribution expenses for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 were RMB156.3 million, RMB153.6 million, RMB223.7 million, RMB90.5 million and RMB176.4 million, respectively.

The following table sets forth our selling and distribution expenses for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2009		2010		2011		2011		2012	
	(RMB in millions, except for %)									
Transportation and logistics costs	85.4	54.6%	93.1	60.6%	121.6	54.4%	41.3	45.6%	94.0	53.3%
Tender and bidding handling expenses	38.4	24.6%	22.2	14.5%	40.6	18.1%	25.5	28.2%	51.1	29.0%
Employee salaries and commissions	11.3	7.2%	14.1	9.2%	18.1	8.1%	8.4	9.3%	11.3	6.4%
Others	21.3	13.6%	24.1	15.7%	43.4	19.4%	15.3	16.9%	20.0	11.3%
Total	156.3	100.0%	153.6	100.0%	223.7	100.0%	90.5	100.0%	176.4	100.0%

Administrative Expenses

Administrative expenses primarily comprise non-sales and non-manufacturing employee salaries, benefits and other remuneration, research and development expenses, depreciation and amortization and tax expenses. Other administrative expenses primarily include consultancy fees, travel expenses, selected research and development expenses, advertising and marketing expenses, rental fees and maintenance fees for administrative purposes. Administrative expenses for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 were RMB291.6 million, RMB385.5 million, RMB359.5 million, RMB152.7 million and RMB199.9 million, respectively.

The following table sets forth our administrative expenses for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2009		2010		2011		2011		2012	
	(RMB in millions, except for %)									
Employee salaries, benefits and other remuneration	160.2	55.0%	198.0	51.4%	112.2	31.2%	50.2	32.9%	67.6	33.8%
Research and development expenses[(1)]	59.7	20.5%	87.0	22.6%	104.1	29.0%	55.8	36.5%	46.2	23.1%
Depreciation and amortization	11.8	4.0%	16.7	4.3%	33.6	9.3%	9.5	6.2%	28.3	14.2%
Tax expenses	8.3	2.8%	10.7	2.8%	17.7	4.9%	8.0	5.2%	12.0	6.0%
Others	51.6	17.7%	73.1	18.9%	91.9	25.6%	29.2	19.2%	45.8	22.9%
Total	291.6	100.0%	385.5	100.0%	359.5	100.0%	152.7	100.0%	199.9	100.0%

Note:

(1) Research and development expenses classified as administrative expenses primarily comprise expenditures and costs relating to the improvement of our manufacturing processes and other internal research and development programs and measures. Other research and development expenses are classified as cost of sales. See "— Cost of Sales."

Share of Profit of Associates

During the Track Record Period, our share of results of associates comprised profit or loss from four associates, namely, ZMJ Suda, ZMJ Jiangxi, Datong Equipment and Xinjiang Coal. As of the Latest Practicable Date, we held 34% and 31%, respectively, of the equity interests of ZMJ Suda and Datong Equipment. Our subsidiary, ZMJ Comprehensive Equipment in which we held 68.89% of the equity interest, held 38% of the equity interest of ZMJ Jiangxi. Another subsidiary, ZMJ Lu An Xinjiang in which we held 54% of the equity interest, held 35% of the equity interest of Xinjiang Coal. These associate entities were incorporated in the PRC and are engaged primarily in manufacturing coal mining and excavating equipment or providing related maintenance services. Share of profit of associates for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 was RMB0.4 million, RMB8.4 million, RMB11.6 million, RMB3.4 million and RMB8.2 million, respectively.

Share of Profit of Jointly Controlled Entities

During the Track Record Period, our share of results of jointly controlled entities comprised profit or loss from three jointly controlled entities, namely Huainan Phillips, Huainan Allen West and Shun Li Machinery Maintenance. Our subsidiary, ZMJ Shun Li Machinery, in which we held 57.97% of the equity interest as of the Latest Practicable Date, held 40% of the equity interest in each of the three above mentioned entities as of the Latest Practicable Date. These jointly controlled entities were incorporated in the PRC and are engaged primarily in the manufacturing of coal mining and excavating equipment or electrical equipment, or providing related maintenance services. Share of profit of jointly controlled entities for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 was nil, RMB0.6 million, RMB0.6 million, RMB0.3 million and RMB0.3 million, respectively.

Finance Costs

Finance costs primarily comprise interest on bank and other borrowings. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, our finance costs were RMB17.5 million, RMB19.1 million, RMB6.9 million, RMB4.6 million and RMB2.0 million, respectively.

Income Tax Expense

Income tax expense for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 was RMB126.5 million, RMB171.6 million, RMB207.8 million, RMB185.0 million and RMB157.3 million, respectively.

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our overall effective tax rates were 16.4%, 16.1%, 14.6% and 15.9%, respectively. On March 16, 2007, the EIT Law and related implementing regulations became effective. The statutory tax rate for our subsidiaries established in the PRC decreased from 33% to 25% from January 1, 2008. Our Company and certain subsidiaries have been designated "High and New Technology Enterprises" and are subject to a preferential tax rate of 15% for a period of three years starting from the year when such company received such designation. Our subsidiary established in Russia, ZMJ Siberia, is expected to be taxed at a rate of 20% under the relevant Russian tax regulations.

The following table sets forth the effective tax rates that apply to our Company and subsidiaries for the periods indicated:

	Year Ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
Our Company[(1)]	15%	15%	15%	15%
ZMJ Comprehensive Equipment[(2)]	25%	15%	15%	15%
ZMJ Hydraulic Control[(3)]	25%	15%	15%	15%
ZMJ Material Trading	25%	25%	25%	25%
ZMJ Longwall Machinery	25%	25%	25%	25%
ZMJ Lu An Xin Jiang	25%	25%	25%	25%
ZMJ Shun Li Machinery	N/A	25%	25%	25%
ZMJ Siberia	N/A	N/A	20%	20%
ZMJ Foundry	N/A	N/A	25%	25%
Huaxuan Investment[(4)]	N/A	N/A	25%	25%

Notes:

(1) Our Company received the Technology Tax Certificate on October 28, 2011, which entitles our Company to a preferential tax rate of 15% from January 1, 2011 to December 31, 2013. Our Company was previously entitled to a preferential tax rate of 15% in 2009 and 2010 under a separate Technology Tax Certificate, which expired on December 31, 2010.

(2) ZMJ Comprehensive Equipment received the Technology Tax Certificate on November 8, 2010 and is entitled to a preferential tax rate of 15% from January 1, 2010 to December 31, 2012. This preferential tax rate will expire on December 31, 2012. We expect to submit a renewal application for the Technology Tax Certificate within three months of expiration or the period of October 1, 2012 to December 31, 2012.

(3) ZMJ Hydraulic Control received the Technology Tax Certificate on August 8, 2010 and is entitled to a preferential tax rate of 15% from January 1, 2010 to December 31, 2012. This preferential tax rate will expire on December 31, 2012. Pursuant to the relevant regulations, we are required to submit a renewal application for the Technology Tax Certificate within three months of expiration or the period of October 1, 2012 to December 31, 2012.

(4) Huaxuan Investment is no longer a subsidiary of our Company as of the date of this prospectus. See "Recent Developments — Developments Regarding Huaxuan Investment."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial condition and results of operations are sensitive to accounting policies, assumptions and estimates that underlie the preparation of our consolidated financial statements. Our financial information is prepared in accordance with IFRS, which requires that certain assumptions and estimates be made which affect our financial information. Significant accounting policies are those that require our management to exercise judgment and make estimates that could result in significantly different results should future events affecting estimates differ from the management's current judgments. These policies involve assumptions and estimates important to the portrayal and understanding of our results of operations and financial condition. These policies are fully set forth in the "Accountants Report — Significant Accounting Policies" of Appendix I to this prospectus. We have identified the following policies as critical to understand our results of operations and financial condition:

Revenue Recognition

We are required to install our hydraulic roof supports at our customers' premises when selling such products to our customers. Therefore, we must take into consideration whether it is appropriate to recognize the revenue from these transactions when the hydraulic roof supports are delivered to the customers, or to recognize the revenue when the installations are completed.

In making the judgment, we consider the criteria for the recognition of revenue from the sale of goods set forth in IAS 18 Revenue and, in particular, whether we have transferred to the buyer the significant risks and rewards that are derived from the ownership of the goods. As the installation of hydraulic roof supports is an integral part of the transaction and the installation process is generally complicated, we believe that installation cannot be separated from the sales of hydraulic roof supports. As such, the significant risks and rewards of a transaction can only be transferred to our customers upon the completion of installation. Therefore, we believe that it is appropriate for the recognition of revenue from sales of hydraulic roof supports to occur upon the completion of installation.

Revenue from the sales of steel and other raw materials and spare parts is recognized when the goods are delivered and the title to the goods has passed to our customers.

Revenue from the sales of other coal mining equipment in the ordinary course of business is recognized when the equipment has been delivered to, and accepted by, our customers upon completion of installation. Similar to hydraulic roof supports, deposits and installments received from the customers for other coal mining equipment prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Estimated Impairment of Trade Receivables

We take into consideration the estimation of future cash flows when there is objective evidence of an impairment loss. The amount of an impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate of the financial asset (i.e., the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2009, 2010 and 2011 and June 30, 2012, the carrying amounts of trade receivables were RMB1,009.2 million, RMB1,622.6 million, RMB1,715.0 million and RMB2,580.9 million, respectively.

Write-down of Inventories

Inventories are valued at the lower of cost and net realizable value. We inspect and review our inventories on a regular basis to identify slow-moving and obsolete inventories. When we identify inventory items whose market prices are lower than their carrying amounts, slow-moving or obsolete, we will write down the inventories as of the end of that year. As of December 31, 2009, 2010 and 2011 and June 30, 2012, the carrying amount of our inventories were RMB1,074.5 million, RMB1,300.0 million, RMB1,644.0 million and RMB2,257.3 million, respectively.

Estimated Useful Lives and Residual Values of Property, Plant and Equipment and Investment Properties

We estimate the useful lives and related depreciation charges for our property, plant and equipment. This estimate is based on our management's experience of the actual useful lives of property, plant and equipment of similar nature and function, and could change significantly as a result of technical innovations and actions of our competitors. Our management will increase the depreciation charge where useful lives are less than previously estimated. The carrying amounts of property, plant and equipment as of December 31, 2009, 2010 and 2011 and June 30, 2012 were RMB412.0 million, RMB1,058.8 million, RMB1,495.9 million and RMB1,602.8 million, respectively. The carrying amounts of investment properties as of December 31, 2009, 2010 and 2011 and June 30, 2012 were RMB12.1 million, RMB11.8 million, RMB11.4 million and RMB11.2 million, respectively.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2012

Revenue

Our revenue increased by 31.7% from RMB3,586.3 million for the six months ended June 30, 2011 to RMB4,723.6 million for the six months ended June 30, 2012.

Hydraulic roof supports. Revenue from sales of our hydraulic roof supports increased by 22.3% from RMB2,675.2 million for the six months ended June 30, 2011 to RMB3,272.2 million for the six months ended June 30, 2012, primarily as a result of an increase in sales volume, partially offset by a decrease in average selling price. Sales volume of hydraulic roof supports increased by 44.5%, from 7,406 units for the six months ended June 30, 2011, comprising 1,702 units of high-end hydraulic roof supports and 5,704 units of medium-end hydraulic roof supports, to 10,701 units for the six months ended June 30, 2012, comprising 2,217 units of high-end hydraulic roof supports and 8,484 units of medium-end hydraulic roof supports. Our sales volume increased primarily as a result of increased mechanization rates of coal mining operations in the PRC which resulted in increased customer demand for these products, our continuing expansion into the international markets, as well as our expanded production capacity which enabled us to benefit from increased demand for our products.

