The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements included in "Appendix II — Unaudited Condensed Consolidated Financial Statements" to this prospectus, together with the accompanying notes, and "Financial Information" in this prospectus and our audited consolidated financial statements included in "Appendix I — Accountants' Report" to this prospectus, together with the accompanying notes. Our unaudited condensed consolidated financial statements included in Appendix II to this prospectus have been prepared in accordance with IFRS and reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410. Our historical results of operations and financial condition as of and for the nine months ended September 30, 2012 do not necessarily indicate our results of operations or financial condition expected for any future periods, nor do they necessarily indicate our expected annual results of operations or year-end financial condition for 2012. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed and elsewhere in this prospectus.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As required by the Shanghai Listing Rules, we published our third quarter financial report on October 16, 2012 containing our unaudited consolidated financial statements as of and for the nine months ended September 30, 2012 prepared under PRC GAAP. As a result, we have included our unaudited condensed consolidated financial statements prepared in accordance with IAS 34 as of and for the nine months ended September 30, 2012 in Appendix II to this prospectus. Our unaudited condensed consolidated financial statements have been reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2012

The following table sets forth our summary results of operations for the periods indicated:

	Nine Months Ended September 30,	
	2011	2012
	(RMB in millions, except earnings per share) (unaudited)	
Condensed Consolidated Statements of Comprehensive Income		
Revenue	5,787.7	7,306.6
Cost of sales	(4,307.6)	(5,348.6)
Gross profit	1,480.2	1,958.0
Other income	59.0	85.8
Other gains and losses	(22.4)	(32.2)
Selling and distribution expenses	(148.4)	(240.4)
Administrative expenses	(232.0)	(318.7)
Share of profit of associates	7.6	11.6
Share of profit of jointly controlled entities	0.5	0.4
Finance costs	(6.3)	(2.6)
Profit before tax	1,138.2	1,461.9
Income tax expense	(274.6)	(231.5)
Profit and total comprehensive income for the year/period	863.6	1,230.4
Attributable to:		
Owners of the Company	850.6	1,207.0
Non-controlling interests	13.0	23.4
	863.6	1,230.4
Earnings per share		
Basic and diluted (RMB)	0.61	0.86

The following discussion compares the major selected components of our results of operations for the nine months ended September 30, 2011 and 2012.

Revenue

Our revenue increased by 26.2% from RMB5,787.7 million for the nine months ended September 30, 2011 to RMB7,306.6 million for the nine months ended September 30, 2012. The following table sets forth our revenue, by product and business, and that information as a percentage of total revenue for the periods indicated.

	Nine Months Ended September 30,			
	2011		2012	
	(RMB in millions, except for %) (unaudited)			
Hydraulic roof supports	4,114.2	71.1%	5,238.1	71.7%
Steel and other raw materials trading	1,233.2	21.3%	1,596.1	21.8%
Spare parts(1)	311.0	5.4%	234.1	3.2%
Other coal mining equipment(2)	86.6	1.5%	190.4	2.6%
Others(3)	42.7	0.7%	47.8	0.7%
Total	5,787.7	100%	7,306.6	100%

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.

Hydraulic roof supports. Revenue from sales of our hydraulic roof supports increased by 27.3% from RMB4,114.2 million for the nine months ended September 30, 2011 to RMB5,238.1 million for the nine months ended September 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 58.6%, from 10,573 units for the nine months ended September 30, 2011, comprising 2,680 units of high-end hydraulic roof supports and 7,893 units of medium-end hydraulic roof supports, to 16,766 units for the nine months ended September 30, 2012, comprising 3,191 units of high-end hydraulic roof supports and 13,575 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 19.7% from RMB389.1 thousand per unit for the nine months ended September 30, 2011 to RMB312.4 thousand per unit for the nine months ended September 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 14.3% from RMB829.9 thousand per unit for the nine months ended

September 30, 2011 to RMB711.6 thousand per unit for the nine months ended September 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 RMB239.5 thousand per unit for the nine months ended September 30, 2011 to RMB218.6 thousand per unit for the nine months ended September 30, 2012, primarily due to a general decrease in 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 29.4% from RMB1,233.2 million for the nine months ended September 30, 2011 to RMB1,596.1 million for the nine months ended September 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 24.7% from RMB311.0 million for the nine months ended September 30, 2011 to RMB234.1 million for the nine months ended September 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 119.9% from RMB86.6 million for the nine months ended September 30, 2011 to RMB190.4 million for the nine months ended September 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 11.9% from RMB42.7 million for the nine months ended September 30, 2011 to RMB47.8 million for the nine months ended September 30, 2012.