The average selling price of our hydraulic roof supports decreased by 15.3% from RMB361,200 per unit for the six months ended June 30, 2011 to RMB305,800 per unit for the six months ended June 30, 2012, primarily as a result of a decrease in steel prices in the first half of 2012, and an increase in the proportion of the sales volume of our medium-end hydraulic roof supports in the total sales volume of hydraulic roof supports. The average selling price of our high-end hydraulic roof supports decreased by 23.4% from RMB801,000 per unit for the six months ended June 30, 2011 to RMB648,900 per unit for the six months ended June 30, 2012, primarily as a result of an increase in the sales of small-sized high-end hydraulic roof supports, which had lower prices than large-sized high-end hydraulic roof supports, and a general decrease in steel prices. The average selling price of our medium-end hydraulic roof supports decreased from RMB230,000 per unit for the six months ended June 30, 2011 to RMB216,100 per unit for the six months ended June 30, 2012, primarily due to decreased steel prices and increased market competition among sellers of these products.

Steel and other raw materials trading business. Revenue from our steel and other raw materials trading business increased by 82.6% from RMB613.8 million for the six months ended June 30, 2011 to RMB1,120.6 million for the six months ended June 30, 2012, primarily due to our increased marketing and sales efforts in order to better leverage on our manufacturing operations. In particular, we established a team focusing on the steel and other raw materials trading business in March 2011, and since then, have significantly expanded that business.

Spare parts. Revenue from sales of our spare parts decreased by 27.6% from RMB213.7 million for the six months ended June 30, 2011 to RMB154.8 million for the six months ended June 30, 2012, primarily as a result of a decrease in sales volume of spare parts as our subsidiary, ZMJ Comprehensive Equipment, reduced sales of spare parts in order to focus on manufacturing hydraulic roof supports to meet increased market demand.

Other coal mining equipment. Revenue from sales of our other coal mining equipment increased by 160.6% from RMB55.8 million for the six months ended June 30, 2011 to RMB145.4 million for the six months ended June 30, 2012, primarily as a result of an increase in sales of armored-face conveyors, belt conveyors and other coal mining equipment manufactured by both ZMJ Shun Li Machinery and ZMJ Longwall Machinery.

Other revenue. Other revenue primarily included the provision of machining services for spare parts, overhaul services for hydraulic roof supports and leasing of equipment and rental properties. Other revenue increased by 10.5% from RMB27.7 million for the six months ended June 30, 2011 to RMB30.6 million for the six months ended June 30, 2012.

Cost of Sales

Our cost of sales increased by 31.3% from RMB2,581.7 million for the six months ended June 30, 2011 to RMB3,388.7 million for the six months ended June 30, 2012, primarily due to an increase in our sales.

Cost of raw materials. Cost of raw materials increased by 33.1% from RMB2,282.1 million for the six months ended June 30, 2011 to RMB3,038.2 million for the six months ended June 30, 2012, primarily as a result of an increase in the volume of steel used in our manufacturing operations, partially offset by a decrease in steel prices.

Direct labor costs and manufacturing expenses. Our direct labor costs and manufacturing expenses increased by 14.8% from RMB227.2 million for the six months ended June 30, 2011 to RMB260.9 million for the six months ended June 30, 2012, primarily as the result of the effects of inflation and an increase in depreciation as we commenced the operation of our newly-established manufacturing base in Zhengzhou in September 2011. According to the NBS, the monthly consumer price index in the PRC was 4.5%, 3.2%, 3.6%, 3.4%, 3.0% and 2.2% for the first six months of 2012.

Gross Profit and Gross Profit Margin

Our gross profit increased by 32.9% from RMB1,004.5 million for the six months ended June 30, 2011 to RMB1,334.9 million for the six months ended June 30, 2012 and our gross profit margin increased slightly from 28.0% for the six months ended June 30, 2011 to 28.3% for the six months ended June 30, 2012.

Hydraulic roof supports. Gross profit margin for our hydraulic roof supports increased from 33.7% for the six months ended June 30, 2011 to 37.2% for the six months ended June 30, 2012, primarily as a result of an increase in the gross profit margins of both our high-end hydraulic roof supports and medium-end hydraulic roof supports. The gross profit margin for our high-end hydraulic roof supports, which accounted for 44.0% of our total sales of hydraulic roof supports for the six months ended June 30, 2012, increased from 42.0% for the six months ended June 30, 2011 to 47.4% for the six months ended June 30, 2012, primarily as a result of our improved manufacturing technology and effective cost controls, as well as increased contribution of our international sales of high-end hydraulic roof supports, which generally have higher gross profit margins than our domestic sales. The gross profit margin for our medium-end hydraulic roof supports, which accounted for 56.0% of our total sales of hydraulic roof supports for the six months ended June 30, 2012, increased from 25.2% for the six months ended June 30, 2011 to 29.2% for the six months ended June 30, 2012, primarily due to our increased economies of scale and, to a lesser extent, our enhanced manufacturing technologies which enabled us to effectively control cost and increase efficiency.

Steel and other raw materials trading business. Gross profit margin for our steel and other raw materials trading business decreased from 8.6% for the six months ended June 30, 2011 to 6.6% for the six months ended June 30, 2012, primarily as a result of increased price competition as the high quality steel products that we sell became increasingly available in the market, as well as reduced contribution of scrap steel to our steel and other raw materials trading business, which accounted for 9.1% and 8.6% of the revenue of our steel and other raw materials trading business in the first half of 2011 and 2012, respectively. Our sales of scrap steel generally have higher gross profit margins than those of our steel products as the costs of such materials are recognized during the production process.

Spare parts. Gross profit margin for our spare parts slightly increased from 24.9% for the six months ended June 30, 2011 to 25.8% for the six months ended June 30, 2012.

Other coal mining equipment. Gross profit margin for our other coal mining equipment decreased from 13.4% for the six months ended June 30, 2011 to 11.6% for the six months ended June 30, 2012.

Other Income

Other income primarily comprised government subsidies received and interest income on bank deposits. Our other income increased by 67.8% from RMB35.7 million for the six months ended June 30, 2011 to RMB59.9 million for the six months ended June 30, 2012, primarily as a result of an increase in interest income from our bank deposits due to increases in average interest rates and government grants received.

Other Gains and Losses

Our other net losses increased by 171.0% from RMB13.1 million for the six months ended June 30, 2011 to RMB35.5 million for the six months ended June 30, 2012, primarily as a result of an increase in our allowance for doubtful debts, which was consistent with the increase in our sales and trade receivables in the six months ended June 30, 2012, partially offset by gains of RMB17.3 million on disposal of our held-for-trading investments during the six months ended June 30, 2012, primarily as a result of our sales of equity securities listed on the PRC stock exchanges held by Huaxuan Investment.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 95.0% from RMB90.5 million for the six months ended June 30, 2011 to RMB176.4 million for the six months ended June 30, 2012, primarily as a result of an increase in transportation and logistics expenses as our sales volumes increased, an increase in tender and bidding costs associated with our international expansion plans, as well as an increase in employee salaries and commissions for our sales employees.

Administrative Expenses

Our administrative expenses increased by 30.9% from RMB152.7 million for the six months ended June 30, 2011 to RMB199.9 million for the six months ended June 30, 2012, primarily as a result of an increase in depreciation and amortization expenses after we commenced the operation of an administrative office at our newly-established manufacturing base in September 2011, as well as a general increase in employee salaries, benefits and other remuneration.

Share of Profits of Associates

Share of profits of associates increased by 141.2% from RMB3.4 million for the six months ended June 30, 2011 to RMB8.2 million for the six months ended June 30, 2012, primarily as a result of an increase in the profits of our associates, particularly ZMJ Suda.

Finance Costs

Our finance costs decreased by 56.5% from RMB4.6 million for the six months ended June 30, 2011 to RMB2.0 million for the six months ended June 30, 2012, primarily as a result of a decrease in interest expenses on our bank borrowings. Interest expenses decreased from the six months ended June 30, 2011 to the six months ended June 30, 2012 primarily a result of a decrease in the average balance of our bank borrowings, which was primarily due to the early repayment by ZMJ Lu An Xinjiang of a portion of its long-term project construction borrowings from China Construction Bank.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 26.4% from RMB783.1 million for the six months ended June 30, 2011 to RMB989.6 million for the six months ended June 30, 2012.

Income Tax Expense

Our income tax expense decreased by 15.0% from RMB185 million for the six months ended June 30, 2011 to RMB157.3 million for the six months ended June 30, 2012, primarily as a result of a decrease in the income tax rate applicable to our Company. Our Company, which accounted for the majority of the Group's income tax expenses, received the Technology Tax Certificate on October 28, 2011, which entitles our Company to a preferential tax rate of 15% from January 1, 2011 to December 31, 2013. Since our Company had not received the Technology Tax Certificate as of June 30, 2011, the income tax expense of our Company for the six months ended June 30, 2011 was calculated based on the statutory income tax rate of 25%, while the income tax expense of our Company for the six months ended June 30, 2012 was calculated based on the effective tax rate of 15%. See " — Description of Selected Items of Our Statements of Comprehensive Income — Income Tax Expense."

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, our profit and total comprehensive income increased by 39.1% from RMB598.2 million for the six months ended June 30, 2011 to RMB832.3 million for the six months ended June 30, 2012.

Recently, some companies in the steel industry have experienced liquidity constraints, which may have a material impact on the general coal mining equipment manufacturing industry, as steel is the primary raw material for production. However, we have not been and do not expect to be materially affected as we: (i) procure steel from major domestic suppliers that are creditworthy and in good financial condition; and (ii) have long-term relationships with our key steel suppliers which supply steel materials to us on a priority basis. As a result, the payment terms of our supply agreements generally remain unchanged and we have not experienced any delivery delays or steel supply shortages.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2011

Revenue

Our revenue increased by 26.8% from RMB6,358.3 million in 2010 to RMB8,060.1 million in 2011, primarily as a result of a general increase in the sales of our products.

Hydraulic roof supports. Revenue from sales of our hydraulic roof supports increased by 22.8% from RMB4,593.4 million in 2010 to RMB5,642.0 million in 2011, primarily as a result of increases in sales volume and average selling price. Sales volume of hydraulic roof supports increased by 8.5%, from 13,027 units in 2010, comprising 3,309 units of high-end hydraulic roof supports and 9,718 units of medium-end hydraulic roof supports, to 14,129 units in 2011, comprising 3,638 units of high-end hydraulic roof supports and 10,491 units of medium-end hydraulic roof supports. Our sales volume increased primarily as a result of increased customer demand for these products resulting from PRC government policies promoting and requiring the use of mechanized coal mining equipment in coal mining operations, as well as our expanded production capacity which enabled us to benefit from increased demand for our products.

The average selling price of our hydraulic roof supports increased by 13.2% from RMB352,606 per unit in 2010 to RMB399,320 per unit in 2011, primarily as a result of an increase in the proportion of the sales of high-end hydraulic roof supports in our total sales of hydraulic roof supports, as high-end hydraulic roof supports generally have higher selling prices than medium-end hydraulic roof supports. The average selling price of our high-end hydraulic roof supports increased from RMB673,000 per unit in 2010 to RMB787,493 per unit in 2011, primarily as a result of increased demand for, and technological improvements to, our high-end products. We increased our research and development efforts, which enabled us to improve our products and enhance our manufacturing processes, resulting in the increase of the average selling price of our high-end hydraulic roof supports. The average selling price of our medium-end hydraulic roof supports increased from RMB243,500 per unit in 2010 to RMB264,713 per unit in 2011, primarily due to increases in market prices of the raw materials and labor cost.