Cost of Sales

Our cost of sales increased by 24.2% from RMB4,307.6 million for the nine months ended September 30, 2011 to RMB5,348.6 million for the nine months ended September 30, 2012, primarily due to an increase in our sales.

Cost of raw materials. Cost of raw materials increased by 25.4% from RMB3,804.9 million for the nine months ended September 30, 2011 to RMB4,770.7 million for the nine months ended September 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 10.4% from RMB385.1 million for the nine months ended September 30, 2011 to RMB425.0 million for the nine months ended September 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 national monthly consumer price index in the PRC was 4.5%, 3.2%, 3.6%, 3.4%, 3.0%, 2.0%, 1.8%, 2.0% and 1.9% for the first nine months of 2012.

Gross Profit and Gross Profit Margin

Our gross profit increased by 32.3% from RMB1,480.2 million for the nine months ended September 30, 2011 to RMB1,958.0 million for the nine months ended September 30, 2012 and our gross profit margin increased slightly from 25.6% for the nine months ended September 30, 2011 to 26.8% for the nine months ended September 30, 2012.

Hydraulic roof supports. Gross profit margin for our hydraulic roof supports increased from 31.6% for the nine months ended September 30, 2011 to 34.2% for the nine months ended September 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 43.3% of our total sales of hydraulic roof supports for the nine months ended September 30, 2012, increased from 38.5% for the nine months ended September 30, 2011 to 44.2% for the nine months ended September 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 56.7% of our total sales of hydraulic roof supports for the nine months ended September 30, 2012, increased from 23.5% for the nine months ended September 30, 2011 to 26.5% for the nine months ended September 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 8.8% for the nine months ended September 30, 2011 to 7.1% for the nine months ended September 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 7.3% and 8.8% of the revenue of our steel and other raw materials trading business in the first nine months 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 24.6% for the nine months ended September 30, 2011 to 25.5% for the nine months ended September 30, 2012.

Other coal mining equipment. Gross profit margin for our other coal mining equipment slightly increased from 10.5% for the nine months ended September 30, 2011 to 10.6% for the nine months ended September 30, 2012.

Other Income

Other income primarily comprised government subsidies received and interest income on bank deposits. Our other income increased by 45.4% from RMB59.0 million for the nine months ended September 30, 2011 to RMB85.8 million for the nine months ended September 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 43.8% from RMB22.4 million for the nine months ended September 30, 2011 to RMB32.2 million for the nine months ended September 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, partially offset by fair value gains of RMB17.3 million on our held-for-trading investments during the nine months ended September 30, 2012, primarily as a result of the purchase of equity securities listed on the PRC stock exchanges by Huaxuan Investment following the establishment of Huaxuan Investment on December 5, 2011.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 62.0% from RMB148.4 million for the nine months ended September 30, 2011 to RMB240.4 million for the nine months ended September 30, 2012, primarily as a result of an increase in transportation and logistics expenses as our sales volumes increased, as well as an increase in tender and bidding costs associated with our international expansion plans.

Administrative Expenses

Our administrative expenses increased by 37.4% from RMB232.0 million for the nine months ended September 30, 2011 to RMB318.7 million for the nine months ended September 30, 2012, primarily as a result of an increase in the research and development expenses and a general increase in employee salaries, benefits and other remuneration, as well as 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.

Share of Profits of Associates

Share of profits of associates increased by 52.6% from RMB7.6 million for the nine months ended September 30, 2011 to RMB11.6 million for the nine months ended September 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 58.7% from RMB6.3 million for the nine months ended September 30, 2011 to RMB2.6 million for the nine months ended September 30, 2012, primarily as a result of a decrease in interest expenses on our bank borrowings. Interest expenses decreased from the nine months ended September 30, 2011 to the nine months ended September 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 28.4% from RMB1,138.2 million for the nine months ended September 30, 2011 to RMB1,461.9 million for the nine months ended September 30, 2012.

Income Tax Expense

Our income tax expense decreased by 15.7% from RMB274.6 million for the nine months ended September 30, 2011 to RMB231.5 million for the nine months ended September 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 September 30, 2011, the income tax expense of our Company for the nine months ended September 30, 2011 was calculated based on the statutory income tax rate of 25%, while the income tax expense of our Company for the nine months ended September 30, 2012 was calculated based on the effective tax rate of 15%. See "Financial Information — 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 for the year increased by 42.5% from RMB863.6 million for the nine months ended September 30, 2011 to RMB1,230.4 million for the nine months ended September 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.