Steel and other raw materials trading business. Revenue from our steel and other raw materials trading business increased by 48.6% from RMB1,247.9 million in 2010 to RMB1,854.7 million in 2011, primarily as a result of an increase in sales volume of steel due to the increased scale of our operations and, to a lesser extent, the general increase in the prices of steel in 2011. Benefiting from our increased operating scale in product manufacturing, we were able to procure high quality steel materials in bulk at favorable prices, which enabled us to capture increased market demand.

Spare parts. Revenue from sales of our spare parts decreased by 12.5% from RMB450.1 million in 2010 to RMB393.8 million in 2011, primarily as a result of a decrease in the sales volume of spare parts as we allocated manufacturing capacity of spare parts to hydraulic roof supports to meet the increased demand for our hydraulic roof supports.

Other coal mining equipment. Revenue from sales of our other coal mining equipment increased by 133.1% from RMB52.5 million in 2010 to RMB122.4 million in 2011, primarily as a result of an increase in sales of armored-face conveyors following our acquisition of ZMJ Shun Li Machinery in November 2010.

Other revenue. Other revenue increased by 227.8% from RMB14.4 million in 2010 to RMB47.2 million in 2011, primarily as a result of an increase in leases of hydraulic props to customers by ZMJ Shun Li Machinery.

Cost of Sales

Our cost of sales increased by 29.3% from RMB4,723.8 million in 2010 to RMB6,108.0 million in 2011, primarily as a result of an increase in our sales.

Cost of raw materials. Cost of raw materials increased by 31.5% from RMB4,099.5 million in 2010 to RMB5,389.4 million in 2011, primarily as a result of an increase in the volume of steel used in our manufacturing operations and sold in our steel and other raw materials trading business.

Direct labor costs and manufacturing expenses. Our direct labor costs and manufacturing expenses increased by 12.9% from RMB489.1 million in 2010 to RMB552.3 million in 2011, primarily as a result of an increase in average employee compensation, which was consistent with rising labor costs in the PRC, as well as an increase in our headcount due to our increased scale of operations.

Gross Profit and Gross Profit Margin

Our gross profit increased by 19.4% from RMB1,634.5 million in 2010 to RMB1,952.1 million in 2011 and our gross profit margin decreased from 25.7% in 2010 to 24.2% in 2011.

Hydraulic roof supports. Gross profit margin for our hydraulic roof supports slightly decreased from 30.3% in 2010 to 29.7% in 2011, primarily as a result of a decrease in the gross profit margin of our high-end hydraulic roof supports. The gross profit margin for 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 the market prices of steel and other ancillary materials and labor costs increased at a faster rate than the prices of our high-end hydraulic roof supports, which reflected our inability to fully pass on these cost increases to our customers. The gross profit margin for our medium-end hydraulic roof supports, which accounted for 49.2% of our total sales of hydraulic roof supports in 2011, decreased slightly from 25.5% in 2010 to 25.4% in 2011.

Steel and other raw materials trading business. Gross profit margin for our steel and other raw materials trading business decreased from 12.1% in 2010 to 9.9% in 2011, primarily as a result of increased competition as the high quality steel products that we sell became increasingly available in the market as well as reduced contribution of scrap steel to our steel and other raw materials trading business. Sales of scrap steel accounted for 7.6% and 7.1% of the revenue of our steel and raw materials trading business in 2010 and 2011, respectively. Our sales of scrap steel generally have higher gross profit margins than those of our steel products as the costs of such materials are recognized during the production process.

Spare parts. Gross profit margin for our spare parts increased from 24.5% in 2010 to 26.5% in 2011, primarily as a result of an increase in sales volume of certain spare parts with relatively high gross profit margins.

Other coal mining equipment. Gross profit margin for our other coal mining equipment decreased from 19.0% in 2010 to 11.3% in 2011, primarily as a result of the diversification of our product mix to include additional coal mining equipment, such as belt conveyors, which had lower profit margins than other coal mining equipment, following our acquisition of ZMJ Shun Li Machinery in November 2010.

Other Income

Our other income increased by 118.9% from RMB41.7 million in 2010 to RMB91.3 million in 2011, primarily as a result of an increase in interest income on our average bank deposits due to increased interest rates and increased bank balances from the receipt of proceeds of the A Share Offering that were not utilized during the period.

Other Gains and Losses

Our other net losses decreased by 29.3% from RMB62.8 million in 2010 to RMB44.4 million in 2011, primarily because we recognized one-off impairment losses of RMB10.0 million for a set of unsold hydraulic roof supports and RMB4.3 million in respect of goodwill arising from the acquisition of ZMJ Shun Li Machinery in 2010, whereas we did not recognize such impairment losses in 2011.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 45.6% from RMB153.6 million in 2010 to RMB223.7 million in 2011, primarily as a result of an increase in sales volume, which resulted in increased transportation and logistics expenses, as well as increased tender and bidding costs associated with our domestic and international sales expansion.

Administrative Expenses

Our administrative expenses decreased by 6.7% from RMB385.5 million in 2010 to RMB359.5 million in 2011, primarily as a result of the review and modification of our employee compensation scheme, which reduced employee salaries, benefits and other remuneration in 2011.

Share of Profits of Associates

Share of profits of associates increased by 38.1% from RMB8.4 million in 2010 to RMB11.6 million in 2011, primarily as a result of an increase in the profits of our associates, particularly ZMJ Suda.

Share of Profits of Jointly Controlled Entities

Share of profits of jointly controlled entities remained the same at RMB0.6 million in 2010 and in 2011.

Finance Costs

Our finance costs decreased by 63.9% from RMB19.1 million in 2010 to RMB6.9 million in 2011, primarily as a result of a decrease in interest expenses on our bank borrowings. Interest expenses decreased from 2010 to 2011 primarily as a result of a decrease in the average balance of our bank borrowings, primarily due to the early repayment of a portion of the long-term project construction borrowings from China Construction Bank by ZMJ Lu An Xinjiang.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 33.5% from RMB1,064.4 million in 2010 to RMB1,421.0 million in 2011.

Income Tax Expense

Our income tax expense increased by 21.1% from RMB171.6 million in 2010 to RMB207.8 million in 2011, primarily as a result of an increase in our taxable profit.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year increased by 35.9% from RMB892.8 million in 2010 to RMB1,213.3 million in 2011.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2010

Revenue

Our revenue increased by 27.3% from RMB4,994.4 million in 2009 to RMB6,358.3 million in 2010, primarily as a result of increases in sales volume and average selling price of our hydraulic roof supports.

Hydraulic roof supports. Revenue from sales of hydraulic roof supports increased by 13.1% from RMB4,062.7 million in 2009 to RMB4,593.4 million in 2010, primarily as a result of increases in sales volume and average selling price. Sales volume of hydraulic roof supports increased by 10.2% from 11,817 units in 2009, comprising 2,925 units of high-end hydraulic roof supports and 8,892 units of medium-end hydraulic roof supports, to 13,027 units in 2010, comprising 3,309 units of high-end hydraulic roof supports and 9,718 units of medium-end hydraulic roof supports. Our sales volumes increased primarily as a result of increased customer demand for our hydraulic roof supports. To meet such increased demand, we enhanced our production process through technological improvements, installation of additional manufacturing equipment and increased outsourcing of non-critical parts and components to meet increased customer demand.

The average selling price of our hydraulic roof supports increased by 2.6% from RMB343,801 per unit in 2009 to RMB352,606 per unit in 2010, primarily as a result of an increase in the proportion of sales of high-end hydraulic roof supports in our total sales of hydraulic roof supports, as high-end hydraulic roof supports generally have higher selling prices than medium-end hydraulic roof supports. The average selling price of our high-end hydraulic roof supports increased from RMB662,600 per unit in 2009 to RMB673,000 per unit in 2010 due to increased demand for, and technological improvements to, our high-end products. We increased our research and development efforts, which enabled us to improve our products and enhance our manufacturing processes, resulting in the increase of the average selling price of our high-end hydraulic roof supports. The average selling price of our medium-end hydraulic roof supports increased from RMB238,900 per unit in 2009 to RMB243,500 per unit in 2010 for the same reason.

Steel and other raw materials trading business. Revenue from our steel and other raw materials trading business increased by 114.0% from RMB583.0 million in 2009 to RMB1,247.9 million in 2010, primarily as a result of an increase in sales volume of steel due to the increased scale of our operations and, to a lesser extent, the general increase of steel prices in 2010. Benefiting from our increased operating scale in product manufacturing, we were able to procure high quality steel materials in bulk at favorable prices, which enabled us to meet increased demand.

Spare parts. Revenue from sales of spare parts increased by 45.9% from RMB308.6 million in 2009 to RMB450.1 million in 2010, primarily as a result of an increase in sales of spare parts related to our aftermarket services due to an increase in installed bases of our hydraulic roof supports and our enhanced aftermarket services.

Other coal mining equipment. Revenue from sales of other coal mining and excavating equipment increased by 75.6% from RMB29.9 million in 2009 to RMB52.5 million in 2010, primarily as a result of an increase in sales of armored-face conveyors manufactured by ZMJ Longwall Machinery which commenced operations in 2009. In addition, in November 2010, we acquired 57.97% of the equity interest in ZMJ Shun Li Machinery which manufactures armored-face conveyors, belt conveyors and other coal mining equipment. This acquisition also contributed to the increase in sales of other coal mining and excavating equipment in 2010.

Other revenue. Other revenue increased by 41.2% from RMB10.2 million in 2009 to RMB14.4 million in 2010, primarily as a result of an increase in rental payments from tenants of our properties and an increase in machining fees that we received for manufacturing outsourced parts that we sold to our customers.

Cost of Sales

Our cost of sales increased by 26.1% from RMB3,745.7 million in 2009 to RMB4,723.8 million in 2010, primarily as a result of an increase in our sales.

Cost of raw materials. Cost of raw materials increased by 21.9% from RMB3,364.3 million in 2009 to RMB4,099.5 million in 2010, primarily as a result of an increase in the costs of steel, hydraulic parts and other ancillary materials. Our steel costs increased primarily due to an increase in market prices of steel and an increase in the volume of steel used in our manufacturing process and sold in our steel trading business.

Direct labor costs and manufacturing expenses. Direct labor costs and manufacturing expenses increased by 87.9% from RMB260.3 million in 2009 to RMB489.1 million in 2010, primarily as a result of an increase in our employee headcount, as well as an increase in depreciation as we made fixed assets investments to enhance our manufacturing efficiency and increase our production capacity.

Gross Profit and Gross Profit Margin

Our gross profit increased by 30.9% from RMB1,248.8 million in 2009 to RMB1,634.5 million in 2010, and our gross profit margin increased from 25.0% in 2009 to 25.7% in 2010.

Hydraulic roof supports. Gross profit margin for our hydraulic roof supports increased from 26.8% in 2009 to 30.3% in 2010, primarily as a result of an increase in the percentage of gross profit derived from the sales of high-end hydraulic roof supports which had a higher gross profit margin than sales of medium-end hydraulic roof supports. The gross profit margin for our high-end hydraulic roof supports, which accounted for 48.5% of our total sales of hydraulic roof supports in 2010, increased from 28.3% in 2009 to 35.3% in 2010, primarily as a result of increased demand for our high-end hydraulic roof supports as we enhanced the performance of these products by incorporating more advanced technology. The gross profit margin for our medium-end hydraulic roof supports, which accounted for 51.5% of our total sales of hydraulic roof supports in 2010, increased slightly from 25.4% in 2009 to 25.5% in 2010.

Steel and other raw materials trading business. Gross profit margin for our steel and other raw materials trading business decreased from 16.9% in 2009 to 12.1% in 2010, primarily as a result of the reduced contribution of scrap steel to our steel and other raw materials trading business. Sales of scrap steel had a higher profit margin than sales of other products in the steel and other raw material trading business and accounted for 11.0% and 7.6% of our revenue from steel and materials trading in 2009 and 2010, respectively, as well as increased competition as the high-quality steel products that we sold became increasingly available in the market.

Spare parts. Gross profit margin for our spare parts decreased from 26.4% to 24.5%, primarily as a result of an increase in sales volumes of products with relatively low gross profit margins.

Other coal mining equipment. Gross profit margin for our other mining equipment increased from 7.7% in 2009 to 19.0% in 2010, primarily as a result of an increase in sales of our armored-face conveyors, following the establishment and commencement of operation of ZMJ Longwall Machinery in March 2009.

Other Income

Our other income increased by 62.9% from RMB25.6 million in 2009 to RMB41.7 million in 2010, primarily as a result of an increase in one-off subsidies received from the PRC government for our research and development projects, as well as an increase in the interest income from our bank deposits as a result of an increase in the average balance of our bank deposits as we received the proceeds of the A Share Offering during this period.

Other Gains and Losses

Our other net losses increased by 74.0% from RMB36.1 million in 2009 to RMB62.8 million in 2010, primarily as a result of an increase in allowance for doubtful debts, which was consistent with our increased sales. In addition, our impairment loss of inventory increased from nil in 2009 to RMB10.0 million in 2010, primarily as a result of the default of a hydraulic roof support customer on its obligations under our sales contract in 2010 due to its delay in obtaining the required mining licenses after its corporate restructuring. Accordingly, we recorded an impairment loss of RMB10.0 million in relation to the unsold hydraulic roof supports under this contract. See "Risk Factors — Risks Relating to Our Business and Operations — 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." In addition, we recognized an impairment loss of RMB4.3 million in respect of goodwill arising from our acquisition of ZMJ Shun Li Machinery in 2010.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 1.7% from RMB156.3 million in 2009 to RMB153.6 million in 2010, primarily as a result of a decrease in tender and bidding costs, which varied on a case-by-case basis for the tenders and bids that we participated in.

Administrative Expenses

Our administrative expenses increased by 32.2% from RMB291.6 million in 2009 to RMB385.5 million in 2010, primarily as a result of increases in employee salaries, benefits and remuneration and research and development expenses. Employee salaries, benefits and remuneration increased by 23.6% from RMB160.2 million in 2009 to RMB198.0 million in 2010, primarily as a result of an increase in our employee headcount following the acquisition of ZMJ Shun Li Machinery in 2010. Research and development expenses increased by 45.7% from RMB59.7 million in 2009 to RMB87.0 million in 2010, primarily as a result of an increase in the headcount of our research and development staff and expenditures for developing new types of hydraulic roof supports.

Share of Profits of Associates

Share of profits of associates increased by 2,000% from RMB0.4 million in 2009 to RMB8.4 million in 2010, primarily as a result of the commencement of business operations of our newly-established associates and an increase in the profits of our associates, particularly ZMJ Suda. In July 2009, we established our associate, ZMJ Suda to provide coal mining equipment aftermarket services such as spare parts provision, storage and related services. As of the Latest Practicable Date, we held approximately 34.0% of the equity interest in ZMJ Suda. Since its establishment, ZMJ Suda has experienced significant growth in revenue. In addition, the commencement of business operations of ZMJ Jiangxi in 2009 also contributed to the increase of the profits of our associates. Our associate, ZMJ Comprehensive Equipment, in which we held 68.89% of the equity interest, has held 38% of the equity interest of ZMJ Jiangxi since December 2009.

Share of Profits of Jointly Controlled Entities

Share of profits of jointly controlled entities increased from nil in 2009 to RMB0.6 million in 2010, primarily as a result of our acquisition of 57.97% of the equity interest in ZMJ Shun Li Machinery in 2010 which held 40% of the equity interest in each of Huainan Philips, Huainan Allen West and Shun Li Machinery Maintenance.

Finance Costs

Our finance costs increased by 9.1% from RMB17.5 million in 2009 to RMB19.1 million in 2010, primarily as a result of an increase in interest expenses on our bank borrowings due to an increase in the average balance of our bank borrowings.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 37.7% from RMB773.2 million in 2009 to RMB1,064.4 million in 2010.

Income Tax Expense

Our income tax expense increased by 35.7% from RMB126.5 million in 2009 to RMB171.6 million in 2010, primarily due to an increase in our taxable profit.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year increased by 38.0% from RMB646.8 million in 2009 to RMB892.8 million in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Historically, our principal sources of funds have been cash generated from sales and operations, bank borrowings and the proceeds from the A Share Offering. Our cash needs have been related primarily to costs associated with production, sales and the expansion of our production capacity after the A Share Offering. We had net current assets of RMB1,224.3 million, RMB3,900.6 million, RMB4,305.8 million and RMB4,713.1 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively.

We plan to fund capital expenditures and related expenses and our working capital requirements described in this prospectus with cash from operating activities, the net proceeds from the Global Offering and short-term and long-term bank borrowings. Except as disclosed in the prospectus, we currently do not have any material external debt financing plan. As of the date of the prospectus, there are no material covenants relating to our outstanding borrowings.

We conduct our operations directly and through our operating subsidiaries, some of which we do not wholly own or are joint ventures. Therefore, we may not in all circumstances be able to allocate our free cash flow as we would like among our subsidiaries. In addition, certain PRC laws restrict the ability of our subsidiaries to transfer funds to us in the form of cash dividends or loans. PRC regulations currently permit the payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, under current PRC laws, regulations and accounting standards, each subsidiary is required to allocate at least 10% of its after-tax profit based on PRC accounting standards to its statutory common reserve fund each year until the cumulative amount of these reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. As of June 30, 2012, the required deductions attributable to these statutory common reserve funds amounted to approximately RMB42.1 million.

Furthermore, under certain regulations of the SAFE, the Renminbi is not convertible into foreign currencies for capital account items such as loans, repatriation of investments and investments outside of the PRC, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made. These restrictions have not historically had, and are not expected in the future to have, a material effect on our ability to meet our working capital requirements.

Cash Flows

The following table presents selected cash flow data for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
	(RMB in millions)				
Net cash from/(used in) operating activities	576.8	850.9	537.1	371.0	(107.9)
Net cash from/(used in) investing activities	(248.1)	(2,628.2)	(223.2)	(188.2)	54.2
Net cash from/(used in) financing activities	(41.1)	2,456.4	(191.3)	(61.6)	(87.2)
Cash and cash equivalents at the beginning of year/period	719.7	1,007.2	1,686.3	1,686.3	1,808.9
Cash and cash equivalents at the end of year/period represented by bank balances and cash	1,007.2	1,686.3	1,808.9	1,807.4	1,688.1

Net Cash From/(Used in) Operating Activities

Net cash from/(used in) operating activities reflects our profit before tax adjusted for: (i) non-cash items, which primarily comprise depreciation of property, plant and equipment, allowance for doubtful debt, finance costs, interest income and impairment loss recognized in respect of goodwill; and (ii) effects of changes in working capital, which primarily comprise changes in inventories, changes in trade and other receivables, changes in trade and other payables and advances from customers.

Net cash used in operating activities was RMB107.9 million for the six months ended June 30, 2012, comprising income tax paid of RMB135.0 million, subtracted by cash generated from operations of RMB27.1 million. Our cash generated from operations comprised operating cash flows before movements in working capital of RMB1,060.4 million and net negative adjustment for changes in working capital of RMB1,033.3 million. Net negative adjustments for changes in working capital 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 and Huainan Mining that may choose to directly order our products instead of utilizing the bidding process.

Net cash from operating activities was RMB537.1 million for the year ended December 31, 2011, comprising cash generated from operations of RMB820.9 million, subtracted by income tax paid of RMB283.8 million. Our cash generated from operations comprised operating cash flows before movements in working capital of RMB1,494.8 million and net negative adjustment for changes in working capital of RMB673.9 million. Net negative adjustments for changes in working capital primarily reflected: (i) an increase in trade and other receivables of RMB614.7 million, primarily due to an increase in our sales; and (ii) an increase in inventories of RMB343.8 million, primarily due to an increase in our production volumes to meet the increased demand for our products, partially offset by an increase in trade and other payables of RMB207.2 million, primarily due to an increase in raw materials purchases as a result of an increase in product orders.

Net cash from operating activities was RMB850.9 million for the year ended December 31, 2010, comprising cash generated from operations of RMB1,023.3 million, subtracted by income tax paid of RMB172.4 million. Our cash generated from operations comprised operating cash flows before movements in working capital of RMB1,166.6 million and net negative adjustments for changes in working capital of RMB143.3 million. Net negative adjustments for changes in working capital primarily reflected: (i) an increase in trade and other receivables of RMB464.4 million, primarily due to an increase in our sales; and (ii) an increase in inventories of RMB120.7 million, primarily due to an increase in our production volumes to meet the increased demand for our products, partially offset by an increase in trade and other payables of RMB377.6 million, primarily due to an increase in raw materials purchases as a result of an increase in product orders.

Net cash from operating activities was RMB576.8 million for the year ended December 31, 2009, comprising cash generated from operations of RMB686.0 million, subtracted by income tax paid of RMB109.3 million. Our cash generated from operations comprised operating cash flows before movements in working capital of RMB852.1 million and net negative adjustments for changes in working capital of RMB166.0 million. Net negative adjustments for changes in working capital primarily reflected an increase in trade and other receivables of RMB631.5 million, primarily due to an increase in our sales, partially offset by: (i) a decrease in inventories of RMB312.7 million, primarily due to an increased demand for our products; and (ii) an increase in trade and other payables of RMB249.4 million, primarily due to an increase in raw materials purchases as a result of an increase in product orders.

Net Cash From/(Used in) Investing Activities

Net cash from/(used in) investing activities primarily comprise purchases of property, plant and equipment, payments for prepaid leases, interest received, other non-current liabilities and acquisition of interests in our associates.

Net cash from investing activities was RMB54.2 million for the six months ended June 30, 2012, comprising primarily: (i) withdrawal of pledged bank deposits of RMB557.7 million; (ii) withdrawal of bank deposits with an original maturity of over three months of RMB220.0 million; (iii) receipt of proceeds of RMB230.0 million from the disposal of short-term structured deposits with banks; (iv) interest received of RMB22.6 million; and (v) government grants of RMB10.5 million related to the construction of new manufacturing facilities of ZMJ Shun Li Machinery, partially offset by: (i) payments of pledged bank deposits of RMB421.7 million for the issuance of bank notes that we used to purchase raw materials; (ii) purchases of property, plant and equipment of RMB238.4 million; (iii) purchases of short-term structured deposits from PRC commercial banks of RMB118.9 million to enhance our cash management; (iv) remittance by Huaxuan Investment of RMB100 million to Huaruan Investment

(Shanghai Co., Ltd.) as detailed in note ii to note 30 of the accountants' report included in Appendix I to this prospectus[(1)]; and (v) purchases of available-for-sale investments of RMB40.0 million as we purchased securities of a private company to diversify the investment portfolio of Huaxuan Investment and mitigate the associated risks.

Net cash used in investing activities was RMB223.2 million for the year ended December 31, 2011, comprising primarily: (i) payment of pledged bank deposits of RMB1,102.8 million for the issuance of bank notes that we used to purchase raw materials; (ii) purchases of property, plant and equipment of RMB414.1 million; (iii) purchase of short-term structured deposits from Agricultural Bank of China of RMB110.0 million to enhance our cash management; (iv) payments for prepaid lease payments of RMB78.7 million; and (v) acquisition of investment in associates as we acquired the interests of Datong Equipment and Xinjiang Coal for an aggregate consideration of RMB21.5 million, partially offset by: (i) withdrawal of pledged bank deposits of RMB917.7 million; (ii) withdrawal of bank deposits with an original maturity of over three months of RMB520.0 million; and (iii) interest received of RMB66.0 million.