ASSETS AND LIABILITIES

The following table sets forth selected information with respect to our assets and liabilities as of the dates indicated. For a detailed discussion of our assets and liabilities as of December 31, 2009, 2010 and 2011 and June 30, 2012, see "Financial Information — Liquidity and Capital Resources — Net Current Assets and Liabilities."

	As of December 31, 2011	As of September 30, 2012
	(RMB in millions)	(unaudited)
Key Financial Position Information		
Non-current assets	1,926.8	2,527.4
Current assets	8,508.7	8,838.7
Current liabilities	4,202.9	4,095.8
Net current assets	4,305.8	4,742.8
Total assets less current liabilities	6,232.6	7,270.2

Non-current Assets and Liabilities

Our non-current assets increased from RMB1,926.8 million as of December 31, 2011 to RMB2,527.4 million as of September 30, 2012, primarily as a result of an increase in our property, plant and equipment after we completed construction of our newly-established manufacturing base in Zhengzhou in September 2011.

Current Assets and Liabilities

Our current assets increased from RMB8,508.7 million as of December 31, 2011 to RMB8,838.7 million as of September 30, 2012, primarily as a result of increases in our inventories and trade and other receivables due to the increased scale of our manufacturing operations after we commenced operations of our newly-established manufacturing base in Zhengzhou in September 2011, partially offset by decreases in our bank balances and cash.

Our current liabilities decreased from RMB4,202.9 million as of December 31, 2011 to RMB4,095.8 million as of September 30, 2012, primarily as a result of a decrease in our advances from customers, as we waived pre-payment requirements for certain of our long-term, strategic and/or large customers with positive credit profiles, partially offset by an increase in our trade and other payables.

ESTABLISHMENT OF JOINT VENTURE

On August 17, 2012, we established ZMJ Forging and Pressing with an Independent Third Party, in which we hold 49% of the equity interest. The business scope of ZMJ Forging and Pressing as stated in its business license is manufacture and sale of accessories and spare parts for coal mining machinery, automobiles, petroleum machinery and railway machinery. It is the mutual intention of the Company and the joint venture partner that ZMJ Forging and Pressing will generally focus and carry on the manufacture of accessories and spare parts for coal mining machinery and equipment through recycling of scrapped steel products. The registered capital of ZMJ Forging and Pressing is approximately RMB12.9 million, with approximately RMB6.3 million to be contributed by our Company and approximately RMB6.6 million to be contributed by the joint venture partner, respectively. As of the Latest Practicable Date, approximately RMB11.0 million was paid up, of which approximately RMB5.7 million was contributed by our Company. Each shareholder of ZMJ Forging and Pressing will be entitled to exercise its voting power at a shareholders meeting on a pro-rata basis in accordance with its respective percentage of the equity interest as stated in the articles of association of ZMJ Forging and Pressing, i.e., as to 49% by our Company and as to 51% by the joint venture partner.

Since we hold less than a majority of the voting rights in respect of ZMJ Forging and Pressing and its daily operation is managed by the joint venture partner, our Directors believe that ZMJ Forging and Pressing is and will be treated as an associate of our Company under the applicable accounting treatment principles.

DEVELOPMENTS REGARDING HUAXUAN INVESTMENT

On July 27, 2012, the Company and Hua Xin Venture Capital, as shareholders of Huaxuan Investment, passed a shareholders' resolution at a meeting to approve the Proposed Capital Increase in Huaxuan Investment. According to that resolution, upon completion of the Proposed Capital Increase in Huaxuan Investment, the percentage of our equity interest in Huaxuan Investment will be diluted to 46.15%. The relevant parties are in the process of implementing the Proposed Capital Increase in Huaxuan Investment. As confirmed by our PRC Legal Advisers, since July 27, 2012: (i) the articles of association of Huaxuan Investment have been amended such that its board of directors now comprises seven directors, of whom four are nominated by Hua Xin Venture Capital and three by us; and (ii) our voting rights at general meetings of Huaxuan Investment have decreased from 60% to 46.15%, while Hua Xin Venture Capital has been entitled to exercise 53.85% of the voting rights. On this basis and in the opinion of the Directors, since July 27, 2012, Huaxuan Investment has ceased to be a subsidiary of the Company and a member of the Group, and since the third quarter of 2012, Huaxuan Investment has ceased to be accounted for, and consolidated in, our audited consolidated accounts as a subsidiary pursuant to IFRS. Huaxuan Investment is now accounted for as an investment in an associate of our Company.