Net cash used in investing activities was RMB2,628.2 million for the year ended December 31, 2010, comprising primarily: (i) placement of bank deposits with an original maturity of over three months of RMB1,950.0 million; (ii) payment of pledged bank deposits of RMB649.4 million for the issuance of bank notes that we used to purchase raw materials; (iii) purchases of property, plant and equipment of RMB485.2 million; (iv) payments for prepaid lease payments of RMB62.0 million; and (v) the acquisition of a subsidiary, ZMJ Shun Li Machinery, of RMB9.5 million, partially offset by: (i) withdrawal of pledge bank deposits of RMB508.6 million; and (ii) interest received of RMB16.4 million.

Note:

(1) In April 2012, Huaxuan Investment entered into an agreement (the "Huaxuan Investment Agreement") with Huaruan Investment (Shanghai) Co., Ltd. (the "Investment Manager"), an Associate of Hua Xin Venture Capital, for the Investment Manager to identify and initiate the appropriate investment opportunity to be jointly invested by Huaxuan Investment and the Investment Manager.

Both Hua Xin Venture Capital and the Investment Manager are currently Independent Third Parties, and as we understand, are principally engaged and specialized in investment holding and/or investment management in certain strategic emerging industries, such as information technology, pharmaceutical, environmental protection and advanced manufacturing industries, etc., in the PRC.

According to the Huaxuan Investment Agreement, the joint investment amount, should such a joint investment proceed, is capped at RMB300 million, to be contributed as to RMB200 million by Huaxuan Investment and RMB100 million by the Investment Manager. The exact investment amount and the respective contribution amounts by the two parties may be adjusted on a considered basis by mutual consent between them in writing, depending on factors such as the nature of such investment and all relevant circumstances. No such consent was made as of the Latest Practicable Date. The subject matter underlying any such investment, should it proceed, is expected to be compatible with the business operations or strategies of the Group and will be confirmed in accordance with its investment policies and parameters.

Pursuant to the Huaxuan Investment Agreement, in order to demonstrate our interest and to facilitate the Investment Manager to initiate and further discussions with its possible investment target, Huaxuan Investment has remitted into a designated account of the Investment Manager a total amount of RMB200 million (by way of two installments of RMB100 million each, one made by June 30, 2012 and the other after that date when Huaxuan Investment is no longer our subsidiary). Huaxuan Investment has the right to monitor, control and direct the funds deposited into that designated account. Such funds are being held effectively in escrow by the Investment Manager for use if and when an optimal investment opportunity is confirmed and pursued.

According to Huaxuan Investment, as of the Latest Practicable Date, no specific terms or arrangements regarding such opportunity were decided and finalized. According to the Huaxuan Investment Agreement, if within one year from the date when it was entered into, no formal investment contract regarding such opportunity is signed, then Huaxuan Investment may request the Investment Manager to repay the remitted sum to Huaxuan Investment.

Net cash used in investing activities was RMB248.1 million for the year ended December 31, 2009, comprising primarily: (i) payments for prepaid lease payments of RMB143.0 million; (ii) purchases of property, plant and equipment of RMB119.1 million; (iii) the acquisition of a subsidiary, ZMJ Lu An Xinjiang, of RMB8.9 million; (iv) acquisition of investment in our associates as we acquired the interests of ZMJ Suda and ZMJ Jiangxi for an aggregate consideration of RMB7.0 million; (v) net cash outflow of RMB3.7 million arising from the disposal of our equity interest in Zhengzhou Coal Mining Machinery Property Management Co., Ltd. ("ZCMMPM"), partially offset by: (i) government grants of RMB20.0 million related to the construction of new manufacturing facilities of the Company and (ii) interest received of RMB11.4 million;.

ZCMMPM, previously our subsidiary, primarily conducted property management business and provided social welfare and ancillary service, which did not form part of our core business operations. In 2008, as approved by the relevant PRC governmental authorities, we underwent a corporate reorganization and divested our non-core business. Pursuant to this reorganization and as a part of certain capital changes relating to ZCMMPM in 2009, we disposed of our equity interest in ZCMMPM for *de minimis* consideration on March 25, 2009, which was determined primarily by the appraised net assets of ZCMMPM at that time. See Note 41 of the Accountants' Report included in Appendix I to this prospectus. In accordance with the relevant accounting principles, this *de minimis* consideration was determined to be nil in amount.

Net Cash From/(Used in) Financing Activities

Net cash from/(used in) financing activities primarily comprise capital contributions, repayment of and proceeds from borrowings and interest and dividend payments.

Net cash used in financing activities was RMB87.2 million for the six months ended June 30, 2012, comprising primarily: (i) dividends paid to our shareholders of RMB54.5 million; and (ii) repayment of borrowings of RMB20.5 million.

Net cash used in financing activities was RMB191.3 million for the year ended December 31, 2011, comprising primarily: (i) dividends paid to our shareholders of RMB192.8 million; and (ii) repayment of borrowings of RMB120.0 million, partially offset by the capital contributions to Huaxuan Investment and ZMJ Foundry by their respective non-controlling shareholders in an aggregate amount of RMB113.4 million.

Net cash from financing activities was RMB2,456.4 million for the year ended December 31, 2010, comprising primarily: (i) a capital contribution of RMB2,700.4 million, representing the net proceeds we raised from the A Share Offering; and (ii) commercial bank borrowings of RMB140.0 million, partially offset by: (i) repayment of borrowings of RMB330.0 million; and (ii) dividends paid to our shareholders of RMB48.1 million.

Net cash used in financing activities was RMB41.1 million for the year ended December 31, 2009, comprising primarily: (i) repayment of borrowings of RMB304.9 million; (ii) dividends paid to our shareholders of RMB21.5 million; and (iii) interest paid of RMB17.5 million, partially offset by proceeds from borrowings of RMB302.0 million.

Net Current Assets and Liabilities

Our net current assets as of December 31, 2009, 2010 and 2011 and June 30, 2012 were RMB1,224.3 million, RMB3,900.6 million, RMB4,305.8 million and RMB4,713.1 million, respectively. Our current assets primarily comprise bank balances and cash, trade and other receivables, inventories and pledged bank deposits. Our current liabilities primarily comprise trade and other payables, advances from customers, borrowings and tax liabilities. The following table sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2009	2010	2011	2012	2012
	(RMB in millions)				
Current Assets					
Inventories	1,074.5	1,300.0	1,644.0	2,257.3	1,913.9
Trade and other receivables	1,797.6	2,344.8	2,904.1	3,515.3	3,645.7
Bank balances and cash	1,007.2	3,636.3	3,238.9	2,878.1	2,822.0
Other current assets	255.3	397.7	721.7	449.8	457.1
	4,134.7	7,678.7	8,508.7	9,100.4	8,838.7
Current Liabilities					
Trade and other payables	1,243.1	2,058.5	2,503.8	3,060.2	3,008.4
Advance from customers	1,532.1	1,596.5	1,673.9	1,299.5	1,077.7
Tax liabilities	35.2	53.1	10.2	17.6	9.8
Borrowings	100.0	70.0	15.0	10.0	—
Total	2,910.5	3,778.1	4,202.9	4,387.3	4,095.8
Net Current Assets	1,224.3	3,900.6	4,305.8	4,713.1	4,742.8

As of September 30, 2012, we had net current assets of approximately RMB4,742.8 million, which primarily resulted from increased inventories and trade and receivables due to our increased sales.

Trade and Other Receivables

Our trade and other receivables primarily comprise bills receivables from customers, trade receivables due from third parties and related parties, prepayments to suppliers, other tax recoverables, deposits, staff advances, other receivables and dividends receivable from a jointly controlled entity. Our trade and bills receivables represent receivables from the sales of our products. Bills receivable are similar to letters of credit in that payments made by bills receivables are guaranteed by banks, whereas our individual customers are responsible for the payment of trade receivables. Our trade and bills receivables are primarily related to a number of our customers that are large, state-owned coal mining enterprises and have generally positive credit profiles.

In our equipment sales, we generally require our customers to make installment payments based on certain production or delivery milestones. See "Business — Sales and Marketing — Material Sales Contracts." The settlement term of our bills receivable is typically no more than six months. In our sales of steel and other raw materials, we generally collect payments from our customers before delivery. The following table sets forth our trade and other receivables as of the dates indicated, as well as turnover days for our trade and bills receivables for the periods indicated.

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2009	2010	2011	2012
	(RMB in millions, except turnover days)			
Bills receivables	557.2	416.6	622.7	396.1
Trade receivables				
— due from third parties	1,091.6	1,704.2	1,867.7	2,763.4
— due from related parties	7.9	57.4	41.3	63.1
Less: allowance for doubtful debts	(90.3)	(138.9)	(194.0)	(245.7)
Total trade and bills receivables	1,566.4	2,039.2	2,337.7	2,976.9
Others(1)	231.2	305.6	566.4	538.3
Total	1,797.6	2,344.8	2,904.1	3,515.3
Turnover days of trade and bills receivables (in days)(2)	89	104	100	102

Notes:

(1) Primarily comprise prepayments to suppliers, other tax recoverables, deposits, staff advances, other receivables and dividends receivable from a jointly controlled entity. Staff advances in the amounts of RMB2.9 million, RMB3.8 million, RMB4.6 million and RMB9.1 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively, primarily comprised out-of-pocket and travel expenses incurred by our sales personnel that participated in bidding processes and related marketing activities. These expenses were funded by our working capital and were incurred during the ordinary course of business. These staff advances were interest-free and will not be settled upon the Listing.

(2) Turnover days of trade and bills receivables for the relevant period/year is calculated by dividing the average of the opening and closing balances of trade and bills receivables for the relevant period/year by revenue and then multiplying this figure by the number of days in the relevant period/year.

Trade receivables that were past due but not impaired refer to trade receivables that have not been paid after the expiry of the credit period. As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had RMB191.2 million, RMB374.5 million, RMB541.5 million and RMB622.6 million, respectively, of trade receivables that were past due but not impaired. From June 30, 2012 to the Latest Practicable Date, we collected RMB307.1 million of these trade receivables. The consistent increase in trade and bills receivables during the Track Record Period reflected the increase of our sales. Turnover days of trade and bills receivables generally increased during the Track Record Period, primarily as a result of an increase of the credit periods that we granted to certain key customers in an effort to develop our relationships with them and competition pressure, partially offset by our enhanced collection efforts.

The following table sets forth an aging analysis of our trade and bills receivables, net of allowance for doubtful debts, as of the dates indicated.

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Within 90 days	513.3	903.6	667.7	1,435.9
91 days to 365 days	966.0	1,004.2	1,389.5	1,314.9
366 days to 2 years	79.9	108.7	256.5	179.2
2 years to 3 years	7.3	22.7	24.0	46.9
Total	1,566.4	2,039.2	2,337.7	2,976.9

The increase in trade and bills receivables, net of allowance for doubtful debt, was primarily due to increased sales during the Track Record Period.

We typically allow a credit period of 90 days to our customers. In the case of our related party customers, the credit period is normally shorter than 90 days. However, in an effort to develop long-term relationships with our customers, we seek to accommodate their requests and, as such, the payment schedules of our sales contracts may vary on a case-by-case basis. In determining the recoverability of the trade receivable, we consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. See "Business — Sales and Marketing — Material Sales Contracts."

In determining impairment losses, we conduct regular reviews of our aging analyzes and evaluate collectables on an individual basis. The impairment of trade receivables relates to receivables from customers that are experiencing financial difficulties or in default on their payments to us. We do not hold any collateral over these outstanding balances. We estimate that certain trade and bills receivables unsettled after the expiry of their respective credit periods may still be recoverable based on individual analyzes of the relevant customers' credit history and financial condition. However, such estimates involve inherent uncertainties and the actual uncollectable amounts may be higher or lower than the amounts estimated.

The following table sets forth the movement of doubtful debts on our trade and other receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Opening balance	56.2	93.2	142.4	198.4
Provided for the year	36.9	49.2	56.0	55.0
Write off	—	—	—	(1.6)
Closing balance	93.2	142.4	198.4	251.9

Inventories

The following table sets forth our inventories and average inventory days as of the dates indicated.

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions, except turnover days)			
Raw materials and consumables	327.5	558.1	604.9	822.2
Work-in-progress	137.5	192.1	437.2	485.3
Finished goods	609.5	549.8	601.9	949.8
Total	1,074.5	1,300.0	1,644.0	2,257.3
Turnover days of inventory (in days)[(1)]	120	92	88	105

Note:

(1) Turnover days of inventory for the relevant period/year is calculated by dividing the average of the opening and closing balances of inventories for the relevant period/year by cost of sales and then multiplying this figure by the number of days in the relevant period/year.

Our inventories gradually increased during the Track Record Period in line with the increase of our sales. In addition, the commencement of operations at our newly-established Zhengzhou manufacturing facility in 2011 affected inventory and raw materials levels. Our raw materials and consumables consistently increased during the Track Record Period primarily as a result of our internal raw material policies to ensure sufficient raw materials for our production schedules to meet increased market demand. Our work-in-progress and finished goods generally increased, primarily as a result of the increased orders we received from our customers and the commencement of operations of our new manufacturing facility in Zhengzhou in 2011. As of the Latest Practicable Date, approximately 79.7% of our inventories as of June 30, 2012 had been used or sold.

Our turnover days of inventory decreased from 120 days in 2009 to 92 days in 2010 and further to 88 days in 2011, primarily as a result of improved inventory control policies to minimize the inventory levels of our parts, components and other ancillary materials used in our manufacturing operations. See "Business — Raw Materials, Suppliers and Inventory." In addition, the increase in customer demand for our products also led to increased sales volume and less turnover days of inventory, as we were generally able to manufacture and deliver our products in accordance with our customers' project schedules during the Track Record Period. Our turnover days of inventory increased to 105 days in the six months ended June 30, 2012, primarily as a result of an increase in the scale of our manufacturing operations after we commenced the operation of our newly-established manufacturing base in Zhengzhou in September 2011.

Bank Balances and Cash and Pledged Bank Deposits

To ensure we have sufficient working capital for general corporate purposes, we maintain bank balances and cash. The following table sets forth our bank balances and cash and pledged bank deposits as of the dates indicated.

	As of December 31,			As of June 30,
	2009	**2010**	**2011**	**2012**
	(RMB in millions)			
Bank deposits with original maturity within three months or less.	1,006.3	1,685.8	1,808.8	1,667.9
Bank deposits with original maturity over three months.	—	1,950.0	1,430.0	1,210.0
Cash	0.9	0.5	0.1	0.2
Total bank balances and cash	1,007.2	3,636.3	3,238.9	2,878.1
Pledged bank deposits	251.7	392.5	577.6	441.6
Total	1,258.9	4,028.8	3,816.5	3,319.7

Our cash is deposited with licensed banks located in the PRC. We had bank balances and cash of RMB1,007.2 million, RMB3,636.3 million, RMB3,238.9 million and RMB2,878.1 million, with annual interest rates ranging from 0.36% to 2.25%, 0.36% to 2.75%, 0.50% to 3.50% and 0.44% to 3.50% as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. Our pledged bank deposits represent deposits pledged to banks for the issuance of bank notes to purchase raw materials. We had pledged bank deposits of RMB251.7 million, RMB392.5 million, RMB577.6 million and RMB441.6 million, with annual interest rates ranging from 0.36% to 2.25%, 0.36% to 2.75%, 0.50% to 3.50% and 0.44% to 3.50% as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively.

Trade and Other Payables

Our trade and other payables primarily comprise trade payables and bills payables. Our other payables primarily comprise salary and bonus payables, dividends payable, amount due to a non-controlling shareholder of a subsidiary, deposits, accruals and other payables and housing funds held on behalf of staff. The following table sets forth our trade and other payables outstanding as of the dates indicated, as well as our turnover days for our trade and bills payables for the periods indicated.

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2009	2010	2011	2012
	(RMB in millions, except turnover days)			
Bills payable	327.3	561.2	966.7	793.9
Trade payables				
— due to third parties	629.8	941.6	1,005.0	1,666.1
— due to related parties	—	4.7	—	4.6
Total trade and bills payables	957.1	1,507.5	1,971.7	2,464.6
Other payables	286.0	550.9	532.0	595.6
Total	1,243.1	2,058.5	2,503.8	3,060.2
Turnover days of trade and bills payables (in days)(1)	83	96	104	119

Note:

(1) Turnover days of trade and bills payables for the relevant period/year is calculated by dividing the average of the opening and closing balances of trade and bills payables for the relevant period/year by cost of sales and then multiplying this figure by the number of days in the relevant period/year.

The consistent increase in trade and bills payables during the Track Record Period was primarily due to an increase in raw materials purchases as a result of an increase in product sales orders. The turnover days of trade and bills payables increased from 83 days in 2009 to 96 days in 2010, and further to 104 days in 2011 and 119 days in the six months ended June 30, 2012, primarily as a result of our increased bargaining power in raw materials purchases due to the increased scale of our operations, which enabled us to secure longer payment periods and use bank notes for certain purchases.

The following table sets forth an aging analysis of our trade and bills payables as of the dates indicated.

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Within 90 days	741.7	1,206.7	1,645.9	1,621.0
91 to 1 year	169.3	175.2	233.4	651.8
Over 1 year	46.1	125.6	92.4	191.8
Total	957.1	1,507.5	1,971.7	2,464.6

With respect to payment terms with our suppliers, we are generally granted a three-month credit period and are required to settle payments within three months of receipt of the goods from a supplier.

Advances from Customers

Advances from customers primarily comprise cash payments that we received from our customers in accordance with our standard payment terms. The following table sets forth advances from customers as of the dates indicated.

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Advances from customers	1,532.1	1,596.5	1,673.9	1,299.5

Advances from customers increased from 2009 to 2011 in line with our increased sales. For the six months ended June 30, 2012, advances from customers decreased 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.

INDEBTEDNESS

As of September 30, 2012, being the latest practicable date for the purpose of the indebtedness statement, we had borrowings and amounts due to certain parties amounting to RMB158.0 million. The following table sets forth our borrowings and amounts due to such parties and their respective maturity profiles as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2009	2010	2011	2012	2012
					(Unaudited)
			(RMB in millions)		
Borrowings	375.0	185.0	80.0	59.5	49.5
Amount due to a non-controlling shareholder of a subsidiary(1)	—	128.4	59.3	105.2	105.5
Amount due to Henan SASAC(2)	3.1	3.1	3.1	3.1	3.1
Total	378.0	316.4	142.3	167.7	158.0
Borrowings					
Secured	—	—	5.0(3)	—	—
Unsecured	375.0(4)	185.0(4)	75.0(4)	59.5	49.5
Borrowings					
Bank loans	373.0	183.0	70.0	49.5	49.5
Other loans	2.0	2.0	10.0	10.0	—
Borrowings repayable					
Within 1 year	100.0	70.0	15.0	10.0	—
More than 1 year but not exceeding 2 years	110.0	13.0	—	49.5	49.5
More than 2 years but not exceeding 5 years	148.0	95.0	65.0	—	—
More than 5 years	17.0	7.0	—	—	—

Notes:

(1) The balance represents the amount due to the second largest shareholder of ZMJ Shun Li Machinery, Huainan Mining. The amount is unsecured, interest-free and repayable on demand.

(2) The balance is unsecured, interest-free and repayable on demand.

(3) These borrowings were secured by the land use rights of ZMJ Longwall Machinery. As of the Latest Practicable Date, such charges had been released due to our early repayment of the related bank loans.

(4) A portion of these borrowings comprised bank loans guaranteed by the second largest shareholder of ZMJ Lu An Xinjiang, Lu Xin Coal Chemical, in the amount of RMB73.0 million, RMB73.0 million and RMB15.0 million, respectively, as of December 31, 2009, 2010 and 2011.

On July 12, 2011, one of our subsidiaries, ZMJ Lu An Xinjiang obtained a one-year loan from its second largest shareholder, Lu Xin Coal Chemical, with a principal amount of RMB10.0 million commencing on August 1, 2011. The loan was unsecured, bore an interest rate of 6.56% per annum, and matured on July 31, 2012. Pursuant to the relevant PRC laws and regulations, including Rule 61 of the *General Rules on Loans* (貸款通則), no PRC corporation is allowed to make or accept any advancement of a loan to or from another corporation without the relevant approvals. According to our PRC Legal Advisers, such borrowing constituted a lending activity between enterprises, which is prohibited by law and was, therefore, void and not legally binding. As a result, ZMJ Lu An Xinjiang may be subject to a fine of an amount equal to the interest that it paid on the loan. However, given the amount of such borrowing which was due and repaid, our PRC Legal Advisers are of the opinion that it will not materially affect our operations or those of ZMJ Lu An Xinjiang, nor will it have material adverse effect on the Global Offering. This loan was repaid by ZMJ Lu An Xinjiang at the end of July 2012.

In order to ensure that we do not receive similar advances in the future, we will adhere to and monitor more closely our compliance with the relevant PRC laws and regulations.

The following table sets forth the principal amounts and interest rates of our fixed-rate and floating-rate borrowings for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,	
	2009		2010		2011		2012	
	Principal Amount	Interest rate	Principal Amount	Interest rate	Principal Amount	Interest rate	Principal Amount	Interest rate
	(RMB in millions, except for %)							
Borrowings								
Fixed-rate	22.0	4.8% to 7.2%	12.0	5.3% to 7.2%	15.0	6.6%	10.0	6.6%
Floating-rate	353.0	4.8% to 5.9%	173.0	5.0% to 6.1%	65.0	6.2% to 7.0%	49.5	6.0% to 6.2%
Total	375.0		185.0		80.0		59.5	

Contingent Liabilities

As of June 30, 2012 and September 30, 2012, we had contingent liabilities in the form of issued financial guarantees to commercial banks for banking facilities of a maximum amount of RMB22.0 million granted to an associate. As of September 30, 2012, being the latest practicable date for the purpose of the indebtedness statement, the aggregate amounts that had been utilized by this associate and that we could be required to pay if the guarantees were called upon amounted to RMB11.0 million.

During the Track Record Period and as of September 30, 2012, we endorsed and derecognized certain bills receivables for the settlement of trade and other payables, which were issued and guaranteed by reputable banks in the PRC. The following table sets forth our maximum exposure from a default of these endorsed bills receivables as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2009	2010	2011	2012	2012
	(RMB in millions)				(Unaudited)
Outstanding endorsed bills receivables with recourse	654.0	877.1	1,427.5	1,850.8	1,868.0

Except as disclosed above, and apart from intra-group liabilities, we did not have, as of September 30, 2012, any outstanding mortgages, charges, debentures, other debt capital (issued or agreed to be issued), bank overdrafts or liabilities under acceptance (other than normal trade bills) or other similar indebtedness, hire purchase or finance lease commitments, any guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures primarily relate to the purchase of plant and equipment, acquisition of land use rights and construction of plant and facilities, primarily in the PRC. In the past, we funded our capital expenditures primarily through: (i) proceeds raised from the A Share Offering; (ii) cash flows from operating activities; and (iii) bank borrowings. In line with our business expansion strategy, we expect our capital expenditures to be significant in 2012 and 2013. See “Future Plans and Use of Proceeds — Use of Proceeds.”

The following table sets forth a breakdown of our capital expenditures during the Track Record Period.

	Year Ended December 31,			Six Months Ended June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Capital expenditures				
Property, plant and equipment	119.1	485.2	414.1	238.4
Prepaid lease payments	143.0	62.0	78.7	33.4
Other intangible assets	0.2	3.5	4.3	2.4
Total	262.3	550.7	497.1	274.2

In terms of accounting treatment, the proceeds raised from the A Share Offering have been or will be substantially applied towards the capital expenditures on property, plant and equipment and prepaid lease payments, which include: (i) construction of a high-end hydraulic roof supports production base of our Company; (ii) implementation of ancillary projects to complement the high-end hydraulic roof supports production base, which in turn involve the establishment of production facilities for electronic hydraulic control systems and a research and development center; and (iii) purchase of reserved land for industrial use. See "History, Development and Corporate Structure — History and Development — Listing on the Shanghai Stock Exchange in 2010."

The status of the use of proceeds from the A Share Offering for the above purposes as of June 30, 2012 is summarized as follows:

	Intended investment amount	Invested amount	Anticipated amount to be invested
		(RMB in millions) (unaudited)	
Construction of the high-end hydraulic roof supports production base	1,895	1,037	858
Implementation of ancillary projects to complement the high-end hydraulic roof supports production base	455	104	351
Purchase of reserved land for industrial use	120	75	45
Total	2,470	1,216	1,254

As of June 30, 2012, out of the proceeds raised from the A Share Offering, around RMB230 million had 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 figures are unaudited.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

Contractual Obligations

We have entered into several contractual obligations that are generally related to operating lease and commitments for the acquisition of property, plant and equipment. The following table sets forth the payments and due dates for our contractual obligations as of June 30, 2012.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(RMB in millions)				
Operating lease obligations					
Land use rights	84.9	5.2	10.4	10.4	58.9
Total	84.9	5.2	10.4	10.4	58.9

Capital Commitments

We seek to effectively manage our capital commitments. The following table sets forth the total amount of our capital commitments as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2009	2010	2011	2012	2012
	(RMB in millions)				
					(Unaudited)
Contracted, but not provided for					
Property, plant and equipment	118.3	348.6	124.8	59.2	117.7
Authorized, but not contracted					
Land use right	—	—	56.6	25.9	25.9
Total	118.3	348.6	181.4	85.1	143.6

Off-balance Sheet Arrangements

As of the Latest Practicable Date, we had no material off-balance sheet arrangements.

ADDITIONAL FINANCIAL RATIOS

The following table sets forth certain additional financial ratios of the Group and our management's discussion on material fluctuations as of and for the dates indicated.

	As of/for the year ended December 31,			As of/ for the six months ended June 30,
	2009	2010	2011	2012
Profitability ratios				
Return on equity				
Return on equity[(1)]	41.5%	17.4%	19.7%	12.1%
Return on total assets[(2)]	13.6%	9.9%	11.6%	7.3%
Liquidity ratios				
Liquidity ratios				
Current ratio[(3)]	142.1%	203.2%	202.4%	207.4%
Quick ratio[(4)]	105.1%	168.8%	163.3%	156.0%
Capital adequacy ratio				
Gearing ratio[(5)]	24.0%	3.6%	1.3%	0.9%
Debt to net worth ratio				
Debt to equity ratio[(6)]	(40.5%)	(67.1%)	(53.2%)	(40.9%)
Interest coverage[(7)]	45.2	52.5	181.7	495.8

Notes:

(1) Return on equity ratio is calculated by dividing net profit for the year/period by total equity at the end of the year/period and multiplying by 100%. Our return on equity ratio for the six months ended June 30, 2012 is calculated by dividing net profit for the six months ended June 30, 2012 by total equity as of June 30, 2012 and is therefore, not comparable as to the return on equity ratios for the years indicated above.

(2) Return on total assets ratio is calculated by dividing net profit for the year/period by total assets at the end of the year/period and multiplying by 100%. Our return on total assets ratio for the six months ended June 30, 2012 is calculated by dividing net profit for the six months ended June 30, 2012 by total assets as of June 30, 2012 and is therefore, not comparable as to the return on total assets ratios for the years indicated above.

(3) Current ratio is calculated by dividing total current assets at the end of the year/period by total current liabilities at the end of the year/period and multiplying by 100%.

(4) Quick ratio is calculated by dividing the difference between total current assets and stock at the end of the year/period by total current liabilities at the end of the year/period and multiplying by 100%.

(5) Gearing ratio is calculated by dividing the total interest-bearing liabilities at the end of the year/period by total equity at the end of the year/period and multiplying by 100%. In our case, interest-bearing liabilities include only our interest-bearing borrowings.

(6) Debt to equity ratio is calculated by dividing the interest-bearing liabilities net of cash and cash equivalents and financial assets at fair value through profit or loss at the end of the year/period by total equity at the end of the year/period and multiplying by 100%. In our case, interest-bearing liabilities include only our interest-bearing borrowings.

(7) Interest coverage is calculated by dividing the net profit before interest and tax for the year/period by total interest expenses (including capitalized interest expenses) for the year/period.

Analysis of Selected Key Financial Ratios

Return on Equity

Our return on equity ratio decreased from 41.5% for the year ended December 31, 2009 to 17.4% for the year ended December 31, 2010, primarily as a result of the increase of our share capital in issue and share premium following the A Share Offering of our Company in August 2010, which was partially offset by an increase in net profit from increased product sales during the same period. See "History, Development and Corporate Structure — History and Development — Listing on the Shanghai Stock Exchange in 2010."

Our return on equity ratio increased from 17.4% for the year ended December 31, 2010 to 19.7% for the year ended December 31, 2011, as a result of an increase in our net profit.

Our return on equity ratio was 12.1% for the six months ended June 30, 2012. Our net profit increased from the six months ended June 30, 2011 to the six months ended June 30, 2012, primarily due to an increase in our revenue and improved net profit margins.

Return on Total Assets

Our return on total assets ratio decreased from 13.6% for the year ended December 31, 2009 to 9.9% for the year ended December 31, 2010, primarily as a result of an increase in our total assets due to increased bank balances resulting from the proceeds received from the A Share Offering, partially offset by an increase in net profit.

Our return on total assets ratio increased from 9.9% for the year ended December 31, 2010 to 11.6% for the year ended December 31, 2011, primarily as a result of increased net profits.

Our return on total assets ratio was 7.3% for the six months ended June 30, 2012. Our net profit increased from the six months ended June 30, 2011 to the six months ended June 30, 2012, primarily as a result of an increase in our revenue and improved net profit margins.

Current Ratio

Our current ratio increased from 142.1% as of December 31, 2009 to 203.2% as of December 31, 2010, primarily as a result of an increase in current assets in the form of cash deposited with commercial banks following our A Share Offering.

Our current ratio decreased slightly from 203.2% as of December 31, 2010 to 202.4% as of December 31, 2011.

Our current ratio increased from 202.4% as of December 31, 2011 to 207.4% as of June 30, 2012, primarily as a result of an increase in current assets in the form of inventories and trade and bills receivables, which was consistent with our increased production capacity.

Quick Ratio

Our quick ratio increased from 105.1% as of December 31, 2009 to 168.8% as of December 31, 2010, primarily as a result of an increase in current assets in the form of cash deposited with commercial banks following our A Share Offering.

Our quick ratio decreased slightly from 168.8% as of December 31, 2010 to 163.3% as of December 31, 2011 and decreased slightly to 156.0% as of June 30, 2012.

Gearing Ratio

Our gearing ratio decreased from 24.0% as of December 31, 2009 to 3.6% as of December 31, 2010, primarily as a result of an increase in our share capital in issue and share premium following our A Share Offering in August 2010, as well as a decrease in our indebtedness due to the early repayment of certain bank borrowings.

Our gearing ratio decreased from 3.6% as of December 31, 2010 to 1.3% as of December 31, 2011 and further to 0.9% as of June 30, 2012, primarily as a result of increases in retained earnings contributed by our net profit and decreases in indebtedness due to the early repayment of certain bank borrowings.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks, primarily including credit risk, interest rate risk, liquidity risk, foreign exchange risk and inflation risk in the ordinary course of our business.

Credit Risk

Our credit risk is primarily attributable to the outstanding balances of trade and other receivables and the concentration risk of certain large customers in the PRC. Our trade and other receivables amounted to RMB1,797.6 million, RMB2,344.8 million, RMB2,904.1 million and RMB3,515.3 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively, and the aggregate amount of our five largest trade receivables accounted for approximately 32.1%, 18.9%, 15.4% and 18.2%, respectively, of our total trade and bills receivables for the same periods. We are also exposed to credit risk arising from the default of our customers on their obligations to us. See Note 32 of Appendix I of the Accountants' Report to this prospectus.

Our Company is also exposed to concentration of credit risk arising from loan receivables from our subsidiaries. The balances of loan receivables of our Company from three of our subsidiaries, namely ZMJ Comprehensive Equipment, ZMJ Longwall Machinery and ZMJ Material Trading, was RMB20.0 million, RMB50.0 million, RMB90.0 million and RMB90.0 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively.

To minimize our credit risk, our Directors have delegated a team responsible for determining credit limits and credit approvals and implementing other monitoring procedures to evaluate the solvency of certain customers on an ongoing basis and ensure that follow-up actions are taken to recover overdue debts. We also maintain provisions for potential credit losses. In addition, our Directors review the recoverability of receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. As such, our Directors are of the view that our credit risk has been significantly reduced.

We also have a concentration of credit risk with respect to liquidity funds that are deposited with several PRC commercial banks. However, our credit risk on bank balances and cash is limited because the majority, if not all, of our counter parties are large, state-owned banks or banks with good credit ratings assigned by international credit-rating agencies of good reputation.

Commodity Price Risk

We are exposed to price fluctuations of raw materials, particularly steel. 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. Fluctuations in the prices of these raw materials may have a significant effect on our results of operations. We currently do not engage in any hedging transactions to mitigate the risks relating to fluctuations in the prices of raw materials because our steel price fluctuation risks are generally mitigated by our steel and other raw materials trading business. Furthermore, due to our short production and sales cycles, which generally range from four to six months, as well as our typical practice of purchasing raw materials immediately after we enter into sales contracts, steel price fluctuations did not have a material adverse effect on our business during the Track Record Period. However, our business, results of operations, financial condition and profitability may nevertheless be affected by fluctuations in steel prices. See "Risk Factors — Risks Relating to Our Business and Operations — We may experience fluctuations in steel and other raw material prices."

Sensitivity Analysis

The sensitivity analysis below has been determined based on our exposure to steel price fluctuations during the Track Record Period and a hypothetical change in steel prices of 5% and 15%, as they reflect a common fluctuation range for steel prices, with all other variables remaining constant.

The analysis below shows the impact of a 5% fluctuation of steel prices on our hydraulic roof supports and steel and other raw materials trading business and, in particular, the effects on our average gross profit margin during the Track Record Period, with all other variables remaining constant.

Hydraulic Roof Supports

	Track Record Period		
	Average monthly steel purchase price	Average gross profit margin	Movement in gross profit margin
	(RMB in thousands per tonne)		(bps)
Steel prices increase by 5%	4.6	31.8%	(80)
Steel prices decrease by 5%..................	4.2	33.4%	80

Steel and Other Raw Materials Trading

	Track Record Period		
	Average monthly steel purchase price	Average gross profit margin	Movement in gross profit margin
	(RMB in thousands per tonne)		(bps)
Steel prices increase by 5%	4.6	4.3%	(20)
Steel prices decrease by 5%	4.2	4.7%	20

The analysis below shows the impact of a 15% fluctuation of steel prices on our hydraulic roof supports and steel and other raw materials trading business, and in particular, the effects on our average gross profit margin during the Track Record Period, with all other variables remaining constant.

Hydraulic Roof Supports

	Track Record Period		
	Average monthly steel purchase price	Average gross profit margin	Movement in gross profit margin
	(RMB in thousands per tonne)		(bps)
Steel prices increase by 15%..................	5.1	30.3%	(230)
Steel prices decrease by 15%	3.7	35.1%	250

Steel and Other Raw Materials Trading

	Track Record Period		
	Average monthly steel purchase price	Average gross profit margin	Movement in gross profit margin
	(RMB in thousands per tonne)		(bps)
Steel prices increase by 15%	5.1	4.0%	(50)
Steel prices decrease by 15%	3.7	5.2%	70

Interest Rate Risk

We are exposed to interest rate risks due to interest rate fluctuations on our variable-rate short-term bank borrowings, pledged bank deposits, bank balances and other variable-rate borrowings and fair value interest rate risk on our long-term fixed-rate and short-term fixed-rate bank borrowings. As of June 30, 2012, we had RMB49.5 million of borrowings that bore interest at floating rates in the range of 6.0% to 6.2% per year and RMB10.0 million of borrowings that bore interest at fixed rates at 6.6% per year. Historically, we have not been exposed to material interest rate risk. As such, we do not have an interest rate hedging policy and have not used any derivative financial instruments to manage this risk. However, our management monitors our interest rate exposure and will consider hedging significant interest rate exposures as necessary.

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (including pledged bank deposits, bank balances and borrowings) at the end of each reporting period and the hypothetical changes in interest rates taking place at the beginning of the financial year being held constant throughout the reporting period in the case of pledged bank deposits, bank balances and borrowings.

A 10 basis point increase or decrease in interest rates on variable-rate pledged bank deposits and bank balances, and a 100 basis point increase or decrease in interest rates on variable-rate borrowings are used when reporting interest rate risk internally to key management personnel, and represents management's assessment of reasonably possible changes in interest rates. If interest rates on variable-rate pledged bank deposits and bank balances had been 10 basis points higher and all other variables remained constant, the post-tax profit for the year would have increased by:

	Year Ended December 31,			Six Months Ended June 30,
	2009	2010	2011	2012
	(RMB in millions)			
The Group				
Increase in post-tax profit for the year	0.9	1.3	1.2	1.2
The Company				
Increase in post-tax profit for the year	0.8	1.3	0.7	0.9

Post-tax profit for the year/period would have decreased by the same amount referenced above if interest rates on variable-rate pledged bank deposits and bank balances had been 10 basis points lower, with all other variables remaining constant.

If interest rates on variable-rate borrowings had been 100 basis points higher and all other variables remained constant, post-tax profit for the year after taking into consideration of capitalization the interest would have decreased by:

	Year Ended December 31,			Six Months Ended June 30,
	2009	2010	2011	2012
	(RMB in millions)			
The Group				
Decrease in post-tax profit for the year	(3.2)	(1.6)	(0.7)	(0.5)
The Company				
Decrease in post-tax profit for the year	(2.6)	(0.4)	—	—

Post-tax profit for the year/period, after taking into consideration the capitalization of interest, would have increased by the same amount as referenced above if interest rates on variable-rate borrowings had been 100 basis points lower, with all other variables remaining constant.

Liquidity Risk

Our liquidity risk is primarily dependent on our ability to maintain adequate cash inflows from our operations to meet our debt obligations as they become due, and our ability to obtain any required external financing to meet our committed future capital expenditures. We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations on our cash flows. Our management also monitors the utilization of bank borrowings to ensure compliance with our loan covenants.

Foreign Exchange Risk

Currently, our business and operations are primarily located in the PRC, with certain overseas sales or operations in the United States, Russia, Turkey and India. Although most of our assets and liabilities are denominated in Renminbi, our Company and our overseas subsidiary engage in certain transactions including the sales of certain products and purchases of supplies and equipment that are primarily denominated in the US dollars and euros, which exposes us to foreign exchange risk. As we grow our international operations and increase overseas sales, we believe that our foreign exchange risk will continue to increase. We have entered into foreign exchange forward transactions to hedge our foreign currency exposure, and our net foreign exchange gains/(losses) were RMB0.9 million, RMB(0.8) million, RMB6.5 million and RMB(0.5) million for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. While we currently do not have a foreign currency hedging policy, we will continue to monitor our currency exposure and may engage in hedging transactions as necessary.

In line with our international expansion plans, we may be required to convert a majority of the proceeds denominated in Hong Kong dollars 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. We may also convert a portion of the proceeds denominated in Hong Kong dollars into Renminbi for our domestic expansion plans. The potential depreciation of the Hong Kong dollar against certain currencies, including the Renminbi, could reduce the amount of currency available for our use upon the conversion of proceeds. We intend to utilize forward currency contracts and establish a specific hedging policy to manage foreign currency risks associated with our international expansion. We expect to establish these internal policies after we receive the proceeds from this Offering, but before we establish our overseas manufacturing and related facilities.

Sensitivity Analysis

The sensitivity analysis below utilizes a sensitivity rate of 5% and illustrates our sensitivity to a 5% appreciation and depreciation of the relevant currencies against the Renminbi, and is used when reporting foreign currency risk internally to our management. This sensitivity analysis represents our management's assessment of reasonably possible changes in foreign exchange rates, and only includes outstanding foreign currency denominated monetary items that are adjusted at the end of each reporting period for a 5% change in foreign currency rates, with all other variables remaining constant. A positive number below indicates an increase in post-tax profit for the year and a negative number below indicates a decrease in post-tax profit for the year.

	Year Ended December 31,			Six Months Ended June 30,
	2009	2010	2011	2012
	(RMB in millions)			
The Group				
US$ impact				
— if US$ strengthens against RMB	(0.9)	(<0.1)	(7.1)	2.0
— if US$ weakens against RMB	0.9	<0.1	7.1	(2.0)
Euro impact				
— if EUR strengthens against RMB	(1.7)	(1.6)	(1.5)	(1.2)
— if EUR weakens against RMB	1.7	1.6	1.5	1.2

Our Directors believe that the sensitivity analysis is not representative of the inherent foreign exchange risk as the year-end exposures do not completely reflect our exposure during the Track Record Period.

Inflation Risk

Inflationary factors, such as increases in the cost of our coal mining and excavating products and overhead expenses, could materially affect our results of operations and financial condition. Although we do not believe that inflation has had a material effect on our results of operations and financial condition to date, a high rate of inflation in the future may have a material adverse effect on our ability to maintain current levels of: (i) gross profit; (ii) selling and distribution expenses; and (iii) administrative expenses (as a percentage of our income), particularly, if the selling prices of our coal mining and excavating equipment do not increase with these increased costs and expenses.

PROFIT FORECAST

On the bases and assumptions as set out in Appendix IV to this prospectus and in the absence of unforeseen circumstances, we believe that our forecasted consolidated profit attributable to owners of our Company for the year ending December 31, 2012 will be no less than RMB1,582 million under IFRS.

DIVIDEND POLICY

According to Article 245 of our Articles of Association, we may not make any dividend distribution except out of our accumulated distributable profits. We may distribute dividends in the form of cash or shares, and to the extent permitted by our cash flow position, we shall endeavor to distribute dividends in the form of cash as stipulated under our Articles of Association. Cash dividends declared out of our distributable profits after full allocations to statutory reserves for the three most recent years shall in aggregate account for at least 30% of our average annual distributable profits in respect of that three-year period. Our Directors may declare dividends, if any, after taking into account including, but not limited to:

- our results of operations;
- cash flows and financial condition;
- operating and capital requirements;
- amount of distributable profits based on IFRS, or PRC GAAP whichever is lower;
- our Articles of Association, the PRC Company Law and other applicable PRC laws and regulations; and
- other factors that our Directors consider relevant.

Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividend distribution will be subject to our Board's discretion which will be made in accordance with the relevant requirements under our Articles of Association, and the dividend distribution proposal by our Board and any changes to the dividend policy will be subject to Shareholders' approval as required by the Articles of Association.

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 2011 first extraordinary general meeting, at which the proposal for distribution of accumulated profits prior to the Global Offering was approved, 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, the proposal for distribution of profits in respect of the financial year of 2011 was approved, 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.

Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Following completion of the Global Offering, our Shareholders of H Shares and A Shares will each have an equal right to the distributable profits of our Company for the year ending December 31, 2012 and thereafter.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of our Company, which has been prepared based on the audited consolidated net tangible assets of our Company attributable to the owners of our Company as of June 30, 2012 as extracted from the accountants' report, the text of which is set out in Appendix I to this prospectus, adjusted as described below.

The unaudited pro forma statement of adjusted net tangible assets has been prepared to show the effect of the Global Offering as if it had taken place on June 30, 2012 assuming the Over-allotment Option is not exercised. The statement has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial position as of June 30, 2012 or at any future dates following the Global Offering.

	Adjusted consolidated net tangible assets attributable to owners of our Company as of June 30, 2012(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(3)	
	(RMB in thousands)			RMB	HK$
Based on the Offer Price of HK$12.28 per Offer Share	6,594,421	2,093,653	8,688,074	5.36	6.60
Based on the Offer Price of HK$10.38 per Offer Share	6,594,421	1,752,506	8,346,927	5.15	6.34

Notes:

(1) The adjusted consolidated net tangible assets of the Group attributable to the owners of our Company as of June 30, 2012 was determined after deducting the intangible assets attributable to the owners of our Company as of June 30, 2012 as set out in the accountants' report in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK$10.38 or HK$12.28 per Offer Share, being the low-end and high-end of the indicative Offer Price range, respectively, after deducting the underwriting fees and other related expenses, and does not take into account the related expenses already recognized in the income statement on or before June 30, 2012 and any H Shares that may be issued upon exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the translation of RMB into HK$ was made at the rate of RMB0.8120 to HK$1.00, the exchange rate prevailing on November 16 set by PBOC for foreign exchange transactions.

(3) The unaudited pro forma net tangible assets per Share is calculated based on 1,621,122,000 Shares, being the number of shares in issue immediately following the completion of the Global Offering without taking into account any H Shares that may be issued upon exercise of the Over-allotment Option.

RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. See note 45 of the accountants' report included in Appendix I to this prospectus for more information on the related party transactions entered between us and our related parties.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors have confirmed that they are currently not aware of any circumstance subsisting as of the Latest Practicable Date that triggered disclosure obligations under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

As a company listed on the Shanghai Stock Exchange, we are required to publish our quarterly (for the first and third quarters of each year), interim (for the first six months of each year) and annual reports for release to the A Share market in accordance with the Shanghai Listing Rules. These reports will be prepared in conformity with PRC GAAP. We will disclose such information simultaneously in Hong Kong to the extent considered relevant to the H Share market.

WORKING CAPITAL CONFIRMATION

Taking into account our cash generated through operations, the net proceeds of the Global Offering and our bank balances and cash on hand, our Directors believe that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

As of September 30, 2012, we had RMB5,096.5 million of banking facilities available to us from commercial banks, of which approximately RMB4,456.8 million was not utilized, and cash and cash equivalents of RMB1,542.0 million.

DISTRIBUTABLE RESERVES

As of September 30, 2012, our reserves available for distribution to our owners amounted to approximately RMB3,395.0 million. The PRC Company Law provides that share premium account of a company incorporated in the PRC, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of Articles of Association. However, no distribution or dividend may be paid to its members out of the Share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change to our financial or trading position or prospects since June 30, 2012, being the date to which our most recent audited consolidated financial statements were prepared, and since that date, there has been no event up to the date of this prospectus that would materially affect the information shown in our consolidated financial statements included in the accountants' report set out in Appendix I to this prospectus, in each case except as otherwise disclosed in this prospectus.